



SUPPLY NETWORK LIMITED

ABN 12 003 135 680

141 - 151 Fairfield Road Guildford NSW 2161

PO Box 460 Fairfield NSW 2165

Telephone: 61 2 9892 3888 Fax: 61 2 9892 2399

28 August 2008

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

Dear Sir

Re: Preliminary Final Report Appendix 4E and Annual Accounts

The Directors are pleased to announce the audited results for the year ended 30 June 2008 the details of which are included in the attached Appendix 4E - Preliminary Final Report.

The audited results are in line with our announcement 23 July 2008.

Yours faithfully

A handwritten signature in black ink, appearing to be 'Peter Gill', written in a cursive style.

Peter Gill
Company Secretary

Appendix 4E

Preliminary Final Report

1. Details of reporting period

Name of entity	Supply Network Limited
ABN	12 003 135 680
Financial year ended	30 June 2008
Previous corresponding period	30 June 2007

2. Results for announcement to the market

	2008 \$'000	2007 \$'000	% increase / (decrease) over corresponding period
Revenue	38,662	34,519	12.0%
Profit after income tax	1,493	366	307.9%
Profit attributable to members of the parent	1,493	366	307.9%
Dividends	Amount per Security	Franked amount per security	
Final dividend	2.00¢	2.00¢	
Previous corresponding period	1.00¢	1.00¢	
Interim dividend	1.00¢	1.00¢	
Previous corresponding period	0.00¢	0.00¢	
Record date for determining entitlements to the dividends	12 September 2008		

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

Refer to attached Chairman's and Managing Director's report and financial statements.

3. Consolidated Statement of Financial Performance

Refer to attached income statement

4. Consolidated Statement of Financial Position

Refer to attached balance sheet

5. Consolidated Statement of Cash Flows

Refer to attached cash flow statement

6. Dividends

The Directors have declared a fully franked (at 30%) final dividend of 2.00 cents per share (requiring \$498,000) payable on 26 September 2008 in respect of the year ended 30 June 2008.

A fully franked interim dividend of 1.00 cent per share (requiring \$249,000) was paid on 4 April 2008 in respect of the year ended 30 June 2008.

A fully franked special dividend of 4.00 cents per share (requiring \$885,000) was paid on 8 February 2008.

A fully franked final dividend of 1.00 cent per share amounting to \$221,000 was paid on 22 September 2007 in respect of the year ended 30 June 2007.

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

7. Dividend Reinvestment Plans

There are no dividend reinvestment plans in operation

8. Consolidated Retained Earnings

	\$'000
Balance at beginning of year	4,054
Net Profit	1,493
Dividends paid	(1,355)
Balance at end of year	4,192

9. Net tangible asset backing

	Current Period	Previous corresponding period
Net tangible asset backing per ordinary security	41.1¢	42.9¢

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

Nil

11. Details of associate and joint venture entities

Nil

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

Refer to attached Chairman's and Managing Director's report and financial statements

13. Foreign entities

Not applicable

14. Commentary on results for period**Earnings per security and nature of any dilution aspects**

	Current Period	Previous corresponding period
Basic earnings per share	6.43¢	1.65¢
Diluted earnings per share	6.43¢	1.65¢
Dilutive securities - share options	Nil	Nil
See income statement in attached financial statements		

14. Commentary on results for period (continued)

Returns to shareholders including distributions and buy backs

Refer to attached financial statements.

Significant features of operating performance

Refer to attached Chairman's and Managing Director's Report and financial statements.

The results of segments

Refer to Note 27 in the attached financial statements

Discussion of trends in performance

Refer to attached Chairman's and Managing Director's Report

Any other factors which have affected the result in the period or which are likely to affect results in the future including those where the effects could not be quantified

None

15. 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 **27 August 2008**

Name **Peter Gill**

Position **Company Secretary**

SUPPLY NETWORK LIMITED

ABN 12 003 135 680

**ANNUAL ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 2008**

The financial report was authorised for issue by the directors on 27 August 2008. The company has the power to amend and reissue the financial report.

SUPPLY NETWORK LIMITED

ABN 12 003 135 680

ANNUAL ACCOUNTS

30 JUNE 2008

Contents

Corporate Information.....	1
Chairman's and Managing Director's Report	2
Directors' Report.....	5
Auditor's Independence Declaration	12
Corporate Governance Statement	13
Income Statement	17
Balance Sheet	18
Statement of Changes in Equity.....	19
Cash Flow Statement	20
Notes to the Financial Statements	21
Directors' Declaration	53
Independent Auditor's Report.....	54

SUPPLY NETWORK LIMITED

CORPORATE INFORMATION

Directors

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

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

HLB Mann Judd (NSW Partnership)

Bankers

ANZ Banking Group Limited

Solicitors

Bartier Perry

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 9415 4000
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

CHAIRMAN'S AND MANAGING DIRECTOR'S REPORT FOR THE YEAR ENDED 30 JUNE 2008

Directors are pleased to report that in the financial year 2007-2008 sales revenue was \$38.7m, an increase of 12% compared with the prior year, and we delivered a record EBIT of \$2.4m. Group Net Profit After Tax was \$1.5m and Return on Average Shareholders Equity increased to 15%.

Cash flows remained positive and gearing was reduced to 30%.

This excellent result has placed us in a strong position to manage our business in the current uncertain economic climate. Recently we have witnessed market disruption from a number of global factors including significant fluctuations in the price of oil and currency exchange rates, declining economic activity, dramatic rises in the cost of raw materials and a rising cost for debt. Throughout this period we have continued to perform well.

Market competition remains intense, access to products and information is more available to competitors than at any time in the past and small independent importers continue to emerge. We have responded to these challenges by focusing our activities on sales objectives with greater emphasis on shortening our response to market demand. The year just finished has shown that we can deliver strong growth in a competitive environment.

Review of Operations

Multispares Australia – European & Japanese Heavy Vehicle Parts

Sales revenue for Multispares Australia increased by 11% over the prior year, with growth spread evenly across all geographic markets. Despite strong competition and heavy discounting on some products, average margins improved across the full range.

Multispares has continued to build sales volumes with all major customer groups. We have established a number of new supply agreements with bus fleets and we are well advanced developing a similar service offer for specialised truck fleets.

Another area of significant growth has been the sale of products to specialist resellers. We have strengthened our capabilities in this area by adding new products, improving our on-line catalogue and managing an appropriate price structure. This is an area of continuing investment and a major consideration in our future plans.

During the year Multispares restructured sales management and introduced changes to product management that have improved communication and shortened response times for new developments. It is pleasing to see a new pace and dynamic in the business.

Multispares New Zealand – European, Japanese & Trailer Heavy Vehicle Parts

After several years of flat or declining revenue Multispares New Zealand has turned the corner. Sales revenue increased by 8% over the prior year and profitability has improved. More importantly growth has been substantially higher in target markets where sales efforts have been focused.

Sales revenue on our trailer program continued to grow at well above average rates across all products. We have arguably the most comprehensive range of trailer parts on offer in New Zealand and we expect high growth rates to be achieved in the future.

Multispares New Zealand has made significant investments in preparation for new rules governing replacement components for heavy vehicle brakes. We have established distribution arrangements with high quality suppliers based in Europe and Japan and are uniquely positioned to improve market share. Over the last year sales revenue for brake products increased significantly and we expect high growth rates to continue this year.

SUPPLY NETWORK LIMITED

CHAIRMAN'S AND MANAGING DIRECTOR'S REPORT FOR THE YEAR ENDED 30 JUNE 2008 (continued)

As in Australia, Multispares New Zealand has undergone many changes over recent times. We are benefiting from new energy and ideas and expect strong organic growth to continue in the current year.

Globac – Wholesale Heavy Vehicle Brake Friction, Foundation and Control

Globac has continued recent positive momentum and now has a strong platform from which to build its future. Sales revenue increased by 43% compared with the prior year and the business is operating profitably.

The outlook for Globac is a continuing focus on its range of high quality North American brake and axle products. Globac sells only at the wholesale level and aims to be the best in its product niche. With careful management of costs, profitability will improve as volumes grow.

Capital Management

Over the last year we introduced a dividend reinvestment plan and paid our first Special Dividend of 4.0 cents per share. A Dividend Reinvestment Plan operated in respect of this Special Dividend and the shortfall was underwritten, which minimised any impact on cash flows. Combining the Special Dividend with the Interim Dividend of 1.0 cent and Final Dividend of 2.0 cents, total dividends paid or payable in respect of the year were 7.0 cents per share, a significant record for your company.

The Board has previously advised that it intends continuing the Special Dividend for at least three years, subject to market conditions and satisfactory underwriting arrangements. A decision on the Special Dividend for the current year will be announced at our Annual General Meeting later in 2008.

Acquisition Strategy

Over the past year the Board has reviewed a number of acquisition proposals. While some of these proposals were promising none gave the right mix of value and opportunity. Acquisition remains a part of our long-term strategic plan and the Board will continue to review proposals in the interests of shareholders.

A Thank You to Staff

At times of change staff must respond intelligently and quickly to the many challenges that arise. The Board wishes to acknowledge the success of management and staff in dealing with these challenges over the last 12 months. The significant improvement in our profitability is in part, a credit to these people and they should be proud of what they have achieved.

