



SUPPLY NETWORK LIMITED

ABN 12 003 135 680
141 - 151 Fairfield Road
Guildford NSW 2161
PO Box 460
Fairfield NSW 2165
Office: 61 2 9892 3888
Facsimile: 61 2 9892 2399

25 February 2005

The Manager
Companies Announcements Office
Australian Stock Exchange
20 Bridge Street
SYDNEY NSW 2000

Dear Sir

Re: Half Yearly Report

The Directors are pleased to announce the results for the six months ended 31 December 2004, which have been subject to an Independent review. Full details are contained in the Appendix 4D attached.

Consolidated sales revenue for the half-year increased by 8.6% over the same period last year. This is a result of 8.1% growth in sales by the Australian operations and 5.6% growth in New Zealand (measured in NZ\$ terms, which excludes the impact of exchange rate fluctuations).

Profit from ordinary activities before income tax of \$742,000 represents an increase of 14.9% over the corresponding period last year.

Profit from ordinary operations after income tax of \$499,000 represents an increase of 4.6% over the same period last year. However if the December 03 result is adjusted to exclude a prior period income tax adjustment (\$49,000) then the December 04 half-year profit after tax represents an increase of 16.6%.

During the period the consolidated group has continued to develop its stock management initiatives including a substantial investment in higher stock levels of key products to support future revenue growth. This has resulted in short term negative cash flows from operations, financed primarily through additional borrowing. Gearing remains well within our target range and subject to the announcement of other significant investments, Directors expect a return to positive cashflows from operations in FY2006.

Major capital expenditures to be concluded in the current year are the opening of a new Multispares branch in Melbourne South East and the integration of major extensions to our distribution centres in Sydney and Auckland.

Directors have declared a fully franked interim dividend of 1.25 cent per share, payable on 31 March 2005 to shareholders registered on 15 March 2005

Yours faithfully

A handwritten signature in black ink, appearing to read 'Peter Gill', written over a white background.

Peter Gill
Company Secretary

Appendix 4D

Half Year Report

1. Details of reporting period

Name of entity	Supply Network Limited
ABN	12 003 135 680
Half year ended	31 December 2004
Previous corresponding period	31 December 2003

2. Results for announcement to the market

	2004 \$'000	2003 \$'000	% increase / (decrease) over corresponding period
Revenue from Ordinary activities	17,521	16,140	8.6%
Profit from ordinary activities after tax attributable to members	499	477	4.6%
Net profit attributable to members	499	477	4.6%
Dividends	Amount per Security	Franked amount per security	
Interim dividend -proposed	1.25 ¢	1.25 ¢	
Previous corresponding period	1.00 ¢	1.00 ¢	
Final dividend – June 2004 (paid 6 September 2004)	1.50 ¢	1.50 ¢	
Previous corresponding period	1.00 ¢	1.00 ¢	
Record date for determining entitlements to The dividends	15 March 2005		

Brief explanation of any of the figures reported above necessary to enable the figures to be understood.

Refer to ASX announcement correspondence attached.

3. Consolidated Statement of Financial Performance

See attached financial statements

4. Consolidated Statement of Financial Position

See attached financial statements

5. Consolidated Statement of Cash Flows

See attached financial statements

6. Dividends

The Directors have declared a fully franked (at 30%) interim dividend of 1.25 cents per share amounting to \$275,000 and payable on 31 March 2005 to eligible shareholders.

A fully franked final dividend of 1.50 cents per share amounting to \$331,000 was paid on 6 September 2004.

Amount per security of foreign sourced dividend or distribution	Nil
--	-----

7. Dividend Reinvestment Plans

No dividend reinvestment plans are in operation

8. Net tangible asset backing

	Current Period	Previous corresponding period
Net tangible asset backing per ordinary security	40.9 ¢	37.2 ¢

9. Details of entities over which control has been gained or lost during period

Nil

10. Details of associate and joint venture entities

Nil

11. Any other significant information needed by an investor to make an informed assessment of the entity's financial performance and financial position

Refer to ASX announcement correspondence attached and attached financial statements

12. Foreign entities

Not applicable

13. Statement in relation to accounts this report is based on

This report is based on accounts that have been audited and are not subject to dispute or qualification.

