



Coventry Group Ltd

ABN 37 008 670 102

Results for announcement to the market Full Year Ended 30 June 2020

Revenues from continuing operations	Up	22.3% to	247,567
Profit before interest, taxes, depreciation and amortisation from continuing operations	Down	-97.6%	36
Loss before tax from continuing operations	Up	N/A	(17,030)
Profit after tax from continuing operations attributable to members	Up	N/A	791

Dividends (distributions)

	<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	

Amount of dividend per security

	<u>Amount per security</u>	<u>Franked amount per security at 30% tax</u>
Final dividend	Nil	Nil
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

Dividend reinvestment plan (DRP)

The Company's DRP remained suspended.

Net Tangible Assets Per Security

As at 30 June 2020	0.39
As at 30 June 2019	0.59

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

2020



OUR VALUES

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

Above all, we value
Our People, Our Customers and Our Suppliers.



Coventry Group Ltd and its controlled entities

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Chairman's Report

The Group has continued to improve its financial performance in 2020. Most parts of our business performed well in largely resilient markets despite considerable operational disruption and uncertainty in the second half caused by COVID-19 restrictions and shutdowns. Most had revenue growth year on year. Our two most recent acquisitions, Torque Industries (2018) and Nubco Proprietary Limited (2019), have traded strongly in 2020 and made a material contribution to our improved financial performance. Our New Zealand Konnect and Artia operations were financially impacted by the pandemic related shutdown imposed by the New Zealand government across March/April but still had a solid year. Results from our Australian Konnect and Artia network have not met expectations and this part of the business is receiving disproportionate but appropriate Board and management focus. It is proving stubborn to turn around but we remain convinced that we have the right plan, the right people and a much improved reputation in the markets in which we operate. The first month of the new financial year has started positively with Group revenue ahead of last year.

Our CEO and Managing Director, Robert Bulluss and his executive team are to be commended for their management of the Group during 2020. Year on year financial improvement is of course a measure of their effectiveness however not all stakeholders are in a position to see the focused, determined and values driven leadership that we are fortunate to have at Coventry, particularly in these difficult times.

An underlying EBITDA of \$6.6m in 2020 represents a substantial turnaround from what we are calling our base year of 2017 which marked the pivotal appointment of our CEO (May 2017) but also marked a low point in the Group's financial performance with sales from continuing operations sinking to \$151.0m and a statutory loss after tax of \$37.7m.

Fluid Systems has continued to perform strongly in 2020 and has had a record year. Fluid Systems has an excellent reputation in the markets in which it operates and continues to be well led with a stable and experienced team. We announced the planned acquisition of HIS Hose in Victoria in March 2020 but to date have been unable to complete due to pandemic restrictions.

Trade Distribution comprises our Australian and New Zealand network of Konnect, Artia and Nubco branches, which are serviced by a number of distribution centres.

Our New Zealand network continues to be well led by a stable and experienced team and, notwithstanding the pandemic shutdown across March/April, has had a solid 2020 with contribution just ahead of last year on a small revenue increase.

Our Australian Nubco network recorded strong sales growth for the year and profitability in line with expectations. This business is now incurring some additional cost associated with lifting standards in key areas such as Health and Safety and employee wellbeing. Lifting standards in these areas is not negotiable and is aligned to the Group's values.

Our Australian network of Konnect and Artia branches did not produce planned financial outcomes and although it achieved revenue growth in 2020 it remains a detractor to Group profitability. No-one understands this better than the Board and management and we are staying the course, driving revenue and margin growth initiatives and accelerating further cost out plans. The CEO will talk to this key part of our business further in his report.

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 2021. Full particulars will be published in the Notice of Annual General Meeting for the meeting to be held on 23 October 2020.

Our Redcliffe, Perth property, with its single term of 20 years not expiring until 2027, remains only partially sub-let. Consequently, and in accordance with Australian Accounting Standards, we have recorded a one-off, non-cash onerous lease transaction of \$12.2m at 30 June 2020 in relation to the vacant parts of the property. The vacant parts of the Redcliffe property continue to be actively marketed by our Property Manager in conjunction with local resources.

The Group continues to have a strong working capital position with Current Assets exceeding Current Liabilities by \$42.7m. We have taken the opportunity in 2020 to clear a legacy of old and unsaleable inventory. Considerable effort has been made over the last couple of years to clear this inventory, but a point has been reached where further effort would be, in the Board's view, misplaced and uneconomic. As a result, a write-off of \$6.5m has been made at 30 June 2020. Net debt at financial year end was \$3.3m and we are very pleased to have locked in an increased \$40m securitised trade receivables facility with our principal financier, Scottish Pacific, for a 36 month term. The Group has substantial Australian tax losses of \$75.5m and, with a return to profitability, a Deferred Tax Asset of \$13.1m in relation to these accumulated losses has been recognised in its Statement of Financial Position.

On behalf of the Board my sincere thanks go to the CEO, the Leadership Team and our colleagues throughout the business for their commitment to our values and their disciplined leadership and management of the Coventry business during a year of challenges which none of us expected or could have foreseen.

Outlook

All our plans have been and are structured to achieve sustainable profitable growth for the Group with improved financial performance delivered year on year. Our best view of 2021 is that the momentum we currently have will continue largely unabated, that we continue to deliver well on our tactical plans and that the markets in which we operate remain buoyant. However, given market uncertainties resulting from the pandemic's impacts, we will not be providing full year guidance but will continue to provide quarterly trading updates to the market.

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 FY20 delivering underlying profitability for the second consecutive year for both EBITDA and EBIT. The Group has produced an EBITDA turnaround of \$16.3m in three years. Our best result in many years has been achieved against the backdrop of the COVID-19 pandemic shutdowns and restrictions in Australia and New Zealand and with headwinds encountered during the financial year. We remain confident that we have the right strategy, the right people and operate in the right markets to continue our journey towards sustainable profitable growth. Improved profit results are proof that our strong value proposition and dedication to our core values are delivering results.

I would like to acknowledge the response to the COVID-19 pandemic by the Coventry Leadership Team (CLT) and our people which is on-going and has been exemplary. The Group has prioritised the health, safety and wellbeing of our people along with our customers, suppliers and communities, adapting the way we work accordingly. To date, we have retained our people at full employment whilst reducing costs, managed the enforced Government temporary shutdown of our New Zealand operations, managed supply chain risks, preserved cash and improved the financial health of the Group. We are operating the Group as close as possible to business as usual.

The health, safety and wellbeing of our people is our number one priority. During the year we had 13 Lost Time Injuries (LTI's). Of these LTI's, 8 were in our recently acquired businesses. All incidents and serious near misses are reviewed by the CLT to ensure we improve our safety systems. In future we will accelerate implementation of Coventry safety systems into newly acquired businesses. Early in FY21 we will launch a new Safety1st awareness program. Our aspiration is for zero LTI's and zero impact on our people.

Our values of Respect, Fairness, Teamwork, Professionalism and Integrity are at the core of our culture. We do the right thing in all our dealings with our people, customers and suppliers. Our culture is assisting us in attracting high quality people to the Group, retaining our employees and improving employee engagement. Our employee retention rates are at their highest levels since the start of the implementation of our strategy for sustainable profitable growth. Keeping our people is a critical success factor for the future as we transition into the new normal post COVID-19.

During the year we successfully transitioned Nick Daw into the General Manager – Nubco role. Nick joined the Coventry Group in March 2019 with the acquisition of Nubco. Formerly the Sales and Marketing Manager, Nick has been with the business for 16 years working in customer, purchasing and operational roles. Paul Krawczyk has moved into the role of General Manager – Special Projects.

Our customer service levels continued to improve. This is evidenced by our sales growth and growing ability to win large customer contacts and projects. We provide customer service excellence through quality products, stock availability, expertise, agility and our geographic coverage. Major customer wins for Konnect and Artia Australia that will impact on the FY21 result are West Gate Tunnel Project in Melbourne, QTower in Sydney and Mineral Resources Limited contract in WA. Fluid Systems have won business with BMA for the supply of fuel dispensing systems for mobile plant in the Bowen Basin.

Sales skill and pricing improvement programs, supplier engagement, cost reductions and supply chain optimisation, continue to contribute to improved financial performance.

Our Digital Customer Engagement (DCE) project to provide on-line and mobility solutions for customers as well as a Customer Relationship Management (CRM) system and a user-friendly Point of Sale (POS) module is well advanced. The IT team led by Ken Lam have been integral to the DCE project whilst continuing to work on simplifying and enhancing legacy computer systems. The team has also put considerable effort into setting up our people, where they are able, to work securely from home with Cyber security systems being enhanced during the year. The IT team have also supported many other business improvement projects.

The support provided by our central services teams (Finance, Accounts Payable, Accounts Receivable and Payroll) has continued to improve and collection performance by the Accounts Receivable team, whilst working from home, has been outstanding.

Fluid Systems (FS), which comprises our Cooper Fluid Systems (CFS) and Torque Industries (Torque) businesses, performed very well. FS are positioned for further growth in coming years as we expect their core markets of mining and resources, defence and agriculture to perform well. The merge of our Cooper Fluid Systems and Torque businesses in Adelaide has been completed along with relocation to a new custom-built facility.

Trade Distribution (TD) comprises our network of Konnect and Artia Australia (KAA), Konnect and Artia New Zealand (KANZ) and Nubco branches.

KANZ had another positive year despite the impact of the Government enforced shutdown of the business which resulted in the estimated loss of sales in the order of \$2.8m - \$3.2m. The Group received \$713k in wage subsidies from the New Zealand Government that partly defrayed employment costs during the Government enforced shutdown. Despite the shutdown and continuing disruption, full year sales were only 0.5% down on last year and contribution was slightly up. Business performance has returned to normal levels post the shutdown.

We made further progress improving the capability of our people, our service levels and our supply chain in the KAA business. The COVID-19 pandemic has forced us to fast track variable cost savings and take firmer action with underperforming areas of the business. KAA will benefit in FY21 from the full year impact of these initiatives along with additional supply chain savings being implemented in Q1 FY21. We remain confident we have the right strategy, right people and operate in markets that will be robust in the current situation. Generating sales growth of 3.4% within the framework of the COVID-19 pandemic is evidence of our improving capability.

Our Nubco network delivered strong sales growth and contribution in line with expectations. The Tasmanian economy is strong and we have benefitted from increased sales in the DIY and home renovation markets.

Our market leading businesses, FS, Nubco and KANZ, are well placed to continue to grow and perform well. We believe the building blocks are in place for KAA to have the breakout year we have been looking for and return to profitability in FY21. Of course, we have the global pandemic, recession in Australia, Victorian Government stage 4 restrictions, New Zealand Government stage 3 restrictions and global economic downturn, ensuring the future is not without significant challenges. Our strategy to concentrate on more recession proof markets has to date proven to be the right one.

