

COVENTRY GROUP LTD  
ABN 37 008 670 102



ANNUAL REPORT

2014

# FIVE YEAR FINANCIAL OVERVIEW

YEAR ENDED 30 JUNE		2010	2011	2012	2013	2014	% Change
Revenue from sale of goods <sup>1</sup>	(\$M)	393.1	395.6	243.4	236.5	<b>210.6</b>	(11.0)
Profit before tax <sup>2</sup>	(\$M)	11.9	7.4	13.0	8.1	<b>1.7</b>	(79.0)
Profit/(loss) before tax <sup>3</sup>	(\$M)	9.9	(17.9)	24.3	7.9	<b>1.7</b>	(78.5)
Profit/(loss) after tax <sup>3</sup>	(\$M)	7.0	(16.8)	19.0	5.9	<b>1.0</b>	(83.1)
Earnings/(loss) per share <sup>4</sup>	(cents)	16.3	(43.4)	47.8	14.4	<b>1.6</b>	(88.9)
Dividends per share	(cents)	14.0	22.0	22.0	22.0	<b>22.0</b>	-
Net tangible assets per share	(\$)	3.39	3.38	3.71	3.69	<b>3.47</b>	(6.0)
Operating cash flow	(\$M)	23.2	7.6	18.2	9.9	<b>5.0</b>	(49.5)
Return on equity <sup>5</sup>	%	3.9	4.5	4.9	3.6	<b>0.4</b>	(88.9)
Net cash and term deposits/ (interest bearing debt)	(\$M)	4.9	7.1	55.0	54.4	<b>48.0</b>	(11.8)
Share price (30 June)	(\$)	1.85	2.30	2.65	2.70	<b>2.80</b>	3.7
Market capitalisation (30 June)	(\$M)	73.8	92.0	100.3	102.0	<b>107.0</b>	4.9

1 from continued and discontinued operations

2 before minority interests are removed and excluding material items

3 before minority interests are removed and including material items

4 basic

5 after minority interests are removed and excluding material items

## About Coventry Group

Coventry Group Ltd is an Australian public company which was incorporated in 1936 and has been listed on the ASX since 1966 (ASX code: CYG).

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

- Konnect Shop (formerly Coventry Fasteners)
- Cooper Fluid Systems
- Artia
- AA Gaskets (in New Zealand as NZ Gaskets)

We employ around 820 people with a network of 70 branches/ distribution centres.

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# 2014 YEAR IN BRIEF

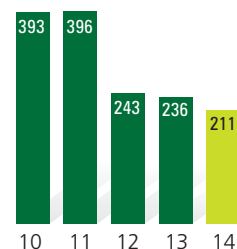
## FINANCIAL

- revenue from continuing operations of \$210.6 million – down 11%
- net profit after tax of \$1.0 million (2013 : \$5.9 million)
- interim and final dividends of 11 cents per share each fully franked resulting in ordinary dividends of 22 cents for 2014 (2013 : 22 cents)
- plus a special dividend of 11 cents fully franked paid on 25 July 2014
- cash and term deposits of \$48.0 million equating to \$1.26 per share

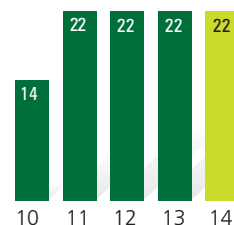
## OPERATIONS

- re-branded the fastener business nationally and in New Zealand as Konnect Shop
- 7 new “greenfield” sites opened
- significant safety improvements with 2 businesses (fluids and gaskets) achieving zero LTIs for the past 12 months
- Artia business largely integrated with the fastener business
- Fluids business expanded to support and be well placed for the next phase of the mining cycle

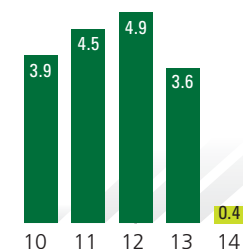
Revenue  
\$ million



Dividends per share  
cents

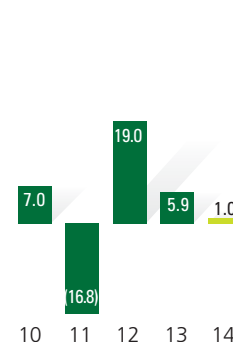


Return on equity <sup>(a)</sup>  
%



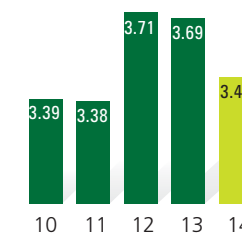
(a) after minority interests are removed and excluding material items

Profit/(loss) after tax <sup>(b)</sup>  
\$ million

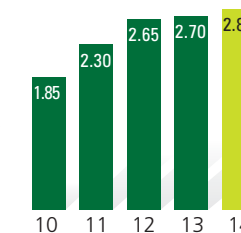


(b) before minority interests are removed and including material items

Net tangible assets  
per share  
\$



Share price  
30 June  
\$



## Business Name

## Principal Activities

## Year in Brief

### Konnect Shop (formerly Coventry Fasteners)

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

- re-branding of the business in Australia and New Zealand as Konnect Shop
- established 6 new geographic locations
- increased focus on training
- improvement in operational efficiencies
- operated in an intensely competitive market



### Cooper Fluid Systems

- design and installation of lubrication systems
- distribution of hose, connectors, fittings and hydraulic hose assemblies
- distribution and service of hydraulic tools
- design and supply of service truck components
- installation of fire suppression systems
- design and distribution of fluid handling systems, pneumatic component sales and sale of hydraulic associated products and consumables
- rock hammer service and repairs
- service/repair of all the above items

- significant improvement in safety – no LTIs for the past 12 months
- expansion of branch network with the establishment of satellite branches at Rutherford in the Hunter Valley, New South Wales and Newman in the Pilbara, Western Australia
- acquisition of the Hi-Way Hydraulics business in Queensland and its successful integration
- successful launch of the Coopers in-house designed and manufactured product range "CooperBuilt"
- increased hydraulic cylinder rebuild capacity focused on servicing the Central Queensland market
- continued expansion of the Coopers onsite hydraulic hose and fittings store program

## OVERVIEW OF BUSINESSES

(continued)

Business Name	Principal Activities	Year in Brief
Artia	<p>importation, distribution and marketing of:</p> <ul style="list-style-type: none"> <li>hardware, components and finished products to the domestic and commercial furniture, cabinet making, joinery and shop fitting industries</li> </ul>	<ul style="list-style-type: none"> <li>merged all the distribution centres with those of the Konnect business</li> <li>exited the 'furniture' sector</li> <li>new range of products introduced</li> </ul>
<div>    </div>		
AA Gaskets	<ul style="list-style-type: none"> <li>manufacture and distribution of after-market automotive and industrial gaskets</li> </ul>	<ul style="list-style-type: none"> <li>significant improvement in safety – no LTIs for the past 12 months</li> <li>continued support of key customers positively impacted revenue</li> <li>product range extended to maximise service levels to customers</li> </ul>
Managed System Services	<ul style="list-style-type: none"> <li>cloud computing</li> <li>managed solutions</li> <li>Oracle applications</li> <li>enterprise networks</li> <li>unified communications</li> </ul>	<ul style="list-style-type: none"> <li>investment in hardware and sales personnel as the platform to increase future sales</li> <li>reduction in operating costs and rationalisation of systems for Coventry's IT department</li> </ul>



Dear Shareholder

On behalf of your directors I present Coventry Group's 2014 annual report.

## Financial Performance

A challenging trading environment continued to prevail for the 2013/14 financial year. Revenue from operating businesses was \$210.6M down 11% with the Group recording a profit after tax of \$1.0M.

The table opposite shows a number of key financial indicators for the 2013/14 year.

The Group recorded a profit before tax from continuing operations of \$1.7 million compared to a profit of \$7.9 million for the previous comparative period. This reduction in revenue and profit was, in part, due to a series of macro economic factors, including:

- large mining organisations have significantly scaled back their capital investment pipelines leading to pressure on sales prices, margins and volume of competitive quotes
- trading remains subdued in the other parts of the general economy that drive demand for our products
- the rate of Australian unemployment continued to increase during the financial year
- high Australian dollar and intense competition.

	Full Year to 30.6.14	Full Year to 30.6.13	% Change
Revenue (\$M)	210.6	236.5	-11.0
Profit/(loss) before income tax (\$M)	1.7	7.9	-78.5
Profit/(loss) after tax (\$M)	1.0	5.9	-83.1
NTA per share (\$)	3.47	3.69	-6.0
Net cash and term deposits (\$M)	48.0	54.5	-11.9
Earnings per share – basic (cents)	1.6	14.4	-88.9

Each business unit has been impacted differently by the broad based macro economic events of the financial year and each unit has addressed these differently as described in the review below.

## Dividends

On 1 July the directors announced the payment of a special dividend of 11 cents per share, fully franked, together with an intention to declare a further 4 dividends of 11 cents each, fully franked, over the period August 2014 to August 2015. The special dividend was paid on 25 July 2014.

On 22 August 2014 the directors declared a final dividend of 11 cents per share, fully franked, payable on 19 September 2014 to shareholders registered as at 5 September 2014 (the record date). The dividend reinvestment plan continues to remain suspended for the final dividend.

Together with an interim dividend of 11 cents per share, fully franked, paid on 17 March 2014, this resulted in total ordinary dividends of 22 cents for the 2014 financial year. For the prior year, ordinary dividends totalled 22 cents per share, fully franked.

## Review of Businesses

### Konnect

**Konnect is a large player in the Australian and New Zealand markets in the distribution of fasteners. It continues to deploy the strategy which was developed 20 months ago. The market announcement made on 20 June 2014 details progress against this strategy.**

In \$000's	FY13 Full Yr	FY14 H1	FY14 H2	FY14 Full Yr
Sales	120,619	58,782	53,906	112,688
EBIT	250	380	-461	-81

Sales have dropped 7% from the prior comparative period compared to the current period. As outlined in the investors' presentation dated 20 June 2014 the turnaround strategy continues to be worked through.



## EXECUTIVE CHAIRMAN'S REPORT

(continued)

During the period the Konnect business progressed key elements of its strategy, which in the medium term will lead to enhanced earnings, these initiatives were:

- traded in 6 new geographic locations, including the acquired business in Gympie
- relocated 5 distribution centres and branches to new locations
- increased import program over the prior financial year, with the short term effect of increasing inventory
- decreased employee numbers during the year, while increasing the number of staff involved with sales
- invested in training, both content and structure. Online infrastructure has been purchased to deliver consistent training across the business
- re-branded the business to avoid duplication of costs between Australia and New Zealand.

The EBIT loss of \$0.1 million for the 2014 financial year was below management's expectations. The results did include the cost of relocations, including 2 distribution centres, the initial set up of the training modules and cost of re-branding the business. It is anticipated Konnect will see the benefit of these initiatives in the 2015 financial year and move into an EBIT profit.

Geographically there were mixed results, with New Zealand operations showing the largest improvement compared to the prior year. In what is a very competitive market and with further cost reductions planned, this result should improve in the 2015 financial year.

### Cooper Fluid Systems (CFS)

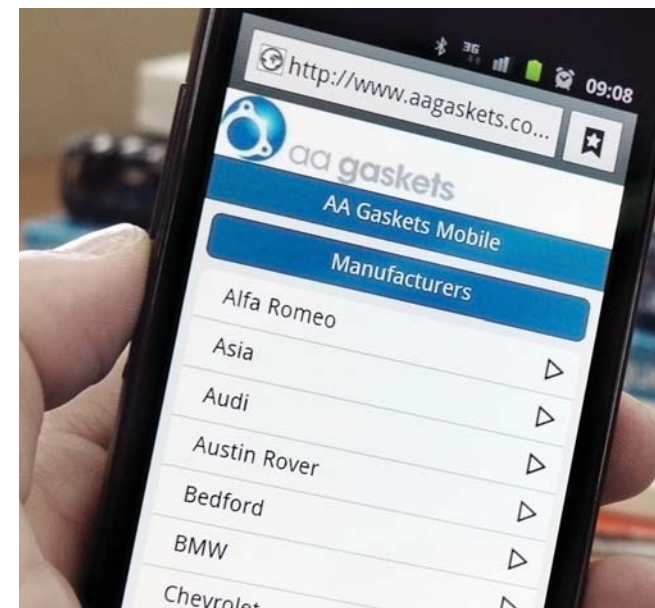
**CFS is well placed for the next phase of the mining cycle. It is an industry leader in the Australian hydraulic, lubrication and associated mining services markets.**



In \$000's	FY13 Full Yr	FY14 H1	FY14 H2	FY14 Full Yr
Sales	77,725	30,393	32,498	62,891
EBIT	9,067	639	2,449	3,088

Sales have dropped 19% from the prior comparative period compared to the current period. However, the transition to repair and repeat business that supports the customer base as miners move into production is starting to deliver a pick up in sales. This is shown in the segmental reporting note in the table above where the second half results represent growth over the first half.

CFS has been impacted by the reduced spend of large mining companies, especially in the first half of the financial year. With the reduced capital spend there has been increased competition. It is anticipated the capital expenditure will continue to decline for the foreseeable future.



With the completion of capital projects resources production is anticipated to increase. Iron ore exports are estimated to reach 800 million tonnes in 2017, representing nearly a 60% increase on today's levels. This production will wear out equipment which will need repairing. The CFS business strategy is to transition from being 'capital' focused to 'repair and repeat' revenue focused through the following initiatives:

- deployment of 'large cylinder' repair equipment, to broaden the repair offering
- established 2 new satellite operations in new locations to extend the geographic footprint
- entered into new adjacent spaces such as fire suppression equipment installation and ongoing servicing
- deploy containers to site to increase customer service and accessibility to Coopers product

- the launch and marketing of own brand products named the 'Cooperbuilt' range.

The Hi-Way Hydraulics business, acquired in December 2013, has been successfully integrated into the rest of the CFS operations and is returning the anticipated levels of earnings. The business trades across two sites in Queensland. This strategic acquisition adds further to the growth momentum of the CFS business and the net assets CGL has invested into this space.

## Artia

**Artia has rationalised its product range to cabinet hardware only, facilitating supply chain synergies with the Konnect business.**

In \$000's	FY13 Full Yr	FY14 H1	FY14 H2	FY14 Full Yr
Sales	22,791	10,004	7,722	17,726
EBIT	-2,023	-946	-1,061	-2,007

Sales dropped 22% as a consequence of the planned exit from the 'furniture' side of the business. The investors presentation dated 20 June 2014 described the detailed business strategy which continues to be worked through.

During the period the exit of 'furniture' continued to be worked through, and is almost complete. This led to lower sales and also reduced inventory. In the second half of the financial year the offering of kitchen hardware was finalised and new ranges were introduced. From this point inventory is anticipated to grow in line with anticipated sales growth for FY15.

By the end of the 2014 financial year all of the old distribution centres had been closed and Konnect operations now carry out all the Artia distribution requirements. With the majority of the internal re-organisation completed the Artia team are now focused on increasing sales.



## AA Gaskets and NZ Gaskets

**Gaskets is the market leader and is performing well.**

In \$000's	FY13 Full Yr	FY14 H1	FY14 H2	FY14 Full Yr
Sales	12,748	6,479	6,376	12,855
EBIT	2,101	1,161	1,074	2,235

Sales increased, marginally, by 1%. The business was able to achieve this growth during the market uncertainty associated with the closure of ACL Australia, AA Gaskets is now the largest domestic supplier.

The Gaskets profit before interest and tax improved by \$0.1 million compared to the previous comparative period ended 30 June 2013. The positive impact from more cars being on the road and ACL Australia ceasing to trade has been offset, in part, by cheap imports and extensions to the length of warranties vehicle manufacturers are prepared to offer. The



Gaskets business continues to extend its range and depth of inventory to ensure the highest level of service to its customer base in order to counter these negative impacts.

## Managed System Services (MSS)

MSS continues to deliver IS solutions and support to its customer base. During the year there has been significant investment in hardware and sales staff with a view to increasing the levels of future sales.