The Future

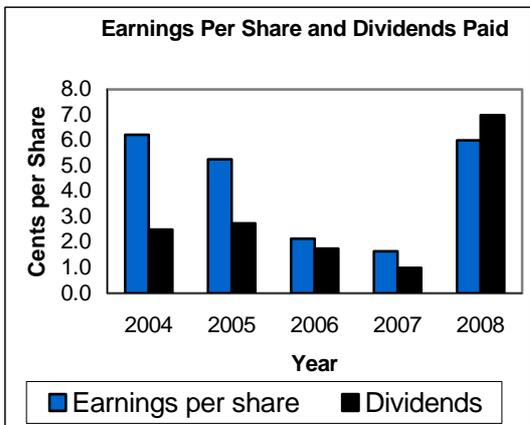
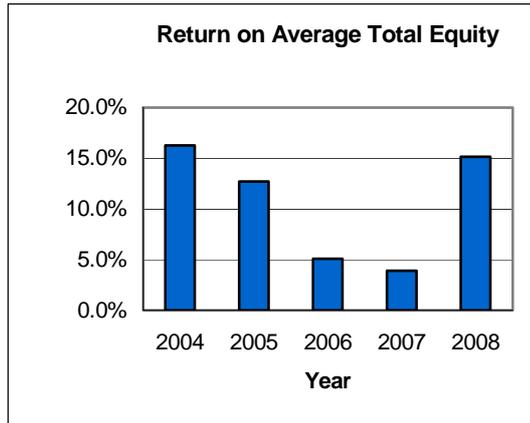
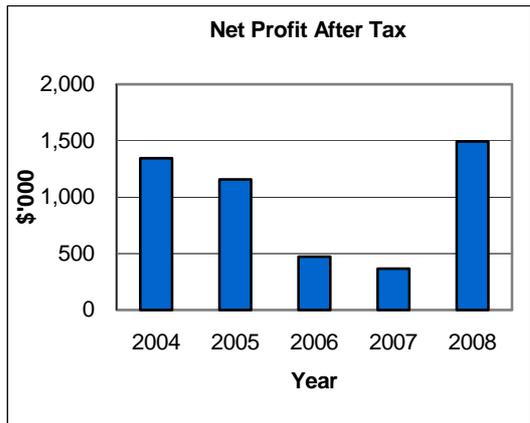
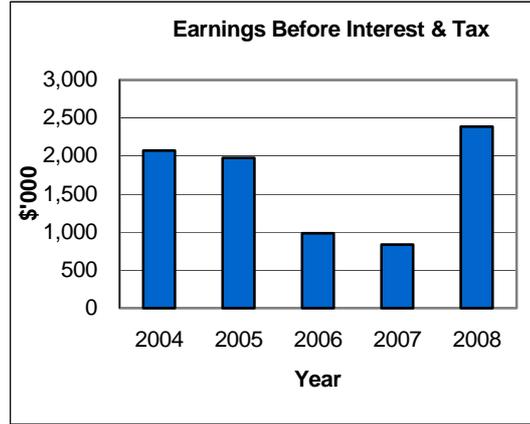
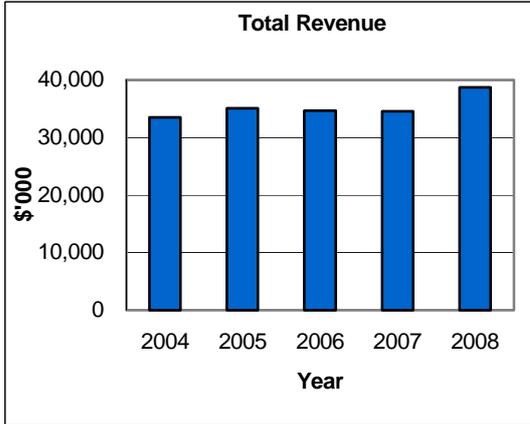
This year we are planning increased investment in stock and IT infrastructure. Although growth is likely to be difficult in the short term these investments will position us well when market conditions improve.

We aim to be more dynamic in our thinking and to respond faster to the demands of our competitive market. We are well positioned to benefit from continued investment and are confident as we move forward to meet the challenges of a new year.

SUPPLY NETWORK LIMITED

**CHAIRMAN'S AND MANAGING DIRECTOR'S REPORT
FOR THE YEAR ENDED 30 JUNE 2008
(continued)**

Performance Highlights



SUPPLY NETWORK LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2008

The Directors of Supply Network Limited submit their report for the financial year ended 30 June 2008.

Directors

The names of the company's directors in office during the financial year and until the date of this report are as follows. 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
P W Gill (appointed 1 May 2008)

Principal Activities

The principal activity of the Group during the financial year was the provision of after market parts to the commercial vehicle industry.

Results

The net profit of the Group after providing for income tax for the financial year was \$1,493,000 (2007: \$366,000).

Earnings Per Share

Basic and diluted earnings per share for the financial year are 6.43 cents per share (2007: 1.65 cents).

Dividends

Dividends paid or declared for payment are as follows:

	\$
Final Dividend for 2007 of 1.00 cent per share paid 22 September 2007	221,000
Special Dividend for 2008 of 4.00 cents per share paid 8 February 2008	885,000
Interim dividend for 2008 of 1.00 cent per share paid 4 April 2008	249,000
Final dividend for 2008 of 2.00 cents per share declared 23 July 2008 and payable 26 September 2008	498,000

Review of Operations

The Group sales revenue for the year was \$38.7m, which is an increase of 12% when compared to last year.

Sales revenue in the Australian operation increased by 13.5%. Sales revenue in New Zealand increased by 8.1% measured in NZ\$ terms, which excludes the impact of exchange rate fluctuations.

EBIT for the year was \$2.39m, which is an increase of \$1.55m over last year.

Profit after tax for the year was \$1.49m which is a significant increase on last year's \$366k.

Product and market strategies continue to deliver solid growth in key segments and ongoing cost controls have kept overheads within expected levels.

Cash flows from operating activities have remained positive over the year.

SUPPLY NETWORK LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2008
(continued)

There were no additional long-term borrowings or facilities during the year and gearing has declined to 30.1% at June 2008 from 34.5% last year.

During the year a Dividend Reinvestment Plan (DRP) was established and operated in respect of the 4 cents per share fully franked special dividend paid in February 2008. The DRP shortfall was underwritten which minimised the impact on cash flows. The DRP was suspended after the special dividend.

Further information on Review of Operations is detailed in the Chairman and Managing Director's Report.

Significant Changes in the State of Affairs

There were no significant changes in the state of affairs of the Group during the financial year not otherwise disclosed in this report or the consolidated financial statements.

Significant Events after Balance Date

No matter or circumstance has arisen since the end of the financial year which is not otherwise dealt with in this report or the consolidated financial statements that has significantly affected or may significantly affect the operations of the Group, the result of those operations or the state of affairs of the Group in subsequent financial years.

Likely Developments and Expected Results

The directors expect continued improved operating results for the Group over 2008/09 with sales growth in the range of 5-10%. Management plans for the year focus on immediate growth opportunities and lifting profitability in the existing operations. Continued expansion of product model coverage, the branch network and investigation of acquisition and specialist wholesale opportunities are ongoing considerations as sources of future growth.

Share Options - Unissued shares

As at the date of this report, there were no unissued ordinary shares under options. No options for shares were issued during the year.

Information on Directors

Garry Thomas Lingard - Chairman

Appointed Chairman of the Board on 15 December 2005. Non-executive Director since October 1996 and a member of the Audit Committee and Remuneration Committee. He has significant experience in managing and developing a diverse range of companies.

Geoffrey David Huston Stewart - Managing Director

Appointed Chief Executive Officer in November 1999 and Managing Director in November 2000. He is a Chartered Professional Engineer and has an MBA from Macquarie University. He also has over 14 years executive management experience in the Road Transport Industry.

Gregory James Forsyth

Appointed to the Board on 25 January 2006 as Non-executive Director. Chairman of the Audit Committee and a member of the Remuneration Committee. He is a Portfolio Manager with a funds management business specialising in Australian listed equities and has over 21 years experience in financial markets.

SUPPLY NETWORK LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2008
(continued)

Peter William McKenzie

Appointed to the Board on 1 July 2006 as Non-executive Director. Chairman of the Remuneration Committee and a member of the Audit Committee. He holds a Masters Degree in Business Administration, has over 12 years experience in transport industry and operates a consultancy practice providing advice to clients primarily in the transport industry.

Peter William Gill

Appointed to the Board on 1 May 2008 as Finance Director. He has been the senior finance executive and company secretary since April 1995. He is a Chartered Accountant with a Bachelor of Business degree and has over 30 years experience in accounting and finance in both professional and commercial fields.

Directors' Meetings

The number of meetings of the Board of Directors and of Board Committees held during the year and the number of meetings attended by each director were as follows:

	Directors Meetings		Audit Committee		Remuneration Committee	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
G T Lingard	12	12	2	2	4	4
G J Forsyth	12	12	2	2	4	3
P W McKenzie	12	12	2	2	4	4
G D H Stewart	12	12	-	-	-	-
P W Gill	2	2	-	-	-	-

As at the date of this report the company had an Audit Committee of the Board of Directors, which met twice during the year, and a Remuneration Committee, which met four times during the year.

Directors' Interests

At the date of this report the interest of each director in the shares of the company are:

- (a) G T Lingard is deemed to have a relevant interest in shares held by GT Lingard Holdings Pty Ltd (207,842 shares).
- (b) G D H Stewart is deemed to have a relevant interest in shares held by D G Stewart (240,750 shares) and Boboco Pty Limited (522,000 shares).
- (c) G J Forsyth holds 22,500 ordinary shares of the company and is deemed to have a relevant interest in shares held by Odalisque Pty Ltd (342,180 shares).
- (d) P W McKenzie is deemed to have a relevant interest in shares held by PW & LJ McKenzie Superannuation Fund, a substantial shareholder (2,296,346 shares).
- (e) P W Gill holds 97,453 ordinary shares of the company and is deemed to have a relevant interest in shares held by Viewbar Pty Limited (229,359 shares).

SUPPLY NETWORK LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2008
(continued)

Indemnification of Directors

During the financial year the company paid an insurance premium insuring the directors and officers of the company and any related body corporate against a liability incurred as such a director or officer, to the extent permitted by the Corporations Act 2001. The company has not otherwise, during or since the financial year indemnified or agreed to indemnify an officer of the company or any related body corporate against a liability incurred as such an officer. The contract of insurance prohibits the disclosure of the amount of premium.

Company Secretary

P.W.Gill B.Bus, CA, ACIS

P.W. Gill has been the Company Secretary and Senior Finance Executive of Supply Network Limited for over 13 years and is a Chartered Accountant.

Environmental Regulation and Performance

The Group's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

Remuneration Report

The report outlines the remuneration arrangements in place for Directors and Executives of Supply Network Limited.

The information provided in this Remuneration Report has been audited as required by section 308(3C) of the Corporations Act 2001.

Remuneration Committee

The Remuneration Committee is responsible for making recommendations to the Board on remuneration policies and packages applicable to the directors and senior executives of the Group.