Signature



Date 24 February 2005
Name Peter Gill
Position Company Secretary

Supply Network Limited
A.B.N. 12 003 135 680

Half-Year Report 31 December 2004

Contents	Page
Corporate Information	2
Directors' Report	3
Auditors' Independence Declaration	4
Statement Of Financial Performance	5
Statement Of Financial Position	6
Statement Of Cash Flows	7
Notes To The Half-Year Financial Statements	8
Directors' Declaration	13
Independent Review Report	14

Supply Network Limited

Corporate Information

Directors

H R Forsyth (Chairman)
G D H Stewart (Managing Director)
H M O Anderson
G T Lingard

Company Secretary

P W Gill

Registered Office

151 Fairfield Road
Guildford NSW 2161

Telephone 02 9892 3888
Facsimile 02 9892 2399
E-mail admin@supplynetwork.com.au

Internet Address

www.supplynetwork.com.au

Auditors

Ernst & Young

Bankers

ANZ Banking Group Limited

Solicitors

Bartier Perry
VPro Network Lawyers

Share Registry

Computershare Investor Services Pty Limited
Level 3, 60 Carrington Street
Sydney NSW 2000
Enquiries (within Australia) 1300 855 080
Enquiries (outside Australia) 61 3 9611 5711
Facsimile 61 2 8234 5050

Stock Exchange Listing

Supply Network Limited (ASX code SNL) shares
are quoted on the Australian Stock Exchange

Supply Network Limited

Directors' Report

Your directors submit their report for the half-year ended 31 December 2004.

Directors

The names of the company's directors in office during the half-year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

H R Forsyth (Chairman)
G D H Stewart
H M O Anderson
G T Lingard

Review and Results of Operations

The consolidated entity experienced a steady growth in both revenue and net profits during the half year.

Consolidated sales revenue for the half-year increased by 8.6% over the same period last year. This is a result of 8.1% growth in sales by the Australian operations and 5.6% growth in New Zealand (measured in NZ\$ terms which excluded the impact of exchange rate fluctuations).

Ongoing cost controls have ensured overheads remain within expected levels.

Profit from ordinary activities before income tax of \$742,000 represents an increase of 14.9% over the corresponding period last year.

Profit from ordinary operations after income tax \$499,000 represents an increase of 4.6% over the same period last year. However if the December 03 result is adjusted to exclude a prior period income tax adjustment (\$49,000) then this half-years profit after tax would represent an increase of 16.6%.

During the period the consolidated group has continued to develop its stock management initiatives including a substantial investment in higher stock levels of key products to support future revenue growth. This has resulted in short term negative cash flows from operations financed primarily through additional borrowing.

Auditors Independence

A copy of auditors' independence declaration as required under the Section 307C of the Corporations Act 2001 is set out on page 4.

Rounding

The amounts contained in this report and in the half-year financial report have been rounded to the nearest \$1,000 (where rounding is applicable) under the option available to the company under ASIC Class Order 98/0100. The company is an entity to which the Class Order applies.

Signed in accordance with a resolution of directors.



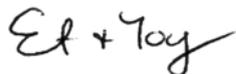
H R Forsyth

Director

Sydney, 24 February 2005

Auditor's Independence Declaration to the Directors of Supply Network Limited

In relation to our review of the financial report of Supply Network Limited for the half-year ended 31 December 2004, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.



Ernst & Young



Christopher George
Partner
24 February 2005

Supply Network Limited

Statement of Financial Performance

Half-year ended 31 December 2004

	Notes	Consolidated	
		2004	2003
		\$000	\$000
Revenues from ordinary activities	2	17,521	16,140
Expenses from ordinary activities, excluding borrowing costs	2	(16,667)	(15,402)
Borrowing costs		(112)	(92)
Profit from ordinary activities before income tax expense		742	646
Income tax expense relating to ordinary activities	3	(243)	(169)
Profit from ordinary activities after income tax expense		499	477
Net profit attributable to members of Supply Network Limited		499	477
Net exchange difference on translation of financial statement of foreign controlled entity		12	1
Total revenues, expenses and valuation adjustments attributable to members of Supply Network Limited and recognised directly in equity		12	1
Total changes in equity other than those resulting from transactions with owners as owners		511	478
Basic earnings per share (cents per share)		2.29	2.21
Diluted earnings per share (cents per share)		2.25	2.21
Weighted average number of ordinary shares used in the calculation of basic earnings per share		21,795,557	21,549,364

