

COVENTRY GROUP LTD

ABN 37 008 670 102

Version 5 (28/8/02)

FINANCIAL REPORT

FOR THE YEAR ENDED

30 June 2002

COVENTRY GROUP LTD
ABN 37 008 670 102

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 2002.

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:

Warwick Gordon Kent - Chairman
Brian Arthur Goddard - Deputy Chairman
Barry Robert Watson – Managing Director
Graham Walter Blackburn (resigned on 12 October 2001)
Roger Baden Flynn (appointed on 12 October 2001)
Clifford Maxwell Kyle
Peter Arthur Kyle
Ross Malcolm McLean

Particulars of their qualifications, experience and special responsibilities are set out on page XX 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:

	<u>Number of Ordinary Shares</u>
W G Kent	30,074
B A Goddard	77,244
B R Watson	66,883
R B Flynn	250
C M Kyle	203,898
P A Kyle	5,184
R M McLean	13,000

During the 2001/02 financial year and as at the date of this report no director has declared any interest in a contract or proposed contract with the Company, the nature of which would be required to be reported in accordance with subsection 300(11)(d) of the Corporations Act 2001, except as follows:

Mr B R Watson entered into a contract with the Company on 30 July 2002 with respect to his retirement which entitles him to a benefit upon retirement of approximately \$511,000. Mr Watson's retirement is expected to occur on or before 31 December 2002.

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 2002, and the number of meetings attended by each director.

	Board of Directors		Audit Committee		Remuneration Committee	
	Held	Attended	Held	Attended	Held	Attended
W G Kent	15	15	-	-	3	3
B A Goddard	15	15	3	3	-	-
B R Watson	15	15	-	-	-	-
G W Blackburn	6	6	-	-	-	-
R B Flynn	9	9	-	-	-	-
C M Kyle	15	15	3	3	3	3
P A Kyle	15	13	3	3	-	-
R M McLean	15	12	-	-	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.

2. Principal activities

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

- the distribution of:
 - automotive parts, tools, workshop equipment and associated products
 - fasteners, bearings, fluid systems, mining and industrial products
- the manufacture and laying of bitumen, asphalt and associated products
- the manufacture and distribution of automotive and industrial gaskets

3. Consolidated results

Results of the consolidated entity for the year ended 30 June 2002 were as follows:

	2002	2001
	\$000	\$000
Revenue from ordinary activities	404,376	390,887
Profit from ordinary activities before income tax	10,842	13,198
Income tax	7,059	6,048
Profit from ordinary activities after income tax	3,783	7,150
Operating loss attributable to outside equity interests	753	258
Net profit attributable to members of Coventry Group Ltd	4,536	7,408

4. **Dividends**

The directors have declared a final dividend of 12 cents, fully franked, for each ordinary share for the year ended 30 June 2002. The dividend will be paid on 27 September 2002.

An interim dividend of 8 cents, fully franked, for each ordinary share was declared by the directors on 6 March 2002 and paid on 13 May 2002.

As foreshadowed in the Directors' Report dated 4 September 2001, the directors declared, on 24 January 2002, a special interim dividend of 39.47 cents, fully franked, for each ordinary share. The special dividend was paid on 22 February 2002 and represented a further payment to shareholders of the final proceeds received by the Company arising from the voluntary liquidation of Investment Company of the West Ltd (ICW).

The payment of the final dividend will bring the total dividend on ordinary shares to 59.47 cents for each share for the year ended 30 June 2002.

For the year ended 30 June 2001, the final dividend of 15 cents for each ordinary share referred to in the Directors' Report dated 4 September 2001 was approved by shareholders and paid on 1 November 2001.

5. **Review of operations**

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

6. **Earnings per share**

Earnings per share for the year ended 30 June 2002 was 13.4 cents. This compares to 21.9 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. **After balance date events**

On 19 July 2002, the Company announced that it had signed an agreement with CSR Emoleum (a partnership between CSR Limited and ExxonMobil) to establish an asphalt production sharing facility in Western Australia.

Under this arrangement the Group's bitumen division, Hot Mix, will establish a new asphalt production facility at CSR's Gosnells quarry site at a cost of \$2.1 million which is expected to be operational from February 2003.

On 30 July 2002, the Company announced that Mr B R Watson, the Group's Chief Executive Officer and Managing Director intended to retire as soon as a successor could be appointed. It is expected that this will occur on or before 31 December 2002.

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:

- (a) the consolidated entity's operations;
- (b) the results of those operations; or
- (c) the consolidated entity's state of affairs

in subsequent financial years.

9. Future developments and results

The consolidated entity will continue to evaluate and look for opportunities to grow its business by expansion of its branch network. 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. Directors' & senior executives' emoluments

The aggregate amount of remuneration of the directors is set and approved by the shareholders from time to time, which is based on a recommendation from the Board. In the event that the Board seeks shareholder approval to amend the total remuneration payable, external professional advice may be sought.

At the Company's last annual general meeting held on 1 November 2001, shareholders approved an increase in directors' fees from \$185,000 per annum to \$350,000 per annum with effect from the commencement of the 2001/02 financial year of the Company.

The Board determines the allocation of the maximum amount approved by shareholders amongst the respective directors, having regard to their duties and responsibilities. Directors' fees are not directly linked to Company performance nor are bonuses paid to non-executive directors.

The Board has a Remuneration Committee consisting of three non-executive directors. Its responsibility is to consider and review the remuneration of the Chief Executive Officer, Executive Directors and senior executives of the Company and make recommendations to the Board. The Committee's role also includes the review of non-executive directors' fees. Generally the objective is to ensure that the remuneration of senior executives properly reflects their duties and responsibilities and is competitive in retaining and motivating people of high calibre.

The following table details the nature and amount of each element of the emoluments of each director and each of the five executive officers receiving the highest emoluments.

Directors (Coventry Group Ltd)	Salary (a)	Directors' Fees	Superannuation Contributions	Total
<i>(Non Executive Directors)</i>				
W G Kent	-	84,000	6,720	90,720
B A Goddard	-	62,000 (b)	4,960	66,960
R B Flynn (c)	-	36,005	2,880	38,885
C M Kyle	-	42,000	3,360	45,360
P A Kyle	-	42,000	3,360	45,360
R M McLean	-	42,000	3,360	45,360

(Executive Directors)

B R Watson	495,212	20,000 (b)	10,403	525,615
G W Blackburn (d)	96,911 (e)	-	5,681	102,592

(Consolidated Entity)

Emoluments of directors of the consolidated entity not mentioned above:

T J Read	-	20,000	1,600	21,600
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Executive officers

(Coventry Group Ltd)

V Scidone	260,373	-	8,803	269,176
D J Fraser	229,489	-	8,803	238,292
E V Currell	166,031	-	8,803	174,834
R A Watson	151,857	-	8,803	160,660

(Consolidated Entity)

Emoluments of executive officers of the consolidated entity not mentioned above:

K S Lee	140,357	-	9,456	149,813
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(a) comprises cash salary and value of fringe benefits.

(b) includes directors' fees paid by a controlled entity.

(c) Mr R B Flynn was appointed a director on 12 October 2001.

(d) Mr G W Blackburn resigned as a director on 12 October 2002. The amounts shown above include Mr Blackburn's emoluments during the period he was an executive director. Amounts received by him since 12 October 2002 in his part time position as Manager, Bitumen Products, totalling \$97,348 are excluded. The excluded amounts are made up of salary -\$94,226 and superannuation contributions - \$3,122.