In accordance with Australian Accounting Standards, we have recorded a one-off, non-cash onerous lease transaction for our Redcliffe WA property of \$12.2m and also made the decision to take a one off, inventory write off of \$6.5m being legacy unsaleable slow moving and obsolete stock. The stock write off enables us to downsize our Thomastown VIC DC and free up space in the branch network to expand our complimentary range of products.

The Group has tax losses of \$75.5m available for use in Australia and franking credits of \$11.1m available.

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

COVID-19

The major impact on the Group in FY20 from the COVID-19 pandemic was the suspension of operations in New Zealand. Since recommencing operations, sales in New Zealand have continued to perform to expectations, as have our Australian operations.

Activity in our major end markets (commercial construction, infrastructure and mining) has remained solid to date. However, there is a high level of uncertainty surrounding the scale and duration of COVID-19 and the potential impact in these markets. Under the Victorian Government Stage 4 restrictions in the Melbourne metropolitan area and New Zealand Government Stage 3 restrictions in Auckland, we are a permitted business and able to operate our branches and Distribution Centres. It is too early to assess the impact on sales. Otherwise all business units remain fully operational.

Our COVID-19 response is focussed on:

- Prioritising the health, safety and wellbeing of our people along with our customers, suppliers and communities.
- Adapting to the new work environment incorporating working from home and flexible work arrangements whilst improving productivity.
- Prudent cost management.
- Managing supply chain risks.
- Cash preservation.
- Ensuring the Group is well capitalised and has excess liquidity.
- Operating the Group as close as possible to business as usual.

Given market uncertainties resulting from the pandemic's impacts, we are not providing full year guidance.

Business Performance

Trading performance improved during the year. May and June were our two most profitable months for the year following a poor March and April at the start of COVID-19 pandemic restrictions and disruption. Our improved financial performance has continued in July 2020.

Group sales growth for FY20 including acquisitions of 22.3% and excluding acquisitions of 4.7% on the prior year. Group sales including acquisitions at \$247.6m (\$202.3m FY19). We estimate FY20 sales were negatively impacted in the order of \$2.8m to \$3.2m due to the enforced Government shutdown of our New Zealand operations. Group underlying EBITDA of \$6.6m (\$2.8m FY19), a \$3.8m improvement year on year. Group underlying EBIT of \$4.0m (\$1.1m FY19). Reported net profit for the year of \$0.8m (net loss for the year of \$1.4m FY19).

The Group has a solid balance sheet with Net Assets of \$102.1m and Net Tangible Assets of \$47.6m as at 30 June 2020. At 30 June 2020 the Group had net debt of \$3.3m.

Performance by Division

Fluid Systems

Fluid Systems (FS), led by Bruce Carter and his leadership team have had an excellent year with continuing sales growth in both Cooper Fluid Systems (CFS) and Torque Industries. Sales growth is being driven by our customer value proposition, ability to win major contracts, continuing market leading position in mining and resources and diversification into agriculture, defence, transport and recycling markets. Sales growth of 15.2% including acquisitions on the prior year and 8.5% excluding acquisitions on the prior year. Underlying EBITDA in FY20 of \$10.3m compared to \$8.8m in FY19.

We have successfully integrated the Torque and CFS businesses in Adelaide SA and completed the relocation in early August 2020 of the merged businesses into a new custom-built facility that will cater for future growth. During the year we also relocated our Hunter Valley branch to a larger custom-built facility.

We remain cautiously optimistic about growth in FS in FY21 as a result of the strong mining and resources sector, increasing market share through our value proposition, expansion of our product and service offering, expanding our hydraulics capabilities and further diversification into sectors outside of the mining and resources sector. We are however realistic and understand FS will not be immune from unforeseen impacts of the COVID-19 pandemic. As FS has demonstrated through various cycles, it has the capability to scale according to prevailing market conditions.

The planned HIS Hose acquisition was announced earlier in the year, but to date we have been unable to complete due to pandemic restrictions.

Trade Distribution (TD)

TD sales for the year including acquisitions up 28.1% on the prior year and excluding acquisitions up 2.6% on the prior year. The underlying EBITDA for TD was \$6.7m compared to \$3.3m in FY19. Sales growth and EBITDA were both negatively impacted by the enforced Government shutdown in New Zealand.

Konnect and Artia New Zealand (KANZ)

KANZ were on track for a record full year sales and EBITDA result before the Government enforced shutdown of the business in March/April. The leadership provided by Mike Wansink and his management team through the shutdown and subsequent return to operations was critical to the business returning to close to normal operations and sales levels immediately post the shutdown. The Group supported our people in line with our values during the shutdown.

KANZ full year sales down 0.5% on prior year but impacted by the loss of 23 days sales during the shutdown and continued disruption due to the pandemic restrictions.

KANZ is the leading fastening systems business in the construction and roofing and cladding markets in New Zealand. Future growth is expected to come from a combination of organic sales growth, the potential for further branches in new locations, the potential acquisition of profitable businesses in New Zealand and adding complimentary products.

Konnect and Artia Australia (KAA)

We are making positive progress in KAA. The KAA business has proven more difficult to turnaround than expected. Whilst not an excuse, the COVID-19 pandemic has disrupted us just as we were starting to build sales momentum. KAA full year sales were up 3.4% on the prior year. Konnect was up 4.0% on the prior year however Artia had a slight decline on the prior year. Gross margin is increasingly under pressure in a very competitive market. Despite considerable improvement across many areas of this business, KAA has fallen short of recording a breakeven EBITDA for the full year.

In Q4 FY20 we fast tracked action to ensure the building blocks are in place to return to profitability in FY21. We have merged our Chinchilla and Toowoomba branches and Morningside and Pinkenba branches and in June closed our unprofitable Darwin branch. Action in other underperforming branches was accelerated in Q4 FY20. In addition, variable costs were reduced at the start of the COVID-19 pandemic restrictions and the majority of these savings will be on-going. Further cost savings through supply chain optimisation will be delivered in Q2 FY21.

We now have an experienced and stable leadership team led by Peter Shaw, the right people and operate in more resilient markets.

Key further activities in FY21 include:

- Improving our value proposition by expanding our range of quality products, continuing to build our supplier relationships, ensuring our stock availability and DIFOT levels in the branch network remain high, increasing the level of expertise in the business through training and development and adapting to providing agile service in the changing business environment.
- Our business development teams are focussed on infrastructure projects and major contract and tender opportunities.
- Opening new stores. During the year we opened a branch in Mackay and have advanced plans for two additional branches in Q1 FY21.
- Reviewing and refining pricing strategies and tools.
- Fixing underperforming branches with a combination of sales, margin and cost initiatives.
- Further supply chain optimisation resulting in cost reductions through the downsizing of our Thomastown DC and closure of our under-utilised 3rd party China Hub facility.
- Growing sales through our recently launched on-line ordering sites for Konnect and Artia. Our CRM system will also go live in FY21.

Nubco

Our network of Nubco branches in Tasmania had a very strong sales year in its first full year with the Group since acquisition in February 2019. We have a strong leadership team in Tasmania led by Nick Daw and recently strengthened with the appointment of Stuart Green (ex-Milwaukee) as Sales and Marketing Manager. The business had record sales months in May and June and is well placed to take advantage of the strong economy in Tasmania.

Corporate Costs

Corporate costs increased during the year due to higher IT costs in relation to the Digital Customer Engagement project, fixing legacy IT issues, higher insurance costs and the loss of Redcliffe WA sub-tenant income. We expect productivity projects using technology will allow us to reduce corporate costs in FY21. Corporate costs are currently running at 4.7% of sales (4.9% FY19).

The property at Redcliffe WA remains a concern despite taking up an Onerous Lease Transaction. We have a comprehensive marketing program in place in conjunction with local resources in order to secure sub tenants.

Net Assets/Working Capital

The Group has a solid balance sheet with Net Tangible Assets of \$47.6m and Net Assets of \$102.1m compared to \$101.0m in FY19. Initiatives to reduce working capital and maximise cash generation remain a key focus area for the Group. During the second half of FY20 we materially reduced inventory levels and the Accounts Receivable team did an excellent job with collections. This enabled us to reduce debt levels and improve the financial health of the business. The Group continues to take action to reduce inventory levels, tightly manage collections and manage operating costs to improve our cash position.

The Group has budgeted for \$2.5m of capital expenditure in FY21.

Net debt position and banking arrangements

Net debt of \$3.3m at 30 June 2020 (net debt of \$4.1m at 30 June 2019).

Our CFO, Rod Jackson, successfully negotiated to increase the Group's securitised trade receivables facility with Scottish Pacific to \$40m from \$25m for a 36 month term. We are very pleased in the current environment to have locked away long-term funding for the Group.

Outlook

Activity in our major end markets (commercial construction, infrastructure and mining) has remained solid to date. However, there is a high level of uncertainty surrounding the scale and duration of the COVID-19 pandemic and the potential impact in these markets and the Australian and Global economies.

While it is impossible to predict the full impact of the pandemic on the Group, we remain confident that we have the right strategic plan, the right people and operate in markets that will enable us to navigate the situation and take advantage of opportunities as they arise.

I would like to acknowledge the support received from the Board and thank the Coventry Leadership Team and every person in the Group for their contribution during the year. We have faced unique challenges during the year and responded well, particularly in the face of the COVID-19 pandemic which we hope will be a once in a lifetime event. We remain confident that we will deliver sustainable profitable growth to our shareholders.

Regardless of what challenges we face we will apply our values and do the right thing.

