



**Coventry Group Ltd**

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ABN 37 008 670 102

**ANNUAL REPORT**

**2016**



# Coventry Group Ltd and its controlled entities

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## Chairman's Report

If one was to ascribe a headline to the Coventry business at present it would be "improving but not there yet".

After a solid first half, the third quarter was a disappointment with sales below expectations in a couple of segments and a number of key initiatives not delivering efficiencies and savings quickly enough. The last quarter pleasingly delivered a small positive EBITDA and was cash positive. Our senior leadership team, led by our CEO, is working extremely hard on and in the business with at times frustratingly mixed results. I refer to this later in this commentary.

The AA Gaskets business continues to be a strong contributor and the addition of a new major customer during the year certainly helped the result. A full year contribution from that major customer should positively impact Gasket's FY17 result. Pleasingly, our reputation as a quality supplier to the vehicle after-market remains solid. After the sad passing of the GM of AA Gaskets earlier this year a new GM appointment was recently made and we are very pleased to have secured the services of an experienced professional with extensive industry experience. A sale and leaseback of the Gaskets premises in Melbourne was completed in the last quarter of FY16.

Mining services is a tough and competitive market at present so we are again pleased with the performance of the Cooper Fluids business. We couldn't have better leadership in that business and our reputation as a quality supplier of product and services is a credit to the Coopers team.

The finance team is now largely Melbourne based and we are clearly seeing the advantages of the CEO and his finance team operating from the same location. Reduction in a somewhat bloated cost structure has been achieved during the period and reducing the cost of doing business further remains front of mind for the Board and management. Centralising support office functions is an important part of that with the previous structure being spread across three states which was inherently costly.

Eleven new Trade Distribution stores were opened during the period bringing the total opened since 1 January 2015 to eighteen. This comes at a cost which some may question but the Board is committed and determined to continue prudently expanding the store footprint as but one part of its turnaround strategy. The present cost base of the trade distribution network is largely fixed in nature and it needs scale to prosper. Growing the store network requires a pipeline of enthusiastic, trained and committed managers. To that end our branch manager school commenced in July 2016 which brings to an end a period of underinvestment in staff development and is expected to yield the Company's management of the future.

Based on an extensive review carried out by management and external supply chain consultants in 2015 it was determined the Trade Distribution business had too many distribution centres all employing the same poor practices. Feedback revealed our value proposition as an internal and external supplier was not meeting acceptable levels. The decision was taken to close a number of the distribution centres and implement proper systems, controls and measures into the remaining four via a fully integrated Warehouse Management System (WMS).

An ambitious WMS implementation programme commenced in December 2015 and concluded in July 2016. The delivery of efficiency gains has taken longer than expected. Such issues take time to work through particularly in multiple geographic locations and within the framework of current workplace law but efficiency gains and savings are expected to positively impact FY17 performance.

Whilst acknowledging improvement, all stakeholders will be disappointed at the speed of recovery of the Trade Distribution business. There is no denying the effort the management team are putting into the turnaround of this business and their commitment and dedication to the task is commendable. The Board's view is that in some areas their programme was overly ambitious given the legacy issues to be overcome, and the impact of the dramatic decline in the engineering and mining sectors in which the business principally operates cannot be overstated. Realistically, a turnaround of this nature is a multi-year process and we fully expected some hurdles along the way. We are only one year in and a large number of necessary changes have been made, others are work in progress and many more on the drawing board. Stakeholders can rightly ask "how long will it take?" As overseas comparative companies demonstrate, once the business has its cost structure, systems and processes in order it needs scale to improve profitability. Sales growth initiatives are now the single biggest focus for management and the CEO talks to this in his report.

In 2007 the Company entered into a single term twenty year lease for a large warehouse in Perth which was no longer required following its exit from its motor parts business in 2012. The warehouse is currently sub-let and this arrangement expires in October 2017. This is a concern to the Board and every effort is being made to secure a new sub-tenant.

The Company remains a challenging and demanding place to work and on behalf of the Board I would like to acknowledge the efforts of all those who are contributing diligently to the turnaround of the Company's performance.

The Board has determined that no final dividend will be paid. Looking ahead the Board will assess the Company's ability to pay dividends against earnings and the financial position of the business.

**Neil G. Cathie**  
**Chairman of the Board of Directors**

## CEO's Report

As the Chairman has remarked the year delivered significant improvement in a number of key areas but much remains to be done to deliver sustainable returns to our shareholders.

In 2012 we set out to improve the safety performance of the business and had some early success as Lost Time Injuries (LTIs) reduce from 14 in F13 to six in F14. 12 months ago we reviewed our safety efforts following an increase in Lost Time Injuries (LTIs) from six in F14 to 10 in F15. I am pleased to report that these efforts have had a material impact on our safety performance with LTIs falling from 10 to two. We believe that every injury is preventable and therefore our goal in F17 is to record zero LTIs.

In February 2015 we announced a substantial restructure of the business that was to last until December 2016. As at 30 June 2016 the restructure is mostly complete with a small number of vital projects still to be completed. During the year the last duplicate Distribution Centre in the Trade Distribution business was closed in Welshpool, Perth, leaving the Trade Distribution business with four Distribution Centres, down from 13 in 2012. Following the closures, the roll out of Oracle's Warehouse Management System (WMS) commenced with the WMS being implemented in four Distribution Centres and two of the largest branches on time and on budget. The WMS brings sophisticated tools that allow the efficient picking and packing of products and in so doing is designed to reduce cost and improve service. I am pleased to advise that since July 2016 the Distribution Centres have met their targets and are now delivering significant cost reductions. The WMS is also driving better outcomes for customers with our key measure, Delivery In Full & On Time (DIFOT) improving every month since April 2016. Along the way our staff and customers have endured significant disruption and this has had a detrimental impact on sales. With the disruption now in the past, the sales team will be working hard to return lost customers.

As part of our commitment to centralise core functions and to improve communication, the finance team was relocated from Perth to Thomastown, Victoria. Whilst it was an expensive and somewhat disruptive exercise communication and oversight have improved significantly as a result. Throughout the restructure period corporate costs have been attacked with a reduction of \$1.2 million p.a. achieved for the year.

The Chairman has noted that the Coopers team is well led and this is evident in the improved profitability despite a reduction in revenue. The Coopers team reacted quickly to the end of the mining boom and repositioned itself for more services and maintenance focused work whilst simultaneously reducing costs.

AA Gaskets also had a strong year gaining a significant customer in the Australasian market thanks in no small part to our GM, Mr. Kerry Lee, who sadly passed away during the year. Next year that customer is expected to trade for a full year and strengthen the result. The sale and leaseback of the factory building was well timed to maximise value for our shareholders. In addition, inventory reductions allowed for dividends from AA Gaskets to Coventry Group to exceed earnings. Recently we have appointed a new General Manager who is an experienced operator in the Automotive after-market industry and who will bring a fresh approach to inventory, costs and sales opportunities.

Inventory was also reduced in Coventry Group through a number of successful strategies. In order to accelerate the reduction of inventory a demand planning and forecasting team has recently been established. Combined with other initiatives a better inventory reduction result is expected in F17.

Proportionally to previous years capital expenditure in F16 was relatively high following a sustained period of underinvestment. The peak of the program has now passed and capital expenditure should return to more normal levels. The biggest single investment was in the WMS, expanding Cooper's large hydraulic cylinder servicing capabilities and opening new stores in the Trade Distribution business.

The Trade Distribution business opened 11 new stores throughout the year with the majority in the second half. Some have been instantly successful whilst others will take more time. Increasing store density and therefore sales has the dual effect of defraying overheads and improving the marketability of the business. The network is expected to keep growing at a similar rate for the foreseeable future with availability of quality staff and affordable well positioned real estate being the limiting factor.

In addition to new stores, a number of initiatives are underway to boost activity in the Trade Based Distribution business. New products continue to be introduced and a new category management team has been established. Category managers will inject a new level of expertise to areas such as product selection, product launches, product pricing and inventory. We continue to transition from traditional Sales Representatives in the field to ensuring that our Branch Managers are constantly in the field talking to our customers, understanding and fulfilling their needs.

New channels to market will also drive sales. Our successful telesales team will continue to expand in order to service our micro customers in an effective and efficient manner.

In summary F17 will be another busy year as we complete the restructure and expand our offer and our store footprint. The environment is likely to remain challenging, especially for Coopers and Trade Distribution. Given the circumstance we are fortunate to have dedicated and hard-working staff who continue to work tirelessly to improve every facet of the business.

