



SUPPLY NETWORK LIMITED

ABN 12 003 135 680

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Guildford NSW 2161

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23 February 2006

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

Dear Sir

Re: Half Year Report

The Directors are pleased to announce the results for the six months ended 31 December 2005, which have been subject to an Independent review, and full details are contained in the Appendix 4D and Half Year Report which are attached.

The final half year result is in line with our announcement 30 January 2006.

Yours faithfully

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

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 2005
Previous corresponding period	31 December 2004

2. Results for announcement to the market

	2005 \$'000	2004 \$'000	% increase / (decrease) over corresponding period
Revenue	17,462	17,521	(0.3)%
Profit after income tax	189	490	(61.4)%
Profit attributable to members of the parent	189	490	(61.4)%

3. Dividends

	Amount per Security	Franked amount per security
Interim dividend -proposed	0.75 ¢	0.75 ¢
Previous corresponding period	1.25 ¢	1.25 ¢
Final dividend – June 2005 (paid 23 September 2005)	1.50 ¢	1.50 ¢
Previous corresponding period	1.50 ¢	1.50 ¢
Record date for determining entitlements to the dividends	15 February 2005	
<p>The Directors declared a fully franked (at 30%) interim dividend of 0.75 cents per share amounting to \$166,000 and payable on 3 March 2006 to eligible shareholders</p> <p>A fully franked final dividend of 1.50 cents per share amounting to \$332,000 was paid on 23 September 2005.</p>		
Amount per security of foreign sourced dividend or distribution	Nil	

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

Refer to Directors' Report on page 3 of the Half-year Financial Report attached.

5. Dividend Reinvestment Plans

No dividend reinvestment plans are in operation

6. Net tangible asset backing

	Current Period	Previous corresponding period
Net tangible asset backing per ordinary security	42.0 ¢	40.9 ¢

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

Nil

8. Details of associate and joint venture entities

Nil

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

Refer attached Half-year Financial report

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

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

This financial report is all the half-year information provided to the Australian Stock Exchange under listing rule 4.2A. The report also satisfies the half –year reporting requirements of the Corporations Act 2001.

This half-year financial report should be read in conjunction with the 2005 Annual Financial report.

Signature

Date 22 February 2006

Name Peter Gill

Position Company Secretary

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

Half-Year Report 31 December 2005

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Supply Network Limited

Corporate Information

Directors

G T Lingard (Chairman)
G D H Stewart (Managing Director)
G J Forsyth

Company Secretary

P W Gill

Registered Office

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Guildford NSW 2161

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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
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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 2005.

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.

G T Lingard	(Chairman)
G D H Stewart	(Managing Director)
G J Forsyth	(Appointed 25 January 2006)
H R Forsyth	(Resigned 25 January 2005)
H M O Anderson	(Resigned 24 November 2005)

Review and Results of Operations

Consolidated sales revenue for the first half was \$17.5m, which is in line with the corresponding period last year. While the Australian operations recorded minor growth of 1.3%, sales in New Zealand declined by 7.7% when measured in NZ\$ terms, which excludes the impact of exchange rate fluctuations.

Profit after income tax of \$189,00 is well below (61.4%) the same period last year.

Tougher market conditions, a slow down in certain sectors of our traditional markets and price deflation in segments of our product range have impacted on sales growth. In addition increased fixed operating costs flowing through from recent long term investments in new Multispares outlets in Australia and warehousing capacity in both Australia and New Zealand have impacted on profitability in the period.

Improved stock management practices in the first half have resulted in lower stock levels and a positive cashflow from operations.

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.