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 2020

	<i>Note</i>	2020 \$'000	2019 \$'000
Revenue from sale of goods		247,567	202,346
Cost of sales		(154,473)	(123,624)
Gross profit		93,094	78,722
Other income		3,582	3,732
Employment costs	5	(57,751)	(48,676)
Depreciation and amortisation expense		(11,969)	(1,666)
Occupancy costs		(666)	(10,553)
Communication costs		(3,120)	(2,503)
Freight		(5,008)	(5,395)
Vehicle operating costs		(1,847)	(1,775)
Impairment and significant items	27	(19,954)	(1,354)
Other expenses		(8,632)	(10,741)
Profit/(loss) before financial income and tax		(12,271)	(209)
Financial income, including net foreign exchange gain	6	573	92
Financial expense	6	(5,332)	(624)
Net financial expense	6	(4,759)	(532)
Profit/(loss) before income tax		(17,030)	(741)
Income tax benefit/(expense)	7	17,821	(685)
Profit/(loss) for the year		791	(1,426)
Profit/(loss) attributable to:			
Owners of the Company		791	(1,426)
Earnings/(loss) per share:			
Basic earnings/(loss) per share:	8	0.9 cents	(2.3 cents)
Diluted earnings/(loss) per share:	8	0.9 cents	(2.3 cents)

The consolidated statement of profit or loss 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 comprehensive income

For the year ended 30 June 2020

	<i>Note</i>	2020 \$'000	2019 \$'000
Profit/(loss) for the year		791	(1,426)
Other comprehensive income/(loss) items that may be reclassified to profit or loss:			
Foreign currency translation differences		(418)	191
Effective portion of changes in fair value of cash flow hedges		(96)	(96)
Other comprehensive income/(loss) for the year, net of income tax		(514)	95
Total comprehensive income/(loss) for the year, attributable to:			
Owners of the Company		277	(1,331)

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 2020

	<i>Note</i>	2020 \$'000	2019 \$'000
Assets			
Cash and cash equivalents	9	7,542	5,314
Trade and other receivables	10	33,549	35,833
Inventories	11	53,560	59,886
Other financial assets	10	2,133	2,023
Other current assets	10	3,421	1,623
Total current assets		100,205	104,679
Trade and other receivables	10	1,828	-
Deferred tax assets	7	19,011	1,185
Property, plant and equipment	13	6,777	5,864
Right-of-use assets	14	39,835	-
Intangible assets	15	47,902	46,562
Total non-current assets		115,353	53,611
Total assets		215,558	158,290
Liabilities			
Trade and other payables	17	40,846	38,204
Employee benefits		5,821	5,734
Interest-bearing loans and borrowings	18	10,869	9,411
Lease liability		9,725	-
Income tax (refundable)/payable		(23)	526
Total current liabilities		67,238	53,875
Employee benefits		335	157
Other payables	17	178	3,228
Provisions	19	3,125	-
Lease liability		42,562	-
Total non-current liabilities		46,200	3,385
Total liabilities		113,438	57,260
Net assets		102,120	101,030
Equity			
Issued capital		149,617	149,517
Reserves		(5,388)	(4,874)
Retained earnings		(42,109)	(43,613)
Total equity		102,120	101,030

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 2020

	Hedge reserve \$'000	Translation reserve \$'000	Other reserve \$'000	Total reserves \$'000	Share capital \$'000	Retained earnings \$'000	Total equity \$'000
Balance at 30 June 2019	96	(1,396)	(3,574)	(4,874)	149,517	(43,613)	101,030
Adjustment on initial application of AASB16, net of tax	-	-	-	-	-	713	713
Adjusted Balance at 1 July 2019	96	(1,396)	(3,574)	(4,874)	149,517	(42,900)	101,743
Total comprehensive income/(loss) for the year							
Profit/(loss) for the year	-	-	-	-	-	791	791
Other comprehensive income/(loss):							
Foreign currency translation differences	-	(418)	-	(418)	-	-	(418)
Effective portion of changes in fair value of cash flow hedges	(96)	-	-	(96)	-	-	(96)
Total other comprehensive income/(loss)	(96)	(418)	-	(514)	-	-	(514)
Total comprehensive income/(loss) for the year	(96)	(418)	-	(514)	-	791	277
Transactions with owners, recorded directly in equity							
Share issue	-	-	-	-	100	-	100
Balance at 30 June 2020	-	(1,814)	(3,574)	(5,388)	149,617	(42,109)	102,120

Amounts are stated net of tax

	Hedge reserve \$'000	Translation reserve \$'000	Other reserve \$'000	Total reserves \$'000	Share capital \$'000	Retained earnings \$'000	Total equity \$'000
Balance at 1 July 2018	192	(1,587)	(3,574)	(4,969)	107,770	(42,187)	60,614
Total comprehensive (loss)/income for the year							
(Loss) for the year	-	-	-	-	-	(1,426)	(1,426)
Other comprehensive (loss)/income:							
Foreign currency translation differences	-	191	-	191	-	-	191
Effective portion of changes in fair value of cash flow hedges	(96)	-	-	(96)	-	-	(96)
Total other comprehensive (loss)/income	(96)	191	-	95	-	-	95
Total comprehensive (loss)/income for the year	(96)	191	-	95	-	(1,426)	(1,331)
Transactions with owners, recorded directly in equity							
Share issue	-	-	-	-	44,641	-	44,641
Share issue costs	-	-	-	-	(2,894)	-	(2,894)
Balance at 30 June 2019	96	(1,396)	(3,574)	(4,874)	149,517	(43,613)	101,030

Amounts are stated net of tax

Coventry Group Ltd and its controlled entities

Consolidated statement of cash flows

For the year ended 30 June 2020

	<i>Note</i>	2020 \$'000	2019 \$'000
Cash flows from operating activities			
Cash receipts from customers		272,959	217,522
Cash paid to suppliers and employees		(251,981)	(220,872)
Cash from/(used in) operations		20,978	(3,350)
Interest paid		(5,332)	(624)
Income taxes refunded/(paid)		(860)	(396)
Net cash from/(used in) operating activities	25	14,786	(4,370)
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		59	85
Payment for acquisitions of business, net of cash acquired		-	(43,208)
Interest received		235	34
Acquisition of property, plant and equipment	13	(2,490)	(1,092)
Acquisition of intangible assets	15	(2,431)	(393)
Net cash from/(used in) investing activities		(4,627)	(44,574)
Cash flows from financing activities			
Proceeds from Borrowings		200,495	194,597
Repayment of Borrowings		(199,037)	(185,186)
Repayment of Lease liabilities		(8,746)	-
Proceeds from issue of shares		-	42,673
Share issue costs		-	(2,894)
Net cash (used in)/from financing activities		(7,288)	49,190
Net increase/(decrease) in cash and cash equivalents		2,871	246
Cash and cash equivalents at 1 July		5,314	4,966
Effect of movements in exchange rates on cash and cash equivalents		(643)	102
Cash and cash equivalents at 30 June	9	7,542	5,314

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 2020

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 2020 comprises the Company and its controlled entities (together referred to as the "Group").

The financial report was authorised for issue by the Directors on 21 August 2020.

(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 for certain financial assets and liabilities (including 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.

The Group has consistently applied the accounting policies (as set out in Note 1(d) – 1(v)) to all years presented in this consolidated financial report. Certain prior year figures have been reclassified to conform with the presentation in the current year.

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 Directors have a reasonable expectation that the Group will have adequate resources to continue to meet its obligations as they fall due.

(c) New and amended standards adopted by the Group

The Group has applied the following standard for the first time for the annual reporting period commencing 1 July 2019:

- AASB 16 *Leases*

Due to the transition method chosen by the Group in applying this standard, comparative information throughout the annual financial report has not been restated to reflect the requirements of the new standard.

The impact of the adoption of this standard and the new accounting policies is disclosed in note 28.

Other new standards or amendments did not have a material or significant impact on the Group's consolidated financial report.

(d) Basis of consolidation

Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

The Group measures goodwill at the acquisition date as:

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

Coventry Group Ltd and its controlled entities

Notes to the consolidated financial statements

For the year ended 30 June 2020

1. Significant accounting policies (continued)

(d) Basis of consolidation (continued)

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.

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.

(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.

(f) 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.

(g) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on weighted average cost. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads. An impairment allowance is made for obsolete, damaged and slow moving inventories.

(h) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost less loss allowance.

(i) Property, plant and equipment

All classes of property, plant and equipment are stated at cost less depreciation and any accumulated impairment loss.

Depreciation

Items of property, plant and equipment are depreciated on a straight line basis over their estimated useful lives from the date that they are installed and are ready for use.

The estimated useful lives for each class of asset are:

<u>Class of Fixed Asset</u>	<u>Depreciation Rate</u>
- Plant and Equipment	5% - 40%

Coventry Group Ltd and its controlled entities

Notes to the consolidated financial statements

For the year ended 30 June 2020

1. Significant accounting policies (continued)

(j) Intangibles

Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. For the measurement of goodwill at initial recognition, see Note 1(d). Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

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 measured at cost less accumulated amortisation and impairment losses.

Other intangible assets

Brand names and customer relationships acquired in a business combination are recognised at fair value at the acquisition date. Brand names have an indefinite useful life and are measured at cost less accumulated impairment losses. Customer relationships have a finite useful life and are measured at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation

Except for goodwill and brand names, 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, computer software was estimated to have a useful life of 3 to 10 years, and customer relationships was estimated to have a useful life of 10 years. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(k) Financial Instruments

Investments and other financial assets

The Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transactions costs of financial assets carried at FVPL are expensed in profit or loss.

Impairment of financial assets

The Group assesses on a forward looking basis the expected credit losses associated with its instruments carried at amortised costs and fair value through other comprehensive income ("OCI"). The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same type of contract. The Group has concluded that the expected loss rates of trade receivables are a reasonable approximation to the loss rates for the contract assets.

(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 are tested for impairment at each financial year end.

(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.

Coventry Group Ltd and its controlled entities

Notes to the consolidated financial statements

For the year ended 30 June 2020

1. Significant accounting policies (continued)

(n) Provisions

A provision is recognised in the statement of financial position 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.

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.

(p) Revenue and other income

Revenue is recognised when control of a good or service transfers to a customer. Determining the timing of the transfer of control – at a point in time or over time - requires judgement.

Sale of goods – revenue recognised at a point in time

Revenue from the sale of goods that are not subject to contract manufacturing arrangements 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 a customer obtains control of the promised goods and the Group has satisfied its performance obligation in relation to the promised goods. In determining when control of promised goods passes to the customer, the Group considers the transfer of significant risk and rewards of ownership of the goods to the customer. The timing of the transfer of risk and reward to the customers for the sale of goods occurs either:

- When the goods are despatched or delivered in line with the Incoterms as detailed in the relevant contract of sale or purchase order for the goods. The Group sells a significant proportion of its products on Free-In-Store/ Delivered at Place Incoterms. This means the Groups control of the goods passes when the product is delivered to the agreed destination.
- When they are made available to the customer and ownership transfers prior to despatch as detailed in the relevant contract of sale or purchase order for the goods.
- On notification (following stocktake) that the product has been used when the goods are consignment products located at customers' premises.

Where cash consideration has been received but the revenue recognition criteria has not been met, such amounts have been recorded on the consolidated statement of financial position as a contract liability.

Sale of goods – contract manufacturing and supply revenue recognised over time

The Group has determined that for bundled contract manufacturing comprising design, build, install and service elements, the customer controls the goods once the goods are finished and installed on premises in accordance with the relevant contract. This is because under the contract, goods are manufactured to a customer's specification, and if a firm order that is placed by the customer in accordance with the agreement is terminated, the Group is entitled to a reimbursement of the costs incurred in manufacturing the goods, including a reasonable margin. Therefore, revenue for the agreements and the associated costs are recognised over time. That is, before the goods are delivered to the customer' premises. Invoices issued according to contractual terms and amounts not yet invoiced are presented as contract assets.

