



Coventry Group Ltd

ABN 37 008 670 102

momentum

for change



Annual Report 2004

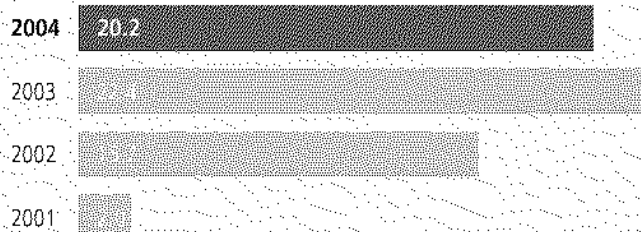
Coventry Group is ...

a listed company which has been operating for almost 70 years. Its current turnover is \$440 million and has four key divisions which are principally involved in the distribution of automotive parts, industrial products and the manufacture of bitumen products and gaskets.

It operates throughout Australia and New Zealand with a branch network of 143 locations and employs 2,000 people.

Shareholders total over 3,800 and the company had a market capitalisation of \$200 million as at 30 June 2004.

Cash flow from operating activities (\$million)



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Highlights

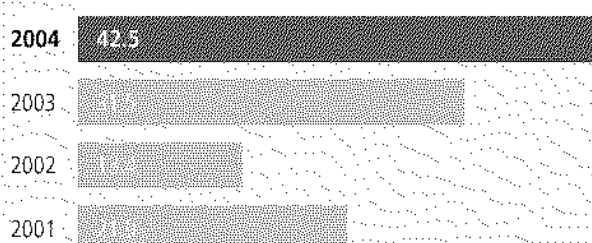
Financial

- Record net profit after tax of \$14.8 million – up 37% on last year
- Earnings per share (basic) of 42.5 cents – up 35% on last year
- Fully franked dividends totalling 34 cents per share – up 13% on last year
- Operating cash flow remains strong at \$20.2 million
- Net debt totalled \$12.5 million – significant reduction from \$23.3 million last year

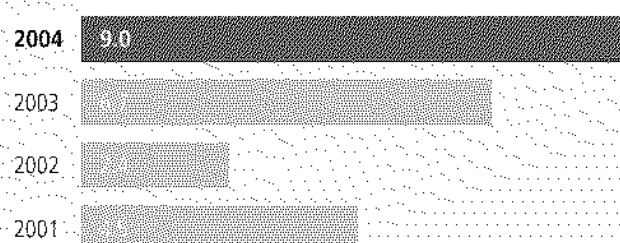
Operations

- Consolidated the industrial division's fastener branding to one name nationally – Coventry Fasteners
- Since the end of the 2003/04 financial year, two strategic acquisitions were made – an automotive parts distribution business in Queensland and one in Northern Territory
- development of a five year IT strategy

Basic earnings per share (cents)



Return on equity (%)



Five Year Financial Overview

		2004	2003	% Change	2002	2001	2000
Operating revenue	\$M	436.3	418.4	4.3▲	395.7	360	340
Net profit before tax ¹	\$M	21.9	16.9	29.6▲	10.8	13.2	8.7
Net profit after tax ¹	\$M	14.8	10.8	37.0▲	4.5	7.4	4.0
Net assets	\$M	169.9	162.8	4.4▲	155.9	158.4	186.0
Shareholders' equity ¹	\$M	167.0	159.7	4.6▲	151.0	152.5	174.4
Earnings per share	cents	42.5	31.5	34.9▲	13.4	21.9	11.9
Dividends per share ⁴	cents	34	30	13.3▲	20	30	30
Net tangible assets per share	\$	4.23	4.07	3.9▲	3.86	3.89	4.69
Operating cash flow	\$M	20.2	22.4	9.8▼	15.7	2.0	7.5
Return on equity	%	9.0	6.7	34.3▲	2.4	4.5	2.1
Net interest bearing debt	\$M	12.5	23.3	46.4▼	35.7	25.7	24.4
Gearing (net debt to equity)	%	7.3	14.3	49.0▼	22.9	16.2	13.1
Interest cover	times	21.0	11.1	89.2▲	9.7	11.9	93.4
Share price (30 June)	\$	5.72	4.95	15.5▲	3.47	3.75	3.64
Market capitalisation (30 June)	\$M	200.7	170.9	17.4▲	117.2	126.7	123.7

¹ before outside equity interest

² after outside equity interest

³ excludes outside equity interest

⁴ excludes special dividends

Business Segment Overview

AUTOMOTIVE PARTS



- distribution and marketing
 - automotive parts and accessories, tools, workshop equipment
 - mining and general industrial consumables
 - specialised transport and heavy haulage products

Year's Highlights

- strong performance by Coventrys in WA
- automotive parts business acquisitions in Qld & NT
- reduction in Coventry Auto Parts losses
- further expansion of house branded products Cortech, Redstone & CGL Tools

Financial

	2004	2003	% Change
Revenue (\$M)	242.4	229.6	+ 5.6
EBIT (\$M) ¹	7.1	3.6	+ 97.2
EBIT/Sales Margin (%)	2.9	1.6	+ 81.2
Return on Capital Employed (%) ²	11.4	6.8	+ 67.6

¹ excludes significant items - nil in 2004

² EBITA/assets less creditors and provisions

Coventrys

Automotive parts and accessories

Motor Traders

Automotive parts, tools and equipment

Coventry Auto Parts

Automotive parts and accessories

Drivetrain

Parts and tools for drivetrain

BITUMEN PRODUCTS



- manufacture and application of asphalt
- road profiling and maintenance
- manufacture and spraying of bituminous products for road construction and environmental protection
- treatment of recreational and coloured surfaces

Year's Highlights

- flat performance by Hot Mix asphalt operation
- emulsion spray & cover activities achieved strong profit improvement
- introduction of new products - Eco-grade recycled asphalt

Financial

	2004	2003	% Change
Revenue (\$M)	13.4	13.7	- 2.2
EBIT (\$M)	1.3	1.4	- 7.1
EBIT/Sales Margin (%)	10.1	10.7	- 5.6
Return on Capital Employed (%) ²	26.0	29.4	- 11.6

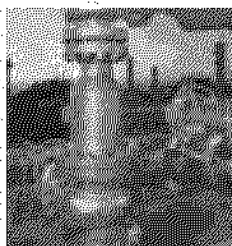
Hot Mix

Asphalt and related products

Bitumen Emulsions

Asphalt and related products

INDUSTRIAL PRODUCTS



- distribution and marketing
 - industrial and construction fasteners including bolts, nuts and screws
 - general industrial products
 - industrial bearings and power transmission products
- distribution of lubrication, hose and fittings products
- design and installation of lubrication and hydraulic fluid systems

Year's Highlights

- consolidated fastener branding to one name nationally, Coventry Fasteners
- continued with 'bolt on' fastener acquisitions - 1 in Qld & 2 in NZ
- launch of Fastener Torque & Construction Fix trade publications
- launch of new products such as NordLock

Financial

	2004	2003	% Change
Revenue (\$M)	173.0	166.8	+ 3.7
EBIT (\$M)	15.9	13.7	+ 16.1
EBIT/Sales Margin (%)	9.2	8.3	+ 10.8
Return on Capital Employed (%) ²	24.9	21.5	+ 15.8

Coventry Fasteners

Fasteners & Lubrication Specialists

Hylton Parker Fasteners Ltd

New Zealand's Leading Manufacturer

Infix

Australian & Construction Fastener Specialists

Cooper Fluid Systems

Specialists in Hydraulic and Pneumatic Components

Associated World Bearings

Bearings and Power Transmission Specialists

GASKET MANUFACTURING



- manufacture and distribution of automotive and industrial gaskets

Year's Highlights

- improved margins resulting in stronger profit result
- attained International Quality Standard ISO 9001-2000 certification
- improved production processes
- release of 2004 Permaseal catalogue

Financial

	2004	2003	% Change
Revenue (\$M)	12.5	12.7	- 1.6
EBIT (\$M)	1.8	1.2	+ 50.0
EBIT/Sales Margin (%)	14.6	9.9	+ 47.5
Return on Capital Employed (%)	22.8	14.4	+ 58.3

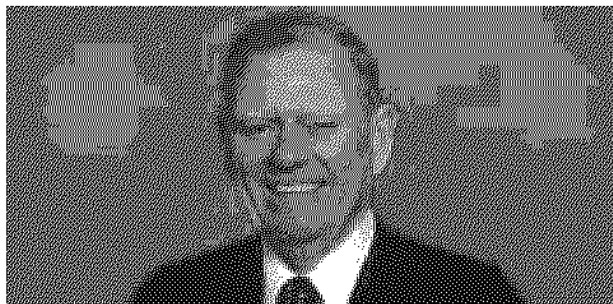
aa gaskets

nz gaskets

permaseal
Quality Automotive Gaskets

torque orfe
Fasteners & Lubrication

Chairman's Report



Dear Shareholder

On behalf of your directors, I am pleased to present Coventry Group's 2004 Annual Report.

>> Financial Performance

The Group achieved a record net profit after tax and outside equity interest of \$14.8 million which represented a 37% increase on the prior year. Earnings per share (basic) rose 35% to 42.5 cents. A strong performance by the traditional automotive divisions, reduced losses by the controlled entity, Coventry Auto Parts Pty Ltd, and a lower effective tax rate for the Group were the key contributing factors to the improved profit result.

The accompanying review of operations by the Group's Chief Executive Officer, Chris Glenn, contains further details of the performance of the various divisions as well as comments on future prospects.

>> Dividend

The directors have declared a fully franked final dividend of 18 cents per share (last year 16 cents per share) to be paid on 24 September 2004. This lifts the full year dividend to 34 cents per share compared to last year's 30 cents per share. The dividend reinvestment plan has been maintained for this dividend with the discount remaining at 2.5%.

The dividend payout ratio of 80% of after tax profit is consistent with the Board's current policy of distributing to shareholders as much as possible of the Company's net earnings.

>> Strategy

During the year in review, the Group achieved earnings per share growth of 35% which exceeded the minimum target of 8% per annum. The return on equity was 9% after tax compared with 6.7% in the previous year. Our target minimum remains at 12% per annum.

The Group is constantly seeking out suitable acquisition opportunities which meet our internal hurdle rate and are consistent with our overall objective to achieve growth in shareholder value. As already announced, since the end of the 2003/04 financial year two automotive parts distribution businesses have been acquired, one in Queensland and one in the Northern Territory. In addition, a small fastener business has been acquired recently in Whangarei, New Zealand. Further details are contained in the Chief Executive Officer's Operations Review.

>> Corporate Governance

During the year, further work was undertaken on the Company's corporate governance practices and procedures with the view to aligning them to the Principles of Good Corporate Governance and Best Practice Recommendations released by the ASX in March 2003. Key matters addressed included the adoption of a formal Board Charter, the implementation of a Code of Conduct and a revision of the Audit Committee's Charter. The Company is in compliance with the ASX Principles but will continue to review, modify and improve a number of current policies and practices. A Statement of Corporate Governance Practices is set out on pages 21 to 26 of the Annual Report.

Considerable attention has been paid to risk and an Executive Risk Committee has been established with the intention of identifying and raising awareness of risk, and ensuring that appropriate action is taken to mitigate risk. The Charter and name of the Board Audit Committee have been changed to clearly identify risk as a key responsibility area.

>> The Board

During the year there have been further changes to the composition of the Board. In February 2004, Mr Brian Goddard retired as a non-executive director and Deputy Chairman. Mr Goddard had been an executive director of the Company since 1977 and its joint managing director from 1989 until his retirement as an executive in 1997. The Board records its sincere appreciation of the significant role Mr Goddard has played in leading the Company's growth and development.

In continuing to add to the experience and skill sets of the Board, the directors invited Mr Joe Boros to fill the vacancy created by Mr Goddard's retirement. Mr Boros has extensive experience as a successful chief executive in his former role as head of Bunnings Building Supplies. His particular knowledge

The Group is constantly seeking out suitable acquisition opportunities which meet our internal hurdle rate and are consistent with our overall objective

to achieve growth in shareholder value ...



of efficient supply chain management will make a valuable contribution to the Company's ongoing success.

In accordance with the Company's Constitution Mr Boros must stand for election at the Annual General Meeting and full background details are included in the Notice of Meeting which accompanies this Annual Report.

Mr Ross McLean and Mr Clifford Kyle must stand for re-election at this meeting. Both have put themselves forward and are recommended by their fellow directors for re-election.

I also thank my fellow directors for their valuable input and support throughout the year.

Warwick Kent AO
Chairman

>> Acknowledgements

On behalf of the directors, I thank the Chief Executive Officer, Chris Glenn, his management team and the Company's employees for their contributions during the 2003/04 financial year. Their professionalism, dedication and enthusiasm are responsible for Coventry Group's achievements.

Chief Executive Officer's Operations Review



>> Financial Performance

Coventry Group recorded an operating profit before tax of \$21.9 million, up 30% on the prior year. Operating revenue increased 4% to \$436 million. Although total revenue improved 2%, comparisons to the prior year are impacted by the sale of property assets totalling \$9.8 million in the 2002/03 year compared to \$1.8 million in the year in review.

The Group's after tax profit result of \$14.8 million was assisted by a number of key factors:

- the Group's traditional automotive business divisions, comprising Coventrys in Western Australia and Motor Traders in South Australia, achieved a 19% or \$1.8 million increase in net profit before interest and tax over the previous year.
- Coventry Auto Parts Pty Ltd (CAP) recorded reduced losses. For the year in review CAP's trading losses totalled \$4.1 million before tax compared to \$5.8 million for the prior year. Although this represented a 29% improvement, CAP's overall trading performance for the 2003/04 financial year was below budget expectations. The result for the second half of the reporting period represented a 35% improvement on the prior comparative period and further steps are being taken to improve performance.
- the Group's effective tax rate was 31% for the year in review compared to 36% for the prior year. The lower tax rate was attributable to the grouping of CAP's tax losses for a full year and the greater utilisation of CAP's brought forward tax losses.

Group operating expenses increased 4% to \$141 million.

The table below lists two key performance ratios which show a continued improvement in the Group's overall results.

	Year Ended 30.06.04	Year Ended 30.06.03
EBITA/Operating Revenue (%)	5.7	4.9
Return on Equity (%)	9.0	6.7

>> Cash Flow and Gearing

During the 2003/04 financial year, the Group significantly reduced its interest bearing debt due to proceeds received from the sale of property assets and operating cash flow.

The following table illustrates key gearing ratios.

	Year Ended 30.06.04	Year Ended 30.06.03
Operating Cash Flow (\$M)	20.2	22.4
Closing Net Interest Bearing Debt (\$M)	12.5	23.3
Net Debt/Equity (%)	7.3	14.3
Interest Cover (times)	21.0	11.1

>> Acquisitions

As stated in my report last year, the Group's acquisition strategy is to target smaller businesses which will add value to existing operations, as well as new business opportunities that meet our shareholder return targets and are a strategic fit with the Group.

During the year in review, the industrial division made a number of "bolt on" acquisitions with a view to growing its existing base. Angie's Nuts & Bolts (QLD) and Hamilton Nuts & Bolts (NZ) were added to the Group's fastener distribution network. Since the end of the 2003/04 financial year, Engineering & Fastener Supplies, a small fastener distribution business in Whangarei, New Zealand was acquired.

The automotive division also made two business acquisitions since the end of the reporting period.

On 1 July 2004, the Queensland based Thompson's Spare Parts and Rod Smith Parts & Bearings businesses, and on 31 July 2004, Independent Motor Mart, a Northern Territory based automotive parts distributor were acquired. It is anticipated that the two acquisitions combined will contribute an additional \$19.7 million in annual sales and \$2 million to annual EBIT (excluding acquisition costs).

The Group will continue to actively pursue acquisition opportunities in order to grow revenue and achieve improved returns for shareholders.

>> Information Systems

Following the appointment a Chief Information Officer for the Group in August 2003, significant work has been done in reviewing and assessing the capabilities of the Group's information systems. In conjunction with external consultants, a five year IT strategy has been developed with two major initiatives currently being progressed. The first project involves the establishment of a formal disaster recovery capability for the Group's core IT applications. The first phases of this project have already been implemented

The Group will continue to actively
pursue acquisition opportunities
in order to grow revenue and achieve
**improved returns
for shareholders...**

Operating revenue (\$ million)

2004	436.3
2003	413.4
2002	375.7
2001	360.6

with the final stage to be completed by February 2005. The second initiative will see the Group establishing new core operating and warehouse management systems. This is a major project which will be completed over the next three years. Ongoing work is being undertaken to continually improve the Group's E-commerce capability.

>> People

With the continued growth of the Group and a number of larger acquisitions subsequent to the 2003/04 financial year end, the total number of employees for the Group currently totals 2,000 (compared to 1,891 as at 30 June 2003).