**Peter J.B. Caughey**  
**Chief Executive Officer**

Coventry Group Ltd and its controlled entities  
Consolidated statement of profit or loss and other comprehensive income  
For the year ended 30 June 2016

In thousands of AUD

	Note	2016	2015
<b>Continuing operations</b>			
Revenue from sale of goods		176,784	190,706
Cost of sales		(105,606)	(118,276)
<b>Gross profit</b>		<b>71,178</b>	<b>72,430</b>
Other income		6,282	5,357
Employment costs	4	(44,554)	(48,275)
Depreciation and amortisation expense		(3,327)	(4,087)
Occupancy costs		(9,943)	(10,184)
Communication costs		(2,315)	(2,298)
Freight		(6,671)	(6,440)
Vehicle operating costs		(1,611)	(1,892)
Restructuring and other related costs	26	(1,851)	(21,357)
Other expenses		(10,330)	(10,964)
<b>Loss before financial income and tax</b>		<b>(3,142)</b>	<b>(27,710)</b>
Financial income, including net foreign exchange gain		85	776
Financial expense, including net foreign exchange loss		(17)	(313)
<b>Net financial income</b>	5	<b>68</b>	<b>463</b>
<b>Loss before income tax</b>		<b>(3,074)</b>	<b>(27,247)</b>
Income tax benefit	6	1,253	4,106
<b>Loss from continuing operations</b>		<b>(1,821)</b>	<b>(23,141)</b>
<b>Discontinued operation</b>			
Loss from discontinued operation, net of income tax	22	-	(1,475)
<b>Loss for the year</b>		<b>(1,821)</b>	<b>(24,616)</b>
<b>Other comprehensive income/(loss):</b>			
<b>Items that may be reclassified to profit or loss:</b>			
Foreign currency translation differences		1,048	(651)
Effective portion of changes in fair value of cash flow hedges		(93)	13
<b>Other comprehensive income/(loss) for the year, net of income tax</b>		<b>955</b>	<b>(638)</b>
<b>Total comprehensive loss for the year</b>		<b>(866)</b>	<b>(25,254)</b>
<b>(Loss)/profit attributable to:</b>			
Owners of the Company		(2,867)	(25,008)
Non-controlling interests		1,046	392
<b>Loss for the year</b>		<b>(1,821)</b>	<b>(24,616)</b>
<b>Total comprehensive (loss)/profit attributable to:</b>			
Owners of the Company		(1,942)	(25,667)
Non-controlling interests		1,076	413
<b>Total comprehensive (loss)/income for the year</b>		<b>(866)</b>	<b>(25,254)</b>
<b>Loss per share:</b>			
Basic loss per share:	7	(7.6 cents)	(65.8 cents)
Diluted loss per share:	7	(7.6 cents)	(65.8 cents)
<b>Loss per share - continuing operations:</b>			
Basic loss per share:		(7.6 cents)	(61.9 cents)
Diluted loss per share:		(7.6 cents)	(61.9 cents)

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



Coventry Group Ltd and its controlled entities  
Consolidated statement of financial position

As at 30 June 2016

*In thousands of AUD*

	<b>Note</b>	<b>2016</b>	<b>2015</b>
<b>Assets</b>			
Cash and cash equivalents	8	3,520	8,709
Trade and other receivables	9	30,821	31,659
Inventories	10	57,393	59,322
Income tax receivable		-	108
<b>Total current assets</b>		<b>91,734</b>	<b>99,798</b>
Deferred tax assets	6	16,092	13,442
Property, plant and equipment	12	16,040	16,811
Intangible assets	13	5,123	3,963
Other receivables	9	-	91
<b>Total non current assets</b>		<b>37,255</b>	<b>34,307</b>
<b>Total assets</b>		<b>128,989</b>	<b>134,105</b>
<b>Liabilities</b>			
Trade and other payables	14	21,838	22,835
Employee benefits	16	4,583	4,953
Income tax payable		803	74
Provisions	18	256	1,528
<b>Total current liabilities</b>		<b>27,480</b>	<b>29,390</b>
Employee benefits	16	260	339
Other payables	14	2,985	2,679
<b>Total non current liabilities</b>		<b>3,245</b>	<b>3,018</b>
<b>Total liabilities</b>		<b>30,725</b>	<b>32,408</b>
<b>Net assets</b>		<b>98,264</b>	<b>101,697</b>
<b>Equity</b>			
Issued capital		108,110	108,110
Reserves		(166)	(1,133)
Retained earnings		(11,711)	(7,898)
<b>Total equity attributable to equity holders of the Company</b>		<b>96,233</b>	<b>99,079</b>
<b>Non-controlling interests</b>		<b>2,031</b>	<b>2,618</b>
<b>Total equity</b>		<b>98,264</b>	<b>101,697</b>

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

Coventry Group Ltd and its controlled entities  
Consolidated statement of changes in equity  
For the year ended 30 June 2016

*In thousands of AUD*

	Share-based payments reserve	Hedge reserve	Translation reserve	Total reserve	Share capital	Retained earnings	Total for members of the Company	Non controlling interests	Total equity
Balance at 1 July 2015	62	13	(1,208)	(1,133)	108,110	(7,898)	99,079	2,618	101,697
<b>Total comprehensive (loss)/income for the year</b>									
(Loss)/profit for the year	-	-	-	-	-	(2,867)	(2,867)	1,046	(1,821)
<b>Other comprehensive (loss)/ income:</b>									
Foreign exchange translation differences	-	-	1,018	1,018	-	-	1,018	30	1,048
Effective portion of changes in fair value of cash flow hedges	-	(93)	-	(93)	-	-	(93)	-	(93)
<b>Total other comprehensive (loss)/income</b>	-	(93)	1,018	925	-	-	925	30	955
<b>Total comprehensive (loss)/income for the year</b>	-	(93)	1,018	925	-	(2,867)	(1,942)	1,076	(866)
<b>Transactions with owners, recorded directly in equity</b>									
Share based payment transactions	42	-	-	42	-	-	42	-	42
Dividends to equity holders/ re-invested	-	-	-	-	-	(946)	(946)	(1,663)	(2,609)
Balance at 30 June 2016	104	(80)	(190)	(166)	108,110	(11,711)	96,233	2,031	98,264

**Amounts are stated net of tax**

*In thousands of AUD*

	Share-based payments reserve	Hedge reserve	Translation reserve	Total reserve	Share capital	Retained earnings	Total for members of the Company	Non controlling interests	Total equity
Balance at 1 July 2014	22	-	(536)	(514)	108,943	33,743	142,172	2,673	144,845
<b>Total comprehensive (loss)/income for the year</b>									
(Loss)/profit for the year	-	-	-	-	-	(25,008)	(25,008)	392	(24,616)
<b>Other comprehensive (loss)/ income:</b>									
Foreign exchange translation differences	-	-	(672)	(672)	-	-	(672)	21	(651)
Effective portion of changes in fair value of cash flow hedges	-	13	-	13	-	-	13	-	13
<b>Total other comprehensive (loss)/income</b>	-	13	(672)	(659)	-	-	(659)	21	(638)
<b>Total comprehensive (loss)/income for the year</b>	-	13	(672)	(659)	-	(25,008)	(25,667)	413	(25,254)
<b>Transactions with owners, recorded directly in equity</b>									
Own shares acquired	-	-	-	-	(833)	-	(833)	-	(833)
Share based payment transactions	40	-	-	40	-	-	40	-	40
Dividends to equity holders/ re-invested	-	-	-	-	-	(16,633)	(16,633)	(468)	(17,101)
Balance at 30 June 2015	62	13	(1,208)	(1,133)	108,110	(7,898)	99,079	2,618	101,697

**Amounts are stated net of tax**

# Coventry Group Ltd and its controlled entities

## Consolidated statement of cash flows

For the year ended 30 June 2016

*In thousands of AUD*

	<b>Note</b>	<b>2016</b>	<b>2015</b>
<b>Cash flows from operating activities</b>			
Cash receipts from customers		202,187	221,163
Cash paid to suppliers and employees		(203,499)	(238,346)
Cash used in operations		(1,312)	(17,183)
Interest paid		(17)	(4)
Income taxes paid		(547)	(550)
<b>Net cash used in operating activities</b>	<b>24</b>	<b>(1,876)</b>	<b>(17,737)</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of property, plant and equipment		4,026	298
Interest received		15	776
Proceeds from term deposits		-	39,200
Dividends received		-	1
Acquisition of property, plant and equipment	12	(4,203)	(3,791)
Acquisition of intangible assets	13	(1,554)	(213)
<b>Net cash (used in)/from investing activities</b>		<b>(1,716)</b>	<b>36,271</b>
<b>Cash flows from financing activities</b>			
Repayment of borrowings on finance leases		-	(20)
Payments for share buy-back		-	(833)
Dividends paid		(946)	(16,633)
Dividends paid to non-controlling interests		(1,663)	(468)
<b>Net cash used in financing activities</b>		<b>(2,609)</b>	<b>(17,954)</b>
Net (decrease)/increase in cash and cash equivalents		(6,201)	580
Cash and cash equivalents at 1 July		8,709	8,786
Effect of exchange rate fluctuations		1,012	(657)
<b>Cash and cash equivalents at 30 June</b>	<b>8</b>	<b>3,520</b>	<b>8,709</b>

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

# Coventry Group Ltd and its controlled entities

## Notes to the consolidated financial statements

### 1. Significant accounting policies

Coventry Group Ltd (the "Company") is a for profit company domiciled in Australia. The address of the Company's registered office is 235 Settlement Road Thomastown VIC 3074 Australia. The consolidated financial statements ("financial report" or "consolidated financial report") of the Company for the financial year ended 30 June 2016 comprises the Company and its controlled entities (together referred to as the "Group").

The financial report was authorised for issue by the Directors on 25 August 2016.

#### (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 share based payments which are stated at their fair value.

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 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 are 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(u).

#### (c) Change in accounting policies

The Group has consistently applied the accounting policies as set out in Note 1(d) - (w) to all periods presented in this consolidated financial report.

#### (d) Basis of consolidation

##### Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date. 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.

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.