G T Lingard

Director

Sydney, 22 February 2006

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 2005, 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 D. George

Partner

Date: 22 February 2006

Supply Network Limited

Income Statement

For the half-year ended 31 December 2005

Notes

Consolidated

		2005	2004
		\$000	\$000
Revenue	2	17,462	17,521
Expenses excluding finance costs	2	(17,021)	(16,679)
Profit before income tax and finance costs		441	842
Finance costs		(161)	(112)
Profit before income tax		280	730
Income tax expense		(91)	(240)
Profit after income tax		189	490
Profit attributable to members of the parent		189	490
Basic earnings per share (cents per share)		0.85	2.25
Diluted earnings per share (cents per share)		0.85	2.21
Weighted average number of ordinary shares used in the calculation of basic earnings per share		22,116,653	21,795,557

Supply Network Limited

Balance Sheet

As at 31 December 2005

Notes

Consolidated

As at
31 December
2005
\$000

As at
30 June
2005
\$000

Current Assets

Cash & cash equivalents	7	687	156
Trade and other receivables		4,445	5,108
Inventories		11,317	11,518
Prepayments		200	14
Income tax receivable		20	-
Total Current Assets		16,669	16,796

Non-Current Assets

Property, plant and equipment		1,594	1,592
Deferred tax assets		746	716
Total Non-Current Assets		2,340	2,308

Total Assets

19,009 **19,104**

Current Liabilities

Trade and other payables		4,795	4,617
Interest bearing loans and borrowings		217	216
Income tax payable		-	77
Provisions		883	1,048
Total Current Liabilities		5,895	5,958

Non-Current Liabilities

Interest bearing loans and borrowings		3,322	3,369
Provisions		498	382
Total Non-Current Liabilities		3,820	3,751

Total Liabilities

9,715 **9,709**

Net Assets

9,294 **9,395**

Equity

Issued capital	4	5,398	5,395
Reserves		106	67
Retained earnings		3,790	3,933

Total Equity

9,294 **9,395**

Supply Network Limited

Cash Flow Statement

For the half-year ended 31 December 2005

	Consolidated	
	2005	2004
	\$000	\$000
<hr/>		
Cash flows from operating activities		
Receipts from customers	20,134	19,131
Payments to suppliers and employees	(18,629)	(19,345)
Interest received	4	3
Borrowing costs	(161)	(109)
Income taxes paid	(217)	(344)
Net cash flows from/(used in) operating activities	1,131	(664)
Cash flows from investing activities		
Purchase of property, plant and equipment	(217)	(58)
Net cash flows used in investing activities	(217)	(58)
Cash flows from financing activities		
Proceeds from issue of ordinary shares	3	79
Proceeds from borrowings	170	740
Repayment of borrowings	(152)	(170)
Dividends paid on ordinary shares	(332)	(331)
Net cash flow from/(used in) financing activities	(311)	318
Net increase/(decrease) in cash and cash equivalents	603	(404)
Cash and cash equivalents at beginning of period	49	323
Cash and cash equivalents at end of period	652	(81)

Supply Network Limited

Statement of Changes in Equity

For the half-year ended 31 December 2005

Consolidated	Attributable to equity holders of the parent			
	Issued Capital \$'000	Retained Earnings \$'000	Reserves \$'000	Total Equity \$'000
At 1 July 2004	5,301	3,386	64	8,751
Currency translation differences	-	-	12	12
Total income and expense for the period recognised directly in equity	5,301	3,386	76	8,763
Profit for the period	-	490	-	490
Total income / expense for the period	5,301	3,876	76	9,253
Exercise of options	79	-	-	79
Equity dividends	-	(331)	-	(331)
At 31 December 2004	5,380	3,545	76	9,001

Consolidated	Attributable to equity holders of the parent			
	Issued Capital \$'000	Retained Earnings \$'000	Reserves \$'000	Total Equity \$'000
At 1 July 2005	5,395	3,933	67	9,395
Currency translation differences	-	-	39	39
Total income and expense for the period recognised directly in equity	5,395	3,933	106	9,434
Profit for the period	-	189	-	189
Total income / expense for the period	5,395	4,122	106	9,623
Exercise of options	3	-	-	3
Equity dividends	-	(332)	-	(332)
At 31 December 2005	5,398	3,790	106	9,294

Supply Network Limited

Notes to the Half-year Financial Statements

For the half-year ended 31 December 2005

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 2005, which was prepared based on Australian Accounting standards applicable before 1 January 2005 ('AGAAP').