## Board Matters

On 5 September 2014, the Company announced the renewal plans for its board of directors.

Mr John Nickson, having turned 70, and in accordance with Company policy, retired from the board on 19 September 2014 and will not seek re-election. On behalf of the continuing directors I wish to record our thanks for the valued contribution made by John during the past 7 years as a board member.



## EXECUTIVE CHAIRMAN'S REPORT

(continued)

As a consequence of Mr Nickson's retirement and with an existing additional vacancy on the Board, the directors appointed Messrs Neil Cathie and Nick Willis to fill the casual vacancies with effect from 19 September 2014. Details of Messrs Cathie's and Willis' particulars are set out on page 8 of the Annual Report.

In accordance with the Company's constitution, Messrs Cathie and Willis retire at the forthcoming AGM and, being eligible, offer themselves for election. The remaining board members have strongly recommended their election.

Mr Barry Nazer has also foreshadowed that he will retire from the Board at the 2015 AGM after having completed 12 years of service and, in accordance with Company policy, does not intend to stand for re-election at that time.

### People

A focus of the Group's people strategy is to ensure that there is a culture that fosters productivity and to make sure our people have the right skills and approach to do their job better each day. To that end the Group is committed to having a comprehensive training regime that is flexible and responsive to our stakeholders' needs.

Another priority is to protect our people and improve the health and safety of our operations. During the year the Company appointed a National Safety Leader who has responsibility to oversee processes and systems to ensure the wellbeing of our people which is central to the success of our organisation. For the 2013/14 financial year there was a significant improvement in safety with 2 of our businesses (fluids and gaskets) achieving zero lost time injuries (LTIs). It is our aim to have zero LTIs across the Group.

Our Company is committed to gender diversity and increasing the number of women and nationalities in our workforce. A number of areas the Company is addressing include establishing KPIs for managers relating to gender equality, developing a strategy for remuneration to identify pay equity objectives and reviewing conditions and practices relating to flexible working arrangements. Recently the Group changed



the way service is calculated for the purpose of recognising career milestones by including extended leave. Many women take extended breaks from the workplace while on parental leave and this change recognises women's ongoing service to the Group and demonstrates our commitment to equality in the workplace. As at 30 June 2014, 20%(2013: 19%) of the Company's employees were women.

The *Workplace Gender Equality Act 2012* requires the Company to submit its report to the Workplace Gender Equality Agency. This report is available on our website under the tab – "Investors, Corporate Governance"

### Outlook

With the slight improvement in the economy recently and the benefits of operating improvements within the Group, the directors and management anticipate earnings to improve for the 2014/15 financial year.



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

I would also like to acknowledge the support of the Company's customers and suppliers in a continuing difficult trading environment.

Roger B Flynn  
Executive Chairman



## Roger Baden Flynn

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

Mr Flynn was appointed a director of the Company in October 2001 and he became Chairman in November 2006. In April 2007 he was appointed Executive Chairman. Mr Flynn has had broad senior management experience in primarily metal based industries in the US, Australia and Asia and has worked for BHP and Alcoa. He was General Manager of Pacific Dunlop's Olex Australia cable division and Managing Director of Siddons Ramset Limited for 7 years until 1999. He is a former director of Hills Holdings Limited, Wattly Limited, and Longreach Group Ltd and has had 46 board years experience on 6 listed companies.

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

Hills Holdings Limited from 1999 to 4 November 2011.



## Neil George Cathie

FCPA, GAICD, FCIS  
Independent non-executive director

Mr Cathie has extensive experience in very relevant areas including having a 27 year career at Australia's largest and most successful plumbing and bathroom distributor, Reece Australia Ltd, during which time he served as its Chief

Financial Officer, Company Secretary and General Manager, Finance and IT.

In these roles, Mr Cathie has worked closely with a strong Board and line management team in a growing company as well as having a primary external facing role of the ASX listed Reece Australia Ltd.

Mr Cathie spent 7 years with a chartered accountancy firm early in his career and has held other CFO roles. He is currently a director of and advisor to a number of private companies.

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



## Barry Frederick Nazer

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

Mr Nazer was appointed as a director of the Company in September 2003. He has previously held the positions of Chief Financial Officer (CFO) of Bank of

Western Australia Limited (BankWest), CFO of Wesfi Limited and CFO of Wesbeam Holdings Limited. He is also a non-executive director of MG Kailis Group.

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

VDM Group Limited from 1 October 2008 to 29 November 2013.



## Kenneth Royce Perry

B.Sc (Hons), MBA, MAICD, FAIMM  
Independent non-executive director  
Member of audit and risk, remuneration and nomination committees

Mr Perry was appointed a director of the Company in September 2009. He was Chief Executive Officer of VDM Group Limited, a publicly listed

Australian engineering, construction and contracting business until March 2011. Prior to this appointment in February 2010, Mr Perry was the Managing Director of Brandrill Limited from 2002 to 2009 when the company merged with Ausdrill Limited. Mr Perry has over 25 years' experience in senior management roles including serving as President of Rio Tinto Group's Taiwanese steel mill and as the Director General of the Department of Minerals and Energy (WA) between 1994 and 1997. Subsequently he worked for Resource Finance Corporation, a private merchant and investment bank specialising in the natural resources sector. Mr Perry is also a member of various private boards.

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



## Nicholas John Willis

B.Sc, FAIM  
Independent non-executive director

Mr Willis has extensive and highly relevant experience in industry spaces of Coventry including leading the national marketing and operation functions in ACI Insulation and Laminex Industries and as Group General Manager at Ramset Building Products. In these roles

he has had many years at a senior level in ASX listed companies.

Mr Willis has led businesses of the same type as Coventry, involving sourcing products from multiple domestic and overseas suppliers and distributing products across Australia, New Zealand, Asia and the United Kingdom, with a distributed branch network supplying the building, construction, resource and other industries.

He also has been instrumental in acting as a consultant and mentor in turning around a number of private companies in recent years.

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

(i) Above is the board of directors as constituted after 19 September 2014 on which date Mr Nickson retired and Messrs Cathie and Willis were appointed as directors.

# Financial report

for the year ended 30 June 2014

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# Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2014

COVENTRY GROUP LTD AND ITS CONTROLLED ENTITIES | 10

<i>In thousands of AUD</i>	Note	Consolidated	
		2014	2013
<b>Continuing operations</b>			
Revenue from sale of goods		210,625	236,493
Cost of sales		(125,206)	(141,906)
<b>Gross profit</b>		85,419	94,587
Other revenue		4,226	3,831
Other income		-	404
Employee benefits expense	4	(49,476)	(51,832)
Depreciation and amortisation expense		(4,722)	(4,222)
Occupancy costs		(10,227)	(9,728)
Communication costs		(2,551)	(2,375)
Freight		(6,246)	(6,938)
Other expenses		(16,676)	(18,196)
<b>(Loss)/Profit before financial income and tax</b>		(253)	5,531
Financial income	5	1,953	2,400
Financial expenses	5	(5)	(5)
<b>Net financial income</b>		1,948	2,395
<b>Profit before income tax</b>		1,695	7,926
Income tax expense	6	(657)	(2,042)
<b>Profit for the year</b>		1,038	5,884
<b>Other comprehensive income</b>			
<b>Items that may be reclassified to profit or loss:</b>			
Foreign currency translation differences		667	810
<b>Other comprehensive income for the year, net of income tax</b>		667	810
<b>Total comprehensive income for the year</b>		1,705	6,694

# Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2014 (continued)

<i>In thousands of AUD</i>	Note	Consolidated	
		2014	2013
<b>Profit attributable to:</b>			
Owners of the Company		609	5,458
Non-controlling interests		429	426
<b>Profit for the year</b>		<b>1,038</b>	5,884
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		1,322	6,303
Non-controlling interests		383	391
<b>Total comprehensive income for the year</b>		<b>1,705</b>	6,694
<b>Earnings per share:</b>			
Basic earnings per share	7	1.6 cents	14.4 cents
Diluted earnings per share	7	1.6 cents	14.4 cents

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



# Consolidated statement of financial position

As at 30 June 2014

<i>In thousands of AUD</i>	Note	Consolidated	
		2014	Restated* 2013
<b>Assets</b>			
Cash and cash equivalents	8	8,786	10,546
Term deposits	8	39,200	43,934
Trade and other receivables	9	33,408	37,036
Inventories	10	55,307	52,598
Income tax receivable	6	109	1,212
<b>Total current assets</b>		<b>136,810</b>	145,326
Deferred tax assets	6	8,228	8,480
Property, plant and equipment	12	19,210	18,901
Intangible assets	13	9,608	9,287
<b>Total non-current assets</b>		<b>37,046</b>	36,668
<b>Total assets</b>		<b>173,856</b>	181,994
<b>Liabilities</b>			
Trade and other payables	14	21,784	22,104
Employee benefits	16	6,129	6,755
Finance leases		18	43
Income tax payable	6	98	16
Provisions	18	169	449
<b>Total current liabilities</b>		<b>28,198</b>	29,367
Employee benefits	16	805	969
Finance leases		8	26
Provisions	18	-	15
<b>Total non-current liabilities</b>		<b>813</b>	1,010
<b>Total liabilities</b>		<b>29,011</b>	30,377
<b>Net assets</b>		<b>144,845</b>	151,617

# Consolidated statement of financial position

As at 30 June 2014 (continued)

<i>In thousands of AUD</i>	Note	Consolidated	
		2014	Restated* 2013
<b>Equity</b>			
Issued capital	19	<b>108,943</b>	108,460
Reserves	19	<b>(514)</b>	(944)
Retained earnings	19	<b>33,743</b>	41,261
<b>Total equity attributable to equity holders of the Company</b>	19	<b>142,172</b>	148,777
<b>Non-controlling interests</b>	19	<b>2,673</b>	2,840
<b>Total equity</b>	19	<b>144,845</b>	151,617

\* Restatement relates to the reclassification between cash, cash equivalents and term deposits as detailed in Note 1(c).

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

# Consolidated statement of changes in equity

For the year ended 30 June 2014

<i>In thousands of AUD</i>	Note	Consolidated	
		2014	2013
<b>Total equity at the beginning of the financial year</b>		<b>151,617</b>	153,569
<b>Total comprehensive income for the year</b>			
Profit for the year		<b>1,038</b>	5,884
<b>Other comprehensive income</b>			
Foreign currency translation differences, net of tax		<b>667</b>	810
<b>Total other comprehensive income, net of tax</b>		<b>667</b>	810
<b>Total comprehensive income for the year</b>	19	<b>1,705</b>	6,694
<b>Transactions with owners, recorded directly in equity</b>			
Own shares acquired		<b>(425)</b>	(193)
Share based payment transactions		<b>(36)</b>	132
Issue of ordinary shares		<b>908</b>	-
Dividends to equity holders		<b>(8,374)</b>	(8,324)
Dividends paid to non-controlling interests		<b>(550)</b>	(261)
<b>Total transactions with owners</b>		<b>(8,477)</b>	(8,646)
<b>Total equity at the end of the financial year</b>	19	<b>144,845</b>	151,617

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

# Consolidated statement of cash flows

For the year ended 30 June 2014

<i>In thousands of AUD</i>	<b>Note</b>	<b>Consolidated 2014</b>	<b>Restated* 2013</b>
<b>Cash flows from operating activities</b>			
Cash receipts from customers		240,642	272,432
Cash paid to suppliers and employees		(236,080)	(259,990)
Cash generated from operations		4,562	12,442
Interest paid		(1)	(1)
Income taxes received/(paid)		457	(2,515)
<b>Net cash from operating activities</b>	24	<b>5,018</b>	<b>9,926</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of plant and equipment		33	155
Proceeds from sale of land and buildings		-	768
Interest received		1,531	1,737
Monies from/(invested in) term deposits maturing in greater than 90 days at inception		4,734	(25,934)
Dividends received		1	1
Acquisition of business, net of cash acquired	22	(2,012)	(302)
Acquisition of property, plant and equipment	12	(3,311)	(4,809)
Acquisition of intangible assets	13	(387)	(118)
<b>Net cash from/(used in) investing activities</b>		<b>589</b>	<b>(28,502)</b>
<b>Cash flows from financing activities</b>			
Repayment of borrowings		(46)	(36)
Issue of shares		908	-
Payments for share buy-back		(425)	(193)
Dividends paid		(8,374)	(8,324)
Dividends paid to non-controlling interests	19	(550)	(261)
<b>Net cash used in financing activities</b>		<b>(8,487)</b>	<b>(8,814)</b>
Net decrease in cash and cash equivalents		(2,880)	(27,390)
Cash and cash equivalents at 1 July		10,546	37,035
Effect of exchange rate fluctuations		1,120	901
<b>Cash and cash equivalents at 30 June</b>		<b>8,786</b>	<b>10,546</b>
Monies invested in term deposits maturing in greater than 90 days at inception		39,200	43,934
Cash, cash equivalents and term deposits at 30 June	8	<b>47,986</b>	<b>54,480</b>

\* Restatement relates to the reclassification between cash, cash equivalents and term deposits as detailed in Note 1(c).

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

## 1. Significant accounting policies

Coventry Group Ltd (the "Company") is a for profit company domiciled in Australia. The address of the Company's registered office is 525 Great Eastern Highway Redcliffe WA 6104 Australia. The consolidated financial statements ("financial report" or "consolidated financial report") of the Company for the financial year ended 30 June 2014 comprises the Company and its controlled entities (together referred to as the "Group").

The financial report was authorised for issue by the directors on 22 August 2014.

### (a) Statement of compliance

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

### (b) Basis of preparation

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

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

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

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

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

### (c) Change in accounting policies

Except for the changes below, the Group has consistently applied the accounting policies as set out in Note 1(d) - (z) to all periods presented in these consolidated financial statements.

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2013.

#### Reclassification of term deposits

Term deposits with maturity dates greater than 3 months at acquisition date are now classified as term deposits. Previously term deposits with maturity dates greater than 3 months at acquisition but less than 3 months at balance sheet date have been classified as cash and cash equivalents. The effect of this reclassification on the statement of financial position as at 30 June 2014 is that term deposits increased by \$3.0 million to \$39.2 million (30 June 2013: increased by \$26.4 million, 1 July 2012: increased by \$18.0 million) with a corresponding decrease in cash and cash equivalents. Overall total current assets, total assets and net assets of the Group remain unchanged at 30 June 2014, 30 June 2013 and 1 July 2012. The amount of funds available to settle obligations also remained unchanged as at these dates.

The reclassification has also had the effect in the statement of cash flows, for the period ended 30 June 2014, of a \$23.4 million increase in proceeds from investing activities to \$4.7 million (30 June 2013: \$8.4 million decrease in proceeds).

Directors have not disclosed a statement of financial position for the earliest comparative period (1 July 2012) as the effect of the change in accounting policy on the statement of financial position at that date is not considered material.



# Notes to the consolidated financial statements

For the year ended 30 June 2014

## 1. Significant accounting policies (continued)

### (c) Change in accounting policies (continued)

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

As a result of AASB 10 (2011), the Group has changed its accounting policy for determining whether it has control over and consequently whether it consolidates its investees. AASB 10 (2011) introduces a new control model that is applicable to all investees, by focusing on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns. In particular, AASB 10 (2011) requires the Group consolidate investees that it controls on the basis of de facto circumstances. The adoption of this standard has had no material impact on the Group's consolidated financial statements.

#### AASB 13 Fair Value Measurement (2011)

AASB 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements, when such measurements are required or permitted by other AASBs. It unifies the definition of fair values as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosure requirements about fair value measurements in other AASBs, including AASB 7 Financial Instruments: Disclosures. As a result, the Group has included additional disclosures in this regard (see Note 20).

In accordance with the transitional provisions of AASB 13, the Group has applied the new fair value measurement guidance prospectively, and has not provided any comparative information for new disclosures. Notwithstanding the above, the change had no significant impact on the measurements of the Group's assets and liabilities.

