



**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 2013

The Manager  
Companies Announcement Office  
ASX 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 2013 the details of which are included in the attached Appendix 4E - Preliminary Final Report.

The audited results are in line with our announcement 24 July 2013.

Yours faithfully

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

**Peter Gill**  
Company Secretary

# Appendix 4E

## Preliminary Final Report Year ending 30 June 2013

<b>Name of entity</b>	Supply Network Limited
<b>ABN</b>	12 003 135 680

### 1. Details of reporting period

<b>Financial year ended</b>	30 June 2013
<b>Previous corresponding period</b>	30 June 2012

### 2. Results for announcement to the market

			<b>\$'000</b>
<b>Revenue from ordinary activities</b>	up	11.5%	to 67,863
<b>Profit from ordinary activities after income tax</b>	up	14.9%	to 4,548
<b>Net profit for the period attributable to members</b>	up	14.9%	to 4,548
<b>Dividends</b>		<b>Amount per Security</b>	<b>Franked amount per security</b>
<b>Final dividend</b>		4.50 ¢	4.50¢
<b>Previous corresponding period</b>		4.00 ¢	4.00¢
<b>Interim dividend</b>		3.50 ¢	3.50¢
<b>Previous corresponding period</b>		3.00 ¢	3.00¢
<b>Record date for determining entitlements to dividend</b>		12 September 2013	
<b>Brief explanation of any of the figures reported above</b>			
Refer to attached Chairman's and Managing Director's Report and financial statements			

### 3. Statement of Comprehensive Income

Refer to attached statement of profit or loss and other comprehensive income

### 4. Statement of Financial Position

Refer to attached balance sheet

### 5. Statement of Cash Flows

Refer to attached statement of cash flows

### 6. Statement of Changes in Equity

Refer to attached statement of changes in equity

## 7. Details of Dividends

	Amount per Security	Franked amount per security
<b>Final dividend –payable 26 September 2013</b>	4.50¢	4.50¢
<b>Previous corresponding period</b>	4.00¢	4.00¢
<b>Amount per security of foreign sourced dividend</b>	Nil	-
<b>Interim dividend – paid 18 April 2013</b>	3.50¢	3.50¢
<b>Previous corresponding period</b>	3.00¢	3.00¢
<b>Amount per security of foreign sourced dividend</b>	Nil	-
<b>Final dividend June 2012 - paid 20 September 2012</b>	4.00¢	4.00¢
<b>Previous corresponding period</b>	3.00¢	3.00¢
<b>Amount per security of foreign sourced dividend</b>	Nil	-

The Directors have declared a fully franked final dividend of 4.50 cents per share (requiring \$1,538,000) payable 26 September 2013 to shareholders registered on 12 September 2013

A fully franked interim dividend of 3.50 cents per share amounting to \$1,197,000 was paid on 18 April 2013

A fully franked final dividend for June 2012 of 4.00 cents per share amounting to \$1,367,000 was paid on 20 September 2012

## 8. Dividend Reinvestment Plans

Supply Network Limited Dividend Reinvestment Plans will not operate in respect of the final dividend payable 26 September 2013

## 9. Net tangible asset backing

	Current Period	Previous corresponding period
<b>Net tangible asset backing per ordinary security</b>	54.1¢	47.3¢

## 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**

	<b>Current Period</b>	<b>Previous corresponding period</b>
Basic earnings per share	13.30¢	11.58¢
Diluted earnings per share	13.30¢	11.58¢

Refer to attached financial statements

**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 26 Segment Information 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**            28 August 2013  
**Name**            Peter Gill  
**Position**        Company Secretary

**SUPPLY NETWORK LIMITED**

**ABN 12 003 135 680**

**ANNUAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2013**

The financial statements were authorised for issue by the directors on 28 August 2013. The directors have the power to amend and reissue the financial statements.

**SUPPLY NETWORK LIMITED**

**ABN 12 003 135 680**

**ANNUAL REPORT**

**30 JUNE 2013**

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**SUPPLY NETWORK LIMITED**  
**CORPORATE INFORMATION**

**Directors**

G J Forsyth (Chairman)  
G D H Stewart (Managing Director)  
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](http://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 850 505  
Enquiries (outside Australia) 61 3 9415 4000  
Facsimile 61 3 9473 2500

**Stock Exchange Listing**

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

## **SUPPLY NETWORK LIMITED**

### **CHAIRMAN'S AND MANAGING DIRECTOR'S REPORT FOR THE YEAR ENDED 30 JUNE 2013**

In the year to June 2013, Group Earnings Before Interest and Tax was \$6.7m and Net Profit After Tax was \$4.5m, an increase of 14.9% compared with the prior year. Earnings per share increased to 13.3 cents and return on average total shareholder equity was 26.2%.

Sales revenue was a record \$67.8m, an increase of 11.6% on the prior year.

Our staff have continued to deliver target revenue and profit growth and we thank them for their initiative, their focus and their efforts.

#### **Review of Operations**

Over the course of the past financial year our revenue growth has moderated but remains above the long term average. Some of our Australian Branches have been affected by regional factors, particularly where there has been a significant slowdown in local economic activity, and it is broadly true for the Australian market that business conditions are not as good as they were 12 months ago. Under these circumstances, we are pleased with our results.

While conscious of changing market conditions, your Directors have continued to support a diversified strategy to drive organic growth across all major customer groups and geographic regions within Australia and New Zealand. Contract supply to major bus fleet operators has grown steadily and we have achieved new growth in target segments of the truck market. Success in these truck segments has helped build new product delivery capabilities that are foundations for growth in sales plans for the current year.

During the year we opened new branches in Kwinana, at the heart of the fast growing industrial and residential belt to the south of Perth, and in Smeaton Grange, the industrial precinct of Sydney's developing Macarthur Region. Both these branches were elements of our long term service network vision and, by opening them now, they have provided immediate capacity relief for our large and important Perth and Sydney operations.

In New Zealand both our Auckland and Wellington operations were relocated to bigger, better facilities with stronger street profiles. Both these relocations were completed with minimal business impact and customers have responded positively to improved site access. Our New Zealand management team has been strengthened and now has greater capacity to continue their steady progress on business expansion with core customer groups.

After years of strong compound sales growth our Operations Team has had to respond with new strategies for the development of stock lines, supply management, distribution and warehousing systems. In a business like ours that develops and sells large numbers of stock lines across many locations, there are real risks from a loss of control during periods of rapid growth. The consistency in our provisioning and the absence of negative surprises show that we have managed our growth well. The successful execution of many projects over the past 12 months is a credit to our operations staff and we will need their continued commitment to process improvement in the years ahead.

#### **Capital Management**

Supply Network paid an interim dividend of 3.5 cents per share and Directors have declared a final dividend of 4.5 cents per share in respect of the 2013 financial year, which represents an increase of 1 cent per share compared with the prior year and an unchanged payout ratio of approximately 61% based on current issued capital.

## **SUPPLY NETWORK LIMITED**

### **CHAIRMAN'S AND MANAGING DIRECTOR'S REPORT FOR THE YEAR ENDED 30 JUNE 2013 (continued)**

#### **Capital Management (continued)**

Recent declines in the exchange rate for the Australian Dollar and continuing expansion plans on both sides of the Tasman will put some pressure on cash flows over the current year. Prudent decisions on capital management in past years and your Directors' ongoing preference for steady growth in dividends over the long term means we are well placed to manage our cash requirements.

Directors will monitor cash flows and our forward plans but do not anticipate the need to reactivate our Dividend Reinvestment Plan in the short term.

