



Coventry Group Ltd

ABN 37 008 670 102

Results for announcement to the market Full Year Ended 30 June 2018

Revenues from continuing operations	Up	11.7% to	168,739
Loss before interest, taxes, depreciation and amortisation from continuing operations	Up	N/A	(5,438)
Loss before tax from continuing operations	Up	N/A	(7,275)
Net profit after tax from continuing and discontinued operations attributable to members	Up	N/A	5,651

<u>Dividends (distributions)</u>		<u>Amount per security</u>	<u>Franked amount per security</u>
Final dividend		Nil	Nil
Date the dividends are payable		N/A	
Record date for determining entitlements to the dividends		N/A	
<u>Amount of dividend per security</u>			
		<u>Amount per security</u>	<u>Franked amount per security at 30% tax</u>
Final dividend	current year	Nil	Nil
	previous year	Nil	Nil
Interim dividend	current year	Nil	Nil
	previous year	Nil	Nil
Special dividend	previous year (paid in each financial year)	Nil	Nil
Total dividend	current year	Nil	Nil
	previous year	Nil	Nil
<u>Dividend reinvestment plan (DRP)</u>			
The Company's DRP remained suspended.			

<u>Net Tangible Assets Per Security</u>	
As at 30 June 2018	1.30
As at 30 June 2017	1.30

For an explanation of the figures reported above see the attached commentary.
The attached financial statements and Directors' declaration have been subject to an independent audit review.



ANNUAL REPORT

2018



Coventry Group Ltd

OUR VALUES

At Coventry Group we value Respect, Fairness, Teamwork, Integrity and Professionalism.

Above all, we value Our People and Our Customers.



Coventry Group Ltd and its controlled entities

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Chairman's Report

2018 has been a year of improving fortunes for the Group under the first full year of leadership by our CEO and Managing Director, Robert Bulluss who was appointed in May 2017. Throughout 2018 Robert and his Executive Leadership Team have set about restoring confidence in the business at the same time implementing a wide-ranging programme of manageable disruption touching many parts of its operations. This has been particularly confronting in the Trade Distribution Australia business but the disruption was overdue and the urgency necessary due to very poor financial results on the back of declining sales over many years and a very high cost base. Pleasingly 2018 has seen four (4) quarters of Group quarter on quarter sales growth with all businesses, including Trade Distribution Australia, producing positive sales growth in all quarters. Cooper Fluids has had a very strong and profitable 2018, is well led, has a great team and is benefiting from the increased activity in the resources sector. Trade Distribution New Zealand, also well led and with a strong team, had solid growth in 2018 and is a constant reminder of what is achievable in the Trade Distribution Australia business with the right leadership and disciplines. The divestment of the AA Gaskets business was completed on 1 December 2017 and the CEO will expand on the details of the divestment and the implications for the broader group.

Whilst we can be pleased with sales growth, the Board and management are keenly aware the Group is yet to return to profitability. With 2017 as the base period (excluding AA Gaskets), there has been an underlying EBIT improvement in the order of \$6.4M in 2018 on the back of a host of initiatives covering, but not limited to, sales growth, margin management, service improvement, cost control, productivity improvement, procurement, inventory management and people development. All our plans are geared to a return to modest Group profitability in 2019. Achievement of that goal would represent an EBIT turnaround in the order of \$13.0M from 2017 and we expect would provide great encouragement to those shareholders who have continued to support the business through what have been some very difficult years. It would also provide great satisfaction to those working so diligently on the turnaround within the business and serve as a solid foundation for further improvement in 2020. An important factor in a return to Group profitability in 2019 is achieving a breakeven or better result from Trade Distribution Australia. This is a big challenge for our team but the turnaround plans are being diligently implemented and the performance from Trade Distribution New Zealand is proof that with the right customer value proposition and cost base the Australian business, over time, can similarly perform.

Further changes occurred in senior management ranks during 2018. Mr Rod Jackson was appointed Chief Financial Officer on 25 September 2017. Rod and Robert have worked with each other before so we are very pleased to have them again working together at Coventry where the many challenges will require their experience and close collaboration. In January 2018 Ms Tracey Gibbons was appointed General Manager of People, Safety, Wellness & Quality and is a member of the Executive Leadership Team. Tracey is an experienced and qualified Human Resources, Health, Safety, Environmental and Quality Strategy professional with relevant experience across a diverse range of businesses over a 25 year career. In the second half Mr Mark Page stepped down from the role of General Manager of Trade Distribution in Australia. Mark now has responsibility for the Southern Region which is the least profitable of the Australian regions and requires the most work. In the short term the Executive Leadership Team as a group is providing hands-on oversight of the Australian trade business and to date this is having a material impact on its turnaround.

Since the changes noted in my last report there have been further changes at Board level. Mr Ken Perry retired at the conclusion of the 2017 Annual General Meeting having served as an independent non-executive Director since 2009. As announced on 22 September 2017, Mr Andrew Nisbet joined the Board on 1 October 2017 and on 24 August 2018 we announced Mr James Todd would be joining the Board effective 3 September 2018. The current state of the business has required a very agile and hands-on Board and for a large part of 2018 a Board size of three (3) has been appropriate. The addition of Mr Todd to the Board will see it return to its optimum size.

As announced on 22 September 2017, the Board reduced 2018 cash based non-executive Director fees in the order of 30%. At the 2017 Annual General Meeting shareholders approved an Executive and Director Incentive Plan and, further to the reduction in cash based Director fees, approved the awarding of Performance Rights to the two (2) non-executive Directors. It was envisaged that with the permanent reduction in cash based fees in the order of 30%, the awarding of Performance Rights to non-executive Directors would continue into subsequent years, subject to shareholder approval at each Annual General Meeting of the Company. The non-executive Directors have determined it is in the best interests of the Company that they do not further participate in the Executive and Director Incentive Plan until the Group returns to profitability and that the permanent reduction in cash based fees remains in place. As a consequence, there will be no approval sought at the 2018 Annual General Meeting of the Company for the awarding of Performance Rights to non-executive Directors.

The Executive and Director Incentive Plan approved at the 2017 Annual General Meeting of the Company provides for the granting or issuing of performance rights to eligible Executives in accordance with its terms and subject to the terms and performance hurdles set by the Board. Mr Bulluss's total remuneration includes a Plan award and, as required by the ASX Listing Rules, the Company will seek shareholder approval to grant him Performance Rights for his participation in the Plan for 2019. Full particulars will be published in the Notice of Annual General Meeting for the meeting to be held on 25 October 2018.

A minimum holding share buy-back for holders of unmarketable parcels of shares in the Company, announced on 7 December 2017 was completed on 23 January 2018. Of the eligible parcels held at that date, a total of 336,075 ordinary shares were acquired and cancelled for a total amount paid of \$373,315. The number of shareholders reduced by 1,290 to 1,784 at that time. The Company expects to benefit from the reduction of associated administration and share registry costs.

In Australia there has been some consolidation of the Trade Distribution branch network in order to build scale in a number of existing branches whilst exiting locations which were too small and were trading unprofitably. The CEO provides specific detail in his report. Branch greenfield opportunities are now back on the agenda with new branch openings planned for Australia in 2019 and beyond. Although our network in Australia provides good coverage, there is considerable opportunity for new store growth in all states. Our current plans require steady growth to be funded internally via a return to profitability and improved working capital management.

In New Zealand the Trade Distribution branch network expanded by two (2) during the year and we believe there are further opportunities to grow the network through greenfield and/or acquisition opportunities.

As previously reported to shareholders, in 2007 the Company entered into a single term twenty-year lease for property in Redcliffe, Perth. We have had some success with sub-leasing parts of the property in a difficult Perth property market. We are encouraged by signs of improvement in the Perth market and the increased levels of inquiry for sub-tenancies however we will experience a shortfall in rental income in 2019 whilst lower rental rates are being achieved and space remains unfilled. This matter continues to be actively managed, supported by local real estate resources.

The Group continues to have a strong working capital position with Current Assets exceeding Current Liabilities by \$47.2M including a cash balance of \$5.0M. The Group had no debt at the end of the financial year.

On behalf of the Board my sincere thanks go to the CEO, the senior leadership team and all our colleagues throughout the business for their hard work and commitment to the turnaround efforts underway at Coventry.

Outlook

As stated earlier, all our plans are geared to a return to modest Group profitability in 2019. That outcome will require measured, considered and timely execution of those plans and the markets in which we operate to remain buoyant.

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

Chief Executive Officer's Report

The Group's performance improved in FY18 and is progressing to plan towards sustainable profitable growth. I am pleased to advise that at the end of year 1 of a 5 year strategy our plans are largely delivering the results we expected. Our focus on the customer by providing service excellence through quality products, stock availability, expertise and agility is delivering the sales growth that is underpinning the improved results. An independent customer survey in July provided proof of our service improvements with an increase in Customer Net Promoter Score to 33.9% from 4.3% 12 months earlier. Focus on our people has delivered, in a recent internal employee engagement survey, an improvement of 40.2 points in the Net Promoter Score on the previous survey.

The health, safety and wellbeing of our people is valued first and foremost. During the year, we had 8 Lost Time Injuries (LTI's) and whilst all people returned to work in a short time frame, we are disappointed in this result. Our aspiration is for zero LTI's and we are implementing quality programs that will deliver continual improvement to our health and safety systems to achieve this goal. We are also focussed on improving the culture in our business and delivering on our core values of Respect, Fairness, Teamwork, Professionalism and Integrity.

Our experienced Executive Leadership Team (ELT) works collaboratively utilising its broad experience to deliver positive commercial and financial outcomes for the Group. During the year the team has been strengthened with the appointments of Rod Jackson (Chief Financial Officer) and Tracey Gibbins (General Manager – People, Safety, Well Being and Quality). Bruce Carter (General Manager – Cooper Fluid Systems) and Mike Wansink (General Manager – Trade Distribution New Zealand) have a wealth of experience with the Group, are integral members of the ELT and are involved in all key decisions for the Trade Distribution Australia (TDA) turnaround. In the short term the Executive Leadership Team is taking a hands-on approach managing the TDA business. This has been important, because as the Chairman noted, we have needed to implement substantial disruptive change in the Group, and in particular throughout the TDA business. This level of disruption has proven to be more manageable when implemented by our experienced senior management team working together.

We have made steady progress with the turnaround of the TDA business. The business will be returned to sustainable profitable growth through profitable sales growth on the back of our quality service and value proposition, improving the TDA network, productivity improvements and by reducing the size and cost of our Distribution Centres.

Both Cooper Fluid Systems (CFS) and Trade Distribution New Zealand (TDNZ) had excellent years with very strong sales growth delivering significant increases in their contribution to the Group. Corporate costs were also reduced during the year.

We previously communicated the completion during the year of the sale of the AA Gaskets business to GUD Holdings following a strategic decision to focus on our two core industrial supply businesses. The sale was a positive for the Group and shareholders and enabled us to eliminate debt and free up cash for a minimum holding share buy-back and investment in our core businesses.

As we return TDA to profitability and improve support functions, our attention is turning to additional opportunities for growth. Organic growth and acquisition opportunities exist for all business units and these will be carefully considered as and when presented.

We remain fully focussed on our Customers and People, applying our values of Respect, Fairness, Teamwork, Professionalism and Integrity.

Business Performance

Group financial performance improved during the year. Sales growth was achieved year on year and in every quarter for the year in all business divisions including TDA. Daily sales run rates continued to improve in all business divisions.