(e) includes an amount of \$25,889 being accrued leave entitlements which were paid to Mr Blackburn upon him ceasing to be a full time employee of the Company on 1 October 2001. Mr Blackburn's employment with the Company is now on a part time basis.

In addition to the emoluments listed above, Mr B A Goddard has received consulting fees of \$12,100 arising from work undertaken in connection with the Group's automotive division. The fees were based on normal commercial rates for consultants of appropriate expertise.

11. Environmental regulation

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

The Hot Mix division of the Company operates under a licence from the Environmental Protection Authority of Western Australia (EPA) in relation to site emission controls. Plant management systems are in place to monitor and ensure compliance.

In April 2002, officers of the Department of Environmental Protection (DEP) conducted a plant and depot audit of Hot Mix's Cannington site in Western Australia. A number of minor deficiencies in meeting licence requirements were identified. The majority of these deficiencies have been addressed and rectified. Hot Mix has advised the DEP, in its application to renew its licence in August 2002, that it proposes to close the Cannington plant in March 2003, as part of an agreement entered into with CSR Emoleum to establish an asphalt production sharing facility at CSR Ltd's Gosnells quarry. As a consequence, Hot Mix will relinquish its Cannington licence and remove the asphalt manufacturing plant.

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 its 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 Hot Mix division has also been included on the National Pollution Index which has been established to monitor emissions into the environment

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

The consolidated entity mainly operates warehousing and distribution facilities throughout Australia 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 2002 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. **Options**

The Company has not issued any options over unissued shares.

14. **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
Director

B R Watson
Director

Perth
4 September 2002

COVENTRY GROUP LTD
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Statement of Financial Performance
for the Year Ended 30 June 2002

	Note	Consolidated Entity		Parent Entity	
		2002 \$000	2001 \$000	2002 \$000	2001 \$000
Revenue from ordinary activities	2	404,376	390,887	352,994	353,082
Cost of sales	3	(258,871)	(235,012)	(225,583)	(212,079)
Employee benefits expense		(77,689)	(74,934)	(67,170)	(64,441)
Depreciation and amortisation expenses	3	(8,152)	(7,337)	(6,787)	(6,738)
Borrowing costs	3	(2,268)	(1,892)	(2,267)	(1,883)
Occupancy costs		(8,306)	(6,720)	(5,377)	(4,814)
Book value of assets sold		(2,295)	(18,084)	(1,528)	(18,076)
Communication costs		(3,719)	(3,809)	(3,076)	(3,291)
Recoverable amount write-down	3	(836)	-	(9,495)	(8,100)
Other expenses from ordinary activities		(31,398)	(29,901)	(21,958)	(22,223)
Profit from ordinary activities before income tax expense		10,842	13,198	9,753	11,437
Income tax expense	4	<u>(7,059)</u>	<u>(6,048)</u>	<u>(5,971)</u>	<u>(5,259)</u>
Profit from ordinary activities after income tax expense		3,783	7,150	3,782	6,178
Net loss attributable to outside equity interest		<u>753</u>	<u>258</u>	<u>-</u>	<u>-</u>
Net profit attributable to members of Coventry Group Ltd		4,536	7,408	3,782	6,178
Net exchange differences on translation of financial statements of foreign controlled entities	26 (a)	663	110	-	-
Total revenues, expenses and valuation adjustments attributable to members of Coventry Group Ltd recognised directly in equity		663	110	-	-
Total changes in equity other than those resulting from transactions with owners as owners	28	<u>5,199</u>	<u>7,518</u>	<u>3,782</u>	<u>6,178</u>
Basic and diluted earnings per share	9	13.4 cents	21.9 cents		

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

COVENTRY GROUP LTD
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Statement of Financial Position
As at 30 June 2002

	Note	Consolidated Entity		Parent Entity	
		2002 \$000	2001 \$000	2002 \$000	2001 \$000
CURRENT ASSETS					
Cash assets	10	7,536	4,964	5,502	190
Receivables	12	62,269	62,607	56,114	57,602
Inventories	13	84,339	86,942	65,657	61,365
Other assets	19	1,056	1,708	1,075	1,500
TOTAL CURRENT ASSETS		<u>155,200</u>	<u>156,221</u>	<u>128,348</u>	<u>120,657</u>
NON-CURRENT ASSETS					
Other financial assets	14	-	-	26,783	35,442
Property, plant and equipment	16	65,059	67,911	58,632	60,950
Tax assets	17	4,048	3,653	3,659	3,406
Intangible assets	18	25,655	27,040	17,255	18,483
TOTAL NON-CURRENT ASSETS		<u>94,762</u>	<u>98,604</u>	<u>106,329</u>	<u>118,281</u>
TOTAL ASSETS		<u>249,962</u>	<u>254,825</u>	<u>234,677</u>	<u>238,938</u>
CURRENT LIABILITIES					
Payables	20	32,702	34,195	27,818	28,877
Interest-bearing liabilities	21	-	608	-	608
Tax liabilities	22	3,796	2,934	3,508	2,655
Provisions	23	11,315	26,156	10,826	24,583
TOTAL CURRENT LIABILITIES		<u>47,813</u>	<u>63,893</u>	<u>42,152</u>	<u>56,723</u>
NON-CURRENT LIABILITIES					
Interest-bearing liabilities	21	43,219	30,126	43,219	30,126
Provisions	23	2,852	2,388	2,532	2,341
Other liabilities	24	186	-	-	-
TOTAL NON-CURRENT LIABILITIES		<u>46,257</u>	<u>32,514</u>	<u>45,751</u>	<u>32,467</u>
TOTAL LIABILITIES		<u>94,070</u>	<u>96,407</u>	<u>87,903</u>	<u>89,190</u>
NET ASSETS		<u>155,892</u>	<u>158,418</u>	<u>146,774</u>	<u>149,748</u>
EQUITY					
Contributed equity	25	87,242	87,242	87,242	87,242
Reserves	26 (a)	32,791	32,128	31,939	31,939
Retained profits	26 (b)	30,932	33,152	27,593	30,567
Total parent entity interest		150,965	152,522	146,774	149,748
Outside equity interest	27	4,927	5,896	-	-
TOTAL EQUITY	28	<u>155,892</u>	<u>158,418</u>	<u>146,774</u>	<u>149,748</u>

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

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Statement of Cash Flows
for the Year Ended 30 June 2002