Rental income

For operating leases under AASB16, rental income is recognised in the statement of profit or loss on a straight line basis over the term of the lease. Rental income from subleased property is recognised as other income.

(q) Leases

The accounting policies for Leases are explained in note 28.

(r) Finance income and finance costs

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

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.

Coventry Group Ltd and its controlled entities

Notes to the consolidated financial statements

For the year ended 30 June 2020

1. Significant accounting policies (continued)

(s) Income tax

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

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

Tax consolidation

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

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

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

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

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

(t) Goods and services tax

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

Receivables and payables in the statement of financial position are stated with the amount of GST included. Cash flows are included in the statement of cash flows on a gross basis.

(u) Accounting estimates and judgements

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

Coventry Group Ltd and its controlled entities
Notes to the consolidated financial statements
For the year ended 30 June 2020

1. Significant accounting policies (continued)

(u) Accounting estimates and judgements (continued)

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:

- estimation of current tax payable, current tax expense and recovery of deferred tax assets based on forecasted taxable profit – note 1(s) and note 7
- estimated useful life of intangible assets – note 1(j)
- estimated impairment of non-financial assets and measurement of the recoverable amount of cash generating units – note 16
- estimation of impairment of inventories – note 1(g)
- valuation of trade receivables – note 1 (k) and note 22
- estimation of lease term under AASB16 – note 28

(v) New standards and interpretations not yet adopted

There are no significant new standards or interpretations not yet adopted.

2. Segment information

(a) Description of 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, industrial hardware supplies and associated products and cabinet making hardware.
Fluid Systems	Includes the design, manufacture, distribution, installation and maintenance of lubrication and hydraulic fluid systems and hoses.

(b) Segment information

Information regarding the results of each reportable segment is included below.

Information about reportable segments	Trade Distribution	Fluid Systems	Other business units and consolidation adjustments	Total reportable segments
	\$'000	\$'000	\$'000	\$'000
30 June 2020				
Segment revenue	151,292	95,942	(55)	247,179
Inter-segment revenue	-	-	-	-
Revenue from external customers	151,292	95,942	(55)	247,179
Timing of revenue recognition at point in time	151,292	94,289	(55)	245,526
over time	-	1,653	-	1,653
	151,292	95,942	(55)	247,179
Underlying EBITDA	6,652	10,319	(10,334)	6,637
Depreciation and amortisation	614	659	1,338	2,611
Underlying EBIT	6,038	9,660	(11,672)	4,026

Coventry Group Ltd and its controlled entities
Notes to the consolidated financial statements
For the year ended 30 June 2020

2. Segment information (continued)

(b) Segment information (continued)

Information about reportable segments	Trade Distribution	Fluid Systems	Other business units and consolidation adjustments	Total reportable segments
30 June 2019	\$'000	\$'000	\$'000	\$'000
Segment revenue	118,074	83,253	-	201,327
Inter-segment revenue	-	-	-	-
Revenue from external customers	118,074	83,253	-	201,327
Timing of revenue recognition at point in time	118,074	83,253	-	201,327
over time	-	-	-	-
	118,074	83,253	-	201,327
Underlying EBITDA	3,199	8,834	(9,283)	2,750
Depreciation and amortisation	486	572	604	1,662
Underlying EBIT	2,713	8,262	(9,887)	1,088

(c) Other segment information

i. Segment Revenue

A reconciliation of segment revenue to total revenue from the sale of goods in the Statement of Profit or Loss is provided as follows:

	2020 \$'000	2019 \$'000
Total segment revenue	247,179	201,327
Foreign exchange translation variance	388	1,019
Total revenue	247,567	202,346

ii. Segment Operating Profit/(Loss)

The Coventry Leadership Team (CLT) measures the performance of the Group's reportable segments based on underlying EBIT (Earnings before Interest and Tax). This measurement basis excludes the effects of interest on external borrowings and income tax expense. A reconciliation of underlying EBIT to operating profit/(loss) in the Statement of Profit or Loss is provided as follows:

	Note	2020 \$'000	2019 \$'000
Total segment Underlying EBIT		4,026	1,088
Foreign exchange translation variance		45	57
Impairment and significant items		(19,954)	(1,354)
Net financing expense, excluding interest on lease liabilities (AASB16)	6	(966)	(532)
Income tax benefit/(expense)	7	17,768	(685)
<i>Impact of AASB16</i>			
Depreciation of Right-of-use Assets	14	(9,357)	-
Net Interest on lease liabilities and sub-lease investment		(3,824)	-
Reversal of net rent and lease payments and receivables		12,991	-
Income tax benefit	7	53	-
Foreign Exchange translation		9	-
Total operating profit/(loss)		791	(1,426)

(d) Geographic information

Revenue based on the geographic location of customers were Australia \$213,895,875 (2019: \$168,360,000) and New Zealand \$33,671,458 (2019: \$33,986,000).

Coventry Group Ltd and its controlled entities
Notes to the consolidated financial statements
For the year ended 30 June 2020

3. Business Combination

There were no adjustments made in the 2020 financial year that relate to business combinations that occurred in the 2019 financial year, being Torque Industries Pty Ltd and Nubco Proprietary Limited.

4. Auditor's remuneration

	2020	2019
	\$	\$
Audit services		
Auditors of the Group		
<i>KPMG Australia:</i>		
Engagement of audit and review of financial reports	250,000	220,000
Prior year additional charges and out of scope audit services	23,000	7,000
	273,000	227,000
Other services		
Auditors of the Group		
<i>KPMG Australia:</i>		
Transaction services	130,203	110,575
<i>KPMG New Zealand:</i>		
Tax services	7,210	10,300
	137,413	120,875

5. Employment costs

	2020	2019
	\$'000	\$'000
Wages and salaries	45,524	38,175
Liability for annual leave and long service leave	4,215	3,629
Contributions to superannuation funds	4,175	3,425
Payroll taxes	2,658	2,165
Other associated personnel expenses	1,179	1,282
	57,751	48,676

6. Finance income and finance expenses

	2020	2019
	\$'000	\$'000
Interest income from other entities	235	34
Net foreign exchange gain	338	58
Financial income	573	92
Interest expense	(1,315)	(624)
Interest expense on lease liabilities	(4,017)	-
Financial expenses	(5,332)	(624)
Net financial expense	(4,759)	(532)

Coventry Group Ltd and its controlled entities
Notes to the consolidated financial statements
For the year ended 30 June 2020

7. Taxes

Current tax expense/(benefit)

	2020 \$'000	2019 \$'000
Current year	260	470
Under provision / (over provision) prior year	-	36
Tax recognised in the profit or loss	260	506

Deferred tax expense

Recognition of previously unrecognised Deferred Tax Assets (DTA)	(13,112)	-
Origination and reversal of temporary differences	(4,969)	179
Total deferred tax expense/(benefit)	(18,081)	179

Total income tax expense/(benefit)

(17,821)	685
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Reconciliation of effective tax rate

Profit/(Loss) from operations for the period	791	(1,426)
Total income tax loss/(benefit)	(17,821)	685
Loss before income tax	(17,030)	(741)
Income tax using the Company's domestic tax rate of 30%	(5,109)	(222)
Revenue tax losses (recognised)/not recognised	414	881
Non-deductible expenditure	6	26
Recognition of previously unrecognised DTA	(13,112)	-
Over provision in prior periods	-	36
Effect of lower tax rate applicable to foreign controlled entity	(20)	(36)
	(17,821)	685

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Trade and other receivables	97	111	-	-	97	111
Inventories	2,917	1,731	-	-	2,917	1,731
Property, plant and equipment	2,360	2,360	-	-	2,360	2,360
Right-of-use assets	-	-	(12,447)	-	(12,447)	-
Intangible assets	-	-	(4,999)	(5,243)	(4,999)	(5,243)
Employee benefits	1,858	1,813	-	-	1,858	1,813
Trade and other payables	565	413	-	-	565	413
Provisions	836	-	-	-	836	-
Lease liability	14,712	-	-	-	14,712	-
Tax losses carried forward	13,112	-	-	-	13,112	-
Tax assets/(liabilities)	36,457	6,428	(17,446)	(5,243)	19,011	1,185
Set off of deferred tax liability	(17,446)	(5,243)	17,446	5,243	-	-
Net deferred tax asset	19,011	1,185	-	-	19,011	1,185

Within the Group Australian operations there are unutilised carried forward tax losses of \$75,549,267 (2019: \$71,946,759) for which \$13,111,836 (2019: Nil) deferred tax asset has been recognised. As it is probable that future taxable profits would be available for use against tax losses, the Group recognised a DTA on previously unrecognised tax losses.

Coventry Group Ltd and its controlled entities
Notes to the consolidated financial statements
For the year ended 30 June 2020

8. Earnings per share

	2020	2019
Earnings used in basic and diluted earnings per share calculation (\$)	791,497	(1,425,920)
Weighted average of shares in year used in basic and diluted earnings per share (number)	89,781,624	60,714,882
Earnings/(loss) per share (cents)	0.9 cents	(2.3 cents)

9. Cash and cash equivalents

	2020	2019
	\$'000	\$'000
Cash on hand	4	4
Bank balances	7,538	5,310
Cash and cash equivalents	7,542	5,314

Non-cash investing and financing activities

There were no non-cash investing and financing activities during the year (2019: 2,400,000 shares at \$0.82 per share were issued as part of the consideration paid for Nubco).

Net debt reconciliation

	2020			2019		
	Financing liabilities	Other assets		Financing liabilities	Other assets	
	Borrowings	Cash	Net debt	Borrowings	Cash	Net debt
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Analysis of changes in net debt						
Opening balance at the beginning of the financial year	9,411	(5,314)	4,097	-	(4,966)	(4,966)
Foreign exchange adjustment	-	(9)	(9)	-	11	11
Cash movements excluding exchange movements	1,458	(2,219)	(761)	9,411	(359)	9,052
Closing balance	10,869	(7,542)	3,327	9,411	(5,314)	4,097

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

	2020	2019
	\$'000	\$'000
Current		
Trade receivables	33,539	36,206
Loss allowance (note 22(a))	(326)	(373)
	33,213	35,833
Net investment in sub-lease	336	-
	33,549	35,833
Other receivables	2,133	2,023
Prepayments	3,421	1,487
	5,554	3,510
Non-current		
Net investment in sub-lease	1,828	-
	1,828	-
Total trade and other receivables	40,931	39,343

Information about the Group's exposure to credit risk, foreign currency risk and interest rate risk is disclosed in note 22.

