



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

20 August 2014

The Manager
Companies Announcement Office
ASX Limited
20 Bridge Street
SYDNEY NSW 2000

Dear Sir

Re: Preliminary Final Report Appendix 4E, Annual Accounts and Performance Guidance

The Directors are pleased to announce the audited results for the year ended 30 June 2014 the details of which are included in the attached Appendix 4E - Preliminary Final Report.

The audited results are in line with our announcement 30 July 2014.

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 2014

Name of entity	Supply Network Limited
ABN	12 003 135 680

1. Details of reporting period

Financial year ended	30 June 2014
Previous corresponding period	30 June 2013

2. Results for announcement to the market

			\$'000
Revenue from ordinary activities	up	19.9%	to 81,236
Profit from ordinary activities after income tax	up	31.9%	to 6,000
Net profit for the period attributable to members	up	31.9%	to 6,000
Dividends		Amount per Security	Franked amount per security
Final dividend		5.00 ¢	5.00¢
Previous corresponding period		4.50 ¢	4.50¢
Interim dividend		4.00 ¢	4.00¢
Previous corresponding period		3.50 ¢	3.50¢
Record date for determining entitlements to dividend		12 September 2014	
Brief explanation of any of the figures reported above			
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
Final dividend –payable 30 September 2014	5.00¢	5.00¢
Previous corresponding period	4.50¢	4.50¢
Amount per security of foreign sourced dividend	Nil	-
Interim dividend – paid 16 April 2014	4.00¢	4.00¢
Previous corresponding period	3.50¢	3.50¢
Amount per security of foreign sourced dividend	Nil	-
Final dividend June 2013 - paid 26 September 2013	4.50¢	4.50¢
Previous corresponding period	4.00¢	4.00¢
Amount per security of foreign sourced dividend	Nil	-

The Directors have declared a fully franked final dividend of 5.00 cents per share (requiring \$1,709,000) payable 30 September 2014 to shareholders registered on 12 September 2014

A fully franked interim dividend of 4.00 cents per share amounting to \$1,368,000 was paid on 16 April 2014

A fully franked final dividend for June 2013 of 4.50 cents per share amounting to \$1,538,000 was paid on 26 September 2013

8. Dividend Reinvestment Plans

Supply Network Limited Dividend Reinvestment Plans has recommenced and will operate in respect of the final dividend payable 30 September 2014

9. Net tangible asset backing

	Current Period	Previous corresponding period
Net tangible asset backing per ordinary security	64.6¢	54.1¢

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

Nil

11. Details of associate and joint venture entities

Nil

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

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

13. Foreign entities

Not applicable

14. Commentary on results for period

Earnings per security and nature of any dilution aspects

	Current Period	Previous corresponding period
Basic earnings per share	17.55¢	13.30¢
Diluted earnings per share	17.55¢	13.30¢

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 20 August 2014
Name Peter Gill
Position Company Secretary

SUPPLY NETWORK LIMITED

ABN 12 003 135 680

**ANNUAL ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 2014**

The financial statements were authorised for issue by the directors on 20 August 2014. The directors have the power to amend and reissue the financial statements.

SUPPLY NETWORK LIMITED

ABN 12 003 135 680

ANNUAL ACCOUNTS

30 JUNE 2014

Contents

Corporate Information	1
Chairman's and Managing Director's Report	2
Directors' Report.....	5
Auditor's Independence Declaration	12
Corporate Governance Statement.....	13
Statement of Profit or Loss and Other Comprehensive Income.....	18
Balance Sheet	19
Statement of Changes in Equity	20
Statement of Cash Flows	21
Notes to the Financial Statements.....	22
Directors' Declaration.....	50
Independent Auditor's Report.....	51

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

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 2014

In the year to June 2014, Sales Revenue was a record \$81.2m, an increase of 20% on the prior year. Group Earnings Before Interest and Tax was \$8.8m, Net Profit After Tax was \$6.0m and Earnings Per Share increased to 17.5 cents.

These excellent results were built on an operating platform and business opportunities constructed with skill and determination over a number of years, and we congratulate staff on what they have achieved.

Review of Operations

Over the course of the past financial year we have achieved a similar rate of growth in both the Bus and Truck markets in Australia and in New Zealand.

Most of our growth in the Bus market came from the expansion of our network of managed parts stores as both new and existing customers were awarded new metropolitan route bus contracts. A number of the new parts stores have been delivered using our fully automated B2B transaction platform, which provides customers with additional efficiency opportunities and increased control over their parts purchasing and supply.

Growth in our Truck business came from the continuing extension of our range to established customers and further success of niche marketing activities. We also benefitted from the ongoing expansion of our owner driver and independent workshop customer base.