##### Controlled entities

Controlled entities are entities controlled by the Company. Control exists when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Investments in controlled entities are carried at their cost of acquisition in the Company's financial statements, net of impairment write downs. Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

# Coventry Group Ltd and its controlled entities

## Notes to the consolidated financial statements

### 1. Significant accounting policies (continued)

#### (e) 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.

#### (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 acquisition date. Term deposits with a maturity of three months or greater at acquisition date are disclosed separately in the consolidated 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 ageing 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.

# Coventry Group Ltd and its controlled entities

## Notes to the consolidated financial statements

### 1. Significant accounting policies (continued)

#### (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.

##### 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:

<u>Class of Fixed Asset</u>	<u>Depreciation Rate</u>
- 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(d).

##### 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.

# Coventry Group Ltd and its controlled entities

## Notes to the consolidated financial statements

### 1. Significant accounting policies (continued)

#### (j) Intangible assets and goodwill (continued)

##### 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 recognized in profit or loss as incurred.

##### 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 of assets (financial and non financial)

Assets with an indefinite useful life are not amortised but are tested annually for impairment in accordance with AASB 136. Assets subject to annual depreciation or amortisation are reviewed for impairment whenever events or circumstances arise that indicate that the carrying amount of the asset may be impaired.

An impairment loss is recognised where the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset is defined as the higher of its fair value less costs to sell and value in use.

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.

#### (l) 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.

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The Group's net obligation in respect to long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognised in profit or loss in the period in which they arise.

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.

An Executive Incentive Plan was approved by shareholders in 2015. The Plan governs the future granting of performance rights and issue of shares and is designed to align the interests of the Company's executives with the shareholders in the medium to long term. Performance targets for 2016 were not met therefore no incentives triggered under the plan.

In 2014 a separate long term incentive was approved for a senior executive in which shares were issued to the employee funded by a non recourse loan from the Company.

# Coventry Group Ltd and its controlled entities

## Notes to the consolidated financial statements

### 1. Significant accounting policies (continued)

#### (m) 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.

##### Onerous contracts

A provision for onerous contracts is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

##### Make good

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

#### (n) 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.

#### (o) 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.

#### (p) 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 and material incentives received 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.



# Coventry Group Ltd and its controlled entities

## Notes to the consolidated financial statements

### 1. Significant accounting policies (continued)

#### (q) 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 Groups' 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 and finance leases.

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.

#### (r) Operating segments

The Group determines and presents operating segments based on the information that internally is provided to the CEO, 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 CEO 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 CEO 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.

#### (s) 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.

# Coventry Group Ltd and its controlled entities

## Notes to the consolidated financial statements

### 1. Significant accounting policies (continued)

#### (s) Income tax (continued)

##### Tax consolidation (continued)

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.

#### (t) 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.

#### (u) Accounting estimates and judgements

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

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

- Note 1 (g) - significant accounting policies - inventories;
- Note 1 (s) - significant accounting policies - income tax and recovery of deferred tax assets (Note 6);
- Note 13 - measurement of the recoverable amount of cash generating units; and
- Note 20 - allowance for trade receivable impairment losses.

#### (v) 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.

#### (w) 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 2016, and have not been applied in preparing these consolidated financial statements.

These include:

- IFRS 9/AASB 9 'Financial Instruments';
- IFRS 15/AASB 15 'Revenue from contracts with customers'; and
- IFRS 16/AASB 16 'Leases'.

These have been assessed and, where relevant, do not have a material impact on the Groups consolidated financial statements.

Coventry Group Ltd and its controlled entities  
Notes to the consolidated financial statements

2. Operating segments

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

- *Trade Distribution*: Includes the importation, distribution and marketing of industrial fasteners and associated products and cabinet making hardware.
- *Fluids*: Includes the design, manufacture, distribution, installation and maintenance of lubrication and hydraulic fluid systems and hoses.
- *Gaskets*: Includes manufacturing and distribution of automotive and industrial 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 CEO.

Information about reportable segments	Note	Trade Distribution	Fluids	Gaskets	Total reportable segment	Other business units and consolidation adjustments	Total
<i>In thousands of AUD</i>		2016	2016	2016	2016	2016	2016
External sales		108,484	53,181	15,119	176,784	-	176,784
Other income							
Other revenue		1,165	205	211	1,581	2,689	4,270
Gain on sale of property, plant and equipment		-	-	2,012	2,012	-	2,012
Total other income		1,165	205	2,223	3,593	2,689	6,282
External revenue		109,649	53,386	17,342	180,377	2,689	183,066
Inter segment revenue		15	2	-	17	(17)	-
Total revenue		109,664	53,388	17,342	180,394	2,672	183,066
Reportable segment profit/(loss) before finance costs, income tax and material items		(967)	2,823	4,926	6,782	(8,073)	(1,291)
Net financial income/(loss)		19	-	22	41	27	68
Other material items:							
Restructuring and other related costs	26	(1,484)	(94)	-	(1,578)	(273)	(1,851)
Reportable segment profit/(loss) before income tax		(2,432)	2,729	4,948	5,245	(8,319)	(3,074)
Reportable segment assets		68,761	26,953	10,651	106,365	22,624	128,989
Reportable segment liabilities		15,622	5,968	2,841	24,431	6,294	30,725
Capital employed		53,139	20,985	7,810	81,934	16,330	98,264
Capital expenditure		3,885	1,024	117	5,026	731	5,757
Depreciation and amortisation		1,306	981	211	2,498	829	3,327

Information about reportable segments	Note	Trade Distribution	Fluids	Gaskets	MSS (discontinued)	Total reportable segment	Other business units and consolidation adjustments	Total
<i>In thousands of AUD</i>		2015	2015	2015	2015	2015	2015	2015
External sales		116,918	60,419	13,369	2,640	193,346	(2,640)	190,706
Other revenue		2,415	258	221	2	2,896	2,461	5,357
External revenue		119,333	60,677	13,590	2,642	196,242	(179)	196,063
Inter segment revenue		4	-	-	-	4	(4)	-
Total revenue		119,337	60,677	13,590	2,642	196,246	(183)	196,063
Reportable segment profit/(loss) before finance costs, income tax and material items		(7,458)	2,118	2,061	(2,106)	(5,385)	(968)	(6,353)
Net financial income/(loss)		(178)	-	15	(1)	(164)	627	463
Other material items:								
Restructuring and other related costs	26	(10,422)	(901)	-	-	(11,323)	(10,034)	(21,357)
Reportable segment profit/(loss) before income tax		(18,058)	1,217	2,076	(2,107)	(16,872)	(10,375)	(27,247)
Reportable segment assets		68,554	28,856	11,094	-	108,504	25,601	134,105
Reportable segment liabilities		19,595	6,099	781	-	26,475	5,933	32,408
Capital employed		48,959	22,757	10,313	-	82,029	19,668	101,697
Capital expenditure		2,481	809	143	14	3,447	557	4,004
Depreciation and amortisation		1,498	936	190	157	2,781	1,463	4,244

<sup>(i)</sup> The 2015 comparatives have been restated to combine Fasteners and Hardware as Trade Distribution.

Geographic information

Revenue based on the geographic location of customers was Australia \$155,888,000 (2015: \$171,672,000) and New Zealand \$27,178,000 (2015: \$24,391,000). Non current assets, excluding deferred tax assets, based on the geographic location of the assets were Australia \$20,074,000 (2015: \$19,913,000) and New Zealand \$1,089,000 (2015: \$952,000).

Coventry Group Ltd and its controlled entities  
Notes to the consolidated financial statements

3. Auditor's remuneration

*In AUD*

**Audit services**

Auditors of the Group

*KPMG Australia:*

Audit and review of financial reports

Prior year under/(over) accrued audit costs

**Other services**

Auditors of the Group

*KPMG New Zealand:*

Tax services

Consolidated	
2016	2015
207,000	230,200
12,550	12,000
<b>219,550</b>	<b>242,200</b>
7,750	11,196
<b>7,750</b>	<b>11,196</b>

4. Employment costs

*In thousands of AUD*

Wages and salaries

Liability for annual leave and long service leave

Contributions to superannuation funds

Payroll taxes

Other associated personnel expenses

Share based payments

Consolidated	
2016	2015
33,614	36,379
3,882	4,224
3,323	3,531
2,010	2,194
1,683	1,907
42	40
<b>44,554</b>	<b>48,275</b>

5. Finance income and finance expenses

*In thousands of AUD*

Interest income from other entities

Net foreign exchange gain

Dividends received

Financial income

Interest expense

Net foreign exchange loss

Financial expenses

Net financing income

Consolidated	
2016	2015
15	775
70	-
-	1
<b>85</b>	<b>776</b>
17	3
-	310
<b>17</b>	<b>313</b>
<b>68</b>	<b>463</b>

6. Taxes

**Current tax expense**

**Tax recognised in the profit or loss**

*In thousands of AUD*

**Current tax expense**

Current year

**Deferred tax expense**

Origination and reversal of temporary differences

Over provision in prior periods

Revenue tax losses derecognised

Effect of lower tax rate applicable to foreign controlled entity

Tax (benefit)/expense on continuing operations

Income tax benefit from continuing operations

Income tax benefit from discontinued operations

Total income tax benefit

Consolidated	
2016	2015
(498)	518
<b>(498)</b>	<b>518</b>
(738)	(8,616)
-	11
-	3,990
(17)	(9)
<b>(755)</b>	<b>(4,624)</b>
<b>(1,253)</b>	<b>(4,106)</b>
(1,253)	(4,106)
-	(632)
<b>(1,253)</b>	<b>(4,738)</b>