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 2005 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 134 "Interim Financial Reporting" and other mandatory professional reporting requirements.

The half-year financial report has been prepared on a historical cost basis except for derivative financial instruments that have been measured at fair value, with any movement in fair value at the reporting date processed through the income statement.

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

(b) Statement of compliance

The half year financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ('AIFRS'). Compliance with AIFRS ensures that the half-year financial report, comprises the financial statements and notes thereto, complies with International Financial Reporting Standards ('IFRS').

This is the first half-year financial report prepared based on AIFRS and comparatives for the half-year ended 31 December 2004 and full-year ended 30 June 2005 have been restated accordingly. A summary of the significant accounting policies of the Group under AIFRS are disclosed in Note 1(c) below.

Reconciliations of:

- AIFRS equity as at 1 July 2004, 31 December 2004 and 30 June 2005 and
 - AIFRS profit for the half-year 31 December 2004 and full-year 30 June 2005,
- to the balances reported in the 31 December 2004 half-year report and 30 June 2005 full-year financial report prepared under AGAAP are detailed in Note 1 (e) below.

(c) Summary of significant accounting policies

(i) Basis of consolidation

The consolidated financial statements are those of the consolidated entity, comprising Supply Network Limited and its subsidiaries ('the Group').

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

Supply Network Limited

Notes to the Half-year Financial Statements (continued)

For the half-year ended 31 December 2005

1. Basis of preparation of the half-year financial report (continued)

(c) Summary of significant accounting policies (continued)

(i) Basis of consolidation (continued)

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

All intercompany balances and transactions, including unrealised profits arising from intra group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

(ii) Foreign currency translation

Both the functional and presentation currency of Supply Network Limited and its Australian subsidiaries is Australian dollars (A\$).

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All differences in the consolidated financial report are taken to the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currency of the overseas subsidiary (Multispares New Zealand Limited) is New Zealand dollars (NZ\$).

As at the reporting date the assets and liabilities of the overseas subsidiary are translated into the presentation currency of Supply Network Limited at the rate of exchange ruling at the balance sheet date and the income statements are translated at the weighted average exchange rates for the period.

The exchange differences arising on the retranslation are taken directly to a separate component of equity.

(iii) Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Plant and Equipment – over 2-10 years.

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

Supply Network Limited

Notes to the Half-year Financial Statements (continued)

For the half-year ended 31 December 2005

1. Basis of preparation of the half-year financial report (continued)

(c) Summary of significant accounting policies (continued)

(iii) Property, plant and equipment (continued)

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(iv) Finance costs

Finance costs are recognised as an expense when incurred. Finance costs includes interest payable.

(v) Investments

All investments are initially recorded at cost, being the fair value of the consideration given and including acquisition charges associated with the investment.

Investments in controlled entities are valued in the parent entity's financial statements at cost. The carrying amounts of investments are reviewed for impairment annually or more frequently if events or changes in circumstances indicate the carrying value may be impaired.

(vi) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is weighted average into store cost. Obsolete and redundant inventories are provided for as appropriate.

(vii) Trade and other receivables

Trade receivables, which generally have 30 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off when identified.

(viii) Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash on hand and at banks and short term deposits with an original maturity of three months or less.

For the purpose of the Cash Flow Statement, cash includes cash on hand and in bank, net of outstanding bank overdrafts.

(ix) Interest-bearing loans and borrowings

Loans are measured at the principal amount. Interest is charged as an expense as it accrues.

(x) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle an obligation and a reliable estimate can be made of the amount of the obligation.

Supply Network Limited

Notes to the Half-year Financial Statements (continued)

For the half-year ended 31 December 2005

1. Basis of preparation of the half-year financial report (continued)

(c) Summary of significant accounting policies (continued)

(x) Provisions (continued)

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money, and where appropriate, the risks specific to the liability.