To support the Group's business objectives and continued development of its employees, a number of human resources strategies that were initiated in the prior year continued to be refined and implemented during the year in review. Some key highlights included;

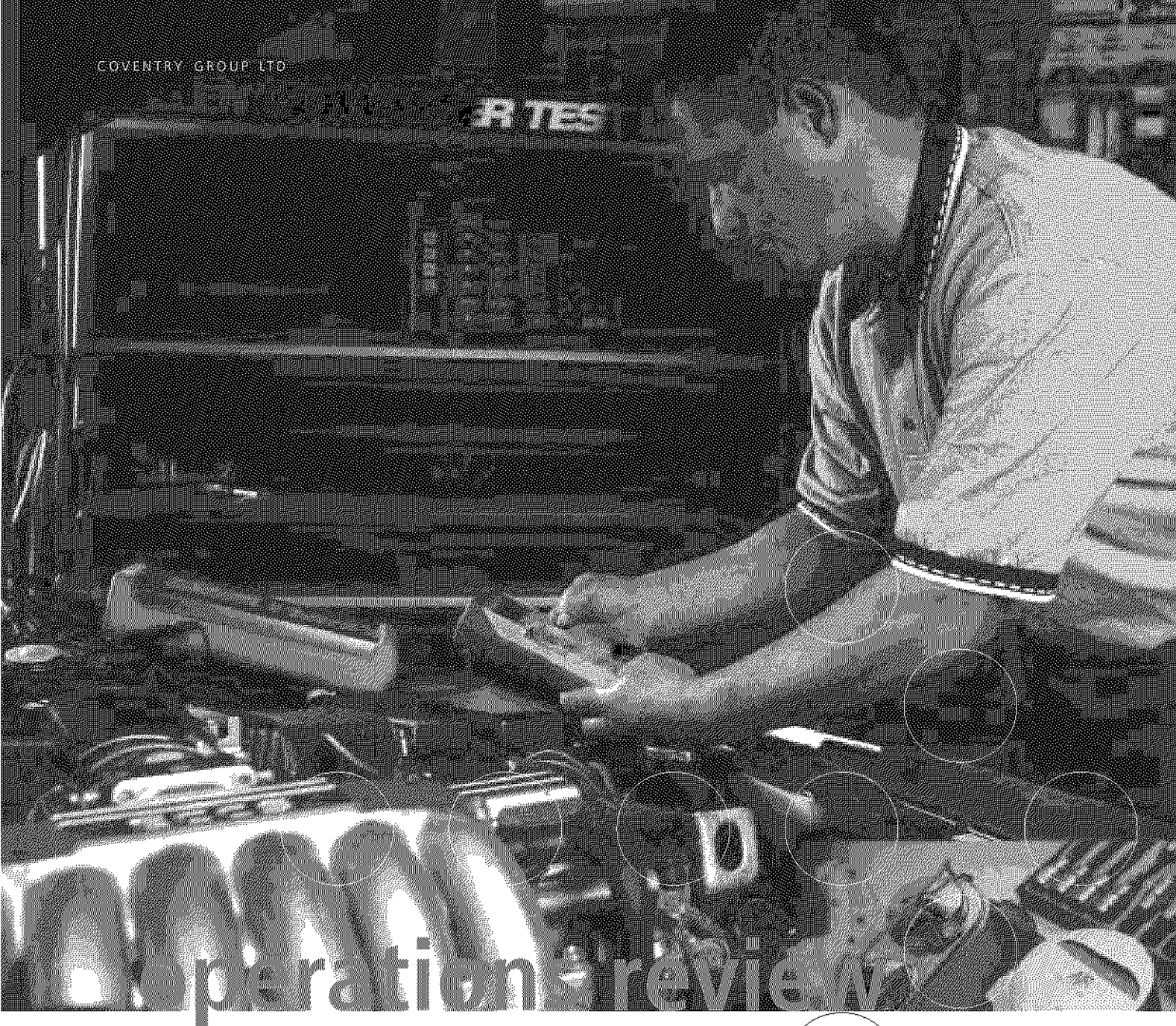
- the Group's occupational, safety and health program, Safety First, continued to gather momentum with a number of business units achieving the top safety status recognition from the relevant authorities. Lost time injury rates remained steady and there have been reductions in time lost throughout the Group.

- an organisation wide employee "climate" survey was completed for the first time in the Company's history. Feedback from the survey will be provided to all employees. Focus groups will be held across the Group to implement the opportunities identified by our people.
- a greater emphasis has been placed on staff communication with a number of new and innovative programs launched during the year which included regular employee newsletters and Company updates.
- the further development of the Company remuneration and benefits program has resulted in the introduction of a number of sales and target based incentive programs designed to drive improvements in sales and profitability.

>> Outlook

The outlook is for trading conditions to remain satisfactory and in line with the Australian and New Zealand economies. Strong competition, particularly in the Industrial and Bitumen business segments, is expected to continue.

Improvement of the underperforming CAP business will continue to be a priority along with the further development of the traditional Automotive and Industrial businesses.



Operation review

Automotive Parts Distribution

The automotive parts business segment achieved a net profit before interest and tax (before significant items – nil in 2004) of \$7.1 million compared to \$3.7 million for the prior year. Revenue increased by 6% to \$242 million. The result was underpinned by a solid performance by the WA based Coventrys division operating in a favourable WA economy which was assisted by the resources sector and growth in the overall trade market. The division's South Australian operations, Motor

Traders, recorded an overall disappointing result due to full year margins being negatively impacted by competition. However, a stronger second half was encouraging.

CAP's losses reduced 29% compared to the prior year. CAP's Queensland operations achieved breakeven in two of the last four months of the year while its New South Wales activities recorded only a marginal improvement over the prior year.

As mentioned earlier in the report, two automotive distribution businesses were recently acquired. The Queensland based acquisition of Thompson's Spare Parts and Rod Smith Parts & Bearings is expected to make a strong contribution to the ongoing viability of CAP's Queensland activities.

It is also anticipated that Independent Motor Mart's dominant position in the Northern Territory automotive parts market will make a positive impact on the division's profitability. This

The result was underpinned
by a solid performance
by the WA based Coventrys division
**operating in a
favourable WA economy...**



represents expansion into a new geographic market for the business segment.

As part of the business segment's review of its branch network, two new branches were opened, one branch relocated and one branch closed in Western Australia, whilst in South Australia one branch was relocated. In addition, following a review of the suitability of the Group's Morley site for the future needs of the Group, which includes the WA automotive division's main distribution centre, the Company has called for expressions of interest for the Morley site from potential purchasers and is

seeking proposals from developers in relation to a new site. A decision in this matter is expected to be made in the second half of the 2004/05 financial year.

Further range expansion of the Cortech, Redstone and CGL Tools house branded products contributed to better margins for these products and further development is planned in the new financial year.

Product range improvement and expansion, ensuring off the shelf availability to meet customer demand from all locations for the growing diversity of Australia's motor vehicle market, have been a strong

focus over the past year. This is expected to continue over the next year.

With new vehicle sales growth being relatively consistent over the past decade, including record sales in 2002, 2003 and predicted for 2004, trading for this business segment is expected to be in line with general market growth.



operations review

Industrial Products Distribution

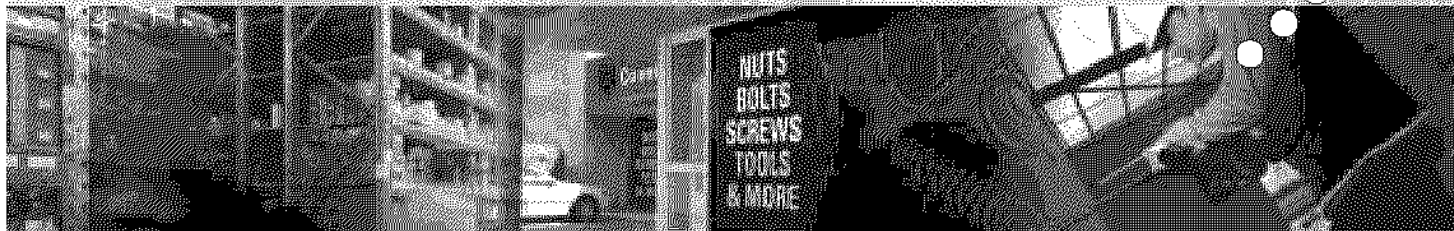
This business segment achieved a net profit before interest and tax of \$15.9 million, a 16% improvement on the prior year. Revenue growth of 4% to \$173 million was lower than expected due to slower sales activity in the second half of the year. Improved buying patterns and the implementation of a number of strategic supply initiatives contributed to better margins. A buoyant resources sector underpinned the strong contribution made by the Western Australian and Queensland operations.

The specialist construction fastener division, Infix, continued to experience strong growth due to high demand from the housing sector. The segment's New Zealand operations, Hylton Parker Fasteners, recorded strong sales and margin growth assisted by construction sector demand and the stronger NZ dollar.

The fastener branding profile was revised and its trading name consolidated in Australia to Coventry Fasteners. This replaces multiple trading names



Improved buying patterns and
the implementation of a
number of strategic supply initiatives
contributed to
better margins...



previously used and will provide a platform for a more uniform, focussed approach in targetting the larger commercial markets of resources, manufacturing and infrastructure project activity.

The launch of promotional publications such as Fastener Torque and Construction Fix together with new fastener products such as NordLock, will reinforce Coventry Fasteners as the leading fastener distributor in Australia.

A consolidation of business structures in Tasmania and Northern Territory together with a review of the distribution model was undertaken to improve efficiencies and reduce business costs.

A rationalisation and reduction in inventory levels was also achieved.

Whilst infrastructure project activity is expected to remain strong in Western Australia and Queensland due to a strong mining sector, it is anticipated that opportunities will be tempered by a slowing of manufacturing output and residential construction.

The division is also beginning to experience increasing levels of competition particularly from smaller entrants in the market.



operations review

Gasket Manufacturing

The controlled entity, AA Gaskets Pty Ltd (AAG), recorded a consolidated net profit before interest and tax of \$1.8 million, a 47% increase on the prior year. Revenue remained steady at \$12.5 million. The improved profit result was attributable to better margins due to lower costs of imported raw materials and the impact of strategic restructuring initiatives that had been implemented in the previous financial year.

During the 2003/04 financial year, AAG attained recertification to the International Quality Standard ISO 9001:2000 and made further improvements in the areas of production processes and inventory reduction.

AAG released the 2004 Permascal Catalogue which contained a significant number of new engine listings. The acquisition of an additional travelling head press in the last quarter of the year and the commissioning of a new assembly

press in the new financial year are expected to bring further improvements in production capacity and efficiencies during the 2004/05 financial year and have a positive impact on the gasket operations.



Bitumen Products

Strong competitor activity in the Hot Mix asphalt operation affected the Group's bitumen business segment which recorded a reduced net profit before interest and tax of \$1.3 million, down 10% on last year. Revenue decreased 3% to \$13.4 million. On a positive note, the segment's emulsions spray and cover operation achieved a significantly improved profit compared to the previous year. Hot Mix's new asphalt plant, while now fully operational, experienced some "start up" problems

which impacted earnings in the first half. Reduced road funding also continues to negatively impact activities. Hot Mix's performance for the second half was encouraging with an improvement in sales volumes and strategies are being implemented to grow market share. Initiatives such as the implementation of a formal sales and marketing plan, the introduction of new products such as Eco-grade recycled asphalt and the expansion of the business into new markets such as subdivisions are all

expected to bring continued improvement to the asphalt business. Plans are also underway to establish an upgraded emulsion facility.

Board of Directors

Warwick Gordon Kent AO (1)

Cit. WA, B.ECONS, FCPA, FCIS, FAICD

Non-executive independent Chairman; member of audit and risk committee; Chairman of nomination committee.
age 68

Mr Kent was appointed a director in July 2001 and became Chairman of the Company in November 2001. He is a former senior executive of Westpac Banking Corporation and was Managing Director and Deputy Chairman of Bank of Western Australia Limited for eight years until his retirement in 1997. He is Chairman of West Australian Newspaper Holdings Ltd and is a director of Commonwealth Bank of Australia and Perpetual Trustees Australia Limited. He is a former director of SGIO Insurance Ltd and Colonial Limited. Mr Kent is a past President of WA Division of the Australian Institute of Company Directors.

Christopher James Glenn (3)

DIP, APP, SC, GRAD, DIP. MKTING, MBA, GAICD

Chief Executive Officer and Managing Director.

age 46

Mr Glenn was appointed as chief executive officer and managing director of the Company in February 2003. He had held a number of senior executive positions with large international organisations and brings a wealth of experience to the Group in marketing and distribution as well as strong operational skills. His previous position was that of General Manager Fire and Safety at Tyco International in Sydney. His role involved responsibility for a business operating in Australia, New Zealand and Fiji employing some 3,000 staff and with a turnover approaching \$500 million. Other positions have included General Manager Security Services at Tyco International and General Manager Energy Services at Integral Energy.



Joseph Boros (2)

FCPA, FAICD

Non-executive independent director; member of the audit & risk committee.
age 59

Mr Boros was appointed a director of the Company on 1 March 2004 following the retirement of Mr Brian Goddard. He has had 40 years experience in the hardware and building industry in financial and general management roles. Mr Boros was Managing Director of the Alco Group when it was acquired by Bunnings in 1990 and was then appointed Managing Director of Bunnings Building Supplies to merge the two businesses. He was also a Director of Bunnings Ltd, a listed public company at that time up until its acquisition by Wesfarmers in 1993.

During his 13 year term as head of Bunnings, the business grew from a WA, state based enterprise to a national operation with a turnover exceeding \$3 billion and employing 20,000 staff.

Mr Boros is a director of the Chamber of Commerce and Industry of Western Australia and a representative of the Retail Shops Advisory Committee.

Roger Baden Flynn (4)

B.ENG(HONS), MBA, FIE (Aust)

Non-executive independent director; member of remuneration committee; member of nomination committee.
age 54

Mr Flynn was appointed a director of the Company in October 2001. 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. On 16 August 2004 Mr Flynn was appointed Chief Executive Officer and Managing Director of the listed public company ION Limited. His other directorships include Wattyl Limited and Hills Industries Limited. Mr Flynn resides in Melbourne.

Clifford Maxwell Kyle (5)

B.COM, DIPCM, FCIS, FAICD

Non-executive director; member of audit and risk committee; member of remuneration committee.

age 48

Mr Kyle joined the Company in 1979 and was appointed a director in 1990. Whilst an employee of the Company he was a senior executive with responsibilities in accounting, corporate services and administration until his resignation in December 1998.

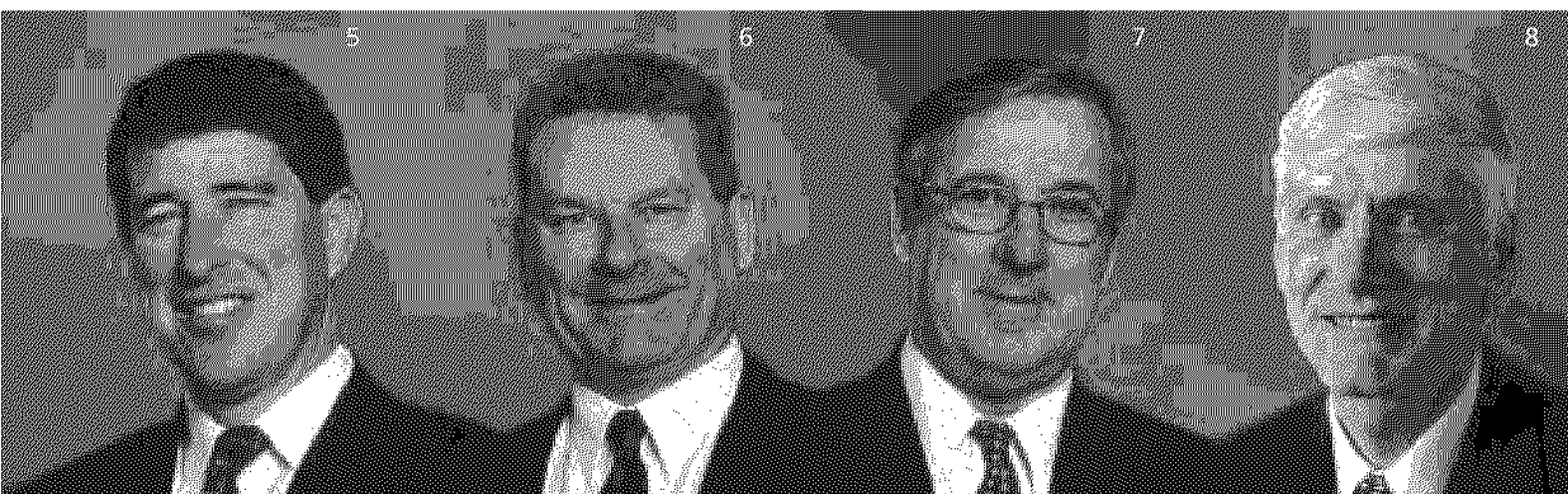
Ross Malcolm McLean AM (7)

B.ECONS (HONS)

Non-executive independent director; Chairman of remuneration committee; member of nomination committee.

age 60

Mr McLean was appointed a director in 1995. He is currently Deputy Chief Executive of the Chamber of Commerce and Industry of Western Australia. He is also a director of the Australian Broadcasting Corporation, Westscheme Pty Ltd and CCI Training Services Pty Ltd. Mr McLean's past experience includes Chairman of the WA Government's Trade Advisory Council, a Member of the State Government Economic Strategies Council and the Senate of Murdoch University.



Peter Arthur Kyle AM (6)

MA (OXON), LLB (WA)

Non-executive independent director; Chairman of audit and risk committee.

age 59

Mr Kyle was appointed a director in 1980. He is a solicitor in private practice for over thirty years with particular expertise and experience in commercial litigation and local government affairs. He is past President of the Australian Local Government Association and a former director of Fremantle Gas & Coke Co Ltd and Consolidated Gold NL.