The broad remuneration policy is to ensure the remuneration package of directors and senior executives properly reflects the person's duties and responsibilities and that remuneration is competitive in attracting, retaining and motivating people.

The Remuneration Committee assesses the appropriateness of the amount of remuneration of directors and senior executives on an annual basis by reference to relevant employment market survey data.

Non-executive director compensation

The Board seeks to set aggregate compensation at a level which would enable the company to attract and retain suitably qualified directors at a cost which is acceptable to shareholders.

Non-executive Directors receive a fee for being a director of the company. These fees are determined by reference to industry standards taking into account the Company's relative size. No additional payments are made for serving on Board Committees and no performance related compensation or equity incentives are offered.

The present maximum aggregate sum for non-executive directors is \$200,000. This amount was approved by shareholders at the 2002 Annual General Meeting.

Non-executive Directors appointed prior to 30 June 2004 are entitled to a retiring allowance as approved by shareholders at the 1997 Annual General Meeting. The retiring allowance is a multiple (determined by length of service as a non-executive director) of the non-executive director's average last three years fees. The

SUPPLY NETWORK LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2008
(continued)

Directors have resolved to freeze the rate on which this entitlement is calculated at the level of compensation as at 30 June 2004. The retiring allowance multiples are as follows:

Length of Service	Retiring Allowance Multiple
Less than 3 years	nil
More than 3 years under 5 years	1.5
More than 5 years under 10 years	2.0
10 years and over	3.0

G T Lingard is the only remaining Director entitled to this retiring allowance, at a fixed amount of \$102,804.

The Directors have also resolved to pay all non-executive directors, appointed after 30 June 2004, on a fee only basis with no retiring allowance being offered.

The compensation of non-executive directors for the period ending 30 June 2008 is detailed in Table 1 below.

Executive director and senior executives compensation

The company aims to reward its executives (Managing Director and Finance Director) with a level of compensation commensurate with their position and responsibilities within the company, to link reward with performance of the company and to ensure total compensation is competitive by market standards.

Compensation consists of the following two elements:

- fixed compensation and
- variable compensation – short-term incentive

The Board has not used equity-based compensation for executives during the financial year and has no plans to introduce it.

Fixed Compensation

The level of fixed compensation is set to provide a level of compensation that is both appropriate to the position and competitive in the market place. Executives' fixed compensation is reviewed annually by the Remuneration Committee using input from the Managing Director and relevant employment market survey data as a guide.

Executives are given the scope to tailor their fixed compensation package in a variety of forms including salary, non-monetary benefits (including motor vehicles) and superannuation.

Variable Compensation - Short Term Incentive

The objective of the short-term incentive is to link the company's performance and operational targets with the compensation of the executives. The short-term incentive is cash based and provides senior executives with the opportunity to earn incentives based on a percentage of fixed annual compensation.

The short-term incentive payable to executives is determined by the Board having regard to the performance of the Company and the executive for the relevant year based on qualitative and/or quantitative factors including total shareholder return, return on average equity, return on investment and other business objectives. These factors were chosen as they focused on shareholder wealth and sustainable growth. The cost of these incentives is deducted from the financial results before determining the performance rewards.

SUPPLY NETWORK LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2008
(continued)

On an annual basis after completion of the audit of the company results the short-term incentives are approved by the Remuneration Committee and usually paid by two instalments, in September and March each year.

Employment contracts

All Supply Network Limited executives are employed under contracts with the following common terms and conditions

- No fixed terms
- Contract may be terminated by 6 months notice in writing by either party
- The company may terminate the contract at any time without notice for Causes as defined.

Individual contracts for key management personnel include:

- G D H Stewart – fixed compensation package of \$271,000 plus a short-term incentive of up to 33% of the package.
- P W Gill – fixed compensation package of \$240,000 plus a short-term incentive of up to 25% of the package.

Key Management Personnel

Details of key management personnel are as follows:

Directors

G T Lingard	Chairman (non-executive)
G D H Stewart	Managing Director (executive)
G J Forsyth	Director (non-executive)
P W McKenzie	Director (non-executive)
P W Gill	Finance Director and Company Secretary (executive) – appointed 1 May 2008

Compensation of Key Management Personnel

Table 1: Compensation of Key Management Personnel for the year ended 30 June 2008

	Short Term			Post Employment		Share Based Payment	Total	Total Performance Related
	Salary & Fees \$	Bonus Payable \$	Non Monetary \$	Super-annuation \$	Retirement Benefits \$	Options Granted \$	\$	%
Directors								
G T Lingard	55,068	-	-	4,956	-	-	60,024	-
G J Forsyth	36,708	-	-	3,301	-	-	40,009	-
P W McKenzie	15,295	-	-	24,714	-	-	40,009	-
G D H Stewart	199,408	62,601	32,850	17,944	-	-	312,803	20.0%
P W Gill	113,572	49,200	28,000	64,264	-	-	255,036	19.3%
Total	420,051	111,801	60,850	115,179	-	-	707,881	15.8%
Total	592,702			115,179		-	707,881	15.8%

SUPPLY NETWORK LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2008
(continued)

Table 2: Compensation of Key Management Personnel for the year ended 30 June 2007

	Short Term			Post Employment		Share Based Payment	Total	Total Performance Related
	Salary & Fees \$	Bonus Payable \$	Non Monetary \$	Super-annuation \$	Retirement Benefits \$	Options Granted \$	\$	%
Directors								
G T Lingard	55,068	-	-	4,956	-	-	60,024	-
G J Forsyth	36,708	-	-	3,301	-	-	40,009	-
P W McKenzie	30,590	-	-	9,418	-	-	40,008	-
G D H Stewart	192,936	-	32,850	20,630	-	-	246,416	-
P W Gill	126,620	-	28,000	45,004	-	-	199,624	-
Total	441,922	-	60,850	83,309	-	-	586,081	-
Total	502,772			83,309		-	586,081	-

Rounding

The amounts contained in this report and in the 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.

Auditors' Independence Declaration

A copy of the Auditors' Independence declaration for the year ended 30 June 2008 is set out on page 12.

Non-Audit Services

There were no non-audit services provided to the entity by its auditors, HLB Mann Judd (NSW Partnership).

Signed in accordance with a resolution of directors.

G T Lingard
 Director
 Sydney
 27 August 2008



Accountants | Business and Financial Advisers

AUDITOR'S INDEPENDENCE DECLARATION

To the Directors of Supply Network Limited

As lead auditor for the audit of Supply Network Limited for the year ended 30 June 2008, I declare that, to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

D K Swindells
Partner

Sydney
27 August 2008

SUPPLY NETWORK LIMITED
CORPORATE GOVERNANCE STATEMENT

The Board promotes a corporate governance framework that achieves the objectives of the business and discharges all responsibilities. It intends to direct the business so that it is managed in a manner consistent with the interests of shareholders, its business partners, and the wider community.

The Board of SNL does not comply with a number of the Corporate Governance Principles and Recommendations put forward by the ASX Corporate Governance Council. While we support their objectives we do not believe that it is appropriate for a company of our size and stage of development to be governed through a set of formal policies, procedures and codes of conduct that have been designed for companies far more complex than SNL.

Below we address each of the ASX Corporate Governance Principles and Recommendations. In each case where we state non-compliance it is because we believe the costs and rigidity of implementing and managing compliance would be contrary to serving the interests of our shareholders.

Principle 1 – Lay solid foundations for management and oversight

Whilst no formal “Charter of Board Responsibility” has been adopted, the Board has made clear to management, which functions are to be reserved for it. These functions are:

- Ratification of strategy and monitoring management’s implementation.
- Any appointment or removal of the Chief Executive Officer.
- Approving the conditions of service and succession planning for all Executives.
- Approval of budgets including all capital expenditure and monitoring financial outcomes.
- Setting authority limits for managers, particularly those relating to expenditure and contracts.
- Audit, risk management and compliance systems.
- Ethical standards.
- Continuous disclosure to shareholders.

With a small Board, it is relatively easy to gather Board and management to address particular issues. This process is helped by an effective relationship between the Managing Director and the Chairman.

On a scheduled date the Board formally reviews the performance of the Managing Director and the Executives over the prior year. The Board encourages management to conduct periodic performance reviews of all senior staff.

Principle 2 – Structure the board to add value

The Board aims to have Directors whose skills meet business needs and are complementary to each other. Where appropriate Directors may seek approval of the Chairman to take independent professional advice at the company’s expense.

The skills of the current Directors, their terms of office and their attendance at meetings of the Board and Board committees are detailed in our Annual report. Three of the five Directors are in Non-Executive roles.

The Directors are expected to bring independent views and judgements to the Board’s decision-making.

The Board has reviewed the independence of each of the Directors in office at the date of this report in light of the interests disclosed by them. An amount of over 5% of annual turnover of the Group is considered material for these purposes. Materiality for these purposes is determined on both quantitative and qualitative bases.

Two of the members of the Board, Mr G Lingard (Chairman) and Mr G Forsyth, are considered to be independent.

Mr G Lingard is a Director and shareholder of Carwill Pty Limited, a company that leases premises on normal commercial terms to a wholly owned and controlled entity. Carwill is not a material supplier to the SNL group and the SNL group is not a material customer to Mr Lingard’s group of companies.

SUPPLY NETWORK LIMITED
CORPORATE GOVERNANCE STATEMENT
(continued)

Principle 2 – Structure the board to add value (continued)

The Board has determined that the relationship does not interfere with Mr Lingard's ability to exercise independent judgement in decision-making.

Mr G Forsyth is related to Mr H Forsyth, the previous Chairman of SNL and a Director of Hergfor Enterprises Pty Limited (Hergfor), a substantial shareholder in SNL. Mr G Forsyth is not an officer of Hergfor and has no direct or indirect interest in Hergfor. The Board has determined that the relationship does not have an adverse impact on Mr G Forsyth's ability to exercise independent judgement in decision-making.

Mr G Stewart, Managing Director, Mr P W Gill, Finance Director and Company Secretary, and Mr P McKenzie, a trustee and member of PW & LJ McKenzie Superannuation Fund, which is a substantial shareholder in SNL, are considered not to be independent.

The Board acknowledges the ASX recommendation that a majority of Directors be independent and will consider this for any future appointments.