Group sales for the full year were up 11.7% on the previous year with fourth quarter year on year growth at 13.6%. Group sales (excluding AA Gaskets) for the year were \$168.7m (\$151.0m FY17). The underlying loss for FY18 was \$6.1m, compared to an underlying loss for FY17 of \$12.5m (excluding the discontinuing operations of AA Gaskets). This is a \$6.4m improvement on the previous year and is aligned with our plans to return to Group profitability in 2019, being the end of year 2 of our 5 year strategy. The reported loss for the year from continuing operations was \$8.3m (\$37.7m loss FY17).

At 30 June 2018 the Group had cash of \$5.0m with no debt.

Performance by Division

Trade Distribution (TD)

TD sales for the year were up 6.6% on the prior year and up 10.0% year on year for the fourth quarter. The underlying loss for TD was \$3.0m compared to \$5.2m in FY17.

Trade Distribution Australia (TDA)

TDA continued to show improvement with fourth quarter sales year on year up 6.1% and full year sales year on year up 3.5%. TDA's contribution loss in FY18 of \$6.1m compared to a \$7.5m loss in FY17, whilst an improvement, only underlines the depth of issues that have developed over time in this business and the magnitude of the task of returning it to at least breakeven in FY19 in accordance with our plans. Contribution improvements from sales growth and cost reductions from the Distribution Centre (DC) rationalisation program were partly offset by investment in resources and equipment in the branch network and non-recurring costs in relation to branch closures and mergers as we reset the trade distribution strategy.

Sales growth is occurring as a result of improving our value proposition, specifically:

- Sale of quality products from our local suppliers and own brand imported range. We have improved our relationships with our key suppliers and are continuing to implement a directional buying and selling strategy focussed on fastening systems and cabinet hardware systems combined with complementary products.

- Significantly improving our stock availability and DIFOT levels in the branch network with a focus on stocking what each branch sells based on the markets the branch operates in. Stock availability has improved to over 95% in nearly all branches from an average of 75% 12 months ago. Our target is 98%.
- Increasing our capability in the branch network by ensuring we have an appropriate level of qualified resources and service delivery agility.
- Increasing the level of expertise in the business through recruitment and training.

As noted by the Chairman, Mark Page stepped down from the TDA General Manager role during the year and is now having a positive impact leading and turning around performance in the Southern Region. Jarrod Taylor (ex Laminex, Rexel) joined the business early in the year as Regional Manager for NSW and with a focus on customer and sales growth, has in a short time had a significant positive impact on the regions results. Jarrod has also recently taken over responsibility on a national basis for our Artia cabinet hardware systems product category having had previous experience in this market. In July 2018, Peter Shaw (ex Wesfarmers Industrial & Safety; Total Fasteners) joined the business as Regional Manager for Queensland adding extensive fastener and industrial supply experience to the team. Jerry Field continues to lead our business in WA and now has responsibility for NT.

We have largely completed the consolidation of our branch network in Australia with a number of branch mergers and closures taking place during FY18 in order to provide scale benefits and improved service levels.

Consolidation of branches has occurred in the following locations:

- Gympie and Caloundra were merged into Sunshine Coast.
- Inner City Brisbane was merged into Morningside.
- Geebung and North Brisbane were merged into a new larger location in Brendale.
- Thomastown was merged into Campbellfield.

Branch closures have occurred in Coffs Harbour and Wodonga where material losses were occurring. In FY19 we are planning to open three new branches. Our Tamworth branch has recently been relocated to a larger facility that will cater for growth in this region. We are assessing options to relocate other facilities where the size or location of the branch does not support strong sales growth. We are also systematically improving the layout, merchandising, signage and equipment in the branch network. Investment has been made in operating leases for delivery vehicles to enable branches to provide an agile delivery service in addition to the use of third party couriers.

Significant progress has been made reducing the cost of our expensive DC network with further plans for cost reductions in FY19. Our DC operations in Sydney and Adelaide have been downsized to large branches and a project to downsize the Brisbane DC is underway. Outside storage in Brisbane and Sydney for excess inventory has now been eliminated providing savings to the Group in FY19. Once complete the number of DC's will be reduced to two (Thomastown and Redcliffe) with their primary function being to receive and distribute imported products. Annualised savings to date flowing from these changes are in the order of \$3M which will be fully realised in FY19 and, as stated above, more savings are planned.

Trade Distribution New Zealand (TDNZ)

Under the leadership of Mike Wansink and his management team, TDNZ had an excellent year with sales up 15.1% on last year with highlights including growth in the construction industry and the opening of two new branches. TDNZ is the leading fastening systems business in the construction and roofing and cladding markets in New Zealand and has good growth prospects. Profit contribution in FY18 of \$3.1m compared to \$2.3m in FY17.

The new branches opened in Mount Maunganui and Timaru are both performing well.

Future growth will come from a combination of organic sales growth, the potential for branches in new locations and the potential acquisition of profitable businesses in New Zealand. We also expect to relocate our construction branch in Auckland to a larger facility.

TDNZ is an example of what can be achieved in Australia. The business employs sensible business practices that we are replicating in TDA.

Cooper Fluid Systems (CFS)

Under the leadership of Bruce Carter and his management team, CFS had an outstanding year. CFS had substantial growth with full year sales growth of 20.9%. Sales growth is continuing to be driven by an increase in service, maintenance, upgrade and new equipment activity in the resources sector. Profit contribution in FY18 of \$5.0m compared to \$2.6m in FY17.

We expect continuing sales and contribution growth in CFS in FY19. Future sales growth will come organically by expanding our product and service offering, potential greenfield expansion and acquisitions. Activity in the mining and resources sector is continuing to increase and we expect strong market conditions to continue for the coming years. We are conscious of the exposure CFS has to the mining and resources cycle and accordingly our acquisition focus is on businesses with a diversified customer base outside of the mining and resources sector. CFS is an excellent profitable business well positioned to integrate acquisitions.

Trade Distribution Australia Strategic Plan

Our aim is for TDA to be the premier Trade Distribution fastening systems supplier in Australia. Our sales growth strategy comprises the following principles:

- Organic sales growth in Konnect and Artia driven by delivery of our value proposition of quality products, stock availability, expertise and agility, supported by additional sales resources and business development capability across the branch network.
- Growth through new branch openings based on our revised trade distribution model.
- Increasing our share of the construction market.
- Investing in e-commerce capabilities.
- Potential acquisitions.

Other key activities include:

- Directional buying and selling where we buy what we sell by branch, focussed on fastening systems and cabinet hardware systems combined with complementary products sourced through preferred suppliers.
- Continuing to invest in the branch network ensuring each branch has the right resources, delivery capability and appropriate store layouts.
- Introducing a structured approach to understanding and improving customer profitability typically by introducing more mutually beneficial trading practices.
- Continued rollout of the DC optimisation project aimed at delivering material operating cost savings to TDA and the Group.
- Reducing inventory (excess and slow-moving stock) and improving stock turns.
- Improving the branch control environment within a "model" branch concept.
- Using technology including EDI, e-commerce and improving the capabilities of our Oracle ERP system to achieve productivity gains.
- Increasing the capability of our people through improved recruitment systems, training and development and succession planning.

Branch closures and mergers completed in the second half of FY18 and savings from the DC optimisation project will have a positive impact on earnings in FY19.

Corporate Costs

Corporate costs were reduced during the year and remain under constant review. Our aim is to deliver productivity gains using technology so that as sales grow, modest additional corporate costs are required. Corporate costs are currently running at 4.8% of sales and we will continue to report this number over time in support of our continuing tight control of these costs.

Working Capital

Net assets of \$60.6m compared to \$61.6m in FY17. Reducing working capital to maximise cash generation is a key focus area for the Group.

During FY18 we successfully relocated our Accounts Receivable function to Melbourne from Queensland. The new smaller and more experienced credit team are already delivering a more efficient and cost effective credit function to the Group.

Inventory levels remained high in FY18 due to a focus on improving stock availability in the TDA branch network and the need for additional inventory to manage the rapid sales growth in CFS. Detailed plans are being implemented to reduce excess and slow-moving stock in FY19.

Capital expenditure continues to be tightly controlled.

Outlook

Our markets are performing well and we are seeing signs of improvement in the Western Australian economy. We remain confident that all business units will continue to grow and deliver sustainable profitable growth. Pleasingly the strategy we set for TDA is delivering largely as planned so we are confident our current direction is the right one.

I would like to acknowledge the support we have received from the Board and thank the Executive Leadership team and every person in the Group for their contribution during the year. Their efforts have resulted in a material change in the FY18 result and the future prospects for the Group following years of decline in business performance. We remain confident that our strategy will deliver sustainable profitable growth with all plans geared to a return to Group profitability in FY19

Robert J Bulluss
Chief Executive Officer and Managing Director

Coventry Group Ltd and its controlled entities

Consolidated statement of profit or loss

For the year ended 30 June 2018

	Note	2018 \$'000	Restated* 2017 \$'000
Continuing operations			
Revenue from sale of goods		168,739	151,027
Cost of sales		(106,535)	(94,751)
Gross profit		62,204	56,276
Other income		5,676	4,390
Employment costs	5	(42,702)	(40,437)
Depreciation and amortisation expense		(1,337)	(2,777)
Occupancy costs		(10,056)	(10,063)
Communication costs		(2,705)	(2,302)
Freight		(5,686)	(5,796)
Vehicle operating costs		(1,446)	(1,606)
Restructuring, impairment and other significant costs	27	(443)	(15,445)
Other expenses		(10,033)	(10,144)
Loss before financial income and tax		(6,528)	(27,904)
Financial income, including net foreign exchange gain	6	9	20
Financial expense, including net foreign exchange loss	6	(756)	(743)
Net financial (expense)/income	6	(747)	(723)
Loss before income tax		(7,275)	(28,627)
Income tax (expense)/benefit	7	(1,026)	(9,052)
Loss for the year from Continuing Operations		(8,301)	(37,679)
Discontinued operation			
Profit from Discontinued operation, net of tax	3(b)	14,278	2,140
Profit/(loss) for the year from Continuing and Discontinued operation		5,977	(35,539)
Profit/(loss) attributable to:			
Owners of the Company		5,651	(36,127)
Non-controlling interests		326	588
Earnings/(loss) per share:			
Basic loss from Continuing operations per share:	8	(22.1 cents)	(99.8 cents)
Diluted loss from Continuing operations per share:	8	(22.1 cents)	(99.8 cents)
Basic earnings/(loss) from Continuing and Discontinued operation per share:	8	15.1 cents	(95.7 cents)
Diluted earnings/(loss) Continuing and Discontinued operation per share:	8	15.1 cents	(95.7 cents)

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

* Comparative information for the year ended 30 June 2017 has been restated for the effects of the application of AASB 5 *Non-current Assets Held for Sale and Discontinued Operations* following the disposal of the AA Gaskets business. The consolidated statement of comprehensive income, consolidated statement of financial position, the consolidated statement of changes in equity and consolidated statement of cash flows for this period is not required to be restated. Refer to Note 3 'Discontinued Operation' to the financial statements.