Barry Frederick Nazer (8)

BBUS, FCPA, FAIFE, ANZHF (Fellow), FAICD

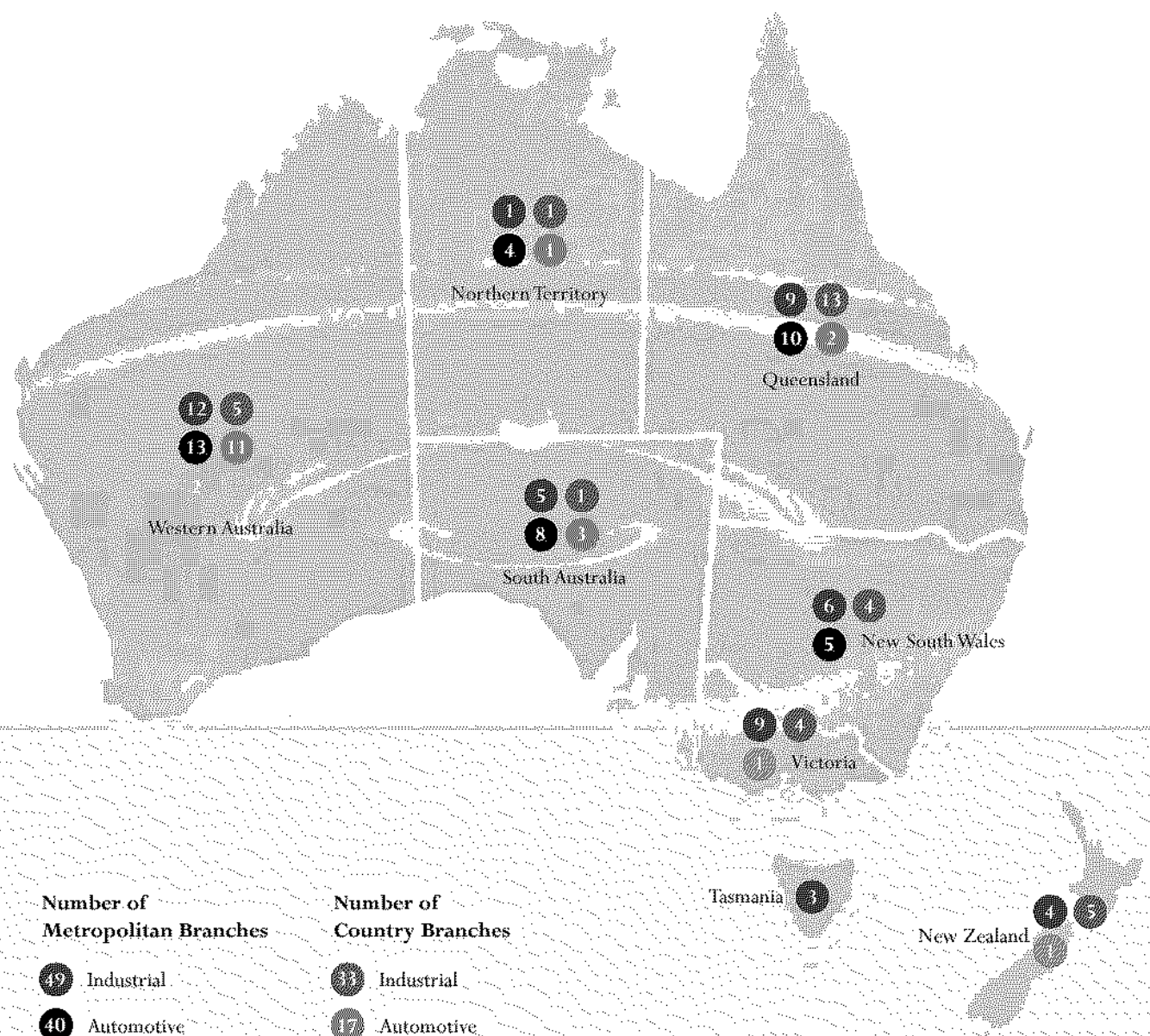
Non-executive independent director; member of audit and risk committee.

age 56

Mr Nazer was appointed as a director of the Company on 1 September 2003. He is currently Chief Financial Officer of Wesbeam Holdings Limited, an unlisted public company which operates a laminated veneer lumber manufacturing facility.

He was Chief Financial Officer and Company Secretary of WESFI Limited, a major engineered wood products manufacturer and distributor, from August 1999 until its sale in 2001. He previously spent over ten years at the executive level of Bank of Western Australia Limited, including almost nine years as Chief Financial Officer. Mr Nazer's past experience includes Director of a public company involved in the development of treasury and risk management software for financial institutions and corporate treasuries, Chairmanship of a staff superannuation fund with assets exceeding \$100 million and a member of Curtin University's Business School Advisory Council.

Group Network



Financial Report

for the year ended 30 June 2004

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Directors' Report

The directors present their report on the financial statements of the consolidated entity consisting of Coventry Group Ltd (the Company) and its controlled entities for the year ended 30 June 2004.

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:

Non-executive, independent directors

Warwick Gordon Kent, AO – Chairman

Joseph Boros (appointed on 1 March 2004)

Roger Baden Flynn

Peter Arthur Kyle, AM

Ross Malcolm McLean, AM

Barry Frederick Nazer (appointed on 1 September 2003)

Non-executive directors

Brian Arthur Goddard (retired on 29 February 2004)

Clifford Maxwell Kyle

Executive directors

Christopher James Glenn – Managing Director and Chief Executive Officer

Particulars of their qualifications, experience and special responsibilities are set out on pages 14 and 15 of the Annual Report.

Directors' Interests in Shares

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

	Number of Ordinary Shares
W G Kent	32,501
J Boros	7,500
C J Glenn	4,229
R B Flynn	4,402
C M Kyle	1,563,020
P A Kyle	5,664
R M McLean	16,189

During the 2003/04 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(1)(d) of the Corporations Act, except as follows:

Mr C J Glenn has a service contract with the Company dated 26 November 2002 and amended on 22 December 2003 which entitles him to benefits and the right to shares in the Company as disclosed in Note 5 to the Financial Statements and set out on pages 37 to 41 of the Annual Report.

Directors' Meetings

The following table sets out the number of meetings of the Company's board of directors and each board committee held during the year ended 30 June 2004, and the number of meetings attended by each director.

	Board of Directors		Audit and Risk Committee		Remuneration Committee		Nomination Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
W G Kent	14	14	5	5	-	-	2	2
J Boros (a)	4	4	1	1	-	-	-	-
B A Goddard (a)	10	10	4	4	-	-	-	-
C J Glenn	14	14	-	-	-	-	-	-
R B Flynn	14	14	-	-	7	7	2	2
C M Kyle	14	14	5	5	7	7	-	-
P A Kyle	14	14	5	5	-	-	-	-
R M McLean	14	14	-	-	7	7	2	2
B F Nazer (a)	10	10	3	3	-	-	-	-

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 deemed meetings.

(a) Messrs Boros, Goddard and Nazer were eligible to attend a lesser number of Board and Audit and Risk Committee meetings as they were directors for only part of the reporting period.

Directors' Report

2. PRINCIPAL ACTIVITIES

The principal activities of the consolidated entity during the financial year were:

- The distribution of automotive parts and accessories, mining and general consumables, industrial and construction fasteners, bearings, power transmission products, lubrication products and systems, hoses and fittings and hydraulic fluid systems;
- Asphalt manufacture and application, road profiling, and manufacture and spraying of bituminous products; and
- The manufacture and distribution of automotive and industrial gaskets.

3. CONSOLIDATED RESULTS

Results of the consolidated entity for the year ended 30 June 2004 were as follows:

	2004 \$000	2003 \$000
Revenue from ordinary activities	440,302	430,295
Profit from ordinary activities before income tax	21,929	16,870
Income tax	6,758	6,008
Profit from ordinary activities after income tax	15,171	10,862
Net profit attributable to outside equity interests	(371)	(95)
Net profit attributable to members of Coventry Group Ltd	14,800	10,767

4. DIVIDENDS

The directors have declared a final dividend of 18 cents, fully franked, for each ordinary share for the year ended 30 June 2004. The record date for the dividend is 13 September 2004 and it will be paid on 24 September 2004.

An interim dividend of 16 cents, fully franked, for each ordinary share was declared by the directors on 27 February 2004 and paid on 31 March 2004.

The payment of the final dividend will bring the total dividend on ordinary shares to 34 cents for each share for the year ended 30 June 2004.

For the year ended 30 June 2003, the final dividend of 16 cents for each ordinary share referred to in the Directors' Report dated 29 August 2003 was paid on 25 September 2003.

5. REVIEW OF OPERATIONS

A review of the consolidated entity's operations for the financial year and the results of those operations are contained in pages 1 to 13 of the Annual Report and in particular in the Chief Executive's review section.

6. EARNINGS PER SHARE

Earnings per share (basic) for the year ended 30 June 2004 was 42.5 cents. This compares to 31.5 cents for the previous year.

7. SIGNIFICANT CHANGE IN THE COMPANY'S AFFAIRS

The directors are not aware of any significant change in the consolidated entity'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 other matter or circumstance having arisen since the end of the financial year that has significantly affected, or may significantly affect:

- the consolidated entity's operations;
- the results of those operations; or
- the consolidated entity's state of affairs

in subsequent years, except in relation to dividends, tax consolidation, International Financial Reporting Standards and acquisitions as disclosed in Note 34 to the Financial Statements and set out on pages 60 to 61 of the Annual Report.

9. FUTURE DEVELOPMENTS AND RESULTS

The consolidated entity 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 consolidated entity and have the potential to increase and maximise shareholder wealth.

In the opinion of directors it would be prejudicial to the consolidated entity's interests if any further information on likely developments and expected results of operations was included in this report.

10. REMUNERATION REPORT

The principles used to determine the nature and amount of remuneration paid to the directors and specified executives (being executives, other than the directors, with the greatest authority for strategic direction and management of the Company) as well as particulars of short-term and long-term incentives and key terms of employment for these executives for the year ended 30 June 2004 are disclosed in Note 5 to the Financial Statements and set out on pages 37 to 41 of the Annual Report.

Directors' Report

10. REMUNERATION REPORT (continued)

The five officers of the Company who received the highest emoluments for the reporting period were four specified executives, Messrs Scidone, Fraser, Cooper and Furness, and Mr EV Currell. Mr Currell, who was made redundant on 12 September 2003, received emoluments totalling \$300,487 which comprised cash salary (\$31,054), non-monetary benefits (\$9,463), superannuation (\$6,428), accrued annual leave (\$36,423) and long service leave (\$31,054) and redundancy benefits (\$186,065).

11. ENVIRONMENTAL REGULATION

The consolidated entity is subject to environmental regulation in respect of its bitumen and asphalt manufacturing activities.

The Group's Hot Mix division procures asphalt in accordance with an agreement entered into with Emoleum (a partnership between Readymix Road Group Pty Ltd and Vacuum Road Services Pty Ltd). Under the agreement, an asphalt production sharing facility has been established at CSR Ltd's Gosnells quarry. The relevant EPA licence for the Gosnells site is held by Emoleum.

The Hot Mix and Bitumen Emulsions divisions also comply with the dangerous goods code. Accordingly, the divisions have an ongoing programme for the licensing and inspection of their transport vehicles for the carriage of dangerous goods. Both divisions hold and comply with a licence issued by the Department of Minerals and Energy in Western Australia in relation to the storage of bituminous products. The two divisions have procedures and systems to ensure compliance with environmental regulations which are regularly reviewed.

The consolidated entity is not subject to any other specific environmental regulation.

The consolidated entity mainly operates warehousing and distribution facilities throughout Australia and New Zealand which have general obligations under environmental legislation of the respective state and local government authorities in relation to pollution prevention.

For the financial year ended 30 June 2004 and as at the date of this report, the consolidated entity has not been prosecuted nor incurred any infringement penalty for environmental incidents.

12. INSURANCE OF OFFICERS

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

13. CORPORATE GOVERNANCE

The Statement of Corporate Governance Practices as disclosed on pages 21 to 26 of the Annual Report outlines the Company's main corporate governance practices throughout the financial year.

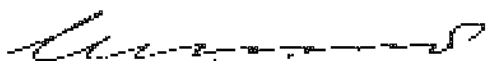
14. OPTIONS

The Company has not issued any options over unissued shares.

15. 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 Directors' Report and Financial Report have been rounded off to the nearest thousand dollars.

Signed in accordance with a resolution of the directors.



W G Kent, AO
Chairman



C J Glenn
Managing Director

Perth
26 August 2004

Statement of Corporate Governance Practices

INTRODUCTION

This statement is dated 26 August 2004 and sets out the corporate governance practices of Coventry Group Ltd (CGL) for the 2003/04 financial year and as at the date of this statement. If the practices have not been in place for the entire year, that is stated.

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

"The system by which companies are directed and managed. It 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.

During the year the Board undertook an extensive review of its practices and procedures with a view to aligning them to the ASXCGC principles.

The Board recognised 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.

This statement should be read in conjunction with CGL's Annual Report.

CGL's website is www.cgl.com.au. Most policies and documents underlying CGL's corporate governance practices can be found at this site.

1. ROLE OF THE BOARD AND MANAGEMENT

ASXCGC Principle 1

Lay solid foundations for management and oversight.

ASXCGC Recommendation 1.1:

Formalise and disclose the functions reserved to the Board and those delegated to management.

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.

In August 2003, the Board adopted a charter which formalised 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 subcommittee 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 --- 'Investor Relations, Corporate Governance Summary'.

Formal letters of engagement for non-executive directors, setting out the key terms and conditions of their appointment, were established in September 2003.

The Chief Executive Officer, Mr C J Glenn is engaged in accordance with a service contract and has a formal position description which was approved by the Board in February 2004.

All senior executives of the Company are employed pursuant to formal service contracts and have formal position descriptions. The Chief Financial Officer, Mr S A Cooper, 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 relationships with suppliers, capital expenditure and other operational matters.

2. COMPOSITION OF THE BOARD

ASXCGC Principle 2

Structure the Board to add value.

ASXCGC Recommendation 2.1:

A majority of the Board should be independent directors.

CGL Practice

The Board presently consists of 8 directors. Seven directors are non-executive directors and, of these, 6 are considered to be independent. Mr C M Kyle is not independent in terms of the ASXCGC definition as he moved from being an executive director to a non-executive director without at least a 3 year break from the Board. Furthermore, his independence is considered by that definition to be impaired by a significant relevant interest in securities of the Company through related parties.

The names of the directors of the Company as at the date of this statement are set out on page 18 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 adopted the following policy in September 2002:

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:

Statement of Corporate Governance Practices

2. COMPOSITION OF THE BOARD (continued)

- 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.

For the purpose of calculating the term of a director who is in office at the time of adoption of this policy by the Board, a director who has been in office for a period longer than seven years will be deemed to have been in office for a period of seven years only and will agree not to seek re-election to the Board after having served a further five years.

The Board may consider variations to this policy in exceptional circumstances.

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

- directors having 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.
- non-executive directors meeting 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 pages 14 and 15 of the Annual Report.

To assist the Board in discharging its responsibilities, the Board has established the following Board Committees:

- Audit and Risk Committee
- Remuneration Committee
- Nomination Committee

ASXCGC Recommendation 2.2:

The Chairperson should be an independent director.

CGI Practice

The Company's Chairman, Mr W G Kent, is considered to be independent in terms of the ASXCGC's criteria for independent directors.

ASXCGC Recommendation 2.3:

The roles of the Chairperson and the Chief Executive Officer should not be exercised by the same individual.

CGI Practice

The Company's Chairman, Mr W G Kent and Chief Executive Officer, Mr C J Glenn, have separate roles.

ASXCGC Recommendation 2.4:

The Board should establish a Nomination Committee.

CGI Practice

In June 2003, the Board established a Nomination Committee.

The members of the Nomination Committee are:

- W G Kent (Chairman), independent non-executive director
- R B Flynn, independent non-executive director
- R M McLean, independent non-executive director

The Committee has a formal charter and its role is to ensure that the Board has an effective composition, size and commitment to adequately discharge its responsibilities and duties. Its duties include:

- reviewing and making recommendations to the Board on the operation and performance of the Board;
- reviewing Board composition and recommending appointments to the Board (including the monitoring of director independence);
- reviewing Board succession plans;
- ensuring effective induction programmes are in place; and
- reviewing the composition of Board subcommittees.

The Committee is required to meet at least twice a year and at other times as the Chairman of the Committee directs.

The number of Committee meetings held and attended by its members are set out on page 18 of the Annual Report.

The Committee's Charter can be viewed on the Group's website under the tab - 'Investors Relations, Corporate Governance Summary'.

3. ETHICAL AND RESPONSIBLE DECISION-MAKING

ASXCGC Principle 3:

Promote ethical and responsible decision-making.

ASXCGC Recommendation 3.1:

Establish a Code of Conduct to guide the directors, the Chief Executive Officer (or equivalent), the Chief Financial Officer (or equivalent) and any other key executives as to:

- 3.1.1. the practices necessary to maintain confidence in the Company's integrity.
- 3.1.2. the responsibility and accountability of individuals for reporting and investigating reports of unethical practice.

Statement of Corporate Governance Practices

3. ETHICAL AND RESPONSIBLE DECISION-MAKING (continued)

CGL Practice

In February 2004, the Board adopted 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 - 'Investor Relations, Corporate Governance Summary'.

ASXCGC Recommendation 3.2:

Disclose the policy concerning trading in Company securities by directors, officers and employees.

CGL Practice

The Board has in place a specific share trading policy which applies to the directors and senior management of the Company.

The policy stipulates that directors and the senior management are required to restrict their trading in the Company's securities to a period of four weeks commencing 48 hours after the release of half year results, annual results or the annual general meeting provided they are not in possession of price sensitive information that is not generally available to the market. Any proposed purchase or sale of securities must first be referred to the Chairman or Chief Executive Officer.

In addition, the Company's Code of Conduct requires that all directors and employees observe the insider trading law which prohibits the buying or selling of the Company's securities at any time if they are in possession of price sensitive information that has not been released to the market.

The Company's internal audit department has implemented a periodic review mechanism to ensure compliance.

The Share Trading Policy can be viewed on the Group's website, under the tab - 'Investor Relations, Corporate Governance Summary'.

4. INTEGRITY OF FINANCIAL REPORTING

ASXCGC Principle 4:

Safeguard integrity in financial reporting.

ASXCGC Recommendation 4.1:

Requires the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) to state in writing to the Board that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards.

CGL Practice

The Company's Chief Executive Officer and Chief Financial Officer report in writing to the Audit and Risk Committee and the Board that the consolidated financial statements of CGL and its controlled entities for each half and full financial year present a true and fair view, in all material respects, of the Group's financial condition and operational results and are in accordance with accounting standards.

ASXCGC Recommendation 4.2:

The Board should establish an Audit Committee.

CGL Practice

The Board established an Audit Committee in 1995. In February 2004 the Audit Committee's Charter was reviewed and its name changed to the Audit and Risk Committee.

ASXCGC Recommendation 4.3:

Structure the Audit Committee so that it consists of:

- only non-executive directors
- a majority of independent directors
- an independent chairperson, who is not chairperson of the Board
- at least three members

CGL Practice

The current members of the Audit and Risk Committee are:

- P A Kyle (Chairman), independent non-executive director
- J Boros (appointed on 1 March 2004), independent non-executive director
- W G Kent, independent non-executive director
- C M Kyle, non-executive director
- B F Nazer (appointed on 5 November 2003), independent non-executive director

The number of Committee meetings held and attended by its members is set out on page 18 of the Annual Report.