Supply Network Limited

Statement of Financial Position

Half-year ended 31 December 2004

	Consolidated	
	As at 31 December 2004 \$000	As at 30 June 2004 \$000
Current Assets		
Cash Assets	70	476
Receivables	4,695	4,855
Inventories	12,362	10,419
Other	197	13
Total Current Assets	17,324	15,763
Non-Current Assets		
Property, plant and equipment	1,147	1,260
Deferred tax assets	691	682
Total Non-Current Assets	1,838	1,942
Total Assets	19,162	17,705
Current Liabilities		
Payables	6,171	5,411
Interest bearing liabilities	189	253
Current tax liabilities	104	197
Provisions	1,062	984
Total Current Liabilities	7,526	6,845
Non-Current Liabilities		
Interest bearing Liabilities	2,455	1,975
Provisions	161	124
Total Non-Current Liabilities	2,616	2,099
Total Liabilities	10,142	8,944
Net Assets	9,020	8,761
Equity		
Contributed equity	5,380	5,301
Reserves	76	64
Retained profits	3,564	3,396
Total Equity	9,020	8,761

Supply Network Limited

Statement of Cash Flows

Half-year ended 31 December 2004

	Consolidated	
	2004	2003
	\$000	\$000
Cash flows from operating activities		
Receipts from customers	19,131	17,764
Payments to suppliers and employees	(19,345)	(16,047)
Interest Received	3	7
Borrowing costs	(109)	(87)
Income taxes paid	(344)	(400)
Net cash flows from/(used in) operating activities	(664)	1,237
Cash flows from investing activities		
Purchase of property, plant and equipment	(58)	(611)
Proceeds from sale of property, plant and equipment	-	3
Net cash flows used in investing activities	(58)	(608)
Cash flows from financing activities		
Proceeds from issue of ordinary shares	80	19
Proceeds from borrowings	739	272
Repayment of borrowings	(170)	(255)
Payment of dividends on ordinary shares	(331)	(216)
Net cash flow from/(used in) financing activities	318	(180)
Net increase/(decrease) in cash held	(404)	449
Add opening cash brought forward	323	438
Closing cash carried forward	(81)	887

Supply Network Limited

Notes to the Half-year Financial Statements

31 December 2004

1. Basis of preparation of the half-year financial report

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

The half-year report should be read in conjunction with the Annual Financial Report of Supply Network Limited as at 30 June 2004. It is also recommended that the half-year financial report be considered together with any public announcements made by Supply Network Limited and its controlled entities during the half-year ended 31 December 2004 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

(a) Basis of accounting

The half-year financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards including AASB 1029 "Interim Financial Reporting" and other mandatory professional reporting requirements (Urgent Issues Group Consensus Views).

The half-year financial report has been prepared in accordance with historical cost convention, and does not take into account changes in the general purchasing power of the dollar or, except where stated, the price of specific assets.

The accounting policies have been consistently applied by the consolidated entity and are consistent with those applied in the 30 June 2004 annual report.

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

Supply Network Limited

Notes Continued

31 December 2004

Consolidated

2004
2003
\$000 \$000

Note 2. Profit from Ordinary Activities

Profit from ordinary activities before income tax expense includes the following revenues and expenses whose disclosure is relevant in explaining the financial performance of the entity:

Revenues from ordinary activities

Revenue from sale of goods	17,506	16,127
Revenues from non-operating activities	15	13
Total revenues from ordinary activities	17,521	16,140

Expenses

Cost of sales	10,698	9,945
Salaries and employee benefit expenses	3,200	2,936
Depreciation and amortisation expenses	172	142
Leasing expenses	673	638
Insurance expenses	183	145
Travel expenses	137	108
Other expenses	1,604	1,488
Total expenses from ordinary activities, excluding borrowing costs	16,667	15,402

Supply Network Limited

Notes continued

31 December 2004

Consolidated

2004
2003
\$000 \$000

Note 3. Income Tax

The difference between income tax expense provided in the financial statement and the prima facie income tax expense is reconciled as follows:

Profit from ordinary activities	742	646
Prima facie tax payable at 30%	223	194
Tax effect of permanent and other differences		
Other items not deductible	17	24
Under/(Over) provided in prior year	3	(49)
Total income tax attributable to profit from ordinary activities	243	169
Total income tax expense comprises movement in:		
Current tax payable	251	252
Future income tax benefit	(8)	(75)
Provision for deferred income tax	-	(8)
	243	169

Effective from 1 July 2003, Supply Network Limited and its 100% Australian owned subsidiaries have elected to form a tax consolidated group. Members of the group have entered into a tax sharing agreement in order to allocate income tax expense to the wholly-owned subsidiaries on a pro-rata basis. In addition, the agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. At balance date, the possibility of default is remote. The head entity of the tax consolidated group is Supply Network Limited.

Note 4. Dividends paid or provided for on ordinary shares

Dividends paid during the half-year

Fully franked final dividend (1.50 cents per share – 2003: 1.00 cents per share)	331	216
---	-----	-----

Dividends proposed and not recognised as a liability

Fully franked interim dividend (1.25 cents per share – 2003: 1.00 cents per share)	275	216
---	-----	-----

Note 5. Contingent Liabilities

There has been no change in contingent liabilities since the last annual reporting date.

Note 6. Subsequent Events

No matter or circumstance has arisen since the end of the half-year that has significantly affected or may significantly affect the operations of the consolidated entity, the result of those operations or the state of affairs of the consolidated entity.

Supply Network Limited

Notes continued

31 December 2004

Note 7. Segment Information

Business segments

The consolidated entity operates predominantly in one business segment being the provision of after market parts for the commercial vehicle market.

Geographical segments	Australia		New Zealand		Eliminations		Consolidated	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000	2004 \$000	2003 \$000	2004 \$000	2003 \$000
Revenue								
Sales to customers outside the consolidated entity	14,056	13,005	3,450	3,122	-	-	17,506	16,127
Other revenues from outside the consolidated entity	12	13	3	-	-	-	15	13
Intersegment revenues	667	909	43	2	(710)	(911)	-	-
Total segment revenues	<u>14,735</u>	<u>13,927</u>	<u>3,496</u>	<u>3,124</u>	<u>(710)</u>	<u>(911)</u>	<u>17,521</u>	<u>16,140</u>
Results								
Segment results	<u>424</u>	<u>394</u>	<u>312</u>	<u>264</u>	<u>6</u>	<u>(12)</u>	<u>742</u>	<u>646</u>
Consolidated entity profit from ordinary activities before income tax expense							742	646
Income tax expense							<u>(243)</u>	<u>(169)</u>
Consolidated entity profit from ordinary activities after income tax expense							<u>499</u>	<u>477</u>
Net profit							<u>499</u>	<u>477</u>
Assets								
Segment assets	<u>17,031</u>	<u>15,412</u>	<u>3,464</u>	<u>2,901</u>	<u>(1,333)</u>	<u>(1,510)</u>	<u>19,162</u>	<u>16,803</u>
Liabilities								
Segment liabilities	<u>8,920</u>	<u>7,725</u>	<u>1,462</u>	<u>1,441</u>	<u>(240)</u>	<u>(406)</u>	<u>10,142</u>	<u>8,760</u>
Other segment information								
Acquisition of property, plant and equipment, intangible assets and other non current assets	46	569	12	42	-	-	58	611
Depreciation	148	116	24	26	-	-	172	142
Non-cash expenses other than depreciation	224	138	12	29	-	-	236	167

Segment accounting policies are the same as the consolidated entity's policies. During the year, there were no changes in segment accounting policies that had a material effect on the segment information.

The sale of goods between segments is at cost of the item plus a commercial margin.

Revenue is attributed to geographical areas based on location of the assets producing the revenues.

Supply Network Limited

Notes continued

Half-year ended 31 December 2004

Note 8. International Financial Reporting Standards (IFRS)

Supply Network Limited has continued analysis of the required transitioning of its accounting policies and financial reporting from current Australian Standards to Australian equivalents to International Financial Reporting Standards (IFRS).

