



**SUPPLY NETWORK LIMITED**

ABN 12 003 135 680

141 - 151 Fairfield Road Guildford NSW 2161

PO Box 460 Fairfield NSW 2165

Telephone: 02 9892 3888 Facsimile: 02 9892 2399

22 February 2007

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 2006, 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 9 February 2007.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Peter Gill', is written over a faint, circular stamp or watermark.

**Peter Gill**  
Company Secretary

# Appendix 4D

## Half Year Report

### 1. Details of reporting period

<b>Name of entity</b>	Supply Network Limited
<b>ABN</b>	12 003 135 680
<b>Half year ended</b>	31 December 2006
<b>Previous corresponding period</b>	31 December 2005

### 2. Results for announcement to the market

	<b>2006 \$'000</b>	<b>2005 \$'000</b>	<b>% increase / (decrease) over corresponding period</b>
<b>Revenue</b>	17,288	17,467	(1.0)%
<b>Profit after income tax</b>	113	189	(40.2)%
<b>Profit attributable to members of the parent</b>	113	189	(40.2)%

### 3. Dividends

	<b>Amount per Security</b>	<b>Franked amount per security</b>
<b>Interim dividend -proposed Previous corresponding period</b>	Nil ¢ 0.75 ¢	Nil ¢ 0.75 ¢
<b>Final dividend – June 2006 (paid 22 September 2006) Previous corresponding period</b>	1.00 ¢ 1.50 ¢	1.00 ¢ 1.50 ¢
<b>Record date for determining entitlements to the dividends</b>	N/A	
<p>The Directors have resolved not to declare an interim dividend.</p> <p>A fully franked final dividend of 1.00 cents per share amounting to \$221,000 was paid on 22 September 2006.</p>		
<b>Amount per security of foreign sourced dividend or distribution</b>	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.
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**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	41.6 ¢	42.0 ¢

**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 2006 Annual Financial report.**

**Signature**

**Date**            22 February 2007

**Name**            Peter Gill

**Position**        Company Secretary

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

**Half-Year Report 31 December 2006**

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# Supply Network Limited

## Corporate Information

### Directors

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

### 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](http://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 2006.

### 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  
P W McKenzie

### Review and Results of Operations

Consolidated sales revenue for the first half was \$17.3m, which is a decline of 1.0% when compared to the same period last year.

Sales growth in the Australian operation was 2.0% including modest growth of 1.2% in Multispares and strong growth of 41.3% in Globac when compared to the corresponding period last year.

Sales revenue in Multispares New Zealand declined by 8.4% when compared to the same period last year and measured in NZ\$ terms, which excludes the impact of exchange rate fluctuations. When measured in Australian dollar terms the sales decline is 14.8%.

Profit for the period of \$113,000 is below the corresponding period last year (\$189,000).

A number of market factors have continued to affect our short term results, including product price deflation, high fuel prices, longer warranty periods on vehicles, improved service life of parts and the drought in regional Australia. Ongoing cost controls have minimised the impact of these factors and will support future profit growth as market conditions improve.

The group has continued to develop and expand its total supply arrangements with a number of new contracts commencing during the period. To support these new contracts and other new supply based opportunities inventory levels have been increased by \$1.0 million since June 2006. This has resulted in a negative cash flow from operations over the first half, which has been financed from existing resources and facilities.

Cash flows from operating activities are expected to be positive over the second half of the financial year. There were no additional long term borrowings or facilities during the period and gearing remains at similar levels to the financial period ended June 2006.

The directors resolved not to declare an interim dividend (2005: 0.75 cents per share).

### Auditor's Independence Declaration

A copy of auditor's 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 98/100. The company is an entity to which the Class Order applies.

Signed in accordance with a resolution of directors.