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 pages 14 and 15 of the Annual Report and indicate that each is suitably qualified to be a member of the Audit and Risk Committee.

ASXCGC Recommendation 4.4:

The Audit Committee should have a formal charter.

Statement of Corporate Governance Practices

4. INTEGRITY OF FINANCIAL REPORTING (continued)

CGL Practice

The Company's Audit and Risk Committee has a formal charter which sets out its role, composition and duties and responsibilities.

In February 2004, the Committee's name was changed to the Audit and Risk Committee and its charter revised to encompass an expanded role.

The primary objective of the Committee is to assist the Board in discharging its responsibilities in relation to financial reporting, legal compliance requirements, maintenance of effective and efficient audits (both external and internal) and risk management of the Group.

The Committee's Charter can be viewed on the Group's website, under the tab – 'Investor Relations, Corporate Governance Summary'.

5. CONTINUOUS DISCLOSURE TO ASX

ASXCGC Principle 5:

Make timely and balanced disclosure.

ASXCGC Recommendation 5.1:

Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance.

CGL Practice

The Board observes the continuous disclosure obligations as imposed by the Australian Stock Exchange 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 – 'Investor Relations, ASX Announcements'.

The Company has a formal policy for communicating with the investment community and the media which was approved by the Board in August 2003. The Chairman, Chief Executive Officer 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.

6. COMMUNICATION WITH SHAREHOLDERS

ASXCGC Principle 6:

Respect the rights of shareholders.

ASXCGC Recommendation 6.1:

Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings.

CGL Practice

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

- regular shareholder communication such as the Half Year Report, Annual Report and, as appropriate, other periodic advices such as director changes.
- shareholder access to communications through the use of information technology such as the Company's website, www.cgl.com.au, where all key notices, policies and documents are posted.
- 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. The Chairman's and Chief Executive Officer's addresses at the Annual General Meeting are 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.

ASXCGC Recommendation 6.2:

Request the external auditor to attend the Annual General Meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

CGL Practice

The Company's practice is to ensure the Group's external auditor attends the Annual General Meeting and is available to answer questions from shareholders on matters relating to the audit of the Group's accounts.

7. RISK MANAGEMENT

ASXCGC Principle 7:

Recognise and manage risk.

ASXCGC Recommendation 7.1:

The Board or appropriate Board Committee should establish policies on risk oversight and management.

CGL Practice

During the 2003/04 financial year a number of systems and processes were implemented to ensure effective management of risk across the Group.

Statement of Corporate Governance Practices

7. RISK MANAGEMENT (continued)

The Board has overall responsibility for the oversight of the Group's risk management and control framework. The Audit and Risk Committee assists the Board in fulfilling its responsibilities in this regard. As mentioned earlier under Principle 4, in February 2004 the Audit Committee's Charter was expanded to include oversight of risk management. In August 2003, an Executive Risk Committee (ERC) was established comprising the Chief Financial Officer (Chairman), Chief Executive Officer and Company Secretary, with the internal auditor attending as an observer. The ERC meets regularly and reports directly to the Audit and Risk Committee. It has a formal charter and its main function is to ensure areas of Group risk are being monitored and appropriate actions are being implemented where necessary and that the Board is regularly informed of key risk issues.

Following on from the 2002/03 financial year when the Company undertook a whole of business risk review in conjunction with its consultants, Marsh Pty Ltd, the Group has established risk registers covering corporate activities as well as registers for the respective business segments - automotive, industrial, gaskets manufacturing and bitumen. The registers cover risks such as operational, IT, compliance, financial, occupational health and safety, strategic, business continuity planning, environmental management and ethical conduct.

Ratings have been applied to the various identified risks and responsibility for monitoring and amelioration has been designated to specific management.

ASXCGC Recommendation 7.2:

The Chief Executive Officer and the Chief Financial Officer should state in writing that:

- 7.2.1 the statement given in accordance with best practice recommendation 4.1 is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board.
- 7.2.2 the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

CGL Practice

The Company's Chief Executive Officer and Chief Financial Officer have reported in writing to the Audit and Risk Committee and the Board that:

- the statement given in accordance with ASXCGC's best practice recommendation 4.1 (the integrity of financial statements) is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- the Company's risk management and internal compliance and control framework is operating efficiently and effectively in all material respects, with the exception that significant improvements are required to the Company's information technology disaster recovery capability, and these improvements are currently being addressed by management.

The Company has made significant progress during the 2003/04 financial year in addressing information technology disaster recovery systems. It is currently in the final stages of implementing an improved disaster recovery capability for the Company's core applications and it is anticipated that this will be operational in the first quarter of the 2005 calendar year.

8. ENHANCEMENT OF PERFORMANCE

ASXCGC Principle 8:

Encourage enhanced performance.

ASXCGC Recommendation 8.1:

Disclose the process for performance evaluation of the Board, its committees and individual directors, and key executives.

CGL Practice

The Board's charter stipulates that an annual performance evaluation of the Board is undertaken. The Audit and Risk Committee also has a requirement for regular self assessment. A review of the functions and effectiveness of the Board was undertaken in 2002 by external consultants, Egon Zehnder International. Further external reviews will be undertaken from time to time.

The annual review of the Board is carried out through the review and analysis of responses to a confidential questionnaire completed by each director, which poses specific questions on issues surrounding meeting logistics, work programme, interaction with management and any perceived strengths and weaknesses of the Board and its Committees.

Following a review of the content of the questionnaires by the Chairman a summary of the overall result is distributed to and discussed by Directors. Significant issues identified or changes recommended are actioned in the Board's ongoing development programme.

During the 2003/04 financial year a formal induction programme for all newly appointed directors was established.

Arrangements also are in place to monitor the performance of senior executives of the Group. The direct reports to the Chief Executive Officer have formal performance reviews at year end and half year.

The Remuneration Committee also monitors the performance of the Chief Executive Officer (in consultation with the Chairman) 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. The minutes of Remuneration Committee meetings are circulated to all Directors.

9. REMUNERATION

ASXCGC Principle 9:

Remunerate fairly and responsibly.

ASXCGC Recommendation 9.1:

Provide disclosure in relation to the Company's remuneration policies to enable investors to understand

Statement of Corporate Governance Practices

9. REMUNERATION (continued)

- the costs and benefits of those policies; and
- the link between remuneration paid to directors and key executives and corporate performance.

CGL Practice

The Company's policies relating to the Directors' and senior executives' remuneration and the level of their remuneration are set out in the Directors' Report on pages 19 to 20 and in more detail in Note 5 to the Financial Statements on pages 37 to 41 of the Annual Report.

ASXCGC Recommendation 9.2:

The Board to establish a Remuneration Committee.

CGL Practice

The Board established a Remuneration Committee in 1995.

The current members of the Remuneration Committee are:

- R M McLean (Chairman), independent non-executive director
- R B Flynn, independent non-executive director
- C M Kyle, non-executive director

The Committee has a formal charter. The role of the Committee is to assist the Board in ensuring that appropriate and effective remuneration packages and policies are implemented for the Chief Executive Officer, Executive Directors (if any) and those executives who report directly to the Chief Executive Officer. The Committee also reviews non-executive directors' remuneration.

The Committee is required to meet twice a year and at other times as the Chairman of the Committee directs.

The Chief Executive Officer, Mr C J Glenn, who attends by invitation, absents himself from meetings before any discussion by the Committee in relation to his own remuneration. The number of Committee meetings held and attended by its members is set out on page 18 of the Annual Report.

The Committee's Charter can be viewed on the Group's website, under the tab – 'Investor Relations, Corporate Governance Summary'

ASXCGC Recommendation 9.3:

Clearly distinguish the structure of non-executive directors' remuneration from that of executives.

CGL Practice

The remuneration of non-executive directors is reviewed on a periodic basis by the Remuneration Committee having regard to the workload 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 Directors' Report, Note 5 to the Financial Statements and in the Notice of Meeting accompanying 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 Directors' Report as well as Note 5 to the Financial Statements.

ASXCGC Recommendation 9.4:

Ensure that payment of equity based executive remuneration is made in accordance with thresholds set in plans approved by shareholders.

CGL Practice

The Company ensures that the payment of equity based executive remuneration is made in accordance with thresholds set in plans approved by shareholders.

The Chief Executive Officer's Long Term Incentive Plan and the Executive Long Term Incentive Plan were both approved by shareholders at the 2003 Annual General Meeting.

10. INTERESTS OF STAKEHOLDERS

ASXCGC Principle 10:

Recognise the legitimate interests of stakeholders.

ASXCGC Recommendation 10.1:

Establish and disclose a Code of Conduct to guide compliance with legal and other obligations to legitimate stakeholders.

CGL Practice

The Company adopted a formal Code of Conduct in February 2004. The Code must be observed by all directors and employees of the Company.

The Code reinforces the Company's fundamental principle that all officers will undertake all business activities in strict adherence to the Company's values for the benefit of our employees, customers, suppliers and other stakeholders. The Company's values include:

- to act with honesty and integrity
- act professionally at all times
- be accountable for respective areas of business to optimize shareholder returns
- strive for innovation and continuous improvement
- communicate openly and honestly
- attract and retain people of the highest skills and competencies

The Board has also adopted a formal policy for the Group in compliance with privacy legislation which applies to private sector organisations.

The Code of Conduct and the Privacy Policy can be viewed on the Group's website under the tab – 'Investor Relations, Corporate Governance Summary'.

Statements of Financial Performance

for the year ended 30 June 2004

	Note	CONSOLIDATED ENTITY		PARENT ENTITY	
		2004 \$000	2003 \$000	2004 \$000	2003 \$000
Revenue from ordinary activities	2	440,302	430,295	384,389	378,274
Cost of goods sold		(273,080)	(265,430)	(238,576)	(233,264)
Employee benefits expense		(84,329)	(81,319)	(73,836)	(70,971)
Depreciation and amortisation expenses	3	(7,806)	(8,068)	(6,425)	(6,405)
Borrowing costs	3	(1,819)	(2,517)	(1,563)	(2,364)
Occupancy costs		(8,979)	(8,565)	(6,071)	(5,777)
Book value of assets sold		(2,567)	(8,164)	(2,509)	(8,034)
Communication costs		(3,234)	(3,242)	(2,663)	(2,671)
Recoverable amount write-down	3	-	(2,252)	(4,139)	(8,088)
Other expenses from ordinary activities		(36,559)	(33,868)	(28,510)	(25,708)
Profit from ordinary activities before income tax expense		21,929	16,870	20,097	14,992
Income tax expense	4	(6,758)	(6,008)	(5,409)	(5,090)
Profit from ordinary activities after income tax expense		15,171	10,862	14,688	9,902
Net profit attributable to outside equity interest		(371)	(95)	-	-
Net profit attributable to members of Coventry Group Ltd	25(b)	14,800	10,767	14,688	9,902
Net exchange differences on translation of financial statements of foreign controlled entities	25(a)	370	(281)	-	-
Net decrease in retained profits on the initial adoption of revised AASB 1028 "Employee Benefits"	25(b)	-	(168)	-	(154)
Total revenues, expenses and valuation adjustments attributable to members of Coventry Group Ltd recognised directly in equity		370	(449)	-	(154)
Total changes in equity other than those resulting from transactions with owners as owners	27	15,170	10,318	14,688	9,748
Basic earnings per share	8	42.5 cents	31.5 cents		
Diluted earnings per share	8	42.2 cents	31.5 cents		

The Statements of Financial Performance are to be read in conjunction with the accompanying notes to the financial statements.

Statements of Financial Position

as at 30 June 2004

	Note	CONSOLIDATED ENTITY		PARENT ENTITY	
		2004 \$000	2003 \$000	2004 \$000	2003 \$000
CURRENT ASSETS					
Cash assets	9	12,356	8,496	2,819	5,926
Receivables	11	65,161	65,009	71,715	60,603
Inventories	12	79,632	81,479	62,134	63,933
Other assets	18	2,035	1,132	1,263	939
TOTAL CURRENT ASSETS		159,184	156,116	137,931	131,401
NON-CURRENT ASSETS					
Other financial assets	13	-	-	15,782	19,921
Property, plant and equipment	15	57,962	59,463	51,397	53,202
Deferred tax assets	16	5,521	4,948	5,070	4,507
Intangible assets	17	21,310	22,277	15,621	16,632
TOTAL NON-CURRENT ASSETS		84,793	86,688	87,870	94,262
TOTAL ASSETS		243,977	242,804	225,801	225,663
CURRENT LIABILITIES					
Payables	19	43,289	42,116	38,270	37,525
Interest-bearing liabilities	20	2,310	22	2,287	-
Current tax liabilities	21	1,089	1,548	1,012	1,720
Provisions	22	2,208	1,739	1,887	1,441
TOTAL CURRENT LIABILITIES		48,896	45,425	43,456	40,686
NON-CURRENT LIABILITIES					
Interest-bearing liabilities	20	22,565	31,888	18,000	27,500
Provisions	22	2,625	2,646	2,574	2,586
Other liabilities	23	-	37	-	-
TOTAL NON-CURRENT LIABILITIES		25,190	34,571	20,574	30,086
TOTAL LIABILITIES		74,086	79,996	64,030	70,772
NET ASSETS		169,891	162,808	161,771	154,891
EQUITY					
Contributed equity	24	93,685	90,402	93,685	90,402
Reserves	25(a)	32,880	32,510	31,939	31,939
Retained profits	25(b)	40,449	36,740	36,147	32,550
Total parent entity interest		167,014	159,652	161,771	154,891
Outside equity interest	26	2,877	3,156	-	-
TOTAL EQUITY	27	169,891	162,808	161,771	154,891

The Statements of Financial Position are to be read in conjunction with the accompanying notes to the financial statements.

Statements of Cash Flows

for the year ended 30 June 2004

		CONSOLIDATED ENTITY		PARENT ENTITY	
	Note	2004 \$000	2003 \$000	2004 \$000	2003 \$000
Cash Flows From Operating Activities:					
Receipts from customers		476,772	463,970	412,651	406,028
Payments to suppliers and employees		(447,744)	(430,864)	(385,332)	(373,328)
Interest received		643	657	421	626
Dividend received		-	-	2,420	721
Interest and other costs of finance paid		(1,692)	(2,294)	(1,436)	(2,141)
Income tax paid		(7,802)	(9,088)	(6,678)	(7,660)
Net cash provided by operating activities	10(b)	20,177	22,381	22,046	24,246
Cash Flows From Investing Activities:					
Proceeds from sale of investments		122	-	122	-
Proceeds from sale of property, plant and equipment		6,687	6,964	6,614	6,845
Payment for property, plant and equipment		(7,153)	(8,613)	(5,872)	(7,745)
Repayment of advances to controlled entities		-	-	-	4,122
Advances to controlled entities		-	-	(11,749)	(3,773)
Repayment of advances to other entities		1,050	-	1,050	-
Payments for acquisition of businesses		(1,332)	(562)	(297)	-
Net cash used in investing activities		(626)	(2,211)	(10,132)	(551)
Cash Flows From Financing Activities:					
Proceeds from borrowings		-	4,335	-	-
Repayment of borrowings		(9,500)	(15,719)	(9,500)	(15,719)
Dividends paid		(7,808)	(7,552)	(7,808)	(7,552)
Dividends paid to outside equity interests		(670)	(274)	-	-
Net cash used in financing activities		(17,978)	(19,210)	(17,308)	(23,271)
Net increase/(decrease) in cash		1,573	960	(5,394)	424
Cash at the beginning of the financial year		8,496	7,536	5,926	5,502
Cash at the end of the financial year	10(a)	10,069	8,496	532	5,926
Non-cash financing and investing activities	10(c)				

The Statements of Cash Flows are to be read in conjunction with the accompanying notes to the financial statements.

Notes to and forming part of the Financial Statements

for the year ended 30 June 2004

1 STATEMENT OF ACCOUNTING POLICIES

The significant accounting policies which have been adopted in the preparation of this financial report are:

(a) Basis of Preparation

The financial report is a general purpose financial report which has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. It has been prepared on the basis of historical costs and does not take into account changing money values or, except where stated, fair values of assets. Unless otherwise stated, the accounting policies adopted are consistent with those of the prior year.

The financial report covers the consolidated entity of Coventry Group Ltd ("the Company") and its controlled entities, and Coventry Group Ltd as an individual parent entity.

(b) Principles of Consolidation

The financial statements of controlled entities are included in the consolidated financial statements from the date control is obtained until the date control ceases.

A controlled entity is any entity controlled by Coventry Group Ltd. Control exists where Coventry Group Ltd has the ability to dominate the decision making in relation to the financial and operating policies of another entity so that the other entity operates with Coventry Group Ltd to achieve the objectives of Coventry Group Ltd. A list of controlled entities is contained within Note 14 to the financial report.

All inter-company balances and transactions between entities in the consolidated entity, including any unrealised profits or losses, are eliminated on consolidation. Outside equity interests in the results and equity of controlled entities are shown separately in the consolidated Statement of Financial Performance and Statement of Financial Position respectively.

(c) Revenue Recognition

Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax payable to the taxation authority.

Revenue from the sale of goods is recognised upon delivery of the goods to customers.

Interest revenue is recognised as it accrues taking into account the interest rates applicable to the financial assets.

Dividend revenue is recognised, net of any franking credits, when the right to receive a dividend has been established.

The gross proceeds of non-current asset sales are recognised as revenue at the date control of the asset passes to the buyer, usually when an unconditional contract of sale is signed. The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

(d) Income Tax

Coventry Group Ltd and its wholly-owned Australian controlled entities implemented the tax consolidation legislation and formed a tax consolidated group as of 1 November 2002.

As a consequence, Coventry Group Ltd, as the head entity in the tax consolidated group, recognises current and deferred tax amounts relating to transactions, events and balances of the controlled entities in this group as if those transactions, events and balances were its own, in addition to the current and deferred tax amounts arising in relation to its own transactions, events and balances. Coventry Group Ltd has not entered into tax sharing agreements with the controlled entities in the tax consolidated group. All members of the tax consolidated group are jointly and severally liable for the tax liabilities of that group.