#### **The Future**

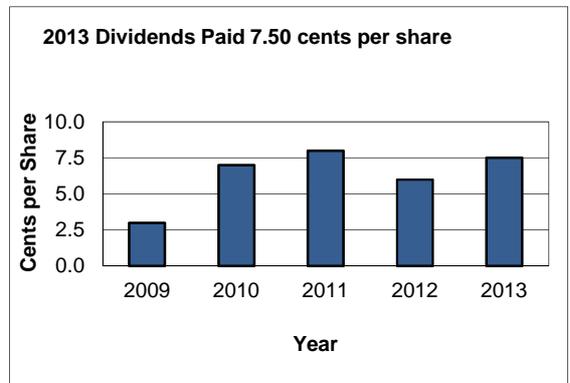
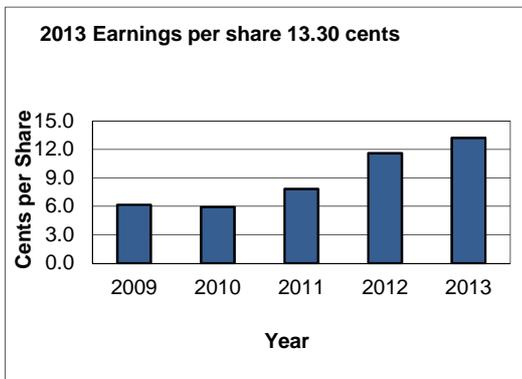
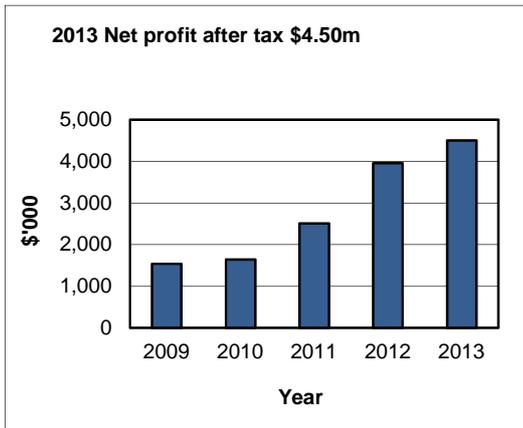
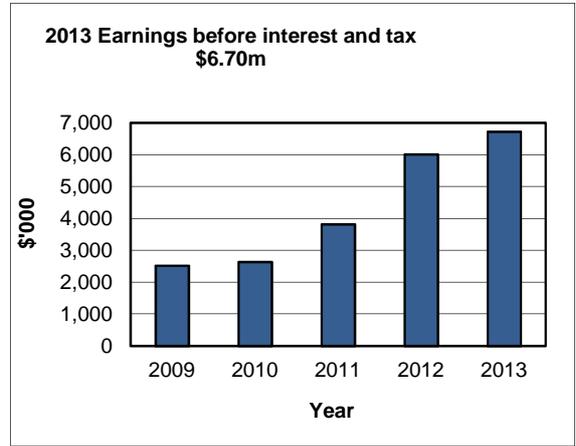
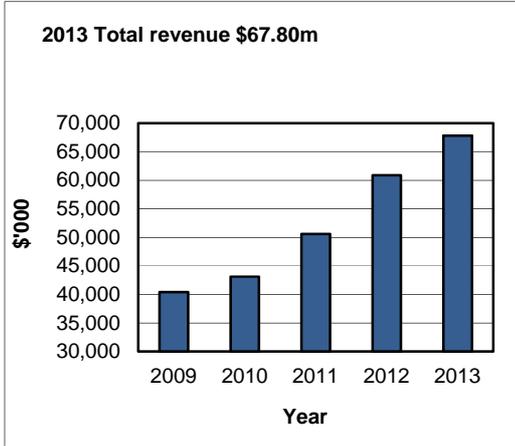
At the end of the first year of our current 3-year plan we are on target and well placed to continue steady growth. Market conditions have deteriorated, particularly in some parts of regional Australia. However our business model is one that offers customers an alternative way of procuring parts with reduced cost and less complexity. In a tough, competitive market we are still finding opportunities for growth and we have started the new financial year with as many new customer projects as in recent years.

During this financial year we plan to open two new branches in regional centres that will play important roles in our long term network design. We will also continue to invest in our staff and our facilities across established locations. This year our organic growth plans for our network, our products and our people are very similar to the year just past.

This is likely to be a tough financial year for the economy but Directors are confident your company will continue to deliver steady growth while we strengthen our ability to compete successfully into the future. Our primary financial goal remains sustainable growth in earnings and dividends over the medium term.

**SUPPLY NETWORK LIMITED**

**Performance Highlights**



**SUPPLY NETWORK LIMITED**  
**DIRECTORS' REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2013**

The Directors of Supply Network Limited (the company) submit their report on the consolidated entity (the Group) consisting of Supply Network Limited and the entities it controlled at the end of, or during, the financial year ended 30 June 2013.

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

**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 \$4,548,000 (2012: \$3,958,000).

**Earnings per Share**

Basic and diluted earnings per share for the financial year are 13.30 cents per share (2012: 11.58 cents).

**Dividends**

Dividends paid or declared for payment are as follows:

	\$
Final dividend for 2012 of 4.00 cents per share paid 20 September 2012	1,367,000
Interim dividend for 2013 of 3.50 cents per share paid 18 April 2013	1,197,000
Final dividend for 2013 of 4.50 cents per share declared 24 July 2013 and payable 26 September 2013	1,538,000

**Review of Operations**

Group sales revenue for the year was \$67.8m, an increase of 11.6% when compared to last year.

Sales revenue in the Australian operation increased by 12.2% and in the New Zealand operation sales increased by 5.8% in NZ\$ terms.

Earnings before interest and tax for the year were \$6.7m, an increase of 11.9% on last year.

Profit after income tax for the year was \$4.5m, an increase of 14.9% on last year.

Cash flows from operating activities for the year were \$3.4m.

Inventory levels have increased to support sales growth with a slight decline in average stock turns.

**SUPPLY NETWORK LIMITED**  
**DIRECTORS' REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2013**  
**(continued)**

**Review of Operations (continued)**

The Group has continued to invest in customer service with the opening of two new branches in Australia, at Kwinana in WA and Smeaton Grange in NSW, and in New Zealand with the relocation of the Auckland and Wellington branches.

These investments have been partly funded by an additional \$500k in long term borrowings, repayable over five years. Gearing has remained steady.

During the year total dividends of 7.5 cents per share were paid.

The Directors have declared a fully franked final dividend of 4.5 cents per share payable on 26 September 2013 to shareholders registered on 12 September 2013.

The Dividend Reinvestment Plan did not operate during the year and will not operate in respect of the final dividend.

Further information on Review of Operations is detailed in the Chairman's 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 other matter or circumstance has arisen since the end of the financial year which is not otherwise dealt with in this report or in 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 forecast sales revenue growth for the group of at least 10% in 2013/14. Management plans for the year focus on organic growth opportunities in the existing business units. Continued expansion of the product range and branch network are the primary considerations in our three year outlook.

**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**

***Gregory James Forsyth - Chairman***

Appointed Chairman of the Board on 17 March 2010. Non-executive Director since 25 January 2006. Chairman of the Audit Committee and a member of the Remuneration Committee. He has over 27 years experience in financial markets specialising in Australian listed equities.

***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 17 years experience in the transport industry, is the Chief Executive of a family owned bus business and operates a consultancy practice providing advice to clients primarily in the transport industry.