Coventry Group Ltd and its controlled entities
 Consolidated statement of comprehensive income

For the year ended 30 June 2018

<i>Note</i>	2018	2017
	\$'000	\$'000
Profit/(loss) for the year from Continuing and Discontinued operation	5,977	(35,539)
Other comprehensive (loss)/income		
Items that may be reclassified to profit or loss:		
Foreign currency translation differences	(842)	(595)
Effective portion of changes in fair value of cash flow hedges	236	36
Other comprehensive loss for the year, net of income tax	(606)	(559)
Total comprehensive profit/(loss) for the year	5,371	(36,098)
Total comprehensive profit/(loss) attributable to:		
Owners of the Company	5,071	(36,672)
Non-controlling interests	300	574
Total comprehensive profit/(loss) for the year	5,371	(36,098)

The consolidated statement of 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 2018

	<i>Note</i>	2018 \$'000	2017 \$'000
Assets			
Cash and cash equivalents	9	4,966	5,149
Trade and other receivables	10	30,504	29,260
Inventories	11	46,444	49,282
Total current assets		81,914	83,691
Deferred tax assets	7	6,120	6,749
Property, plant and equipment	13	4,581	4,698
Intangible assets	14	6,071	5,935
Total non-current assets		16,772	17,382
Total assets		98,686	101,073
Liabilities			
Trade and other payables	16	30,522	23,806
Employee benefits	18	3,701	3,931
Interest-bearing loans and borrowings	17	-	8,045
Income tax payable		416	249
Provisions	20	90	131
Total current liabilities		34,729	36,162
Employee benefits	18	146	247
Other payables	16	3,197	3,089
Total non-current liabilities		3,343	3,336
Total liabilities		38,072	39,498
Net assets		60,614	61,575
Equity			
Issued capital		107,770	108,063
Reserves		(4,969)	(815)
Retained earnings		(42,187)	(47,838)
Total equity attributable to equity holders of the Company		60,614	59,410
Non-controlling interests		-	2,165
Total equity		60,614	61,575

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 2018

	Share-based payments reserve	Hedge reserve	Translation reserve	Other reserve	Total reserves	Share capital	Retained earnings	Total for owners of the Company	Non-controlling interests	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2017	-	(44)	(771)	-	(815)	108,063	(47,838)	59,410	2,165	61,575
Total comprehensive income for the year										
Profit for the year	-	-	-	-	-	-	5,651	5,651	326	5,977
Other comprehensive (loss)/income:										
Foreign currency translation differences	-	-	(816)	-	(816)	-	-	(816)	(26)	(842)
Effective portion of changes in fair value of cash flow hedges	-	236	-	-	236	-	-	236	-	236
Total other comprehensive income/(loss)	-	236	(816)	-	(580)	-	-	(580)	(26)	(606)
Total comprehensive income/(loss) for the year	-	236	(816)	-	(580)	-	5,651	5,071	300	5,371
Transactions with owners, recorded directly in equity										
Share based payment transactions	89	-	-	-	89	-	-	89	-	89
Acquisition of non-controlling interest	-	-	-	(3,574)	(3,574)	-	-	(3,574)	(2,327)	(5,901)
Conversion of performance rights	(89)	-	-	-	(89)	80	-	(9)	-	(9)
Share buy-back	-	-	-	-	-	(373)	-	(373)	-	(373)
Dividends to equity holders	-	-	-	-	-	-	-	-	(138)	(138)
Balance at 30 June 2018	-	192	(1,587)	(3,574)	(4,969)	107,770	(42,187)	60,614	-	60,614

Amounts are stated net of tax

	Share-based payments reserve	Hedge reserve	Translation reserve	Other reserve	Total reserves	Share capital	Retained earnings	Total for owners of the Company	Non-controlling interests	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2016	104	(80)	(190)	-	(166)	108,110	(11,711)	96,233	2,031	98,264
Total comprehensive (loss)/income for the year										
(Loss)/profit for the year	-	-	-	-	-	-	(36,127)	(36,127)	588	(35,539)
Other comprehensive (loss)/income:										
Foreign currency translation differences	-	-	(581)	-	(581)	-	-	(581)	(14)	(595)
Effective portion of changes in fair value of cash flow hedges	-	36	-	-	36	-	-	36	-	36
Total other comprehensive (loss)/income	-	36	(581)	-	(545)	-	-	(545)	(14)	(559)
Total comprehensive (loss)/income for the year	-	36	(581)	-	(545)	-	(36,127)	(36,672)	574	(36,098)
Transactions with owners, recorded directly in equity										
Cancellation of Director shares	-	-	-	-	-	(47)	-	(47)	-	(47)
Share based payment transactions	(104)	-	-	-	(104)	-	-	(104)	-	(104)
Dividends to equity holders	-	-	-	-	-	-	-	-	(440)	(440)
Balance at 30 June 2017	-	(44)	(771)	-	(815)	108,063	(47,838)	59,410	2,165	61,575

Amounts are stated net of tax

Coventry Group Ltd and its controlled entities

Consolidated statement of cash flows

For the year ended 30 June 2018

	<i>Note</i>	2018 \$'000	2017 \$'000
Cash flows from operating activities			
Cash receipts from customers		184,245	187,778
Cash paid to suppliers and employees		(187,585)	(190,917)
Cash used in operations		(3,340)	(3,139)
Interest paid		(509)	(560)
Income taxes paid		(230)	(1,280)
Net cash used in operating activities	25	(4,079)	(4,979)
Cash flows from investing activities			
Proceeds from Discontinued operation	3	21,012	-
Proceeds from sale of property, plant and equipment		527	4,515
Interest received		9	24
Acquisition of property, plant and equipment	13	(1,782)	(1,305)
Acquisition of intangible assets	14	(324)	(3,472)
Net cash from/(used in) investing activities		19,442	(238)
Cash flows from financing activities			
Proceeds from Borrowings		68,896	83,354
Repayment of Borrowings		(76,941)	(75,309)
Share buy-back		(373)	-
Dividends paid to non-controlling interests		(138)	(440)
Transactions with non-controlling interests		(5,927)	-
Net cash (used in)/from financing activities		(14,483)	7,605
Net increase in cash and cash equivalents		880	2,388
Cash and cash equivalents at 1 July		5,149	3,520
Effect of movements in exchange rates on cash and cash equivalents		(1,063)	(759)
Cash and cash equivalents at 30 June	9	4,966	5,149

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

For the year ended 30 June 2018

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 2018 comprises the Company and its controlled entities (together referred to as the "Group").

The financial report was authorised for issue by the Directors on 24 August 2018.

(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 and derivative financial instruments which are stated at their fair value.

The Group is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 dated 24 March 2016 and in accordance with that Instrument, amounts in the financial report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Going Concern

In preparing the financial report, the Directors have made an assessment of the ability of the Group to continue as a going concern, which contemplates the continuity of business operations, realisation of assets and settlement of liabilities in the ordinary course of business and at the amounts stated in the financial report.

The Group made a profit after tax for the year ended 30 June 2018 of \$6.0 million primarily as a result of the sale of AA Gaskets on 1 December 2017 along with continued strong results in Cooper Fluid Systems and improvements in the Trade Distribution business.

The Directors have assessed the forecast trading results and cash flows for the Group, including the impact of restructuring and other initiatives implemented by management to adjust to market conditions. These forecasts are based on best-estimate assumptions that are subject to influences and events outside of the control of the Group. The forecasts are supported by the performance of the Group in the 12 months to 30 June 2018.

Should trading conditions unexpectedly deteriorate, the Group could seek to:

- Make further adjustments to business operations;
- Raise additional funds from shareholders or other parties; and
- Utilise available funds (\$13m) in the Scottish Pacific securitised trade receivables facility.

After making enquiries and considering the matters described above, the Directors have a reasonable expectation that the Group will have adequate resources to continue to meet its obligations as they fall due. For these reasons, the Directors continue to adopt the going concern basis in preparing the financial report.

The recoverable amounts are predicated on the assumption that the Group will continue as a going concern. If, in the event that the Group is unable to continue as a going concern, a further provision would be required to write down the value of assets to an alternative basis of valuation.

Coventry Group Ltd and its controlled entities

Notes to the consolidated financial statements

For the year ended 30 June 2018

1. Significant accounting policies (continued)

(b) Basis of preparation (continued)

The basis on which the Directors have determined the recoverable amount of:

- Non-current assets which comprise goodwill, deferred tax assets, computer software and plant and equipment is set out in Notes 1, 13 and 14; and
- Inventory is set out in Note 1.

(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.

Certain comparative amounts in the statement of profit or loss have been restated, reclassified or re-presented as a result of an operation discontinued during the current year (see Note 3).

New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 July 2017:

- AASB 2016-1 *Amendments for Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses*
- AASB 2016-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107*, and
- AASB 2017-2 *Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016 Cycle*

The adoption of these amendments did not have any impact on the amounts recognised in prior periods and will also not affect the current or future periods.

The amendments to AASB 107 require disclosure of changes in net debt arising from financing activities, see note 9.

(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.

Non-controlling interests

NCI are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Coventry Group Ltd and its controlled entities

Notes to the consolidated financial statements

For the year ended 30 June 2018

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 are translated to the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Foreign currency differences arising on translation are recognised in the statement of profit or loss.

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 at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income, and presented in the translation reserve 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 translation reserve 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 translation reserve.

(f) Discontinued operation

A Discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographic area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographic area of operations; or
- is a subsidiary acquired exclusively with a view to re-sale.

Classification as a Discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

When an operation is classified as a Discontinued operation, the comparative statement of profit or loss and other comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative year.

(g) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short term deposits with a maturity of three months or less at inception date. Term deposits with a maturity of three months or greater at inception 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.

(h) 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.

Coventry Group Ltd and its controlled entities

Notes to the consolidated financial statements

For the year ended 30 June 2018

1. Significant accounting policies (continued)

(i) Trade and other receivables

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

(j) 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.

(k) 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

For the year ended 30 June 2018

1. Significant accounting policies (continued)

(k) 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 recognised 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.

(l) Impairment of assets (financial and non-financial)

Non-financial

Goodwill and intangible assets that have an indefinite useful life are not amortised but are tested annually for impairment in accordance with AASB 136. Other assets are tested 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 of disposal and value in use.

Financial

Financial assets that are measured at amortised cost are assessed to determine whether there is objective evidence that an impairment has been incurred but not yet identified. For these receivables the estimated impairment losses are recognised in a separate provision for impairment.

All impairment losses are recognised in profit or loss. For non-financial assets other than goodwill 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.

(m) Employee benefits

A provision is made for the Group's liability for employee benefits arising from services rendered by employees to balance date. These benefits include wages and salaries, annual leave and long service leave. Sick leave is non-vesting and has not been provided for.

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. Re-measurements 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.

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 and Director Incentive Plan was approved by shareholders in 2017. 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 and directors with the shareholders in the medium to long term.

Coventry Group Ltd and its controlled entities

Notes to the consolidated financial statements

For the year ended 30 June 2018

1. Significant accounting policies (continued)

(n) Provisions

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

Warranties

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

Restructuring

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

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.

(o) Trade and other payables

Trade and other payables are stated at amortised cost.

Trade payables are non-interest bearing and are normally settled within 45 - 60 day terms.

(p) Revenue and other income

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 income.

(q) Leases

Leased assets

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

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

Lease payments

Payments made 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

For the year ended 30 June 2018

1. Significant accounting policies (continued)

(r) Finance income and finance costs

Finance income comprises interest income on funds invested and dividend income. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the 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.

(s) 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.

(t) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the statement of profit or loss 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.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences only to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised however such reductions may be reversed when the probability of future taxable profits improves.

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

For the year ended 30 June 2018

1. Significant accounting policies (continued)

(t) 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.

(u) Goods and services tax

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

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

(v) 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. The estimates and associated assumptions are based on historical experience and on other factors it believes to be reasonable under the circumstances, the results of which form the basis of the reported amounts that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

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 effect on the amounts recognised in the financial statements are described in the following notes:

- Note 1 (h) - significant accounting policies - inventories;
- Note 1 (t) - significant accounting policies - income tax and recovery of deferred tax assets (Note 7);
- Note 15 - measurement of the recoverable amount of cash generating units; and
- Note 22 - allowance for trade receivable impairment losses.

(w) 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.

Coventry Group Ltd and its controlled entities

Notes to the consolidated financial statements

For the year ended 30 June 2018

1. Significant accounting policies (continued)

(x) New standards and interpretations not yet adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the annual reporting period ended 30 June 2018 are outlined below.