	Note	Consolidated Entity		Parent Entity	
		2002 \$000	2001 \$000	2002 \$000	2001 \$000
Cash Flows From Operating Activities:					
Receipts from customers		438,481	385,253	384,839	350,422
Refund of sales tax previously included in cost of inventories		-	7,234	-	6,309
Payments to suppliers and employees		(414,120)	(384,828)	(361,282)	(331,312)
Interest received		430	1,342	513	247
Dividend received		-	427	647	1,681
Interest and other costs of finance paid		(2,453)	(1,848)	(2,452)	(1,839)
Income tax paid		(6,620)	(5,610)	(5,370)	(4,664)
Net cash provided by operating activities	11 (b)	<u>15,718</u>	<u>1,970</u>	<u>16,895</u>	<u>20,844</u>
Cash Flows From Investing Activities:					
Proceeds from sale of property, plant and equipment		2,384	5,564	1,724	5,547
Proceeds from sale of investments		-	18,815	-	18,815
Proceeds from redemption of short-term investments		-	9,853	-	-
Payment for property, plant and equipment		(6,712)	(10,098)	(5,605)	(7,892)
Payment for investments		-	-	-	(12,829)
Repayment of advances to controlled entities		-	-	1,191	1,590
Advances to controlled entities		-	-	(321)	(4,720)
Advances to other entities		(16)	-	(16)	-
Repayment of advances to other entities		-	1	-	1
Payments for acquisition of businesses		-	(10,908)	-	(2,096)
Net cash (used in) provided by investing activities		<u>(4,344)</u>	<u>13,227</u>	<u>(3,027)</u>	<u>(1,584)</u>
Cash Flows From Financing Activities:					
Proceeds from borrowings		15,469	13,550	15,469	13,550
Repayment of borrowings		(2,350)	(15,500)	(2,350)	(15,500)
Dividends paid		(21,099)	(15,231)	(21,099)	(15,232)
Dividends paid to outside equity interests		(246)	(441)	-	-
Payment for share buy-back		-	(870)	-	(870)
Net cash used in financing activities		<u>(8,226)</u>	<u>(18,492)</u>	<u>(7,980)</u>	<u>(18,052)</u>
Net increase (decrease) in cash		3,148	(3,295)	5,888	1,208
Cash at the beginning of the financial year		4,388	7,683	(386)	(1,594)
Cash at the end of the financial year	11 (a)	<u>7,536</u>	<u>4,388</u>	<u>5,502</u>	<u>(386)</u>

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

COVENTRY GROUP LTD
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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2002

Note 1 STATEMENT OF ACCOUNTING POLICIES

The financial statements form a general purpose financial report prepared in accordance with the requirements of Australian Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. The financial statements have been prepared on the basis of historical costs and do not take into account changing money values or, except where stated, current valuations of non-current assets. The concept of accrual accounting has been adopted in the preparation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

(a) Principles of Consolidation

The consolidated accounts comprise the accounts of Coventry Group Ltd and all of its controlled entities. 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 15 to the accounts.

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.

Where controlled entities have entered or left the consolidated entity during the year, their operating results are included from the date control is obtained or until the date control ceases.

(b) Revenue Recognition

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

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Dividend revenue is recognised when the right to receive a dividend has been established.

Revenue from the rendering of a service is recognised upon delivery of the service to the customer.

(c) Income Tax

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

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 benefit will be received or the liability will become payable.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2002

Note 1 STATEMENT OF ACCOUNTING POLICIES (continued)

Future income tax benefits 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.

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.

(d) 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 short-term assets and liabilities, 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 the rates ruling at the end of each month. Gains and losses arising on translation are taken directly to the foreign currency translation reserve.

(e) 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.

A liability for restructuring costs is recognised as at the date of acquisition of an entity or part thereof when there is a demonstrable commitment to a restructuring of the acquired entity and a reliable estimate of the amount of the liability can be made.

(f) Receivables

Trade Debtors

Trade debtors are recognised when the risks and rewards of ownership of the underlying sales transactions have passed to customers. This event usually occurs on delivery of inventories to customers. Trade debtors are recorded at nominal amounts. Credit terms are 30 days. Collectability of overdue accounts is assessed on an ongoing basis. Specific provision is made for all doubtful accounts.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2002

Note 1 STATEMENT OF ACCOUNTING POLICIES (continued)

(g) 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.

(h) Recoverable Amount of Non-Current Assets

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, 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.

(i) Depreciation of Property, Plant and Equipment

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, is depreciated on a straight line basis over their estimated useful lives to the consolidated entity commencing from the time the asset is held ready for use. Leasehold improvements are amortised 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%

(j) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to ownership of the asset, but not the legal ownership, 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.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2002

Note 1 STATEMENT OF ACCOUNTING POLICIES (continued)

(k) 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 the benefits are expected to arise. The cost of acquisition is discounted as described in Note 1(e) where settlement of any part of cash consideration is deferred.

(l) Trade and Other Creditors

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.

(m) 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.

(n) 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 Statement of Financial Performance as at the date of the termination.

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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2002**

Note 1 STATEMENT OF ACCOUNTING POLICIES (continued)

(o) Employee Entitlements

Provision is made for the consolidated entity's liability for employee entitlements 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 entitlements expected to be settled within one year have been measured at their nominal amount. Other employee entitlements payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those entitlements.

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

(p) Cash

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

(q) 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.

(r) Comparative Information

Where required by Accounting Standards, comparative figures have been adjusted to conform with changes in presentation for the current financial year.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2002

	Note	Consolidated Entity 2002 \$000	2001 \$000	Parent Entity 2002 \$000	2001 \$000
Note 2 REVENUES					
Revenue from operating activities:					
Sales revenue		394,476	359,500	343,741	322,244
Discounts and rebates		5,698	4,661	5,325	4,356
Government subsidies and grants		72	53	-	-
Other		1,105	447	833	439
		<u>401,351</u>	<u>364,661</u>	<u>349,899</u>	<u>327,039</u>
Revenue from non-operating activities:					
Dividends	3 (b)	-	427	647	1,173
Interest	3 (b)	430	1,063	513	247
Proceeds on disposal of non-current assets		2,384	5,564	1,724	5,548
Distributions received from liquidation of Investment Company of the West Ltd		-	18,815	-	18,815
Rental income		211	357	211	260
		<u>3,025</u>	<u>26,226</u>	<u>3,095</u>	<u>26,043</u>
Total revenue		<u>404,376</u>	<u>390,887</u>	<u>352,994</u>	<u>353,082</u>
Note 3 OPERATING PROFIT					
(a) Charging as an expense					
Cost of sales of goods		258,871	235,012	225,583	212,079
Interest paid/payable to:					
- other persons		2,268	1,892	2,267	1,883
Depreciation of non-current assets					
- buildings		571	575	541	545
- plant and equipment		5,894	5,665	5,018	5,026
Total depreciation		<u>6,465</u>	<u>6,240</u>	<u>5,559</u>	<u>5,571</u>
Amortisation of non-current assets					
- leased assets		-	2	-	2
- goodwill		1,687	1,095	1,228	1,165
Total amortisation		<u>1,687</u>	<u>1,097</u>	<u>1,228</u>	<u>1,167</u>
Total depreciation and amortisation		<u>8,152</u>	<u>7,337</u>	<u>6,787</u>	<u>6,738</u>
Provision for doubtful advance to controlled entity		-	-	2	78
Write-downs of non-current assets to recoverable amount:					
Other financial assets					
- shares in subsidiaries		-	-	8,659	8,100
Property plant and equipment					
- buildings		836	-	836	-
		<u>836</u>	<u>-</u>	<u>9,495</u>	<u>8,100</u>