## SUPPLY NETWORK LIMITED

### DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2013 (continued)

***Geoffrey David Huston Stewart - Managing Director***

Appointed Chief Executive Officer in November 1999 and Managing Director in November 2000. He has a Bachelor of Engineering (Mechanical) from the University of Sydney, an MBA from Macquarie University and over 20 years experience in the road 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 33 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 was 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 J Forsyth	12	12	2	2	2	2
P W McKenzie	12	12	2	2	2	2
G D H Stewart	12	12	-	-	-	-
P W Gill	12	12	-	-	-	-

**Directors' Interests**

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

- (a) G J Forsyth holds 34,285 ordinary shares of the company and is deemed to have a relevant interest in shares held by Odalisque Pty Ltd (521,451 shares).
- (b) P W McKenzie is deemed to have a relevant interest in shares held by PW & LJ McKenzie Superannuation Fund, a substantial shareholder (3,683,936 shares).
- (c) G D H Stewart is deemed to have a relevant interest in shares held by Boboco Pty Limited (795,484) and D G Stewart (366,881 shares).
- (d) P W Gill holds 148,506 ordinary shares of the company and is deemed to have a relevant interest in shares held by Viewbar Pty Limited (349,521 shares).

**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 the premium.

**SUPPLY NETWORK LIMITED**  
**DIRECTORS' REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2013**  
**(continued)**

**Company Secretary**

Peter William Gill has been the Company Secretary and Senior Finance Executive of Supply Network Limited for over 18 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 the Supply Network Limited Group.

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 an annual fee for being a director of the company with no provision for retirement benefits. 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.

The compensation of non-executive directors for the period ending 30 June 2013 is detailed in Table 1 below.

**SUPPLY NETWORK LIMITED**  
**DIRECTORS' REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2013**  
**(continued)**

***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 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 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.

On an annual basis after completion of the audit of the group 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.
- Either party may terminate the contract by giving 6 months notice in writing.
- The company may terminate the contract at any time without notice for Causes as defined.
- Termination benefits of 6 months remuneration are payable, in addition to 6 months notice, where the company terminates the contract for other than Causes as defined.

Individual contracts for key management personnel include:

- G D H Stewart – fixed compensation package of \$342,490 from 1 July 2013 plus a short-term incentive of up to 33% of the package.
- P W Gill – fixed compensation package of \$303,321 from 1 July 2013 plus a short-term incentive of up to 25% of the package.

**SUPPLY NETWORK LIMITED**  
**DIRECTORS' REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2013**  
**(continued)**

**Key Management Personnel**

Details of key management personnel are as follows:

**Directors**

G J Forsyth Chairman (non-executive)  
P W McKenzie Director (non-executive)  
G D H Stewart Managing Director (executive)  
P W Gill Finance Director and Company Secretary (executive)

**Compensation of Key Management Personnel**

**Table 1: Compensation of Key Management Personnel for the year ended 30 June 2013**

	Short Term			Other Long Term Benefits	Post-Employment		Share Based Payment	Total	Total Performance Related
	Salary, Fees & Leave	Bonus Payable	Non Monetary	Long Service Leave	Super-annuation	Retirement Benefits	Options Granted		
	\$	\$	\$	\$	\$	\$	\$	\$	%
<b>Directors</b>									
G J Forsyth	70,458	-	-	-	6,342	-	-	76,800	-
P W McKenzie	49,013	-	-	-	4,412	-	-	53,425	-
G D H Stewart	302,132	106,625	2,307	9,250	25,000	-	-	445,314	23.9
P W Gill	250,502	71,538	24,000	9,462	25,000	-	-	380,502	18.8
<b>Total</b>	<b>672,105</b>	<b>178,163</b>	<b>26,307</b>	<b>18,712</b>	<b>60,754</b>	<b>-</b>	<b>-</b>	<b>956,041</b>	<b>18.6</b>
<b>Total</b>		<b>876,575</b>		<b>18,712</b>	<b>60,754</b>	<b>-</b>	<b>-</b>	<b>956,041</b>	<b>18.6</b>

**Table 2: Compensation of Key Management Personnel for the year ended 30 June 2012**

	Short Term			Other Long Term Benefits	Post-Employment		Share Based Payment	Total	Total Performance Related
	Salary, Fees & Leave	Bonus Payable	Non Monetary	Long Service Leave	Super-annuation	Retirement Benefits	Options Granted		
	\$	\$	\$	\$	\$	\$	\$	\$	%
<b>Directors</b>									
G J Forsyth	66,468	-	-	-	5,982	-	-	72,450	-
P W McKenzie	46,239	-	-	-	4,161	-	-	50,400	-
G D H Stewart	257,670	100,589	-	7,897	49,936	-	-	416,092	24.2
P W Gill	195,096	67,489	20,000	7,995	50,000	-	-	340,580	19.8
<b>Total</b>	<b>565,473</b>	<b>168,078</b>	<b>20,000</b>	<b>15,892</b>	<b>110,079</b>	<b>-</b>	<b>-</b>	<b>879,522</b>	<b>19.1</b>
<b>Total</b>		<b>753,551</b>		<b>15,892</b>	<b>110,079</b>	<b>-</b>	<b>-</b>	<b>879,522</b>	<b>19.1</b>

**Rounding**

The amounts contained in the directors' 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 98/100. The company is an entity to which the Class Order applies.

**SUPPLY NETWORK LIMITED**  
**DIRECTORS' REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2013**  
**(continued)**

**Auditors' Independence Declaration**

A copy of the Auditors' Independence declaration for the year ended 30 June 2013 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 J Forsyth**  
Director  
Sydney  
28 August 2013

## AUDITOR'S INDEPENDENCE DECLARATION

### To the Directors of Supply Network Limited

As lead auditor for the audit of the consolidated financial report of Supply Network Limited for the year ended 30 June 2013, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (a) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (b) any applicable code of professional conduct in relation to the audit.

This declaration is in relation to Supply Network Limited and the entities it controlled during the year.



**S Grivas**  
Partner

**Sydney, NSW**  
**28 August 2013**

**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 supports the objectives of the guidelines set out in the Corporate Governance Principles and Recommendations put forward by the ASX Corporate Governance Council however the Board acknowledges that at present because of the relatively small size of the company it does not comply with a number of the recommendations.

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**

**Recommendation 1.1**

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

- Ratification of strategy and monitoring management's implementation.
- 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.

**Recommendation 1.2**

On a scheduled date the Board formally reviews the performance of the Managing Director and the Finance Director over the prior year. For the year ended 30 June 2013 this formal review has taken place. The Board requires management to conduct periodic performance reviews of all senior staff.

**Recommendation 1.3**

As disclosed above.

**Principle 2 – Structure the board to add value**

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

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

**Recommendation 2.1**

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

**SUPPLY NETWORK LIMITED**  
**CORPORATE GOVERNANCE STATEMENT**  
**(continued)**

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

**Recommendation 2.2**

Mr G Forsyth (Chairman) is considered to be independent.

**Recommendation 2.3**

The roles of the Chairman and Chief Executive Officer are not held by the same person.

**Recommendation 2.4**

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.

**Recommendation 2.5**

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.

**Recommendation 2.6**

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. Two of the current four Directors are in Non-Executive roles.

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.

One member of the Board, Mr G Forsyth (Chairman), is considered to be independent.

Mr G Forsyth is related to Mr H Forsyth, a 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.

**Principle 3 - Promote ethical and responsible decision-making**

**Recommendation 3.1**

A summary of the Company's business principles and code of conduct are found in "Our Business" section of the Annual Report.

**Recommendation 3.2**

The Company has not established a Diversity Policy.

The Board considers that because of the relative small size of the company a Diversity policy is not appropriate. Access to employment is based on skill, qualifications, performance and merit.

**SUPPLY NETWORK LIMITED**  
**CORPORATE GOVERNANCE STATEMENT**  
**(continued)**

**Principle 3 - Promote ethical and responsible decision-making (continued)**

**Recommendation 3.3**

The Company has not set any measurable objectives for achieving gender diversity.

The Board considers that because of the relative small size of the company setting measurable objectives is not appropriate. Refer recommendation 3.2 above.

The Company however seeks to have a diverse mix of skills and talent amongst its directors, senior management and employees. Access to employment, rewards and training opportunities are based on skill, qualifications, performance and merit.