Title of Standard	Description	Application of Standard*	Application by Group*
AASB 9 <i>Financial Instruments</i>	<p><u>Nature of Change</u> AASB 9 replaces AASB 139 <i>Financial Instruments: Recognition and Measurement</i>. AASB 9 adopts a more principle-based approach to the classification of financial instruments. As such the classification, measurement and derecognition requirements for financial assets and financial liabilities has been changed. In addition, there are new rules for hedge accounting and a new impairment model for financial assets.</p>	1 January 2018	1 July 2018

Impact

The Group has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on 1 July 2018:

- The Group's financial assets that are currently classified as amortised cost will pass the contractual cash flow and business model tests for classification at amortised cost under AASB 9. The securitisation of the trade receivables with Scottish Pacific does not modify or change the intention of management to collect debt and receive the contractual cash flows. Hence, there will be no change to the classification and measurement of these financial assets.
- There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities.
- The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) and applies to financial assets classified at amortised cost. As at reporting date, the Group is currently profiling all customers and assessing the future lifetime expected credit loss. This may impact the loss allowance for Trade receivables.
- The Group has confirmed that its current cash flow hedges will qualify as continuing hedges upon the adoption of AASB 9.
- The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of adoption.

Transition

The Group will apply the new rules retrospectively from 1 July 2018, with the practical expedients permitted under the standard. Comparatives will not be restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of AASB 9 will generally be recognised in retained earnings and reserves as at 1 July 2018.

* Designates the beginning of the applicable annual reporting period.

Coventry Group Ltd and its controlled entities

Notes to the consolidated financial statements

For the year ended 30 June 2018

1. Significant accounting policies (continued)

(x) New standards and interpretations not yet adopted (continued)

Title of Standard	Description	Application of Standard*	Application by Group*
AASB 15 <i>Revenue from Contracts with Customers</i>	<p><u>Nature of Change</u> AASB 15 replaces all existing revenue requirements in Australian Accounting Standards and applies to all revenue arising from contracts with customers, unless the contracts are in the scope of other standards, such as AASB 117 (or AASB 16 Leases, once applied).</p> <p>The new standard is based on the core principle that revenue is recognised when control of a good or service transfers to a customer. That is, an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.</p> <p><u>Impact</u> The Group has performed a preliminary assessment of the potential impact which has focused on the identification and understanding of the provisions of the standard which will most impact the Group. The following points were noted:</p> <p><u>Trade Distribution</u></p> <ul style="list-style-type: none"> • The contracts are short-term and generally for standard products. • The Group sells a significant portion of its products on FIS (Free-In-Store). This means the Group is responsible for providing delivery services. Under IFRS 15, the freight charges are required to be accounted for as a separate performance obligation with revenue recognised over time as the service is rendered. The Group is currently quantifying the impact. • The standard contracts permit the customer to return an item within a defined period. For these contracts, revenue is currently recognised when a reasonable estimate of the returns can be made, provided all other criteria for revenue recognition are met. The Group does not expect a significant impact. <p><u>Fluids</u></p> <ul style="list-style-type: none"> • The contracts are typically long-term (e.g. up to 1 year) and have non-standard terms and conditions with differing performance obligations. • The contracts relate to made-to-order specialised bespoke products which are manufactured and have ongoing service obligations. The Group's initial assessment indicates that this will result in revenue, and some associated costs for these contracts being recognised over time. That is, before the goods are delivered to the customer's premises. The expected impact on implementation date is being estimated and will depend on the work in progress contracts at 30 June 2018. <p>The application of AASB 15 may result in the identification of other impacts which could affect the timing of the recognition of revenue.</p> <p><u>Transition</u> The Group intends to adopt the standard using the cumulative approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 July 2018 and that comparatives will not be restated.</p>	1 January 2018	1 July 2018

Coventry Group Ltd and its controlled entities
Notes to the consolidated financial statements
For the year ended 30 June 2018

1. Significant accounting policies (continued)

(x) New standards and interpretations not yet adopted (continued)

Title of Standard	Description	Application of Standard*	Application by Group*
AASB 16 Leases	<p><u>Nature of Change</u> AASB 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under AASB 117 Leases. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed.</p> <p>Lessees must now recognise a right-of-use asset (the right to use the leased item) and a financial lease liability to pay rentals on the statement of financial position. The only exceptions are short-term and low-value leases.</p> <p>Lessor accounting will not significantly change. Lessors will continue to classify all leases using the same classification principle as in AASB 117 and distinguish between two types of leases: operating and finance leases.</p> <p><u>Impact</u> The Group has performed a preliminary assessment of the potential impact which has focused on the identification and understanding of the provisions of the standard which will most impact the Group.</p> <p>AASB 16 contains a number of practical expedients, one of which permits the retention of the classification of existing contracts as leases under current accounting standards instead of reassessing whether existing contracts are or contain a lease at the date of initial application of the new standard. The Group will adopt this practical expedient.</p> <p>AASB 16 is expected to have a significant impact on the consolidated financial statements of the Group.</p> <p>The standard will affect primarily the accounting for the Group's non-cancellable operating lease commitments for its rental premises and branches. As at reporting date, the Group has non-cancellable operating lease commitments, on an undiscounted basis of \$39,609,000. (See Note 23). The Group estimates that an insignificant portion relates to payments for short-term leases. For leases where the Group is the lessee, the Group is required to recognise a right-of use asset and a lease liability in the Statement of financial position. The actual impact and amount to be recognised will depend on the term and value of leases that exist at 30 June 2019; the Group's borrowing rate at 1 July 2019; and the Group's assessment of whether it will exercise any lease renewal options. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of the new standard.</p> <p>No significant impact is expected for the Group's finance leases.</p> <p><u>Transition</u> At this stage, the Group does not intend to adopt the standard before its effective date. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 July 2019 and that comparatives will not be restated.</p>	1 January 2019	1 July 2019

* Designates the beginning of the applicable annual reporting period.

Coventry Group Ltd and its controlled entities

Notes to the consolidated financial statements

For the year ended 30 June 2018

1. Significant accounting policies (continued)

(x) New standards and interpretations not yet adopted (continued)

Other standards

The following amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements.

- Annual Improvements to IFRSs 2014-2016 Cycle – Amendments to IFRS 1 and IAS 28.
- *Classification and Measurement of Share-based Payment Transactions* (Amendments to AASB 2).
- AASB 2017-1 *Amendments to Australian Accounting Standards – Transfers of Investments Property, Annual Improvements 2014-2016 Cycle and Other Amendments*.
- *Sale or Contribution of Assets between an Investor and its Associated or Joint Venture* (Amendments to AASB 10 and AASB 128).
- AASB Interpretation 22 *Foreign Currency Transactions and Advance Consideration*.
- AASB 23 *Uncertainty over Income Tax Treatments*.

Coventry Group Ltd and its controlled entities

Notes to the consolidated financial statements

For the year ended 30 June 2018

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	Other business units and consolidation adjustments	Total reportable continuing segments	Gaskets (discontinued)	Total
		2018	2018	2018	2018	2018	2018
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
External sales		103,334	65,405	-	168,739	7,292	176,031
Other income		1,429	373	3,874	5,676	260	5,936
Total revenue		104,763	65,778	3,874	174,415	7,552	181,967
Reportable segment profit/(loss) before finance costs, income tax and significant items		(2,972)	4,986	(8,099)	(6,085)	1,564	(4,521)
Net financial income/(loss)		-	-	(747)	(747)	-	(747)
Other significant items:							
Gain on sale of AA Gaskets	3	-	-	-	-	13,094	13,094
Restructuring and other related costs	27	-	-	(443)	(443)	-	(443)
Reportable segment profit/(loss) before income tax		(2,972)	4,986	(9,289)	(7,275)	14,658	7,383
Reportable segment assets		56,040	27,004	14,723	97,767	919	98,686
Reportable segment liabilities		14,971	8,912	13,693	37,576	496	38,072
Capital employed		41,069	18,092	1,030	60,191	423	60,614
Capital expenditure		922	859	105	1,886	220	2,106
Depreciation and amortisation		368	550	419	1,337	56	1,393

Coventry Group Ltd and its controlled entities

Notes to the consolidated financial statements

For the year ended 30 June 2018

2. Operating segments (continued)

Information about reportable segments	Note	Trade Distribution	Fluids	Other business units and consolidation adjustments	Total reportable continuing segments	Gaskets (discontinued)	Total
		2017 \$'000	2017 \$'000	2017 \$'000	2017 \$'000	2017 \$'000	2017 \$'000
External sales		96,936	54,091	-	151,027	18,119	169,146
Other income		1,411	(197)	3,176	4,390	206	4,596
Total revenue		98,347	53,894	3,176	155,417	18,325	173,742
Reportable segment profit/(loss) before finance costs, income tax and significant items		(5,233)	2,627	(9,853)	(12,459)	3,746	(8,713)
Net financial income/(loss)		313	-	(1,036)	(723)	23	(700)
Other significant items:							
Gain on sale of assets (Motor Vehicle Leaseback Transaction)		-	-	361	361	-	361
Impairment loss	27	(5,576)	-	(2,292)	(7,868)	-	(7,868)
Stock obsolescence/adjustments		(5,635)	(903)	-	(6,538)	(518)	(7,056)
Restructuring and other related costs	27	(400)	(70)	(286)	(756)	(94)	(850)
Cyber Attack provision		-	-	(644)	(644)	-	(644)
Reportable segment profit/(loss) before income tax		(16,531)	1,654	(13,750)	(28,627)	3,157	(25,470)
Reportable segment assets		53,545	25,418	12,112	91,075	9,998	101,073
Reportable segment liabilities		11,579	6,726	18,978	37,283	2,215	39,498
Capital employed		41,966	18,692	(6,866)	53,792	7,783	61,575
Capital expenditure		2,882	425	1,340	4,647	130	4,777
Depreciation and amortisation		1,121	984	672	2,777	147	2,924

Geographic information

Revenue from continuing operations based on the geographic location of customers was Australia \$144,197,000 (2017: \$128,320,000) and New Zealand \$30,218,000 (2017: \$27,097,000).

Non-current assets, excluding deferred tax assets, based on the geographic location of the assets were Australia \$9,890,000 (2017: \$9,638,000) and New Zealand \$762,000 (2017: \$995,000).

Major customers

No single customers contributed 10% or more to the Group's revenue for both 2018 and 2017.

3. Discontinued operation

(a) Description

On 20 November 2017 the Group announced the sale of the AA Gaskets business assets in Australia and New Zealand to GUD Holdings Limited. AA Gaskets has been a strong revenue growth business with improving profitability in recent years. Management committed to a plan to sell the AA Gaskets business in November 2017 following the Board's strategic decision to focus on our two core businesses which fit the industrial supply market vision it has for the Group.

Coventry Group Ltd and its controlled entities
Notes to the consolidated financial statements
For the year ended 30 June 2018

3. Discontinued operation (continued)

(a) Description (continued)

The AA Gaskets business, sold on 1 December 2017, was not previously classified as held-for-sale and is reported in the current period as a Discontinued operation. Financial information relating to the Discontinued operation for the period to the date of disposal is set out below.

(b) Results of Discontinued operation

The financial performance presented are for the five months ended 30 November 2017 and the year ended 30 June 2017.

	2018 \$'000	2017 \$'000
Revenue	7,552	18,325
Expenses	(5,988)	(15,168)
Profit from operating activities	1,564	3,157
Income tax expense	(380)	(1,017)
Profit from operating activities, net of tax	1,184	2,140
Gain on sale of AA Gaskets	13,094	-
Profit from Discontinued operations, net of tax	14,278	2,140

The total comprehensive income attributable to owners of the Group from Discontinued operations was \$14,278,000 (2017: \$2,086,000 adjusted for foreign exchange translation).