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2002

	Consolidated Entity		Parent Entity	
	2002	2001	2002	2001
	\$000	\$000	\$000	\$000
Note 3 OPERATING PROFIT (continued)				
Other provisions				
- loss on sub-lease	483	-	-	-
- warranty	6	-	5	-
- employee entitlements	740	775	772	472
- obsolete stock	1	(115)	-	-
Total other provisions	<u>1,230</u>	<u>660</u>	<u>777</u>	<u>472</u>
Net bad and doubtful debts expense	1,285	895	736	781
Rental expense on operating leases	7,546	6,041	4,476	3,938
(b) Crediting as income:				
Dividends from:				
- partly owned controlled entities	-	-	647	746
- other corporations	-	427	-	427
	<u>-</u>	<u>427</u>	<u>647</u>	<u>1,173</u>
Interest revenue from:				
- other persons	430	1,063	277	226
- wholly-owned controlled entities	-	-	236	21
	<u>430</u>	<u>1,063</u>	<u>513</u>	<u>247</u>
Net gain on disposal of assets:				
- investments	-	5,377	-	5,377
- property, plant and equipment	200	919	196	909
	<u>200</u>	<u>6,296</u>	<u>196</u>	<u>6,286</u>

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2002

	Consolidated Entity		Parent Entity	
	2002	2001	2002	2001
	\$000	\$000	\$000	\$000
Note 4 INCOME TAX				
(a) The prima facie tax payable on the operating profit is reconciled to the income tax provided for in the accounts as follows:				
Prima facie tax payable on operating profit before income tax calculated at 30% (2001: 34%)	3,253	4,487	2,926	3,889
Tax effect of permanent differences:				
Add:				
- recoverable amount write-down on land and buildings	251	-	251	-
- depreciation of buildings	25	34	16	23
- amortisation of goodwill	506	387	368	396
- assessable dividend included in profit on sale of investments	-	1,690	-	1,690
- assessable profit on sale of property	2	-	2	-
- non deductible provision for loss on advance to controlled entity	-	-	-	26
- non deductible provision for loss on investment in controlled entity	-	-	2,598	2,754
- tax losses not brought to account	2,940	2,354	-	-
- adjustment for higher tax rate applicable to foreign controlled entity	48	-	-	-
- under-provision of income tax in prior year	30	-	3	-
- adjustment to future income tax benefit for change in company tax rate from 34% to 30%	-	795	-	454
- other non deductible expenses	14	28	11	26
	3,816	5,288	3,249	5,369
Less:				
- rebateable dividends	-	(1,534)	(194)	(1,788)
- non assessable profit on sale of investments	-	(1,711)	-	(1,711)
- non assessable profit on sale of property	-	(99)	-	(99)
- tax benefit on losses transferred from controlled entity	-	-	(10)	(307)
- other deductible items	-	(13)	-	(2)
- overprovision of income tax in prior year	-	(88)	-	(92)
- tax losses not previously brought to account	(10)	(282)	-	-
	(10)	(3,727)	(204)	(3,999)
Income tax expense attributable to operating profit before income tax	7,059	6,048	5,971	5,259

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2002

	Consolidated Entity		Parent Entity	
	2002	2001	2002	2001
	\$000	\$000	\$000	\$000
Note 4 INCOME TAX (continued)				
(b) Income tax expense attributable to operating profit is made up of:				
Current income tax provision	7,424	5,906	6,221	5,148
Future income tax benefit	(395)	230	(253)	203
Under/(over) provision in prior year	30	(88)	3	(92)
	<u>7,059</u>	<u>6,048</u>	<u>5,971</u>	<u>5,259</u>
(c) Future income tax benefits not brought to account as assets:				
Tax losses – revenue	5,455	2,337	-	-
Tax losses – capital	490	500	-	-
	<u>5,945</u>	<u>2,837</u>	<u>-</u>	<u>-</u>

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 benefit 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 benefit from the deductions.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2002

		Consolidated Entity		Parent Entity	
		2002	2001	2002	2001
	Note	\$000	\$000	\$000	\$000
Note 5 INDIVIDUALLY SIGNIFICANT ITEMS					
(a) Individually significant items included in profit from ordinary activities before income tax expense					
Profit on sale of land and buildings		(26)	(728)	(26)	(728)
Recoverable amount write-down of land and buildings	3(a)	836	-	836	-
Cost of closing Victorian activities of Coventry Auto Parts Pty Ltd		2,725	868	-	-
Provision for loss on investment in Coventry Auto Parts Pty Ltd	3(a)	-	-	8,659	8,100
Gain from distributions upon liquidation of Investment Company of the West Ltd	3(b)	-	(5,377)	-	(5,377)
		<u>3,535</u>	<u>(5,237)</u>	<u>9,469</u>	<u>1,995</u>
(b) Individually significant item included in income tax expense.					
Adjustment to future income tax benefit for change in company tax rate from 34% to 30%	4	-	795	-	454
(c) Individually significant item included in net profit attributable to members of Coventry Group Ltd					
Increased share of brought forward and current year losses of Coventry Auto Parts Pty Ltd associated with increase in equity ownership (includes cost of closing Victorian activity above)		-	2,139	-	-

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2002

	Consolidated Entity		Parent Entity	
	2002	2001	2002	2001
	\$000	\$000	\$000	\$000
Note 6 REMUNERATION AND RETIREMENT BENEFITS				
(a) Directors' Remuneration				
Income paid or payable to all directors of each entity in the consolidated entity by the entities of which they are directors and any related parties.	995	1,002		
Income paid or payable to all directors of the parent entity by the parent entity and any related parties.			973	980
Number of directors whose income from the parent entity and any related parties was within the following bands:			No.	No.
\$30,000 - \$39,999			1	4
\$40,000 - \$49,999			3	-
\$60,000 - \$69,999			-	1
\$70,000 - \$79,999			1	-
\$90,000 - \$99,999			1	-
\$100,000 - \$109,999			1	-
\$260,000 - \$269,999			-	1
\$500,000 - \$509,999			-	1
\$520,000 - \$529,999			1	-
(b) Executive Remuneration				
Remuneration received or due and receivable by executive officers (including directors) of the consolidated entity, from all entities in the consolidated entity and any related parties, whose remuneration is \$100,000 or more.	4,179	3,906		
Remuneration received or due and receivable by executive officers (including directors) of the parent entity, from the parent entity and any related parties, whose income is \$100,000 or more.			3,674	3,474

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	Consolidated Entity		Parent Entity	
	2002 \$000	2001 \$000	2002 \$000	2001 \$000
Note 6 REMUNERATION AND RETIREMENT BENEFITS (continued)				
Number of executive officers whose income was within the following bands:	No.	No.	No.	No.
\$100,000 - \$109,999	1	5	1	5
\$110,000 - \$119,999	7	5	5	4
\$120,000 - \$129,999	7	4	6	4
\$130,000 - \$139,999	3	3	3	3
\$140,000 - \$149,999	3	1	2	-
\$150,000 - \$159,999	-	1	-	1
\$160,000 - \$169,999	1	1	1	1
\$170,000 - \$179,999	1	1	1	-
\$190,000 - \$199,999	1	-	1	-
\$220,000 - \$229,999	-	1	-	1
\$230,000 - \$239,999	1	-	1	-
\$250,000 - \$259,999	-	1	-	1
\$260,000 - \$269,999	1	1	1	1
\$500,000 - \$509,999	-	1	-	1
\$520,000 - \$529,999	1	-	1	-

Note 7 REMUNERATION OF AUDITORS

Remuneration of the auditor of the parent entity for:

- auditing or reviewing accounts	180	165	180	165
- other services	10	28	9	27
- other services provided by related practice of auditor	4	15	4	15
	<u>194</u>	<u>208</u>	<u>193</u>	<u>207</u>

Remuneration of the auditors of subsidiaries for:

- auditing or reviewing accounts	95	78	-	-
- other services	25	20	-	-
	<u>120</u>	<u>98</u>	<u>-</u>	<u>-</u>
	<u>314</u>	<u>306</u>	<u>193</u>	<u>207</u>

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2002

	Consolidated Entity		Parent Entity	
	2002	2001	2002	2001
	\$000	\$000	\$000	\$000
Note 8 DIVIDENDS PAID AND PROPOSED				
Ordinary Shares				
Interim dividend of 8 cents (2001: 15 cents) per share fully franked at 30% (2001: 34%) paid	2,703	5,066	2,703	5,066
Final dividend of 12 cents (2001: 15 cents) per share fully franked at 30% (2001: 34%) payable in September 2002	<u>4,053</u>	<u>5,066</u>	<u>4,053</u>	<u>5,066</u>
	<u>6,756</u>	<u>10,132</u>	<u>6,756</u>	<u>10,132</u>
Special dividend of 15 cents per share fully franked at 34% paid	-	5,066	-	5,066
Special dividend of 39.5 cents per share fully franked at 30% paid in February 2002	<u>-</u>	<u>13,330</u>	<u>-</u>	<u>13,330</u>
	<u>-</u>	<u>18,396</u>	<u>-</u>	<u>18,396</u>
	<u>6,756</u>	<u>28,528</u>	<u>6,756</u>	<u>28,528</u>
Franked Dividends:				
Franking credits available for subsequent financial years:	<u>61,223</u>	<u>52,099</u>	<u>50,733</u>	<u>42,465</u>

The above amounts represent the balances 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.

From 1 July 2002, the New Business Tax System (Imputation) Act 2002 requires measurement of franking credits based on the amount of income tax paid, rather than the after tax profits.

As a result, the franking credits available were converted from \$61,223,000 (parent entity: \$50,733,000) to \$26,238,000 (parent entity: \$21,743,000) as at 1 July 2002.

This change in the basis of measurement does not change the value of franking credits to shareholders who may be entitled to franking credit benefits.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2002

Note	Consolidated Entity		Parent Entity	
	2002 \$000	2001 \$000	2002 \$000	2001 \$000
Note 9 EARNINGS PER SHARE				
Basic and diluted earnings per share (cents)	13.4	21.9		
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share.	33,774,406	33,887,831		
As there are no potential ordinary shares on issue, basic and diluted earnings per share are the same.				
Note 10 CASH ASSETS				
Cash on hand	79	83	68	71
Cash deposits with banks	4,222	1,441	3,215	-
Short term money market deposits	3,235	3,440	2,219	119
	7,536	4,964	5,502	190

Note 11 NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of cash

Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

Cash on hand		79	83	68	71
Cash deposits with banks		4,222	1,441	3,215	-
Short term money market deposits		3,235	3,440	2,219	119
Bank overdrafts	21	-	(576)	-	(576)
Balance per Statement of Cash Flows		7,536	4,388	5,502	(386)

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2002

	Consolidated Entity		Parent Entity	
	2002	2001	2002	2001
	\$000	\$000	\$000	\$000

Note 11 NOTES TO THE STATEMENT OF CASH FLOWS (continued)

(b) Reconciliation of cash flow from operating activities with operating profit after income tax

Operating profit after income tax	3,783	7,150	3,782	6,178
Cash flows in operating activities but not in operating profit				
Dividend from controlled entity accounted for in prior year	-	-	-	507
Non-cash flows in operating profit				
Recoverable amount write-down of land and buildings	836	-	836	-
Amortisation of leased assets	-	2	-	2
Amortisation of goodwill	1,687	1,095	1,228	1,165
Depreciation	6,465	6,240	5,559	5,571
Transfers to provisions	378	1,569	9,450	9,697
Profits on sale of property, plant and equipment	(89)	(919)	(196)	(909)
Profit on sale of investment	-	(5,377)	-	(5,377)
Net exchange differences	366	120	-	-
Increase in tax payable	861	199	854	383
(Increase)/decrease in future income tax benefit	(395)	240	(253)	212
Changes in assets and liabilities				
(Decrease)/increase in trade and other debtors	602	(10,342)	1,223	(6,302)
(Increase)/decrease in prepayments	(185)	44	(185)	44
Decrease/(increase) in inventories	2,602	(4,001)	(4,292)	6,322
(Decrease)/increase in trade and other creditors	(1,193)	5,950	(1,111)	3,351
Cash flows from operating activities	<u>15,718</u>	<u>1,970</u>	<u>16,895</u>	<u>20,844</u>

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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	Note	Consolidated Entity		Parent Entity	
		2002 \$000	2001 \$000	2002 \$000	2001 \$000
Note 12 RECEIVABLES					
Current					
Trade debtors		61,493	60,908	51,481	51,833
Provision for doubtful debts		(1,860)	(1,442)	(1,198)	(1,180)
		<u>59,633</u>	<u>59,466</u>	<u>50,283</u>	<u>50,653</u>
Other debtors		2,636	3,141	1,882	2,128
Amounts receivable from:					
- wholly owned group		-	-	10,781	11,651
- provision for doubtful debts		-	-	(6,832)	(6,830)
		<u>-</u>	<u>-</u>	<u>3,949</u>	<u>4,821</u>
		<u>62,269</u>	<u>62,607</u>	<u>56,114</u>	<u>57,602</u>

Note 13 INVENTORIES					
Current					
Raw materials at cost		981	948	-	-
Finished goods at cost		85,343	88,132	67,221	63,252
Provision for obsolescence		(1,985)	(2,138)	(1,564)	(1,887)
		<u>83,358</u>	<u>85,994</u>	<u>65,657</u>	<u>61,365</u>
		<u>84,339</u>	<u>86,942</u>	<u>65,657</u>	<u>61,365</u>

Note 14 OTHER FINANCIAL ASSETS					
Non-current					
Investments comprise:					
Shares in subsidiaries	15				
- unlisted at cost		-	-	43,842	43,842
- provisions		-	-	(17,059)	(8,400)
		<u>-</u>	<u>-</u>	<u>26,783</u>	<u>35,442</u>

Note 15 INVESTMENTS IN CONTROLLED ENTITIES

Name of entity	Country of incorporation	Class of shares	Equity Holding		Cost of Parent Entity's Investment	
			2002	2001	2002	2001
			%	%	\$000	\$000
AA Gaskets Pty Ltd	Australia	Ordinary	73%	73%	4,713	4,713
Coventry Auto Parts Pty Ltd	Australia	Ordinary	88%	88%	34,000	34,000
GBSJ Pty Ltd (in liquidation)	Australia	Ordinary	100%	100%	-	-
Hylton Parker Fasteners Limited	New Zealand	Ordinary	100%	100%	4,829	4,829
NZ Gaskets Ltd*	New Zealand	Ordinary	73%	73%	-	-
ZZTXH Pty Ltd (in liquidation)	Australia	Ordinary	100%	100%	300	300
					<u>43,842</u>	<u>43,842</u>

The ultimate parent entity is Coventry Group Ltd.