**Recommendation 3.4**

The percentage of women in various roles as at 30 June 2013 were as follows:-

	<b>Total No.</b>	<b>Women No.</b>	<b>Percentage</b>
Whole Organisation	175	15	8.6 %
Senior Management Roles	12	2	16.7%
Board of Directors	4	0	0.0%

**Recommendation 3.5**

As disclosed above.

**Principle 4 – Safeguard integrity in financial reporting**

The Company practices high standards of financial reporting, with relevant controls 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.

**Recommendation 4.1**

The Board has established an Audit Committee.

**Recommendation 4.2**

The Audit Committee comprises both Non- Executive Directors.

Mr G Forsyth, Chairman of the Board, is the only independent Non-Executive Director and is the Chairman of the Audit Committee. The Board acknowledges the ASX recommendations regarding the composition of the Audit Committee however with the present structure of the Board the composition of the Audit Committee is considered appropriate.

**Recommendation 4.3**

The Audit Committee is responsible for annually reviewing the appointment and performance of the Auditors and recommending to the full Board their reappointment or replacement. It has no formal charter.

**Recommendation 4.4**

Details on the members of the Audit committee and their attendance are found in the Directors report.

**SUPPLY NETWORK LIMITED**  
**CORPORATE GOVERNANCE STATEMENT**  
**(continued)**

**Principle 5 – Make timely and balanced disclosure**

**Recommendations 5.1 and 5.2**

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**

**Recommendations 6.1 and 6.2**

The Board members recognise their responsibility to consider the interests of all shareholders. Accordingly, market announcements are promptly made available on SNL's website in the Shareholder Information section. Board members are also available for shareholders to speak with 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 continuous disclosure to the ASX and statutory reporting requirements.

**Principle 7 – Recognise and manage risk**

**Recommendations 7.1**

The Board 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.

**Recommendation 7.2**

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.

**Recommendation 7.3**

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.

**Recommendation 7.4**

A disclosed above.

## SUPPLY NETWORK LIMITED

### CORPORATE GOVERNANCE STATEMENT (continued)

#### **Principle 8 – Remunerate fairly and responsibly**

##### **Recommendation 8.1**

The Board has established a Remuneration Committee which monitors industry practice and advises the Board, which sets the remuneration levels of Executives. It has no formal charter.

##### **Recommendation 8.2**

The Remuneration Committee comprises both Non - Executive Directors, however only one is considered independent. The Chairman of the Remuneration Committee is not independent.

##### **Recommendation 8.3**

Board members are remunerated by reference to industry standards.

Non-Executive Directors are paid an annual fee with no provision for retirement benefits.

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.

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.

##### **Recommendation 8.4**

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

**SUPPLY NETWORK LIMITED**  
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30 JUNE 2013**

	Notes	Consolidated	
		2013 \$000	2012 \$000
<b>Revenue</b>	3	<b>67,794</b>	60,767
Finance revenue	3	37	58
Other income		32	31
Changes in inventories of finished goods		(38,419)	(35,147)
Employee benefits expenses		(13,013)	(11,093)
Depreciation and amortisation		(613)	(517)
Other expenses	3	(9,063)	(8,036)
Finance costs	3	(275)	(382)
<b>Profit before income tax</b>		<b>6,480</b>	5,681
Income tax expense	4	(1,932)	(1,723)
<b>Profit after income tax</b>		<b>4,548</b>	3,958
<b>Profit attributable to members of the parent</b>		<b>4,548</b>	3,958
<b>Other comprehensive Income</b>			
Adjustment on translation of foreign controlled entity	16	334	88
Income tax expense		-	-
<b>Total other comprehensive income after income tax</b>		<b>334</b>	88
<b>Total comprehensive income for the year attributable to members of the parent</b>		<b>4,882</b>	4,046
Basic and diluted earnings per share (cents per share)	18	13.30	11.58
Dividends per share (cents per share)	17	7.50	6.00

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

**SUPPLY NETWORK LIMITED**

**BALANCE SHEET  
AT 30 JUNE 2013**

	Notes	Consolidated	
		2013 \$000	2012 \$000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	5	1,911	2,277
Trade and other receivables	6	8,413	7,867
Inventories	7	20,977	17,933
Other current assets	8	72	109
Derivatives	14	21	-
<b>Total current assets</b>		<b>31,394</b>	<b>28,186</b>
<b>Non-current assets</b>			
Plant and equipment	9	2,819	1,777
Deferred tax assets	4	1,134	989
<b>Total non-current assets</b>		<b>3,953</b>	<b>2,766</b>
<b>TOTAL ASSETS</b>		<b>35,347</b>	<b>30,952</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	10	11,248	9,565
Interest bearing loans and borrowings	11	574	99
Income tax payable	12	761	931
Provisions	13	527	428
Derivatives	14	-	7
<b>Total current liabilities</b>		<b>13,110</b>	<b>11,030</b>
<b>Non-current liabilities</b>			
Interest bearing loans and borrowings	11	2,737	2,782
Provisions	13	1,005	963
<b>Total non-current liabilities</b>		<b>3,742</b>	<b>3,745</b>
<b>TOTAL LIABILITIES</b>		<b>16,852</b>	<b>14,775</b>
<b>NET ASSETS</b>		<b>18,495</b>	<b>16,177</b>
<b>EQUITY</b>			
Contributed equity	15	9,698	9,698
Reserves	16	107	(227)
Retained earnings		8,690	6,706
<b>TOTAL EQUITY</b>		<b>18,495</b>	<b>16,177</b>

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 2013**

	Note	Contributed Equity \$000	Exchange Translation Reserve \$000	Retained Earnings \$000	Total \$000
<b>Consolidated</b>					
<b>Balance at 1 July 2011</b>		9,698	(315)	4,800	14,183
Total comprehensive income for the year		-	88	3,958	4,046
<b>Transactions with owners in their capacity as owners</b>					
Dividends provided for or paid	17	-	-	(2,052)	(2,052)
<b>Balance at 30 June 2012</b>		<b>9,698</b>	<b>(227)</b>	<b>6,706</b>	<b>16,177</b>
Total comprehensive income for the year		-	334	4,548	4,882
<b>Transactions with owners in their capacity as owners</b>					
Dividends provided for or paid	17	-	-	(2,564)	(2,564)
<b>Balance at 30 June 2013</b>		<b>9,698</b>	<b>107</b>	<b>8,690</b>	<b>18,495</b>

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

**SUPPLY NETWORK LIMITED**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30 JUNE 2013**

	Notes	Consolidated	
		2013 \$000	2012 \$000
<b>Cash flows from operating activities</b>			<b>Inflows/(Outflows)</b>
Receipts from customers		<b>75,015</b>	66,593
Payments to suppliers and employees		<b>(69,180)</b>	(62,799)
Interest received		<b>39</b>	60
Interest paid		<b>(225)</b>	(241)
Income tax paid		<b>(2,268)</b>	(1,480)
Net cash flows from (used in) operating activities	23(a)	<b>3,381</b>	2,133
<b>Cash flows from investing activities</b>			
Purchase of plant and equipment		<b>(1,662)</b>	(615)
Proceeds from sale of plant and equipment		<b>40</b>	-
Net cash flows from (used in) investing activities		<b>(1,622)</b>	(615)
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		<b>500</b>	-
Repayment of borrowings		<b>(120)</b>	(70)
Dividends paid		<b>(2,564)</b>	(2,052)
Net cash flows from (used in) financing activities		<b>(2,184)</b>	(2,122)
Net increase (decrease) in cash and cash equivalents		<b>(425)</b>	(604)
Cash and cash equivalents at beginning of year		<b>2,277</b>	2,872
Exchange rate adjustment to balances held in foreign currencies		<b>59</b>	9
Cash and cash equivalents at end of year	5	<b>1,911</b>	2,277

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

**SUPPLY NETWORK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013**

**1. Corporate information**

The consolidated financial statements of Supply Network Limited (the company) for the year ended 30 June 2013 were authorised for issue in accordance with a resolution of the directors on 28 August 2013.