Earnings per share:

Basic earnings per share:	37.2 cents	4.1 cents
Diluted earnings per share:	37.2 cents	4.1 cents

(c) Details of the sale of the Discontinued operation

	2018 \$'000
Consideration received or receivable	21,012
Carrying amount of net assets sold	
Property, plant and equipment	(407)
Inventories	(4,760)
Trade and other receivables	(3,833)
Provisions	1,616
Other costs	(534)
Gain on sale	13,094
Income tax expense on gain	-
Gain on sale after income tax	13,094

(d) Cash flows from Discontinued operation

The cash flow information presented are for the five months ended 30 November 2017 and the year ended 30 June 2017.

	2018 \$'000	2017 \$'000
Net cash from operating activities	1,434	1,072
Net cash from/(used in) investing activities	20,930	(95)
Net cash flow used in financing activities	(51)	(1,549)
Net increase/(decrease) in cash generated by the Discontinued operation	22,313	(572)

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4. Auditor's remuneration

Audit services

Auditors of the Group

KPMG Australia:

Engagement of audit and review of financial reports

Prior year additional charges and out of scope audit services

	2018 \$	2017 \$
	195,000	241,000
	39,819	12,149
	234,819	253,149

Other services

Auditors of the Group

KPMG Australia:

Advisory services (principally in relation to Cyber Attack)

KPMG New Zealand:

Tax services

	-	135,185
	11,100	11,790
	11,100	146,975

5. Employment costs

Wages and salaries

Liability for annual leave and long service leave

Contributions to superannuation funds

Payroll taxes

Other associated personnel expenses

Share based payments

	2018 \$'000	2017 \$'000
	33,090	30,554
	3,369	3,342
	2,993	2,675
	1,806	1,681
	1,444	2,138
	-	47
	42,702	40,437

6. Finance income and finance expenses

Interest income from other entities

Net foreign exchange gain

Financial income

Interest expense

Net foreign exchange loss

Financial expenses

Net financing (expense)/income

	2018 \$'000	2017 \$'000
	9	20
	-	-
	9	20
	(509)	(539)
	(247)	(204)
	(756)	(743)
	(747)	(723)

7. Taxes

Current tax expense/(benefit)

Current year

Underprovision/(overprovision) prior year

Tax recognised in the profit or loss

Deferred tax expense

Origination and reversal of temporary differences

Revenue tax losses (recognised)/not recognised

De-recognition of previously recognised Deferred tax assets

Total deferred tax expense/(benefit)

Total income tax expense/(benefit)

Income tax expense is attributable to:

Loss from Continuing operations

Profit from Discontinued operation

	2018 \$'000	2017 \$'000
	796	(7,270)
	(19)	(71)
	777	(7,341)
	629	(416)
	-	8,759
	-	8,927
	629	17,410
	1,406	10,069
	1,026	9,052
	380	1,017
	1,406	10,069

Coventry Group Ltd and its controlled entities
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For the year ended 30 June 2018

7. Taxes (continued)

	2018 \$'000	2017 \$'000
Current tax expense (continued)		
Reconciliation of effective tax rate		
Loss from Continuing operations for the period	(8,301)	(37,679)
Total income tax loss	1,026	9,052
Loss excluding income tax	(7,275)	(28,627)
Income tax using the Company's domestic tax rate of 30%	(2,183)	(8,588)
Tax profit on sale of assets	2,072	-
Revenue tax losses (recognised)/not recognised	1,131	8,759
Non-deductible expenditure	(21)	(6)
Over provision in prior periods	-	(46)
Effect of lower tax rate applicable to foreign controlled entity	27	6
Impairment of Deferred Tax Asset	-	8,927
	1,026	9,052

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Trade and other receivables	122	333	-	-	122	333
Inventories	1,918	2,412	-	-	1,918	2,412
Property, plant and equipment	2,360	2,360	-	-	2,360	2,360
Intangible assets	-	-	-	-	-	-
Employee benefits	1,194	1,248	-	-	1,194	1,248
Trade and other payables	526	228	-	-	526	228
Provisions	-	37	-	-	-	37
Translation Reserve	-	19	-	-	-	19
Tax loss carry forward	-	112	-	-	-	112
Tax assets/(liabilities)	6,120	6,749	-	-	6,120	6,749
Set off of deferred tax liability	-	-	-	-	-	-
Net deferred tax asset	6,120	6,749	-	-	6,120	6,749

Tax losses in the Group Australian operations consist of post-consolidation carried forward tax losses of \$71,621,957 (2017: \$51,782,899), represented by the deferred tax asset of \$Nil (2017: \$Nil), 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 \$Nil (2017: \$1,606,008), represented by the deferred tax asset of \$Nil (2017: \$112,637).

Coventry Group Ltd and its controlled entities

Notes to the consolidated financial statements

For the year ended 30 June 2018

8. Earnings per share

	2018			Continuing operations (Restated)**	2017 Discontinued operation (Restated)**	Total (Restated)**
	Continuing operations	Discontinued operation	Total			
Earnings used in basic and diluted earnings per share calculation (\$)*	(8,301,311)	13,952,925	5,651,614	(37,679,570)	1,551,712	(36,127,858)
Weighted average of shares in year used in basic and diluted earnings per share (number)	37,513,388	37,513,388	37,513,388	37,753,145	37,753,145	37,753,145
Earnings per share (cents)	(22.1 cents)	37.2 cents	15.1 cents	(99.8 cents)	4.1 cents	(95.7 cents)

* Excludes profit/(loss) attributable to non-controlling interests.

** Refer to Note 3

9. Cash and cash equivalents

	2018 \$'000	2017 \$'000
Cash on hand	4	5
Bank balances	4,962	5,144
Cash and cash equivalents	4,966	5,149

Non-cash investing and financing activities

There were no non-cash investing and financing activities during the year (2017: \$Nil).

Net debt reconciliation

	Financing liabilities		Other assets	
	Borrowings (included finance leases) \$'000	Cash \$'000	2018 Net debt \$'000	2017 Net debt \$'000
Analysis of changes in net debt				
Opening balance at the beginning of the financial year	8,045	(5,149)	2,896	3,520
Foreign exchange adjustment	-	1,063	1,063	4
Cash movements excluding exchange movements	(8,045)	(880)	(8,925)	(628)
Closing balance	-	(4,966)	(4,966)	2,896

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 22.

10. Trade and other receivables

	2018 \$'000	2017 \$'000
Trade receivables	27,828	28,075
Other receivables	1,464	701
Prepayments	1,212	484
Total trade and other receivables	30,504	29,260
Current	30,504	29,260
Total trade and other receivables	30,504	29,260

The Group's exposure to credit risks and impairment losses related to trade and other receivables are disclosed in Note 22. Included in "other expenses" in the statement of profit or loss are impairment losses on trade receivables for the Group of \$54,000 (2017: \$52,000).

Coventry Group Ltd and its controlled entities
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For the year ended 30 June 2018

11. Inventories

	2018 \$'000	2017 \$'000
Finished goods	52,821	57,652
Provision for obsolescence	(6,377)	(8,370)
Net Inventory balance	<u>46,444</u>	<u>49,282</u>

\$387,000 (2017: \$7,056,000) of inventory write-downs were recognised during the year.

12. Parent entity disclosures

As at, and throughout, the financial year ending 30 June 2018 the parent company of the Group was Coventry Group Ltd.

Results of the parent entity	Company	
	2018 \$'000	2017 \$'000
Loss for the period	(8,945)	(43,345)
Other comprehensive income	236	36
Total comprehensive loss for the period after tax	<u>(8,709)</u>	<u>(43,309)</u>

Financial position of parent entity at year end

Current assets	68,361	61,534
Total assets	<u>91,434</u>	<u>97,636</u>
Current liabilities	29,719	29,948
Total liabilities	<u>36,085</u>	<u>33,285</u>
Total equity of the parent entity comprising of:		
Issued capital	107,770	108,063
Reserves	192	(44)
Retained earnings	(52,613)	(43,668)
Total equity	<u>55,349</u>	<u>64,351</u>

13. Property, plant and equipment

	Note	Plant and equipment \$'000
Cost at 1 July 2017		40,500
Accumulated Depreciation at 1 July 2017		<u>(35,802)</u>
Carrying amounts at 1 July 2017		4,698
Additions		1,782
Depreciation charge for the year		(1,205)
Discontinued operation	3	(407)
Disposals		(293)
Effect of movements in foreign exchange		6
Carrying amounts at 30 June 2018		<u>4,581</u>
Cost at 1 July 2016		43,725
Accumulated Depreciation at 1 July 2016		<u>(27,685)</u>
Carrying amounts at 1 July 2016		16,040
Additions		1,305
Depreciation charge for the year		(2,533)
Impairment charge for the year	15	(5,599)
Disposals		(4,530)
Effect of movements in foreign exchange		15
Carrying amounts at 30 June 2017		<u>4,698</u>

Coventry Group Ltd and its controlled entities
Notes to the consolidated financial statements
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14. Intangible assets

	Note	Goodwill \$'000	Computer software \$'000	Total \$'000
Carrying amounts at 1 July 2017		3,327	2,608	5,935
Additions		-	324	324
Amortisation for the year		-	(188)	(188)
Carrying amounts at 30 June 2018		3,327	2,744	6,071
Carrying amounts at 1 July 2016		3,327	1,796	5,123
Additions		-	3,472	3,472
Amortisation for the year		-	(391)	(391)
Impairment charge for the year	15	-	(2,269)	(2,269)
Carrying amounts at 30 June 2017		3,327	2,608	5,935

15. Impairment of non-financial assets

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.

	2018 \$'000	2017 \$'000
Cooper Fluid Systems	3,327	3,327

The key assumptions used in the value in use calculations include projected sales growth, projected gross margins, terminal value, improvements in working capital and the discount rate. These assumptions are based on historical experience and projected performance incorporating in the company's restructure programme.

The Group assessed the carrying value of its assets as follows:

Trade Distribution

For the year ended 30 June 2018, the Group's value in use model indicated no evidence of further impairment in the carrying amount of the assets of this business. Value in use was based on the following key assumptions:

- Sales growth at 9.2% for FY19 and 4.8% thereafter
- Terminal growth 2.5%
- Post tax WACC of 11.5%

Cooper Fluids Systems

For the year ended 30 June 2018, the Group's value in use model showed the recoverable amount exceeded the carrying amount of the Cooper Fluids Systems CGU. The values assigned to the key assumptions were:

- Sales growth at 6.7% for FY19 and 4.8% thereafter
- Terminal growth 2.5%
- Post tax WACC of 11.5%

Any adverse change in the key assumptions may result in impairment.

Coventry Group Ltd and its controlled entities

Notes to the consolidated financial statements

For the year ended 30 June 2018

16. Trade and other payables

	2018 \$'000	2017 \$'000
Trade payables	24,882	18,386
Non trade payables and accrued expenses	8,837	8,509
	33,719	26,895
Current	30,522	23,806
Non-current	3,197	3,089
	33,719	26,895

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 22.

17. Interest-bearing loans and borrowings

	2018 \$'000	2017 \$'000
Total facilities available at balance sheet date		
Debtor Financing Facility	13,000	10,000
Lease Liability	-	51
	13,000	10,051
Facilities utilised at balance sheet date		
Debtor Financing Facility	-	7,994
Lease Liability	-	51
Total interest-bearing loans and borrowings	-	8,045
Facilities not utilised at balance sheet date		
Debtor Financing Facility	13,000	2,006
	13,000	2,006

Debtor financing facility

The Group has a \$13 million, securitised trade receivables facility with Scottish Pacific with a current expiry of August 2020. The facility is subject to a floating interest on funds drawn.