Coventry Group Ltd and its controlled entities
Notes to the consolidated financial statements
For the year ended 30 June 2020

11. Inventories

	2020 \$'000	2019 \$'000
Finished goods	58,882	65,723
Provision for obsolescence	(5,322)	(5,837)
Net Inventory balance	<u>53,560</u>	<u>59,886</u>

\$6,882,638 (2019: \$1,058,334) of inventory write-downs were recognised during the year.

12. Parent entity disclosures

As at, and throughout, the financial year ending 30 June 2020 the parent company of the Group was Coventry Group Ltd.

	Company	
	2020 \$'000	2019 \$'000
Results of the parent entity		
Profit/(loss) for the period	(5,414)	(5,046)
Other comprehensive income/(loss)	(119)	(116)
Total comprehensive income/(loss) for the period after tax	<u>(5,533)</u>	<u>(5,162)</u>

Financial position of parent entity at year end

Current assets	67,614	72,936
Total assets	<u>205,234</u>	<u>160,325</u>
Current liabilities	58,262	43,817
Total liabilities	<u>96,809</u>	<u>47,201</u>

Total equity of the parent entity comprising of:

Issued capital	149,617	149,517
Reserves	(23)	75
Retained earnings	(41,169)	(36,468)
Total equity	<u>108,425</u>	<u>113,124</u>

13. Property, plant and equipment

	Note	Plant and equipment \$'000
Cost at 1 July 2019		44,083
Accumulated Depreciation at 1 July 2019		<u>(38,219)</u>
Carrying amounts at 1 July 2019		5,864
Additions		2,490
Depreciation charge for the year		(1,521)
Disposals		(57)
Effect of movements in foreign exchange		1
Carrying amounts at 30 June 2020		<u>6,777</u>
Cost at 1 July 2018		41,582
Accumulated Depreciation at 1 July 2018		<u>(37,001)</u>
Carrying amounts at 1 July 2018		4,581
Additions		1,092
Acquisition through business combination		1,442
Depreciation charge for the year		(1,218)
Disposals		(36)
Effect of movements in foreign exchange		3
Carrying amounts at 30 June 2019		<u>5,864</u>

Coventry Group Ltd and its controlled entities
Notes to the consolidated financial statements
For the year ended 30 June 2020

14. Right-of-use assets

	Property \$'000	Vehicles \$'000	Total \$'000
Carrying amounts at 30 June 2019	-	-	-
Recognition of right-of-use asset on initial application of AASB16	50,125	4,865	54,990
Adjusted carrying amount at 1 July 2019	50,125	4,865	54,990
Additions	5,387	1,666	7,053
Terminations	(1,517)	(245)	(1,762)
Impairment	(11,075)	-	(11,075)
Depreciation for the period	(7,318)	(2,039)	(9,357)
Effect of movements in foreign exchange	(11)	(3)	(14)
Carrying amount at 30 June 2020	35,591	4,244	39,835

15. Intangible assets

Note	Goodwill \$'000	Brand name \$'000	Customer relationships \$'000	Computer software \$'000	Total \$'000
Carrying amounts at 1 July 2019	26,395	11,376	5,899	2,892	46,562
Additions	-	-	-	2,431	2,431
Amortisation for the year	-	-	(610)	(481)	(1,091)
Carrying amounts at 30 June 2020	26,395	11,376	5,289	4,842	47,902
Carrying amounts at 1 July 2018	3,327	-	-	2,744	6,071
Acquisition through business combination	23,068	11,376	6,102	-	40,546
Additions	-	-	-	393	393
Amortisation for the year	-	-	(203)	(245)	(448)
Carrying amounts at 30 June 2019	26,395	11,376	5,899	2,892	46,562

16. Impairment of non-financial assets

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

	2020 \$'000	2019 \$'000
Fluid Systems	11,518	11,518
Trade Distribution	26,253	26,253
	37,771	37,771

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.

Coventry Group Ltd and its controlled entities
Notes to the consolidated financial statements
For the year ended 30 June 2020

16. Impairment of non-financial assets (continued)

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

Fluid Systems

For the year ended 30 June 2020, the Group's value in use model showed the recoverable amount exceeded the carrying amount of the Fluid Systems CGU. The values assigned to the key assumptions were:

- Sales growth at 4.8% for FY21 and 6.0% thereafter
- Terminal growth 2.5%
- Pre-tax WACC of 14.95%

Trade Distribution

For the year ended 30 June 2020, the Group's value in use model indicated no evidence of the requirement for impairment in the carrying amount of the assets of this business. Value in use was based on the following key assumptions:

- Sales growth at 5.2% for FY21, 6.0% for FY22, 7.9% for FY23 and 6.0% thereafter
- Terminal growth 2.5%
- Pre-tax WACC of 14.95%

The calculation of value in use for all CGUs is most sensitive to the following assumptions:

- Sales growth
- Gross margin
- Operating expense

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

Redcliffe Onerous Lease

During 2020, a sublease contract in place with a tenant at the Redcliffe property concluded. As at 30 June 2020, no replacement tenant is in place.

Accordingly, the Group has assessed the recoverable amount of the lease in 2020 having regard to the current economic conditions and has recorded an impairment loss of \$11,074,597 for the year ended 30 June 2020. In addition to this impairment of carrying value, the FY20 costs of un-tenanted space at Redcliffe of \$1,083,326 was reclassified to impairment and significant items at year end.

17. Trade and other payables

	2020	2019
	\$'000	\$'000
Trade payables	31,338	31,070
Non trade payables and accrued expenses	9,686	10,362
Total trade and other payables	41,024	41,432
Current	40,846	38,204
Non-current	178	3,228
Total trade and other payables	41,024	41,432

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

18. Interest-bearing loans and borrowings

	2020	2019
	\$'000	\$'000
Current		
Debtor Financing Facility	10,869	9,411
Total interest-bearing loans and borrowings	10,869	9,411

Details about the Group's financing facilities, exposure to interest rate, foreign currency and liquidity risks is provided in note 22.

19. Provisions

	Make good \$'000
Non-current	
Balance at 1 July 2019	-
Provisions increased/(decreased)	3,319
Provisions used	(6)
Provisions released	(188)
Balance at 30 June 2020	3,125

Coventry Group Ltd and its controlled entities

Notes to the consolidated financial statements

For the year ended 30 June 2020

20. 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 based on annual Company performance. Vesting of performance rights varies with the extent that performance hurdles have been met. On vesting, the performance rights entitle the recipient to receive fully paid shares in the Company.

21. Capital and reserves

Share capital

	Ordinary shares 2020 '000	Ordinary shares 2019 '000
On issue at 1 July	89,700	37,380
Conversion of performance rights	109	-
Share issue ⁽ⁱ⁾	-	13,084
Share issue ⁽ⁱⁱ⁾	-	36,836
Share issue ⁽ⁱⁱⁱ⁾	-	2,400
On issue at 30 June	89,809	89,700

(i) On 26 September 2018 the Company announced an underwritten \$15m equity raising to fund the acquisition of Torque Industries. The raising successfully completed in October 2018 with the issue of 13,083,533 ordinary shares at \$1.15 from a 1 for 5 accelerated non-renounceable pro-rata entitlement offer and an institutional placement.

(ii) On 5 February 2019 the Company announced an underwritten \$27.6m equity raising to fund the acquisition of Nubco Proprietary Ltd. The raising successfully completed in February 2019 with the issue of 36,835,730 ordinary shares at \$0.75 from a 1 for 1.37 accelerated non-renounceable pro-rate entitlement offer.

(iii) On 1 March 2019, the Company issued 2,400,000 shares in escrow as part of the purchase price consideration for the acquisition of Nubco Proprietary Limited.

Ordinary shares

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

Nature and purpose of reserves

Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations where their functional currency is different to the 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 2020 (2019: \$Nil).

	Company 2020 \$'000	2019 \$'000
Dividend franking account		
30 per cent franking credits available to shareholders of the Company for subsequent financial years	11,069	10,843

Coventry Group Ltd and its controlled entities
Notes to the consolidated financial statements
For the year ended 30 June 2020

22. Financial risk management

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.

(a) 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 equivalents and receivables from customers.

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:

	Note	Carrying amount	
		2020	2019
		\$'000	\$'000
Cash and cash equivalents	9	7,542	5,314
Trade and other receivables	10	35,346	37,856
		42,888	43,170

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's maximum exposure to credit risk for trade receivables at the reporting date by geographic region was Australia \$31,064,000 (2019: \$33,449,000) and New Zealand \$4,282,000 (2019: \$4,407,000).

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

Impairment of Trade Receivables

The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics, days past due and historic credit loss data.

Coventry Group Ltd and its controlled entities
Notes to the consolidated financial statements
For the year ended 30 June 2020

22. Financial risk management (continued)

(a) Credit risk (continued)

The loss allowance as at 30 June 2020 was determined as follows for trade receivables:

	Current	More than 30 days past due	More than 60 days past due	More than 120 days past due	Total
30 June 2020					
Australia					
Expected loss rate (%)	0.0%	0.1%	0.9%	33.4%	
Gross carrying amount (\$'000) / balance outstanding as reporting date	26,993	1,085	651	767	29,496
Loss allowance (\$'000)	0	1	6	255	262
New Zealand					
Expected loss rate (%)	0.0%	0.1%	1.1%	44.0%	
Gross carrying amount (\$'000) / balance outstanding at reporting date	3,849	16	33	145	4,043
Loss allowance (\$'000)	0	0	0	64	64

	Current	More than 30 days past due	More than 60 days past due	More than 120 days past due	Total
30 June 2019					
Australia					
Expected loss rate (%)	0.0%	0.1%	1.2%	47.8%	
Gross carrying amount (\$'000) / balance outstanding as reporting date	28,833	1,772	681	629	31,915
Loss allowance (\$'000)	0	1	8	301	310
New Zealand					
Expected loss rate (%)	0.0%	0.1%	1.2%	45.1%	
Gross carrying amount (\$'000) / balance outstanding at reporting date	3,988	119	47	137	4,291
Loss allowance (\$'000)	0	0	1	62	63

(b) 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 \$40 million securitised trade receivables facility on which interest is payable at prevailing market rates.

Maturities of financial liabilities

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	2020			
			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	40,846	(40,846)	(40,846)	-	-	-
Debtor financing facility	10,869	(10,869)	(10,869)	-	-	-
Lease liability	52,287	(52,287)	(1,097)	(12,948)	(2,793)	(35,449)
	104,002	(104,002)	(52,812)	(12,948)	(2,793)	(35,449)

The outflows associated with forward contracts used for hedging are US\$5.4 million (A\$7.9 million), 2019: US\$6.1 million, (A\$8.5 million) and will have been made within 11 months or less.