#### AASB 119 Employee Benefits (2011)

The changes to AASB 119 (2011) seek to clarify the definition of short-term employee benefits. Short-term employee benefits are now defined as those benefits expected to be settled wholly within one year after the end of the annual reporting period.

This has implications for the measurement of accrued annual leave liabilities. As accrued annual leave is generally not required (or "expected") to be wholly used (settled) within 12 months after the end of the period, annual leave benefits are no longer classified as short-term employee benefits, rather as "other long-term employee benefits".

"Other long-term employee benefit" measurement techniques specify an actuarial calculation per long service leave liability measurement, with allowances for expected future salary levels, applicable on-costs and actuarial assumptions related to staff turnover rates and leave drawdown rates.

The adoption of this standard has had no material impact on the Group's consolidated financial statements.

Except for the changes explained in Note 1(c), the Group has consistently applied the following accounting policies to all periods presented in this consolidated financial report.

### (d) Basis of consolidation

#### Business combinations

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

## 1. Significant accounting policies (continued)

### (d) Basis of consolidation (continued)

#### Business combinations (continued)

The Group measures goodwill at the acquisition date as:

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

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

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

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

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

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

#### Controlled entities

Controlled entities are entities controlled by the Company. Control exists when the Company 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. The financial statements of controlled entities are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of controlled entities have been changed when necessary to align them with the policies adopted by the Group. Investments in controlled entities are carried at their cost of acquisition in the Company's financial statements, net of impairment write downs.

#### Transactions eliminated on consolidation

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

### (e) Foreign currency

#### Foreign currency transactions

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

# Notes to the consolidated financial statements

For the year ended 30 June 2014

## 1. Significant accounting policies (continued)

### (e) Foreign currency (continued)

#### Foreign operations

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

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

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

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

### (f) Cash, cash equivalents and term deposits

Cash and cash equivalents comprise cash balances and short term deposits with a maturity of three months or less at acquisition date. Term deposits with a maturity of three months or greater at acquisition date are disclosed separately in the consolidated statement of financial position.

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

### (g) Inventories

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

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

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

### (h) Trade and other receivables

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

## 1. Significant accounting policies (continued)

### (i) Property, plant and equipment

#### Recognition and measurement

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

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

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

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

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

#### Leased assets

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

#### Subsequent costs

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

#### Depreciation

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

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

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

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

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

# Notes to the consolidated financial statements

For the year ended 30 June 2014

## 1. Significant accounting policies (continued)

### (j) Intangible assets and goodwill

#### Goodwill

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

#### Subsequent measurement

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

#### Computer software

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

#### Other intangible assets

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

#### Subsequent expenditure

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

#### Amortisation

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

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

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

### (k) Impairment

#### Financial assets

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

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

#### Non financial assets

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



## 1. Significant accounting policies (continued)

### (k) Impairment (continued)

#### Non-Financial assets (continued)

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

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

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

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

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

### (l) Interest bearing loans and borrowings

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

### (m) Employee benefits

A provision is made for the Group's liability for employee benefits arising from services rendered by employees to balance date. These benefits include wages and salaries, annual leave and long service leave. Sick leave is non-vesting and has not been provided for. As explained in Note 1(c), the changes to AASB 119 (2011) clarify the definition of short-term employee benefits to be those benefits expected to be settled wholly within one year after the end of the annual reporting period. This has implications for the measurement of accrued annual leave liabilities. As accrued annual leave is generally not required (or "expected") to be wholly used (settled) within 12 months after the end of the period, annual leave benefits are no longer classified as short-term employee benefits, rather as "other long-term employee benefits". "Other long-term employee benefit" measurement techniques specify an actuarial calculation per long service leave liability measurement, with allowances for expected future salary levels, applicable on-costs and actuarial assumptions related to staff turnover rates and leave drawdown rates.

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

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

# Notes to the consolidated financial statements

For the year ended 30 June 2014

## 1. Significant accounting policies (continued)

### (m) Employee benefits (continued)

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

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

### (n) Provisions

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

#### Warranties

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

#### Restructuring

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

#### Make good

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

### (o) Trade and other payables

Trade and other payables are stated at amortised cost.

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

### (p) Revenue

#### Sale of goods

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

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

#### Rental income

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

## 1. Significant accounting policies (continued)

### (q) Leases

#### Leased assets

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

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

#### Lease payments

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

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

### (r) Finance income and finance costs

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

Finance costs comprise interest expense on borrowings and finance leases.

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

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

### (s) Operating segments

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

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

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

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

### (t) Income tax

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

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

# Notes to the consolidated financial statements

For the year ended 30 June 2014

## 1. Significant accounting policies (continued)

### (t) Income tax (continued)

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

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

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

### Tax consolidation

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

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

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

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

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

### (u) Goods and services tax

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

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

### (v) Earnings per share

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

### (w) Accounting estimates and judgements

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

## 1. Significant accounting policies (continued)

### (w) 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 affect on the amount recognised in the financial statements are described in the following notes:

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

### Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are recognised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between the levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in Note 20 - fair values.

### (x) Share capital

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

### (y) New standards and interpretations not yet adopted

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

#### *AASB 9 Financial Instruments (2010), AASB 9 Financial Instruments (2009)*

AASB 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under AASB 9 (2009), financial assets are classified and measured based on the business model in which they are held and characteristics of their contractual cash flows. AASB 9 (2010) introduces additional changes relating to financial liabilities. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of AASB 9 and add new requirements to address the impairment of financial assets and hedge accounting.

AASB 9 (2010) and (2009) are effective for annual periods beginning on or after 1 January 2015, with early adoption permitted. The adoption of these standards is not expected to have a material impact on the Group's financial assets.



# Notes to the consolidated financial statements

For the year ended 30 June 2014

## 2. Operating segments

The Group has 4 reportable segments as described below. For each of the strategic operating segments, the Executive Chairman reviews internal management accounts on a monthly basis. The following summary describes the operations of each of the Group's reportable operating segments:

- Konnect: includes distribution and marketing of fastener products
- Fluids: includes the design, manufacture, distribution and installation of lubrication and hydraulic fluid systems and hoses
- Hardware: includes the importation, distribution and marketing of hardware components and finished products
- Gaskets: includes manufacturing and distributing gaskets.

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

### Information about reportable segments

*In thousands of AUD*

	Konnect		Fluids		Hardware		Gaskets		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
External sales	<b>112,688</b>	<b>120,619</b>	<b>62,891</b>	<b>77,725</b>	<b>17,726</b>	<b>22,791</b>	<b>12,855</b>	<b>12,748</b>	<b>206,160</b>	<b>233,883</b>
Other revenue	<b>838</b>	842	<b>267</b>	206	<b>499</b>	550	<b>202</b>	187	<b>1,806</b>	1,785
External revenue	<b>113,526</b>	121,461	<b>63,158</b>	77,931	<b>18,225</b>	23,341	<b>13,057</b>	12,935	<b>207,966</b>	235,668
Inter-segment revenue	<b>2</b>	3	-	-	<b>11</b>	-	-	-	<b>13</b>	3
Total revenue for reportable segments	<b>113,528</b>	121,464	<b>63,158</b>	77,931	<b>18,236</b>	23,341	<b>13,057</b>	12,935	<b>207,979</b>	235,671
Depreciation and amortisation	<b>1,195</b>	1,015	<b>911</b>	736	<b>138</b>	167	<b>209</b>	226	<b>2,453</b>	2,144
Reportable segment profit or (loss) before finance costs and income tax	<b>(81)</b>	250	<b>3,088</b>	9,067	<b>(2,007)</b>	(2,023)	<b>2,235</b>	2,101	<b>3,235</b>	9,395
Reportable segment assets	<b>53,153</b>	51,182	<b>32,600</b>	31,293	<b>11,103</b>	13,466	<b>12,296</b>	11,992	<b>109,152</b>	107,933
Reportable segment liabilities	<b>14,934</b>	16,626	<b>8,383</b>	7,932	<b>1,393</b>	1,988	<b>621</b>	637	<b>25,331</b>	27,183
Capital employed	<b>38,219</b>	34,556	<b>24,217</b>	23,361	<b>9,710</b>	11,478	<b>11,675</b>	11,355	<b>83,821</b>	80,750
Capital expenditure	<b>1,188</b>	2,038	<b>2,441</b>	2,279	<b>280</b>	125	<b>107</b>	162	<b>4,016</b>	4,604

# Notes to the consolidated financial statements

For the year ended 30 June 2014

## 2. Operating segments (continued)

### Reconciliations of reportable segment revenues, profit or loss, assets and liabilities

*In thousands of AUD*

	2014	2013
<b>Revenues</b>		
Total revenue for reportable segments	207,979	235,671
Other revenue	6,885	4,656
Elimination of inter-segment revenue	(13)	(3)
Consolidated revenue and other revenue	214,851	240,324
<b>Profit or loss</b>		
Reportable segment profit before finance costs and income tax	3,235	9,395
Net gain on sale of land and buildings	-	558
Unallocated amounts: other corporate and MSS <sup>(i)</sup> expenses and income	(3,488)	(4,422)
Net finance income	1,948	2,395
Consolidated profit before income tax	1,695	7,926
<b>Assets</b>		
Total assets for reportable segments	109,152	107,933
Other assets	64,704	74,061
Consolidated total assets	173,856	181,994
<b>Liabilities</b>		
Total liabilities for reportable segments	25,331	27,183
Other liabilities	3,680	3,194
Consolidated total liabilities	29,011	30,377

### Geographical information

Revenue	2014		2013	
<i>In AUD</i>	Revenues	Non-current assets <sup>(ii)</sup>	Revenues	Non-current assets <sup>(ii)</sup>
Australia	191,994	28,076	221,505	27,661
New Zealand	22,857	742	18,819	527
Total	214,851	28,818	240,324	28,188

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

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

# Notes to the consolidated financial statements

For the year ended 30 June 2014

## 3. Auditor's remuneration

<i>In AUD</i>	Consolidated	
	2014	2013
<b>Audit services</b>		
Auditors of the Group		
<i>KPMG Australia:</i>		
Audit and review of financial reports	230,200	210,120
<i>KPMG New Zealand:</i>		
Audit of financial reports	-	20,080
	230,200	230,200
<b>Other services</b>		
Auditors of the Group		
<i>KPMG New Zealand:</i>		
Tax services	12,099	12,273
	12,099	12,273

## 4. Employee benefit expenses

<i>In thousands of AUD</i>	Consolidated	
	2014	2013
Wages and salaries	40,148	41,673
Share based payments	69	132
Other associated personnel expenses	771	857
Contributions to superannuation funds	3,776	3,839
Liability for annual leave and long service leave	4,712	5,331
	<b>49,476</b>	<b>51,832</b>

# Notes to the consolidated financial statements

For the year ended 30 June 2014

## 5. Finance income and finance expenses

*In thousands of AUD*

Interest income from other entities

Net foreign exchange gain

Dividends received

Financial income

Interest expense

Financial expenses

Net financing income

Consolidated	
2014	2013
1,837	2,283
115	116
1	1
1,953	2,400
5	5
5	5
1,948	2,395

## 6. Taxes

### Current tax expense

#### Tax recognised in the profit or loss

*In thousands of AUD*

### Current tax expense

Current year

Consolidated	
2014	2013
590	1,087
590	1,087

### Deferred tax expense

Origination and reversal of temporary differences

Over provision in prior periods

Revenue tax losses recognised

Effect of lower tax rate applicable to foreign controlled entity

(28)	1,274
120	(48)
-	(284)
(25)	13
67	955
657	2,042

Total income tax expense

### Tax recognised directly in equity

Translation reserve

Total income tax recognised directly in equity

(46)	(35)
(46)	(35)

# Notes to the consolidated financial statements

For the year ended 30 June 2014

## 6. Taxes

*In thousands of AUD*

### Reconciliation of effective tax rate

	Consolidated	
	2014	2013
Profit for the period	1,038	5,884
Total income tax expense	657	2,042
Profit excluding income tax	1,695	7,926
Income tax using the Company's domestic tax rate of 30%	509	2,378
Non-deductible expenditure	29	(7)
Profit on sale of assets	-	(10)
Over provision in prior periods	120	(48)
Revenue tax losses recognised	-	(284)
Effect of lower tax rate applicable to foreign controlled entity	(25)	13
Withholding tax - non-rebateable	58	-
Non-assessable, non-exempt foreign income	(34)	-
	657	2,042

### Current tax assets and liabilities

The current tax asset for the Group of \$109,000 (2013: \$1,212,000) represents the amount of income taxes recoverable in respect of the current and prior financial periods and that arise from the payment of tax in excess of the amounts due to the Australian tax authority. The current tax liability for the Group of \$98,000 (2013:\$16,000) represents the amount of income taxes payable in respect of current and prior financial periods.

# Notes to the consolidated financial statements

For the year ended 30 June 2014

## 6. Taxes (continued)

### Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Consolidated	Assets		Liabilities		Net	
<i>In thousands of AUD</i>	2014	2013	2014	2013	2014	2013
Trade and other receivables	111	170	-	(19)	111	151
Inventories	1,273	1,547	-	-	1,273	1,547
Property, plant and equipment	592	596	-	(11)	592	585
Intangible assets	29	-	(1,532)	(1,838)	(1,503)	(1,838)
Employee benefits	2,066	2,304	-	-	2,066	2,304
Trade and other payables	192	214	(5)	-	187	214
Provisions	52	136	-	-	52	136
Translation reserve	-	479	-	-	-	479
Tax loss carry forward-income	5,450	4,902	-	-	5,450	4,902
Tax assets/(liabilities)	9,765	10,348	(1,537)	(1,868)	8,228	8,480
Set-off of deferred tax liability	(1,537)	(1,868)	1,537	1,868	-	-
Net deferred tax asset	8,228	8,480	-	-	8,228	8,480

# Notes to the consolidated financial statements

For the year ended 30 June 2014

## 6. Taxes (continued)

### Recognised deferred tax assets and liabilities (continued)

The Group has recognised a deferred tax asset of \$8,228,000 (2013: \$8,480,000), of which \$5,450,000 (2013: \$4,902,000) relates to carried forward tax losses.

Tax losses in Coventry Group's Australian operation consist of:

- pre-consolidation carried forward tax losses of \$13,301,000 (2013: \$13,210,000), represented by the deferred tax asset of \$3,990,000 (2013: \$3,963,000), that can be utilised at an annual rate of 7.0% of the taxable profit in the Australian tax group. Based on our Australian Group's history of past profits, Board approved budgets for the next five years and the ongoing satisfaction of the requirements of the taxation legislation, Directors believe that the utilisation of deferred tax asset is probable.
- post-consolidation carried forward tax losses of \$2,463,000 (2013: \$nil), represented by the deferred tax asset of \$739,000 (2013: \$nil), that the Group expects to fully utilise against the 2015 forecasted taxable profits in the Australian tax group.

The tax losses in the New Zealand operations of \$2,403,000 (2013: \$3,354,000), represented by the deferred tax asset of \$721,000 (2013: \$939,000), can be fully utilised against the future forecasted taxable profits in the New Zealand tax group.