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

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

**2. Summary of significant accounting policies**

**(a) Basis of accounting**

These general-purpose financial statements have been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards. These financial statements have also been prepared on a historical cost basis, except for selected financial assets and liabilities, which have been measured at fair value. The Group is a for profit entity for financial reporting purposes under Australian Accounting Standards.

The financial statements are 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 consolidated financial statements of Supply Network Limited also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

**(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 profits 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 significant judgements, apart from those involving estimates.

## SUPPLY NETWORK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (continued)

#### 2. Summary of significant accounting policies (continued)

##### (d) Significant accounting judgements, estimates and assumptions (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 are 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 included in other comprehensive income.

###### **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 profit or loss 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.

## SUPPLY NETWORK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (continued)

#### 2. Summary of significant accounting policies (continued)

##### (e) Foreign currency transactions (continued)

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.

##### (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 Statement of Cash Flows, 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.

##### (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 is 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.

**SUPPLY NETWORK LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2013  
(continued)**

**2. Summary of significant accounting policies (continued)**

**(i) 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 or 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.

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

**(j) 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:

Plant and equipment	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 profit or loss in the year the asset was derecognised.

## SUPPLY NETWORK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (continued)

#### 2. Summary of significant accounting policies (continued)

##### (k) 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 in profit or loss.

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

##### (l) 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.

##### (m) 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 included in profit or loss net of any reimbursement.

Provisions are measured at present value of management's 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.

##### (n) 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.

## SUPPLY NETWORK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (continued)

#### 2. Summary of significant accounting policies (continued)

##### (n) Employee leave benefits (continued)

###### (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.

##### (o) Post-employment benefits

Contributions are made to employee superannuation funds and are charged against profit when incurred (refer note 22).

##### (p) 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.

##### (q) 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.

##### (r) 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).

## SUPPLY NETWORK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (continued)

#### 2. Summary of significant accounting policies (continued)

##### (r) Impairment of assets (continued)

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.

##### (s) 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.

##### (t) Borrowing costs

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

##### (u) 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

## SUPPLY NETWORK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (continued)

#### 2. Summary of significant accounting policies (continued)

##### (u) Income tax (continued)

- 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 is recognised in equity and not in profit or loss.

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.

The tax consolidated current tax expense and other deferred tax assets are required to be allocated to the members of the tax-consolidated group. 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 group's future tax profits.

##### (v) 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.

**SUPPLY NETWORK LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2013  
(continued)**

**2. Summary of significant accounting policies (continued)**

**(v) Other taxes (continued)**

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 statement of cash flows 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.

**(w) 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.

**(x) New Accounting standards and interpretations**

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2013 reporting period. The Group's assessment of the impact of these new standards and interpretations is they will result in no significant changes to the amounts recognised or matters disclosed in the Group's financial statements.

**SUPPLY NETWORK LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2013  
(continued)**

		<b>Consolidated</b>	
		<b>2013</b>	<b>2012</b>
		<b>\$000</b>	<b>\$000</b>
<b>3.</b>	<b>Revenues and expenses</b>		
	<b>Revenue and expenses from continuing operations</b>		
<b>(a)</b>	<b>Revenue</b>		
	Sale of goods	<u>67,794</u>	<u>60,767</u>
<b>(b)</b>	<b>Finance revenue</b>		
	Bank interest	<u>37</u>	<u>58</u>
<b>(c)</b>	<b>Other expenses</b>		
	Bad and doubtful debts – trade receivables	(89)	(124)
	Freight and cartage expenses	(1,052)	(1,007)
	Operating lease expense	(2,528)	(2,149)
	Other	(5,394)	(4,756)
		<u>(9,063)</u>	<u>(8,036)</u>
<b>(d)</b>	<b>Finance costs</b>		
	Bank loans and overdrafts	(232)	(242)
	Other finance costs	(43)	(140)
		<u>(275)</u>	<u>(382)</u>
<b>4.</b>	<b>Income tax</b>		
<b>(a)</b>	<b>Income tax expense</b>		
	The major components of income tax expense are:		
	<b>Current income tax</b>		
	Current income tax charge	2,077	1,840
	<b>Deferred income tax</b>		
	Relating to origination and reversal of temporary differences	(145)	(117)
	Income tax expense	<u>1,932</u>	<u>1,723</u>

**SUPPLY NETWORK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013**  
**(continued)**

	<b>Consolidated</b>	
	<b>2013</b>	<b>2012</b>
	<b>\$000</b>	<b>\$000</b>
<b>4. Income tax (continued)</b>		
<b>(b) Reconciliation of prima facie tax payable to income tax expense</b>		
Profit before income tax	<b>6,480</b>	5,681
At the Group's income tax rate of 30% (2012:30%)	<b>1,944</b>	1,704
Other amounts which are not deductible (assessable) for income tax purposes	<b>(12)</b>	19
Income tax expense	<b>1,932</b>	1,723
<b>(c) Deferred tax assets</b>		
Depreciation differences	<b>170</b>	176
Doubtful debts	<b>44</b>	29
Employee benefits	<b>509</b>	422
Stock obsolescence	<b>262</b>	218
Other	<b>149</b>	144
	<b>1,134</b>	989

**(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(u).

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.

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.

**SUPPLY NETWORK LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2013  
(continued)**

	<b>Consolidated</b>	
	<b>2013</b>	<b>2012</b>
	<b>\$000</b>	<b>\$000</b>
<b>5. Cash and cash equivalents</b>		
Cash at bank and in hand	509	496
Short-term deposits	1,402	1,781
	<u>1,911</u>	<u>2,277</u>

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

	<b>Consolidated</b>	
	<b>2013</b>	<b>2012</b>
	<b>\$000</b>	<b>\$000</b>
<b>6. Trade and other receivables</b>		
<b>Current</b>		
Trade receivables (i)	8,517	7,931
Allowance for impairment loss	(146)	(98)
	<u>8,371</u>	<u>7,833</u>
Other receivables	42	34
	<u>8,413</u>	<u>7,867</u>
<b>Ageing of trade receivables not impaired</b>		
Not overdue	7,975	7,544
61-90 days past due	394	279
91 days and above past due	2	10
	<u>8,371</u>	<u>7,833</u>
<b>Ageing of trade receivables impaired</b>		
Not overdue	33	26
61-90 days past due impaired	26	20
91 days and above past due	87	52
	<u>146</u>	<u>98</u>
<b>Total trade receivables</b>	<u>8,517</u>	<u>7,931</u>
<b>Movements in allowance for impairment loss</b>		
Opening balance	98	68
Additions during the year	64	103
Amounts written off during the year	(18)	(73)
Exchange difference	2	-
Closing balance	<u>146</u>	<u>98</u>

**SUPPLY NETWORK LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2013  
(continued)**

**6. Trade and other receivables (continued)**

- (i) Trade receivables are non-interest bearing and generally on 30 day terms. As at 30 June 2013 trade receivables of \$396,000 (2012: \$289,000) 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) Information regarding the effective interest rate and the credit risk of current receivables is disclosed in note 27.