Coventry Group Ltd and its controlled entities
Notes to the consolidated financial statements
For the year ended 30 June 2020

22. Financial risk management (continued)
(b) Liquidity risk (continued)

	Carrying amount \$'000	Contractual cash flow \$'000	2019 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	38,204	(38,204)	(38,204)	-	-	-
Debtor financing facility	9,411	(9,411)	(9,411)	-	-	-
	<u>47,615</u>	<u>(47,615)</u>	<u>(47,615)</u>	<u>-</u>	<u>-</u>	<u>-</u>

Debtor financing facility

The Group has a \$40million (2019: \$25 million), securitised trade receivables facility with Scottish Pacific with a current expiry of July 2023. The facility is subject to a floating interest on funds drawn.

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 2020 was \$1,000,000 (2019: \$155,000).

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.

Interest rate risk

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

	Carrying amount	
	2020 \$'000	2019 \$'000
Variable rate financial assets	<u>7,538</u>	<u>5,310</u>

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

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

Fair values

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

(c) 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 and Euros. The Group adopts a policy of obtaining, foreign currency forward contracts to hedge its exposure to USD foreign currency risks.

Capital management

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

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

Coventry Group Ltd and its controlled entities
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For the year ended 30 June 2020

23. Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:	2020	2019
	\$'000	\$'000
Less than one year	289	11,464
Between one and five years	-	26,005
More than five years	-	9,949
	289	47,418

The Group leases various premises, plant and equipment and motor vehicles under operating leases. The leases run for 12 months or less. Lease payments are reviewed periodically to reflect market rentals. None of the leases include contingent rentals.

During the financial year ended 30 June 2020 the Group recognised \$696,124 (2019: \$8,953,921) as an expense in the statement of profit or loss in respect of operating leases.

The material movement in operating leases from 2019 to 2020 is largely due to the adoption of AASB16 *Leases*, whereby leases are classified as finance rather than operating.

Leases as lessor

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

	2020	2019
	\$'000	\$'000
Less than one year	519	1,411
Between one and five years	93	1,090
More than five years	-	-
	612	2,501

The Group subleases a property under an operating lease. The lease runs to September 2021.

During the financial year ended 30 June 2020, the Group recognised \$989,525 (2019: \$1,655,262) as income in the statement of profit or loss.

24. Controlled entities

	Country of Incorporation	Ownership interest	
		2020	2019
		%	%
COV Holdings (Aust) Pty Ltd	Australia	100	100
Coventry Group (NZ) Limited	New Zealand	100	100
COV Holdings (NZ) Pty Ltd ⁽ⁱ⁾	New Zealand	100	100
Nubco Proprietary Limited	Australia	100	100

The ultimate parent entity is Coventry Group Ltd.

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

Coventry Group Ltd and its controlled entities
Notes to the consolidated financial statements
For the year ended 30 June 2020

25. Reconciliation of cash flows from operating activities

	Note	2020 \$'000	2019 \$'000
Cash flows from operating activities			
Profit/(loss) for the period		791	(1,426)
<i>Adjustments for:</i>			
Provision for stock obsolescence		3,939	(540)
Depreciation and amortisation		11,969	1,666
Impairment		11,075	-
Other non-cash or non-operating exceptional items		(255)	(4)
Interest income from other entities		(235)	(34)
Interest expense	6	5,332	624
Net (gain) on disposal of property, plant and equipment		(2)	(50)
Income tax expense/(benefit)	7	(17,821)	685
Operating profit/(loss) before changes in working capital and provisions		14,793	921
Change in trade and other receivables		774	(4,499)
Change in inventories		2,387	(2,111)
Change in trade and other payables		2,759	2,103
Change in provisions and employee benefits		265	236
		20,978	(3,350)
Interest paid		(5,332)	(624)
Income taxes paid		(860)	(396)
Net cash used in operating activities		14,786	(4,370)

26. Related parties

Transactions with key management personnel

Key management personnel compensation

Key management personnel compensation comprised the following:

	2020 \$	2019 \$
Short-term employee benefits	1,027,781	908,797
Post-employment benefits	64,936	62,895
Other long-term benefits	105,727	76,369
Termination benefits	-	5,723
Share-based payments	64,266	-
	1,262,710	1,053,784

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

Key management personnel transactions

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

Transactions with other related parties

The Group has a related party relationship with its controlled entities (see Note 24). Transactions between the parent entity and its controlled entities are eliminated on consolidation and are not disclosed.

27. Impairment and significant items

The following significant costs were incurred in the year ended 30 June 2020.

	2020 \$'000	2019 \$'000
Impairment and significant items		
Impairment and other costs of Redcliffe lease FY20 – FY27	12,158	-
Inventory write-downs	6,434	266
Other	1,362	1,088
	19,954	1,354

Coventry Group Ltd and its controlled entities

Notes to the consolidated financial statements

For the year ended 30 June 2020

28. Change in accounting policies

This note explains the impact of the adoption of AASB 16 *Leases* on the Group's financial statements and also discloses the new accounting policies applied from 1 July 2019.

(i) Accounting policies applied effective 1 July 2019

Leases in which the Group is a lessee

From 1 July 2019, the Group recognises all lease liabilities and corresponding right-of-use assets, with the exception of short-term (12 months or fewer) and low value leases, on the balance sheet.

Lease liabilities are initially measured at the net present value of future lease payments and extension options expected to be exercised. Variable lease payments not dependent on an index or rate are excluded from the calculation of lease liabilities. Payments are discounted at the incremental borrowing rate of the lessee. Non-lease components are excluded from the projection of future lease payments and recorded separately within operating costs on a straight-line basis.

The right-of-use asset, resulting from a lease arrangement, at initial recognition reflects the lease liability, initial direct costs and any lease payments made before the commencement date of the lease less any lease incentives and, where applicable, provision for dismantling and restoration.

The Group recognises depreciation of right-of-use assets and interest on lease liabilities in the income statement over the lease term. Repayments of lease liabilities are separated into a principal portion (presented within financing activities) and interest portion (which the Group presents in operating activities) in the cash flow statement.

Leases in which the Group is a lessor

The Group sub-leases some of its properties. The accounting policies applicable to the Group as a lessor are not different from those under AASB 117. However, the sub-leases are classified with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

(i) Accounting policies applied for comparative reporting period ended 30 June 2019

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. 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.

(ii) Impact on adoption on 1 July 2019

Leases in which the Group is a lessee

The Group has applied AASB 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 July 2019. Accordingly, the information presented for comparative periods has not been restated.

The Group made the following additional choices, as permitted by AASB 16, for existing operating leases:

- for contracts in place on 1 July 2019, the Group continued to apply its existing definition of leases under the previous standards.
- not to bring leases with 12 months or fewer remaining to run as at 1 July 2019 (including reasonably certain options to extend) on balance sheet. Costs for these items will continue to be expensed directly to the income statement.
- to apply the use of hindsight when reviewing the lease arrangements for determination of the measurement or term of the lease under the retrospective option.
- to apply a single discount rate to a portfolio of leases with reasonably similar characteristics.

On transition to AASB 16, the Group recognised additional right-of-use assets of \$55.0 million additional lease liabilities of (\$56.5) million net adjustments to other assets and liabilities of \$2.2 million, and a charge of (\$0.7) million to retained earnings.

Coventry Group Ltd and its controlled entities
Notes to the consolidated financial statements
For the year ended 30 June 2020

28. Change in accounting policies (continued)

(iii) Impact on adoption on 1 July 2019 (continued)

The most significant differences between the Group's undiscounted non-cancellable operating lease commitments of \$47.4 million at 30 June 2019 is summarised below:

	\$'000
Operating lease commitment at 30 June 2019 as disclosed in the Group's consolidated financial statement	47,418
Leases expiring in 12 months or fewer	(1,014)
Cost of reasonably certain lease extension options (undiscounted)	32,101
Effect of discounting on payments included in the calculation of the lease liability	(22,013)
Lease liability opening balance reported as at 1 July 2019 under AASB 16	56,492

(iv) Impact on the financial statements for reporting period ended 30 June 2020

In relation to the leases recognised under AASB 16 the Group recognised depreciation and interest costs, instead of operating lease expense. During the reporting period ended 30 June 2020, the Group recognised \$9.4 million of depreciation charges and \$3.8 million of interest costs from these leases.

29. Events occurring after the reporting period

On 2 August 2020, the Victorian government declared a state of disaster and announced stage 4 restrictions for Melbourne and stage 3 restrictions for regional Victoria. Given the dynamic nature of these circumstances and the significant increase in economic uncertainty, the related impact on the Group's go forward consolidated results of operations, cash flows and financial condition cannot be reasonably estimated at this stage and will be reflected in the Group's 2021 interim and annual financial statements.

Other than the matters outlined elsewhere in the Group's financial statements, no matters or circumstances have arisen since the end of the financial year that have significantly affected, or may significantly affect, the operations, results of operations or state of affairs on the Group in subsequent accounting periods.

Coventry Group Ltd

Directors' Report

For the year ended 30 June 2020

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 2020.

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Coventry Group Ltd

Directors' Report

For the year ended 30 June 2020

1. Directors

Information on Directors

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

Name, qualifications, independence status and special responsibilities

Experience and other directorships

Neil George Cathie

FCPA, GAICD, FCIS

Independent non-executive Chairman
Chairman of Remuneration Committee
Member Audit and Risk committee

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 Limited, 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.

Mr Cathie is a non-executive director of Experience Co. Ltd (since 2019) and was a non-executive director of Millennium Services Group Ltd from 16 October 2018 to 7 March 2019.

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

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

Andrew William Nisbet

GAICD

Independent non-executive Director
Member of Audit and Risk Committee
Member of Remuneration Committee

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

During his extensive career at ASX listed Reece Limited 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. he continues to consult to businesses on strategy and works with SME's in setting up their advisory boards.

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

James Scott Charles Todd

B.Comm, LLB, FFin, MAICD

Independent non-executive Director
Chairman of Audit and Risk Committee
Member of Remuneration Committee

Mr Todd was appointed as a director of the Company on 3 September 2018.

Mr Todd is an experienced company director, corporate adviser and investor. He commenced his career in investment banking, and has taken active roles with, and invested in, a range of public and private companies. He was until recently Managing Director of Wolseley Private Equity, an independent private equity firm which he co-founded in 1999.

He is also a Non-executive Director of two other ASX listed companies, IVE Group Ltd (director since June 2015) and HRL Holdings Ltd (director since March 2018).

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

Tony Howarth AO

FAICD, SF FIN

Non-executive Director
Member of Audit and Risk Committee
Member of Remuneration Committee

Mr Howarth was appointed as a director of the Company on 4 May 2020.