Where discounting is used the adjustment to the provision due to the passage of time is recognised as an expense.

Employee leave benefits

(i) Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(xi) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Operating leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as the lease income.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

Finance leases

There were no finance leases during the year.

(xii) Recoverable amount of assets

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Supply Network Limited

Notes to the Half-year Financial Statements (continued)

For the half-year ended 31 December 2005

1. Basis of preparation of the half-year financial report (continued)

(c) Summary of significant accounting policies (continued)

(xii) Recoverable amount of assets (continued)

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(xiii) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably. Risks and rewards are considered passed to the buyer on despatch of the goods to the customer.

Interest

Revenue is recognised as the interest accrues to the net carrying amount of the financial asset.

Dividends

Revenue is recognised when shareholders' right to receive the payment is established.

(xiv) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- in respect of taxable temporary differences associated with investments in subsidiaries, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future;
- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Supply Network Limited

Notes to the Half-year Financial Statements (continued)

For the half-year ended 31 December 2005

1. Basis of preparation of the half-year financial report (continued)

(c) Summary of significant accounting policies (continued)

(xiv) Income tax (continued)

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

- except where the deferred income tax assets relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes related to items recognised directly in equity are recognised in equity and not in the income statement.

(xv) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- Where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

Supply Network Limited

Notes to the Half-year Financial Statements (continued)

For the half-year ended 31 December 2005

1. Basis of preparation of the half-year financial report (continued)

(c) Summary of significant accounting policies (continued)

(xiv) Derivative financial instruments

The fair value of forward exchange contracts is calculated by reference to current exchange rates for contracts with similar maturity profiles.

Accounting policy applicable for the year ending 30 June 2006

The Group uses derivative financial instruments such as foreign currency contracts to hedge its risks associated with foreign currency fluctuations. Such derivative financial instruments are stated at fair value. None of the forward exchange contracts qualify for hedge accounting and all gains or losses arising from changes in the fair value are charged directly to the income statement.

Accounting policy applicable for the year ended 30 June 2005

Under AGAAP, foreign currency monetary items that are outstanding at the reporting date (other than monetary items arising under foreign currency contracts where the exchange rate for that monetary item is fixed in the contract) are translated using the spot rate at the end of the financial year.

A monetary item arising under a foreign currency contract outstanding at the reporting date where the exchange rate for the monetary item is fixed in the contract is translated at the exchange rate fixed in the contract.

Except for certain specific hedges, all resulting exchange differences arising on settlement or re-statement are recognised as revenues and expenses for the financial year. Any gain or cost on entering a hedge is deferred and amortised over the life of the contract.

Where a purchase or sale is specifically hedged, exchange gains or losses on the hedging transaction arising up to the date of purchase or sale and costs, premiums and discounts relative to the hedging transaction are deferred and included in the measurement of the purchase or sale. Exchange gains and losses arising on the hedge transaction after that date are taken to net profit.

(d) AASB 1 Transitional exemptions

The Group has made its election in relation to the transitional exemptions allowed by AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards' as follows:

- Exemption from the requirement to restate comparative information for AASB 132 'Financial Instruments: Presentation and Disclosure' and AASB 139 'Financial Instruments: Recognition and Measurement'.

The group has elected to adopt this exemption to its comparative information.

Supply Network Limited

Notes to the Half-year Financial Statements (continued)

For the half-year ended 31 December 2005

1. Basis of preparation of the half-year financial report (continued)

(e) Impact of adoption of AIFRS

The impacts of adopting AIFRS on the total equity and profit after tax as reported under Australian Accounting Standards applicable before 1 January 2005 ('AGAAP') are illustrated below.