**G T Lingard**  
Director

Sydney, 21 February 2007

## **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 2006, 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

Geoffrey R. Applebee  
Partner  
21 February 2007

## Supply Network Limited

### Income Statement

for the half-year ended 31 December 2006

	Note	Consolidated	
		31 Dec 2006 \$'000	31 Dec 2005 \$'000
<b>Revenue</b>	3	17,272	17,452
Finance revenue	3	4	9
Other income		12	6
Changes in inventories of finished goods		(10,715)	(10,710)
Employee benefits expenses		(3,261)	(3,244)
Depreciation and amortisation		(240)	(219)
Other expenses	3	(2,751)	(2,853)
Finance costs	3	(149)	(161)
<b>Profit before income tax expense</b>		172	280
Income tax expense		(59)	(91)
<b>Profit for the period</b>		113	189
<b>Profit attributable to members of the parent</b>		<b>113</b>	<b>189</b>
Basic earnings per share (cents)		0.51	0.85
Diluted earnings per share (cents)		0.51	0.85
Dividends per share (cents)	4	1.00	1.50



## Supply Network Limited

### Balance Sheet

at 31 December 2006

	Note	Consolidated	
		As at 31 Dec 2006 \$'000	As at 30 Jun 2006 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	7	257	816
Trade and other receivables		4,304	4,590
Inventories		12,476	11,350
Other current assets		204	85
Derivatives		830	660
<b>Total current assets</b>		<b>18,071</b>	<b>17,501</b>
<b>Non-current assets</b>			
Property, plant and equipment		1,294	1,447
Deferred tax assets		729	670
<b>Total non-current assets</b>		<b>2,023</b>	<b>2,117</b>
<b>TOTAL ASSETS</b>		<b>20,094</b>	<b>19,618</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables		5,823	5,791
Interest bearing loans and borrowings		986	110
Income tax payable		49	-
Provisions		388	366
Derivatives		845	659
<b>Total current liabilities</b>		<b>8,091</b>	<b>6,926</b>
<b>Non-current liabilities</b>			
Interest bearing loans and borrowings		2,468	3,217
Provisions		329	313
<b>Total non-current liabilities</b>		<b>2,797</b>	<b>3,530</b>
<b>TOTAL LIABILITIES</b>		<b>10,888</b>	<b>10,456</b>
<b>NET ASSETS</b>		<b>9,206</b>	<b>9,162</b>
<b>EQUITY</b>			
Contributed Equity	5	5,398	5,398
Reserves		8	(145)
Retained earnings		3,800	3,909
<b>TOTAL EQUITY</b>		<b>9,206</b>	<b>9,162</b>

## Supply Network Limited

### Statement of Changes in Equity

For the half-year ended 31 December 2006

Consolidated	Attributable to equity holders of the parent			
	Issued Capital \$'000	Retained Earnings \$'000	Reserves \$'000	Total Equity \$'000
<b>At 1 July 2006</b>	<b>5,398</b>	<b>3,909</b>	<b>(145)</b>	<b>9,162</b>
Currency translation differences	-	-	153	153
Total income and expense for the period recognised directly in equity	5,398	3,909	8	9,315
Profit for the period	-	113	-	113
Total income / expense for the period	5,398	4,022	8	9,428
Exercise of options	-	-	-	-
Equity dividends	-	(222)	-	(222)
<b>At 31 December 2006</b>	<b>5,398</b>	<b>3,800</b>	<b>8</b>	<b>9,206</b>

Consolidated	Attributable to equity holders of the parent			
	Issued Capital \$'000	Retained Earnings \$'000	Reserves \$'000	Total Equity \$'000
<b>At 1 July 2005</b>	<b>5,395</b>	<b>3,933</b>	<b>67</b>	<b>9,395</b>
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)
<b>At 31 December 2005</b>	<b>5,398</b>	<b>3,790</b>	<b>106</b>	<b>9,294</b>