### Movement in deferred tax balances during the year

	Balance 1-July-12	Recognised in income	Recognised in equity	Balance 30-June-13	Recognised in income	Recognised in equity	Balance 30-June-14
<i>In thousands of AUD</i>							
Trade and other receivables	103	48	-	151	(40)	-	111
Inventories	1,425	122	-	1,547	(274)	-	1,273
Property, plant and equipment	631	(46)	-	585	7	-	592
Intangible assets	(2,233)	395	-	(1,838)	335	-	(1,503)
Employee benefits	2,407	(103)	-	2,304	(238)	-	2,066
Trade and other payables	291	(77)	-	214	(27)	-	187
Provisions	210	(74)	-	136	(84)	-	52
Translation reserve	491	-	12	479	-	(479)	-
Tax loss carry forward-income	5,803	(901)	-	4,902	548	-	5,450
	9,128	(636)	12	8,480	227	(479)	8,228



# Notes to the consolidated financial statements

For the year ended 30 June 2014

## 7. Earnings per share

### Basic earnings per share

The calculation of basic earnings per share at 30 June 2014 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2014, calculated as follows:

#### Profit attributable to ordinary shareholders

<i>In thousands of AUD</i>	Consolidated	
	2014	2013
Profit for the year	1,038	5,884
Profit attributable to ordinary shareholders	609	5,458

#### Weighted average number of ordinary shares

<i>In thousands of shares</i>	2014	2013
Issued ordinary shares at 1 July	37,760	37,835
Effect of employee share offer and share buy back	317	(5)
Weighted average number of ordinary shares at 30 June	38,077	37,830

### Diluted earnings per share

The calculation of diluted earnings per share at 30 June 2014 was based on profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares as follows:

#### Weighted average number of ordinary shares (diluted)

<i>In thousands of shares</i>	2014	2013
Weighted average number of ordinary shares at 30 June (basic)	38,077	37,830
Dilutive effect of share options on issue	29	126
Weighted average number of ordinary shares at 30 June	38,106	37,956

### Earnings per share

Basic earnings per share	1.6 cents	14.4 cents
Diluted earnings per share	1.6 cents	14.4 cents

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

# Notes to the consolidated financial statements

For the year ended 30 June 2014

## 8. Cash, cash equivalents and term deposits

<i>In thousands of AUD</i>	Consolidated	
	2014	Restated* 2013
Cash on hand	34	49
Bank balances	8,127	5,694
Short term deposits (less than 90 days to maturity at inception)	625	4,803
Cash and cash equivalents	8,786	10,546
Term deposits (greater than 90 days to maturity at inception)	39,200	43,934
Cash, cash equivalents and term deposits	47,986	54,480

\* Restatement relates to the reclassification between cash, cash equivalents and term deposits as detailed in Note 1(c).

The Group has a bank overdraft facility as disclosed in Note 15, of which \$nil was drawn down at 30 June 2014 (2013: \$nil).

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

## 9. Trade and other receivables

<i>In thousands of AUD</i>	Consolidated	
	2014	2013
Trade receivables	31,764	35,141
	31,764	35,141
Other receivables	875	1,115
Prepayments	769	780
	1,644	1,895
Total trade and other receivables	33,408	37,036

The Group's exposure to credit risks and impairment losses related to trade and other receivables are disclosed in Note 20.

Included in "other expenses" in the statement of profit or loss and other comprehensive income are impairment losses on trade receivables for the Group of \$297,000 (2013: \$393,000).

# Notes to the consolidated financial statements

For the year ended 30 June 2014

## 10. Inventories

<i>In thousands of AUD</i>	Consolidated	
	2014	2013
Finished goods	55,307	52,598
	<b>55,307</b>	<b>52,598</b>

During the year ended 30 June 2014 the write-down of inventories to net realisable value, recognised in "cost of sales", amounted to \$474,000 (2013: \$1,484,000) for the Group.

## 11. Parent entity disclosures

As at, and throughout, the financial year ended 30 June 2014 the parent company of the Group was Coventry Group Ltd.

### Results of the parent entity

<i>In thousands of AUD</i>	Company	
	2014	2013
Profit for the period	507	5,071
Total comprehensive income for the period	<b>507</b>	<b>5,071</b>

### Financial position of parent entity at year end

Current assets	<b>114,913</b>	124,540
Total assets	<b>178,542</b>	186,966
Current liabilities	<b>24,589</b>	25,434
Total liabilities	<b>25,390</b>	26,396

### Total equity of the parent entity comprising of:

Issued capital	<b>108,943</b>	108,460
Reserves	<b>23</b>	657
Retained earnings	<b>44,186</b>	51,453
Total equity	<b>153,152</b>	160,570

# Notes to the consolidated financial statements

For the year ended 30 June 2014

## 12. Property, plant and equipment

	Land and buildings	Consolidated Plant and equipment	Total
<i>In thousands of AUD</i>			
<b>Carrying amounts</b>			
At 1 July 2012	1,909	15,235	17,144
At 30 June 2013	1,879	17,022	18,901
At 1 July 2013	1,879	17,022	18,901
At 30 June 2014	<b>1,849</b>	<b>17,361</b>	<b>19,210</b>
<b>Cost</b>			
Balance at 1 July 2012	2,299	35,260	37,559
Acquisitions through business combinations	-	137	137
Other acquisitions	-	4,809	4,809
Disposals	-	(3,819)	(3,819)
Effect of movements in foreign exchange	-	110	110
Balance at 30 June 2013	2,299	36,497	38,796
Balance at 1 July 2013	2,299	36,497	38,796
Acquisitions through business combinations	-	596	596
Other acquisitions	-	3,311	3,311
Disposals	-	(814)	(814)
Effect of movements in foreign exchange	-	176	176
Balance at 30 June 2014	2,299	39,766	42,065

# Notes to the consolidated financial statements

For the year ended 30 June 2014

## 12. Property, plant and equipment (continued)

	Land and buildings	Consolidated Plant and equipment	Total
<i>In thousands of AUD</i>			
<b>Depreciation and impairment losses</b>			
Balance at 1 July 2012	390	20,025	20,415
Depreciation charge for the year	30	2,818	2,848
Impairment	-	83	83
Disposals	-	(3,533)	(3,533)
Effect of movements in foreign exchange	-	82	82
Balance at 30 June 2013	420	19,475	19,895
Balance at 1 July 2013	420	19,475	19,895
Depreciation charge for the year	30	3,466	3,496
Reverse impairment	-	(25)	(25)
Disposals	-	(636)	(636)
Effect of movements in foreign exchange	-	125	125
Balance at 30 June 2014	450	22,405	22,855

# Notes to the consolidated financial statements

For the year ended 30 June 2014

## 13. Intangible assets

	Goodwill	Consolidated Distribution rights	Computer software	Total
<i>In thousands of AUD</i>				
<b>Carrying amounts</b>				
At 1 July 2012	2,097	-	8,265	10,362
At 30 June 2013	2,252	-	7,035	9,287
At 1 July 2013	2,252	-	7,035	9,287
At 30 June 2014	<b>3,411</b>	-	<b>6,197</b>	<b>9,608</b>
<b>Cost</b>				
Balance at 1 July 2012	40,387	641	15,851	56,879
Acquisitions through business combinations	155	-	49	204
Other acquisitions	-	-	118	118
Disposals	-	-	(103)	(103)
Effect of movements in foreign exchange	-	-	3	3
Balance at 30 June 2013	40,542	641	15,918	57,101
Balance at 1 July 2013	40,542	641	15,918	57,101
Acquisitions through business combinations	1,159	-	-	1,159
Other acquisitions	-	-	387	387
Disposals	-	-	(2)	(2)
Effect of movements in foreign exchange	-	-	5	5
Balance at 30 June 2014	<b>41,701</b>	<b>641</b>	<b>16,308</b>	<b>58,650</b>

# Notes to the consolidated financial statements

For the year ended 30 June 2014

## 13. Intangible assets (continued)

	Goodwill	Consolidated Distribution rights	Computer software	Total
<i>In thousands of AUD</i>				
<b>Amortisation and impairment losses</b>				
Balance at 1 July 2012	38,290	641	7,586	46,517
Amortisation for the year	-	-	1,374	1,374
Disposals	-	-	(83)	(83)
Effect of movements in foreign exchange	-	-	6	6
Balance at 30 June 2013	38,290	641	8,883	47,814
Balance at 1 July 2013	38,290	641	8,883	47,814
Amortisation for the year	-	-	1,226	1,226
Disposals	-	-	(2)	(2)
Effect of movements in foreign exchange	-	-	4	4
Balance at 30 June 2014	<b>38,290</b>	<b>641</b>	<b>10,111</b>	<b>49,042</b>

### Impairment testing for cash generating units (CGUs) containing goodwill

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

	Consolidated	
<i>In thousands of AUD</i>	2014	2013
Cooper Fluid Systems	3327	2168
Managed System Services	84	84
	<b>3,411</b>	2,252



# Notes to the consolidated financial statements

For the year ended 30 June 2014

## 13. Intangible assets (continued)

The key assumptions, and the basis for determining the values assigned to each key assumption, used in the value in use calculations are as follows:

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

The impairment tests for the cash generating units were based on value in use calculations, in which projected pre-tax cash flows for the following five years, together with a terminal value, were discounted at a pre-tax discount of approximately 15.3% (2013: 14.0%).

The discount rates were estimated based on an industry weighted average cost of capital. The projected cash flows were based on detailed operating budgets for the year ending 30 June 2015 approved by the Board and forecasts for the following four years approved by management.

Beyond the 2015 budgeted cash flows, growth rates of 2.5% were applied through to 2019 with terminal value growth rate of 2.5% applied in 2020.

## 14. Trade and other payables

<i>In thousands of AUD</i>	Consolidated	
	2014	2013
Trade payables	16,137	16,045
Non-trade payables and accrued expenses	5,647	6,059
	<b>21,784</b>	<b>22,104</b>

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

# Notes to the consolidated financial statements

For the year ended 30 June 2014

## 15. Interest-bearing loans and borrowings

<i>In thousands of AUD</i>	Consolidated	
	2014	2013
<b>Financing facilities</b>		
<b>Total facilities available at balance sheet date</b>		
Interchangeable multi currency revolving facility	8,000	8,200
Guarantee facility	200	200
Corporate credit card facility	750	750
	<b>8,950</b>	9,150
<b>Facilities utilised at balance sheet date</b>		
Interchangeable multi currency revolving facility	-	-
Guarantee facility	-	-
Corporate credit card facility	180	212
	<b>180</b>	212
<b>Facilities not utilised at balance sheet date</b>		
Interchangeable multi currency revolving facility	8,000	8,200
Guarantee facility	200	200
Corporate credit card facility	570	538
	<b>8,770</b>	8,938

### Interchangeable multi currency revolving facility

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

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

The bank overdraft facility may be drawn up to a maximum of AUD\$3.0 million (2013: AUD\$3.0 million) at any time and is repayable on demand. Interest is charged at prevailing market rates.

The balance of the AUD\$8.0 million (2013: AUD\$8.2 million) facility, including any undrawn bank overdraft facility may be available for draw-down as an AUD commercial bill or NZD term loan. Interest is charged at prevailing market rates.

During the period, the Group amended and restated this facility to include Managed System Services to the agreement. The agreement was extended to October 2016, when it will be subject to further review.

# Notes to the consolidated financial statements

For the year ended 30 June 2014

## 15. Interest-bearing loans and borrowings (continued)

### Guarantee facility

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

### Corporate credit card facility

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

### Securities

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

## 16. Employee benefits

*In thousands of AUD*

### Current

Liability for long service leave

Liability for annual leave

Consolidated	
2014	2013
3,169	3,285
2,960	3,470
<b>6,129</b>	<b>6,755</b>

### Non-current

Liability for long service leave

805	969
<b>805</b>	<b>969</b>

## 17. Share-based payments

### Description of the share-based payment arrangements

During the year ended 30 June 2014 the Group had the following share-based payment arrangements.

### Share option programmes (equity-settled)

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

# Notes to the consolidated financial statements

For the year ended 30 June 2014

## 17. Share-based payments (continued)

### Share option programmes (equity-settled) (continued)

In September and October 2010, options over unissued shares in the Company with a term of 3 years were issued to senior executives and executive directors with an exercise price of \$2.27. One third of the options could be exercised if the earnings per share (defined in ELTIP rules to be the net profit after tax adjusted in the discretion of the Board to take account of significant or unusual items and then divided by the number of shares on issue) grew over the period from the first full financial year prior to granting the options to the last full financial year preceding the exercise of the option at a compound annual rate of at least 8% whilst a further third could be exercised on achieving each of the 10% and 12% thresholds for the same period. The testing period was the three years following the financial year ended 30 June 2010.

During the year ended 30 June 2014, the Board determined that that the vesting criteria was met and all outstanding options over the unissued shares granted in September and October 2010 were exercised. 400,000 options were equity settled (350,000 with a fair value at settlement date of \$0.607 per option, 50,000 with a fair value at settlement date of \$0.684 per option) and 150,000 options were cash settled with a fair value at settlement date of \$0.67 per option.

In January 2014 the Group issued 200,000 fully paid ordinary shares under an interest free (conditional on employment) limited recourse loan to an employee. The shares were issued at a price of \$2.87 per share which was the volume weighted average price for the 20 trading days preceding the decision to issue the shares. Until the loan is repaid the shares are escrowed with a trading lock. The loan is repayable over a 3 year period from the date on when the shares were issued. The Group's recourse on the loan principal is limited to the market value of the shares when the loan is repaid.

### Reconciliation of outstanding share options

The number and weighted average exercise prices of share options under share option programme replacement awards and limited recourse loan funded shares is as follows.

	Number of options/shares	Weighted average exercise price	Number of options	Weighted average exercise price
<i>in thousands of options</i>	2014	2014	2013	2013
Outstanding at 1 July	550,000	\$2.27	1,650,000	\$3.05
Forfeited during the year	-	-	(300,000)	\$2.27
Lapsed during the year	-	-	(800,000)	\$3.88
Exercised during the year	(550,000)	\$2.27	-	-
Granted during the year	200,000	\$2.87	-	-
Outstanding at 30 June	200,000	\$2.87	550,000	\$2.27

# Notes to the consolidated financial statements

For the year ended 30 June 2014

## 17. Share-based payments (continued)

### Reconciliation of outstanding share options (continued)

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

<i>In thousands of AUD</i>	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
2007 Options – equity settled	-	21
2010 Options – equity settled	<b>26</b>	111
2010 Options - cash settled	<b>21</b>	-
2014 Limited recourse share loan – equity settled	<b>22</b>	-
	<b>69</b>	132

## 18. Provisions

*In thousands of AUD*

### Current

	<b>Warranty</b>	<b>Restructuring/ onerous contracts <sup>(i)</sup></b>	<b>Total</b>
Balance at 1 July 2013	210	239	449
Provisions increased during the year	20	42	62
Provisions used during the year	(102)	(240)	(342)
Balance at 30 June 2014	<b>128</b>	<b>41</b>	<b>169</b>

### Non-current

Balance at 1 July 2013	-	15	15
Provisions reduced during the year	-	(15)	(15)
Balance at 30 June 2014	-	-	-

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

# Notes to the consolidated financial statements

For the year ended 30 June 2014

## 19. Capital and reserves

### Reconciliation of movement in capital and reserves for the period ended 30 June 2014

	Share-based payments reserve	Translation reserve	Total reserve	Share capital	Retained earnings	Total for members of the Company	Non controlling interests	Total equity
<i>In thousands of AUD</i>								
Balance at 1 July 2013	305	(1,249)	(944)	108,460	41,261	148,777	2,840	151,617
<b>Total comprehensive income for the year</b>								
Profit or loss	-	-	-	-	609	609	429	1,038
Other comprehensive income								
Foreign exchange translation differences	-	713	713	-	-	713	(46)	667
Total other comprehensive income	-	713	713	-	-	713	(46)	667
Total comprehensive income for the year	-	713	713	-	609	1,322	383	1,705
<b>Transactions with owners, recorded directly in equity</b>								
Issue of ordinary shares	-	-	-	908	-	908	-	908
Own shares acquired	-	-	-	(425)	-	(425)	-	(425)
Share-based payment transactions	(36)	-	(36)	-	-	(36)	-	(36)
Transfer between reserves	(247)	-	(247)	-	247	-	-	-
Dividends to equity holders / re-invested	-	-	-	-	(8,374)	(8,374)	(550)	(8,924)
Balance at 30 June 2014	<b>22</b>	<b>(536)</b>	<b>(514)</b>	<b>108,943</b>	<b>33,743</b>	<b>142,172</b>	<b>2,673</b>	<b>144,845</b>

Amounts are stated net of tax

# Notes to the consolidated financial statements

For the year ended 30 June 2014

## 19. Capital and reserves (continued)

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

	Share-based payments reserve	Translation reserve	Realisation reserve	Total reserve	Share capital	Retained earnings	Total for members of the Company	Non controlling interests	Total equity
<i>In thousands of AUD</i>									
Balance at 1 July 2012	525	(2,094)	27,609	26,040	108,653	16,166	150,859	2,710	153,569
Total comprehensive income for the year									
Profit or loss	-	-	-	-	-	5,458	5,458	426	5,884
Other comprehensive income									
Foreign exchange translation differences	-	845	-	845	-	-	845	(35)	810
Total other comprehensive income	-	845	-	845	-	-	845	(35)	810
Total comprehensive income for the year	-	845	-	845	-	5,458	6,303	391	6,694
Transactions with owners, recorded directly in equity									
Own shares acquired	-	-	-	-	(193)	-	(193)	-	(193)
Share-based payment transactions	132	-	-	132	-	-	132	-	132
Transfer to reserve	(352)	-	(27,609)	(27,961)	-	27,961	-	-	-
Dividends to equity holders / re-invested	-	-	-	-	-	(8,324)	(8,324)	(261)	(8,585)
Balance at 30 June 2013	305	(1,249)	-	(944)	108,460	41,261	148,777	2,840	151,617

*Amounts are stated net of tax*

### Share capital

#### *In thousands of shares*

On issue at 1 July (start of financial year)

Share buy-back <sup>(i)</sup>

Issue of ordinary shares <sup>(ii)</sup>

On issue at 30 June – fully paid

	The Company Ordinary shares	
	2014	2013
On issue at 1 July (start of financial year)	37,760	37,835
Share buy-back <sup>(i)</sup>	(163)	(75)
Issue of ordinary shares <sup>(ii)</sup>	600	-
On issue at 30 June – fully paid	38,197	37,760



## 19. Capital and reserves (continued)

### Share capital (continued)

(i) In 2009 the Group announced an on-market share buy-back of up to 10% of its issued ordinary shares. The 12 month buy-back period commenced on 23 November 2009 and has been renewed on a yearly basis. The latest renewal of the share buy back was for a 12 month period which commenced on 23 November 2013.