The consolidated entity adopts the liability method of tax effect accounting whereby the income tax expense shown in the Statements of Financial Performance is based on the operating profit before income tax adjusted for any permanent differences between taxable and accounting income.

Timing differences which arise due to the different accounting periods in which items of revenue and expense are included in the determination of operating profit before income tax and taxable income are brought to account either as a provision for deferred income tax or an asset described as future income tax benefit at the rate of income tax applicable to the period in which the liability will become payable or the benefit will be received.

Future income tax benefits in respect to timing differences are not brought to account unless realisation of the asset is assured beyond any reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefits.

Notes to and forming part of the Financial Statements

for the year ended 30 June 2004

1 STATEMENT OF ACCOUNTING POLICIES (continued)

(d) Income Tax (continued)

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation, and the anticipation that the consolidated entity will derive sufficient future assessable income to enable the benefit to be realised and will comply with the conditions of deductibility imposed by the law.

(e) Foreign Currency Transactions and Balances

Foreign currency transactions during the period are converted to Australian currency at the rates of exchange applicable at the dates of the transactions. Amounts receivable and payable at balance date are converted at the rates of exchange ruling at that date. The gains or losses from conversion of amounts receivable and payable in foreign currencies at reporting date, whether realised or unrealised, are included in operating profit before income tax as they arise.

The assets and liabilities of the foreign controlled entities which are self sustaining are translated at year-end rates, and operating results are translated at a weighted average rate for the year. Exchange differences arising on translation are taken directly to the foreign currency translation reserve.

(f) Acquisition of Assets

The purchase method of accounting is used for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given up, shares issued or liabilities undertaken as at the date of acquisition plus incidental costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their market price as at the date of acquisition. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of acquisition. The discount rate used is the incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Costs incurred on assets subsequent to initial acquisition are capitalised when it is probable that future economic benefits in excess of the originally assessed performance of the asset will flow to the consolidated entity in future years, otherwise, the costs are expensed as incurred.

(g) Receivables

Trade Debtors

Trade debtors are recorded at nominal amounts. Credit terms are generally 30 days. Collectibility of overdue accounts is assessed on an ongoing basis. Provision is made for all doubtful accounts.

(h) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of weighted average costs.

Net realisable value is determined on the basis of each inventory line's normal selling pattern. Expenses of marketing, selling and distribution to customers are estimated and deducted to establish net realisable value.

(i) Recoverable Amount of Non-Current Assets

The carrying amounts of non-current assets are reviewed to determine whether they are in excess of their recoverable amounts at reporting date.

The recoverable amount of an asset is the net amount expected to be recovered through the cash inflows and outflows arising from its continued use and subsequent disposal.

Where the carrying amount of a non-current asset is greater than its recoverable amount, the asset is written down to its recoverable amount. Where net cash inflows are derived from a group of assets working together, the recoverable amount is determined on the basis of the relevant group of assets. The decrement in the carrying amount is recognised as an expense in the net profit or loss in the reporting period in which the recoverable amount write-down occurs.

The expected net cash flows included in determining recoverable amounts of non-current assets are discounted to their present values using a market determined, risk adjusted discount rate.

Notes to and forming part of the Financial Statements

for the year ended 30 June 2004

1 STATEMENT OF ACCOUNTING POLICIES (continued)

(j) Depreciation of Property, Plant and Equipment

The depreciable amounts of all fixed assets excluding freehold land, are depreciated on either a straight line or diminishing value basis over their estimated useful lives to the consolidated entity, commencing from the time the asset is held ready for use.

Buildings, excluding leasehold improvements, are depreciated on a straight line basis over 50 years. Leasehold improvements are depreciated over the shorter of either the unexpired term of the lease or the estimated useful life of the improvements.

The depreciation rates used for each class of depreciable assets are:

<u>Class of Fixed Asset</u>	<u>Depreciation Rate</u>
- Plant and Equipment	5% - 40%
- Buildings	2%

(k) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to ownership of the asset are transferred to entities within the consolidated entity are classified as finance leases. Finance leases are capitalised, recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values. Leased assets are amortised on a straight line basis over their estimated useful lives, where it is likely that the consolidated entity will obtain ownership of the asset, or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

(l) Intangibles

Goodwill

Where an entity or operation is acquired, the identifiable net assets are measured at fair value. The excess of the cost of acquisition over the fair value of the identifiable net assets acquired, including any liability for restructuring costs, is brought to account as goodwill and amortised on a straight line basis over 20 years, being the period during which the benefits are expected to arise.

Distribution Rights

Distribution rights are amortised on a straight line basis over the term of the relevant distribution agreement.

(m) Payables

These amounts represent unpaid liabilities for goods received by and services provided to the consolidated entity prior to the end of the financial year. The amounts are unsecured and are normally settled within 60 days.

(n) Interest-Bearing Liabilities

Loans are carried at their principal amounts which represent the present value of future cash flows associated with the servicing of the debt. Interest is recognised over the period it becomes due and is recorded as part of other debtors or other creditors.

(o) Derivative Financial Instruments

Interest Rate Swaps

The net amount receivable or payable under interest rate swap agreements is progressively brought to account over the period to settlement. The amount recognised is accounted for as an adjustment to interest and finance charges during the period and included in other debtors or other creditors at each reporting date.

When an interest rate swap is terminated early and the underlying hedged transactions are still expected to occur, the gains and losses arising on the swap upon its early termination continue to be deferred and are progressively brought to account over the period during which the hedged transactions are recognised.

When an interest rate swap is terminated early and the underlying hedge transactions are no longer expected to occur, the gains or losses arising upon its early termination are recognised in the Statements of Financial Performance as at the date of the termination.

Notes to and forming part of the Financial Statements

for the year ended 30 June 2004

1 STATEMENT OF ACCOUNTING POLICIES (continued)

(p) Employee Benefits

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

The contributions made to superannuation funds by entities within the consolidated entity are charged against profits when due.

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.

(q) Provisions

Dividends

A provision for dividends payable is recognised in the reporting period in which the dividends are declared, for the entire undistributed amount, regardless of the extent to which they will be paid in cash.

(r) Cash

For the purposes of the Statements of Cash Flows, cash includes cash on hand and in banks, deposits at call and money market investments which are readily convertible into cash.

(s) Rounding of Amounts

The consolidated entity and the parent entity have applied the relief available under ASIC Class Order 98/0100 and accordingly, amounts in the financial statements and directors' report have been rounded to the nearest thousand dollars.

(t) Goods and Services Tax

Revenues, 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 Statements of Financial Position.

Cash flows are included in the Statements of Cash Flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the taxation authority are classified as operating cash flows.

(u) Reclassification of Financial Information

Purchase rebates received from suppliers in the consolidated entity of \$8,953,000 (2003: \$6,497,000) and \$8,360,000 (2003: \$6,094,000) in the parent entity, have been reclassified from revenue from operating activities to cost of goods sold, to more closely reflect the nature of the rebates.

Freight recovered by the consolidated entity of \$1,487,000 (2003: \$1,458,000) and \$1,365,000 (2003: \$1,353,000) by the parent entity, has been reclassified from other expenses from ordinary activities to revenue from operating activities, to more closely reflect the nature of the recovery.

(v) Use and Revision of Accounting Estimates

The preparation of the financial report requires the making of estimations and assumptions that affect the recognised amounts of assets, liabilities, revenues and expenses and the disclosure of contingent liabilities. 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.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(w) Investments

Investments in controlled entities are carried in the parent entity's financial statements at the lower of cost and recoverable amount.

Notes to and forming part of the Financial Statements

for the year ended 30 June 2004

	Note	CONSOLIDATED ENTITY		PARENT ENTITY	
		2004 \$000	2003 \$000	2004 \$000	2003 \$000
2 REVENUES FROM ORDINARY ACTIVITIES					
Revenue from operating activities:					
Sale of goods		433,911	415,545	376,649	363,515
Other		2,374	2,928	1,972	2,514
		436,285	418,473	378,621	366,029
Revenue from non-operating activities:					
Dividends – controlled entities		-	-	2,420	721
Interest	3(a)	643	657	421	626
Gross proceeds on disposal of non-current assets		2,881	10,892	2,808	10,773
Rental income		493	273	119	125
		4,017	11,822	5,768	12,245
Total revenue from ordinary activities		440,302	430,295	384,389	378,274
3 PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE					
(a) Profit from ordinary activities before income tax has been arrived at after charging/ (crediting) the following items:					
Interest paid/payable to:					
- other persons		1,819	2,517	1,563	2,364
Depreciation of non-current assets:					
- buildings		461	521	431	492
- plant and equipment		5,726	5,617	4,770	4,649
Total depreciation		6,187	6,138	5,201	5,141
Amortisation of non-current assets:					
- distribution rights		172	432	73	54
- goodwill		1,447	1,498	1,151	1,210
Total amortisation		1,619	1,930	1,224	1,264
Total depreciation and amortisation		7,806	8,068	6,425	6,405
Write-downs of non-current assets to recoverable amount:					
Other financial assets					
- shares in subsidiaries		-	-	4,139	8,088
Intangible assets					
- distribution rights		-	2,252	-	-
		-	2,252	4,139	8,088

Notes to and forming part of the Financial Statements

for the year ended 30 June 2004

	Note	CONSOLIDATED ENTITY		PARENT ENTITY	
		2004 \$000	2003 \$000	2004 \$000	2003 \$000
3 PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE (continued)					
Movements in other provisions and allowances:					
- warranty		14	11	12	10
- employee benefits		621	675	500	548
- obsolete stock		1,814	1,577	1,711	1,472
Total other provisions		2,449	2,263	2,223	2,030
Net bad and doubtful debts expense		838	1,179	790	922
Rental expense on operating leases:					
- minimum lease payments		7,333	7,426	4,641	4,703
- surplus leased space		253	261	-	-
Total rental expense relating to operating leases		7,586	7,687	4,641	4,703
Interest revenue from:					
- controlled entities		-	-	-	(106)
- other parties		(643)	(657)	(421)	(520)
		(643)	(657)	(421)	(626)
Net gain on disposal of assets:					
- investments		(121)	-	(122)	-
- property, plant and equipment		(192)	(2,728)	(177)	(2,739)
		(313)	(2,728)	(299)	(2,739)
(b) Individually significant expenses/ (revenues) included in profit from ordinary activities before income tax expenses.					
Profit on sale of land and buildings		-	(2,346)	-	(2,346)
Recoverable amount write-down of distribution rights	3(a)	-	2,252	-	-
Provision for loss on investment in Coventry Auto Parts Pty Ltd	3(a)	-	-	4,139	8,088
		-	(94)	4,139	5,742

Notes to and forming part of the Financial Statements

for the year ended 30 June 2004

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000
4 INCOMETAX				
(a) Income tax expense				
Prima facie income tax expense on operating profit before income tax from ordinary activities calculated at 30%	6,579	5,061	6,029	4,498
Tax effect of permanent differences:				
Add:				
- depreciation of buildings	29	24	20	15
- recoverable amount write-down of distribution rights	-	676	-	-
- amortisation of intangibles	486	579	367	379
- non-deductible loss on sale of property	40	-	40	-
- non-deductible provision for loss on investment in controlled entity	-	-	1,242	2,427
- tax losses not brought to account	-	582	-	-
- adjustment for higher tax rate applicable to foreign controlled entities	79	57	-	-
- other non-deductible expenses	241	18	219	12
	875	1,936	1,888	2,833
Less:				
- rebateable dividends	-	-	(530)	(216)
- non-assessable dividends	-	-	(196)	-
- non-assessable profit on sale of property	-	(704)	-	(704)
- non-assessable profit on sale of investments	(36)	-	(36)	-
- other non-assessable income	(110)	-	-	-
- recovery of tax losses of tax consolidated subsidiary	-	-	(1,215)	(1,046)
- overprovision of income tax in prior year	(16)	(25)	(16)	(15)
- tax losses not previously brought to account	(534)	(260)	(515)	(260)
	(696)	(989)	(2,508)	(2,241)
Income tax expense on operating profit from ordinary activities	6,758	6,008	5,409	5,090
(b) Income tax expense attributable to operating profit from ordinary activities is made up of:				
Current income tax provision	7,346	6,933	5,987	5,953
Future income tax benefit	(572)	(900)	(562)	(848)
Over provision in prior year	(16)	(25)	(16)	(15)
	6,758	6,008	5,409	5,090
(c) Future income tax benefits not brought to account as assets calculated at 30%:				
Tax losses – revenue	5,184	5,694	5,184	5,694
Tax losses – capital	1,871	1,247	1,871	1,247
	7,055	6,941	7,055	6,941

The taxation benefits of tax losses not brought to account will only be obtained if:

- (a) assessable income is derived of a nature and of an amount sufficient to enable the benefits from the deductions to be realised;
- (b) conditions for deductibility imposed by the law are complied with; and
- (c) no changes in tax legislation adversely affect the realisation of the benefits from the deductions.

Notes to and forming part of the Financial Statements

for the year ended 30 June 2004

5 DIRECTOR AND EXECUTIVE DISCLOSURES

(a) Directors

The following persons were directors of Coventry Group Ltd during the financial year:

Chairman – non-executive

WG Kent, AO

Chief Executive Officer and Managing Director

CJ Glenn

Non-executive directors

J Boros – appointed on 1 March 2004.

RB Flynn

BA Goddard – retired on 29 February 2004.

CM Kyle

PA Kyle, AM

RM McLean, AM

BF Nazer – appointed on 1 September 2003.

(b) Executives (other than directors) with the greatest authority for strategic direction and management

The following persons were the five executives with the greatest authority for the strategic direction and management of the consolidated entity ("specified executives") during the financial year:

V Scidone, Group General Manager – Industrial

DJ Fraser, Group General Manager – Automotive

SA Cooper, Chief Financial Officer

JS Furness, Chief Information Officer

J Colli, Company Secretary

All of the above were also specified executives during the year ended 30 June 2003, except for JS Furness who commenced employment with the Group on 11 August 2003.

(c) Remuneration of directors and executives

Principles used to determine the nature and amount of remuneration

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 a blend of short and long-term incentives.

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. The Remuneration Committee also seeks the advice of independent remuneration consultants to ensure non-executive directors' fees are appropriate and in line with the market. The Chairman's fees are determined independently to the fees of non-executive directors based on comparable roles in the external market. Non-executive directors do not receive any equity-based remuneration.

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 \$350,000 per annum, which was last approved by shareholders in November 2001 with effect from 1 July 2001. The Board determines the allocation of the maximum amount approved by shareholders amongst the respective directors, having regard to their duties and responsibilities. Currently, there are no additional fees paid for participation on Board committees. 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.

Notes to and forming part of the Financial Statements

for the year ended 30 June 2004

5 DIRECTOR AND EXECUTIVE DISCLOSURES (continued)

Executive pay

The executive reward framework has three components:

- Base pay and benefits, including superannuation ("fixed annual remuneration");
- Short-term performance incentives; and
- Long-term performance incentives.

The combination of these comprises the executive's total remuneration.

Fixed annual remuneration

Fixed annual remuneration 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 remuneration for senior executives is reviewed annually 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 remuneration increases set in any senior executive's contract.

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

Short-term incentives

Short-term cash incentives of up to 25% of fixed annual remuneration (for the Managing Director, 35% of base salary with effect from 1 July 2004 - previously 25% of base salary) are payable to the senior executives upon the achievement of various annual performance targets, which currently include return on equity, budget earnings before interest and tax, and personal goals. Such targets ensure that incentives are only paid when value has been created for shareholders and when profit is consistent with the budget.

Each year the Remuneration Committee considers the appropriate targets and maximum payouts under the short-term incentive plan. At the discretion of the Remuneration Committee, incentive payments may be adjusted up or down in line with the degree of achievement against target performance levels.

Long-term incentives

Long-term incentives are provided through the Company's executive long-term incentive plan ("ELTIP"), which was approved at the annual general meeting on 5 November 2003. It provides for eligible executives (currently 8, including the Managing Director) to receive fully paid ordinary shares in the Company, upon achieving performance criteria set by the Board. Under the plan, eligible executives are offered ordinary shares worth up to 25% of fixed annual remuneration as at the start of the performance period, which will only vest upon the achievement of certain performance criteria.

The performance criteria for all current offers under the ELTIP are as follows:

- One half of the offered shares will vest to the participant, upon the achievement of a threshold earnings per share ("EPS") growth hurdle over a 3 year period commencing on 1 July 2003. The offered shares will be vested in differing amounts depending on the percentage growth in EPS in excess of the threshold level over the three year period of cumulative \$1.269 EPS, with all of the offered shares under this hurdle vested once an additional 10% growth in EPS over and above the threshold level has been achieved; and
- One half of the offered shares will vest to the participant, upon the achievement of a relative total shareholder return ("TSR") hurdle over a 3 year period commencing on 1 July 2003. The offered shares will be vested in differing amounts depending on the Company's TSR performance over the 3 year period compared to the TSR performance of the companies comprising the S&P/ASX Small Industrials Index at the start of the performance period ("Comparator Group"). No offered shares will be vested unless the Company's TSR performance is at least equal to the TSR performance of the company which is in the 50th percentile of the Comparator Group ranked by TSR, and all offered shares under this hurdle will be vested if the Company's TSR over the three years is equal to or greater than the TSR performance of the company which is in the 60th percentile of the Comparator Group ranked by TSR.

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

As the shares offered under the ELTIP relate to a 3 year performance period, one third of their value as at grant date has been disclosed as remuneration for the year ended 30 June 2004.

Notes to and forming part of the Financial Statements

for the year ended 30 June 2004

5 DIRECTOR AND EXECUTIVE DISCLOSURES (continued)

Details of remuneration

The following table provides the details of the nature and amount of elements of remuneration for specified directors and specified executives for the year ended 30 June 2004.