Coventry Group Ltd and its controlled entities  
Notes to the consolidated financial statements

6. Taxes (continued)

Current tax expense (continued)

Reconciliation of effective tax rate

<i>In thousands of AUD</i>	Consolidated	
	2016	2015
Loss for the period	(1,821)	(23,141)
Total income tax benefit	(1,253)	(4,106)
Loss excluding income tax	(3,074)	(27,247)
Income tax using the Company's domestic tax rate of 30%	(922)	(8,174)
Tax profit on sale of land and buildings	(305)	-
Revenue tax losses derecognised	-	3,990
Non-deductible expenditure	(9)	42
Over provision in prior periods	-	11
Effect of lower tax rate applicable to foreign controlled entity	(17)	(9)
Withholding tax - non-rebatable	-	36
Non-assessable, non-exempt foreign income	-	(2)
	(1,253)	(4,106)

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Consolidated <i>In thousands of AUD</i>	Assets		Liabilities		Net	
	2016	2015	2016	2015	2016	2015
Trade and other receivables	66	125	(11)	-	55	125
Inventories	1,234	1,372	(100)	-	1,134	1,372
Property, plant and equipment	1,050	791	-	-	1,050	791
Intangible assets	29	29	-	-	29	29
Hedge Reserve	-	-	-	(6)	-	(6)
Employee benefits	1,441	1,576	(27)	-	1,414	1,576
Trade and other payables	155	185	-	-	155	185
Provisions	77	459	-	-	77	459
Tax loss carry forward	12,178	8,911	-	-	12,178	8,911
Tax assets/(liabilities)	16,230	13,448	(138)	(6)	16,092	13,442
Set off of deferred tax liability	(138)	(6)	138	6	-	-
Net deferred tax asset	16,092	13,442	-	-	16,092	13,442

Tax losses in Coventry Group's Australian operation consist of post-consolidation carried forward tax losses of \$38,538,000 (2015: \$27,320,000), represented by the deferred tax asset of \$11,561,000 (2015: \$8,196,000), that the Group expects to fully utilise against the forecasted taxable profits in the Australian tax group. The tax losses in the New Zealand operations of \$2,203,000 (2015: \$2,383,000), represented by the deferred tax asset of \$617,000 (2015: \$715,000), can be fully utilised against the future forecasted taxable profits in the New Zealand tax group.

The movement in deferred tax balances during the year is recognised in income \$755,000 (2015: \$5,220,000) and in equity \$Nil (2015: -\$6,000).

7. Earnings per share

	Consolidated	
	2016	2015
Earnings used in basic and diluted earnings per share calculation	(2,867,189)	(25,007,766)
Weighted average of shares in year used in basic and diluted earnings per share	37,836,479	37,996,635
Earnings per share	(7.6 cents)	(65.8 cents)

8. Cash, cash equivalents and term deposits

<i>In thousands of AUD</i>	Consolidated	
	2016	2015
Cash on hand	25	26
Bank balances	3,162	8,683
Short term deposits (less than 90 days to maturity at inception)	333	-
Cash and cash equivalents	3,520	8,709

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 20.

Coventry Group Ltd and its controlled entities  
Notes to the consolidated financial statements

9. Trade and other receivables

<i>In thousands of AUD</i>	Consolidated	
	2016	2015
Trade receivables	28,180	28,384
	<u>28,180</u>	<u>28,384</u>
Other receivables	1,889	2,176
Prepayments	752	1,190
	<u>2,641</u>	<u>3,366</u>
Total trade and other receivables	<u>30,821</u>	<u>31,750</u>
Current	30,821	31,659
Non current	-	91
Total trade and other receivables	<u>30,821</u>	<u>31,750</u>

The Group's exposure to credit risks and impairment losses related to trade and other receivables are disclosed in Note 20. 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 \$378,000 (2015: \$530,000).

10. Inventories

<i>In thousands of AUD</i>	Consolidated	
	2016	2015
Finished goods	57,393	59,322
	<u>57,393</u>	<u>59,322</u>

\$324,000 (2015: \$472,000) of inventory write-downs were recognised during the year.

11. Parent entity disclosures

As at, and throughout, the financial year ending 30 June 2016 the parent company of the Group was Coventry Group Ltd.

Results of the parent entity

<i>In thousands of AUD</i>	Company	
	2016	2015
Loss for the period	(1,774)	(25,112)
Other comprehensive income	(93)	13
Total comprehensive loss for the period	<u>(1,867)</u>	<u>(25,099)</u>

Financial position of parent entity at year end

	Company	
	2016	2015
Current assets	67,656	79,084
Total assets	131,007	138,855
Current liabilities	20,256	25,210
Total liabilities	23,422	28,229
<b>Total equity of the parent entity comprising of:</b>		
Issued capital	108,110	108,110
Reserves	23	75
Retained earnings	(548)	2,441
<b>Total equity</b>	<u>107,585</u>	<u>110,626</u>

Coventry Group Ltd and its controlled entities  
Notes to the consolidated financial statements

12. Property, plant and equipment

<i>In thousands of AUD</i>	<i>Note</i>	<b>Land and buildings</b>	<b>Consolidated Plant and equipment</b>	<b>Total</b>
Cost at 1 July 2015		2,299	39,766	42,065
Accumulated Depreciation at 1 July 2015		480	24,774	25,254
Carrying amounts at 1 July 2015		1,819	14,992	16,811
Additions		83	4,120	4,203
Depreciation charge for the year		(22)	(2,911)	(2,933)
Disposals		(1,880)	(142)	(2,022)
Write offs	26	-	(35)	(35)
Effect of movements in foreign exchange		-	16	16
Carrying amounts at 30 June 2016		-	16,040	16,040
Cost at 1 July 2014		2,299	39,766	42,065
Accumulated Depreciation at 1 July 2014		450	22,405	22,855
Carrying amounts at 1 July 2014		1,849	17,361	19,210
Additions		-	3,791	3,791
Depreciation charge for the year		(30)	(3,323)	(3,353)
Disposals		-	(499)	(499)
Write offs		-	(2,318)	(2,318)
Effect of movements in foreign exchange		-	(20)	(20)
Carrying amounts at 30 June 2015		1,819	14,992	16,811

# Coventry Group Ltd and its controlled entities

## Notes to the consolidated financial statements

### 13. Intangible assets

<i>In thousands of AUD</i>	<i>Note</i>	<b>Goodwill</b>	<b>Consolidated Computer software</b>	<b>Total</b>
Carrying amounts at 1 July 2015		3,327	636	3,963
Additions		-	1,554	1,554
Amortisation for the year		-	(394)	(394)
Disposals		-	-	-
Write offs	26	-	-	-
Effect of movements in foreign exchange		-	-	-
Carrying amounts at 30 June 2016		<b>3,327</b>	<b>1,796</b>	<b>5,123</b>
Carrying amounts at 1 July 2014		3,411	6,197	9,608
Additions		-	213	213
Amortisation for the year		-	(949)	(949)
Disposals		(84)	(132)	(216)
Write offs	26	-	(4,691)	(4,691)
Effect of movements in foreign exchange		-	(2)	(2)
Carrying amounts at 30 June 2015		<b>3,327</b>	<b>636</b>	<b>3,963</b>

#### Impairment testing for cash generating units (CGUs) 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.

<i>In thousands of AUD</i>	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
Cooper Fluid Systems	3,327	3,327

The key assumptions, and the basis for determining the values assigned to each key assumption, used in the value in use calculations include projected sales growth, projected gross margins, projected expenses/sales ratio and improvement in working capital. These assumptions are based on historical experience and projected performance incorporated in the company's restructure programme.

#### Trade Distribution

For the year ended 30 June 2016, the Group's value in use model showed the recoverable amount exceeded the carrying amount of the Trade Distribution CGU by \$7.5 million. The value assigned to the key assumptions was:

- WACC 10.7%
- Cash flow/Sales ratio\* increasing from negative 5.5% to positive 3.8% in year 5 as the CGU invests in the growth of its distribution channels.

The model is sensitive to reasonable possible changes in the key assumptions keeping all other assumptions constant, the headroom would be eliminated if the WACC increased to 12.7% or the cash flows/Sales ratio target was not achieved for each year until year 5.

#### Cooper Fluids Systems

For the year ended 30 June 2016, the Group's value in use model showed the recoverable amount exceeded the carrying amount of the Cooper Fluids Systems CGU by \$3.7 million. The value assigned to the key assumptions was:

- WACC 11.3%
- Cash flow/Sales ratio\* increasing from negative 1.4% to positive 3.7% in year 5 as the CGU continues to expand its service offering.

The model is sensitive to reasonable possible changes in the key assumptions keeping all other assumptions constant, the headroom would be eliminated if the WACC increased to 12.7% or the cash flows/Sales ratio target was not achieved for each year until year 5.

\* Cash flow/Sales ratio is the ratio of the free cash flows (being the direct operating cash flows including working capital movements and capex) to the sales revenue of the CGU.



Coventry Group Ltd and its controlled entities  
Notes to the consolidated financial statements

14. Trade and other payables

<i>In thousands of AUD</i>	<i>Note</i>	<b>Consolidated</b>	
		<b>2016</b>	<b>2015</b>
Trade payables		17,501	15,629
Non trade payables and accrued expenses		7,322	9,885
		<b>24,823</b>	<b>25,514</b>
Current		21,838	22,835
Non current		2,985	2,679
		<b>24,823</b>	<b>25,514</b>

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 20.