(ii) During the year ended 30 June 2014, 400,000 ordinary shares were issued after share options from the 2010 Executive Long Term Incentive Plan ("ELTIP") were exercised by members of the senior management team (2013: nil). The options were exercised at a price of \$2.27 per share and had a value on the issue date between \$2.90 and \$2.95.

The resulting increase in the value of issued capital was \$908,000. All issued shares are fully paid.

200,000 ordinary shares were issued under an interest free limited recourse loan. Until the loan is repaid the shares will be escrowed with a trading lock. The loan is repayable 3 years after the shares are issued. The Group's recourse on the principal is limited to the market value of the shares when the loan is repaid.

### Ordinary shares

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

### Nature and purpose of reserves

#### Translation reserve

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

#### Share-based payments reserve

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

### Dividends

The following dividends were declared and paid by the Group:

	Cents per share	Total amount \$000	Franked / Unfranked	Date of payment
<b>Paid during the year 2014</b>				
Final 2013 Ordinary Dividend	11.0	4,154	Fully Franked	20 September 2013
Interim 2014 Ordinary Dividend	11.0	4,220	Fully Franked	17 March 2014
Total amount		<u>8,374</u>		
<b>Payable after end of year</b>				
Special Dividend <sup>(i)</sup>	11.0	4,202	Fully Franked	25 July 2014
Final 2014 Ordinary Dividend <sup>(i)</sup>	11.0	4,202	Fully Franked	19 September 2014
		<u>8,404</u>		

<sup>(i)</sup> The financial effect of these dividends have not been brought to account in the financial statements for the financial year ended 30 June 2014, as they were declared after the year end, and will be recognised in subsequent financial reports.

On 1 July 2014 the Company announced its intention to declare a further 3 dividends of 11 cents each, fully franked, over a period from February 2015 to August 2015.

# Notes to the consolidated financial statements

For the year ended 30 June 2014

## 19. Capital and reserves (continued)

### Dividend franking account

<i>In thousands of AUD</i>	The Company	
	2014	2013
30 per cent franking credits available to shareholders of the Company for subsequent financial years	<b>9,473</b>	13,356

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

The impact on the dividend franking account of dividends declared and payable after the balance sheet date but not recognised as a liability is to reduce the balance by \$3,602,000.

The impact on the dividend franking account relating to special dividends which the Company proposed to declare, fully franked, is to further reduce the balance by \$5,402,000.

The impact on the dividend franking account of income tax receivable after the balance sheet date but not recognised is a reduction of the balance by \$101,000.

## 20. Financial risk management

### Overview

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

- Credit risk
- Liquidity risk
- Market risk

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

### Risk management framework

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

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

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

### Credit risk

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

## 20. Financial risk management (continued)

### Credit risk (continued)

#### Trade and other receivables

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

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

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

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

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

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

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

### Liquidity risk

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

The Group ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition, the Group maintains an \$8.0 million multi-currency interchangeable facility in which interest is payable at prevailing market rates.

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

### Market risk

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

# Notes to the consolidated financial statements

For the year ended 30 June 2014

## 20. Financial risk management (continued)

### Market risk (continued)

#### Currency risk

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

### Capital management

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

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

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

### Credit risk

#### Exposure to credit risk

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

<i>In thousands of AUD</i>	Note	Consolidated Carrying amount	
		2014	Restated* 2013
Cash and cash equivalents	8	8,786	10,546
Term deposits	8	39,200	43,934
Trade and other receivables <sup>(i)</sup>		32,639	36,212
		<u>80,625</u>	<u>90,692</u>

\* Restatement relates to the reclassification between cash, cash equivalents and term deposits as detailed in Note 1(c).

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

# Notes to the consolidated financial statements

For the year ended 30 June 2014

## 20. Financial risk management (continued)

### Credit risk (continued)

#### Exposure to credit risk (continued)

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

<i>In thousands of AUD</i>	Note	Consolidated Carrying amount	
		2014	2013
Australia		28,749	32,334
New Zealand		3,015	2,807
	9	<b>31,764</b>	35,141

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

<i>In thousands of AUD</i>	Note	Consolidated Carrying amount	
		2014	2013
Trade customers		27,404	30,841
Wholesale customers		4,360	4,300
	9	<b>31,764</b>	35,141

### Impairment losses

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

<i>In thousands of AUD</i>	Gross	Impairment	Gross	Impairment
	2014	2014	2013	2013
Not past due	27,973	-	30,802	-
Past due 1-30 days	2,410	-	3,422	-
Past due 31-60 days	960	-	927	-
Past due 61 days and over	755	334	509	519
	<b>32,098</b>	<b>334</b>	35,660	519

# Notes to the consolidated financial statements

For the year ended 30 June 2014

## 20. Financial risk management (continued)

### Credit risk (continued)

#### Impairment losses (continued)

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

<i>In thousands of AUD</i>	Consolidated Carrying amount	
	2014	2013
Balance as 1 July (at start of financial year)	519	316
Movements in provision	(185)	203
Balance at 30 June (at end of financial year)	334	519

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

### Liquidity risk

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

Consolidated	2014						2013					
	Carrying amount	Contractual cash flow	6 mths or less	6-12 mths	1-2 years	More than 2 years	Carrying amount	Contractual cash flow	6 mths or less	6-12 mths	1-2 years	More than 2 years
<i>In thousands of AUD</i>												
<b>Non-derivative financial liabilities</b>												
Trade and other payables <sup>(i)</sup>	20,843	(20,843)	20,843	-	-	-	21,056	(21,056)	21,056	-	-	-
Finance lease liabilities	26	(26)	9	9	8	-	69	(69)	35	8	18	8
	20,869	(20,869)	20,852	9	8	-	21,125	(21,125)	21,091	8	18	8

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

# Notes to the consolidated financial statements

For the year ended 30 June 2014

## 20. Financial risk management (continued)

### Interest rate risk

#### Profile

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

<i>In thousands of AUD</i>	<b>Consolidated Carrying amount</b>	
	<b>2014</b>	<b>2013</b>
Fixed rate financial assets	<b>39,825</b>	48,737
Variable rate financial assets <sup>(i)</sup>	<b>8,127</b>	5,694
	<b>47,952</b>	54,431

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

### Fair value sensitivity analysis for fixed rate instruments

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

### Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2013.

<i>In thousands of AUD</i>	<b>Profit or loss</b>	
	<b>100bp increase</b>	<b>100bp decrease</b>
<b>30 June 2014</b>		
Variable rate instruments	<b>81</b>	<b>(81)</b>
Cash flow sensitivity (net)	<b>81</b>	<b>(81)</b>
<b>30 June 2013</b>		
Variable rate instruments	57	(57)
Cash flow sensitivity (net)	57	(57)



# Notes to the consolidated financial statements

For the year ended 30 June 2014

## 20. Financial risk management (continued)

### Fair values

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

### Trade and other receivables/payables and term deposits

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

## 21. Operating leases

### Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

<i>In thousands of AUD</i>	Consolidated	
	2014	2013
Less than one year	7,939	8,155
Between one and five years	13,038	12,131
More than five years	18,183	18,236
	<b>39,160</b>	<b>38,522</b>

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

During the financial year ended 30 June 2014, the Group recognised \$9,580,000 (2013: \$9,585,000) as an expense in the statement of profit or loss and other comprehensive income in respect of operating leases.

# Notes to the consolidated financial statements

For the year ended 30 June 2014

## 21. Operating leases (continued)

### Leases as lessor

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

<i>In thousands of AUD</i>	Consolidated	
	2014	2013
Less than one year	2,102	2,150
Between one and five years	4,047	6,478
More than five years	-	-
	<b>6,149</b>	<b>8,628</b>

## 22. Acquisition of business

On 1 December 2013 the Fluids business acquired the operations and assets of a company based in Toowoomba and St George (Queensland) for cash consideration of \$1,958,000. The net identifiable tangible assets acquired had a fair value of \$799,000 which included inventory, plant and equipment. Goodwill (on a provisional basis) arising on this acquisition amounted to \$1,159,000. The goodwill is attributable mainly to customer relations and the skills of the workforce. Acquisition-related costs were \$98,000. Revenues and profits generated by the acquired business in the period were positive, but had an immaterial impact on the overall Group results.

The acquisition is consistent with the Group's objective to extend its operations and trading presence in key areas such as these.

## 23. Controlled entities

	Country of Incorporation	Ownership interest	
		2014	2013
		%	%
AA Gaskets Pty Ltd	Australia	72.5	72.5
Fluidrive Pty Ltd	Australia	100	100
Managed System Services Pty Ltd	Australia	100	100
Coventry Group (NZ) Limited	New Zealand	100	100
NZ Gaskets Limited <sup>(i)</sup>	New Zealand	72.5	72.5

The ultimate parent entity is Coventry Group Ltd.

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

# Notes to the consolidated financial statements

For the year ended 30 June 2014

## 24. Reconciliation of cash flows from operating activities

<i>In thousands of AUD</i>	Note	Consolidated	
		2014	2013
<b>Cash flows from operating activities</b>			
Profit for the period		1,038	5,884
<b>Adjustments for:</b>			
Depreciation and amortisation		4,722	4,222
Impairment (reversal)/losses on property, plant and equipment		(25)	83
Interest income from other entities		(1,531)	(1,737)
Interest expense	5	5	5
Dividends received		(1)	(1)
Net loss/(gain) on disposal of property, plant and equipment		143	(404)
Income tax expense	6	657	2,042
<b>Operating profit before changes in working capital and provisions</b>		<b>5,008</b>	10,094
Change in trade and other receivables		3,329	6,981
Change in inventories		(2,963)	(284)
Change in trade and other payables		(345)	(5,517)
Change in provisions and employee benefits		(467)	1,168
		<b>4,562</b>	12,442
Interest paid		(1)	(1)
Income taxes received/(paid)		457	(2,515)
<b>Net cash from operating activities</b>		<b>5,018</b>	9,926

# Notes to the consolidated financial statements

For the year ended 30 June 2014

## 25. Related parties

### Transactions with key management personnel

#### Key management personnel compensation

Key management personnel compensation comprised the following:

<i>In AUD</i>	Consolidated	
	2014	2013
Short-term employee benefits	<b>1,319,592</b>	1,579,143
Post-employment benefits	<b>126,478</b>	91,435
Termination benefits	-	311,387
Other long-term benefits	<b>4,826</b>	60,347
Equity compensation benefits	<b>23,283</b>	93,280
	<b>1,474,179</b>	2,135,592

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

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

#### 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.

# Notes to the consolidated financial statements

For the year ended 30 June 2014

## 25. Related parties (continued)

### Other related party transactions

The Group has a related party relationship with its controlled entities (see Note 23). All transactions with controlled entities are at arms length.

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

*In AUD*

<b>The parent entity only:</b>	<b>2014</b>	<b>2013</b>
Dividend revenue	<b>1,450,000</b>	688,750
Revenue from sale of goods	<b>342,077</b>	506,697
Purchase of inventories	<b>19,278</b>	12,282
Aggregate amounts receivable from controlled entities:		
Advance account not subject to interest charges (Australian controlled entities)	<b>1,539,386</b>	1,020,921
Other receivables	<b>133,953</b>	402,724
Aggregate amounts payable to controlled entities	<b>294,809</b>	22,942

During the year ended 30 June 2014, the Company received interest of \$nil (2013: \$25,000) in respect of the advance account subject to interest charges.

The directors present their report together with the financial report of Coventry Group Ltd (the "Company") and of the Group, being the Company and its subsidiaries for the year ended 30 June 2014.

## 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

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

Barry Frederick Nazer, BBus, FCPA, FAICD  
Independent non-executive director  
Chairman of audit and risk committee; member of remuneration and nomination committees

John Harold Nickson, B.Ec, CPA, FAICD  
Independent non-executive director  
Chairman of remuneration committee; member of audit and risk committee

#### Experience and other directorships

Mr Flynn was appointed a director of the Company in October 2001 and he became Chairman in November 2006. In April 2007 he was appointed Executive Chairman. Mr Flynn has had broad senior management experience in primarily metal based industries in the US, Australia and Asia and has worked for BHP and Alcoa. He was General Manager of Pacific Dunlop's Olex Australia cable division and Managing Director of Siddons Ramset Limited for 7 years until 1999. He is a former director of Hills Holdings Limited, Wattyl Limited and Longreach Group Ltd and has had 46 board years experience on 6 listed companies.

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

Hills Holdings Limited from 1999 to 4 November 2011

Mr Nazer was appointed as a director of the Company in September 2003. He previously held the positions of Chief Financial Officer (CFO) of Bank of Western Australia Limited (BankWest), CFO of WESFI Limited and CFO of Wesbeam Holdings Limited. He is also a non-executive director of M G Kailis Group.

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

VDM Group Limited from 1 October 2008 to 29 November 2013.

Mr Nickson was appointed a director of the Company in November 2007. He has over 43 years experience in the finance industry, including 35 years at Goldman Sachs JBWere (formerly J B Were and Son) until retiring in 2004. He was a Director/Partner for over 20 years.

For 28 years Mr Nickson specialised in corporate advice and finance, working closely with a wide range of listed and to be listed corporations, both public and private, many in Western Australia. He is a director of a number of private companies.

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

# Directors' Report

(continued)

## 1. Directors (continued)

### Information on directors (continued)

#### Name, qualifications, independence status and special responsibilities

Kenneth Royce Perry, B.Sc (Hons), MBA, MAICD, FAIMM  
Independent non-executive director  
Member of audit and risk, remuneration and nomination committees

#### Experience and other directorships

Mr Perry was appointed a director of the Company in September 2009. He was Chief Executive Officer of VDM Group Limited, a publicly listed Australian engineering, construction and contracting business until March 2011. Prior to this appointment in February 2010, Mr Perry was the Managing Director of Brandrill Limited from 2002 to 2009 when the company merged with Ausdrill Limited. Mr Perry has over 25 years' experience in senior management roles, including serving as President of Rio Tinto Group's Taiwanese steel mill and as the Director General of the Department of Minerals and Energy (WA) between 1994 and 1997. Subsequently he worked for Resource Finance Corporation, a private merchant and investment bank specialising in the natural resources sector. Mr Perry is also a member of various private boards.