Directors of Coventry Group Ltd

	Primary			Post employment	Equity	Total
	Cash salary and fees \$	Cash bonus \$	Non-monetary benefits \$	Superannuation \$	Value of shares \$	
WG Kent	84,000	-	-	7,560	-	91,560
CJ Glenn	434,821	9,833	147,142	36,714	25,363	653,873
J Boros (appointed on 1 March 2004)	14,000	-	-	1,260	-	15,260
RB Flynn	50,000	-	-	4,500	-	54,500
BA Goddard (retired on 29 February 2004)	48,000	-	-	4,320	-	52,320
CM Kyle	42,000	-	-	3,780	-	45,780
PA Kyle	42,000	-	-	3,780	-	45,780
RM McLean	42,000	-	-	3,780	-	45,780
BF Nazer (appointed on 1 September 2003)	35,000	-	-	3,150	-	38,150
Total	791,821	9,833	147,142	68,844	25,363	1,043,003

Specified executives of the consolidated entity

V Scidone	297,039	61,000	20,108	11,002	35,723	424,872
DJ Fraser	258,736	10,000	21,181	11,002	31,869	332,788
SA Cooper	191,806	8,000	14,851	13,538	25,274	253,469
JS Furness (commenced on 11 August 2003)	155,024	8,000	10,921	13,080	23,389	210,414
J Colli	147,190	6,000	12,221	11,002	19,904	196,317
Total	1,049,795	93,000	79,282	59,624	136,159	1,417,860

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.

Employment contracts

Remuneration and other terms of employment for the Managing Director and the specified executives are formalised in employment contracts. Each contract deals with the provision of fixed annual remuneration, short-term incentives, and long-term incentives. Other major provisions of the contracts relating to remuneration are set out below:

CJ Glenn, Managing Director

- The contract has no fixed term.
- Fixed annual remuneration to be reviewed annually by the Board. The Company also pays for home telephone expenses.
- Relocation costs of up to \$70,000 to be paid by the Company, together with short-term accommodation costs for a period of up to 6 months to a limit of \$25,000. These costs were met by the Company during the years ended 30 June 2003 and 2004.
- Subject to the achievement of agreed key performance indicators, an annual short-term incentive of up to 25% of base salary will be paid by the Company.
- For each financial year up to and including the year ending 30 June 2006, subject to the achievement of certain performance criteria over a 3 year period, a long-term incentive of a minimum of 25% of base salary will be paid by the Company in the form of shares.
- Long service leave is payable by the Company in accordance with relevant state legislation.
- 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.

Notes to and forming part of the Financial Statements

for the year ended 30 June 2004

5 DIRECTOR AND EXECUTIVE DISCLOSURES (continued)

V Scidone, Group General Manager – Industrial

- The contract has no fixed term.
- Fixed annual remuneration to be reviewed annually by the Remuneration Committee.
- Long service leave is payable by the Company in accordance with relevant state legislation.
- Participation in short-term and long-term incentive plans is at the discretion of the Company.
- Other than for serious misconduct, termination of employment requires 6 months notice by the Company. Upon termination, for each year of service in excess of 5 years continuous service, the Company must pay an additional 2 weeks pay, up to a maximum of 26 weeks pay.

DJ Fraser, Group General Manager – Automotive

- The contract has no fixed term.
- Fixed annual remuneration to be reviewed annually by the Remuneration Committee.
- Long service leave is payable by the Company in accordance with relevant state legislation.
- Participation in short-term and long-term incentive plans is at the discretion of the Company.
- Other than for serious misconduct, termination of employment requires 6 months notice by the Company. Upon termination, for each year of service in excess of 5 years continuous service, the Company must pay an additional 2 weeks pay, up to a maximum of 26 weeks pay.

SA Cooper, Chief Financial Officer

- The contract has no fixed term.
- Fixed annual remuneration to be reviewed annually by the Remuneration Committee.
- Long service leave is payable by the Company in accordance with relevant state legislation.
- Participation in short-term and long-term incentive plans is at the discretion of the Company.
- Other than for serious misconduct, termination of employment requires 6 months notice by the Company. Upon termination, for each year of service in excess of 5 years continuous service, the Company must pay an additional 2 weeks pay, up to a maximum of 26 weeks pay.

JS Furness, Chief Information Officer

- The contract has no fixed term.
- Fixed annual remuneration to be reviewed annually by the Remuneration Committee.
- Long service leave is payable by the Company in accordance with relevant state legislation.
- Participation in short-term and long-term incentive plans is at the discretion of the Company.
- Other than for serious misconduct, termination of employment requires 6 months notice by the Company. In the event of redundancy, the Company must pay an additional 4 weeks pay after 1 year of continuous service, with the redundancy payment obligation increasing progressively up to a maximum of 52 weeks pay after 30 years continuous service.

J Colli, Company Secretary

- The contract has no fixed term.
- Fixed annual remuneration to be reviewed annually by the Remuneration Committee.
- Long service leave is payable by the Company in accordance with relevant state legislation.
- Participation in short-term and long-term incentive plans is at the discretion of the Company.
- Other than for serious misconduct, termination of employment requires 6 months notice by the Company. Upon termination, for each year of service in excess of 5 years continuous service, the Company must pay an additional 2 weeks pay, up to a maximum of 26 weeks pay.

Notes to and forming part of the Financial Statements

for the year ended 30 June 2004

5 DIRECTOR AND EXECUTIVE DISCLOSURES (continued)

(d) Equity instrument disclosures relating to directors and executives

Details of ordinary shares offered as remuneration under the ELTIP

The balance at the commencement of the reporting period, together with the movement during the reporting period, of ordinary shares offered under the ELTIP, to each specified director and specified executive, is as follows:

	Number of shares offered at 1 July 2003	Number of shares offered during the year	Number of shares vested during the year	Number of shares offered at 30 June 2004
CJ Glenn	32,719 (i)	-	-	32,719
V Scidone	-	46,084 (ii)	-	46,084
DJ Fraser	-	41,114 (ii)	-	41,114
SA Cooper	-	32,605 (ii)	-	32,605
JS Furness	-	30,173 (ii)	-	30,173
J Colli	-	25,678 (ii)	-	25,678

- (i) Represents an initial offer of shares for the period 3 February 2003 to 30 June 2004, in accordance with the long term incentive provisions of Mr Glenn's employment contract. Further offers of shares will be made pursuant to Mr Glenn's employment contract and will be subject to the terms of the ELTIP.
- (ii) Represents a 3 year offer of shares upon commencement of the ELTIP. Shares offered in future years under the ELTIP will be in one year tranches.

Equity holdings and transactions

The movement during the reporting period in the number of ordinary shares of Coventry Group Ltd held directly, indirectly or beneficially by each specified director and specified executive, including their personally-related entities is as follows:

	Held at 1 July 2003	Purchases	Received as remuneration	Sales	Held at 30 June 2004
Specified directors					
WG Kent (Chairman)	30,746	1,755	-	-	32,501
J Boros	-	7,500	-	-	7,500
RB Flynn	4,177	225	-	-	4,402
CJ Glenn	24,168	5,659	-	-	29,827 (i)
CM Kyle	2,960,659	-	-	26,535	2,934,124 (ii)
PA Kyle	5,358	306	-	-	5,664
RM McLean	15,503	686	-	-	16,189
BF Nazer	-	-	-	-	-
Specified executives					
V Scidone	5,108	293	-	-	5,401
DJ Fraser	2,227	130	-	-	2,357
SA Cooper	3,308	190	-	-	3,498
J Colli	-	-	-	-	-
JS Furness	-	847	-	-	847

- (i) Includes 25,598 shares held by personally-related entities in which Mr Glenn has no relevant interest.
- (ii) Includes 1,371,104 shares held by personally-related entities in which Mr C Kyle has no relevant interest.

(e) Other transactions

From time to time specified directors and specified executives of the Company may purchase goods from companies within the consolidated entity on the same terms and conditions as apply to any other employees of the consolidated entity.

Notes to and forming part of the Financial Statements

for the year ended 30 June 2004

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2004 \$	2003 \$	2004 \$	2003 \$
6 REMUNERATION OF AUDITORS				
<u>Audit Services</u>				
KPMG				
- audit and review of financial reports	180,704	-	136,323	-
Other auditors				
- audit and review of financial reports	-	253,832	-	153,351
	180,704	253,832	136,323	153,351
<u>Other Services</u>				
KPMG	-	-	-	-
Other auditors	-	45,150	-	15,345
	-	45,150	-	15,345

	Cents per share	Total amount \$000	Franked/ unfranked	Date of payment
7 DIVIDENDS				
2004				
Interim 2004 ordinary	16	5,566	Franked	31 March 2004
Final 2003 ordinary	16	5,525	Franked	25 September 2003
Total		11,091		
2003				
Interim 2003 ordinary	14	4,791	Franked	2 April 2003
Final 2002 ordinary	12	4,053	Franked	27 September 2002
Total		8,844		

Franked dividends declared or paid during the year were franked at the tax rate of 30%.

Subsequent events

Since the end of the financial year, the directors declared the following dividend:

Final - ordinary	18	6,316	Franked	24 September 2004
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The financial effect of this dividend has not been brought to account in the financial statements for the year ended 30 June 2004 and will be recognised in subsequent financial reports.

	PARENT ENTITY	
	2004 \$000	2003 \$000
Franked Dividends:		
Franking credits available to shareholders of Coventry Group Ltd for subsequent financial years:	27,892	23,640

The above amounts represent the balance of the dividend franking account as at the end of the financial year, adjusted for:

- franking credits that will arise from the payment of a current tax liability;
- franking debits that will arise from the payment of proposed dividends;
- franking credits that will arise from the receipt of dividends receivable; and
- franking credits that may be prevented from being distributed in subsequent financial years.

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends.

Notes to and forming part of the Financial Statements

for the year ended 30 June 2004

	CONSOLIDATED ENTITY	
	2004 \$000	2003 \$000
8 EARNINGS PER SHARE		
Earnings reconciliation:		
Profit from ordinary activities after income tax expense	15,171	10,862
Net profit attributable to outside equity interest	(371)	(95)
Basic and diluted earnings	14,800	10,767
Basic earnings per share (cents)	42.5	31.5
Diluted earnings per share (cents)	42.2	31.5
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share.	34,790,331	34,166,665
Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share.	35,045,360	34,199,383

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000
9 CASH ASSETS				
Cash on hand	83	80	71	69
Cash deposits with banks	8,364	3,535	-	1,176
Short term money market deposits	3,909	4,881	2,748	4,681
	12,356	8,496	2,819	5,926
10 NOTES TO THE STATEMENTS OF CASH FLOWS				
(a) Reconciliation of cash				
Cash at the end of the financial year as shown in the Statements of Cash Flows is reconciled to the related items in the Statements of Financial Position as follows:				
Cash on hand	83	80	71	69
Cash deposits with banks	8,364	3,535	-	1,176
Short term money market deposits	3,909	4,881	2,748	4,681
Bank overdraft	(2,287)	-	(2,287)	-
Balance per Statements of Cash Flows	10,069	8,496	532	5,926

Notes to and forming part of the Financial Statements

for the year ended 30 June 2004

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000
10 NOTES TO THE STATEMENTS OF CASH FLOWS (continued)				
(b) Reconciliation of cash flow from operating activities with operating profit after income tax				
Operating profit after income tax	15,171	10,862	14,688	9,902
Non-cash flows in operating profit:				
Recoverable amount write-down of distribution rights	-	2,252	-	-
Amortisation of intangibles	1,619	1,930	1,224	1,264
Depreciation	6,187	6,138	5,201	5,141
Transfers to provisions and allowances	3,945	3,522	7,808	11,956
Profits on sale of property, plant and equipment	(192)	(2,728)	(177)	(2,739)
Profit on sale of investments	(121)	-	(122)	-
Changes in assets and liabilities:				
(Increase) in trade and other debtors	(6,406)	(276)	(5,381)	(1,920)
Decrease in prepaid interest	127	223	127	223
(Increase)/decrease in inventories	(442)	920	(523)	(893)
Increase in trade and other creditors	1,318	2,617	671	3,882
(Decrease) in tax payable	(457)	(2,179)	(708)	(1,722)
(Increase) in future income tax benefit	(572)	(900)	(562)	(848)
Cash flows from operating activities	20,177	22,381	22,046	24,246

(c) Non-cash financing and investing activities**2004**

The only non-cash financing and investing activities for the consolidated entity for the year ended 30 June 2004 were the issues of ordinary shares by the parent entity to satisfy dividend entitlements pursuant to the dividend reinvestment plan, as detailed at Note 24(b).

2003

The only non-cash financing and investing activities for the consolidated entity for the year ended 30 June 2003 were the issues of ordinary shares by the parent entity to secure Ford automotive parts distribution rights in Western Australia, to acquire the balance of the issued capital of Coventry Auto Parts Pty Ltd, and to satisfy dividend entitlements pursuant to the dividend reinvestment plan.

11 RECEIVABLES**Current**

Trade debtors	65,929	61,104	57,175	53,098
Allowance for doubtful debts	(2,353)	(2,405)	(1,692)	(1,659)
	63,576	58,699	55,483	51,439
Other debtors	1,585	6,310	885	5,565
Amounts receivable from:				
- wholly-owned group	-	-	15,347	3,599
	65,161	65,009	71,715	60,603

Notes to and forming part of the Financial Statements

for the year ended 30 June 2004

	Note	CONSOLIDATED ENTITY		PARENT ENTITY	
		2004 \$000	2003 \$000	2004 \$000	2003 \$000
12 INVENTORIES					
Current					
Raw materials at cost		684	922	-	-
Finished goods at cost		84,324	84,119	66,881	66,969
Allowance for obsolescence		(5,376)	(3,562)	(4,747)	(3,036)
		78,948	80,557	62,134	63,933
		79,632	81,479	62,134	63,933
13 OTHER FINANCIAL ASSETS					
Non-current					
Investments comprise:					
Shares in controlled entities	14				
- unlisted at cost		-	-	44,769	45,069
- allowance for write-down		-	-	(28,987)	(25,148)
		-	-	15,782	19,921

14 INVESTMENTS IN CONTROLLED ENTITIES

Name of entity	Country of incorporation	Class of shares	Equity holding	
			2004 %	2003 %
AA Gaskets Pty Ltd	Australia	Ordinary	73	73
Coventry Auto Parts Pty Ltd	Australia	Ordinary	100	100
Hylton Parker Fasteners Limited	New Zealand	Ordinary	100	100
NZ Gaskets Limited*	New Zealand	Ordinary	73	73
ZZTXH Pty Ltd (Liquidated)	Australia	Ordinary	-	100
GBSJ Pty Ltd (Liquidated)	Australia	Ordinary	-	100

The ultimate parent entity is Coventry Group Ltd.

* This company is a controlled entity of AA Gaskets Pty Ltd and operates in New Zealand.

Notes to and forming part of the Financial Statements

for the year ended 30 June 2004

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000
15 PROPERTY, PLANT AND EQUIPMENT				
Land and Buildings				
Freehold land				
At cost	14,133	14,133	13,308	13,308
At recoverable amount	-	730	-	730
	14,133	14,863	13,308	14,038
Buildings				
At cost	22,113	22,206	20,638	20,731
At recoverable amount	-	1,150	-	1,150
Less accumulated depreciation	(2,200)	(1,783)	(2,045)	(1,658)
	19,913	21,573	18,593	20,223
Total Land and Buildings	34,046	36,436	31,901	34,261
Plant and Equipment				
At cost	60,751	57,210	50,483	47,783
Less accumulated depreciation	(36,853)	(34,190)	(30,987)	(28,842)
	23,898	23,020	19,496	18,941
Plant and equipment in the course of construction	18	7	-	-
Total Plant and Equipment	23,916	23,027	19,496	18,941
Total Property, Plant and Equipment	57,962	59,463	51,397	53,202

Valuations

An independent valuation of the consolidated entity's freehold land and buildings carried out as at March 2002 on the basis of open market values for continuing use resulted in a valuation of land of \$15,488,100 (the parent entity: \$14,318,100) and of buildings of \$22,231,900 (the parent entity: \$20,731,900) for the specific land and buildings held at 30 June 2004.

(a) Reconciliations

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current and previous financial years are set out below:

Total Land

Carrying amount at start of year	14,863	18,453	14,038	17,628
Disposals	(730)	(3,590)	(730)	(3,590)
Carrying amount at end of year	14,133	14,863	13,308	14,038

Total Buildings

Carrying amount at start of year	21,573	25,775	20,223	24,396
Additions	27	147	27	147
Disposals	(1,226)	(3,828)	(1,226)	(3,828)
Depreciation	(461)	(521)	(431)	(492)
Carrying amount at end of year	19,913	21,573	18,593	20,223

Total Plant and Equipment

Carrying amount at start of year	23,027	20,831	18,941	16,608
Additions	7,126	8,466	5,845	7,597
Disposals	(611)	(747)	(553)	(615)
Acquisitions through acquisitions of entities or operations	72	147	33	-
Discount on acquisition of entities or operations	-	(62)	-	-
Foreign currency exchange differences	28	9	-	-
Depreciation	(5,726)	(5,617)	(4,770)	(4,649)
Carrying amount at end of year	23,916	23,027	19,496	18,941

Notes to and forming part of the Financial Statements

for the year ended 30 June 2004

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000
16 DEFERRED TAX ASSETS				
Non-current				
Future income tax benefit – timing differences (at 30%)	5,521	4,948	5,070	4,507
17 INTANGIBLE ASSETS				
Non-current				
Goodwill at cost	32,407	31,953	25,910	25,697
Less accumulated amortisation	(12,312)	(11,063)	(10,803)	(9,652)
	20,095	20,890	15,107	16,045
Distribution rights at cost ¹	641	641	641	641
Less accumulated amortisation	(127)	(54)	(127)	(54)
	514	587	514	587
Distribution rights at recoverable amount ²	800	800	-	-
Less accumulated amortisation	(99)	-	-	-
	701	800	-	-
	21,310	22,277	15,621	16,632

¹ Represents consideration paid for the right to distribute Ford parts and accessories in Western Australia for a ten year term ending on 14 August 2011.

² Relates to the right to distribute Ford parts and accessories in New South Wales for a ten year term ending on 14 August 2011.