(i) Reconciliation of total equity as presented under AGAAP to that under AIFRS

	30-Jun-05	Consolidated 31-Dec-04	01-Jul-04
	\$'000	\$'000	\$'000
Total equity under AGAAP	9,430	9,020	8,761
Adjustments to equity:			
Reclassification of rebate income (A)	(7)	-	(3)
Recognition of property plant and equipment (B)	(25)	(17)	(12)
Recognition of make good provision (C)	(17)	(10)	-
Recognition of operating lease costs (D)	(1)	-	-
Tax effect of the above adjustments (E)	15	8	5
Total equity under AIFRS	9,395	9,001	8,751

(A) Under AASB 102 Inventories, trade discounts and supplier rebates which are unearned at balance date have been adjusted resulting in a reduction in the value of Inventories.

(B) Under AASB 116 Property Plant and Equipment, the group has recognised as part of its leasehold improvements \$205,000 as an estimate of the costs to remove those improvements at the end of the lease term where such an obligation exists to the lessor. The amounts disclosed above are the amortisation charges of these leasehold improvements.

(C) Under AASB 137 Provisions, Contingent Liabilities and Contingent Assets the Group has recognised a corresponding provision for Make Good for the leasehold improvements. The changes in the fair value of the Make Good Provision have been charged against the income statement.

(D) Under AASB 117 Leases, the Group has recognised fixed rate increases on operating leases on a straight line basis over the lease term.

(E) The tax effect adjustments above (notes (A) to (D)) have led to an increase in deferred tax assets.

Supply Network Limited

Notes to the Half-year Financial Statements (continued)

For the half-year ended 31 December 2005

1. Basis of preparation of the half-year financial report (continued)

(e) Impact of adoption of AIFRS (continued)

(ii) Reconciliation of profit after tax under AGAAP to that under AIFRS

	Consolidated	
	Year Ended 30-Jun-05	Half Year 31-Dec-04
	\$'000	\$'000
Profit after tax as previously reported	1,179	499
Adjustments to equity:		
Reclassification of rebate income	(4)	3
Amortisation of leasehold improvements	(13)	(5)
Movement in fair value of make good provision	(17)	(10)
Recognition of operating lease costs	(1)	-
Tax effect of the above adjustments	10	3
Profit after tax under IFRS	<u>1,154</u>	<u>490</u>

For explanation of the above adjustments to profit after tax refer to notes (A) to (E) in (i) above.

(iii) Explanation of material adjustments to the cash flow statements

There are no material differences between the cash flow statements presented under AIFRS and those presented under AGAAP.

Supply Network Limited

Notes to the Half-year Financial Statements (continued)

For the half-year ended 31 December 2005

	Consolidated	
	2005	2004
	\$000	\$000
2. Revenue and expenses		
(a) Specific items		
Profit before income tax expense includes the following revenues and expenses whose disclosure is relevant in explaining the performance of the entity:		
(i) Revenue		
Sale of goods	17,452	17,506
Interest	4	3
Other	6	12
	17,462	17,521
(ii) Expenses		
Cost of sales	10,710	10,695
Salaries and employee benefit expenses	3,244	3,200
Depreciation and amortisation expenses	219	177
Operating lease expenses	829	673
Other expenses	1,859	1,771
Utility expenses	160	163
Total expenses, excluding borrowing costs	17,021	16,679

Supply Network Limited

Notes to the Half-year Financial Statements (continued)

For the half-year ended 31 December 2005

	Consolidated	
	2005	2004
	\$000	\$000
3. Dividends paid and proposed		
Equity dividends on ordinary shares		
(a) Dividends paid during the half-year		
Final franked dividend for the financial year 30 June 2005:		
1.50 cents (2004: 1.50 cents)	332	331
Dividends proposed and not recognised as a liability		
Interim franked dividend for the financial year		
30 June 2006: 0.75 cents (2004: 1.25 cents per share)	166	276
4. Issued capital		
Ordinary shares	Dec-05	Jun-05
	\$000	\$000
Issued and fully paid	5,398	5,395
Movement in ordinary shares on issue	Number	\$'000
At 1 July 2005	22,113,845	5,395
Issued 10 October 2005 for cash on exercise of share option	12,500	3
	22,126,345	5,398