The company has allocated internal resources to identify key areas that will be impacted by the transition to IFRS. As Supply Network Limited has a 30 June year end, priority has been given to considering the preparation of an opening balance sheet in accordance with Australian equivalents to IFRS as at 1 July 2004. This will form the basis of accounting for Australian equivalents of IFRS in the future, and is required when Supply Network Limited prepares its first fully IFRS compliant financial report for the year ended 30 June 2006.

Set out below are the key areas where accounting policies are expected to change and these changes may have an impact on the financial report of Supply Network Limited. At this stage the company has not been able to reliably quantify the impacts on the financial report.

Hedge Accounting

Under AASB 139 *Financial Instruments: Recognition and Measurements* in order to achieve a qualifying hedge the entity is required to meet certain criteria.

This will result in a change in the entity's current accounting procedure where additional documentation will be required to demonstrate that the hedges are effective. Supply Network Limited is developing a procedure detailing the objectives, strategies and testing of hedging transactions. It is anticipated that there will be no future financial effect of the change in accounting policy.

Impairment of Assets

Under AASB 136 *Impairment of Assets* the recoverable amount of an asset is determined as the higher of net selling price and value in use. At present the group's accounting policy assesses the recoverable amount of an asset on the basis of discounted cash flows, which is consistent with value in use. As Supply Network Limited does not have any intangibles, the application of this standard is limited to investments and plant and equipment, where it is anticipated that the potential impact of the adoption of this standard is minor.

Share Based Payments

Under AASB 2 *Share based Payments*, the company will be required to determine the fair value of options issued to employees as remuneration and recognise an expense in the income statement over the vesting period, therefore future earnings may be reduced for any future equity based remuneration. It is anticipated that there will be no future financial effect as a result of the adoption of the standard, however details of future equity based remuneration are not known.

Income Taxes

Under AASB 112 *Income Taxes*, the company will be required to use a balance sheet liability method which focuses on the tax effects of transactions and other events that affect amounts recognised in either accounting or tax based balance sheets. The most significant impact will be the recognition of a deferred tax liability in relation to the foreign currency translation reserve as Supply Network Limited is unable to control the timing of movements in exchange rates.

Supply Network Limited

Directors' Declaration

In accordance with a resolution of the directors of Supply Network Limited, I state that:

In the opinion of the directors:

- (a) the financial statements and notes of the consolidated entity:
 - (i) give a true and fair view of the financial position as at 31 December 2004 and the performance for the half-year ended on that date of the consolidated entity; and
 - (ii) comply with Accounting Standard AASB 1029 "Interim Financial Reporting" 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.

On behalf of the Board



H R Forsyth

Director

Sydney, 24 February 2005

Independent review report to members of Supply Network Limited

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows and accompanying notes to the financial statements and the other information set out in Appendix 4D to the Australian Stock Exchange (ASX) Listing Rules for the consolidated entity comprising both Supply Network Limited (the company) and the entities it controlled during the half-year, and the directors' declaration for the company, for the half-year ended 31 December 2004.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the consolidated entity, and that complies with Accounting Standard AASB 1029 "Interim Financial Reporting", in accordance with the *Corporations Act 2001*, and the ASX Listing Rules as they relate to Appendix 4D. 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.

Review approach

We conducted an independent review of the financial report in order to make a statement about it to the members of the company, and in order for the company to lodge the financial report with the ASX and the Australian Securities and Investments Commission.

Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements, in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with the *Corporations Act 2001*, Accounting Standard AASB 1029 "Interim Financial Reporting" and other mandatory professional reporting requirements in Australia, and the ASX Listing Rules as they relate to Appendix 4D, so as to present a view which is consistent with our understanding of the consolidated entity's financial position, and of its performance as represented by the results of its operations and cash flows.

A review is limited primarily to inquiries of company personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

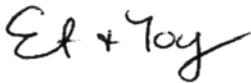
Independence

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included at page 4.

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of the consolidated entity Supply Network Limited and the entities it controlled during the half-year is not in accordance with:

- (a) the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position of the consolidated entity at 31 December 2004 and of its performance for the half-year ended on that date; and
 - (ii) complying with Accounting Standard AASB 1029 "Interim Financial Reporting" and the *Corporations Regulations 2001*; and
- (b) other mandatory financial reporting requirements in Australia and the ASX Listing Rules as they relate to Appendix 4D.



Ernst & Young



Christopher George
Partner

Sydney
24 February 2005