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

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	Consolidated Entity		Parent Entity	
	2002	2001	2002	2001
	\$000	\$000	\$000	\$000
Note 16 PROPERTY, PLANT AND EQUIPMENT				
LAND AND BUILDINGS				
Freehold land				
At cost	17,603	19,146	16,778	18,321
At recoverable amount	850	-	850	-
	<u>18,453</u>	<u>19,146</u>	<u>17,628</u>	<u>18,321</u>
 Buildings				
At cost	26,161	28,554	24,686	27,079
At recoverable amount	1,150	-	1,150	-
Less accumulated depreciation	(1,536)	(1,118)	(1,440)	(1,052)
	<u>25,775</u>	<u>27,436</u>	<u>24,396</u>	<u>26,027</u>
Total Land and Buildings	<u>44,228</u>	<u>46,582</u>	<u>42,024</u>	<u>44,348</u>
 PLANT AND EQUIPMENT				
At cost	52,119	48,543	43,354	39,993
Less accumulated depreciation	(31,325)	(27,369)	(26,746)	(23,452)
	<u>20,794</u>	<u>21,174</u>	<u>16,608</u>	<u>16,541</u>
 Plant and equipment in the course of construction	<u>37</u>	<u>94</u>	<u>-</u>	<u>-</u>
Total Owned Plant and Equipment	<u>20,831</u>	<u>21,268</u>	<u>16,608</u>	<u>16,541</u>
 Capitalised leased plant and equipment				
At cost	-	63	-	63
Less accumulated amortisation	-	(2)	-	(2)
	<u>-</u>	<u>61</u>	<u>-</u>	<u>61</u>
Total Plant and Equipment	<u>20,831</u>	<u>21,329</u>	<u>16,608</u>	<u>16,602</u>
Total Property, Plant and Equipment	<u>65,059</u>	<u>67,911</u>	<u>58,632</u>	<u>60,950</u>

Valuations

The 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 \$20,558,100 (the parent entity: \$19,388,100) and a valuation of buildings of \$27,176,900 (the parent entity: \$25,676,900).

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	Consolidated Entity		Parent Entity	
	2002	2001	2002	2001
	\$000	\$000	\$000	\$000

Note 16 PROPERTY, PLANT AND EQUIPMENT (continued)

(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	19,146	20,396	18,321	19,571
Additions	-	1,230	-	1,230
Disposals	(693)	(2,480)	(693)	(2,480)
Carrying amount at end of year	<u>18,453</u>	<u>19,146</u>	<u>17,628</u>	<u>18,321</u>

Total Buildings

Carrying amount at start of year	27,436	28,504	26,027	27,065
Additions	55	846	55	846
Disposals	(309)	(1,339)	(309)	(1,339)
Depreciation	(571)	(575)	(541)	(545)
Recoverable amount write-down	(836)	-	(836)	-
Carrying amount at end of year	<u>25,775</u>	<u>27,436</u>	<u>24,396</u>	<u>26,027</u>

Total Owned Plant and Equipment

Carrying amount at start of year	21,268	18,958	16,541	16,509
Additions	6,657	8,022	5,550	5,816
Disposals	(1,293)	(827)	(526)	(818)
Transferred from leased plant and equipment	61	-	61	-
Acquisitions through acquisitions of entities or operations	-	780	-	60
Foreign currency exchange differences	32	-	-	-
Depreciation	(5,894)	(5,665)	(5,018)	(5,026)
Carrying amount at end of year	<u>20,831</u>	<u>21,268</u>	<u>16,608</u>	<u>16,541</u>

Total Leased Plant and Equipment

Carrying amount at start of year	61	-	61	-
Transferred to owned plant and equipment	(61)	-	(61)	-
Acquisitions through acquisitions of entities or operations	-	63	-	63
Amortisation	-	(2)	-	(2)
Carrying amount at end of year	<u>-</u>	<u>61</u>	<u>-</u>	<u>61</u>

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2002

	Note	Consolidated Entity		Parent Entity	
		2002 \$000	2001 \$000	2002 \$000	2001 \$000
Note 17 TAX ASSETS					
Non-current					
Future income tax benefit		<u>4,048</u>	<u>3,653</u>	<u>3,659</u>	<u>3,406</u>
The future income tax benefit is made up of the following estimated tax benefits:					
- timing differences		<u>4,048</u>	<u>3,653</u>	<u>3,659</u>	<u>3,406</u>
Note 18 INTANGIBLE ASSETS					
Goodwill at cost		35,762	35,828	25,697	26,081
Less accumulated amortisation		<u>(10,107)</u>	<u>(8,788)</u>	<u>(8,442)</u>	<u>(7,598)</u>
		<u>25,655</u>	<u>27,040</u>	<u>17,255</u>	<u>18,483</u>
Note 19 OTHER ASSETS					
Current					
Prepayments		<u>1,056</u>	<u>1,708</u>	<u>1,075</u>	<u>1,500</u>
Note 20 PAYABLES					
Current					
Unsecured liabilities:					
Trade creditors		29,556	32,028	25,594	27,185
Other creditors		<u>3,146</u>	<u>2,167</u>	<u>2,224</u>	<u>1,692</u>
		<u>32,702</u>	<u>34,195</u>	<u>27,818</u>	<u>28,877</u>
Note 21 INTEREST-BEARING LIABILITIES					
Current					
Bank overdrafts - secured	11	-	576	-	576
Lease liabilities	30	<u>-</u>	<u>32</u>	<u>-</u>	<u>32</u>
		<u>-</u>	<u>608</u>	<u>-</u>	<u>608</u>
Non-current					
Bill acceptance facility - secured		43,219	30,100	43,219	30,100
Lease liabilities	30	<u>-</u>	<u>26</u>	<u>-</u>	<u>26</u>
		<u>43,219</u>	<u>30,126</u>	<u>43,219</u>	<u>30,126</u>

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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	Note	Consolidated Entity		Parent Entity	
		2002 \$000	2001 \$000	2002 \$000	2001 \$000
Note 21 INTEREST-BEARING LIABILITIES (continued)					
(a) Facilities utilised at balance date					
Bank overdrafts		-	576	-	576
Bill acceptance facility		43,219	30,100	43,219	30,100
		<u>43,219</u>	<u>30,676</u>	<u>43,219</u>	<u>30,676</u>
(b) Facilities not utilised at balance date					
Bank overdrafts		5,000	5,124	5,000	5,124
Bill acceptance facility		6,781	9,900	6,781	9,900
		<u>11,781</u>	<u>15,024</u>	<u>11,781</u>	<u>15,024</u>
(c) Securities					
The bank overdraft and bill acceptance facility of the consolidated entity are secured by registered debentures over the assets and undertakings of the consolidated entity.					
The bill acceptance facility is subject to annual review.					
Note 22 TAX LIABILITIES					
Current					
Income tax		3,796	2,934	3,508	2,655
		<u>3,796</u>	<u>2,934</u>	<u>3,508</u>	<u>2,655</u>
Note 23 PROVISIONS					
Current					
Dividends	8	4,053	18,396	4,053	18,396
Employee entitlements	(a)	7,217	6,892	6,768	6,187
Restructuring		-	868	-	-
Warranty		6	-	5	-
Surplus leased space		39	-	-	-
		<u>11,315</u>	<u>26,156</u>	<u>10,826</u>	<u>24,583</u>
Non-current					
Employee entitlements	(a)	2,808	2,388	2,532	2,341
Surplus leased space		44	-	-	-
		<u>2,852</u>	<u>2,388</u>	<u>2,532</u>	<u>2,341</u>
(a) Aggregate employee entitlement liability		<u>10,025</u>	<u>9,280</u>	<u>9,300</u>	<u>8,528</u>
(b) Employee numbers					
Number of employees at reporting date		<u>1,923</u>	<u>1,979</u>	<u>1,614</u>	<u>1,590</u>