Following the sale of the AA Gaskets business which was completed on 1 December 2017, the Scottish Pacific securitised trade receivables facility was repaid but remains available for use in the future if required.

Guarantee facility

In addition to the borrowing facilities above, the Group has a guarantee 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 2018 was \$155,000 (2017: \$140,000).

Securities

The securitised trade receivables facility is secured by a fixed and floating charge over relevant assets. The guarantee facility is secured by fixed and floating charges over the assets and undertakings of the Company, general security agreements as well as corporate guarantees and indemnities from Coventry Group Limited and Coventry Group (NZ) Limited, a deed of priority and a security sharing deed.

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Notes to the consolidated financial statements

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18. Employee benefits

	2018 \$'000	2017 \$'000
Current		
Liability for long service leave	1,593	1,952
Liability for annual leave	2,108	1,979
	3,701	3,931
Non-current		
Liability for long service leave	146	247

19. Share-based payments

Executive and Director Incentive Plan

An Executive and Director Incentive Plan was approved by shareholders in 2017. 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 and directors with the shareholders in the medium to long term. The Board has determined that there will be no grant or issue of performance rights in relation to 2018 to either executives or directors.

20. Provisions

	Warranty \$'000	Restructuring/ onerous contracts \$'000	Total \$'000
Current			
Balance at 1 July 2017	85	46	131
Provisions increased/(decreased)	102	-	102
Provisions used	(97)	(46)	(143)
Balance at 30 June 2018	90	-	90

21. Capital and reserves

Share capital

	Company Ordinary shares	
	2018 '000	2017 '000
On issue at 1 July 2017	37,636	37,836
Conversion of performance rights ⁽ⁱ⁾	80	-
Share buyback – unmarketable parcels ⁽ⁱⁱ⁾	(336)	-
Share buyback ⁽ⁱⁱⁱ⁾	-	-
Cancellation of Director shares	-	(200)
On issue at 30 June 2018	37,380	37,636

(i) On 8 December 2017, 80,000 performance rights issued in accordance with the Executive and Director Incentive Plan were converted to ordinary shares.

(ii) In December 2017, the Group announced a buyback of ordinary shares for holders of unmarketable parcels of shares. On 23 January 2018, the Company completed its unmarketable parcel minimum holding share buyback, where 336,075 ordinary shares were acquired and cancelled at a price of \$1.1108 per share.

(iii) In February 2018, the Group announced an on-market share buyback of up to 10% of its issued ordinary shares. The 12 month buy-back period commenced on 1 March 2018.

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.

Coventry Group Ltd and its controlled entities

Notes to the consolidated financial statements

For the year ended 30 June 2018

21. Capital and reserves (continued)

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 functional 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

No dividends have been declared or paid for the year ended 30 June 2018 (2017: \$Nil).

Dividend franking account

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

The Company	
2018	2017
\$'000	\$'000
6,009	4,743

22. 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 (2017: 92%). The amount of trade debtors that is past due but not impaired is \$3,539,000 (2017: \$2,258,000). The movement in the allowance for impairment in respect of trade receivables during the year was a reduction of \$709,000 (2017: increase of \$878,000).

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:

Coventry Group Ltd and its controlled entities
Notes to the consolidated financial statements
For the year ended 30 June 2018

22. Financial risk management (continued)

	Note	Carrying amount	
		2018 \$'000	2017 \$'000
Cash and cash equivalents	9	4,966	5,149
Trade and other receivables ⁽ⁱ⁾	10	29,292	28,776
		34,258	33,925

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

The Group's maximum exposure to credit risk for trade receivables at the reporting date by geographic region was Australia \$24,993,000 (2017: \$24,084,000) and New Zealand \$4,299,000 (2017: \$4,692,000).

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group maintains a \$13 million securitised trade receivables facility on which interest is payable at prevailing market rates. Refer to Note 1(b) Going concern.

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

	Carrying amount \$'000	Contractual cash flow \$'000	2018			
			6 mths or less \$'000	6-12 mths \$'000	1-2 years \$'000	More than 2 years \$'000
Non derivative financial liabilities						
Trade and other payables ⁽ⁱ⁾	30,522	(30,522)	(30,522)	-	-	-

The outflows associated with forward contracts used for hedging are US\$5.8 million (A\$7.6 million), 2017: US\$2.8 million, (A\$3.7 million) and will have been made within 6 months or less.

	Carrying amount \$'000	Contractual cash flow \$'000	2017			
			6 mths or less \$'000	6-12 mths \$'000	1-2 years \$'000	More than 2 years \$'000
Non derivative financial liabilities						
Trade and other payables ⁽ⁱ⁾	23,806	(23,806)	(23,806)	-	-	-
Borrowings	8,045	(8,045)	(8,045)	-	-	-

(i) 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:

	Carrying amount	
	2018 \$'000	2017 \$'000
Variable rate financial assets ⁽ⁱ⁾	4,962	5,144

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

Fair value sensitivity analysis for fixed rate instruments

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

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.

Coventry Group Ltd and its controlled entities
Notes to the consolidated financial statements
For the year ended 30 June 2018

22. Financial risk management (continued)

Fair values

The fair values of financial assets and financial liabilities of the Group approximate their carrying amounts in the statement of financial position.

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 USD forecast exposure.

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.

23. Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	2018	2017
	\$'000	\$'000
Less than one year	8,725	9,007
Between one and five years	20,378	20,215
More than five years	10,506	12,876
	39,609	42,098

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 10 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 2018 the Group recognised \$8,510,459 (2017: \$8,519,820) 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.

	2018	2017
	\$'000	\$'000
Less than one year	1,513	1,937
Between one and five years	1,915	2,793
More than five years	-	-
	3,428	4,730

The Group subleases various premises under operating leases. The leases typically run for periods ranging from 1 year to 4 years and in some cases provide for an option to renew the lease after expiry.

During the financial year ended 30 June 2018, the Group recognised \$1,875,497 (2017: \$2,854,034) as income in the statement of profit or loss and other comprehensive income.

Coventry Group Ltd and its controlled entities
Notes to the consolidated financial statements
For the year ended 30 June 2018

24. Controlled entities

	Country of Incorporation	Ownership interest	
		2018 %	2017 %
COV Holdings (Aust) Pty Ltd ⁽ⁱ⁾ (formerly AA Gaskets Pty Ltd)	Australia	100	72.5
Coventry Group (NZ) Limited	New Zealand	100	100
COV Holdings (NZ) Pty Ltd ⁽ⁱⁱ⁾ (formerly NZ Gaskets Limited)	New Zealand	100	72.5

The ultimate parent entity is Coventry Group Ltd.

⁽ⁱ⁾ During the financial year, the Company acquired the non-controlling interest of COV Holdings (Aust) Pty Ltd (formerly AA Gaskets Pty Ltd).

⁽ⁱⁱ⁾ The company is a 100% controlled entity of COV Holdings (Aust) Pty Ltd (formerly AA Gaskets Pty Ltd) and operates in New Zealand.

25. Reconciliation of cash flows from operating activities

	Note	2018 \$'000	2017 \$'000
Cash flows from operating activities			
Profit/(loss) for the period		5,977	(35,539)
<i>Adjustments for:</i>			
Gain on sale of discontinued operation		(13,094)	-
Provision for stock obsolescence	27	(1,993)	7,056
Depreciation and amortisation		1,337	2,924
Impairment Charge for the year	27	-	7,868
Other non-cash or non-operating exceptional items		(4,484)	659
Interest income from other entities		(9)	(24)
Interest expense	6	509	560
Dividend received		(362)	-
Net (gain) on disposal of property, plant and equipment		(234)	(610)
Income tax (expense)/benefit	7	(1,026)	10,069
Operating loss before changes in working capital and provisions		(13,379)	(7,037)
Change in trade and other receivables		(1,244)	1,561
Change in inventories		4,831	1,055
Change in trade and other payables		6,824	2,072
Change in provisions and employee benefits		(372)	(790)
		(3,340)	(3,139)
Interest paid		(509)	(560)
Income taxes paid		(230)	(1,280)
Net cash used in operating activities		(4,079)	(4,979)

26. Related parties

Transactions with key management personnel

Key management personnel compensation

Key management personnel compensation comprised the following:

	2018 \$	2017 \$
Short-term employee benefits	866,281	1,185,502
Post-employment benefits	59,345	79,766
Termination benefits	-	360,073
Other long-term benefits	69,447	19,309
Share-based payments	88,800	20,768
	1,083,873	1,665,418

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.

Coventry Group Ltd and its controlled entities
Notes to the consolidated financial statements
For the year ended 30 June 2018

26. Related parties (continued)

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 24). All transactions with controlled entities are at arm's length.

The aggregate amounts that resulted from transactions with controlled entities and balances as at period end are:

	2018 \$	2017 \$
The parent entity only:		
Dividend revenue	362,500	1,160,000
Revenue from sale of goods	-	655,684
Management fees	1,821,580	1,510,613
Aggregate amounts payable to controlled entities	3,513,691	-
Aggregate amounts receivable from controlled entities	-	146,049

During the year ended 30 June 2015, the Company entered into an intercompany loan with Coventry Group (NZ) Limited (CGL NZ). The intercompany loan is subject to an interest charge of 5.13% p.a (2017: 5.63% p.a) and at 30 June 2018 the balance owing to CGL NZ was \$3,322,194 (2017: Owing from CGL NZ \$114,728).

During the year ended 30 June 2018, the Company charged CGL NZ management fees of \$1,821,580 (2017: \$1,510,613).

27. Restructuring, impairment and other significant costs

The following restructure costs were incurred in the year ended 30 June 2018.

	2018 \$'000	2017 \$'000
Restructuring, impairment and other significant costs		
Redundancies, restructure	302	756
Impairment of assets	-	7,868
Stock obsolescence	-	6,538
(Gain) on sale of motor vehicles per sale and leaseback transaction	-	(361)
Other costs and legal fees	141	-
Cyber Attack	-	644
	443	15,445

Redundancy costs

Costs associated with restructuring of head office employee costs and relocation of Accounts Receivable Team to Melbourne.

Other costs and legal fees

Principally associated with the sale of the AA Gaskets business assets.

Coventry Group Ltd

Directors' Report

For the year ended 30 June 2018

The directors present their report together with the consolidated financial report of the Group comprising Coventry Group Ltd (the "Company") and its controlled entities for the year ended 30 June 2018.

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Coventry Group Ltd

Directors' Report

For the year ended 30 June 2018

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

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, ASX listed Reece Australia Ltd, during which time he served as its Chief Financial Officer, Company Secretary and General Manager, Finance and IT. 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.

Robert James Bulluss

FCPA, GAICD, B Bus (Acc)

Managing Director

Chief Executive Officer

Mr Bulluss was appointed Chief Executive Officer on 3 May 2017 and Managing Director and Chief Executive Officer on 29 August 2017. He was previously Chief Finance Officer (CFO) of the Company from October 2016 to April 2017. Prior to joining the Company he was CFO for over 15 years for the Australasian division of Bunzl plc.

Mr Bulluss retired as a Non-Executive Director for the privately owned Allpower Industries Pty Ltd on 17 May 2018.

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

Andrew William Nisbet

GAICD

Independent Non-executive Director

Chairman of Audit and Risk Committee

Mr Nisbet was appointed as a director of the Company on 1 October 2017.

During his extensive career at ASX listed Reece Ltd he held a variety of senior leadership roles, from Marketing to Merchandising, IT, Supply Chain Transformation, Innovation and the management of a number of Strategic Business Units, including the Reece expansion into New Zealand.

Mr Nisbet is a graduate of the Australian Institute of Company Directors, has been an advisor in setting up an SME board, has been an active board member of a not for profit charity and is currently studying part time to complete a Bachelor in Psychological Sciences.