15. Interest-bearing loans and borrowings

<i>In thousands of AUD</i>	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
<b>Financing facilities</b>		
<b>Total facilities available at balance sheet date</b>		
Overdraft Facility	3,000	-
Interchangeable multi currency revolving facility	-	4,000
Guarantee facility	200	200
Corporate credit card facility	750	750
	<b>3,950</b>	<b>4,950</b>
<b>Facilities utilised at balance sheet date</b>		
Corporate credit card facility	272	204
	<b>272</b>	<b>204</b>
<b>Facilities not utilised at balance sheet date</b>		
Overdraft Facility	3,000	-
Interchangeable multi currency revolving facility	-	4,000
Guarantee facility	200	200
Corporate credit card facility	478	546
	<b>3,678</b>	<b>4,746</b>

**Overdraft**

The interchangeable multi currency revolving facility was replaced by the overdraft facility which is available for working capital management only.

The balance of the AUD\$3.0 million facility, is available for draw-down in AUD only. Interest is charged at prevailing market rates.

**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. The Guarantee facility available at 30 June 2016 was \$0.2 million (2015: \$0.2 million).

**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.

# Coventry Group Ltd and its controlled entities

## Notes to the consolidated financial statements

### 16. Employee benefits

#### Current

<i>In thousands of AUD</i>	Consolidated	
	2016	2015
Liability for long service leave	2,177	2,452
Liability for annual leave	2,406	2,501
	<b>4,583</b>	<b>4,953</b>

#### Non-current

<i>In thousands of AUD</i>	Consolidated	
	2016	2015
Liability for long service leave	260	339
	<b>260</b>	<b>339</b>

### 17. Share-based payments

#### Executive incentive plan

An Executive Incentive Plan was approved by shareholders in 2015. The Plan governs the future granting of performance rights and issue of shares and is designed to align the interests of the Companies executives with the shareholders in the medium to long term. Performance targets for 2016 were not met therefore no incentives triggered under the Plan.

#### Loan funded share issue

In financial year 2014 200,000 shares were issued to Peter Caughey. These were funded by a non recourse loan from the Company. The loan repayment is the lower of the original nominal loan value and the value of 200,000 shares at the time the loan is settled. These shares are issued and held in escrow with a trading lock until the loan is paid in January 2017. The structure of the loan has no 'down side' exposure, the non cash accounting benefit in the year is \$42,000 (2015: \$40,000).

### 18. Provisions

Current	Warranty	Restructuring/ onerous contracts	Make Good	Total
<i>In thousands of AUD</i>				
Balance at 30 June 2015	281	987	260	1,528
Provisions increased	(50)	(124)	-	(174)
Provisions used	(157)	(681)	(260)	(1,098)
Balance at 30 June 2016	<b>74</b>	<b>182</b>	<b>-</b>	<b>256</b>

Coventry Group Ltd and its controlled entities  
Notes to the consolidated financial statements

19. Capital and reserves

Share capital

*In thousands of shares*

On issue at 1 July (start of financial year)  
Share buy back <sup>(i)</sup>  
On issue at 30 June

		The Company	
		Ordinary shares	
		2016	2015
		37,836	38,197
		-	(361)
		<b>37,836</b>	<b>37,836</b>

<sup>(i)</sup> 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 16 December 2015.

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.

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.

Hedge reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition in profit or loss as the hedged cash flows affect profit or loss.

Dividends

The following dividends were declared and paid by the Group:

Declared and paid during the financial year 2016	Cents per share	Total amount	Franked / Unfranked	Date of payment
		\$000		
Final 2015 Ordinary Dividend	2.5	946	Fully Franked	27 October 2015

No final dividend for the year ended 30 June 2016 has been declared by the Directors.

During the financial year ended 30 June 2015 dividends of \$16,633,000 were declared and paid

Dividend franking account

*In thousands of AUD*

30 per cent franking credits available to shareholders of the Company for subsequent financial years

		The Company	
		2016	2015
		4,246	2,771

# Coventry Group Ltd and its controlled entities

## Notes to the consolidated financial statements

### 20. Financial risk management

#### Overview

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

- Credit risk
- Liquidity risk
- Market risk

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

#### 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 cash and cash equivalent and term deposits and 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. The Group has no significant concentration of customer base.

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.

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 Personal Property Security legislation. The Group does not normally require collateral in respect of trade and other receivables.

The Group has established an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. 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 ageing of the Group's trade receivables at the reporting date showed 91% of debtors were within terms (2015: 87%). The amount of trade debtors that is past due but not impaired is \$4,068,000 (2015: \$3,468,000). The movement in the allowance for impairment in respect of trade receivables during the year was \$-159,000 (2015:\$64,000).

Cash at bank and short or long term deposits are held with Australian and New Zealand banks with acceptable credit ratings.

#### 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:

<i>In thousands of AUD</i>	<i>Note</i>	<b>Consolidated</b>	
		<b>Carrying amount</b>	
		<b>2016</b>	<b>2015</b>
Cash and cash equivalents	8	3,520	8,708
Trade and other receivables <sup>(i)</sup>		30,069	30,450
		<b>33,589</b>	<b>39,158</b>

<sup>(i)</sup> 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 Australia \$24,100,000 (2015: \$25,201,000) and New Zealand \$4,080,000 (2015: \$3,183,000).

# Coventry Group Ltd and its controlled entities

## Notes to the consolidated financial statements

### 20. Financial risk management (continued)

#### 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. In addition, the Group maintains a \$3 million overdraft facility on which interest is payable at prevailing market rates.

Note 15 sets out the terms and conditions attaching to the Group's facility.

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

Consolidated <i>In thousands of AUD</i>	2016					
	Carrying amount	Contractual cash flow	6 mths or less	6-12 mths	1-2 years	More than 2 years
<b>Non derivative financial liabilities</b>						
Trade and other payables <sup>(i)</sup>	21,838	(21,838)	(21,838)	-	-	-

The outflows associated with forward contracts used for hedging are US\$4.7 million (A\$6.5 million), 2015: US\$2.7 million, (A\$3.5 million) and will have been made within 6 months or less.

Consolidated <i>In thousands of AUD</i>	2015					
	Carrying amount	Contractual cash flow	6 mths or less	6-12 mths	1-2 years	More than 2 years
<b>Non derivative financial liabilities</b>						
Trade and other payables <sup>(i)</sup>	22,835	(22,835)	(22,835)	-	-	-

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

#### Interest rate risk

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

<i>In thousands of AUD</i>	Consolidated Carrying amount	
	2016	2015
Variable rate financial assets <sup>(i)</sup>	3,162	8,683

<sup>(i)</sup> 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.

#### Cash flow sensitivity analysis for variable rate instruments

The impact of a change of 100 basis points in interest rates at the reporting date is immaterial.

#### 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.

#### 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 75% of its rolling 6 month USD forecasted exposure and 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.

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

Coventry Group Ltd and its controlled entities  
Notes to the consolidated financial statements

**21. Operating leases**

**Leases as lessee**

Non cancellable operating lease rentals are payable as follows:

	<b>Consolidated</b>	
<i>In thousands of AUD</i>	<b>2016</b>	<b>2015</b>
Less than one year	7,292	8,506
Between one and five years	17,484	19,072
More than five years	14,974	20,408
	<b>39,750</b>	<b>47,986</b>

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 2016, the Group recognised \$8,381,000 (2015: \$8,901,000) as an expense in the statement of profit or loss and other comprehensive income in respect of operating leases.

**Leases as lessor**

At the end of the reporting period, the future minimum lease payments under non-cancellable leases are receivable as follows.

	<b>Consolidated</b>	
<i>In thousands of AUD</i>	<b>2016</b>	<b>2015</b>
Less than one year	2,229	2,466
Between one and five years	9,072	2,225
More than five years	3,895	-
	<b>15,196</b>	<b>4,691</b>

The Group subleases various premises under operating leases. The leases typically run for periods ranging from 1 year to 5 years and in some cases provide for an option to renew the lease after expiry.

During the financial year ended 30 June 2015, the Group recognised \$2,576,000 (2015: \$2,301,000) as income in the statement of profit or loss and other comprehensive income.

**22. Discontinued operations**

Managed System Services (MSS) - exited January 2015.

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

<i>In thousands of AUD</i>	<b>2016</b>	<b>2015</b>
<b>Results of discontinued operations</b>		
Revenue	-	2,642
Expenses	-	(4,749)
<b>Results from operating activities</b>	-	(2,107)
Income tax benefit	-	632
<b>Loss for the year</b>	-	(1,475)
Basic loss per share	-	(4.0) cents
Diluted loss per share	-	(4.0) cents

**23. Controlled entities**

	<b>Country of Incorporation</b>	<b>Ownership interest</b>	
		<b>2016</b>	<b>2015</b>
		%	%
AA Gaskets Pty Ltd	Australia	72.5	72.5
Fluidrive Pty Ltd <sup>(i)</sup>	Australia	-	100
Coventry Group (NZ) Limited	New Zealand	100	100
NZ Gaskets Limited <sup>(ii)</sup>	New Zealand	72.5	72.5

The ultimate parent entity is Coventry Group Ltd.