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2002

	Consolidated Entity		Parent Entity	
	2002 \$000	2001 \$000	2002 \$000	2001 \$000
Note 24 OTHER LIABILITIES				
Non-current				
Other creditors	186	-	-	-

Note 25 CONTRIBUTED EQUITY

(a) Share capital

	Note	Parent Entity		Parent Entity	
		Number of Shares	Number of Shares	\$000	\$000
Ordinary shares					
Fully paid	(b)	33,774,406	33,774,406	87,242	87,242

(b) Terms and conditions of ordinary shares

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.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2002

	Note	Consolidated Entity		Parent Entity	
		2002 \$000	2001 \$000	2002 \$000	2001 \$000
Note 26 RESERVES AND RETAINED PROFITS					
(a) Reserves					
Asset realisation reserve		15,659	15,389	15,650	15,380
Asset revaluation reserve		16,431	16,701	16,289	16,559
Foreign currency translation reserve		701	38	-	-
		<u>32,791</u>	<u>32,128</u>	<u>31,939</u>	<u>31,939</u>
Movements during the year :					
Asset realisation reserve					
Opening balance		15,389	13,074	15,380	13,065
Transfer from asset revaluation reserve		270	2,315	270	2,315
Closing balance		<u>15,659</u>	<u>15,389</u>	<u>15,650</u>	<u>15,380</u>
Asset revaluation reserve					
Opening balance		16,701	19,016	16,559	18,874
Transfer to asset realisation reserve		(270)	(2,315)	(270)	(2,315)
Closing balance		<u>16,431</u>	<u>16,701</u>	<u>16,289</u>	<u>16,559</u>
Foreign currency translation reserve					
Opening balance		38	(72)	-	-
Net exchange differences on translation of foreign controlled entities		692	114	-	-
Applicable to outside equity interests		(29)	(4)	-	-
Closing balance		<u>701</u>	<u>38</u>	<u>-</u>	<u>-</u>
(b) Retained Profits					
Retained profits at the beginning of the financial year		33,152	24,872	30,567	23,517
Net profit attributable to members		4,536	7,408	3,782	6,178
Dividends provided for or paid	8	(6,756)	(28,528)	(6,756)	(28,528)
Transfer from general reserve		-	29,400	-	29,400
Retained profits at end of the financial year		<u>30,932</u>	<u>33,152</u>	<u>27,593</u>	<u>30,567</u>

(c) Nature and Purpose of Reserves:

Asset Realisation

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

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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Note 26 RESERVES AND RETAINED PROFITS (continued)

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.

Consolidated Entity	
2002	2001
\$000	\$000

Note 27 OUTSIDE EQUITY INTERESTS IN CONTROLLED ENTITIES

Outside equity interest comprises:

Share capital	3,969	3,969
Reserves	125	95
Retained profits	833	1,832
	4,927	5,896

Consolidated Entity		Parent Entity	
2002	2001	2002	2001
\$000	\$000	\$000	\$000

Note 28 EQUITY

Total equity at the beginning of the financial year	158,418	185,969	149,748	172,968
Total changes in equity recognised in the Statement of Financial Performance	5,199	7,518	3,782	6,178
Transactions with owners as owners:				
Dividends provided for or paid	(6,756)	(28,528)	(6,756)	(28,528)
Share buy-back	-	(870)	-	(870)
Total changes in outside equity interest	(969)	(5,671)	-	-
Total equity at the end of the financial year	155,892	158,418	146,774	149,748

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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Note 29 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.

Interest rate swap contracts

Commercial bills payable of the consolidated entity currently bear an average variable interest rate of 5.2%. 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 underlying debt.

Swaps currently in place cover approximately 72% of the principal outstanding. The fixed interest rates range between 5.4% and 6.3%.

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

	2002	2001
	\$000	\$000
One to two years	16,000	-
Two to five years	15,000	26,000
	<u>31,000</u>	<u>26,000</u>

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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Note 29 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 2002								
Financial Assets								
Cash and deposits	10	4.29%	7,457	-	-	-	79	7,536
Receivables	12	9.00%	-	1,050	-	-	61,219	62,269
Other assets	19		-	-	-	-	1,056	1,056
			<u>7,457</u>	<u>1,050</u>	<u>-</u>	<u>-</u>	<u>62,354</u>	<u>70,861</u>
Financial Liabilities								
Trade and other creditors	20		-	-	-	-	32,702	32,702
Bills payable	21	5.20%	43,219	-	-	-	-	43,219
Other liabilities	24		-	-	-	-	186	186
Interest rate swaps (at notional principal amount)		6.17%	(31,000)	-	31,000	-	-	-
			<u>12,219</u>	<u>-</u>	<u>31,000</u>	<u>-</u>	<u>32,888</u>	<u>76,107</u>
Net financial (liabilities)/assets			<u>(4,762)</u>	<u>1,050</u>	<u>(31,000)</u>	<u>-</u>	<u>29,466</u>	<u>(5,246)</u>
30 June 2001								
Financial Assets								
Cash and deposits	10	4.58%	4,881	-	-	-	83	4,964
Receivables	12	9.00%	-	1,050	-	-	61,557	62,607
Other assets	19		-	-	-	-	1,708	1,708
			<u>4,881</u>	<u>1,050</u>	<u>-</u>	<u>-</u>	<u>63,348</u>	<u>69,279</u>
Financial Liabilities								
Bank overdrafts	21	8.25%	576	-	-	-	-	576
Trade and other creditors	20		-	-	-	-	34,195	34,195
Lease liabilities	21	8.50%	-	32	26	-	-	58
Bills payable	21	5.00%	30,100	-	-	-	-	30,100
Interest rate swaps (at notional principal amount)		6.20%	(26,000)	-	26,000	-	-	-
			<u>4,676</u>	<u>32</u>	<u>26,026</u>	<u>-</u>	<u>34,195</u>	<u>64,929</u>
Net financial assets/(liabilities)			<u>205</u>	<u>1,018</u>	<u>(26,026)</u>	<u>-</u>	<u>29,153</u>	<u>4,350</u>

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Note 29 FINANCIAL INSTRUMENTS (continued)

(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, excluding investments in shares, which have been recognised in the Statement 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 AAA credit ratings.