Mr Howarth has a strong background in the banking and finance industry having held executive positions in government, regional and major banks as well as building societies and stockbroking companies. He has broad based industry experience from his time as President of the Australian Chamber of Commerce and Industry and Australian International Chamber of Commerce, as well as Chair of Catholic Health Australia. He has had a long involvement with the University of Western Australia and is an Adjunct Professor at the UWA Business School.

He is also a Non-Executive Director of Alinta Energy, BWP Management Ltd, and Viburnum Funds as well as the Chairman of St John of God Foundation Inc.

Mr Howarth was a Non-Executive Director of Wesfarmers Ltd from 2007 to 2019 and Chairman of MMA Offshore Ltd from 2006 to 2017. Previously he had been Chairman of Home Building Society and Deputy Chairman of Bank of Queensland Ltd.

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

Coventry Group Ltd

Directors' Report

For the year ended 30 June 2020

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	744,397
RJ Bulluss	339,914
AW Nisbet	119,885
JSC Todd	116,746
T Howarth	-

During the 2019/20 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 2020, 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	11	11	11	3	3	3	2	2	2
RJ Bulluss	11	11	11	3	3	3	2	0	0
AW Nisbet	11	11	10	3	3	3	2	2	2
JSC Todd	11	11	11	3	3	3	2	2	2
T Howarth	11	2	2	3	1	1	2	0	0

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

- The importation, distribution and marketing of industrial fasteners, stainless steel fasteners, construction fasteners, specialised fastener products and systems, industrial hardware 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.

Fluid Systems

- 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

Coventry Group Ltd

Directors' Report

For the year ended 30 June 2020

3. Consolidated results

Results of the Group for the year ended 30 June 2020 were as follows:

	2020 \$'000	2019 \$'000
Revenue from sale of goods	247,567	202,346
Loss before tax	(17,030)	(741)
Income tax benefit/(expense)	17,821	(685)
Profit/(loss) after tax for the year	791	(1,426)

4. Dividends

There were no dividends paid or declared by the Group to members for the year ended 30 June 2020 (2019: \$Nil).

5. Review of operations and results

People

The Group had 13 Lost Time Injuries (LTI's) during the year. Of these LTI's, 8 were in our recently acquired businesses. Our aspiration is for zero LTI's and zero harm to our people. Plans are being implemented to improve our safety systems to achieve this goal.

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

Financial performance

	2020 \$M	2019 \$M	\$M change
Revenue from sale of goods	247.6	202.3	+45.3
Underlying EBITDA	+6.6	+2.8	+3.8
Underlying EBIT	+4.0	+1.1	+2.9
NPAT	0.8	-1.4	+2.2
NTA per share (\$)	0.39	0.59	
Net cash/debt	-3.3	-4.1	-0.8
Share price at year end (\$)	0.57	0.91	

Review of businesses

Fluid Systems

Fluid Systems (FS), led by Bruce Carter and his leadership team have had an excellent year with continuing sales growth in both Cooper Fluid Systems (CFS) and Torque Industries. Sales growth is being driven by our customer value proposition, ability to win major contracts, continuing market leading position in mining and resources and diversification into agriculture, defence, transport and recycling markets. Sales growth of 15.2% including acquisitions on the prior year and 8.5% excluding acquisitions on the prior year. Underlying EBITDA in FY20 of \$10.3m compared to \$8.8m in FY19.

Trade Distribution

Trade Distribution (TD)

TD sales for the year including acquisitions up 27.6% on the prior year and excluding acquisitions up 2.1% on the prior year. The underlying EBITDA for TD was \$6.7m compared to \$3.3m in FY19. Sales growth and EBITDA were both negatively impacted by the enforced Government shutdown in New Zealand.

KANZ were on track for a record full year sales and EBITDA result before the Government enforced shutdown of the business in March/April. The leadership provided by Mike Wansink and his management team through the shutdown and subsequent return to operations was critical to the business returning to close to normal operations and sales levels immediately post the shutdown. The Group supported our people in line with our values during the shutdown. KANZ full year sales down 0.5% on prior year but impacted by the loss of 23 days sales during the shutdown and continued disruption due to the pandemic restrictions. The Group received \$713k in wage subsidies from the New Zealand Government that partly defrayed employment costs during the Government enforced shutdown.

We are making positive progress in KAA. The KAA business has proven more difficult to turnaround than expected. Whilst not an excuse, the COVID-19 pandemic has disrupted us just as we were starting to build sales momentum. KAA full year sales were up 3.4% on the prior year. Konnect was up 4.0% on the prior year however Artia had a slight decline on the prior year. Despite considerable improvement across many areas of this business, KAA has fallen short of recording a breakeven EBITDA for the full year.

Coventry Group Ltd

Directors' Report

For the year ended 30 June 2020

5. Review of operations and results (continued)

Our network of Nubco branches in Tasmania had an excellent sales year in its first full year with the Group since acquisition in February 2019. We have a strong leadership team in Tasmania led by Nick Daw and recently strengthened with the appointment of Stuart Green (ex-Milwaukee) as Sales and Marketing Manager. The business had record sales months in May and June and is well placed to take advantage of the strong economy in Tasmania.

6. Earnings per share

Basic earnings per share for the year ended 30 June 2020 was 0.9 cents. This compares to a basic loss from operations per share of 2.3 cents for the previous year.

7. Significant change in the Company's affairs

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

On 2 August 2020, the Victorian government declared a state of disaster and announced stage 4 restrictions for Melbourne and stage 3 restrictions for regional Victoria. Given the dynamic nature of these circumstances and the significant increase in economic uncertainty, the related impact on the Group's go forward consolidated results of operations, cash flows and financial condition cannot be reasonably estimated at this stage and will be reflected in the Group's 2021 interim and annual financial statements.

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 five 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 (CEO and Managing Director)
AW Nisbet
JSC Todd
T Howarth

Key Management Personnel

RJ Jackson

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.

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 (2019: \$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 2020

10. Remuneration report – audited (continued)

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

As at 30 June 2020 the non-executive directors' fees were allocated as follows (includes statutory superannuation contributions):

	2020	2019
	\$	\$
Chairman (inclusive of Board and Committee work)	100,800	96,000
Non-executive Directors (inclusive of Board and Committee work)	75,600	72,000

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 the CEO and senior executives currently comprises three elements:

- (1) Fixed, cash-based remuneration which includes salary, superannuation and benefits
- (2) Eligibility to participate in the Company's short term incentive plan (STI Plan)
- (3) Eligibility to participate in the Company's long term share based Executive and Director Incentive Plan (LTI Plan)

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 under the STI Plan of up to 65% of fixed annual compensation are payable to the CEO and senior executives based on financial and non-financial measures framed around the Company's trading performance and each individuals performance.

The LTI 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.

Business Performance

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

	2020	2019	2018	2017 ⁽ⁱ⁾	2016
	\$'000	\$'000	\$'000	\$'000	\$'000
Sales revenue	247,567	202,346	168,050	169,146	176,784
EBITDA	19,652	2,811	(4,748)	(5,790)	2,036
EBIT	7,683	1,145	(6,085)	(8,714)	(1,291)
NPAT ⁽ⁱⁱ⁾	791	(1,426)	(8,301)	(35,539)	(1,821)
Dividends paid	-	-	-	-	-
Share price at year end (\$)	0.57	0.91	1.35	0.60	0.94

(i) Comparative information for the year ended 30 June 2017 has not been restated for the effects of the application of AASB 5 *Non-Current Assets for sale and Discontinued Operations* following the disposal of the AA Gaskets business.

(ii) Profit is one of the financial performance targets considered in setting the Short Term Incentive (STI). Profit amounts have been calculated in accordance with Australian Accounting Standards (AASBs).

Performance Rights

In FY20, one third of the performance rights that were vested to the CEO and Managing Director (R Bulluss) in relation to the FY19 performance period were exercised. One third of the performance rights that were vested to four other Company senior executives in relation to the FY19 performance period were also exercised in FY20.

In relation to FY20, the CEO and Managing Director (R Bulluss) was granted 297,100 performance rights under the terms of the LTI Plan following the successful passing of a resolution at the 2019 Annual General Meeting of the Company. These performance rights had a performance period that ended on 30 June 2020 with performance hurdles set by the Board. The Board has determined one third of the performance rights granted will vest in accordance with the LTI Plan. The unvested balance will be forfeited. In making this grant the Board has exercised discretion provided for under the Plan. The directors unanimously agreed that a partial grant was appropriate in relation to a performance period which delivered improved financial results but also presented great uncertainty and many tests of management capability, discipline and resolve.

Coventry Group Ltd
Directors' Report
For the year ended 30 June 2020

10. Remuneration report – audited (continued)

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

In relation to FY20 an offer to participate in the LTI Plan was made to a number of other Company senior executives. The total performance rights granted was 657,613. The Board has determined one third of the performance rights will vest in accordance with the Plan in the same manner and for the same reasons as outlined for the CEO and Managing Director. The unvested balance will be forfeited.

It is intended that the CEO and Managing Director will participate in the LTI Plan in relation to FY21. The maximum face value of the CEO's FY21 grant is based on the LTI opportunity of 60% of his fixed annual remuneration. The number of performance rights to be granted is determined by dividing the maximum face value by the 10-day volume weighted average price (VWAP) of the Company's shares preceding the start of the performance period, being the 10 trading days up to and including 30 June 2020. The performance rights will vest at the Board's discretion, taking into consideration internal EBITDA targets developed and refined as FY21 progresses. An appropriate resolution will be put to the 2020 Annual General Meeting of the Company.

It is intended that a number of senior executives will participate in the LTI Plan in relation to FY21. The maximum face value of each senior executive's FY21 grant is based on the LTI opportunity of 25% to 40% of his or her fixed annual remuneration. The number of performance rights to be granted is determined by dividing the maximum face value by the 10-day volume weighted average price (VWAP) of the Company's shares preceding the start of the performance period, being the 10 trading days up to and including 30 June 2020. The performance rights will vest in the same manner as outlined for the CEO and Managing Director.

Coventry Group Ltd
Directors' Report
For the year ended 30 June 2020

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 2020.