With a small Board, there is no need for a formal Nomination Committee however the Board is aware of and regularly considers succession planning. When the Board seeks to fill vacancies it uses a skills matrix and aims to appoint people with complementary skills.

Each year the Board undertakes an internal review of its performance as a unit and of the performance of its members. Board members are given the opportunity to detail individually issues they see as strengths and weaknesses of the Board, of its meetings, and of its members. These views are discussed by all members but the details and any related reports are not made public.

Principle 3 - Promote ethical and responsible decision-making

Whilst the Board has no formal code of conduct for Directors or Executives it believes one of a company's best assets is its reputation, and accordingly is adamant that both its members and all staff act with high standards in all their dealings. The Board encourages long-term approach to business decision making and the resolution of problems.

Directors are prohibited from buying or selling the Company's securities outside of certain windows (they can trade only within a period of 20 days after a General Meeting or after certain ASX announcements or, in special circumstances, with the permission of the Chairman), and senior management are made aware of the prohibition on trading in shares while they are in possession of confidential information likely to have a material effect on share price.

Principle 4 – Safeguard integrity in financial reporting

The Company practices high standards of financial reporting, with well-developed checks and balances in place. The Board requires the Managing Director and the Finance Director to state in writing to the Board that the company's financial reports present a true and fair view, in all material respects, of the company's financial condition and operational results and are in accordance with relevant accounting standards.

The Audit Committee consists of all three Non-Executive Directors, two of whom are independent, and has an independent Chairman who is not Chairman of the Board. The Audit Committee is responsible for annually reviewing the appointment of the Auditors and recommending to the full Board their reappointment or replacement. It has no formal charter, however one is being developed and it is expected to be adopted this year.

SUPPLY NETWORK LIMITED
CORPORATE GOVERNANCE STATEMENT
(continued)

Principle 5 – Make timely and balanced disclosure

The Board is sensitive to the requirements of an informed market. It seeks to keep its Shareholders informed through:

- Reports to the ASX.
- Half and full-year profit announcements.
- Annual Reports.
- Continuous disclosure to the ASX pursuant to the ASX Listing Rules.

Whilst there is no written list of policies and procedures concerning disclosure, the Board approves all announcements and has a diligent approach to disclosure.

Principle 6 – Respect the rights of shareholders

The Board members recognise their responsibility to consider the interests of all shareholders. Accordingly they promptly make market announcements available on SNL's website and are available for shareholders to speak with, particularly at General Meetings. The Board requests the external auditor to attend the annual general meeting and to be available to answer shareholder questions.

The company's communication with shareholders is based on statutory reporting requirements, continuous disclosure to the ASX and all Board members attend annual general meetings where possible.

Principle 7 – Recognise and manage risk

The Board as a whole annually reviews the Company's risk matrix. Senior management is involved in drawing up this document, which addresses the likelihood and severity of risks as well as contingency planning.

While there is no formalised internal compliance and control system policy, in a company of SNL's size there is close interaction between the executive and staff, and risk is minimised through staff training and monitoring at all levels. Where circumstances dictate, matters are brought to the Board earlier than at scheduled meetings.

The Managing Director and the Finance Director have stated to the Board in writing that:

- The declarations provided in accordance with section 295A of the Corporations Act 2001 are founded on a sound system of risk management and internal compliance and control that implements the policies adopted by the Board.
- The Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects in relation to financial reporting risks and material business risks.

Principle 8 – Remunerate fairly and responsibly

Board members are remunerated by reference to industry standards.

Non-Executive Directors appointed prior to 30 June 2004 are entitled to a retiring allowance as approved by shareholders in 1997. The Board has resolved to freeze the salary rate on which this entitlement is calculated at the level as of 30 June 2004.

The Board has also resolved to pay future Non-Executive Directors appointed after 30 June 2004 a fee only, with no provision for a retiring allowance.

Executives receive a base salary package and may receive an annual performance bonus. The annual performance bonus payable to the executives is determined by the Board having regard to the performance of the company and the executive for the relevant year based on qualitative and/or quantitative factors which are agreed at the beginning of the year.

SUPPLY NETWORK LIMITED

**CORPORATE GOVERNANCE STATEMENT
(continued)**

Principle 8 – Remunerate fairly and responsibly (continued)

The Board has not used equity-based remuneration over the past year and has no plans to introduce it at this stage. Should this change the Board would seek to have plans approved in advance by shareholders.

Please also refer to the Remuneration Report in the Annual Report.

The Remuneration Committee, consisting solely of Non-Executive Directors, monitors industry practice and advises the Board, which sets the remuneration levels of Executives.

SUPPLY NETWORK LIMITED
INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2008

	Note	Consolidated		Parent	
		2008 \$000	2007 \$000	2008 \$000	2007 \$000
Revenue	3	38,662	34,519	1,290	655
Finance revenue	3	55	20	50	2
Other income		13	33	-	-
Changes in inventories of finished goods		(23,272)	(21,148)	-	-
Employee benefits expenses		(7,019)	(6,556)	(140)	(128)
Depreciation and amortisation		(385)	(454)	-	-
Other expenses	3	(5,591)	(5,559)	(86)	(80)
Finance costs	3	(311)	(295)	-	-
Profit before income tax		2,152	560	1,114	449
Income tax expense	4	(659)	(194)	(18)	(11)
Profit after income tax		1,493	366	1,096	438
Net profit attributable to members of the parent	18	1,493	366	1,096	438
Basic and diluted earnings per share (cents per share)	20	6.43	1.65		
Dividends per share (cents per share)	19	6.00	1.00		

The above income statement should be read in conjunction with the accompanying notes.

SUPPLY NETWORK LIMITED

**BALANCE SHEET
AT 30 JUNE 2008**

	Note	Consolidated		Parent	
		2008 \$000	2007 \$000	2008 \$000	2007 \$000
ASSETS					
Current assets					
Cash and cash equivalents	5	1,344	763	891	51
Trade and other receivables	6	5,248	4,299	4	-
Inventories	7	12,595	12,123	-	-
Other current assets	8	44	47	-	-
Total current assets		19,231	17,232	895	51
Non-current assets					
Trade and other receivables	6			8,005	7,685
Other financial assets	10	-	-	1,398	1,398
Property, plant and equipment	11	753	1,136	-	-
Deferred tax assets	4	861	708	38	39
Total non-current assets		1,614	1,844	9,441	9,122
TOTAL ASSETS		20,845	19,076	10,336	9,173
LIABILITIES					
Current liabilities					
Trade and other payables	12	6,146	5,486	26	26
Interest bearing loans and borrowings	13	145	135	-	-
Income tax payable	14	637	78	625	65
Provisions	15	382	407	109	109
Derivatives	9	-	13	-	-
Total current liabilities		7,310	6,119	760	200
Non-current liabilities					
Interest bearing loans and borrowings	13	2,931	3,143	-	-
Provisions	15	376	320	-	-
Total non-current liabilities		3,307	3,463	-	-
TOTAL LIABILITIES		10,617	9,582	760	200
NET ASSETS		10,228	9,494	9,576	8,973
EQUITY					
Contributed equity	16	6,260	5,398	6,260	5,398
Reserves	17	(224)	42	-	-
Retained earnings	18	4,192	4,054	3,316	3,575
TOTAL EQUITY		10,228	9,494	9,576	8,973

The above balance sheet should be read in conjunction with the accompanying notes.

SUPPLY NETWORK LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2008

	Note	Consolidated		Parent	
		2008 \$000	2007 \$000	2008 \$000	2007 \$000
Total equity at the beginning of the financial year		9,494	9,162	8,973	8,756
Net income recognised in equity attributable to members of the company:					
Adjustments from translation of foreign controlled entities	17	(266)	187	-	-
Net profit for the financial year		1,493	366	1,096	438
Total recognised income and expense for the financial year		1,227	553	1,096	438
Transactions with equity holders in their capacity as equity holders:					
Contributions of equity by members of the company	16	862	-	862	-
Dividends paid to members of the company	19	(1,355)	(221)	(1,355)	(221)
Total transactions with equity holders in their capacity as equity holders		(493)	(221)	(493)	(221)
Total equity at the end of the financial year		10,228	9,494	9,576	8,973

The above statement of changes in equity should be read in conjunction with the accompanying notes.

SUPPLY NETWORK LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2008

	Note	Consolidated		Parent	
		2008 \$000	2007 \$000	2008 \$000	2007 \$000
Inflows / (Outflows)					
Cash flows from operating activities					
Receipts from customers		41,870	38,524	-	-
Payments to suppliers and employees		(40,108)	(37,818)	-	(6)
Interest received		51	12	46	2
Interest paid		(295)	(297)	-	-
Income tax paid		(264)	(46)	-	-
Net cash flows from (used in) operating activities	25(a)	1,254	375	46	(4)
Cash flows from investing activities					
Purchase of property, plant and equipment		(45)	(134)	-	-
Proceeds from sale of property, plant and equipment		12	-	-	-
Advances to and by wholly owned related parties		-	-	1,286	275
Net cash flows from (used in) investing activities		(33)	(134)	1,286	275
Cash flows from financing activities					
Proceeds from borrowings		194	208	-	-
Proceeds from issue of shares		862	-	862	-
Repayment of borrowings		(355)	(319)	-	-
Equity dividends paid		(1355)	(221)	(1,355)	(221)
Net cash flows from (used in) financing activities		(654)	(332)	(493)	(221)
Net increase (decrease) in cash and cash equivalents		567	(91)	840	50
Cash and cash equivalents at beginning of year		739	816	51	1
Exchange rate adjustment to balances held in foreign currencies		3	14	-	-
Cash and cash equivalents at end of year	5	1,309	739	891	51

The above cash flow statement should be read in conjunction with the accompanying notes.

SUPPLY NETWORK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

1. Corporate information

The financial report of Supply Network Limited (the company) for the year ended 30 June 2008 was authorised for issue in accordance with a resolution of the directors on 27 August 2008.

Supply Network Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange.

The nature of the operations and principal activities of the Group are described in the Directors' report.

2. Statement of significant accounting policies

(a) Basis of accounting

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards. The financial report has also been prepared on a historical cost basis, except for selected non-current assets, financial assets and liabilities, which have been measured at fair value.