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

### Directors' interests

As at the date of this report particulars of the relevant interest of each director in the securities of the Company are as follows:

	Number of Ordinary Shares	Number of Options (Unlisted)
BF Nazer	104,420	-
JH Nickson	132,653	-
KR Perry	-	-
RB Flynn	600,496	-

During the 2013/14 financial year and as at the date of this report no director has declared any interest in a contract or proposed contract with the Company, the nature of which would be required to be reported in accordance with subsection 300(11)(d) of the Corporations Act 2001, except as follows:

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

## 1. Directors (continued)

### Information on Directors (continued)

#### Directors' meetings

The following table sets out the number of meetings of the Company's board of directors and each board committee, held during the year ended 30 June 2014, and the number of meetings attended by each director.

	Board of Directors		Audit & Risk Committee		Remuneration Committee		Nomination Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
BF Nazer	16	16	5	5	1	1	1	1
JH Nickson	16	16	5	5	1	1	-	-
KR Perry	16	15	5	4	1	1	1	1
RB Flynn	16	16	-	-	-	-	1	1

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

## 2. Principal activities

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

### *Konnect*

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

### *Fluids*

- design and installation of lubrication systems
- distribution of hose, connectors, fittings and hydraulic hose assemblies
- design and supply of service truck components
- installation of fire suppression systems
- design and distribution of fluid handling systems, pneumatic component sales and sale of hydraulic associated products and consumables
- rock hammer service and repairs

### *Hardware*

- importation, distribution and marketing of hardware, components and finished products to the commercial cabinet making, joinery and shop fitting industries

### *Gasket Manufacturing*

- manufacture and distribution of automotive and industrial gaskets.



# Directors' Report

(continued)

## 3. Consolidated results

Results of the Group for the year ended 30 June 2014 were as follows:

*In thousands of AUD*

### Revenue from sale of goods

	2014	2013
Revenue from sale of goods	210,625	236,493
Profit before tax	1,695	7,926
Income tax expense	(657)	(2,042)
<b>Profit after tax for the year</b>	<b>1,038</b>	<b>5,884</b>

Profit after tax for the year attributable to:

- equity holders of the Company	609	5,458
- minority interest	429	426
<b>Profit after tax for the year</b>	<b>1,038</b>	<b>5,884</b>

## 4. Dividends

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

<b>Paid during the year 2014</b>	<b>Cents per share</b>	<b>Total amount \$000</b>	<b>Franked / Unfranked</b>	<b>Date of payment</b>
Final 2013 Ordinary Dividend	11.0	4,154	Fully Franked	20 September 2013
Interim 2014 Ordinary Dividend	11.0	4,220	Fully Franked	17 March 2014
Total amount		<u>8,374</u>		
<b>Paid after end of year</b>				
Special Dividend (i)	11.0	4,202	Fully Franked	25 July 2014
Final 2014 Ordinary Dividend (i)	11.0	4,202	Fully Franked	19 September 2014
Total amount		<u>8,404</u>		

(i) The financial effect of these dividends have not been brought to account in the financial statements for the financial year ended 30 June 2014, as they were declared after the year end, and will be recognised in subsequent financial reports.

## 4. Dividends (continued)

On 1 July 2014 the Company announced its intention to declare a further 3 dividends of 11 cents each, fully franked, over a period from February 2015 to August 2015.

### *No vote on remuneration report – 2013 Annual General Meeting and resulting future dividend announcement*

At the 2013 Annual General Meeting the Company received over 25% of votes cast on a poll against the 2013 remuneration report. As a result of the no vote Directors visited individually a sample of the shareholders of the Company to obtain their views as to the reason for the no vote. The underlying concern for most of the shareholders visited who had voted against the remuneration report was the retention of cash by the Company following the sale of the automotive business and the overall performance of the Company.

Following the visits and to address the concerns raised by the shareholders, on 1 July 2014 the Company announced the declaration of a special dividend of 11 cents, fully franked, to be paid on 25 July 2014 and the intention to declare a further 4 dividends of 11 cents each, fully franked, over a period from August 2014 to August 2015. This would result in total dividends of 55 cents per share equating to approximately a return of \$21 million based on the Company's current issued capital.

As at the date of this report, the Company has paid a special dividend of 11 cents, fully franked, and has declared a final dividend for the financial year ended 30 June 2014 of 11 cents, fully franked, to be paid on 19 September 2014.

## 5. Review of operations and results

### Group results and business overview

The Group recorded a profit before tax from continuing operations of \$1.7 million compared to a profit of \$7.9 million for the previous comparative period. This reduction in revenue and profit was, in part, due to a series of macro economic factors, including:

- large mining organisations have significantly scaled back their capital investment pipelines leading to pressure on sales prices, margins and volume of competitive quotes
- trading remains subdued in the other parts of the general economy that drive demand for our products
- the rate of Australian unemployment continued to increase during the financial year.

Each business unit has been impacted differently by the broad based macro economic events of the financial year and each unit has addressed these differently as described in the review below.

### Review of results by business

#### Konnect

**Konnect is a large player in the Australian and New Zealand markets in the distribution of fasteners. It continues to deploy the strategy which was developed 20 months ago. The market announcement made on 20 June 2014 details progress against this strategy.**

- Key markets : Infrastructure, construction (non-residential), fabrication and resources
- Key economic drivers : Non-residential construction, infrastructure spend (public & private), general manufacturing activity
- Capital employed : \$38.4 million (2013 \$34.6 million)

# Directors' Report

(continued)

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

### Review of results by business (continued)

#### Konnect (continued)

In \$000's See also Note 2	FY13 Full Yr	FY14 H1	FY14 H2	FY14 Full Yr
Sales	120,619	58,782	53,906	112,688
EBIT	250	380	(461)	(81)

Sales have dropped 7% from the prior comparative period compared to the current period. As outlined in the investors presentation dated 20 June 2014 the turnaround strategy continues to be worked through.

During the period the Konnect business progressed key elements of its strategy, which in the medium term will lead to enhanced earnings, these initiatives were:

- traded in 6 new geographic locations, including the acquired business in Gympie
- relocated 5 distribution centres and branches to new locations
- increased import program over the prior financial year, with the short term effect of increasing inventory
- decreased employee numbers during the year, even though the number of staff involved with sales has increased
- invested in training, both content and structure. Online infrastructure has been purchased to deliver consistent training across the business
- re-branded the business to avoid duplication of costs between Australia and New Zealand.

The EBIT loss of \$0.1 million for the 2014 financial year was below management's expectations. The results did include the cost of relocations, including 2 distribution centres, the initial set up of the training modules and cost of re-branding the business. It is anticipated Konnect will see the benefit of these initiatives in the 2015 financial year and move into an EBIT profit.

Geographically there were mixed results, with New Zealand operations showing the largest improvement compared to the prior year. With further cost reductions planned, this result should improve further in the 2015 financial year.

#### Cooper Fluid Systems (CFS)

**CFS is well placed for the next phase of the mining cycle. It is an industry leader in the Australian hydraulic, lubrication and associated mining services markets.**

- Key markets : Hydraulic and lubrication products plus maintenance to the resources industry
- Key economic drivers : Resources related activity - capital investment spend and production levels
- Capital employed : \$24.2 million (2013 \$23.4 million)

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

### Review of results by business (continued)

#### Cooper Fluid Systems (CFS) (continued)

In \$000's See also Note 2	FY13 Full Yr	FY14 H1	FY14 H2	FY14 Full Yr
Sales	77,725	30,393	32,498	62,891
EBIT	9,067	639	2,449	3,088

Sales have dropped 19% from the prior comparative period compared to the current period. However, the transition to repair and repeat business that supports the customer base as miners move into production is starting to deliver a pick up in sales. This is shown in the segmental reporting note in the table above where the second half results represent growth over the first half.

CFS has been impacted by the reduced spend of large mining companies, especially in the first half of the financial year. With the reduced capital spend there has been increased competition. It is anticipated the capital expenditure will continue to decline for the foreseeable future.

With the completion of capital projects resources production is anticipated to increase. Iron ore exports are estimated to reach 800 million tonnes in 2017, representing nearly a 60% increase on today's levels. This production will wear out equipment which will need repairing. The CFS business strategy is to transition from being 'capital' focused to 'repair and repeat' revenue focused through the following initiatives:

- deployment of 'large cylinder' repair equipment, to broaden the repair offering
- established 2 new satellite operations in new locations to extend the geographic footprint
- entered into new adjacent spaces such as fire suppression equipment installation and ongoing servicing
- deploy containers to site to increase customer service and accessibility to Coopers product
- the launch and marketing of own brand products named the 'Cooperbuilt' range.

The Hi-Way Hydraulics business, acquired in December 2013, has been successfully integrated into the rest of the CFS operations and is returning the anticipated levels of earnings. The business trades across two sites in Queensland. This strategic acquisition adds further to the growth momentum of the CFS business and the net assets CGL has invested into this space.

#### Artia

#### Artia has rationalised its product range to cabinet hardware only, facilitating supply chain synergies with the Konnect business.

- Key markets : Kitchen renovation and new builds
- Key economic drivers : General level of economic activity, house building and house refurbishment
- Capital employed : \$9.7 million (2013 \$11.5 million)

# Directors' Report

(continued)

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

### Review of results by business (continued)

#### Artia (continued)

In \$000's See also Note 2	FY13 Full Yr	FY14 H1	FY14 H2	FY14 Full Yr
Sales	22,791	10,004	7,722	17,726
EBIT	(2,023)	(946)	(1,061)	(2,007)

Sales dropped 22% as a consequence of the planned exit from the 'furniture' side of the business. The investors presentation dated 20 June 2014 described the detailed business strategy which continues to be worked through.

During the period the exit of 'furniture' continued to be worked through, and as at the time of release that activity is almost complete. This led to lower sales and also reduced inventory. In the second half of the financial year the offering of kitchen hardware was finalised and new ranges were introduced. From this point inventory is anticipated to grow in line with anticipated sales growth for FY15.

By the end of the 2014 financial year all of the old distribution centres had been closed and Konnect operations now carry out all the Artia distribution requirements. With the majority of the internal re-organisation completed the Artia team are now focused on increasing sales.

#### AA Gaskets and NZ Gaskets

##### Gaskets is the market leader and is performing well.

- Key markets : Automotive repairers, performance vehicles (After market only)
- Key economic drivers : Levels of vehicle repairs and manufacturers warranties. Sales are influenced by fuel price and the cost of new vehicles
- Capital employed : \$11.7 million (2013 \$11.4 million)

In \$000's See also Note 2	FY13 Full Yr	FY14 H1	FY14 H2	FY14 Full Yr
Sales	12,748	6,479	6,376	12,855
EBIT	2,101	1,161	1,074	2,235

Sales increased, marginally, by 1%. The business was able to achieve this growth during the market uncertainty associated with the closure of ACL Australia, AA Gaskets is now the largest domestic supplier.

In February 2014 ACL Australia ceased to trade and an auction of assets and inventory presented an opportunity for AA Gaskets to make a small number of purchases. With the demise of ACL Australia there has been the opportunity to discuss with customers future sales expansion, however much of the historic ACL sales had been won. The ACL operations in New Zealand continue and there has not been a change in the competitive landscape in that geography.

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

### Review of results by business (continued)

#### AA Gaskets and NZ Gaskets (continued)

The Gaskets profit before interest and tax improved by \$0.1 million compared to the previous comparative period ended 30 June 2013. The positive impact from more cars being on the road and ACL Australia ceasing to trade has been offset, in part, by cheap imports and extensions to the length of warranties vehicle manufacturers are prepared to offer. The Gasket business continues to extend its range and depth of inventory to ensure the highest level of service to its customer base in order to counter these negative impacts.

#### Managed System Services (MSS)

MSS continues to deliver IS solutions and support to its customer base. During the year there has been significant investment in hardware and sales staff with a view to increasing the levels of future sales. At the same time operating costs have been reduced through staff reductions and rationalisation of systems with the Coventry Group's IS department.

#### Other corporate expenses and income

In the year ended 30 June 2014 the net expenses of the unallocated businesses, including MSS, was \$3.5 million (Note 2: Operating Segments), in the previous comparative period it was \$4.4 million. The reduction in net expense has been delivered through staff reductions and elimination of expenses where appropriate. At the same time as reducing staff numbers, service departments such as debt collection improved their performance. Management anticipate further cost reductions will be possible in the 2015 financial year.

#### Employees

Overall staff numbers fell from 826 (full time, part time and casuals) at 30 June 2013 to 766 at 30 June 2014. The decline is reflective of management's ongoing cost review process. At the same time as the overall numbers are being reduced the remaining human resources are being deployed so a greater number of staff are 'customer facing'. This initiative is designed to increase the number of customer calls which, over time, is anticipated to deliver greater volumes of orders.

The Coventry Group encourages high performing staff to move and progress within the organisation. Its policies promote equal opportunities for all racial backgrounds and gender.

#### Balance sheet review

The Group net cash position reduced to \$48.0 million (\$54.5 million - 30 June 2013). The movement was broadly driven by dividend payments being greater than the reduction in working capital and the net profit for the period.

Group working capital (defined as current assets less cash and current liabilities) at 30 June 2014 was \$60.6 million, this being \$0.9 million lower than the balance a year earlier. The main driver being the reduction in funds tied up in debtors. The debtors balance has reduced in part due to lower sales during the months leading up to 30 June 2014 and also due to reduced days outstanding. There has been an increase in the 'quality' of the debtors evidenced by the aging of the balance (Note 20: Credit Risk).

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

# Directors' Report

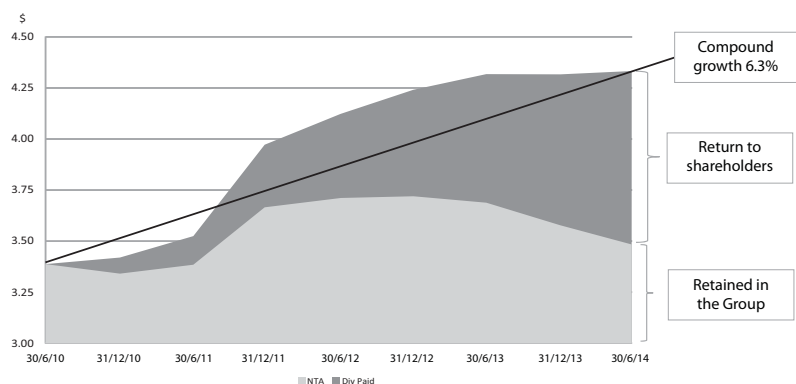
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## 5. Review of operations and results (continued)

### Growth and distribution of assets per share

In the four years from 30 June 2010 to 30 June 2014 net tangible assets per share increased by 8 cents to \$3.47 (\$3.39 - 30 June 2010). In addition a further 85 cents has been returned to shareholders in cash (not including the associated franking credits to the dividend payments). Those shareholders choosing to remain with the Group over the four year period have seen the assets per share retained by the Group or paid as dividend total 93 cents, or a growth of 6.3% over the four year period.

NTA and Cumulative Dividends Paid



		Year ended 30 June				
		2010	2011	2012	2013	2014
Tangible Assets	(\$m)	135.3	135.2	140.4	139.5	132.6*
Shares on Issue	m	39.9	40.0	37.8	37.8	38.2 Note 19
NTA/share	(\$)	3.39	3.38	3.71	3.69	3.47
* refer to 'Statement of Financial Position' - Net assets less non-controlling interests and intangible assets						
Interim dividends per share paid in year	(cents)		8.0	16.0	11.0	11.0 Note 19
Final dividend per share paid in year	(cents)		6.0	11.0	11.0	11.0 Note 19
<b>Total dividend paid in period</b>	<b>(cents)</b>		<b>14.0</b>	<b>27.0</b>	<b>22.0</b>	<b>22.0</b>

### 4 Year Total Shareholder Return (TSR) Calculation

	\$
Share price at 30/06/10	1.81
Share price at 30/06/14	2.80
Cumulative dividends over 4 years (Interim + Final paid in period)	0.85

Calculation of TSR based on the above data:

Gain in share price	0.99
Share dividends	0.85 (the associated franking credits are on top of this value)
	<u>1.84</u>

Gain in percentage terms	101.7%
Implied annual compound growth	19.2%

The Group has delivered increased total shareholder returns over the past 12, 24 and 48 month periods.