<sup>(i)</sup> The company was sold effective 27 March 2015

<sup>(ii)</sup> The company is a 100% controlled entity of AA Gaskets Pty Ltd and operates in New Zealand

Coventry Group Ltd and its controlled entities  
Notes to the consolidated financial statements

**24. Reconciliation of cash flows from operating activities**

<i>In thousands of AUD</i>	<b>Note</b>	<b>Consolidated</b>	
		<b>2016</b>	<b>2015</b>
<b>Cash flows from operating activities</b>			
Loss for the period		(1,821)	(24,616)
<i>Adjustments for:</i>			
Depreciation and amortisation		3,327	4,302
Interest income from other entities		(15)	(776)
Interest expense	5	17	5
Dividends received		-	(1)
Net (gain)/loss on disposal of property, plant and equipment		(2,003)	7,428
Income tax benefit	6	(1,253)	(4,738)
<b>Operating loss before changes in working capital and provisions</b>		<b>(1,748)</b>	<b>(18,396)</b>
Change in trade and other receivables		614	1,151
Change in inventories		2,243	(4,571)
Change in trade and other payables		(333)	3,723
Change in provisions and employee benefits		(2,088)	910
		<b>(1,312)</b>	<b>(17,183)</b>
Interest paid		(17)	(4)
Income taxes paid		(547)	(550)
<b>Net cash used in operating activities</b>		<b>(1,876)</b>	<b>(17,737)</b>

**25. Related parties**

**Transactions with key management personnel**

Key management personnel compensation

Key management personnel compensation comprised the following:

<i>In AUD</i>	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
Short-term employee benefits	1,254,421	1,699,434
Post-employment benefits	99,570	183,083
Termination benefits	50,612	450,658
Other long-term benefits	61,598	43,737
Benefits derived from non recourse loan	41,533	39,742
	<b>1,507,734</b>	<b>2,416,654</b>

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.

Key management personnel 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.

**Other related party transactions**

The Group has a related party relationship with its controlled entities (see Note 23). 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:

<b>The parent entity only:</b>	<b>2016</b>	<b>2015</b>
Dividend revenue	4,386,250	1,232,500
Revenue from sale of goods	640,973	306,925
Purchase of inventories	-	8,386
Management fees	1,621,243	631,418
Aggregate amounts receivable from controlled entities:		
Advance account subject to interest charges (Australian controlled entities)	251,593	662,540
Other receivables	1,621,243	385,148
Aggregate amounts payable to controlled entities	36,970	133,817

During the year ended 30 June 2015, the Company entered into a intercompany loan with Coventry Group (NZ) Limited (CGL NZ). The intercompany loan is subject to an interest charge of 5.63% p.a and at 30 June 2016 the balance owing of \$1,877,785 (2015: \$662,540).

During the year ended 30 June 2016, the Company charged CGL NZ management fees of \$1,621,243 (2015: \$631,418).

## Coventry Group Ltd and its controlled entities

### Notes to the consolidated financial statements

#### 26. Restructuring and other related costs

In February 2015 Coventry Group made two market announcements communicating a fundamental re-organisation and restructure of the Group. These changes were undertaken to remove cost from the organisation, to improve efficiency and enable the ongoing business to better service its customer base.

As number of restructure initiatives are ongoing, restructure costs were incurred in the year ended 30 June 2016.

<i>In thousands of AUD</i>	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
<b>Restructure and other associated costs</b>		
Redundancy costs	883	2,241
Fixed assets disposal and write off	35	2,318
Write off of Oracle deployment costs	-	4,691
Stock relocation & reset	-	1,928
Stock assessment and write off's	-	2,910
Third party consultants, temporary staff and relocations	1,213	1,703
Branch relocations	-	197
Onerous leases and exit costs	10	1,353
Other costs and legal fees	(290)	1,122
Change in estimate of sublease period for rental with fixed increases	-	215
Cumulative 'non-cash' effect of straight lining leases with fixed increases	-	2,679
	<b>1,851</b>	<b>21,357</b>
Discontinued operations (MSS)	-	2,106
	<b>1,851</b>	<b>23,463</b>

#### **Redundancy costs**

The costs associated with relocating the groups head office teams to Melbourne.

#### **Fixed assets disposal and write off**

As a consequence of the restructure, staffing reductions and changes to operations, further assessment was made on the carrying value of certain assets.

#### **Third party consultants, temporary staff and relocations**

The restructure is a major change to the business and requires short term resource and skills to enact the changes swiftly and deliver the desired outcome.



# Coventry Group Ltd

## Directors' report

### For the year ended 30 June 2016

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 2016.

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Coventry Group Ltd  
Directors' report  
For the year ended 30 June 2016

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**

Neil George Cathie, FCPA, GAICD, FCIS  
Chairman  
Chairman of remuneration committee; member audit and risk committee

Peter John Batman Caughey, B.Eng, MBA  
Managing Director  
Chief Executive Officer

Vicky Papachristos, BE (Chem), MBA, AICD  
Independent non-executive director  
Member of audit and risk committee

Kenneth Royce Perry, B.Sc (Hons), MBA, MAICD  
Independent non-executive director  
Chairman of audit and risk committee; member of remuneration committee

Nicholas John Willis, B.Sc, FAIM  
Independent non-executive director  
Member of remuneration committee

**Experience and other directorships**

Mr Cathie was appointed as a director of the Company in September 2014 and as Chairman in January 2015. He has extensive experience in very relevant areas including having a 27 year career at Australia's largest and most successful plumbing and bathroom distributor, Reece Australia Ltd, during which time he served as its Chief Financial Officer, Company Secretary and General Manager, Finance and IT. In these roles, Mr Cathie has worked closely with a strong Board and line management team in a growing company as well as having a primary external facing role of the ASX listed Reece Australia Ltd. Mr Cathie spent 7 years with a chartered accountancy firm early in his career and has held other CFO roles. He is currently a director of and advisor to a number of private companies.

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

Mr Caughey was appointed Managing Director and Chief Executive Officer in January 2015. He was previously the Business Leader of Konnect since September 2012 and Artia since April 2013. Prior to joining Coventry Group Ltd Mr Caughey had a number of roles in building products over 20 years working at CSR Limited and Brickworks Limited. Most recently before joining Coventry Group Ltd he was General Manager - Austral Bricks, Victoria and prior to that Group General Manager - Corporate Development, both at Brickworks Limited.

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

Ms Papachristos was appointed as a director of the Company in April 2015. She is an experienced non-executive director with a strong sales and marketing background having spent over 25 years as an executive with major corporations in Australia and the USA. Her work has spanned petrochemicals, banking & payments, sport, IT & retailing holding senior roles in Shell, Westpac, Myer, Visa, the Olympics and as well as an IT start-up. Ms Papachristos has launched several major banking & retail programs including Myer One, Rebel Sport and the Ansett Frequent Flyer Visa. In 2006 she formed Currant Marketing – an independent consultancy in the fields of marketing, loyalty, sales, customer and digital strategy. Ms Papachristos holds a Chemical Engineering degree from Monash University, an MBA from the AGSM and is a Member of the AICD. She is passionate about women in the corporate arena and making a change from bottom-up as well as top-down.

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

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.

Mr Willis was appointed a director of the Company in September 2014. He has extensive and highly relevant experience in industry spaces of Coventry including leading the national marketing and operation functions in ACI Insulation and Laminex Industries and as Group General Manager at Ramset Building Products. In these roles he has had many years at a senior level in ASX listed companies. Mr Willis has led businesses of the same type as Coventry, involving sourcing products from multiple domestic and overseas suppliers and distributing products across Australia, New Zealand, Asia and the United Kingdom, with a distributed branch network supplying the building, construction, resource and other industries. He also has been instrumental in acting as a consultant and mentor in turning around a number of private companies in recent years.

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

Coventry Group Ltd  
 Directors' report  
 For the year ended 30 June 2016

1. Directors (continued)

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:

	<u>Number of Ordinary Shares</u>
PJB Caughey	300,176
NG Cathie	72,200
V Papachristos	-
KR Perry	30,000
NJ Willis	5,400

During the 2015/16 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 PJ Caughey has a service contract with the Company which entitles him to benefits in the Company as disclosed in the Remuneration Report section of this report.

Directors' 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 2015, and the number of meetings attended by each director.

	Board of Directors			Audit & Risk Committee			Remuneration Committee		
	Held	Eligible to attend	Attended	Held	Eligible to attend	Attended	Held	Eligible to attend	Attended
NG Cathie	10	10	10	4	4	4	3	3	3
NJ Willis	10	10	9	-	-	-	3	3	3
V Papachristos	10	10	10	4	4	4	-	-	-
KR Perry	10	10	9	4	4	4	3	3	3
PJB Caughey	10	10	10	-	-	-	-	-	-

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

2. Principal activities

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

*Trade Distribution*

- distribution and marketing of industrial fasteners, stainless steel fasteners and hardware, construction fasteners, specialised fastener products and systems, and associated industrial tools and consumables
- importation, distribution and marketing of hardware, components and finished products to the commercial cabinet making, joinery and shop fitting industries.

*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

*Gasket Manufacturing*

- manufacture and distribution of automotive and industrial gaskets.