## Supply Network Limited

### Cash Flow Statement

for the half-year ended 31 December 2006

	Note	Consolidated	
		31 Dec 2006 \$'000	31 Dec 2005 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		19,398	20,134
Payments to suppliers and employees		(18,688)	(18,627)
Interest received		3	4
Borrowing costs		(150)	(161)
Income taxes paid		(941)	(217)
<b>Net cash flows from/(used in) operating activities</b>		<b>(378)</b>	<b>1,133</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(67)	(217)
<b>Net cash flows used in investing activities</b>		<b>(67)</b>	<b>(217)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of ordinary shares		-	3
Proceeds from borrowings	8	196	170
Repayment of borrowings	8	(172)	(152)
Dividends paid on ordinary shares		(222)	(332)
<b>Net cash flow from/(used in) financing activities</b>		<b>(198)</b>	<b>(311)</b>
Net increase/(decrease) in cash and cash equivalents		(643)	605
Net foreign exchange differences		12	(2)
Cash and cash equivalents at beginning of period		816	49
<b>Cash and cash equivalents at end of period</b>	<b>7</b>	<b>185</b>	<b>652</b>

## Notes to the Financial Statements

for the half-year ended 31 December 2006

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### 1. Corporate Information

The financial report of Supply Network Limited (the Company) for the half-year ended 31 December 2006 was authorised for issue in accordance with a resolution of the directors on 21 February 2007. Supply Network Limited is a company incorporated in Australia and limited by shares, which are traded on the Australian Stock Exchange (ASX code SNL).

The principal activity of the consolidated entity during the period was the provision of after market parts to the commercial vehicle industry.

### 2. 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 Report of Supply Network Limited as at 30 June 2006.

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 2006 in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001*.

#### (a) Basis of preparation

The half-year consolidated 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, which have been measured at fair value.

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

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated under the option available to the company under ASIC Class Order 98/100. The company is an entity to which the class order applies.

#### (b) Significant accounting policies

The half-year consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2006.

#### (c) Basis of consolidation

The half-year consolidated financial statements comprise the financial statements of Supply Network Limited and its subsidiaries as at 31 December 2006. The exchange differences arising on the translation are taken directly to a separate component of equity.

## Supply Network Limited

### Notes to the Financial Statements (continued)

for the half-year ended 31 December 2006

	Consolidated	
	31 Dec	31 Dec
	2006	2005
	\$'000	\$'000
<b>3. Revenue and expenses</b>		
<b>(a) Revenue and expenses from operating activities</b>		
<b>(i) Revenue</b>		
Sale of goods	17,272	17,452
<b>(ii) Finance revenue</b>		
Bank interest received	3	4
Make good provision discount adjustment	1	5
	4	9
<b>(iii) Other expenses</b>		
Bad and doubtful debts – trade receivables	9	45
Freight and cartage expenses	400	354
Insurance expense	140	147
Operating lease expenses	835	829
Utility expenses	153	160
Other expenses	1,214	1,318
	2,751	2,853
<b>(iv) Finance costs</b>		
Bank loans and overdrafts	148	159
Finance charges payable under hire purchase contracts	1	2
	149	161

### **(b) Seasonality of operations**

The group's operations are not subject to any seasonal or cyclical factors.

## Supply Network Limited

### Notes to the Financial Statements (continued)

for the half-year ended 31 December 2006

	Consolidated	
	31 Dec 2006 \$'000	31 Dec 2006 \$'000
<b>4. Dividends paid and proposed for on ordinary shares</b>		
<b>(a) Dividends paid during the half-year</b>		
Final fully franked dividend for the financial year 30 June 2006: 1.00 cent (2005: 1.50 cents)	222	332
<b>(b) Dividends proposed subsequent to 31 December 2006 and not recognised as a liability</b>		
Interim fully franked dividend for the financial year 30 June 2007: nil cents (2006: 0.75 cents per share)	-	166