Supply Network Limited

Notes to the Half-year Financial Statements (continued)

For the half-year ended 31 December 2005

5. 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	
	2005 \$000	2004 \$000	2005 \$000	2004 \$000	2005 \$000	2004 \$000	2005 \$000	2004 \$000
Revenue								
Sales to customers outside the consolidated entity	14,240	14,056	3,212	3,450	-	-	17,452	17,506
Other revenues from outside the consolidated entity	9	12	1	3	-	-	10	15
Intersegment revenues	443	667	-	43	(443)	(710)	-	-
Total segment revenues	<u>14,692</u>	<u>14,735</u>	<u>3,213</u>	<u>3,496</u>	<u>(443)</u>	<u>(710)</u>	<u>17,462</u>	<u>17,521</u>
Results								
Segment results	<u>297</u>	<u>413</u>	<u>(20)</u>	<u>311</u>	<u>3</u>	<u>6</u>	<u>280</u>	<u>730</u>
Consolidated entity profit from ordinary activities before income tax expense							280	730
Income tax expense							(91)	(240)
Consolidated entity profit from ordinary activities after income tax expense							189	490
Net profit							<u>189</u>	<u>490</u>
Assets								
Segment assets	<u>16,698</u>	<u>17,134</u>	<u>3,571</u>	<u>3,476</u>	<u>(1,260)</u>	<u>(1,333)</u>	<u>19,009</u>	<u>19,277</u>
Liabilities								
Segment liabilities	<u>8,406</u>	<u>9,040</u>	<u>1,463</u>	<u>1,476</u>	<u>(154)</u>	<u>(240)</u>	<u>9,715</u>	<u>10,276</u>
Other segment information								
Acquisition of property, plant and equipment, intangible assets and other non current assets	215	46	2	12	-	-	217	58
Depreciation	176	152	43	25	-	-	219	177
Non-cash expenses other than depreciation	<u>154</u>	<u>234</u>	<u>35</u>	<u>12</u>	<u>-</u>	<u>-</u>	<u>189</u>	<u>246</u>

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 to the Half-year Financial Statements (continued)

For the half-year ended 31 December 2005

6. Events after the balance sheet date

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

7. Additional information

Reconciliation of cash

For the purpose of the Condensed Cash Flow Statement, cash and cash equivalents comprise the following at 31 December:

	2005	2004
	\$'000	\$'000
Cash at bank and on hand	687	70
Bank overdraft	(35)	(151)
	<u>652</u>	<u>(81)</u>

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 2005 and the performance for the half-year ended on that date of the consolidated entity; and
 - (ii) comply with Accounting Standard AASB 134 "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

G T Lingard

Director

Sydney, 22 February 2006

Independent review report to members of Supply Network Limited

Scope

The financial report and directors' responsibility

The financial report comprises the balance sheet, income statement, cash flow statement, statement of changes in equity and accompanying notes to the financial statements for the consolidated entity comprising both Supply Network Limited (the company) and the entities it controlled during the period, and the directors' declaration, for the company, for the period ended 31 December 2005.

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 134 "Interim Financial Reporting", in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

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 134 "Interim Financial Reporting" and other mandatory professional reporting requirements in Australia, 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 in the Directors' Report. In addition to our review of the financial report, we were engaged to undertake other non-audit services. The provision of these services has not impaired our independence.

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, as defined in the scope section, of the consolidated entity Supply Network Limited and the entities it controlled during the period 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 2005 and of its performance for the period ended on that date; and
 - (ii) complying with Accounting Standard AASB 134 “Interim Financial Reporting” and the *Corporations Regulations 2001*; and
- (b) other mandatory financial reporting requirements in Australia.

Ernst & Young

Christopher D. George
Partner
Sydney

Date: 22 February 2006