Coventry Group Ltd  
 Directors' report  
 For the year ended 30 June 2016

3. Consolidated results

Results of the Group for the year ended 30 June 2016 were as follows:

*In thousands of AUD*

**Continuing operations**

Revenue from sale of goods

Loss before tax

Income tax benefit

**Loss from continuing operations for the year**

**Discontinued operations**

Revenue from sale of goods

Loss before tax

Income tax benefit

**Loss from discontinued operations for the year**

**Loss for the year**

Loss after tax for the year attributable to:

- equity holders of the Company

- minority interest

**Loss after tax for the year**

	2016	2015
Revenue from sale of goods	176,784	190,706
Loss before tax	(3,074)	(27,247)
Income tax benefit	1,253	4,106
<b>Loss from continuing operations for the year</b>	<b>(1,821)</b>	<b>(23,141)</b>
<b>Discontinued operations</b>		
Revenue from sale of goods	-	2,640
Loss before tax	-	(2,107)
Income tax benefit	-	632
<b>Loss from discontinued operations for the year</b>	<b>-</b>	<b>(1,475)</b>
<b>Loss for the year</b>	<b>(1,821)</b>	<b>(24,616)</b>
Loss after tax for the year attributable to:		
- equity holders of the Company	(2,867)	(25,008)
- minority interest	1,046	392
<b>Loss after tax for the year</b>	<b>(1,821)</b>	<b>(24,616)</b>

4. Dividends

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

Paid during the year 2016	Cents per share	Total amount \$000	Franked / Unfranked	Date of payment
Final 2015 Ordinary Dividend	2.5	946	Fully Franked	27 October 2015

5. Review of operations and results

**People**

With only 2 lost time injuries in 2016 CGL's safety performance has improved considerably though more has to be done to achieve the goal of zero safety incidents.

CGL's commitment to training has never been greater. Around 5,000 hours of on-line training has been supplemented with face to face training for selling skills. In addition, the Branch Manager training school opened in June. The school provides three days of intense face-to-face learning for existing and potential Branch Managers.

Financial Performance	Full Year to 30.6.16	Full Year to 30.6.15	% Change
Revenue (\$M) (from continuing operations)	176.8	190.7	-7.30%
(Loss)/Profit before income tax (\$M)	-3.1	-27.2	N/A
(Loss)/Profit after tax (\$M)	-1.8	-24.6	N/A
NTA per share (\$)	2.03	2.16	-6.0%
Basic loss per share (cents)	-7.6	-65.8	N/A

**Restructure**

The restructuring program announced in February 2015 has almost concluded with most major milestones completed. During that time the business has undergone a significant amount of change with underperforming businesses closed, nine distribution centres closed, the operational merger of Artia and Konnect into Trade Distribution and the introduction of significant system improvements in our warehouse operations in particular via the implementation of a sophisticated Warehouse Management System (WMS). The formal restructuring program is expected to conclude in December 2016 by which time a range of key supply chain initiatives will be delivered.

The restructure has resulted in a significant amount of change, which has occurred largely on time and on budget. The restructure is largely delivering on the targeted improvements, however on a few occasions the targeted improvements have not been reached as rapidly as anticipated. Efficiencies flowing from the Warehouse Management System (WMS) is an example of an ultimately successful implementation but with delayed results. The aggressive rate of implementation would not normally have been attempted and it is a credit to the CGL staff and contractors that so much was able to be achieved in such a short time frame. Benefits had been anticipated to flow in the second half of F16, but have been delayed until FY17. Another delay has been the realisation of targeted freight savings. New systems must be deployed, thus delaying the realisation of these benefits to the second half of FY17.

In order to lock in the benefits of the restructure a formal Continuous Improvement Program has been established to ensure that business continues to become more efficient and to promote a simple single system of doing business.

Coventry Group Ltd  
Directors' report  
For the year ended 30 June 2016

**5. Review of operations and results (continued)**

**Review of businesses**

**Trade Distribution**

Through the year market conditions for mining facing branches were the toughest in recent memory. In addition, engineering fabrication in Melbourne and Adelaide was deeply affected by the downturn in mining investment. In order to counteract the downturn a strategy of diversifying more deeply into construction and opening new branches has softened the downturn, but not completely counteracted it. Consequently revenue fell for the year.

During the year the expansion plans of the business were accelerated with 11 new stores opened, taking the total number of stores to 66. Further small-format stores are expected to be opened in FY17.

Further softening of the engineering sector can't be ruled out whilst the construction cycle, without significantly more infrastructure spend from Government, is likely to be peaking.

Cost reductions were achieved as expected. A portion of the cost reductions were re-invested in new stores, training and in additional resources that will allow better forecasting and smarter distribution networks to allow future reductions in inventory and cost.

**Fluids**

Like Trade Distribution, the mining services business, Coopers, faced a difficult market throughout the year. Though revenue declined the Coopers management team continues to do an excellent job of diversifying into maintenance revenue streams and continuously reducing costs. Whilst continuously under pricing pressure from customers, Coopers continuously strives to remain competitive and retain its highly sort after staff in order to remain relevant in a tough industry.

**Investments/Other**

**AAG**

CGL's 72.5% investment in AAG, where CGL controls three of four Board seats, continues to improve. During the year the factory building was sold and leased back as the Board judged that property prices were peaking. Despite the additional lease payments, AAG earnings increased. The property sale realised a profit of \$2 million.

**Property**

In 2007 CGL entered into a 20 year lease for substantial warehouse and office space in Redcliffe, Perth. The sale of Covs auto parts business in 2011 and the significant reduction in Head Office over the past 18 months has meant that the majority of space is no longer required. It has been sub-leased throughout this time.

During the year CGL began to lease an additional 2,000m<sup>2</sup> of office space and 1,000m<sup>2</sup> of warehouse space, also at Redcliffe, negotiated in 2014. The additional warehouse space has been utilised by CGL however the additional office space remained unlet throughout the financial year but subsequently leased in July 2016. The expiry of the largest sub-lease of 15,000 m<sup>2</sup> of warehouse space is a concern. The sub-lease expires in October 2017 and every effort is being made to find a new tenant.

**6. Earnings per share**

Basic loss per share for the year ended 30 June 2016 was 7.6 cents. This compares to a basic loss per share of 65.8 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**

Complete the restructure plan and continue to operate in the markets in which it currently participates.

Coventry Group Ltd  
 Directors' report  
 For the year ended 30 June 2016

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*

KR Perry

NG Cathie

NJ Willis

V Papachristos

*Executive directors*

PJB Caughey, CEO & Managing Director

*Executives*

KS Smith, Chief Financial Officer (CFO) & Company Secretary (resigned as CFO 28 July 2015)

Joe Nicolazzo Chief Financial Officer (CFO) (appointed 21 September 2015)

Christopher Lloyd Company Secretary (appointed 28 October 2015)

10.2 Principles used to determine the nature and amount of compensation

*Non-executive directors*

Non-executive directors receive cash fees for their board and committee work and do not receive performance based payments. Non-executive directors do not receive termination benefits. The aggregate remuneration paid to non-executive directors is capped at the level approved by shareholders.

*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 2016 the non-executive directors fees were allocated as follows (includes statutory superannuation contributions):

	2016	2015
	\$	\$
Chairman (base fee)	127,500	127,500
Non-executive Directors (base fee)	85,000	85,000
Chairman of Audit & Risk Committee (in addition to base fee)	15,000	15,000
Member of Audit & Risk Committee (in addition to base fee)	5,000	5,000
Chairman and Member of Remuneration Committee (in addition to base fee)	5,000	5,000

*Executive pay*

Remuneration policies

Remuneration of directors and senior executives is the responsibility of the Remuneration Committee. The Committee has resolved to set remuneration packages which are appropriate in the context of the company's size, complexity and performance but which will attract the calibre of executive required to drive necessary change in order to enhance performance. The Committee seeks external advice in relation to these matters where necessary.

Remuneration for senior executives is currently largely cash based, comprising fixed remuneration (which includes superannuation and benefits) and short term incentives. There was no share based remuneration during the year. The CEO and senior executives have employment contracts with notice periods executable by either party. There are no arrangements in place to provide the CEO or any senior executive with a retirement benefit other than those which accrue by law. Superannuation contributions are paid at the superannuation guarantee rate.

Short-term cash incentives of up to 40% of fixed annual compensation are payable to the senior executives upon the achievement of various annual performance targets. The short term incentives paid for the year were based on the continuing implementation of key elements of the company-wide restructure plan and the company's safety record.

An Executive Incentive Plan was approved by shareholders at the 2015 annual general meeting. The plan was not triggered during the year.

In January 2014 the Group issued 200,000 fully paid ordinary shares under an interest free (conditional on employment) non recourse loan to Peter Caughey.

Coventry Group Ltd  
Directors' report (continued)  
For the year ended 30 June 2016  
10. Remuneration report - audited (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 2016.