### 5. Contributed Equity

	Consolidated	
	31 Dec 2006 \$'000	30 Jun 2006 \$'000
<b>(a) Issued and paid up capital</b>		
22,126,345 ordinary shares fully paid (2006:22,126,345)	5,398	5,398
<b>(b) Movements in ordinary shares on issue</b>		
There have been no movements in the number of shares on issue during the half-year period		

## Supply Network Limited

### Notes to the Financial Statements (continued)

for the half-year ended 31 December 2006

#### 6. 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	
	31 Dec 2006	31 Dec 2005	31 Dec 2006	31 Dec 2005	31 Dec 2006	31 Dec 2005	31 Dec 2006	31 Dec 2005
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000

##### Revenue

Sales to customers outside the consolidated entity	14,535	14,240	2,737	3,212	-	-	17,272	17,452
Intersegment revenues	543	443	61	-	(604)	(443)	-	-
<b>Total segment revenues</b>	<b>15,078</b>	<b>14,683</b>	<b>2,798</b>	<b>3,212</b>	<b>(604)</b>	<b>(443)</b>	<b>17,272</b>	<b>17,452</b>

##### Results

Segment results	357	424	(31)	5	(9)	3	317	432
Interest income							4	9
Interest expense							(149)	(161)
Income tax expense							(59)	(91)
<b>Profit for the period</b>							<b>113</b>	<b>189</b>

##### Other segment information

Acquisition of property, plant and equipment, intangible assets and other non current assets	55	215	11	2	-	-	66	217
Depreciation	203	176	37	43	-	-	240	219
Non-cash expenses other than depreciation	64	154	6	35	(18)	-	52	189

Segment accounting policies are the same as the consolidated entity's policies. During the period, 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 Financial Statements (continued)

for the half-year ended 31 December 2006

#### 7. Cash and cash equivalents

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

	<b>Consolidated</b>	
	<b>31 Dec 2006 \$'000</b>	<b>31 Dec 2005 \$'000</b>
Cash at bank and on hand	257	687
Bank overdraft	(72)	(35)
	185	652

#### 8. Interest bearing loans and borrowings

During the period the Group borrowed \$196,000 and repaid \$172,000 of short-term interest bearing debt.

#### 9. Related party disclosures

The following table provides the total amount of transactions that were entered into with related parties for the half-year ended 31 December 2006 and 2005:

<b>Related Party</b>	<b>Purchases from related parties \$'000</b>	<b>Amounts owed to related parties \$'000</b>
Key management personnel of the Group:		
Other directors interests	2006 289	3
	2005 273	-

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

#### 10. Events after the balance sheet date

No matter or circumstance has arisen since the end of the financial year 30 June 2006 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.

#### 11. Contingent Liabilities

A claim for damages in the amount of \$65,000 plus costs for the supply of allegedly defective goods has been brought against a controlled entity. The action is being defended and advice from legal counsel indicated that it is possible, but not probable, that the action will succeed and accordingly, no provision for any liability has been recognised in the financial statements. The case is due to go to court in April 2007.

#### 12. Changes in composition of entity

There have been no changes in the composition of the entities since the financial year ended 30 June 2006.



# 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 are in accordance with the *Corporations Act 2001*, including:
  - (i) give a true and fair view of the financial position as at 31 December 2006 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, 21 February 2007

To the members of Supply Network Limited

## Report on the Half-Year Financial Report

We have reviewed the accompanying financial report of Supply Network Limited (the company) and the entities it controlled during the half-year, which comprises the balance sheet as at 31 December 2006, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

### *Directors' Responsibility for the Half-Year Financial Report*

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001* and other mandatory financial reporting requirements in Australia. As the auditor of Supply Network Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Supply Network Limited

### *Independence*

In conducting our review, we have complied with the independence requirements of 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.

### *Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of 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 consolidated entity's financial position as at 31 December 2006 and of its performance for the half-year 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.

Geoffrey R. Applebee  
Partner  
Sydney

Ernst & Young

21 February 2007