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) Statement of compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). The financial report also complies with International Financial Reporting Standards (IFRS).

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of Supply Network Limited and the subsidiaries it controlled at the end of or during the financial year (the Group).

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

In preparing the consolidated financial statements, all inter-company balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

(d) Significant accounting judgements, estimates and assumptions

(i) Significant accounting judgements

In the process of applying the Group's accounting policies, management has not made any judgements, apart from those involving estimates.

SUPPLY NETWORK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (continued)

2. Statement of significant accounting policies (continued)

(ii) **Significant accounting estimates and assumptions**

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Impairment of assets

The Group determines whether the carrying value of assets is impaired at least on an annual basis, where indicators exist. This requires an estimation of the recoverable amount of the cash generating units to which the assets are allocated.

Long service leave provision

The liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at balance date. In determining the present value of the liability, attrition rates and pay increases through inflation have been taken into account.

Make good provision

Provision is made for the anticipated costs of future restoration of leased premises. The provision includes future cost estimates to restore the premises to their original condition at the end of the lease terms. The future cost estimates are discounted to their present value.

(e) **Foreign currency transactions**

Both the functional and presentation currency of Supply Network Limited and its Australian subsidiaries is Australian dollars (\$). Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded in the functional currency by applying 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 date. These differences are taken to the income statement.

Subsidiary Company

The functional currency of the foreign operation, Multispares N.Z. Limited, is New Zealand dollars (NZ\$).

As at the reporting date the assets and liabilities of the foreign subsidiary are translated into the presentation currency of Supply Network Limited at the exchange rate ruling at the balance sheet date and its income statement is translated at the weighted average exchange rate for the year.

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

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

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

On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in profit or loss.

SUPPLY NETWORK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (continued)

2. Statement of significant accounting policies (continued)

(f) Cash and cash equivalents

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

For the purpose of the Cash Flow Statement, cash and cash equivalents consists of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(g) 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 allowance for impairment is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written-off when identified.

Receivables from related parties are recognised and carried at the nominal amount due.

(h) Inventories

Inventories including finished goods and stocks in transit are valued at the lower of cost and net realisable value.

Cost incurred in bringing each product to its present location and condition are accounted for as follows:

Finished Goods – weighted average cost into store.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

Obsolete and redundant inventories are provided for as appropriate.

(i) Investments

Investments in controlled entities are recorded in the parent entity's financial statements at cost.

(j) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of an arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Group as a lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit and loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

There were no finance leases during the year.

SUPPLY NETWORK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (continued)

2. Statement of significant accounting policies (continued)

(j) Leases (continued)

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. Lease incentives are recognised in the income statement as an integral part of the total lease expense.

(k) Property, plant and equipment

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

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

	2008	2007
Plant and equipment	2-10 years	2-10 years

The assets' residual values, useful lives and amortisation methods are reviewed, and if appropriate, revised at each financial year-end.

An item of plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset was derecognised.

(l) Derivative financial instruments

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 market 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.

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

(m) Trade and other payables

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured, non-interest bearing and are usually paid within 30-60 days of recognition.

(n) 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 the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

SUPPLY NETWORK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008
(continued)**

2. Statement of significant accounting policies (continued)

(n) Provisions (continued)

Provisions are measured at present value of managements' best estimate of the expenditure required to settle the present obligation at the Balance Sheet date.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability.

When discounting is used, the increase in the provision due to the passage of time is recognised in finance costs.

(o) 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. 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.

(p) Post-employment benefits

Contributions are made to employee superannuation funds and are charged against profit when incurred (refer note 24).

(q) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

(r) Interest bearing liabilities

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

SUPPLY NETWORK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (continued)

2. Statement of significant accounting policies (continued)

(s) Impairment of assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

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. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(t) Revenue recognition

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

(i) *Sale of goods*

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of the goods to the customer.

(ii) *Interest Income*

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(iii) *Dividends*

Revenue is recognised when the Group's right to receive the dividend payment is established.

(iv) *Management Fees*

Revenue is recognised in the parent entity's financial statements when services are provided to wholly owned entities.

SUPPLY NETWORK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (continued)

2. Statement of significant accounting policies (continued)

(u) Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred

(v) 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 at balance sheet date.

Deferred income tax is provided on all temporary differences at the balance 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 temporary differences except:

- 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; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused 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 credits and unused tax losses can be utilised, except:

- when the deferred income tax asset 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; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income 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 and liabilities 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 tax rates (and tax laws) that have been enacted at the balance sheet date.

Income tax relating to items recognised directly in equity are recognised in equity and not in the income statement.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

SUPPLY NETWORK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (continued)

2. Statement of significant accounting policies (continued)

(v) Income tax (continued)

The tax consolidated current tax expense and other deferred tax assets are required to be allocated to the members of the tax-consolidated group in accordance with UIG 1052. The Group uses a group allocation method for this purpose where the allocated current tax payable, current tax loss, deferred tax assets and other tax credits for each member of the tax consolidated group is determined as if the company is a stand-alone taxpayer but modified as necessary to recognise membership of a tax consolidated group. Recognition of amounts allocated to members of the tax-consolidated group has regard to the tax consolidated groups future tax profits

(w) Other taxes

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

- when 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 cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which 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.

(x) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

- cost of servicing equity (other than dividends)
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(y) New Accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2008 reporting periods. The Group's and the parent entity's assessment of the impact of these new standards and interpretations is set out below.

SUPPLY NETWORK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008
(continued)

(2) Statement of significant accounting policies (continued)

(y) New Accounting standards and interpretations (continued)

(i) **AASB 8 Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8**

AASB 8 and AASB 2007-3 are effective for annual reporting periods commencing on or after 1 January 2009. AASB 8 requires adoption of a 'management approach' to reporting on financial performance. The information being reported will be based on what the key decision makers use internally for evaluating segment performance and deciding how to allocate resources to operating segments. The Group will apply AASB 8 and AASB 2007-3 from 1 July 2008, but it is not expected to have any impact on the Group's financial statements.

(ii) **Revised AASB 101 Presentation of Financial Statements and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101**

A revised AASB 101 was issued on September 2007 and is applicable for annual reporting periods beginning on or after 1 January 2009. It requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. If the Group or the parent company makes a prior period adjustment or reclassifies items in the financial statements, it will need to disclose a third balance sheet, being as at beginning of the comparative period. The Group intends to apply these revised standards from 1 July 2009.

(iii) **Revised AASB 127 Consolidated & Separate Financial Statements**

The revised AASB 127 is effective for reporting periods commencing on or after 1 July 2009.

The revised AASB 127 changes the accounting for investments in subsidiaries. Key changes include:

- the re-measurement to fair value of any previous / retained investment when control is obtained / lost, with any resultant gain or loss being measured in profit or loss;
- the treatment of increases in ownership interest after control is obtained as transactions with equity holders in their capacity as equity holders.

The Group will apply the revised AASB 127 from 1 July 2009 i.e. for the 30 June 2010 financial statements. The revised Standard is not expected to have any impact on the Group's financial report

(iv) **AASB 2008 - 3 Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127**

AASB 2008 - 3 is effective for periods commencing on or after 1 July 2009.

It amends a number of Australian Accounting Standards and Interpretations. The company/group has not yet determined the impact of these changes on the Group's financial report.

(v) **Other new Accounting standards and interpretations**

There are other new accounting standards and interpretations that have been published that are not mandatory for 30 June 2008 reporting periods. The company's assessment is that these other new standards and interpretations will have no impact on the financial report of the company or the Group

SUPPLY NETWORK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008
(continued)**

	Consolidated		Parent	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
3. Revenues and expenses				
Revenue and expenses from operating activities				
(a) Revenue				
Sale of goods	38,662	34,519	-	-
Dividends	-	-	1,050	415
Management fees	-	-	240	240
	38,662	34,519	1,290	655
(b) Finance revenue				
Bank interest receivable	55	12	50	2
Other external	-	8	-	-
	55	20	50	2
(c) Other expenses				
Bad and doubtful debts – trade receivables	(19)	(24)	-	-
Freight and cartage expenses	(765)	(795)	-	-
Operating lease expense	(1,675)	(1,682)	-	-
Other	(3,132)	(3,057)	(86)	(80)
	(5,591)	(5,559)	(86)	(80)
(d) Finance costs				
Bank loans and overdrafts	(287)	(293)	-	-
Other external	(24)	(2)	-	-
	(311)	(295)	-	-
4. Income tax				
(a) Income tax expense				
The major components of income tax expense are:				
Income statement				
Current income tax				
Current income tax charge	814	220	20	10
Adjustments in respect of current income tax of previous years	(2)	-	(1)	1
Deferred income tax				
Adjustment to deferred tax assets for change in the tax rate	-	12	-	-
Relating to origination and reversal of temporary differences	(153)	(38)	(1)	-
Income tax expense reported in the income statement	659	194	18	11

SUPPLY NETWORK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008
(continued)

	Consolidated		Parent	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
4. Income tax (continued)				
(b) Reconciliation of prima facie tax payable to income tax expense				
Accounting profit before income tax	2,152	560	1,114	449
At the Group's income tax rate of 30% (2007:30%)	645	168	334	135
Adjustments in respect of current income tax of previous years	(2)	-	(1)	1
Adjustment to deferred tax assets for change in tax rate	-	12	-	-
Expenditure not allowable for income tax purposes	16	14	-	-
Fully franked dividends received	-	-	(315)	(125)
	659	194	18	11
(c) Deferred tax assets				
Depreciation differences	149	125		
Doubtful debts	7	13		
Employee benefits	341	321	33	33
Stock obsolescence	260	168		
Lease make good provision	8	1		
Unrealised profit in stock	33	36		
Other	63	44	5	6
	861	708	38	39
(d) Tax consolidation				

Supply Network Limited and its wholly owned Australian entities elected to form a tax consolidated group from 1 July 2003. The accounting policy in relation to this legislation is set out in note 2(v).

The members of the tax consolidated group have entered into a tax sharing agreement which, in the opinion of the directors, would limit the joint and several liabilities of the wholly-owned entities for future income taxes of the tax consolidated group in the case of a default by the head entity, Supply Network Limited. At balance date the possibility of default is remote.