18 OTHER ASSETS

Current

Prepayments

2,035	1,132	1,263	939
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19 PAYABLES

Current

Unsecured liabilities:

Trade creditors

35,430	34,467	31,267	30,626
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Other creditors and accruals

7,859	7,649	7,003	6,899
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43,289	42,116	38,270	37,525
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Notes to and forming part of the Financial Statements

for the year ended 30 June 2004

	Note	CONSOLIDATED ENTITY		PARENT ENTITY	
		2004 \$000	2003 \$000	2004 \$000	2003 \$000
20 INTEREST-BEARING LIABILITIES					
Current					
Bank overdraft — secured	(b)	2,287	-	2,287	-
Surplus leased space		23	22	-	-
		2,310	22	2,287	-
Non-current					
Bill acceptance facility — secured	(b)	22,532	31,835	18,000	27,500
Surplus leased space		33	53	-	-
		22,565	31,888	18,000	27,500
(a) Total facilities available at balance date					
Bank overdraft		5,000	5,000	5,000	5,000
Bill acceptance facility		44,208	47,610	38,770	42,408
Guarantee facility		1,002	1,002	1,002	1,002
Corporate credit card facility		250	250	250	250
		50,460	53,862	45,022	48,660
(b) Facilities utilised at balance date					
Bank overdraft		2,287	-	2,287	-
Bill acceptance facility		22,532	31,835	18,000	27,500
Guarantee facility		624	624	624	624
Corporate credit card facility		-	-	-	-
		25,443	32,459	20,911	28,124
(c) Facilities not utilised at balance date					
Bank overdraft		2,713	5,000	2,713	5,000
Bill acceptance facility		21,676	15,775	20,770	14,908
Guarantee facility		378	378	378	378
Corporate credit card facility		250	250	250	250
		25,017	21,403	24,111	20,536

(d) Bank overdraft facility

The bank overdraft facility may be drawn at any time and is repayable on demand.

(e) Bill acceptance facility

The bill acceptance facility as at the date of this report comprises a bill acceptance facility of \$38,770,000 for the parent entity, and a cash advance facility of NZ\$6,000,000 for Hylton Parker Fasteners Limited.

The bill acceptance facility is subject to annual review.

(f) Guarantee facility

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

(g) Corporate credit card facility

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

(h) Securities

All of the above facilities are secured by fixed and floating charges over the assets and undertakings of the parent entity and Coventry Auto Parts Pty Ltd, a general security agreement from Hylton Parker Fasteners Limited, and by a deed of cross guarantee between those companies.

(i) Surplus leased space

The liability for surplus leased space represents the future payments falling due during the period to 30 August 2007 for surplus leased space under non-cancellable operating leases, net of sub-leasing revenue, discounted at 5%.

Notes to and forming part of the Financial Statements

for the year ended 30 June 2004

	Note	CONSOLIDATED ENTITY		PARENT ENTITY	
		2004 \$000	2003 \$000	2004 \$000	2003 \$000
21 TAX LIABILITIES					
Current					
Income tax		1,089	1,548	1,012	1,720
22 PROVISIONS					
Current					
Employee benefits	30	2,177	1,722	1,860	1,426
Warranty		31	17	27	15
		2,208	1,739	1,887	1,441
Non-current					
Employee benefits	30	2,625	2,646	2,574	2,586

(a) Movement in provisions

Movements in each class of provision during the financial year, other than employee benefits, are set out below.

	CONSOLIDATED ENTITY	PARENT ENTITY
	2004 \$000	2004 \$000
Warranty – current		
Carrying amount at beginning of year	17	15
Provisions made during the year	20	18
Payments made during the year	(6)	(6)
Carrying amount at end of year	31	27

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000
23 OTHER LIABILITIES				
Non-current				
Other creditors	-	37	-	-

Notes to and forming part of the Financial Statements

for the year ended 30 June 2004

		PARENT ENTITY		PARENT ENTITY	
	Note	2004 Number of Shares	2003 Number of Shares	2004 \$000	2003 \$000
24 CONTRIBUTED EQUITY					
(a) Share capital					
Ordinary shares					
Fully paid	(b)	35,091,527	34,519,727	93,685	90,402
(b) Ordinary shares					
Movements during the year					
Balance at beginning of year		34,519,727	33,774,406	90,402	87,242
Shares issued					
- secure Ford automotive parts distribution rights in Western Australia		-	150,000	-	641
- acquire the balance of the issued capital of Coventry Auto Parts Pty Ltd		-	287,068	-	1,227
- dividend reinvestment plan		571,800	308,253	3,283	1,292
		35,091,527	34,519,727	93,685	90,402

Dividend reinvestment plan

The company has established a dividend reinvestment plan under which holders of ordinary shares may elect to have all or part of their dividend entitlements satisfied by the issue of new ordinary shares rather than by being paid in cash. During the year shares were issued under the plan at a 2.5% discount to the market price, calculated according to the plan.

Terms and conditions

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings.

In the event of winding up of the parent entity, ordinary shareholders rank after creditors and are fully entitled to any proceeds of liquidation after the claims of creditors have been met.

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000
25 RESERVES AND RETAINED PROFITS				
(a) Reserves				
Asset realisation reserve	17,264	17,917	17,255	17,908
Asset revaluation reserve	14,826	14,173	14,684	14,031
Foreign currency translation reserve	790	420	-	-
	32,880	32,510	31,939	31,939
Movements during the year:				
Asset realisation reserve				
Opening balance	17,917	15,659	17,908	15,650
Transfer from asset revaluation reserve on disposal of non-current asset	(653)	2,258	(653)	2,258
Closing balance	17,264	17,917	17,255	17,908
Asset revaluation reserve				
Opening balance	14,173	16,431	14,031	16,289
Transfer to asset realisation reserve on disposal of non-current asset	653	(2,258)	653	(2,258)
Closing balance	14,826	14,173	14,684	14,031

Notes to and forming part of the Financial Statements

for the year ended 30 June 2004

	Note	CONSOLIDATED ENTITY		PARENT ENTITY	
		2004 \$000	2003 \$000	2004 \$000	2003 \$000
25 RESERVES AND RETAINED PROFITS (continued)					
(a) Reserves - Movements during the year (continued)					
Foreign currency translation reserve					
Opening balance		420	701	-	-
Net exchange differences on translation of foreign controlled entities		390	(279)	-	-
Applicable to outside equity interests		(20)	(2)	-	-
Closing balance		790	420	-	-
(b) Retained profits					
Retained profits at the beginning of the financial year		36,740	30,932	32,550	27,593
Adjustment resulting from initial adoption of revised AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets"		-	4,053	-	4,053
Adjustment resulting from initial adoption of revised AASB 1028 "Employee Benefits"		-	(168)	-	(154)
Net profit attributable to members		14,800	10,767	14,688	9,902
Dividends provided for or paid	7	(11,091)	(8,844)	(11,091)	(8,844)
Retained profits at end of the financial year		40,449	36,740	36,147	32,550

(c) Nature and purpose of reserves:**Asset Realisation**

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

Asset Revaluation

The asset revaluation reserve includes the net revaluation increments and decrements arising from the revaluation of non-current assets in accordance with AASB 1041. The balance of the reserve is not available for future asset write-downs as a result of the deemed cost election for land and buildings when adopting AASB 1041.

Foreign Currency Translation

The foreign currency translation reserve records the foreign currency differences arising from the translation of self-sustaining foreign operations.

Notes to and forming part of the Financial Statements

for the year ended 30 June 2004

	CONSOLIDATED ENTITY	
	2004 \$000	2003 \$000
26 OUTSIDE EQUITY INTERESTS IN CONTROLLED ENTITIES		
Outside equity interest comprises interests in:		
Share capital	3	3
Reserves	102	82
Retained profits	2,772	3,071
	2,877	3,156

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000
27 EQUITY				
Total equity at the beginning of the financial year	162,808	155,892	154,891	146,774
Adjustment to retained earnings at the beginning of the year resulting from change in accounting policy for providing for dividends	-	4,053	-	4,053
Total changes in equity recognised in the Statements of Financial Performance	15,170	10,318	14,688	9,748
Transactions with owners as owners:				
Dividends provided for or paid	(11,091)	(8,844)	(11,091)	(8,844)
Share issues	3,283	3,160	3,283	3,160
Total changes in outside equity interest	(279)	(1,771)	-	-
Total equity at the end of the financial year	169,891	162,808	161,771	154,891

28 FINANCIAL INSTRUMENTS

(a) Off balance sheet financial instruments

The consolidated entity is a party to financial instruments with off balance sheet risk to hedge its exposure to fluctuations in interest rates. Derivative financial instruments are not held for speculative purposes.

Interest rate swap contracts

Commercial bills payable of the consolidated entity currently bear an average variable interest rate of 5.8% (2003: 4.8%). It is policy to protect part of the bills payable from exposure to increasing rates. Accordingly, the consolidated entity has entered into interest rate swap contracts under which it is obliged to receive interest at variable rates and to pay interest at fixed rates. The contracts are settled on a net basis every 90 days. Settlement dates coincide with the dates on which interest is payable on the majority of the underlying debt.

The fixed interest rates range between 5.6% and 6.2% (2003: between 5.4% and 6.2%).

The notional principal amounts and expiry periods of the interest rate swaps are as follows:

	2004 \$000	2003 \$000
Less than one year	-	5,000
One to two years	11,000	-
Two to five years	15,000	26,000
	26,000	31,000

Notes to and forming part of the Financial Statements

for the year ended 30 June 2004

28 FINANCIAL INSTRUMENTS (continued)

(b) Interest rate risk exposures

The consolidated entity's exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and financial liabilities is set out below:

Note	Weighted average interest rate	Floating interest rate \$000	1 year or less \$000	Over 1 to 5 years \$000	More than 5 years \$000	Non-interest bearing \$000	Total \$000
30 June 2004							
Financial Assets							
Cash and deposits 9	4.81%	12,105	-	-	-	251	12,356
Receivables 11	-	-	-	-	-	65,161	65,161
		12,105	-	-	-	65,412	77,517
Financial Liabilities							
Trade and other creditors 19	-	-	-	-	-	43,289	43,289
Bank overdraft 20	8.50%	2,287	-	-	-	-	2,287
Bill acceptance facility 20	5.75%	22,532	-	-	-	-	22,532
Surplus leased space 20	5.00%	-	23	33	-	-	56
Interest rate swaps (at notional principal amount)	5.96%	(26,000)	-	26,000	-	-	-
		(1,181)	23	26,033	-	43,289	68,164
30 June 2003							
Financial Assets							
Cash and deposits 9	4.47%	8,416	-	-	-	80	8,496
Receivables 11	9.00%	-	1,050	-	-	63,959	65,009
		8,416	1,050	-	-	64,039	73,505
Financial Liabilities							
Trade and other creditors 19	-	-	-	-	-	42,116	42,116
Bill acceptance facility 20	4.82%	31,835	-	-	-	-	31,835
Other liabilities 23	-	-	-	-	-	37	37
Surplus leased space 20	5.00%	-	22	53	-	-	75
Interest rate swaps (at notional principal amount)	5.87%	(31,000)	5,000	26,000	-	-	-
		835	5,022	26,053	-	42,153	74,063

(c) Credit risk exposure

Credit risk is the risk that counter parties to a financial asset will fail to discharge their obligations, causing the consolidated entity to incur a financial loss.

On balance sheet financial instruments

The credit risk exposure of the consolidated entity to financial assets which have been recognised in the Statements of Financial Position is generally the carrying amounts, net of any provisions for doubtful debts.

Off balance sheet financial instruments

The credit risk exposure of the consolidated entity to off balance sheet financial instruments, including derivatives, arises because of the risk that counter parties may not meet their obligations under their respective contracts at maturity. The consolidated entity attempts to minimise that risk by ensuring that counter parties are recognised financial intermediaries with acceptable credit ratings determined by a recognised ratings agency. Credit risk on interest rate swap contracts is limited to the net amount to be recovered from counter parties on contracts that are favourable to the consolidated entity.

Notes to and forming part of the Financial Statements

for the year ended 30 June 2004

28 FINANCIAL INSTRUMENTS (continued)

(d) Net fair values of financial assets and liabilities

The carrying amounts of financial assets and financial liabilities recognised in the financial statements approximate their net fair values.

None of the consolidated entity's financial assets and financial liabilities are readily traded on organised markets in standardised form.

The net fair value of the consolidated entity's financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow theory.

The net fair value of financial instruments not recognised on the Statements of Financial Position at balance date is:

	2004 \$000	2003 \$000
Interest rate swaps	(109)	(1,020)

	Note	CONSOLIDATED ENTITY		PARENT ENTITY	
		2004 \$000	2003 \$000	2004 \$000	2003 \$000
29 CAPITAL AND LEASING COMMITMENTS					
(a) Operating lease commitments					
Non-cancellable operating leases contracted for but not capitalised in the financial statements:					
Not later than one year		6,741	5,913	3,953	3,181
Later than one year but not later than five years		9,973	9,228	5,395	4,484
Later than five years		1,145	560	1,013	560
		17,859	15,701	10,361	8,225
Less future minimum lease payments expected to be received in relation to non-cancellable sub-leases of operating leases not recognised in the financial statements		(421)	(638)	-	-
		17,438	15,063	10,361	8,225
(b) Capital expenditure commitments					
Plant and equipment purchases					
Not later than one year		-	139	-	139
30 EMPLOYEE BENEFITS					
(a) Employee benefits and related on-cost liabilities					
Included in other creditors – current	19	6,519	6,332	5,919	5,836
Provision for employee benefits – current	22	2,177	1,722	1,860	1,426
Provision for employee benefits – non-current	22	2,625	2,646	2,574	2,586
Aggregate employee benefits and related on-cost liability		11,321	10,700	10,353	9,848
(b) Employee numbers					
Number of employees at reporting date		1,979	1,891	1,646	1,608

(c) Superannuation

The consolidated entity makes contributions to an accumulation style superannuation scheme for each employee. The contributions are in accordance with the Superannuation Guarantee legislation. Employees may also make additional voluntary contributions. Benefits are based on the balance of the member accounts at the time of leaving the schemes.

(d) Incentive plans

Details of short-term and long-term incentive plans are set out in Note 5.

Notes to and forming part of the Financial Statements

for the year ended 30 June 2004

31 NON-DIRECTOR RELATED PARTY TRANSACTIONS

The classes of non-director related parties are:

- wholly-owned controlled entities; and
- partly-owned controlled entities.

Controlled entities

Details of the ownership interest in controlled entities are set out in Note 14.

Transactions

All transactions with non-director related parties are on normal terms and conditions.

	PARENT ENTITY	
	2004 \$000	2003 \$000
The aggregate amounts included in the profit from ordinary activities before income tax expense that resulted from transactions with non-director related parties are:		
Interest revenue		
Wholly-owned controlled entities	-	106
Dividend revenue		
Wholly-owned controlled entities	654	-
Partly-owned controlled entities	1,766	721
	2,420	721
Aggregate amount of other transactions with non-director related parties:		
Revenue from sale of goods		
Wholly-owned controlled entities	890	619
Partly-owned controlled entities	19	-
	909	619
Purchase of inventories		
Wholly-owned controlled entities	589	1,821
Partly-owned controlled entities	1,467	1,248
	2,056	3,069
Amounts advanced to:		
Wholly-owned controlled entities	11,749	3,773
Receivables		
Aggregate amounts receivable from non-director related parties:		
Trade debtors		
Wholly-owned controlled entities	145	53
Partly-owned controlled entities	2	-
	147	53
Payables		
Aggregate amounts payable to non-director related parties:		
Trade creditors		
Wholly-owned controlled entities	123	128
Partly-owned controlled entities	129	148
	252	276

Notes to and forming part of the Financial Statements

for the year ended 30 June 2004

32 DEED OF CROSS GUARANTEE

Pursuant to ASIC Class Order 98/1418 (as amended) dated 13 August 1998, Coventry Auto Parts Pty Ltd is relieved from the Corporations Act 2001 requirements for preparation, audit and lodgement of financial reports and directors' reports.

It is a condition of the Class Order that the parent entity and Coventry Auto Parts Pty Ltd enter into a Deed of Cross Guarantee.

The effect of the Deed is that the parent entity guarantees to each creditor payment in full of any debt in the event of the winding up of Coventry Auto Parts Pty Ltd under certain provisions of the Corporations Act 2001. If a winding up occurs under other provisions of the Corporations Act 2001, the parent entity will only be liable in the event that after six months any creditor has not been paid in full. Coventry Auto Parts Pty Ltd has also given similar guarantees in the event that the parent entity is wound up.

The above companies represent a "Closed Group" for the purposes of the Class Order, and as there are no other parties to the Deed of Cross Guarantee that are controlled by the parent entity, they also represent the "Extended Closed Group".

The consolidated Statement of Financial Performance, consolidated Statement of Financial Position and summary of movements in retained profits of the Closed Group are:

	2004 \$000	2003 \$000
(a) Statement of financial performance		
<i>Profit from ordinary activities before income tax expense</i>	20,463	15,011
Income tax expense	(5,409)	(5,090)
<i>Profit from ordinary activities after income tax expense</i>	15,054	9,921
Net loss attributable to outside equity interest ¹	-	159
<i>Net profit attributable to members of Coventry Group Ltd</i>	15,054	10,080
Net decrease in retained profits on the initial adoption of revised AASB 1028 "Employee Benefits"	-	(163)
Total revenues, expenses and valuation adjustments attributable to members of Coventry Group Ltd recognised directly in equity	-	(163)
Total changes in equity other than those resulting from transactions with owners as owners	15,054	9,917

¹ Relates to the period prior to the parent entity having full ownership of Coventry Auto Parts Pty Ltd.