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

Kenneth Royce Perry

B.Sc (Hons), MBA, MAICD

Independent non-executive Director

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.

Mr Perry had 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. Mr Perry is also a member of various private boards. He held no other listed company directorships during the past 3 financial years.

Mr Perry resigned as Director on 22 November 2017.

Nicholas John Willis

B.Sc, FAIM

Independent non-executive director

Mr Willis was appointed a director of the Company in September 2014. He had extensive and highly relevant experience in industry spaces of the Group and had many years at a senior level in ASX listed companies.

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

Mr Willis resigned as Director on 31 August 2017.

Vicky Papachristos

BE (Chem), MBA, AICD

Independent non-executive director

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.

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

Ms Papachristos resigned as Director on 28 July 2017.

Coventry Group Ltd

Directors' Report

For the year ended 30 June 2018

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:

	Number of Ordinary Shares
NG Cathie	237,972
RJ Bulluss	40,000
AW Nisbet	57,750

During the 2017/18 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.

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 2018, 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	2	2	2	2	2	2
RJ Bulluss	10	8	8	-	-	-	2	2	2
AW Nisbet	10	7	7	2	1	1	2	1	1
KR Perry	10	5	5	2	1	1	-	-	-
NJ Willis	10	2	2	-	-	-	2	1	1
V Papachristos	10	1	1	-	-	-	-	-	-

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

During the year the Group completed the sale of the Gaskets manufacturing business to GUD Holdings Limited following a strategic decision to focus on the Group's two core industrial supply businesses.

Except as noted above, there have been no changes to the principal activities of the Group during the year ended 30 June 2018.

Coventry Group Ltd

Directors' Report

For the year ended 30 June 2018

3. Consolidated results

Results of the Group for the year ended 30 June 2018 were as follows:

	2018 \$'000	Restated* 2017 \$'000
Revenue from sale of goods	168,739	151,027
Profit/(loss) before tax	(7,275)	(28,627)
Income tax (expense)/benefit	(1,026)	(9,052)
Loss for the year from Continuing operations	(8,301)	(37,679)
Profit from Discontinued operations, net of tax	14,278	2,140
Profit/(loss) for the year from Continuing and Discontinued operations	5,977	(35,539)
Profit/(loss) after tax for the year attributable to:		
- Owners of the Company	5,651	(36,127)
- Non-controlling interests	326	588
Profit/(loss) after tax for the year	5,977	(35,539)

4. Dividends

There were no dividends paid or declared by the Group to members for the year ended 30 June 2018 (2017: \$Nil).

5. Review of operations and results

People

The Group had 8 Lost Time Injuries (LTI's) during the year which is a disappointing result. Our aspiration is for zero LTI's and plans are being implemented to improve our safety systems to achieve this goal.

We remain fully focussed on our Customers and People, applying our values of Respect, Fairness, Teamwork, Professionalism and Integrity.

Financial performance

	2018 \$M	2017 \$M	% change
Revenue from sale of goods	168.7	151.0	11.7
Underlying EBITDA	-4.7	-9.7	n/m
Underlying EBIT	-6.1	-12.5	n/m
Loss from continuing operations	-8.3	-37.7	n/m
Profit/(loss) for the year ⁽ⁱ⁾	6.0	-35.5	n/m
NTA per share (\$)	1.30	1.30	0.7
Net cash	5.0	-2.9	n/m
Share price at year end	1.35	0.60	123.0

(i) Including the discontinuing operations of AA Gaskets and the profit on sale of the AA Gaskets business assets.

n/m = not meaningful

Review of businesses

Trade Distribution (TD)

TD sales for the year were up 6.6% on the prior year and up 10.0% year on year for the fourth quarter. The underlying loss for TD was \$3.0m compared to \$5.2m in FY17.

Trade Distribution Australia continued to show improvement with fourth quarter sales year on year up 6.1% on PCP and full year sales year on year up 3.5%. Contribution improvement of \$1.4m for the year.

Trade Distribution New Zealand had an excellent year with sales up 15.1% on last year. TDNZ is the leading fastening systems business in the construction and roofing and cladding markets in New Zealand and has good growth prospects. Profit contribution in FY18 of \$3.1m compared to \$2.3m in FY17.

Cooper Fluid Systems

CFS had substantial sales growth with 4th quarter sales up 19.4 % year on year and full year sales growth of 20.9% year on year. Sales growth is continuing to be driven by an increase in service, maintenance, upgrade and new equipment activity in the resources sector. Profit contribution in FY18 of \$5.0m compared to \$2.6m in FY17.

Coventry Group Ltd

Directors' Report

For the year ended 30 June 2018

6. Earnings per share

Basic earnings from continuing and discontinued operations per share for the year ended 30 June 2018 was 15.1 cents. This compares to a basic loss from continuing and discontinued operations per share of 95.7 cents for the previous year.

7. Significant change in the Company's affairs

Except for the sale of the AA Gaskets business, in the opinion of the Directors, there have been no other significant changes in the Group's state of affairs during the financial year.

8. Events subsequent to reporting date

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

9. Likely developments

The Group will continue to implement its 5 year strategy and continue to operate in the markets in which it currently participates.

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:

Directors

NG Cathie
RJ Bulluss (Managing Director and CEO)
AW Nisbet (appointed 1 October 2017)
KR Perry (resigned 22 November 2017)
NJ Willis (resigned 31 August 2017)
V Papachristos (resigned 28 July 2017)

Key Management Personnel

RJ Jackson (appointed 25 September 2017)
A Donaldson

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. They are eligible to participate in the Executive and Director Incentive Plan which was approved by shareholders at the Annual General Meeting of the Company in November 2017. This followed the decision by the Board in September 2017 to reduce cash based non-executive director fees in the order of 30%. The non-executive directors have determined it is in the best interests of the Company that they do not participate further in the plan until the Group returns to profitability.

Non-executive directors' cash 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 (2017: \$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. Non-executive directors do not receive termination benefits. There is no provision for retirement allowances to be paid to non-executive directors.

Coventry Group Ltd
 Directors' Report
 For the year ended 30 June 2018

10. Remuneration report – audited (continued)

As at 30 June 2018 the non-executive directors' fees were allocated as follows (includes statutory superannuation contributions):

	2018	2017
	\$	\$
Chairman (base fee)	96,000	127,500
Non-executive Directors (base fee)	72,000	85,000
Chairman of Audit & Risk Committee (in addition to base fee)	-	15,000
Member of Audit & Risk Committee (in addition to base fee)	-	5,000
Chairman and Member of Remuneration Committee (in addition to base fee)	-	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. 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.

Cash incentives of up to 65% of fixed annual compensation are payable to the senior executives upon the achievement of various annual performance targets.

An Executive and Director Incentive Plan was approved by shareholders at the 2017 annual general meeting. This share-based plan provides for the granting or issuing of performance rights in accordance with its terms and subject to the terms and performance hurdles set by the Board. The Board has determined there will be no grant or issue of performance rights in relation to 2018 to executives.

Coventry Group Ltd
Directors' Report
For the year ended 30 June 2018

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 key management personnel of the Company and the Group for the year ended 30 June 2018.

		Short-term			Post-employment	Other long-term	Share-based payment			Proportion of remuneration performance related	Value of loans as proportion of remuneration	
		Cash salary, leave paid and fees	STI cash bonus	Non-monetary benefits	Total	Super-annuation ⁽ⁱ⁾	Long-service & annual leave provision accrual	Termination benefits	Share-based payment ⁽ⁱⁱ⁾			Total
		\$	\$	\$	\$	\$	\$	\$	\$			
Directors												
NG Cathie - Chairman	2018	87,671	-	-	87,671	8,329	-	-	55,500	151,500	-	-
	2017	125,571	-	-	125,571	11,929	-	-	-	137,500	-	-
RJ Bulluss (appointed August 2017) ⁽ⁱⁱⁱ⁾	2018	379,951	-	-	379,951	20,049	45,097	-	-	445,097	-	-
	2017	226,826	-	-	226,826	14,475	19,309	-	-	260,610	-	-
AW Nisbet (appointed October 2017)	2018	49,315	-	-	49,315	4,685	-	-	33,300	87,300	-	-
KR Perry (resigned November 2017)	2018	34,931	-	-	34,931	3,319	-	-	-	38,250	-	-
	2017	95,890	-	-	95,890	9,110	-	-	-	105,000	-	-
NJ Willis (resigned August 2017)	2018	12,176	-	-	12,176	1,156	-	-	-	13,332	-	-
	2017	82,192	-	-	82,192	7,808	-	-	-	90,000	-	-
V Papachristos (resigned July 2017)	2018	6,088	-	-	6,088	578	-	-	-	6,666	-	-
	2017	82,192	-	-	82,192	7,808	-	-	-	90,000	-	-
PJB Caughey (resigned March 2017)	2017	455,508	-	-	455,508	19,616	-	360,073	20,768	855,965	2.4%	2.4%
Total directors' remuneration	2018	570,132	-	-	570,132	38,116	45,097	-	88,800	742,145		
	2017	1,068,179	-	-	1,068,179	70,746	19,309	360,073	20,768	1,539,075		
Key Management Personnel												
RJ Jackson (appointed September 2017)	2018	230,952	-	-	230,952	15,036	17,997	-	-	263,985	-	-
A Donaldson	2018	65,197	-	-	65,197	6,193	6,353	-	-	77,743	-	-
J Nicolazzo (resigned September 2016)	2017	117,323	-	-	117,323	9,020	-	-	-	126,343	-	-
Total key management personnel remuneration	2018	296,149	-	-	296,149	21,229	24,350	-	-	341,728		
	2017	117,323	-	-	117,323	9,020	-	-	-	126,343		
Total directors' and key management personnel remuneration	2018	866,281	-	-	866,281	59,345	69,447	-	88,800	1,083,873		
	2017	1,185,502	-	-	1,185,502	79,766	19,309	360,073	20,768	1,665,418		

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

(i) Includes statutory superannuation contributions and additional voluntary contributions.

(ii) In the previous financial year RJ Bulluss was a key management personnel. Total remuneration for the 2018 year is included and the 2017 remuneration represents the remuneration paid as a key management personnel from October 2016 to June 2017.

(iii) In November 2017, shares in the Company were issued to NG Cathie (50,000) and AW Nisbet (30,000) pursuant to their participation in the Company's Director and Executive Incentive Plan. Approval for the issue was obtained under listing rule 10.14 at the November 2017 Annual General Meeting.

Coventry Group Ltd

Directors' Report

For the year ended 30 June 2018

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:

Robert Bulluss, CEO and Managing Director (appointed CEO 3 May 2017, appointed CEO and Managing Director 29 August 2017)

- 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 six months' notice by the Company.

Rodney Jackson, Chief Financial Officer (appointed 25 September 2017)

- 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 eighteen weeks' notice by the Company.

Angela Donaldson, Commercial Manager and Company Secretary (appointed Commercial Manager 15 March 2017, Appointed Company Secretary 03 May 2017)

- The contract has no fixed term.
- Fixed annual compensation. There is no reference to agreed review periods in relation to remuneration
- Long service leave is payable by the Company in accordance with relevant state legislation.
- The contract provides for participation in a company profit share plan.
- 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 notice by the Company as outlined within the National Employment Standards.

10.5 Director share movement

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 2017	Purchases	Conversion of Performance Rights	Sales / Cancelled	Held at Resignation/ Retirement	Held at 30 June 2018
Directors						
NG Cathie	72,200	115,772	50,000	-	-	237,972
AW Nisbet (appointed October 2017)	-	27,750	30,000	-	-	57,750
RJ Bulluss	-	40,000	-	-	-	40,000
KR Perry (resigned November 2017)	30,000	-	-	-	30,000	N/A
NJ Willis (resigned August 2017)	5,400	-	-	(5,400)	-	N/A
V Papachristos (resigned 28 July 2017)	-	-	-	-	-	N/A

No other key management person held shares, directly, indirectly or beneficially, in the Company at 30 June 2018 (2017: Nil).