SUPPLY NETWORK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008
(continued)**

4. Income tax (continued)

(d) Tax consolidation (continued)

For the current year the entities have decided to enter into a tax funding agreement under which the funding amounts are based on the amounts of current tax expense allocated to the subsidiary and recognised by it in accordance with the accounting policy. The funding amounts are recognised as an increase/ decrease in the subsidiaries' inter-company accounts with the tax consolidated group head company. The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments. The funding amounts are recognised in the current inter-company receivables or payables.

5. Cash and cash equivalents

	Consolidated		Parent	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Cash at bank and in hand	456	712	3	-
Short-term deposits	888	51	888	51
	1,344	763	891	51

Cash at bank earns interest at floating rates based on daily bank deposit rates. The carrying amounts of cash and cash equivalents represents fair value.

Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

Reconciliation to Cash Flow Statement

For the purposes of the Cash Flow Statement, cash and cash equivalents comprise the following at 30 June:

	Consolidated		Parent	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Cash at bank and in hand	456	712	3	-
Short-term deposits	888	51	888	51
Bank overdrafts (note 13)	(35)	(24)	-	-
	1,309	739	891	51

6. Trade and other receivables

Current

Trade receivables (i)	5,268	4,331	-	-
Allowance for impairment loss	(25)	(44)	-	-
	5,243	4,287	-	-
Other receivables	5	12	4	-
	5,248	4,299	4	-

SUPPLY NETWORK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008
(continued)**

	Consolidated		Parent	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
6. Trade and other receivables (continued)				
Non-current				
Amounts receivable from wholly owned subsidiaries (ii)	-	-	8,005	7,685
Aging of trade receivables not impaired				
Not overdue	4,881	4,085	-	-
61-90 days past due	321	135	-	-
91 days and above past due	41	67	-	-
	5,243	4,287	-	-
Aging of trade receivables impaired				
61-90 days past due impaired	4	7	-	-
91 days and above past due	21	37	-	-
	25	44	-	-
Total receivables	5,286	4,287	-	-
(i) Trade receivables are non-interest bearing and generally on 30 day terms. As at 30 June 2008 trade receivables of \$362,000 (2007: \$202,000) were past due and not impaired. These relate to independent customers for whom there is no recent history of default. An allowance for impairment loss is made when there is objective evidence that a trade receivable is impaired. The Group has retention of title clause over goods sold until payment is received.				
(ii) Amounts receivable from wholly owned subsidiaries are non-interest bearing and are repayable in full on demand (refer note 29). Information regarding the effective interest rate and the credit risk of current receivables are disclosed in note 28.				
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
7. Inventories				
Finished goods at cost or net realisable value	10,647	10,452		
Stock in transit (at cost) – finished goods	1,948	1,671	-	-
Total Inventories at lower of cost and net realisable value	12,595	12,123	-	-
8. Other current assets				
Prepayments	44	47	-	-

SUPPLY NETWORK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008
(continued)

	Consolidated		Parent	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
9. Derivatives				
Current Liabilities				
Net forward currency contracts-cash flow hedges	-	13	-	-

Instrument used by the Group

Derivative financial instruments are used by the Group in the normal course of business in order to hedge exposure to fluctuations in foreign exchange rates for certain inventory purchases, undertaken in foreign currencies. The Group's policy is and has been throughout the period that no trading in financial instruments is undertaken.(refer note 28(b))

	Consolidated		Parent	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
10. Other financial assets (non-current)				
(a) Investments in controlled entities	-	-	1,398	1,398

The consolidated financial statements include the financial statements of Supply Network Limited and the subsidiaries listed in the following table:

	Country of incorporation	Percentage Holdings	2008 \$	2007 \$
Multispares N.Z. Limited	New Zealand	100%	1,030,600	1,030,600
Multispares Limited	Australia	100%	367,429	367,429
Daconti Limited	Australia	100%	2	2
Globac Limited	Australia	100%	2	2
Supply Network Services Ltd	Australia	100%	2	2
			1,398,035	1,398,035

The financial year of all controlled entities are the same as that of the parent entity. All entities operate solely in their country of incorporation.

- (b) Supply Network Limited, Multispares Limited, Globac Limited, Daconti Limited and Supply Network Services Limited (Closed Group) have entered into a Deed of Cross Guarantee dated 5 June 1992 which provides that all parties to the deed will guarantee to each creditor payment in full of any debt of each company participating in the deed on winding-up of that company. As a result of the Class Order 98/1418 issued by the Australian Securities Commission, Multispares Limited, Globac Limited, Daconti Limited and Supply Network Services Limited are relieved from the requirement to prepare financial statements.

The Income Statement and Balance Sheet of entities included in the class order "Closed Group" are set out in note (c).

SUPPLY NETWORK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008
(continued)

10. Other financial assets (non-current) (continued)

- (c) The consolidated income statement and balance sheet of the entities that are members of the "Closed Group" are as follows:

	Closed Group	
	2008	2007
	\$000	\$000
Income Statement		
Profit before income tax	2,038	581
Income tax expense	(625)	(187)
Profit after income tax	1,413	394
Net profit attributable to members of the parent	1,413	394
Retained Earnings		
Retained earnings at beginning of the year	3,177	3,004
Profit after income tax	1,413	394
Dividends provided for or paid	(1,355)	(221)
Retained earnings at end of the year	3,235	3,177
Balance Sheet		
ASSETS		
Current assets		
Cash and cash equivalents	1,343	761
Trade and other receivables	4,645	3,767
Inventories	10,542	9,903
Other current assets	37	42
Intercompany	12	15
Total current assets	16,579	14,488
Non-current assets		
Other financial assets	1,031	1,031
Property, plant and equipment	571	858
Deferred tax assets	720	559
Total non-current assets	2,322	2,448
TOTAL ASSETS	18,901	16,936

SUPPLY NETWORK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008
(continued)**

10. Other financial assets (non-current) (continued)

	Closed Group	
	2008	2007
	\$000	\$000
LIABILITIES		
Current liabilities		
Trade and other payables	4,843	4,764
Interest bearing loans and borrowings	110	111
Income tax payable	626	65
Provisions	925	407
Derivatives	2	12
Total current liabilities	6,506	5,359
Non-current liabilities		
Interest bearing loans and borrowings	2,575	2,735
Provisions	325	267
Total non-current liabilities	2,900	3,002
TOTAL LIABILITIES	9,406	8,361
NET ASSETS	9,495	8,575
EQUITY		
Contributed equity	6,260	5,398
Retained earnings	3,235	3,177
TOTAL EQUITY	9,495	8,575

	Consolidated		Parent	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
11. Property, plant and equipment				
Property, plant and equipment at cost				
Plant and equipment				
Opening balance	3,767	3,639	-	-
Additions	45	134	-	-
Disposals	(103)	(65)	-	-
Exchange difference	(83)	59	-	-
Closing balance	3,626	3,767	-	-
Accumulated depreciation				
Opening balance	2,631	2,192	-	-
Depreciation for the year	385	454	-	-
Disposals	(90)	(47)	-	-
Exchange difference	(53)	32	-	-
Closing balance	2,873	2,631	-	-
Total property, plant and equipment	753	1,136	-	-

SUPPLY NETWORK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008
(continued)

	Consolidated		Parent	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
12. Trade and other payables				
Trade payables and accruals	6,146	5,486	26	26
13. Interest bearing loans and borrowings				
Current	<i>Maturity</i>			
Obligations under hire purchase contracts (i)	<i>2009</i>	10	11	-
Bank overdraft – secured (ii)	<i>On demand</i>	35	24	-
Bank loans (iii)	<i>2009</i>	100	100	-
		145	135	-
Non-current				
Obligations under hire purchase contracts (i)	<i>2009</i>	-	10	-
Bank loans (iii)	<i>2009-2011</i>	2,931	3,133	-
		2,931	3,143	-

- (i) Obligations under hire purchase contract are secured on a certain asset of a controlled entity. The agreement is for four years and subject to monthly repayment, maturing in April 2009. The interest rate on the agreement is 9.2%
- (ii) Bank overdrafts and bank loans are secured by fixed and floating charges over the assets of Supply Network Limited and controlled entities. Bank overdrafts have no specific term and are subject to annual review in November each year. Interest rates on overdrafts are variable and during the year the average interest rate was 11.6% (2007: 10.3%).
- (iii) Bank loans comprise fixed interest only loans of \$2,758,000 with effective interest rates of 6.95% to 9.43% maturing between August 2008 and July 2011 and a fixed interest loan of \$475,000 at 8.17% maturing November 2010 and repayable by quarterly instalments of \$25,000.
- (iv) The bank loan agreements also require the company to maintain certain financial ratios:
- Australian loan agreement requires a consolidated adjusted gearing ratio not to exceed 1.75 to 1 and a consolidated EBITDA to interest expense ratio of not less than 2 to 1. The Group complied with these ratios during the year.
 - New Zealand subsidiary loan agreement requires a gearing ratio not to exceed 1.75 to 1 and EBITDA to interest expense ratio of not less than 3 to 1. The company complied with these ratios during the year.

SUPPLY NETWORK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008
(continued)

	Consolidated		Parent		
	2008 \$000	2007 \$000	2008 \$000	2007 \$000	
14. Current tax liabilities					
Current year tax payable	637	78	625	65	
15. Provisions					
	Long Service Leave \$000	Lease make good \$000	Total \$000	Directors Retirement Benefit \$000	Parent Total \$000
At 1 July 2007	519	208	727	109	109
Arising during the year	61	-	61	-	-
Utilised	(77)	-	(77)	-	-
Exchange difference	-	(7)	(7)	-	-
Discount rate adjustment	32	22	54	-	-
At 30 June 2008	535	223	758	109	109
Current 2008	382	-	382	109	109
Non-current 2008	153	223	376	-	-
	535	223	758	109	109
Current 2007	407	-	407	109	109
Non-current 2007	112	208	320	-	-
	519	208	727	109	109

Long Service Leave

Consolidated long service leave includes Directors Retirement Benefit.

Lease make good provision

In accordance with its lease agreements, the Group must restore the leased premises to their original condition at the end of the lease term. An equivalent liability is recognised under AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*.