	<b>Consolidated</b>	
	<b>2013</b>	<b>2012</b>
	<b>\$000</b>	<b>\$000</b>
<b>7. Inventories</b>		
Finished goods at lower of cost or net realisable value	17,550	14,421
Stock in transit - finished goods at cost	3,427	3,512
Total inventories at lower of cost and net realisable value	20,977	17,933
<b>8. Other current assets</b>		
Prepayments	72	109
<b>9. Plant and equipment</b>		
<b>Plant and equipment at cost</b>		
Opening balance	5,514	5,054
Additions	1,712	640
Disposals	(439)	(194)
Exchange difference	53	14
Closing balance	6,840	5,514
<b>Accumulated depreciation</b>		
Opening balance	3,737	3,395
Depreciation for the year	613	517
Disposals	(371)	(185)
Exchange difference	42	10
Closing balance	4,021	3,737
<b>Total plant and equipment</b>	2,819	1,777
<b>10. Trade and other payables</b>		
Trade payables and accruals	11,248	9,565

**SUPPLY NETWORK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013**  
**(continued)**

		<b>Consolidated</b>	
		<b>2013</b>	<b>2012</b>
		<b>\$000</b>	<b>\$000</b>
<b>11. Interest bearing loans and borrowings</b>			
<b>Current</b>	<b>Maturity</b>		
Bank loans (i)	<i>2013-2018</i>	<b>74</b>	99
Bank loans (i)	<i>Subject to annual review</i>	<b>500</b>	-
		<b>574</b>	99
<hr/>			
<b>Non-current</b>			
Bank loans (i)	<i>2015-2018</i>	<b>2,737</b>	2,782
		<b>2,737</b>	2,782
<hr/>			
<b>Total interest bearing loans and borrowings</b>		<b>3,311</b>	2,881
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- (i) Bank loans comprises:
- Flexible rate interest only loans of \$2,589,000 (\$74,000 current), with interest rates of 6.0% to 8.0% maturing in July 2015 and August 2015.
- Flexible rate principal and interest loan of \$222,000, with an interest rate of 6.2% maturing in April 2018 and repayable by quarterly instalments.
- Flexible rate principal and interest loan of \$500,000, with an interest rate of 5.5%, subject to annual review and repayable by quarterly instalments.
- (ii) Bank loans and overdrafts 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. Interest rates on overdrafts are variable and during the year the average interest rate was 9.6% (2012: 9.8%).
- (iii) Bank loan agreements require certain financial ratios to be maintained
- Australian loan agreement requires:
- Consolidated adjusted gearing ratio not to exceed 1.75 to 1.  
Borrowing base ratio as defined not to exceed 50% of eligible stock plus eligible debtors.  
Consolidated EBITDA to interest expense ratio of not less than 2 to 1.
- The Group complied with these ratios during the year.
- New Zealand loan agreement requires:
- Gearing ratio not to exceed 1.75 to 1.
- The subsidiary company complied with these ratios during the year.

		<b>Consolidated</b>	
		<b>2013</b>	<b>2012</b>
		<b>\$000</b>	<b>\$000</b>
<b>12. Income tax payable</b>			
Current year income tax payable		<b>761</b>	931
		<b>761</b>	931
<hr/>			

**SUPPLY NETWORK LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2013  
(continued)**

13. Provisions	Consolidated		
	Long Service Leave \$000	Lease make good \$000	Total \$000
At 1 July 2012	630	761	1,391
Arising during the year	124	50	174
Utilised	-	(76)	(76)
Exchange difference	-	6	6
Discount rate adjustment	(6)	43	37
At 30 June 2013	<u>748</u>	<u>784</u>	<u>1,532</u>
Current 2013	527	-	527
Non-current 2013	<u>221</u>	<u>784</u>	<u>1,005</u>
	<u>748</u>	<u>784</u>	<u>1,532</u>
Current 2012	428	-	428
Non-current 2012	<u>202</u>	<u>761</u>	<u>963</u>
	<u>630</u>	<u>761</u>	<u>1,391</u>

**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*.

Consolidated	
2013 \$000	2012 \$000

**14. Derivatives**

**Current assets (liabilities)**

Net forward currency contracts	<u>21</u>	<u>(7)</u>
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**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 27(b)).

**SUPPLY NETWORK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013**  
**(continued)**

		<b>Consolidated</b>	
		<b>2013</b>	<b>2012</b>
		<b>\$000</b>	<b>\$000</b>
<b>15. Contributed equity</b>			
(a)	Issued and paid up capital 34,187,229 ordinary shares fully paid (2012: 34,187,229)	<b>9,698</b>	9,698

(b) Movements in Shares on Issue

	<b>2013</b>		<b>2012</b>	
	<b>Number of Shares</b>	<b>\$000</b>	<b>Number of Shares</b>	<b>\$000</b>
Balance at beginning of the year	<b>34,187,229</b>	<b>9,698</b>	34,187,229	9,698
Balance at end of the year	<b>34,187,229</b>	<b>9,698</b>	34,187,229	9,698

(c) Share Options

There were no outstanding options over ordinary shares on issue at 30 June 2013 and 30 June 2012.

(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.

**16. Exchange Translation Reserve**

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 (refer to Statement of Changes in Equity).

**SUPPLY NETWORK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013**  
**(continued)**

	<b>Consolidated</b>	
	<b>2013</b>	<b>2012</b>
	<b>\$000</b>	<b>\$000</b>
<b>17. Dividends paid and proposed on ordinary shares</b>		
<b>(a) Dividends declared and paid during the year</b>		
Current year interim fully franked dividend (2013: 3.50 cents per share) (2012: 3.00 cents)	1,197	1,026
Previous year final fully franked dividend (2012: 4.00 cents per share) (2011: 3.00 cents)	1,367	1,026
Total dividends paid	<b>2,564</b>	<b>2,052</b>
<b>(b) Dividends proposed subsequent to 30 June and not recognised as a liability</b>		
Current year final fully franked dividend (2013: 4.50 cents per share) (2012: 4.00 cents)	<b>1,538</b>	<b>1,367</b>
<b>(c) Franking credit balance</b>		
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% (2012: 30%)	4,308	3,535
Franking credits that will arise from the payment of income tax payable as at the end of the financial year	641	800
	<b>4,949</b>	<b>4,335</b>
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	(659)	(586)
	<b>4,290</b>	<b>3,749</b>

The tax rate at which paid dividends have been franked is 30% (2012: 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 2013**  
**(continued)**

**18. 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:

	<b>Consolidated</b>	
	<b>2013</b>	<b>2012</b>
	<b>\$000</b>	<b>\$000</b>
Net profit attributable to ordinary equity holders of the parent	<b>4,548</b>	3,958
	<b>No.</b>	<b>No.</b>
Weighted average number of ordinary shares for basic earnings per share	<b>34,187,229</b>	34,187,229
Basic and diluted earnings per share (cents per share)	<b>13.30</b>	11.58

**19. Lease commitments**

**Operating lease commitments:**

not later than one year	<b>2,309</b>	1,807
later than one year and not later than five years	<b>4,425</b>	3,556
later than five years	<b>756</b>	527
	<b>7,490</b>	5,890

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 2013  
(continued)**

	<b>Consolidated</b>	
	<b>2013</b>	<b>2012</b>
	<b>\$000</b>	<b>\$000</b>
<b>20. Auditor's compensation</b>		
Amounts received or due and receivable by HLB Mann Judd (NSW Partnership) for: An audit and review of a financial report of the consolidated group	<b>62,200</b>	60,200
Amounts received or due and receivable by HLB Mann Judd Limited Auckland for: An audit of the financial report of a subsidiary	<b>14,000</b>	12,950
	<b>76,200</b>	73,150

**21. Key management personnel**

**(a) Compensation of key management personnel**

Details of key management personnel are as follows:

**Directors**

G J Forsyth	Chairman (non-executive)
P W McKenzie	Director (non-executive)
G D H Stewart	Managing Director (executive)
P W Gill	Finance Director and Company Secretary (executive)

The remuneration paid or payable to key management personnel of the Group was as follows:

	<b>Consolidated</b>	
	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
Short-term	<b>876,575</b>	753,551
Post-employment	<b>60,754</b>	110,079
Other long term benefits	<b>18,712</b>	15,892
	<b>956,041</b>	879,522

**(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 2013 and 30 June 2012.

**SUPPLY NETWORK LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2013  
(continued)**

**21. Key management personnel (continued)**

**(c) Option holdings of key management personnel**

There were no options held by key management personnel at 30 June 2013 or 30 June 2012.