Notes to and forming part of the Financial Statements

for the year ended 30 June 2004

	2004 \$000	2003 \$000
32 DEED OF CROSS GUARANTEE (continued)		
(b) Statement of financial position		
<i>Current assets</i>		
Cash assets	8,663	5,715
Receivables	60,981	61,054
Inventories	72,389	73,451
Other assets	2,008	1,111
Total current assets	144,041	141,331
<i>Non-current assets</i>		
Other financial assets	9,542	9,542
Property, plant and equipment	53,794	55,301
Tax assets	5,070	4,507
Intangible assets	16,448	17,565
Total non-current assets	84,854	86,915
Total assets	228,895	228,246
<i>Current liabilities</i>		
Payables	41,277	40,342
Interest-bearing liabilities	2,309	22
Tax liabilities	1,012	1,720
Provisions	1,901	1,454
Total current liabilities	46,499	43,538
<i>Non-current liabilities</i>		
Interest-bearing liabilities	18,033	27,553
Provisions	2,592	2,593
Other liabilities	-	37
Total non-current liabilities	20,625	30,183
Total liabilities	67,124	73,721
Net assets	161,771	154,525
<i>Equity</i>		
Contributed equity	93,685	90,402
Reserves	31,939	31,939
Retained profits	36,147	32,184
Total equity	161,771	154,525
(c) Retained profits		
Retained profits at the beginning of the financial year	32,184	27,058
Adjustment resulting from initial adoption of		
- revised AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets"	-	4,053
- revised AASB 1028 "Employee Benefits"	-	(163)
Net profit	15,054	10,080
Dividends provided for or paid	(11,091)	(8,844)
Retained profits at end of financial year	36,147	32,184

Notes to and forming part of the Financial Statements

for the year ended 30 June 2004

33 SEGMENT REPORTING

Industry Segments	Automotive Parts Distribution		Industrial Products Distribution	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000
Sales to customers outside the consolidated entity	239,721	226,947	170,566	164,038
Intersegment sales	731	697	1,174	1,272
Other revenue	1,959	1,932	1,262	1,480
Total segment revenue	242,411	229,576	173,002	166,790
Unallocated corporate revenue ¹				
Total revenue				
Segment net profit before interest and tax ^{2,3}	7,090	1,406	15,859	13,645
Unallocated net corporate (expense)/revenue				
Operating profit before interest and tax				
Net interest expense				
Net profit before tax				
Income tax expense				
Net profit after tax				
Segment assets	90,002	85,614	87,587	87,383
Unallocated corporate assets				
Total assets				
Segment liabilities	26,482	25,458	18,023	16,908
Unallocated corporate liabilities				
Total liabilities				
Acquisition of property, plant and equipment, intangibles and other non-current segment assets	2,660	2,486	2,942	2,186
Unallocated corporate acquisition of non-current assets				
Total acquisition of property, plant and equipment, intangibles and other non-current assets				
Segment depreciation and amortisation expense	2,231	2,556	3,634	3,804
Unallocated corporate depreciation and amortisation expense				
Total depreciation and amortisation expense				
Segment other non-cash expenses	436	2,944	1,844	1,978
Unallocated corporate non-cash expenses				
Total other non-cash expenses				
<u>Individually significant items</u>				
Recoverable amount write-down				
- distribution rights	-	2,252	-	-
Unallocated profit on sale of land and buildings	-	-	-	-
Total significant items	-	2,252	-	-

¹ Includes proceeds from sale of land and buildings of \$1.82 million (2003: \$9.76 million).

² The automotive parts distribution segment includes trading losses (including amortisation of distribution rights) incurred by Coventry Auto Parts Pty Ltd of \$4.14 million (2003: \$5.84 million).

³ With effect from 1 July 2003, business segments have been charged rent where they occupy company-owned premises. The segment operating profit for the comparative period has been similarly adjusted.

Notes to and forming part of the Financial Statements

for the year ended 30 June 2004

Bitumen Products		Gasket Manufacturing		Eliminations		Consolidated	
2004	2003	2004	2003	2004	2003	2004	2003
\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
13,056	13,642	10,568	10,918	-	-	433,911	415,545
-	-	1,845	1,616	(3,750)	(3,585)	-	-
294	100	124	120	-	-	3,639	3,632
13,350	13,742	12,537	12,654	(3,750)	(3,585)	437,550	419,177
						2,752	11,118
						440,302	430,295
1,315	1,457	1,818	1,236	366	-	26,448	17,744
						(3,343)	986
						23,105	18,730
						1,176	1,860
						21,929	16,870
						6,758	6,008
						15,171	10,862
6,160	5,994	8,998	9,592	(1,618)	(822)	191,129	187,761
						52,848	55,043
						243,977	242,804
1,100	1,031	1,025	996	(1,618)	(819)	45,012	43,574
						29,074	36,422
						74,086	79,996
427	2,727	435	390	-	-	6,464	7,789
						1,199	1,108
						7,663	8,897
466	395	426	414	-	-	6,757	7,169
						1,049	899
						7,806	8,068
(47)	23	58	26	-	-	2,291	4,971
						108	(180)
						2,399	4,791
-	-	-	-	-	-	-	2,252
-	-	-	-	-	-	-	(2,346)
-	-	-	-	-	-	-	(94)

Notes to and forming part of the Financial Statements

for the year ended 30 June 2004

33 SEGMENT REPORTING (continued)

Products and services

The major products and services from which the above segments derive revenue are:

Industry Segment	Products/Service
Automotive Distribution	Automotive parts and accessories and mining and industrial consumables.
Industrial Products Distribution	Industrial and construction fasteners, bearings, power transmission products, lubrication products and systems, hoses and fittings and hydraulic fluid systems.
Bitumen Products	Asphalt manufacture and application, road profiling and manufacture and spraying of bituminous products.
Gasket Manufacturing	Manufacture and distribution of automotive and industrial gaskets.

Intersegment pricing is determined on an arm's length basis.

Geographical segments

The consolidated entity operates predominantly in one geographic segment, being Australia. This segment includes the assets and results of the consolidated entity's New Zealand activities.

34 EVENTS SUBSEQUENT TO REPORTING DATE

Dividends

A dividend has been declared since the end of the current period as described at Note 7.

Tax consolidation

The Government has announced that it plans to amend the tax consolidation legislation. Details of the proposed changes are not yet available. The effects of any change will be brought to account when the legislation is substantively enacted and the entity can assess the impact.

International Financial Reporting Standards

For reporting periods beginning on or after 1 January 2005, the consolidated entity must comply with International Financial Reporting Standards ("IFRS") as issued by the Australian Accounting Standards Board.

This financial report has been prepared in accordance with Australian accounting standards and other financial reporting requirements ("Australian GAAP"). The differences between Australian GAAP and IFRS identified to date as potentially having a significant effect on the consolidated entity's financial performance and financial position are summarised below. The summary should not be taken as an exhaustive list of all the differences between Australian GAAP and IFRS. No attempt has been made to identify all disclosure, presentation or classification differences that would affect the manner in which transactions or events are presented.

The consolidated entity has not quantified the effects of the differences discussed below. Accordingly, there can be no assurances that the consolidated financial performance and financial position as disclosed in this financial report would not be significantly different if determined in accordance with IFRS.

Regulatory bodies that promulgate Australian GAAP and IFRS have significant ongoing projects that could affect the differences between Australian GAAP and IFRS described below and the impact of these differences on the consolidated entity's financial reports in the future. The potential impacts on the consolidated entity's financial performance and financial position of the adoption of IFRS, including system upgrades and other implementation costs which may be incurred, have not been quantified as at the transition date of 1 July 2004 due to the short timeframe between finalisation of the IFRS standards and the date of preparing this report. The impact on future years will depend on the particular circumstances prevailing in those years.

The key potential implications of the conversion to IFRS on the consolidated entity are as follows:

- ... financial instruments must be recognised in the Statement of Financial Position and all derivatives and most financial assets must be carried at fair value.
- ... income tax will be calculated based on the "balance sheet" approach, which will result in more deferred tax assets and liabilities and, as tax effects follow the underlying transaction, some tax effects will be recognised directly in equity.
- ... revaluation increments and decrements relating to revalued property, plant and equipment and intangible assets will be recognised on an individual asset basis, not a class of assets basis.
- ... intangible assets can only be revalued if there is an active market.
- ... goodwill and intangible assets with indefinite useful lives will be tested for impairment annually and will not be amortised.

Notes to and forming part of the Financial Statements

for the year ended 30 June 2004

34 EVENTS SUBSEQUENT TO REPORTING DATE (continued)

- ... impairments of assets will be determined on a discounted basis, with strict tests for determining whether goodwill and cash-generating operations have been impaired.
- ... equity-based compensation in the form of shares will be recognised as expenses in the periods during which the employee provides related services.
- ... changes in accounting policies will be recognised by restating comparatives rather than making current year adjustments with note disclosure of prior year effects.

The Board has established a formal project, monitored by the Audit and Risk Committee, to achieve transition to IFRS reporting, beginning with the half-year ended 31 December 2005. The Company's implementation project consists of three phases as described below.

Assessment and planning phase

This phase includes:

- ... high level identification of the key differences in accounting policies and disclosures that are expected to arise from adopting IFRS.
- ... assessment of new information requirements affecting management information systems, as well as the impact on the business and its key processes.
- ... evaluation of the implications for staff, for example training requirements.
- ... preparation of a conversion plan for expected changes to accounting policies, reporting structures, systems, accounting and business processes and staff training.

The Company considers that significant progress has been made in the assessment and planning phase at 30 June 2004.

Design phase

The design phase aims to formulate the changes required to existing accounting policies and procedures and systems and processes in order to transition to IFRS. The design phase will incorporate:

- ... formulating revised accounting policies and procedures for compliance with IFRS requirements.
- ... identifying potential financial impacts as at the transition date and for subsequent reporting periods prior to adoption of IFRS.
- ... developing revised IFRS disclosures.
- ... designing accounting and business processes to support IFRS reporting obligations.
- ... identifying and planning required changes to financial reporting and business source systems.
- ... developing training programs for staff.

The design phase is expected to be completed during the year ending 30 June 2005.

Implementation phase

The implementation phase will include implementation of identified changes to accounting and business procedures, processes and systems and operational training for staff. It will enable the Company to generate the required disclosures of AASB 1 as it progresses through its transition to IFRS.

Except for certain training that has been given to accounting staff, the Company has not yet commenced the implementation phase. However, the Company expects this phase to be substantially complete by 30 June 2005.

Acquisitions

On 1 July 2004, the controlled entity, Coventry Auto Parts Pty Ltd, acquired the Queensland based automotive parts distribution business, Thompson's Spare Parts and Rod Smith Parts & Bearings for a consideration of approximately \$6 million. The fair value of the net assets purchased at the date of acquisition was \$2.6 million and the purchased goodwill amounted to \$3.4 million.

On 31 July 2004, Coventry Group Ltd acquired the business of Independent Motor Mart, a Northern Territory based automotive parts distributor, for a consideration of approximately \$8.6 million. The fair value of the net assets purchased at the date of acquisition was \$2.2 million and the purchased goodwill amounted to \$6.4 million.

The financial effects of the above acquisitions have not been brought to account in the financial statements for the year ended 30 June 2004.

Directors' Declaration

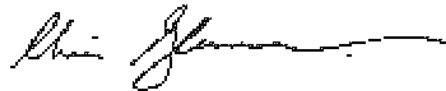
1. In the opinion of the directors of Coventry Group Ltd ("the Company")
 - (a) The accompanying financial statements and notes are in accordance with the Corporations Act 2001, and:
 - (i) give a true and fair view of the financial position of the Company and consolidated entity as at 30 June 2004 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date; and
 - (ii) comply with Accounting Standards in Australia and the Corporations Regulations 2001; and
 - (b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. There are reasonable grounds to believe that the Company and the controlled entity identified in Note 32 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and the controlled entity pursuant to ASIC Class Order 98/1418.

Signed in accordance with a resolution of the directors.



W G Kent, AO
Chairman

Perth
26 August 2004



C J Glenn
Managing Director

Independent Auditor's Report to Members of Coventry Group Ltd

Scope

The financial report and directors' responsibility

The financial report comprises the statements of financial position, statements of financial performance, statements of cash flows, accompanying notes to the financial statements, and the directors' declaration for both Coventry Group Ltd (the "Company") and the Consolidated Entity, for the year ended 30 June 2004. The Consolidated Entity comprises both the Company and the entities it controlled during that year.

The directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the Company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, Australian Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Company's and the Consolidated Entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

Audit opinion

In our opinion, the financial report of Coventry Group Ltd is in accordance with:

- a) the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the Company's and Consolidated Entity's financial position as at 30 June 2004 and of their performance for the financial year ended on that date; and
 - ii. complying with Accounting Standards in Australia and the *Corporations Regulations 2001*; and
- b) other mandatory professional reporting requirements in Australia.



KPMG



T R Hart
Partner

Perth
26 August 2004

Shareholder Information

as at 31 August 2004

TWENTY LARGEST SHAREHOLDERS

Name	Ordinary Shares	
	Number	% of Total
1. RBC Global Services Australia Nominees Pty Limited (BK Cust A/C)	3,744,893	10.67
2. National Nominees Limited	3,391,336	9.66
3. JP Morgan Nominees Australia Limited	1,714,812	4.89
4. Australian Foundation Investment Company Limited	1,650,000	4.70
5. Dorsett Investments Pty Ltd	1,507,446	4.30
6. Swanwall Holdings Pty Ltd	1,343,535	3.83
7. Westpac Custodian Nominees Limited	922,501	2.63
8. Anne Kyle	866,973	2.47
9. Devadius Pty Ltd	836,619	2.38
10. Argo Investments Limited	740,703	2.11
11. Malcolm James McCusker	734,511	2.09
12. Milton Corporation Limited	513,377	1.46
13. Queensland Investment Corporation	354,679	1.01
14. Geoffrey Michael Kyle	301,708	0.86
15. Leah Jane Cohen	297,600	0.85
16. Citicorp Nominees Pty Limited	297,116	0.85
17. ANZ Nominees Limited	274,829	0.78
18. Joan Merle Smith	234,427	0.67
19. Clifford Maxwell Kyle	217,378	0.62
20. Pinemont Plantations Pty Ltd	216,942	0.62
	20,161,385	57.45

DISTRIBUTION OF SHAREHOLDINGS

Size of Holding	Shareholders		Shares	
	Number	%	Number	%
1 to 1,000	1,293	33.98	588,161	1.68
1,001 to 5,000	1,895	49.80	4,691,369	13.37
5,001 to 10,000	358	9.41	2,606,719	7.43
10,001 to 100,000	226	5.94	5,210,617	14.85
100,001 and over	33	0.87	21,994,661	62.67
	3,805	100.00	35,091,527	100.00

There were 242 holders of less than a marketable parcel of shares.

SUBSTANTIAL SHAREHOLDERS

The Company's register of substantial shareholders showed the following particulars as at 31 August 2004.

Name of Substantial Shareholder	Extent of Interest (No. of shares)	Date of Last Notification
Paradise Cooper Investors Pty Ltd	3,289,665	16.01.03
Investors Mutual Limited	3,745,756	15.01.04

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.

Investor Information

Annual General Meeting

The 68th Annual General Meeting of Coventry Group Ltd will be held at Meeting Room 5, Level 2, Perth Convention Exhibition Centre, 21 Mounts Bay Road, Perth, Western Australia on Monday, 1 November 2004, at 3.00 pm.

Shareholder Enquiries

Shareholders can obtain information about their shares or dividend payments by contacting the Company's share registry at:

Computershare Investor Services Pty Ltd

Level 2, Reserve Bank Building

45 St George's Terrace

Perth Western Australia 6000

Telephone: (08) 9323 2000

Facsimile: (08) 9323 2033

Freecall: 1800 033 025

Electronic Payment of Dividends

Coventry Group Ltd encourages shareholders to receive their dividend payments by direct credit. Shareholders may nominate a bank, building society or credit union account for direct payment of the dividend. Payments are electronically credited on the dividend date and confirmed by mailed payment advice. Shareholders wishing to take advantage of payment by direct credit should contact the share registry to obtain an application form.

Change of Name/Address/Banking Details

Shareholders should notify the share registry in writing immediately there is a change of their name, registered address or change in banking particulars for direct credit of dividends.

Removal From Annual Report Mailing List

Shareholders who prefer not to receive the annual report or are receiving more than one copy at a household or business should advise the share registry in writing.

Dividend Reinvestment Plan

The Company operates a dividend reinvestment plan (DRP). The DRP is a convenient method for shareholders to increase their shareholding by investing all or part of their dividend to acquire shares without incurring additional costs such as brokerage fees.

Currently the DRP applies a 2.5% discount to the market price calculated in accordance with the plan.

The DRP terms and conditions booklet and application forms are available from the share registry.

Stock Exchange Listing

The Company's shares are listed on the Australian Stock Exchange Limited and trade under the ASX code CYG.

Coventry Group Website

Information about Coventry Group Ltd is available on the internet at:

www.cgl.com.au

This website also contains the Company's latest annual and half yearly report to shareholders, recent announcements to the Australian Stock Exchange as well as selected corporate information.

The website also has a direct link to the share registry.

Corporate Directory

Coventry Group Ltd

ABN 37 008 670 102

Registered and Principal Administrative Office

253 Walter Road
Morley Western Australia 6062
Telephone: (08) 9276 0222
Facsimile: (08) 9276 1666

Postal Address

PO Box 63
Morley Western Australia 6943

Web Site

www.cgl.com.au

Secretary

J Colli

Bankers

Westpac Banking Corporation

Auditors

KPMG
Central Park
152-158 St George's Terrace
Perth Western Australia 6000

Principal Solicitors

Mallesons Stephen Jaques
Level 10
Central Park
152 St George's Terrace
Perth Western Australia 6000

Share Registry

Computershare Investor Services Pty Limited
Level 2 Reserve Bank Building
45 St George's Terrace
Perth Western Australia 6000
Telephone: (08) 9323 2000
Facsimile: (08) 9323 2033

Financial Calendar

2004

Shares trade ex-dividend	7 September
Record date for final dividend	13 September
Deadline for receipt of DRP election forms	13 September
Final dividend payable	24 September
Annual General Meeting	1 November
End of financial half-year	31 December

2005 (proposed)

Half Year Results and interim dividend announcement	21 February
Shares trade ex-dividend	1 March
Record date for interim dividend	7 March
Deadline for receipt of DRP election forms	7 March
Interim dividend payable	18 March
End of financial year	30 June
Year End Results and final dividend announcement	22 August
Shares trade ex-dividend	30 August
Record date for final dividend	5 September
Deadline for receipt of DRP election forms	5 September
Final dividend payable	16 September
Annual General Meeting	8 November

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