In AUD		Short-term			Post employment	Other long-term	Termination benefits	Share-based payment	Proportion of remuneration performance related	Value of loans as proportion of remuneration
		Cash salary, leave paid and fees	STI cash bonus (i)	Non-monetary benefits						
	<b>Directors</b>									
	<b>Non-executive directors</b>									
	NG Cathie - Chairman	2016 125,573	-	-	11,929	-	-	-	137,502	-
		2015 85,971	-	-	8,167	-	-	-	94,138	-
	NJ Willis (appointed September 2014)	2016 55,001	-	-	34,999	-	-	-	90,000	-
		2015 43,432	-	-	29,755	-	-	-	73,187	-
	V Papachristos (appointed April 2015)	2016 82,192	-	-	7,808	-	-	-	90,000	-
		2015 14,677	-	-	1,394	-	-	-	16,071	-
	KR Perry	2016 95,892	-	-	9,109	-	-	-	105,001	-
		2015 91,162	-	-	8,660	-	-	-	99,822	-
	JH Nickson (retired September 2014)	2016 -	-	-	-	-	-	-	-	-
		2015 -	-	-	22,512	-	-	-	22,512	-
	BF Nazer (retired March 2015)	2016 -	-	-	-	-	-	-	-	-
		2015 54,642	-	-	28,812	-	-	-	83,454	-
	Sub-total non-executive directors' remuneration	2016 358,658	-	-	63,845	-	-	-	422,503	-
		2015 289,884	-	-	99,300	-	-	-	389,184	-
	<b>Executive directors</b>									
	PJB Caughey	2016 585,382	60,000	-	19,308	60,975	-	41,533	767,198	13.2%
		2015 429,618	100,000	-	18,783	36,756	-	39,742	624,899	22.4%
	RB Flynn (resigned January 2015)	2016 -	-	-	-	-	-	-	-	-
		2015 619,839	-	-	35,000	-	450,658	-	1,105,497	-
	Sub-total executive directors' remuneration	2016 585,382	60,000	-	19,308	60,975	-	41,533	767,198	-
		2015 1,049,457	100,000	-	53,783	36,756	450,658	39,742	1,730,396	-
	Total directors' remuneration	2016 944,040	60,000	-	83,153	60,975	-	41,533	1,189,701	-
		2015 1,339,341	100,000	-	153,083	36,756	450,658	39,742	2,119,580	-
	<b>Key management personnel</b>									
	J Nicolazzo (appointed September 2015)	2016 210,003	20,000	-	14,481	623	-	-	245,107	-
		2016 20,378	-	-	1,936	-	50,612	-	72,926	-
	KS Smith (resigned July 2015)	2015 260,093	-	-	30,000	6,981	-	-	297,074	-
	Total directors' and key management personnel remuneration	2016 1,174,421	80,000	-	99,570	61,598	50,612	41,533	1,507,734	-
		2015 1,599,434	100,000	-	183,083	43,737	450,658	39,742	2,416,654	-

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) The short term incentive bonus in the year ended 30 June 2016 is in relation to performance during the year ended 30 June 2016 as detailed in Note 10.4 of the directors' report.

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

Coventry Group Ltd  
 Directors' report (continued)  
 For the year ended 30 June 2016

**10. Remuneration report - audited (continued)**

**10.4 Service contracts**

Compensation and other terms of employment for the CEO and Managing Director and other key management personnel are formalised in employment contracts. Major provisions of the contracts relating to compensation are set out below:

PJB Caughey, CEO & Managing Director (appointed CEO & Managing Director 1 January 2015)

- 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 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 6 months notice by the Company.

Joe Nicolazzo, Chief Financial Officer (appointed 21 September 2015)

- 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 short-term and long-term incentive plans.
- Other than for serious misconduct, termination of employment requires 18 weeks notice by the Company.

Chris Lloyd, Company Secretary (appointed Company Secretary 27 October 2015)

- Not a direct employee of the company, compensated by payment for consulting services.

**10.5 Executive incentive plan**

There was no share based remuneration during the financial year.

Non recourse share loan

In January 2014 the Group issued 200,000 fully paid ordinary shares under an interest free (conditional on employment) non recourse loan to Peter Caughey.

The shares were issued at a price of \$2.87 per share which was the volume weighted average price for the 20 trading days preceding the decision to issue the shares. Until the loan is repaid the shares are escrowed with a trading lock. The loan is repayable 3 years after the shares are issued or immediately upon ceasing to be an employee of the Company or at any time prior to that date. Interest will be charged in the event of resignation of employment prior to the full 3 year period being completed.

The structure of the loan now has no 'down side' exposure, the non cash accounting benefit in the year is \$41,533 (2015: \$39,742).

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 30 June 2015	Held on appointment	Purchases	Sales	Held at Resignation/ Retirement	Held at 30 June 2016
<b>Directors</b>						
KR Perry	30,000	-	-	-	-	30,000
NG Cathie	50,000	-	22,200	-	-	72,200
NJ Willis	5,400	-	-	-	-	5,400
PJB Caughey	229,501	-	70,675	-	-	300,176
V Papachristos	-	-	-	-	-	-



Coventry Group Ltd  
Directors' report (continued)  
For the year ended 30 June 2016

**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 2016 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 is disclosed on the companies website.

**14. 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 3 to the full financial report.

**15. 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 36 and forms part of this directors' report.

**16. Company secretary**

Mr Christopher Lloyd was appointed to the position of Company Secretary in October 2015 following the resignation of Mr Keith Smith.

**17. Rounding off**

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 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.



N.G. CATHIE  
Chairman

Melbourne  
25 August 2016



P.J. CAUGHEY  
CEO and Managing Director

Melbourne  
25 August 2016

## 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 31 to 33, 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 2016 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 2016 pursuant to Section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of the directors.



**N.G. CATHIE**  
Chairman

Melbourne  
**25 August 2016**



**P.J. CAUGHEY**  
CEO and Managing Director

Melbourne  
**25 August 2016**



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

To the Directors of Coventry Group Ltd:

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2016 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

  
Suzanne Bell  
*Partner*

Melbourne  
25 August 2016



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

### **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 2016, and consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 26 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 the notes to the financial statements, 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 judgment, 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.



### *Independence*

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

### *Auditor's opinion*

In our opinion:

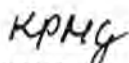
- (a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:
- (i) giving a true and fair view of the Group's financial position as at 30 June 2016 and of their performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed within the notes to the financial statements.

### **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 2016. The Directors of the Company are responsible for the preparation and presentation of the Remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration report, based on our audit conducted in accordance with auditing standards.

### *Auditor's opinion*

In our opinion, the Remuneration report of Coventry Group Ltd for the year ended 30 June 2016, complies with Section 300A of the *Corporations Act 2001*.

  
KPMG

  
Suzanne Bell  
Partner

Melbourne

25 August 2016

## Shareholder Information

as at 16 September 2016

### TWENTY LARGEST SHAREHOLDERS

Name	Ordinary Shares	
	Number	% of Total
1. J P MORGAN NOMINEES AUSTRALIA LIMITED	3,606,778	9.53
2. RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <BKCUST A/C>	2,693,480	7.12
3. HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,886,621	4.99
4. ONE MANAGED INVT FUNDS LTD <SANDON CAPITAL INV LTD A/C>	1,668,714	4.41
5. NATIONAL NOMINEES LIMITED	1,407,459	3.72
6. DORSETT INVESTMENTS PTY LTD	1,356,660	3.59
7. BNP PARIBAS NOMS PTY LTD <DRP>	1,114,923	2.95
8. SANDHURST TRUSTEES LTD <SISF A/C>	1,060,000	2.80
9. MRS ANNE KYLE	1,000,000	2.64
10. DEVADIUS PTY LTD	836,619	2.21
11. CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	565,000	1.49
12. ELLAND ROAD PTY LTD	442,000	1.17
13. ARUMA BEACH PTY LTD	415,000	1.10
14. TPSC SMIRK PTY LTD	400,000	1.06
15. FFSF ASSET MANAGEMENT PTY LTD <FF SUPER FUND A/C>	374,468	0.99
16. GARSIND PTY LTD <RUTH ROSS SUPER FUND A/C>	370,000	0.98
17. MR CLIFFORD MAXWELL KYLE	361,208	0.95
18. BUDUVA PTY LTD	325,000	0.86
19. MR GEOFFREY KYLE	325,000	0.86
20. BENTALE PTY LTD <ALLAMBI ROAD FAMILY A/C>	250,000	0.66
	<u>20,458,930</u>	<u>54.07</u>

### DISTRIBUTION OF SHAREHOLDING

Size of Holding	Number		Number	
	of holders	%	of shares	%
1 to 1,000	1788	53.29	633,290	1.67
1,001 to 5,000	919	27.39	2,418,037	6.39
5,001 to 10,000	276	8.23	2,043,033	5.40
10,001 to 100,000	329	9.81	9,226,462	24.39
100,001 and over	43	1.28	23,515,657	62.15
	<u>3355</u>	<u>100.00</u>	<u>37,836,479</u>	<u>100.00</u>
Unmarketable parcels field information:	1489	44.38	399,288	1.06

### SUBSTANTIAL SHAREHOLDERS

The Company's register of substantial shareholders showed the following particulars as at 16 September 2016.

Name of Substantial Shareholder	Extent of Interest (No of shares)	Date of last notification
Schroder Investment Management Australia Limited	2,426,073	15.09.2016
Investors Mutual Limited	4,590,000	25.05.2016
Sandon Capital Investments Pty Ltd <sup>1</sup>	2,297,056	22.03.2016

### UNQUOTED EQUITY SECURITIES

Nil

### 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**

ABN 37 008 670 102

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

235 Settlement Road,  
Thomastown, Victoria 3074

### **Postal Address**

PO Box 526  
Thomastown, Victoria 3074

### **Website**

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

### **Secretary**

Christopher Lloyd

### **Bankers**

Australian and New Zealand Banking Group Limited

### **Auditors**

KPMG  
147 Collins Street  
Melbourne, Victoria 3000

### **Share Registry**

Computershare Investor Services Pty Ltd  
GPO Box 2975  
Melbourne, Victoria 3001  
or  
Level 11  
172 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](mailto:web.queries@computershare.com.au)  
Website: [www.investorcentre.com](http://www.investorcentre.com)

### **Securities Exchange Listing**

The Company's shares are listed on the ASX Limited and trade under the 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.