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

	Balance 1 July 2012 No.	Options Exercised No.	Net Change Other No.	Balance 30 June 2013 No.
<b>Directors</b>				
G J Forsyth	555,736	-	-	555,736
P W McKenzie	3,683,936	-	-	3,683,936
G D H Stewart	1,162,365	-	-	1,162,365
P W Gill	498,027	-	-	498,027
	<b>5,900,064</b>	<b>-</b>	<b>-</b>	<b>5,900,064</b>

	Balance 1 July 2011 No.	Options Exercised No.	Net Change Other No.	Balance 30 June 2012 No.
<b>Directors</b>				
G J Forsyth	555,736	-	-	555,736
P W McKenzie	3,683,936	-	-	3,683,936
G D H Stewart	1,162,365	-	-	1,162,365
P W Gill	498,027	-	-	498,027
	<b>5,900,064</b>	<b>-</b>	<b>-</b>	<b>5,900,064</b>

**22. Employee entitlements**

**Superannuation commitments**

The Group makes contributions to superannuation funds on behalf of Australian and participating New Zealand employees. The funds are accumulation funds and provide benefits to employees on retirement, death or disability.

Australian operating companies have a legal obligation to contribute 9.25% from 1 July 2013 (2013 and 2012-9%) of the employees' ordinary earnings to the funds, with employees contributing various percentages of their gross salary.

The New Zealand operating company has a legal obligation to contribute 3% from 1 April 2013 (Prior to 1 April 2013 -2%) of participating employees' total earnings to KiwiSaver, with employees contributing various percentages of their gross salary.

**SUPPLY NETWORK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013**  
**(continued)**

	<b>Consolidated</b>	
	<b>2013</b>	<b>2012</b>
	<b>\$000</b>	<b>\$000</b>
<b>23. Cash Flow Information</b>		
<b>(a) Reconciliation of net profit after tax to the net cash flows from operations</b>		
Profit after income tax	4,548	3,958
<b>Adjustments for non-cash income and expense items</b>		
Loss on disposal of plant and equipment	6	9
Depreciation of plant and equipment	613	517
Transfers to provisions:		
Inventory obsolescence	187	43
Employee entitlements	291	86
Doubtful debts	48	30
Lease make good	23	165
Net exchange differences	334	117
Increase (decrease) in provision for:		
Income tax payable	(170)	338
Deferred taxes	(145)	(117)
<b>Changes in assets and liabilities</b>		
(Increase) decrease in:		
Trade and other receivables	(594)	(807)
Inventories	(3,230)	(2,436)
Other assets	(35)	(89)
(Decrease) increase in:		
Trade and other payables	1,505	319
<b>Net cash flow from (used in) operating activities</b>	<b>3,381</b>	<b>2,133</b>

**SUPPLY NETWORK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013**  
**(continued)**

	<b>Consolidated</b>	
	<b>2013</b>	<b>2012</b>
	<b>\$000</b>	<b>\$000</b>
<b>23. Cash Flow Information (continued)</b>		
<b>(b) Financing facilities available:</b>		
At reporting date the following facilities had been negotiated and were available:		
Total credit facilities	5,112	4,892
Facilities used at reporting date	(3,311)	(2,881)
Facilities unused at reporting date	1,801	2,011
The major facilities are summarised as follows:		
Bank overdrafts	962	853
Facilities used	-	-
Facilities unused at reporting date	962	853
Bank loans	4,150	4,039
Facilities used	(3,311)	(2,881)
Facilities unused at reporting date	839	1,158
<b>24. Parent Entity Information</b>		
Current assets	852	1,156
Total assets	15,388	14,504
Current liabilities	663	825
Total liabilities	663	825
Shareholders equity:		
Issued capital	9,698	9,698
Retained earnings	5,027	3,981
	14,725	13,679
Profit for the year	3,609	3,230
Other comprehensive income	-	-
Total comprehensive income	3,609	3,230

**SUPPLY NETWORK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013**  
**(continued)**

**25. Deed of Cross Guarantee**

Supply Network Limited, Multispares Limited, Globac 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 and Supply Network Services Limited are relieved from the requirement to prepare financial statements.

The Statement of Profit or Loss and other Comprehensive Income and Balance Sheet of entities included in the class order "Closed Group" are set below.

	<b>Closed Group</b>	
	<b>2013</b>	<b>2012</b>
	<b>\$000</b>	<b>\$000</b>
<b>Statement of Profit or Loss and Other Comprehensive Income</b>		
Profit before income tax	5,251	4,540
Income tax expense	<b>(1,587)</b>	<b>(1,378)</b>
Profit after income tax	<b>3,664</b>	3,162
Net profit attributable to members of the parent	<b>3,664</b>	3,162
Other comprehensive income	-	-
Total comprehensive income	<b>3,664</b>	3,162
<b>Retained Earnings</b>		
Retained earnings at beginning of the year	<b>3,936</b>	2,826
Profit after income tax	<b>3,664</b>	3,162
Dividends provided for or paid	<b>(2,564)</b>	<b>(2,052)</b>
Retained earnings at end of the year	<b>5,036</b>	3,936

**SUPPLY NETWORK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013**  
**(continued)**

	<b>Closed Group</b>	
	<b>2013</b>	<b>2012</b>
	<b>\$000</b>	<b>\$000</b>
<b>25. Deed of Cross Guarantee (continued)</b>		
<b>Balance Sheet</b>		
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	1,212	1,526
Trade and other receivables	7,063	6,751
Inventories	17,052	14,361
Other current assets	65	59
Intercompany	51	37
Derivatives	18	-
<b>Total current assets</b>	<b>25,461</b>	<b>22,734</b>
<b>Non-current assets</b>		
Other financial assets	1,031	1,031
Plant and equipment	1,981	1,632
Deferred tax assets	942	815
<b>Total non-current assets</b>	<b>3,954</b>	<b>3,478</b>
<b>TOTAL ASSETS</b>	<b>29,415</b>	<b>26,212</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Trade and other payables	9,778	8,205
Interest bearing loans and borrowings	100	-
Income tax payable	641	800
Provisions	527	428
Derivatives	-	8
<b>Total current liabilities</b>	<b>11,046</b>	<b>9,441</b>
<b>Non-current liabilities</b>		
Interest bearing loans and borrowings	2,650	2,250
Provisions	985	887
<b>Total non-current liabilities</b>	<b>3,635</b>	<b>3,137</b>
<b>TOTAL LIABILITIES</b>	<b>14,681</b>	<b>12,578</b>
<b>NET ASSETS</b>	<b>14,734</b>	<b>13,634</b>
<b>EQUITY</b>		
Contributed equity	9,698	9,698
Retained earnings	5,036	3,936
<b>TOTAL EQUITY</b>	<b>14,734</b>	<b>13,634</b>

**SUPPLY NETWORK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013**  
**(continued)**

**26. 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.

<b>Geographical segments</b>	<b>Australia</b>		<b>New Zealand</b>		<b>Eliminations</b>		<b>Consolidated</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>Revenue</b>								
Sales to customers outside the Group	<b>57,372</b>	51,112	<b>10,422</b>	9,655	-	-	<b>67,794</b>	60,767
Other income from outside the Group	<b>28</b>	82	<b>41</b>	7	-	-	<b>69</b>	89
Inter-segment revenues	<b>799</b>	803	-	107	<b>(799)</b>	(910)	-	-
Total segment revenues	<b>58,199</b>	51,997	<b>10,463</b>	9,769	<b>(799)</b>	(910)	<b>67,863</b>	60,856
<b>Results</b>								
Segment results	<b>5,252</b>	4,540	<b>1,243</b>	1,150	<b>(15)</b>	(9)	<b>6,480</b>	5,681
Profit before income tax and finance costs							<b>6,718</b>	6,005
Finance revenue							<b>37</b>	58
Finance costs							<b>(275)</b>	(382)
Profit before income tax							<b>6,480</b>	5,681
Income tax expense							<b>(1,932)</b>	(1,723)
Profit after income tax expense							<b>4,548</b>	3,958
<b>Assets</b>								
Segment assets	<b>29,415</b>	26,212	<b>7,108</b>	5,937	<b>(1,176)</b>	(1,197)	<b>35,347</b>	30,952
<b>Liabilities</b>								
Segment liabilities	<b>14,681</b>	12,578	<b>2,240</b>	2,297	<b>(69)</b>	(100)	<b>16,852</b>	14,775
<b>Other segment information</b>								
Additions to plant and equipment, intangible assets and other non-current assets	<b>904</b>	618	<b>808</b>	22	-	-	<b>1,712</b>	640
Depreciation	<b>549</b>	457	<b>64</b>	60	-	-	<b>613</b>	517
Other non-cash expenses	<b>451</b>	452	<b>118</b>	76	-	-	<b>569</b>	528

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.