(d) Net Fair Values of Financial Assets and Liabilities

The carrying amount of financial assets and financial liabilities recognised in the financial statements approximates 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 Statement of Financial Position at balance date is:

	2002	2001
	\$000	\$000
Interest rate swaps	(211)	(112)

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	Note	Consolidated Entity		Parent Entity	
		2002 \$000	2001 \$000	2002 \$000	2001 \$000
Note 30 CAPITAL AND LEASING COMMITMENTS					
(a) Finance Lease Commitments Payable					
Not later than one year		-	36	-	36
Later than one year but not later than five years		-	27	-	27
Minimum lease payments		-	63	-	63
Less future finance charges		-	(5)	-	(5)
Total lease liability		<u>-</u>	<u>58</u>	<u>-</u>	<u>58</u>
Represented by:					
Current liability	21	-	32	-	32
Non-current liability	21	-	26	-	26
		<u>-</u>	<u>58</u>	<u>-</u>	<u>58</u>
(b) Operating Lease Commitments					
Non-cancellable operating leases contracted for but not capitalised in the financial statements:					
Not later than one year		6,147	5,843	3,261	3,522
Later than one year but not later than five years		11,056	10,417	4,819	4,617
Later than five years		442	910	55	174
		<u>17,645</u>	<u>17,170</u>	<u>8,135</u>	<u>8,313</u>
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					
		(561)	-	-	-
		<u>17,084</u>	<u>17,170</u>	<u>8,135</u>	<u>8,313</u>
(c) Capital Expenditure Commitments					
Plant and equipment purchases					
Not later than one year		28	332	-	-
		<u>28</u>	<u>332</u>	<u>-</u>	<u>-</u>

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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Note 31 EVENTS SUBSEQUENT TO BALANCE DATE

On 19 July 2002, Coventry Group Ltd entered into an agreement with CSR Emoleum (a partnership between CSR Limited and ExxonMobil) to establish an asphalt production sharing facility in Western Australia. Under this arrangement, Coventry Group Ltd is committed to capital expenditure of \$2.1 million, which is to be incurred in the financial year ending 30 June 2003.

On 30 July 2002, Coventry Group Ltd entered into a contract with its Managing Director, Mr B R Watson, in connection with his retirement. The contract requires the Company to pay a benefit to Mr Watson upon his retirement of approximately \$511,000. Mr Watson's retirement is expected to occur on or before 31 December 2002.

The financial effects of the above transactions have not been brought to account at 30 June 2002.

Note 32 RELATED PARTY TRANSACTIONS

Director-Related Transactions

(a) Directors:

The name of persons who were directors of Coventry Group Ltd at any time during the financial year are:

GW Blackburn	PA Kyle
WG Kent	RM McLean
BA Goddard	BR Watson
CM Kyle	RB Flynn

(b) Directors' Shareholdings

The aggregate number of shares of Coventry Group Ltd held directly, indirectly or beneficially by directors and/or director-related entities at balance date are as follows:

	2002	2001
Ordinary shares	<u>1,740,068</u>	<u>1,755,709</u>

(c) Other Transactions

From time to time directors of the parent entity or its controlled entities 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.

During the year, fees totalling \$12,100 were paid on normal commercial terms and conditions to Mr BA Goddard for consulting services.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2002

Note 32 RELATED PARTY TRANSACTIONS (continued)

Controlled Entities

Details of the ownership interest in controlled entities are set out in Note 15: Investments in Controlled Entities.

Transactions between the parent entity and its controlled entities are as follows:

<i>Transaction Type</i>	<i>Terms and Conditions</i>	2002 \$000	2001 \$000
Purchases	(1)	8,331	1,050
Sales	(1)	1,157	996
Interest	(2)	236	21
Dividends received	(3)	647	746
Purchases – plant and equipment	(4)	606	-

- (1) Transactions comprising the purchase and sale of raw materials, components and finished goods were made in the ordinary course of business with payment on normal commercial terms and conditions.
- (2) Interest charged on funds in use by any controlled entity.
- (3) Dividends received from controlled entities by the parent entity.
- (4) Plant and equipment purchased by the parent entity from a controlled entity.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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Note 33 SEGMENT REPORTING

Industry Segments	Automotive Parts Distribution		Industrial Product Distribution		Bitumen Products		Gasket Manufacturing		Corporate		Other		Eliminations		Consolidated	
	\$000 2002	\$000 2001	\$000 2002	\$000 2001	\$000 2002	\$000 2001	\$000 2002	\$000 2001	\$000 2002	\$000 2001	\$000 2002	\$000 2001	\$000 2002	\$000 2001	\$000 2002	\$000 2001
Sales to customers outside the consolidated entity	214,036	202,598	152,237	128,071	14,767	16,457	13,436	12,375	-	-	-	-	-	-	394,476	359,501
Intersegment sales	1,037	289	602	675	-	7	1,363	1,698	-	-	-	-	(3,002)	(2,669)	-	-
Other revenue	3,501	2,448	4,119	3,475	136	61	95	65	2,049	25,228	-	109	-	-	9,900	31,386
Total revenue	218,574	205,335	156,958	132,221	14,903	16,525	14,894	14,138	2,049	25,228	-	109	(3,002)	(2,669)	404,376	390,887
Segment net profit before tax	219 ¹	(2,398) ²	11,992	7,950	2,271	2,651	2,042	1,960	(5,481) ³	2,924 ⁴	(1)	(62)	(200)	173	10,842	13,198
Income tax expense															7,059	6,048
Net profit after tax															3,783	7,150
Segment assets	119,185	126,310	92,193	91,203	5,426	6,096	12,020	11,352	15,415	13,491	-	1,154	1,675	1,566	245,914	251,172
Unallocated assets															4,048	3,653
Total assets															249,962	254,825
Segment liabilities	21,820	24,360	17,602	15,984	979	1,661	1,402	1,207	49,794	49,617	173	2,389	(1,496)	(1,803)	90,274	93,415
Unallocated liabilities															3,796	2,992
Total liabilities															94,070	96,407
Acquisition of property, plant and equipment, intangibles and other non-current segment assets	1,944	6,450	2,432	10,225	721	436	517	298	1,098	257	-	-	-	-	6,712	17,666

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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Note 33 SEGMENT REPORTING (continued)

Industry Segments	Automotive Parts Distribution		Industrial Product Distribution		Bitumen Products		Gasket Manufacturing		Corporate		Other		Eliminations		Consolidated	
	\$000 2002	\$000 2001	\$000 2002	\$000 2001	\$000 2002	\$000 2001	\$000 2002	\$000 2001	\$000 2002	\$000 2001	\$000 2002	\$000 2001	\$000 2002	\$000 2001	\$000 2002	\$000 2001
Depreciation and amortisation expense	2,746	2,893	3,891	3,403	512	541	397	389	408	228	-	-	198	(117)	8,152	7,337
Other non-cash expenses	428	1,279	314	42	(39)	-	38	86	1,228	380	-	-	-	(9)	1,969	1,778

¹ Includes cost of closing Victorian activities of Coventry Auto Parts Pty Ltd of \$2.72 million, and trading losses incurred by Coventry Auto Parts Pty Ltd of \$7.16 million.

² Includes cost of closing Victorian activities of Coventry Auto Parts Pty Ltd of \$0.87 million, and trading losses incurred by Coventry Auto Parts Pty Ltd of \$7.77 million.

³ Includes recoverable amount write-down on land and buildings of \$0.83 million.

⁴ Includes gain from distribution upon liquidation of Investment Company of the West Ltd of \$5.38 million, and profit on sale of land and buildings of \$0.73 million.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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Note 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 Product Distribution	Industrial 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 in a single geographical segment, being Australia/New Zealand.

Note 34 SUPERANNUATION COMMITMENTS

The consolidated entity makes contributions to an accumulation style superannuation scheme for each employee. These 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.

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DIRECTORS' DECLARATION

The directors declare that the accompanying financial statements and notes:

- (a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) give a true and fair view of the company's and consolidated entity's financial position as at 30 June 2002 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date.

In the directors' opinion:

- (a) the financial statements and notes are in accordance with the Corporations Act 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.

Signed in accordance with a resolution of the directors.

W G Kent
Director

B R Watson
Director

Perth
4 September 2002