SUPPLY NETWORK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008
(continued)**

	Consolidated		Parent	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
16. Contributed equity				
(a) Issued and paid up capital 24,887,624 ordinary shares fully paid (2007: 22,126,345)	6,260	5,398	6,260	5,398
(b) Movements in Shares on Issue				
	2008		2007	
	Number of Shares	\$000	Number of Shares	\$000
Balance at beginning of the year	22,126,345	5,398	22,126,345	5,398
Shares cancelled on buy-back	(4,000)	(1)	-	-
Issue of shares under dividend reinvestment plan	2,765,279	863	-	-
Balance at end of the year	24,887,624	6,260	22,126,345	5,398

- (c) Share Options
There were no outstanding options over ordinary shares on issue at 30 June 2008 and 30 June 2007.
- (d) Terms and conditions of contributed equity
Ordinary shares have the right to receive dividends as declared and, in the event of winding up the company, to participate in the proceeds from the sale of surplus assets in proportion to the number of, and amounts paid up on shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the company.

	Consolidated		Parent	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
17. Reserves				
Exchange translation reserve				
Balance at beginning of the year	42	(145)	-	-
Currency translation differences	(266)	187	-	-
Balance at end of the year	(224)	42	-	-

The Exchange translation reserve is used to record exchange differences arising from the translation of the functional currency (NZ\$) of the foreign subsidiary into the presentation currency (AUD\$) of the consolidated financial statements

SUPPLY NETWORK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008
(continued)

	Consolidated		Parent	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
18. Retained earnings				
Balance at beginning of the year	4,054	3,909	3,575	3,358
Net profit	1,493	366	1,096	438
Total available for appropriation	5,547	4,275	4,671	3,796
Less dividends provided or paid	(1,355)	(221)	(1,355)	(221)
	4,192	4,054	3,316	3,575
19. Dividends paid and proposed for on ordinary shares				
(a) Dividends declared and paid during the year				
Current year special fully franked dividend (2008: 4.00 cents per share) (2007: nil)	885	-	885	-
Current year interim fully franked dividend (2008: 1.00 cent per share) (2007: nil)	249	-	249	-
Previous year final fully franked dividend (2007: 1.00 cent per share) (2006: 1.00 cent)	221	221	221	221
Total dividends paid	1,355	221	1,355	221
(b) Dividends proposed subsequent to 30 June and not recognised as a liability				
Current year final fully franked dividend (2008: 2.00 cents per share) (2007: 1.00 cent)	498	221	498	221
(c) Franking credit balance				
The amount of franking credits available for the subsequent financial year are:				
-franking account balance as at the end of the financial year at 30% (2007: 30%)			3,279	3,699
-franking credits that will arise from the payment of income tax payable as the end of the financial year			625	65
			3,904	3,764
The amount of franking credits available for the future reporting periods:				
-impact of franking account of dividends proposed or declared before the financial report was authorised for issue but not recognised as a distribution to equity holders during the period:			(213)	(95)
			3,691	3,669

The tax rate at which paid dividends have been franked is 30% (2007: 30%).

Dividends proposed will be franked at the rate of 30%.

SUPPLY NETWORK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008
(continued)

20. Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. There are no dilutive potential ordinary shares.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	Consolidated	
	2008	2007
	\$000	\$000
Net profit attributable to ordinary equity holders of the parent	1,493	366
	No.	No.
Weighted average number of ordinary shares for basic earnings per share	23,203,052	22,126,345

	Consolidated		Parent	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
21. Lease commitments				
Operating lease commitments payable				
– not later than one year	1,471	1,386	-	-
– later than one year and not later than five years	1,543	1,784	-	-
	3,014	3,170	-	-

Operating leases have been entered into for motor vehicles, office equipment and property and have an average lease term of 4 years. Rental payments on motor vehicles and office equipment are fixed. Rental payments on property are generally fixed, but with inflation escalation clauses. No purchase option exists in relation to operating leases and no operating leases contain restrictions on financing or other leasing activities.

SUPPLY NETWORK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008
(continued)**

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
22. Auditors compensation				
Amounts received or due and receivable by HLB Man Judd (NSW Partnership) (2007: Ernst & Young-Australia) for:				
– an audit or review of the financial report of the entity and any other entity in the consolidated group	35,507	93,063	6,472	11,200
Amounts received or due and receivable by HLB Wylie McDonald (2007: Ernst & Young-New Zealand) for:				
– an audit or review of the financial report of the subsidiary	15,000	24,535	-	-
– tax compliance	-	493	-	-
	15,000	25,028	-	-
	50,507	118,091	6,472	11,200

23. Key management personnel

(a) Compensation of key management personnel

Details of key management personnel are as follows:

Directors

G T Lingard	Chairman (non-executive)
G J Forsyth	Director (non-executive)
P W McKenzie	Director (non-executive)
G D H Stewart	Managing Director (executive)
P W Gill	Finance Director – appointed 1 May 2008 and Company Secretary (executive)

The remuneration paid or payable to key management personnel of the parent and the Group are as follows:

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
Short-term	592,702	502,772	107,071	122,366
Post-employment	115,179	83,309	32,971	17,675
Termination benefits	-	-	-	-
Share-based payments	-	-	-	-
Other long-term benefits	-	-	-	-
	707,881	586,081	140,042	140,041

(b) Shares issued on exercise of compensation options

There were no shares issued as compensation or on exercise of compensation options during the years ended 30 June 2008 and 30 June 2007.

SUPPLY NETWORK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008
(continued)

23. Key management personnel

(c) Option holdings of key management personnel

There were no options held by key management personnel at balance date 30 June 2008 and 30 June 2007.

(d) Shareholdings of key management personnel in ordinary shares of Supply Network Limited

	Balance 1 July 2007	Options Exercised	Net Change Other	Balance 30 June 2008
	No.	No.	No.	No.
Directors				
G T Lingard	207,842	-	-	207,842
G J Forsyth	320,000	-	44,680	364,680
P W McKenzie	1,996,752	-	299,594	2,296,346
G D H Stewart	678,000	-	84,750	762,750
P W Gill (i)	290,500	-	36,312	326,812
	3,493,094	-	465,336	3,958,430
	Balance 1 July 2006	Options Exercised	Net Change Other	Balance 30 June 2007
	No.	No.	No.	No.
Directors				
G T Lingard	207,842	-	-	207,842
G J Forsyth	320,000	-	-	320,000
P W McKenzie	1,671,054	-	325,698	1,996,752
G D H Stewart	678,000	-	-	678,000
P W Gill (i)	290,500	-	-	290,500
	3,167,396	-	325,698	3,493,094

(i) Mr P W Gill was appointed as Finance Director of Supply Network Limited on 1 May 2008. Prior to this he was the Chief Financial Officer. Mr Gill is also the Company Secretary.

24. Employee entitlements

Superannuation commitments

The Group makes contributions to superannuation funds on behalf of Australian employees. Each Australian entity in the Group has a legal obligation to contribute 9% of the employees' ordinary time earnings to the funds, with employees contributing various percentages of their gross salary. The funds are accumulation funds and provide benefits to employees on retirement, death or disability.

No superannuation benefits are provided for employees of Multispares NZ Limited.

SUPPLY NETWORK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008
(continued)

	Consolidated		Parent	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
25. Cash Flow Information				
(a) Reconciliation of net profit after tax to the net cash flows from operations				
Net profit after income tax	1,493	366	1,096	438
Adjustments for non-cash income and expense items				
Dividends received	-	-	(1,050)	(415)
(Profit)/loss on sale of property, plant and equipment	1	4	-	-
Depreciation of property, plant and equipment	385	454	-	-
Transfers to provisions				
– Inventory obsolescence	16	(125)	-	-
– Employee entitlements	74	39	-	(9)
– Doubtful debts	(18)	(12)	-	-
– Lease make good	22	(8)	-	-
Net exchange differences	(328)	200	-	-
Increase (decrease) in provision for:				
– Income tax payable	563	174	561	81
– Deferred taxes	(168)	(26)	-	-
Changes in assets and liabilities				
(Increase) decrease in:				
Trade and other receivables	(937)	202	(557)	(94)
Inventories	(457)	(670)	-	-
Other assets	11	49	-	-
(Decrease) increase in:				
Trade and other payables	597	(272)	(4)	(5)
Net cash flow from (used in) operating activities	1,254	375	46	(4)

SUPPLY NETWORK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008
(continued)

	Consolidated		Parent	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
25. Cash Flow Information (continued)				
(b) Financing facilities available:				
At reporting date the following facilities had been negotiated and were available:				
Total credit facilities	3,740	3,936	-	-
Facilities used at reporting date	(3,076)	(3,255)	-	-
Facilities unused at reporting date	664	681	-	-

The major facilities are summarised as follows:

Bank overdrafts	698	681	-	-
Facilities used	(34)	(24)	-	-
Facilities unused at reporting date	664	657	-	-
Bank loans	3,032	3,233	-	-
Facilities used	(3,032)	(3,233)	-	-
Facilities unused at reporting date	-	-	-	-

26. Contingent liabilities

As explained in note 10 the parent entity has entered a Deed of Cross Guarantee in accordance with a Class Order issued by the Australian Securities & Investments Commission. The parent entity and all the controlled entities, which are a party to the Deed, have guaranteed the repayment of all current and future creditors in the event that any of these companies are wound-up.

A claim for damages in the amount of \$76,000 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.

SUPPLY NETWORK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008
(continued)

27. Segment information

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

The Group's geographical segments are determined based on the location of the Group's assets.