**SUPPLY NETWORK LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2013  
(continued)**

**27. Financial risk management**

The Group's principal financial instruments, other than derivatives, comprise cash, bank loans and bank overdrafts. 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 instruments 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 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 11).

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

Financial instruments - Contractual maturities	Floating interest rate (i)  \$000	Fixed interest rate maturing			Non- interest bearing  \$000	Total  \$000	Weighted average interest rate	
		1 year or less  \$000	1 to 5 years  \$000	Over 5 years  \$000			Floating  %	Fixed  %
<b>Consolidated</b>								
<b>30 June 2013</b>								
Financial assets								
Cash	1,911	-	-	-	-	1,911	2.7	-
Trade receivables	-	-	-	-	8,517	8,517	-	-
Forward currency contracts	-	-	-	-	1,025	1,025	-	-
Other receivables	-	-	-	-	42	42	-	-
	<b>1,911</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,584</b>	<b>11,495</b>		
Financial liabilities								
Trade and other payables	-	-	-	-	11,248	11,248	-	-
Bank loans and overdrafts	500	74	2,737	-	-	3,311	5.5	7.1
Forward currency contracts	-	-	-	-	1,004	1,004	-	-
	<b>500</b>	<b>74</b>	<b>2,737</b>	<b>-</b>	<b>12,252</b>	<b>15,563</b>		

**SUPPLY NETWORK LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2013  
(continued)**

**27. Financial risk management (continued)**

**(a) Interest rate risk (continued)**

Financial instruments - Contractual maturities	Floating interest rate (i)  \$000	Fixed interest rate maturing			Non- interest bearing  \$000	Total  \$000	Weighted average interest rate	
		1 year or less  \$000	1 to 5 years  \$000	Over 5 years  \$000			Floating	Fixed
							%	%
<b>Consolidated 30 June 2012</b>								
Financial assets								
Cash	2,277	-	-	-	-	2,277	3.2	-
Receivables	-	-	-	-	7,931	7,931	-	-
Forward currency contracts	-	-	-	-	505	505	-	-
Other debtors	-	-	-	-	34	34	-	-
	<u>2,277</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,470</u>	<u>10,747</u>		
Financial liabilities								
Payables	-	-	-	-	9,565	9,565	-	-
Bank loans and overdrafts	-	99	2,782	-	-	2,881	-	7.4
Forward currency contracts	-	-	-	-	512	512	-	-
	<u>-</u>	<u>99</u>	<u>2,782</u>	<u>-</u>	<u>10,077</u>	<u>12,958</u>		

- (i) Floating interest rates are the most recently determined rate applicable to the instrument at balance date. Floating rate liabilities and non-interest bearing liabilities have contractual maturities of less than 1 year.

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 1-5 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 2013**  
**(continued)**

**27. 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
		2013	2012	2013 \$000	2012 \$000
Euro currency	3 months or less	0.71	0.79	717	315
Japanese yen	3 months or less	92.78	79.78	181	197
US dollar	3 months or less	0.93	1.02	106	-
<b>Total</b>				<b>1,004</b>	<b>512</b>

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

An allowance for impairment loss 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 2013  
(continued)**

**27. 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 23(b) for additional undrawn facilities to the Group has available to further reduce liquidity risk.

**(e) Capital risk management**

The Group 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 11, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital (note 15), reserves (note 16) and retained earnings.

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, operation of dividend reinvestment plan, new share issues, share buy-backs and additional borrowings.

<b>Consolidated</b>	
<b>2013</b>	<b>2012</b>
<b>\$000</b>	<b>\$000</b>

**28. 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:

Key management personnel of the group

Sales to related parties	256	236
Amounts owed by related parties	49	57

- (b) Mr P W McKenzie is Chief Executive officer of a family owned bus business that the group sells goods to 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 J Forsyth, P W McKenzie, G D H Stewart and P W Gill.
- (d) Investments in controlled entities

	<b>Country of Incorporation</b>
Multispares N.Z. Limited	New Zealand
Multispares Limited	Australia
Globac Limited	Australia
Supply Network Services Ltd	Australia

The controlled entities were 100% owned for the years ending 30 June 2013 and 30 June 2012

**SUPPLY NETWORK LIMITED**  
**DIRECTORS' DECLARATION**

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

1. In the directors' opinion:
  - (a) the financial statements and notes set out on pages 18 to 50 are in accordance with the *Corporations Act 2001*, including:
    - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the financial year ended on that date; and
    - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
  - (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
  - (c) at the date of this declaration, there are reasonable grounds to believe that the members of the closed group identified in note 25 will be able to meet any obligation or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 25.
2. The directors have been given the declarations by the chief executive officer and chief financial officer for the year ended 30 June 2013 required by section 295A of the *Corporations Act 2001*.
3. The notes to the financial statements include a statement of compliance with International Financial Reporting Standards.

This declaration is made in accordance with a resolution of the directors.

On behalf of the Board



**G J Forsyth**  
Director  
Sydney  
28 August 2013

## INDEPENDENT AUDITOR'S REPORT

To the members of Supply Network Limited

### Report on the Financial Report

We have audited the accompanying financial report of Supply Network Limited ("the company"), which comprises the consolidated balance sheet as at 30 June 2013, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration, for the consolidated entity. 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 of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In Note 2(b), the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, that the consolidated financial report 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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 company's preparation of the financial report that gives a true and fair view 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 company's and its controlled entities' 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.

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.

## INDEPENDENT AUDITOR'S REPORT (continued)

### **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*, given to the directors of the company on 28 August 2013, would be in the same terms if provided to the directors as at the time of this auditor's report.

### **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 consolidated entity's financial position as at 30 June 2013 and its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2(b).

### **Report on the Remuneration Report**

We have audited the Remuneration Report included in pages 8 to 10 of the directors' report for the year ended 30 June 2013. 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.

### **Opinion**

In our opinion, the Remuneration Report of Supply Network Limited for the year ended 30 June 2013 complies with section 300A of the *Corporations Act 2001*.

### **Matters relating to the electronic presentation of the audited financial report and remuneration report**

This auditor's report relates to the financial report and remuneration report of Supply Network Limited for the financial year ended 30 June 2013 published in the annual report and included on the company's website. The company's directors are responsible for the integrity of the company's website. We have not been engaged to report on the integrity of this website. The auditor's report refers only to the financial report and remuneration report identified above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report and remuneration report. If users of the financial report and remuneration report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report and remuneration report to confirm the information contained in this website version of the financial report and remuneration report.

HLB Mann Judd

**HLB MANN JUDD**  
**Chartered Accountants**

A handwritten signature in black ink, appearing to read 'S. Grivas'.

**S Grivas**  
**Partner**

**Sydney, NSW**  
**28 August 2013**