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

### Planned objectives

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

Objective	Achieved	
- Deploy the Konnect Fasteners strategy, delivering earnings growth over a 36 month timeline	In progress	Significant changes to operations have been made along with planned cost reductions. Focus has moved to developing sales and expanding the import program.
- Develop and deploy long term strategy for loss making Artia business	In progress	The 'furniture' exit is broadly achieved, the range has been implemented and back office operations combined into Konnect. Sales growth is the next phase.
- Deploy the Cooper Fluid Systems strategy of transition to repairs and repeat business model, delivering earnings growth over a 24 month timeline	In progress	The business has expanded into adjacent activities, and capital investment has and will continue to support the changes. Sales growth is the next phase.
- Increase the sum of assets retained in the business or returned to shareholders	Achieved	Net assets plus funds returned to shareholders increased compared to the net assets as at 30 June 2013
- Significant improvement in safety	Achieved	Noteably the Cooper Fluid Systems business had zero LTIs in the period
- Acquisitive growth	2 acquisitions	Operating across 3 sites
- Organic growth ('greenfield' sites)	7 new sites	Actively engaged in rolling out new opportunities

### Future outlook

With the slight improvement in the economy recently and the benefits of operational improvements within the Group, the directors and management anticipate earnings to improve in FY15.

## 6. Earnings per share

Basic profit per share for the year ended 30 June 2014 was 1.6 cents. This compares to a basic profit per share of 14.4 cents for the previous year.

## 7. Significant change in the company's affairs

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

## 8. Events subsequent to reporting date

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



# Directors’ Report

(continued)

9. Likely developments

The Group will continue to evaluate and look for opportunities to grow its business. It will actively pursue strategic acquisitions if they fit with the core business of the Group and have the potential to increase and maximise long term shareholder wealth. The Group is also actively seeking to organically grow its existing business units and restore the profitability of the Artia business.

10. Remuneration report - audited

Remuneration is referred to as compensation throughout this remuneration report.

10.1 Key Management Personnel (KMPs)

KMPs are the persons who have authority and responsibility for planning, directing and controlling the activities of the Company and the Group. The following were KMPs of the Group at any time during the reporting period and unless otherwise indicated were KMPs for the entire period:

Non-executive directors

BF Nazer  
JH Nickson  
KR Perry

Executive directors

RB Flynn, Executive Chairman

Executives

KS Smith, Chief Financial Officer

10.2 Principles used to determine the nature and amount of compensation

Non-executive directors

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

Directors’ fees

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

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

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

*Directors' fees (continued)*

As at 30 June 2014 the non-executive directors fees were allocated as follows (does not include statutory superannuation contributions):

	<b>2014</b>
	<b>\$</b>
Chairman (base fee) (i)	<b>nil</b>
Non-executive Directors (base fee)	<b>86,000</b>
Interstate Non-executive Director (base fee)	<b>89,000</b>
Chairman of Audit & Risk Committee (in addition to base fee)	<b>15,000</b>
Chairman and Member of Remuneration Committee (in addition to base fee)	<b>5,000</b>

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

***Executive pay***

The objective of the Company's executive reward framework is to ensure that rewards properly reflect duties and responsibilities, are competitive in retaining and motivating people of high calibre, and are appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders. The framework provides a mix of fixed and variable pay, and has three components as follows:

- base pay and benefits, including superannuation ("fixed annual compensation");
- short-term performance incentives; and
- long-term performance incentives.

The combination of these comprises the executive's total compensation. This compensation framework also applies to executive directors. The Remuneration Committee are currently reviewing the structures of both short-term and long-term performance incentives for the senior executive team.

The total compensation of the Executive Chairman reflects the combination of duties fulfilled as Chairman of the Board and as Managing Director of the Company.

***Fixed annual compensation***

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

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

# Directors' Report

(continued)

## 10. Remuneration report - audited (continued)

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

#### Performance linked compensation

##### Short-term incentives

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

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

##### Long-term incentives

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

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

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

#### Consequences of performance on shareholder wealth

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

	2014	2013	2012	2011	2010
	\$	\$	\$	\$	\$
Profit/(loss) attributable to equity holders of the Company	609,000	5,458,000	18,524,000	(17,341,000)	6,474,000
Dividends paid	8,374,000	8,324,000	10,593,000	5,594,000	4,361,000
Change in share price	0.10	0.05	0.35	0.45	0.94

Profit is considered as one of the financial performance targets in setting the short-term incentives.

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

#### No vote on remuneration report – 2013 Annual General Meeting

At the 2013 Annual General Meeting the Company received over 25% of votes cast on a poll against the 2013 remuneration report. The Directors have visited a sample of the shareholders of the Company to obtain their views as to the reason for the no vote and are addressing those concerns.

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

**10.3 Details of compensation**

The following table provides the details, nature and amount of elements of compensation for the directors and the key management personnel of the Company and the Group for the year ended 30 June 2014.

Name	Actual rewards received in the period					Actuarial valuation of potential future rewards		Proportion of current period rewards which are performance related	ELTIP accrual as percentage of total period rewards
	Short-term benefits			Post employment benefits	Termination benefits	Other long-term benefits	Share-based payment		
	Cash salary, leave paid and fees	STI cash bonus <sup>(i)</sup>	Non-monetary benefits			Long service and annual leave provision accrual	Value of ELTIP provision accrual		
	\$	\$	\$	\$	\$	\$	\$	%	%
<b>Non-executive Directors</b>									
BF Nazer	93,000	-	-	22,805	-	-	-	-	-
JH Nickson	67,695	-	-	35,000	-	-	-	-	-
KR Perry	91,000	-	-	8,418	-	-	-	-	-
<b>Total</b>	251,695	-	-	66,223	-	-	-	-	-
<b>Executive Directors</b>									
RB Flynn	820,495	-	-	35,000	-	3,835	23,283	2.6	2.6
<b>Total</b>	820,495	-	-	35,000	-	3,835	23,283		
<b>Other key management personnel</b>									
KS Smith	227,402	20,000	-	25,255	-	991	-	7.3	0.0
<b>Total</b>	227,402	20,000	-	25,255	-	991	-		
<b>Total compensation key management personnel</b>	1,299,592	20,000	-	126,478	-	4,826	23,283		

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

(i) Paid and approved in the year ended 30 June 2014 but in relation to performance during the year ended 30 June 2013.

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

# Directors' Report

(continued)

## 10. Remuneration report - audited (continued)

### 10.3 Details of compensation (continued)

The following table provides the details, nature and amount of elements of compensation for the directors and the key management personnel of the Company and the Group for the year ended 30 June 2013.

Name	Actual rewards received in the period					Actuarial valuation of potential future rewards		Proportion of current period rewards which are performance related	ELTIP accrual as percentage of total period rewards
	Short-term benefits			Post employment benefits	Termination benefits	Other long-term benefits	Share-based payment		
	Cash salary, leave paid and fees	STI cash bonus <sup>(i)</sup>	Non-monetary benefits			Long service and annual leave provision accrual	Value of ELTIP provision accrual		
	\$	\$	\$	\$	\$	\$	\$	%	%
<b>Non-executive Directors</b>									
BF Nazer	99,887	-	-	8,990	-	-	-	-	-
JH Nickson	76,370	-	-	25,000	-	-	-	-	-
KR Perry	86,000	-	-	7,740	-	-	-	-	-
<b>Total</b>	262,257	-	-	41,730	-	-	-	-	-
<b>Executive Directors</b>									
RB Flynn	821,651	62,600	-	25,000	-	61,539	124,506	17.1	11.4
V Scidone <sup>(iii)</sup>	177,556	-	12,777	8,235	311,387	-	(31,226)	(6.5)	N/A
<b>Total</b>	999,207	62,600	12,777	33,235	311,387	61,539	93,280		
<b>Other key management personnel</b>									
KS Smith	232,302	10,000	-	16,470	-	(1,192)	-	3.9	0.0
<b>Total</b>	232,302	10,000	-	16,470	-	(1,192)	-		
<b>Total compensation key management personnel</b>	1,493,766	72,600	12,777	91,435	311,387	60,347	93,280		

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

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

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

## 10. Remuneration report - audited (continued)

### 10.4 Analysis of bonuses included in compensation

Short-term incentive bonuses were awarded by the Remuneration Committee as compensation to the senior executives during the year ended 30 June 2014. These incentives were paid and approved in the year ended 30 June 2014 but were in relation to performance during the year ended 30 June 2013. The short-term incentive paid to Mr KS Smith was discretionary.

### 10.5 Service contracts

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

RB Flynn, Executive Chairman

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

KS Smith, Chief Financial Officer

- The contract has no fixed term.
- Fixed annual compensation to be reviewed annually by the Remuneration Committee.
- Long service leave is payable by the Company in accordance with relevant state legislation.
- The contract provides for participation in the short-term incentive plan.
- Other than for serious misconduct, termination of employment requires 8 weeks notice by the Company.

### 10.6 Services from remuneration consultants

During the financial year no remuneration consultants were engaged.

### 10.7 Equity instruments

#### Options over shares granted as compensation to KMPs

Options granted to Mr R B Flynn in previous years:

During the financial year, 350,000 '2010 options' were exercised with a fair value at settlement date of \$0.607 per option. Details are disclosed in Note 17 of the full financial report.

# Directors' Report

(continued)

## 10. Remuneration report - audited (continued)

### 10.7 Equity instruments (continued)

#### Options and rights over equity instruments

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

	Held at 1 July 2013	Granted during the year	Exercised	Forfeited/ lapsed	Held at 30 June 2014
<b>Executive Directors</b>					
RB Flynn	350,000	-	350,000	-	-
<b>Executives</b>					
KS Smith	-	-	-	-	-

No options held by Executive Directors and Executives were vested as at 30 June 2014.

#### Movements in shares

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

	Held at 1 July 2013	Held on appointment	Purchases	Sales	Held at Resignation	Held at 30 June 2014
<b>Directors</b>						
BF Nazer	104,420	-	-	-	-	104,420
JH Nickson	127,653	-	5,000	-	-	132,653
KR Perry	-	-	-	-	-	-
RB Flynn	250,496	-	350,000	-	-	600,496
<b>Executives</b>						
KS Smith	-	-	21,322	-	-	21,322

During the reporting period Mr Flynn exercised 350,000 options issued in October 2010 pursuant the Executive Long Term Incentive Plan to acquire fully paid ordinary shares in the Company.

## 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 2014 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 set out in a separate section of the Company's 2014 annual report and discloses the Company's main corporate governance practices throughout the financial year.

## 14. Share options

### *Options granted to directors, key management personnel and senior executives*

Options that have been granted, subject to vesting conditions, to date are disclosed in Note 17 of the full financial report.

The number of options exercised during the year ended 30 June 2014 was 550,000. There were no options issued pursuant to the Executive Long Term Incentive Plan outstanding as at the date of this report.

In January 2014 the Group issued 200,000 fully paid ordinary shares under an interest free (conditional on employment) limited recourse loan to an employee. The shares were issued at a price of \$2.87 per share which was the volume weighted average price for the 20 trading days preceding the decision to issue the shares. Until the loan is repaid the shares are escrowed with a trading lock. The loan is repayable over a 3 year period from the date on when the shares were issued. The Group's recourse on the loan principal is limited to the market value of the shares when the loan is repaid.

## 15. Non-audit services

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

- all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Company's Audit and Risk Committee to ensure they do not impact the integrity and objectivity of the auditor; and



# Directors' Report

(continued)

## 15. Non-audit services (continued)

- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Details of the amounts paid to the auditor of the Company, KPMG, and its related practices for audit and non-audit services provided during the year are set out in Note 3 to the full financial report.

## 16. Lead auditor's independence declaration

The lead auditor's independence declaration made in accordance with Section 307C of the Corporations Act 2001 is set out on page 92 and forms part of this directors' report.

## 17. Company secretary

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

## 18. Rounding off

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

Signed in accordance with a resolution of the directors.



R B Flynn  
Executive Chairman

Perth  
22 August 2014

## Introduction

This statement is dated 22 August 2014 and sets out the corporate governance practices of Coventry Group Ltd (CGL) for the 2013/14 financial year. If the practices have not been in place for the entire year, that is stated.

In March 2003 the ASX Corporate Governance Council (ASXCGC) issued a paper which set out 10 core principles together with best practice recommendations underlying the basis of good corporate governance.

In August 2007 the ASXCGC released a revised set of principles and recommendations for good corporate governance following a review of those initial principles and recommendations. This resulted in 8 principles being established which came into effect from the first financial year commencing on or after 1 January 2008.

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

ASXCGC's paper on the revised principles and recommendations refers to corporate governance as:

"the framework of rules, relationships, systems and processes within and by which authority is exercised and controlled by corporations. It encompasses the mechanisms by which companies and those in control, are held to account. Corporate governance influences how the objectives of the company are set and achieved, how risk is monitored and assessed, and how performance is optimised."

The board of CGL is committed to a high standard of corporate governance.

The board recognises that there is no single model of good corporate governance. What constitutes good corporate governance will evolve with changing circumstances facing the company and must be tailored to meet those circumstances.

CGL's corporate governance practices are monitored as changes in its regulatory and operating environment occur and are updated from time to time as required.

This statement encompasses the ASXCGC's revised principles and recommendations on corporate governance and should be read in conjunction with CGL's annual report.

CGL's website is [www.cgl.com.au](http://www.cgl.com.au) - most policies and documents underlying CGL's corporate governance practices can be found at this site.

On 27 March 2014, the ASXCGC released the 3rd edition of its Principles & Recommendations. These take effect for CGL's first full financial year commencing on or after 1 July 2014.

## ASXCGC Principle 1

Lay solid foundations for management and oversight.

Companies should establish and disclose the respective roles and responsibilities of board and management.

## ASXCGC Recommendation 1.1

Companies should establish the functions reserved for the board and those delegated to senior executives and disclose these functions.

## CGL Practice

The board has ultimate responsibility for oversight of the management and actions of CGL. It is responsible to shareholders for the Group's overall corporate governance.

The board has a charter which formalises certain matters relating to the board. The charter addresses the purpose and role of the board, its powers, board membership, independence criteria, meeting formalities, board sub-committee requirements, self assessment and appointment procedures as well as a policy on directors' terms of office.

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

The Company has in place formal letters of engagement for non-executive directors, setting out the key terms and conditions of their appointment.

# Statement of Corporate Governance Practices

(continued)

The executive chairman, Mr R B Flynn, as the chief executive officer of the Company, is engaged in accordance with a service contract and has a formal position description.

All senior executives of the Company are employed pursuant to formal service contracts and have formal position descriptions. The chief financial officer has had his position description endorsed by the board.

The Company has a formal delegated authority policy which sets out parameters and limits for entering into contractual relationship with customers and suppliers, and other operational matters. There are separate policies covering capital expenditure and treasury transactions. The policies are amended and updated as circumstances arise.

## **ASXCGC Recommendation 1.2**

Companies should disclose the process for evaluating the performance of senior executives.

### **CGL Practice**

Arrangements are in place to monitor the performance of senior executives of the Company. The direct reports to the chief executive officer have formal reviews at least once a year.

Performance is measured against previously agreed objectives/key performance indicators (KPIs). Apart from reviewing KPIs, the performance appraisal also considers leadership competencies, areas of improvement, training and development as well as career aspirations.

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

## **ASXCGC Recommendation 1.3**

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

### **CGL Practice**

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

## **ASXCGC Principle 2**

Structure the board to add value.