Geographical segments	Australia		New Zealand		Eliminations		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Revenue								
Sales to customers outside the Group	32,601	28,812	6,061	5,707		-	38,662	34,519
Other revenues from outside the Group	61	30	7	23		-	68	53
Inter-segment revenues	1,142	878	66	67	(1,208)	(945)	-	-
Total segment revenues	33,804	29,720	6,134	5,797	(1,208)	(945)	38,730	34,572
Results								
Segment results	2,038	581	105	7	9	(28)	2,152	560
Group profit from ordinary activities before income tax expense							2,152	560
Income tax expense							(659)	(194)
Group profit from ordinary activities after income tax expense							1,493	366
Net profit							1,493	366
Assets								
Segment assets	18,901	16,936	3,208	3,499	(1,264)	(1,359)	20,845	19,076
Liabilities								
Segment liabilities	9,406	8,361	1,368	1,465	(157)	(244)	10,617	9,582

SUPPLY NETWORK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008
(continued)

27. Segment Information (continued)

Geographical segments	Australia		New Zealand		Eliminations		Consolidated	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Other segment information								
Acquisition of property, plant and equipment, intangible assets and other non-current assets	39	101	6	33	-	-	45	134
Depreciation	314	378	71	76	-	-	385	454
Non-cash expenses other than depreciation	322	140	50	(11)	-	-	372	129

Segment accounting policies are the same as the Group's policies described in note 2. 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.

28. Financial risk management

The Group's principal financial instruments, other than derivatives, comprise cash, bank loans and overdrafts and hire purchase contracts. The main purpose of these financial instruments is to finance the Group's operations.

The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. The Group also enters into derivative transactions, principally forward currency contracts, the purpose of which is to manage the currency risk arising from the Group's operations. It is, and has been throughout the period under review, the Group's policy that no trading in financial instrument shall be undertaken. The main risks arising from the Group's operations are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group also has to manage its capital. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

(a) Interest rate risk

The Group entity is exposed to interest rate risk through financial assets and liabilities. The Group's main interest rate risk arises from long-term borrowings (refer note 13).

The following table summarises interest rate risk for the Group together with effective interest rates as at balance date.

SUPPLY NETWORK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008
(continued)**

28. Financial risk management (continued)

Financial instruments	Floating interest rate (i)	Fixed interest rate maturing			Non-interest bearing	Total	Weighted average effective interest rate	
		1 year or less	1 to 5 years	Over 5 years			Floating	Fixed
	\$000	\$000	\$000	\$000	\$000	\$000	%	%
Consolidated								
30 June 2008								
Financial assets								
Cash	1,338	-	-	-	6	1,344	6.0	-
Receivables	-	-	-	-	5,268	5,268	-	-
Forward currency contracts	-	-	-	-	648	648	-	-
Other debtors	-	-	-	-	5	5	-	-
	1,338	-	-	-	5,927	7,265	-	-
Financial liabilities								
Payables	-	-	-	-	6,146	6,146	-	-
Bank loans and overdrafts	35	1,573	1,458	-	-	3,066	13.6	8.5
Forward currency contracts	-	-	-	-	648	648	-	-
Other loans	-	10	-	-	-	10	-	9.2
	35	1,583	1,458	-	6,794	9,870	-	-
30 June 2007								
Financial assets								
Cash	757	-	-	-	6	763	1.8	-
Receivables	-	-	-	-	4,331	4,331	-	-
Forward currency contracts	-	-	-	-	1,074	1,074	-	-
Other debtors	-	-	-	-	12	12	-	-
	757	-	-	-	5,423	6,180	-	-
Financial liabilities								
Payables	-	-	-	-	5,486	5,486	-	-
Bank loans and overdrafts	24	1,825	1,408	-	-	3,257	12.1	8.0
Forward currency contracts	-	-	-	-	1,087	1,087	-	-
Other loans	-	11	10	-	-	21	-	9.2
	24	1,836	1,418	-	6,573	9,851	-	-

SUPPLY NETWORK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008
(continued)

28. Financial risk management (continued)

Financial instruments	Floating interest rate (i)	Fixed interest rate maturing			Non-interest bearing	Total	Weighted average interest rate	
		1 year or less	1 to 5 years	Over 5 years			Floating	Fixed
	\$000	\$000	\$000	\$000	\$000	\$000	%	%
Parent								
30 June 2008								
Financial assets								
Cash	891	-	-	-	-	891	7.0	-
Receivables	-	-	-	-	8,009	8,009	-	-
	<u>891</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,009</u>	<u>8,900</u>		
Financial liabilities								
Payables	-	-	-	-	26	26	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26</u>	<u>26</u>		
30 June 2007								
Financial assets								
Cash	51	-	-	-	-	51	5.0	-
Receivables	-	-	-	-	7,685	7,685	-	-
	<u>51</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,685</u>	<u>7,736</u>		
Financial liabilities								
Payables	-	-	-	-	26	26	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26</u>	<u>26</u>		

- (i) Floating interest rates are the most recently determined rate applicable to the instrument at balance date.

The Group uses a mix of fixed and variable rate debt.

Fixed interest rate debts are used for long term funding. Amounts and maturity dates of long term funding for interest rate repricing vary depending on the interest rates offered at date of maturity. At balance date maturity dates range from 1-2 years.

Variable rate facilities such as bank overdrafts are used for short term funding and are subject to annual renewal and market fluctuations in interest rates.

Surplus funds are invested with banks in short term call accounts and are subject to market fluctuations in interest rates.

Management have assessed the impact of any changes of effective interest rates and have determined there would be minimal effect on the Group's profit after income tax.

SUPPLY NETWORK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008
(continued)

28. Financial risk management (continued)

(b) Foreign exchange risk

The Group is exposed to the risk of adverse movements in the Australian dollar relative to certain foreign currencies. To manage this risk the Group enters into forward exchange contracts to hedge certain purchases of inventory undertaken in foreign currencies. The terms of these commitments are not more than six months.

The following table summarises the forward currency contracts outstanding at balance date.

Currency		Average exchange rate		Buy	Buy
		2008	2007	2008 \$000	2007 \$000
Euro currency	3 months or less	0.61	.63	411	758
Japanese yen	3 months or less	100.53	98.9	97	137
US dollar	3 months or less	-	0.85	-	111
Australian dollar	3 months or less	0.99	0.89	140	81
Total				648	1,087

Management have assessed the impact of a material movement in the Australian dollar exchange rate on trade payables and have determined there would be minimal effect on the Group's profit after income tax.

The Group has an investment in a foreign subsidiary operation whose net assets are exposed to foreign currency translation risk. Currency exposure arising from this foreign operation is managed primarily through borrowings in that subsidiary's foreign currency.

(c) Credit risk

Credit risk is the risk of financial loss to the Group if a customer fails to meet its contractual obligations and arises primarily from the financial assets of the Group, which comprises cash and cash equivalents and trade and other receivables.

The Group's maximum exposures to credit risk at reporting date in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the balance sheet.

The company minimises concentrations of credit risk in relation to trade receivables by undertaking transactions with a large number of customers from across the range of business segments in which the Group operates.

Credit risk in trade receivables is managed in the following ways:

- payment terms are cash or 30days,
- a risk assessment process is used for customers trading outside agreed terms,
- all new accounts are reviewed for past credit performance.

A provision for impairment is recognised when there is objective evidence that the Group will not be able to collect a trade receivable.

SUPPLY NETWORK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008
(continued)**

28. Financial risk management (continued)

(d) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as and when they fall due. Liquidity is managed to ensure, as far as possible, that sufficient funds are available to meet liabilities when they fall due without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages liquidity risk by maintaining adequate banking facilities and borrowing facilities by continuously monitoring forecasts and actual cash flows and matching maturity profiles of financial assets and liabilities. See note 25(b) for additional undrawn facilities to the Group has available to further reduce liquidity risk.

(e) Capital risk management

The Group and company manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, which comprises the borrowings detailed in note 13, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, retained earnings and reserves as disclosed in notes 16,17 and 18 respectively.

The Board reviews the capital structure on a regular basis. As part of this review the cost of capital and the risks associated with each class of capital is considered. The Group balances its overall capital structure through the payment of dividends, new share issues, share buy-backs and additional borrowings.

Consolidated		Parent	
2008	2007	2008	2007
\$000	\$000	\$000	\$000

29. Related party transactions

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

Transactions with related parties:

(i) Wholly owned controlled entities

Management fees	-	-	240	240
Dividends	-	-	1,050	415

(ii) Key management personnel

Lease rental (property)	578	568	-	-
Consultancy fees	10	15	-	-

SUPPLY NETWORK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008
(continued)**

29. Related Party Transactions (continued)

- (b) The parent entity entered into the following transactions during the year with related parties in the wholly owned group.

Loans were advanced and repayments received on short term intercompany accounts. Dividends and management fees were received from wholly owned controlled entities (see note 3).

These transactions were undertaken on normal commercial terms and conditions.

- (c) The names of each person holding the position of Director of Supply Network Limited during the last two financial years were; G T Lingard, G D H Stewart, G J Forsyth, P W McKenzie and P W Gill (appointed 1 May 2008).
- (d) Mr G T Lingard is the Managing Director and shareholder in a company, which leases premises on normal commercial terms and conditions to a wholly owned controlled entity.
- (e) Mr P W McKenzie was paid consultancy fees on normal commercial terms and conditions.
- (f) Key management personnel details are disclosed in note 23.

SUPPLY NETWORK LIMITED

DIRECTORS' DECLARATION

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

(1) In the opinion of the directors:

- (a) the financial statements and notes, and the Remuneration Report included in the Directors' Report, of the company and of the Group are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Company's and the Group's financial position as at 30 June 2008 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and the Corporations Regulations 2001;
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payables; and.
- (c) as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in Note 10 will be able to meet any obligations or liabilities to which they are or may become subject, by virtue of the Deed of Cross Guarantee.

(2) This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial year ending 30 June 2008.

On behalf of the Board

G T Lingard
Director
Sydney
27 August 2008

INDEPENDENT AUDITOR'S REPORT

To the members of Supply Network Limited

We have audited the accompanying financial report of Supply Network Limited ("the company"), which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration for both the company and the Supply Network Limited Group ("the consolidated entity") as set out on pages 17 to 53. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the 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.

In Note 2, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

SUPPLY NETWORK LIMITED
INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, provided to the directors of Supply Network Limited on 27 August 2008 would be in the same terms if provided to the directors as at the time of this auditor's report.

Auditor's Opinion

In our opinion:

- (a) the financial report of Supply Network Limited is in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2008 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2008. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Supply Network Limited for the year ended 30 June 2008 complies with section 300A of the Corporations Act 2001.

HLB MANN JUDD
(NSW Partnership)
Chartered Accountants

Sydney
27 August 2008

D K Swindells
Partner