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 2018 and as at the date of this report, the Group has not been prosecuted nor incurred any infringement penalty for environmental incidents.

Coventry Group Ltd
Directors' Report
For the year ended 30 June 2018

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 company's 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 is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001, for the following reasons:

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

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

15. Lead Auditor's independence declaration

The lead auditor's independence declaration made in accordance with Section 307C of the Corporations Act 2001 forms part of this directors' report.

16. Company Secretary

Ms. Angela Donaldson was appointed to the position of Company Secretary in May 2017.

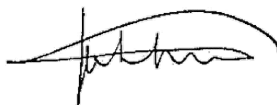
17. Rounding off

The Group is of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* and in accordance with that Instrument, 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
24 August 2018



R.J. BULLUSS
CEO and Managing Director
Melbourne
24 August 2018

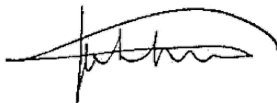
Coventry Group Ltd and its controlled entities Directors' declaration

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 44 to 47, 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 2018 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 chief executive officer and chief financial officer for the financial year ended 30 June 2018 pursuant to Section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of the directors.



N.G. CATHIE
Chairman
Melbourne
24 August 2018



R.J. BULLUSS
CEO and Managing Director
Melbourne
24 August 2018



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 of Coventry Group Ltd for the financial year ended 30 June 2018 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

A handwritten signature in blue ink that reads 'J. Carey.' with a stylized flourish at the end.

KPMG

J Carey

Partner

Melbourne

24 August 2018

Independent Auditor's Report

To the shareholders of Coventry Group Ltd

Report on the audit of the Financial Report

Opinion

We have audited the **Financial Report** of Coventry Group Ltd (the Company).

In our opinion, the accompanying Financial Report is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Group's** financial position as at 30 June 2018 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Financial Report** comprises:

- Consolidated statement of financial position as at 30 June 2018
- Consolidated statement of profit or loss, Consolidated statement of comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

The **Group** consists of the Company and the entities it controlled at the year end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

The **Key Audit Matters** we identified are:

- Going concern basis of accounting;
- Valuation of inventory; and
- Disposal of the AA Gaskets business.

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Going concern basis of accounting

Refer to Note 1(b) to the Financial Report

The key audit matter

The Group's use of the going concern basis of accounting and the associated extent of uncertainty is a key audit matter due to the high level of judgement required by us in evaluating the Group's assessment of going concern and the events or conditions that may cast significant doubt on their ability to continue as a going concern. These are outlined in Note 1(b).

The Directors have determined that the use of the going concern basis of accounting is appropriate in preparing the Financial Report. Their assessment of going concern was based on cash flow projections. The preparation of these projections incorporated a number of assumptions and significant judgements, and the Directors have concluded that the range of possible outcomes considered in arriving at this judgement does not give rise to a material uncertainty casting significant doubt on the Group's ability to continue as a going concern.

We critically assessed the levels of uncertainty, as it related to the Group's ability to continue as a going concern, within these assumptions and judgements, focusing on the Group's planned levels of operational and capital expenditures, and the ability of the Group to manage cash outflows within available funding, including the impact of ongoing restructuring and other initiatives implemented by the Group.

In assessing this key audit matter, we involved senior audit team members who understand the Group's business, industry and the economic environment it operates in.

How the matter was addressed in our audit

Our procedures included:

- We analysed the cash flow projections by:
 - Evaluating the underlying data used to generate the projections. We specifically looked for their consistency with those used by the Directors, and tested by us, their consistency with the Group's intentions as outlined in Directors minutes, and their comparability to past practices;
 - Analysing the impact of reasonably possible changes in projected cash flows and their timing, to the projected periodic cash positions. Assessing the resultant impact to the ability of the Group to pay debts as and when they fall due and continue as a going concern. The specific areas we focused on were informed from our test results of the accuracy of previous Group cash flow projections and sensitivity analysis on key cash flow projection assumptions; and
 - Assessing the planned levels of operating and capital expenditures for consistency of relationships and trends to the Group's historical results since year end including the impact of ongoing restructuring and other initiatives implemented by the Group, and our understanding of the business, industry and economic conditions.
- We evaluated the Group's going concern disclosures in the Financial Report by

	<p>comparing them to our understanding of the matter, the events or conditions incorporated into the cash flow projection assessment, the Group's plans to address those events or conditions, and accounting standard requirements.</p>
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Valuation of inventory (\$46.4 million)	
Refer to Note 11 to the Financial Report	
The key audit matter	How the matter was addressed in our audit
<p>We considered valuation of inventory to be a key audit matter given:</p> <ul style="list-style-type: none"> • Relative magnitude - inventory is a key audit matter due to its significant size to the Group's financial position (and represents 47% of the Group's total assets at 30 June 2018); and • The extent of audit effort – inventory was a key audit matter due to the high proportion of audit effort we applied to gather sufficient appropriate audit evidence on the net realisable value of inventory. <p>A key indicator for at-risk inventory values, is the identification of current slow moving and obsolete inventory. These can signal demand shifts resulting in potential over-supply issues and downward pressure on prices.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> • Testing key controls designed by the Group to identify slow moving and obsolete inventories such as monthly management review and approval of inventory ageing report; • Obtaining, on a sample basis, the most recent sales invoices of selected product lines to compare the carrying amount to the realisable value of the product line; • Attending year end stock takes in significant locations. We observed and tested the process of identifying slow moving and potentially obsolete inventory. We traced this to the accounting records for inventory valuations of slow moving and obsolete stock on a sample basis; • Assessing the mathematical accuracy of the provision for slow moving and obsolete stock computation; and • Assessing the Group's inventory valuation methodologies and the Group's disclosure in respect of inventory valuation against the requirements of relevant accounting standards.

Disposal of the AA Gaskets business (Gain on sale of business: \$13.1 million)

Refer to Note 3 to the Financial Report

The key audit matter

We considered the disposal of the AA Gaskets business to be a key audit matter given:

- Relative magnitude – the disposal of the AA Gaskets business was a key audit matter due to the significant size of the of \$13.1m gain on sale and the derecognition of the associated assets and liabilities to the Group’s Financial Report; and
- The extent of audit effort we applied in checking the mathematical accuracy of the gain on sale of the business and evaluating the accounting entries for the disposal of the business.

How the matter was addressed in our audit

Our procedures included:

- Reading the sale contractual terms to understand the key terms and conditions of the disposal;
- Evaluating the substance of the disposals, using the terms and conditions of the transaction documents, against the criteria for discontinued operations in the accounting standards;
- Assessing the identification of assets and liabilities disposed of, comparing to transaction documents and underlying financial records at the point of disposal;
- Checking the mathematical accuracy of the gain on sale of the business, including identification and consideration of other costs and legal fees incurred;
- Checking the proceeds received for the disposal to bank statements;
- Assessing the accounting entries for the disposal of the business against the accounting standards;
- Assessing the adequacy of the disclosure against the requirements of AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*, including the accuracy of continuing and discounting operations disclosures.
- Checking the accuracy of the restatement of comparative information.

Other Information

Other Information is financial and non-financial information in Coventry Group Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is to:

- obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf This description forms part of our Auditor's Report.

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Coventry Group Limited for the year ended 30 June 2018, complies with *Section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

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 responsibilities

We have audited the Remuneration Report included in the Directors' report for the year ended 30 June 2018.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

The KPMG logo is displayed in a blue, sans-serif font.

KPMG

A handwritten signature in blue ink that reads "J. Carey." with a period at the end.

J Carey

Partner

Melbourne

24 August 2018

Coventry Group Ltd
Shareholder Information
As at 20 August 2018

TWENTY LARGEST SHAREHOLDERS

Name	Ordinary Shares	
	Number	% of Total
1 J P MORGAN NOMINEES AUSTRALIA LIMITED	8,682,722	23.23
2 HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	3,987,821	10.67
3 ONE MANAGED INVT FUNDS LTD <SANDON CAPITAL INV LTD A/C>	1,668,714	4.46
4 DORSETT INVESTMENTS PTY LTD	1,356,660	3.63
5 MRS ANNE KYLE	1,000,000	2.68
6 DEVADIUS PTY LTD	836,619	2.24
7 NATIONAL NOMINEES LIMITED	779,506	2.09
8 CITICORP NOMINEES PTY LIMITED	610,926	1.63
9 ELLAND ROAD PTY LTD	442,000	1.18
10 ARUMA BEACH PTY LTD	400,000	1.07
10 GARSIND PTY LTD <RUTH ROSS SUPER FUND A/C>	400,000	1.07
10 TPSC SMIRK PTY LTD	400,000	1.07
13 BENTALE PTY LTD <ALLAMBI ROAD FAMILY A/C>	396,000	1.06
14 DAVID NEWNHAM SUPER PTY LTD <DAVID NEWNHAM SUPERFUND A/C>	377,000	1.01
15 MR CLIFFORD MAXWELL KYLE	361,208	0.97
16 MR GEOFFREY KYLE	320,000	0.86
17 MRS JUDITH ANNE SMIRK	206,663	0.55
18 CHARLES PETER TAYLOR	201,182	0.54
19 GLENBARRY PTY LTD <THOMAS A HUTCHINS FAMILY A/C>	200,000	0.53
19 MR GEOFFREY RAYMOND KIRKMAN AND MRS ELIZABETH EVELYN KIRKMAN <GEOFFREY KIRKMAN SUPERFUND A/C >	200,000	0.53
	22,827,021	61.07

DISTRIBUTION OF SHAREHOLDING

Size of holding	Number of holders	%	Number of shares	%
1 – 1,000	442	25.07	262,624	0.70
1,001 - 5,000	775	43.96	1,982,575	5.30
5,001 - 10,000	205	11.63	1,498,558	4.01
10,001 - 100,000	304	17.24	8,587,262	22.97
100,001 Over	37	2.10	25,049,385	67.02
	1,763	100.00	37,380,404	100.00

	Minimum Parcel Size	Holders	Units
Unmarketable parcels field information:	365	74	6,525

SUBSTANTIAL SHAREHOLDERS

The Company's register of substantial shareholders showed the following particulars as at 20 August 2018.

Name of Substantial Shareholder	Extent of Interest (Number of Shares)	Date of last notification
Viburnum Funds Pty Ltd	7,295,121	28.06.2018
Intrepid Capital Management Inc	2,865,254	09.05.2018
Sandon Capital Investments Pty Ltd	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

Coventry Group Ltd Corporate Directory

Coventry Group

ABN 37 008 670 102

Registered and Principal Administrative Office

235 Settlement Road,
Thomastown, Victoria 3074

Postal Address

P O Box 526
Thomastown, Victoria 3074

Website

www.cgl.com.au

Secretary

Angela Donaldson

Bankers

Australian and New Zealand Banking Group Limited
Scottish Pacific Business Finance Pty Ltd

Auditors

KPMG
Tower Two
Collins Square
727 Collins Street
Melbourne, Victoria 3008

Share Registry

Computershare Investor Services Pty Ltd
Level 11 172 St Georges Terrace
Perth Western Australia 6000

or

GPO Box 2975
Melbourne, Victoria 3000

Telephone from within Australia: 1300 763 414
Telephone from outside Australia: (+61) 3 9415 4000
Facsimile: +(61) 3 9473 2500
Email: web.queries@computershare.com.au
Website: www.investorcentre.com/au

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.