		Short-term			Post-employment	Other long-term	Share-based payment			Proportion of remuneration performance related	
		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		Total
		\$	\$	\$	\$	\$	\$	\$	\$	\$	
Directors											
NG Cathie - Chairman	2020	92,055	-	-	92,055	8,745	-	-	-	100,800	-
	2019	87,671	-	-	87,671	8,329	-	-	-	96,000	-
RJ Bulluss	2020	398,997	40,200	-	439,197	21,003	69,193	-	41,910	571,303	14.4%
	2019	379,469	-	-	379,469	20,531	46,500	-	-	446,500	-
AW Nisbet	2020	69,041	-	-	69,041	6,559	-	-	-	75,600	-
	2019	65,753	-	-	65,753	6,247	-	-	-	72,000	-
JSC Todd (appointed September 2018)	2020	69,041	-	-	69,041	6,559	-	-	-	75,600	-
	2019	55,233	-	-	55,233	5,247	-	-	-	60,480	-
T Howarth (appointed 04 May 2020)	2020	11,233	-	-	11,233	1,067	-	-	-	12,300	-
Total directors' remuneration	2020	640,367	40,200	-	680,567	43,933	69,193	-	41,910	835,603	-
	2019	588,126	-	-	588,126	40,354	46,500	-	-	674,980	-
Key Management Personnel											
RJ Jackson	2020	315,049	32,165	-	347,214	21,003	36,534	-	22,356	427,107	12.8%
	2019	299,517	-	-	299,517	20,531	29,869	-	-	349,917	-
A Donaldson (resigned September 2018)	2019	21,154	-	-	21,154	2,010	-	5,723	-	28,887	-
Total key management personnel remuneration	2020	315,049	32,165	-	347,214	21,003	36,534	-	22,356	427,107	-
	2019	320,671	-	-	320,671	22,541	29,869	5,723	-	378,804	-
Total directors' and key management personnel remuneration	2020	955,416	72,365	-	1,027,781	64,936	105,727	-	64,266	1,262,710	-
	2019	908,797	-	-	908,797	62,895	76,369	5,723	-	1,053,784	-

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.

Coventry Group Ltd

Directors' Report

For the year ended 30 June 2020

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

- 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

- 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.

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 2019	Purchases	Conversion of Performance Rights	Sales / Cancelled	Held at Resignation / Retirement	Held at 30 June 2020
Directors						
NG Cathie	734,520	9,877	-	-	-	744,397
AW Nisbet	119,885	-	-	-	-	119,885
RJ Bulluss	300,000	-	39,914	-	-	339,914
JSC Todd	116,746	-	-	-	-	116,746
T Howarth	-	-	-	-	-	-
Key Management Personnel						
RJ Jackson	63,221	-	21,291	-	-	84,512

Mr Howarth has declared his indirect interest in the shares of the Company as being a shareholder of Viburnum Funds Pty Ltd who is a major shareholder of the Company. No other key management person held shares, directly, indirectly or beneficially, in the Company at 30 June 2020 (2019: 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 2020 and as at the date of this report, the Group has not been prosecuted nor incurred any infringement penalty for environmental incidents.

12. Insurance of officers

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

13. Corporate governance

The Statement of Corporate Governance Practices is disclosed on the company's website.

Coventry Group Ltd

Directors' Report

For the year ended 30 June 2020

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

Mr Mark Licciardo of Mertons Corporate Services Pty Ltd is the Company Secretary.

Mr Licciardo (B.Bus (Acc), GradDip CSP, FAICD, FGIA, FCIS) is the founder and Managing Director of Mertons Corporate Services Pty Ltd and a former company secretary of a number of ASX 50 companies. His expertise includes working with boards of directors in the areas of corporate governance, business management, administration, consulting and company secretarial matters.

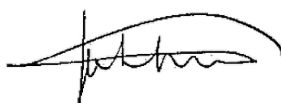
17. Rounding off

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
21 August 2020



R.J. BULLUSS
CEO and Managing Director
Melbourne
21 August 2020

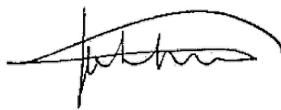
Coventry Group Ltd and its controlled entities Directors' declaration

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 36 to 44, 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 2020 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 2020 pursuant to Section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of the directors.



N.G. CATHIE
Chairman
Melbourne
21 August 2020



R.J. BULLUSS
CEO and Managing Director
Melbourne
21 August 2020



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 2020 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

KPMG

J. Carey

Partner

Melbourne

21 August 2020



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 of the Company 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 2020 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 2020;
- *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; and
- *Directors' Declaration*.

The **Group** consists of Coventry Group Ltd (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 (including Independence Standards) (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

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.

This matter was 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 this matter.

Valuation of goodwill and indefinite life intangible assets of the Trade Distribution CGU (\$26.3 million)

Refer to Note 16 to the Financial Report

The key audit matter

A key audit matter for us was the impairment testing of the goodwill and indefinite life intangible assets of the Trade Distribution CGU, given the size of the balance (being 12% of total assets) and the existence of impairment indicators including higher estimation uncertainty arising from the COVID-19 global pandemic, and the market capitalisation of the Group (\$53.9m) being lower than the net asset position (\$102.1m) as at 30 June 2020.

We focussed on the significant forward-looking assumptions the Group applied in their value in use model, including;

- Forecast operating cash flows and growth rates – the Trade Distribution business has recognised goodwill and other intangible assets relating to the recent acquisition of Nubco, which has increased the potential risk of impairment of this specific CGU. In addition, the economic uncertainty from the COVID-19 pandemic has increased the risk of inaccurate cash flow forecasts; and
- The Group’s model is sensitive to changes in key assumptions, specifically forecast growth rates and discount rate. This drives additional audit effort in assessing the feasibility and appropriateness of assumptions.

The model the Group uses to perform its impairment assessments is manually developed and uses a range of internally and externally sourced inputs. Models that use forward-looking assumptions tend to be prone to greater risk for potential bias, error and inconsistent application. These conditions necessitate additional scrutiny by us, in particular to address the objectivity of sources used for assumptions, and their consistent application.

We involved valuation specialists to supplement our senior audit team members in assessing this key audit matter.

How the matter was addressed in our audit

Our procedures included:

- We tested key controls relating to the preparation of the impairment model, including approval of the budget by the Board;
- We considered the appropriateness of the CGU designation applied by the Group, and the allocation of corporate assets to CGUs against the requirements of the accounting standards;
- We considered the appropriateness of the value in use method applied by the Group to perform impairment testing against the requirements of the accounting standards;
- We assessed the integrity of the value in use model used, including the mathematical accuracy of the underlying calculation formulas;
- We compared the forecast cash flows contained in the value in use model to Board approved budgets;
- We assessed the accuracy of previous Group forecasts to inform our evaluation of forecasts incorporated in the models;
- We considered the sensitivity of the model by varying key assumptions, such as forecast growth rates and discount rates within a reasonably possible range;
- We challenged the Group’s forecast cash flow and growth assumptions in light of the current market conditions. We used our knowledge of the Trade Distribution operations, its past performance, business and customers, and our industry experience to inform our assessment;
- Working with our valuation specialists we independently developed a discount rate range using publicly available market data for comparable entities, adjusted by risk factors specific to Trade Distribution and the industry it operates in; and
- We assessed the disclosure in the financial report using our understanding of the issue obtained from our testing and against the requirements of the accounting standards.



Other Information

Other Information is financial and non-financial information in Coventry Group Ltd'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; and
- 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
- to 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: www.auasb.gov.au/admin/file/content102/c3/ar1_2020.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 Ltd for the year ended 30 June 2020, 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 *pages 39 to 43* of the Directors' report for the year ended 30 June 2020.

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

KPMG

J. Carey

Partner

Melbourne

21 August 2020

Coventry Group Ltd
Shareholder Information
As at 17 August 2020

TWENTY LARGEST SHAREHOLDERS

	Name	Ordinary Shares	
		Number	% of Total
1	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	25,719,855	28.64
2	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	11,860,484	13.21
3	NATIONAL NOMINEES LIMITED	11,649,613	12.97
4	ONE MANAGED INVT FUNDS LTD <SANDON CAPITAL INV LTD A/C>	4,213,832	4.69
5	LA VIE INVESTMENTS PTY LTD <PJ FAMILY A/C>	2,400,000	2.67
6	ONE MANAGED INVT FUNDS LTD <1 A/C>	1,456,704	1.62
7	DORSETT INVESTMENTS PTY LTD	1,356,660	1.51
8	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	1,265,434	1.41
9	DIXSON TRUST PTY LIMITED	1,145,244	1.28
10	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	1,025,142	1.14
11	MRS ANNE KYLE	1,000,000	1.11
12	DRNEWHAM SUPER PTY LTD <DRN SUPERANNUATION FUND A/C>	923,000	1.03
13	DIXSON TRUST PTY LIMITED <NO 1 A/C>	884,855	0.99
14	DEVADIUS PTY LTD	583,963	0.65
15	MR GEOFFREY KYLE	460,000	0.51
16	ELLAND ROAD PTY LTD	455,333	0.51
17	ARUMA BEACH PTY LTD	436,500	0.49
18	ROMNEY LODGE PTY LTD	421,526	0.47
19	CHARLES PETER TAYLOR	417,638	0.47
20	GARSIND PTY LTD <RUTH ROSS SUPER FUND A/C>	400,000	0.45
20	TPSC SMIRK PTY LTD	400,000	0.45
		68,475,783	76.25

DISTRIBUTION OF SHAREHOLDING

Size of holding	Number of holders	%	Number of shares	%
1 – 1,000	411	24.46	241,273	0.27
1,001 - 5,000	658	39.17	1,673,827	1.86
5,001 - 10,000	210	12.50	1,543,357	1.72
10,001 - 100,000	338	20.12	10,461,052	11.65
100,001 Over	63	3.75	75,889,434	84.50
	1,680	100.00	89,808,943	100.00

	Minimum Parcel Size	Holders	Units
Unmarketable parcels field information:	848	315	149,557

SUBSTANTIAL SHAREHOLDERS

The Company's register of substantial shareholders showed the following particulars as at 18 August 2020.

Name of Substantial Shareholder	Extent of Interest (Number of Shares)	Date of last notification
Viburnum Funds Pty Ltd	29,371,273	31.03.2020
Sandon Capital Pty Ltd	8,563,454	13.09.2019
Castle Point Funds Management	5,153,693	27.05.2019
DUMAC Inc.	4,498,152	19.12.2019

* Lanyon Asset Management Pty Limited ceased to be a substantial shareholder on 17.01.2020

* Spheria Asset Management Pty Ltd ceased to be a substantial shareholder on 09.09.2019.

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

Mark Licciardo

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 Limited
Yarra Falls
452 Johnston Street, Abbotsford
Melbourne Victoria 3067

or

GPO Box 2975
Melbourne, Victoria 3000

Telephone from within Australia: 1300 763 414
Telephone from outside Australia: (+61) 3 9415 5000
Facsimile: +(61) 3 9473 2500
Email: web.queries@computershare.com.au
Website: www.investorcentre.com

Securities Exchange Listing

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

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.