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

## **ASXCGC Recommendation 2.1**

A majority of the board should be independent directors.

### **CGL Practice**

The board presently consists of four directors. Three directors are non-executive directors and considered to be independent. The names of the directors of the Company as at the date of this statement are set out on pages 60 and 61 of the annual report.

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

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

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

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

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

There were no changes to the composition of the board during the 2013/14 financial year.

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

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

The board has a balanced composition with each current director bringing to the Company a range of complementary skills and experience as outlined on page xx of the annual report.

To assist the board in discharging its responsibilities, the board has established the following board committees:

- audit & risk committee
- remuneration committee
- nomination committee

## **ASXCGC Recommendation 2.2**

The chair should be an independent director.

## **CGL Practice**

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

The board was strongly of the view that the most suitable person to become chief executive upon the departure of the previous chief executive was Mr Flynn, given his relevant past experience and achievements combined with his knowledge of the Company, its people and its operations. The board is still supportive of this position. The three independent non-executive directors have deep insight to the business, are frequently updated and approve all major commitments in line with a clearly established authority schedule.

## **ASXCGC Recommendation 2.3**

The roles of the chair and the chief executive officer should not be exercised by the same individual.

# Statement of Corporate Governance Practices

(continued)

## **CGL Practice**

With the appointment of Mr Flynn as executive chairman in April 2007 the roles of chairperson and the chief executive officer are exercised by the same person. Accordingly the Company does not comply with this recommendation.

Refer to comments for CGL Practice under ASXCGC Recommendation 2.2.

## **ASXCGC Recommendation 2.4**

The board should establish a nomination committee.

## **CGL Practice**

The board has established a nomination committee.

The members of the nomination committee are:

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

The committee has a formal charter.

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

## **ASXCGC Recommendation 2.5**

Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.

## **CGL Practice**

The board charter stipulates that an annual performance evaluation of the board be undertaken. The audit & risk committee also has a requirement for regular self assessment.

The annual review of the board is carried out through the review and analysis of responses to a confidential memorandum completed by each director and senior executive team, which seeks input on key topics covering the important issues facing the board, what the board does best and areas where the board and the committees can improve.

Following a review of the responses by the chairman, a summary of the overall result is distributed to and discussed by directors. Significant issues identified or changes recommended are actioned in the board's ongoing development programme.

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

## **ASXCGC Recommendation 2.6**

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

## **CGL Practice**

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

## **ASXCGC Principle 3**

Promote ethical and responsible decision making.

Companies should actively promote ethical and responsible decision making.

## **ASXCGC Recommendation 3.1**

Companies should establish a code of conduct and disclose the code or a summary of the code as to:

- the practices necessary to maintain confidence in the company's integrity;
- the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and
- the responsibility and accountability of individuals for reporting and investigating reports of unethical practice.

## **CGL Practice**

The Company has a formal code of conduct. The code sets out the principles and standards with which all the Group's directors and employees are expected to comply in the performance of their respective duties. The code requires all directors and employees to act with honesty and integrity, comply with the law and conduct themselves in the best interests of the Company.

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

## **ASXCGC Recommendation 3.2**

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

## **CGL Practice**

The Company has a formal diversity policy.

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

## **ASXCGC Recommendation 3.3**

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

## **CGL Practice**

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

- (i) ensure recruitment and selection practices reflect the principle of diversity and encourage a diverse candidate pool for appointments to senior levels;
- (ii) develop mentoring programs and network opportunities;

# Statement of Corporate Governance Practices

(continued)

- (iii) support promotion of talented women in management positions;
- (iv) achieve a diverse and skilled workforce with a view to increasing representation of women across the Company; and
- (v) creating a work environment that values and utilises contributions of employees with diverse backgrounds, experiences and perspectives.

These objectives have been reviewed by the board nomination committee. Objectives (i) and (v) have been achieved. In relation to objective (ii) significant progress has been made with employment of 8 new graduates (including 2 women) from the previous year. Objectives (iii) and (iv) are still work in progress. For the reporting period there was a slight increase in the overall number of women employed across the Company – from 19% to 20%. The Company is continuing to look at initiatives to promote talented women. A number of other areas that the Company is addressing include establishing KPIs for managers relating to gender equality, developing a strategy on sex based harassment and discrimination prevention, developing a strategy for remuneration to identify pay equity objectives, reviewing conditions and practices relating to flexible working arrangements and continuing with focus groups/consultation with employees on issues concerning gender equality. Whilst there are no women on the Board or executive team, consideration will be given to any opportunities that may arise in this regard. Further details of gender diversity objectives are set out in the annual report.

## **ASXCGC Recommendation 3.4**

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

### **CGL Practice**

As at June 2014, 20% (2013-19%) of the Company's employees were women. There are no women on the Company's board or on the senior executive team. 18% (2013- 17%) of the Company's managerial or professional positions were held by women with 28% (2013 – 33%) of the Company's professional positions held by women.

## **ASXCGC Recommendation 3.5**

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

### **CGL Practice**

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

## **ASXCGC Principle 4**

Safeguard integrity in financial reporting.

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

## **ASXCGC Recommendation 4.1**

The board should establish an audit committee.

### **CGL Practice**

The board has established an audit & risk committee.

## **ASXCGC Recommendation 4.2**

The audit committee should be structured so that it:

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

## **CGL Practice**

The members of the audit & risk committee are:

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

The chief executive officer, internal and external auditors and the chief financial officer attend meetings by invitation.

Details of the experience of the members of the committee are set out on page xx of the annual report and indicate that each is suitably qualified to be a member of the audit & risk committee.

## **ASXCGC Recommendation 4.3**

The audit committee should have a formal charter.

## **CGL Practice**

The Company's audit & risk committee has a formal charter which sets out its role, composition and duties and responsibilities.

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

## **ASXCGC Recommendation 4.4**

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

## **CGL Practice**

The information required for reporting on Principle 4 has been disclosed by the Company.

The selection and appointment of the external auditor involves a formal tender process. The successful candidate is then put at the next annual general meeting of the Company for approval by shareholders. This process was last undertaken in 2003. External audit engagement partners are rotated every 5 years. During the 2013/14 financial year a new engagement partner was appointed to fulfil the rotation requirements of the external audit firm.



# Statement of Corporate Governance Practices

(continued)

## **ASXCGC Principle 5**

Make timely and balanced disclosure.

Companies should promote timely and balanced disclosure of all internal matters concerning the company.

## **ASXCGC Recommendation 5.1**

Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.

## **CGL Practice**

The board observes the continuous disclosure obligations as imposed by the ASX Listing Rules. The matter is continuously monitored by the Group's executive management and regularly reviewed by the board on a monthly basis as a standing agenda item.

All notifications and announcements to the ASX are posted on the Company's website, under the tab – 'Investors, ASX Announcements'.

The Company has a formal policy for communicating with the investment community and the media. The executive chairman and chief financial officer are the only persons authorised to communicate on behalf of the Company for these specific groups. The company secretary is the responsible person for all communications with the ASX.

## **ASXCGC Recommendation 5.2**

Companies should provide the information indicated in the Guide to reporting on Principle 5.

## **CGL Practice**

The information required for reporting on Principle 5 has been disclosed by the Company.

## **ASXCGC Principle 6**

Respect the rights of shareholders.

Companies should respect the rights of shareholders and facilitate the effective exercise of those rights.

## **ASXCGC Recommendation 6.1**

Companies should design a communications policy for promoting effective communication with shareholders and encourage their effective participation at general meetings and disclose their policy or a summary of that policy.

## **CGL Practice**

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

- regular shareholder communication such as the Half Year Report, Annual Report and, as appropriate, other periodic advices such as director changes;

- shareholder access to communications through the use of information technology such as the Company's website ([www.cgl.com.au](http://www.cgl.com.au)) where all key notices, policies and documents are posted; and
- a direct link from the Company's website to Computershare Investor Services, the Company's share registry service provider.

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

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

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

## **ASXCGC Recommendation 6.2**

Companies should provide the information indicated in the Guide to reporting on Principle 6.

### **CGL Practice**

The information required for reporting on Principle 6 has been disclosed by the Company.

## **ASXCGC Principle 7**

Recognise and manage risk.

Companies should establish a sound system of risk oversight and management and internal control.

## **ASXCGC Recommendation 7.1**

Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.

### **CGL Practice**

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

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

## **ASXCGC Recommendation 7.2**

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

### **CGL Practice**

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

# Statement of Corporate Governance Practices

(continued)

The board receives and reviews the results of these appraisals via the audit & risk committee.

The Company has established a Group risk register which includes material business risks.

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

## **ASXCGC Recommendation 7.3**

The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

## **CGL Practice**

The board has received assurance from the executive chairman and chief financial officer that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is mostly operating efficiently and effectively in all material respects in relation to financial reporting risks and where not so operating, is being brought into compliance.

## **ASXCGC Recommendation 7.4**

Companies should provide the information indicated in the Guide to reporting on Principle 7.

## **CGL Practice**

The information required for reporting on Principle 7 has been disclosed by the Company.

## **ASXCGC Principle 8**

Remunerate fairly and responsibly.

Companies should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear.

## **ASXCGC Recommendation 8.1**

The board should establish a remuneration committee.

## **CGL Practice**

The board has established a remuneration committee.

The committee has a formal charter.

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

## **ASX Recommendation 8.2**

The remuneration committee should be structured so that it:

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

## **CGL Practice**

The members of the remuneration committee are:

- J H Nickson, (chairman), independent non-executive director
- K R Perry, independent non-executive director
- B F Nazer, independent non-executive director

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

## **ASX Recommendation 8.3**

Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.

## **CGL Practice**

The remuneration of non-executive directors is reviewed on a periodic basis by the remuneration committee having regard to the work load of the directors and the level of fees paid to non-executive directors of other companies of similar size and nature.

The aggregate amount payable to non-executive directors must not exceed the maximum annual amount approved by the Company's shareholders at the annual general meeting. Further details of non-executive directors' remuneration are contained in the remuneration report on pages 71 to 77 of the annual report.

All senior Company executives have service contracts which clearly set out the basis for their remuneration. Further details of executive remuneration are set out in the remuneration report on pages 71 to 77 of the annual report.

## **ASXCGC Recommendation 8.4**

Companies should provide the information indicated in the Guide to reporting on Principle 8.

## **CGL Practice**

The information required for reporting Principle 8 has been disclosed by the Company.

## Directors' Declaration

1. In the opinion of the directors of Coventry Group Ltd ("the Group"):

- (a) the financial statements and notes, and the remuneration report in the directors' report, set out on pages 71 to 77, 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 2014 and of their performance, for the financial year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(a) of the full financial report;
- (c) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

2. The directors have been given the declarations by the executive chairman and chief financial officer for the financial year ended 30 June 2014 pursuant to Section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of the directors.

A handwritten signature in black ink, appearing to read 'R B Flynn', with a long horizontal flourish extending to the right.

R B Flynn  
Executive Chairman

Perth  
22 August 2014

# Lead Auditor's Independence Declaration



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

To: the directors of Coventry Group Ltd

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2014 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

A handwritten signature in black ink, appearing to read 'Matthew Beevers', with a long horizontal stroke extending to the right.

Matthew Beevers  
*Partner*

Perth  
22 August 2014

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# Independent Auditor's Report



## Independent auditor's report to the members of Coventry Group Ltd Report on the financial report

We have audited the accompanying financial report of Coventry Group Ltd (the company), which comprises the consolidated statement of financial position as at 30 June 2014, and consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 25 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

### *Directors' responsibility for the financial report*

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

### *Auditor's responsibility*

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

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

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

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

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## *Independence*

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

## *Auditor's opinion*

In our opinion:

- (a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the Group's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1.

## **Report on the remuneration report**

We have audited the Remuneration Report included in Note 10 of the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

## *Auditor's opinion*

In our opinion, the remuneration report of Coventry Group Ltd for the year ended 30 June 2014, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG



Matthew Beevers

Partner

Perth

22 August 2014

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# Shareholder Information

as at 4 September 2014

## TWENTY LARGEST SHAREHOLDERS

Name	Ordinary Shares	
	Number	% of Total
1. RBC Dexia Investor Services Australia Nominees Pty Limited (BK Cust A/C)	6,816,914	17.85
2. National Nominees Limited	1,636,096	4.28
3. Swanwall Holdings Pty Ltd	1,408,535	3.69
4. Dorsett Investments Pty Ltd	1,356,660	3.55
5. Citicorp Nominees Pty Limited	1,252,229	3.28
6. JP Morgan Nominees Australia Limited	1,249,618	3.27
7. BNP Paribus Noms Pty Ltd (DRP)	1,215,931	3.18
8. Anne Kyle	1,000,000	2.62
9. One Managed Investment Funds Limited ACF Sandon Capital Investments Limited	903,857	2.37
10. Devadius Pty Ltd	836,619	2.19
11. Sandhurst Trustees Ltd (SISF A/C)	810,000	2.12
12. Citicorp Nominees Pty Limited (Colonial First State Inv A/C)	665,000	1.74
13. HSBC Custody Nominees (Australia) Limited	663,889	1.74
14. FFSF Asset Management Pty Ltd (FF Super Fund A/C)	600,246	1.57
15. Clifford Maxwell Kyle	331,208	0.87
16. Forum Investments Pty Ltd	329,624	0.86
17. Buduva Pty Ltd	325,000	0.85
18. Geoffrey Kyle	320,000	0.84
19. Joan Merle Smith	234,427	0.61
20. Judith Anne Smirk	206,663	0.54
	22,162,516	58.02

## DISTRIBUTION OF SHAREHOLDINGS

Size of Holding	Shareholders		Shares	
	Number	%	Number	%
1 to 1,000	1,969	51.30	695,862	1.82
1,001 to 5,000	1,182	30.80	3,173,035	8.31
5,001 to 10,000	347	9.04	2,606,172	6.82
10,001 to 100,000	309	8.05	8,070,447	21.13
100,001 and over	31	0.81	23,651,600	61.92
	3,838	100.00	38,197,116	100.00
Unmarketable parcel of shares	373	9.72	22,259	0.06

# Shareholder Information

as at 4 September 2014 (continued)

## SUBSTANTIAL SHAREHOLDERS

The Company's register of substantial shareholders showed the following particulars as at 4 September 2014.

Name of Substantial Shareholder	Extent of Interest (No. of shares)	Date of Last Notification
Investors Mutual Limited	7,727,328	24.12.2010
Schroder Investment Management Australia Limited	3,329,674	15.06.2012
Wilson Asset Management Group	2,518,739	13.06.2013
Sandon Capital Pty Ltd	2,973,776	19.06.2014 <sup>(1)</sup>
Dorsett Investments Pty Ltd	2,977,776	19.06.2014 <sup>(1)</sup>

<sup>(1)</sup> Sandon Capital and Dorsett Investments issued substantial shareholder notices on 19.06.14 indicating they were associates. Their underlying holdings are 1,592,785 shares (4.1%) and 1,356,660 shares (3.6%) respectively.

## UNQUOTED EQUITY SECURITIES

Nil

## VOTING RIGHTS

Each member present at a general meeting of the Company in person or by proxy, attorney or official representative is entitled:

- on a show of hands - to one vote.
- on a poll - to one vote for each share held.

# Corporate Directory

## Coventry Group Ltd

ABN 37 008 670 102

## Registered and Principal Administrative Office

525 Great Eastern Highway  
Redcliffe, Western Australia 6104  
Telephone: (08) 9436 5400  
Facsimile: (08) 9436 5406

## Postal Address

PO Box 740  
Cloverdale, Western Australia 6985

## Web Site

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

## Secretaries

John Colli  
Keith Smith

## Bankers

Australian and New Zealand Banking Group Limited

## Auditors

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

## Share Registry

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

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

## Securities Exchange Listing

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

## Shareholder Enquiries/Change of Address

Shareholders wishing to enquire about their shareholdings, dividend payments, or change their address should contact the Company's share registry.