The two new Branches opened in Smeaton Grange and Kwinana during the prior financial year showed steady growth in Truck business and are well placed to establish their position in local markets over the next 2-3 years. In New Zealand our Team worked towards opening Dunedin Branch, which commenced serving Otago and Southland on 1st July. The Australian Team has been working towards opening Toowoomba Branch, which we now expect to commence trading from October this year. Development of these new trading sites and the relocation of our Brisbane Branch to a high profile site overlooking the Ipswich Motorway at Darra are primarily investments in improved service levels for Truck customers, in support of long term business growth objectives.

Depreciation of the Australian Dollar against the Euro and the US Dollar has reduced our gross margin in some high volume and highly competitive market segments. We have worked hard to offset this by expanding business in other segments, particularly where service levels provide greater opportunity for differentiation. Improving our service levels has required additional expenditure in Branch activities but effective controls have contained overall operating costs and delivered solid earnings growth as sales revenues have increased.

The combination of accelerated growth, expansion of our network and a weaker Australian Dollar were behind a significant increase in stock that also impacted on cashflow over the past year. In the later part of financial year 2014, as revenue growth settled back towards long term trend, we have refocused on stock management and expect to gradually improve stock turns to around our 4-year average over the next 12 months.

Relocation of Sydney Operations

The Australian business has achieved substantial growth while core facilities at Guildford, Sydney have been operating at close to 100% capacity for at least two years. To assist the main warehouse we relocated some distribution to Adelaide, incurring a significant freight cost penalty, before returning these operations to the south of Sydney upon opening our Smeaton Grange site in early 2013. Further fragmentation of distribution is not practical and a new main distribution site was found to support the next phase of business growth.

SUPPLY NETWORK LIMITED

CHAIRMAN'S AND MANAGING DIRECTOR'S REPORT FOR THE YEAR ENDED 30 JUNE 2014 (continued)

Directors recently finalised a binding Agreement to Lease two adjacent sites in the Quarry, a new industrial precinct developed by Dexus Property Group on Reconciliation Road, Pemulwuy, a new link road between Wetherill Park and the M4 Motorway. The first site will allow the separation of our busy Sydney Branch from the Distribution Centre and the second site will become our new, standalone Distribution Centre, giving us roughly twice the current capacity and opportunities to relieve warehouse congestion and improve operating efficiency.

Relocation to the Quarry will require capital outlays and one-off operating costs in the order of \$1.5 – \$2.0m, mostly over the first half of financial year 2016, and will increase annual operating costs by around \$1.0m from February 2016.

Capital Management

Supply Network paid an interim dividend of 4.0 cents per share and Directors have declared a final dividend of 5.0 cents per share in respect of the 2014 financial year, which represents an increase of 1 cent per share compared with the prior year and a payout ratio of approximately 51%.

Before declaring these Dividends and announcing the reactivation of our Dividend Reinvestment Plan, Directors have weighed up their stated preference for steady growth in dividends over the long term, forecast operating cash flows and the significant planned investment in the relocation of our Head Office, Distribution Centre and Sydney Branch.

The Future

Our focus for new investment is on improved support for those customer segments where we believe high service levels will underpin growth and sustain business at current gross margins well into the future.

It is likely our rate of growth in the Bus market will slow this year, settling at around 5% over the longer term. The main competitive drivers in this market are significant consolidation amongst Bus operators and strong cost pressures in the now cyclically tendered, high volume metropolitan route service contracts. Because of our relatively high market share and long term commitment to route bus operations around Australia and New Zealand, we are directly affected by this changed landscape and are working hard to support customers in their drive to manage costs.

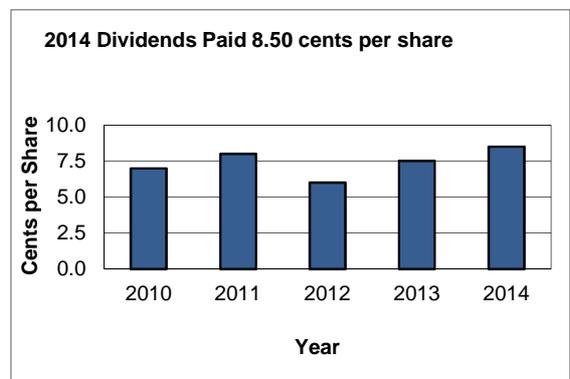
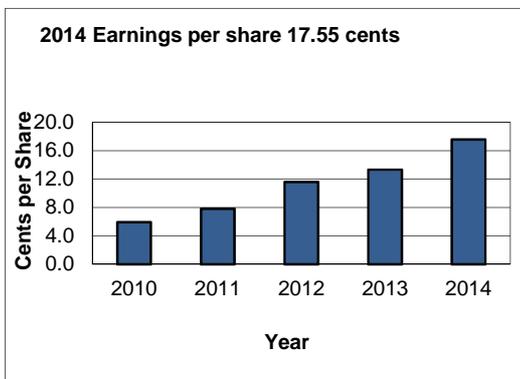
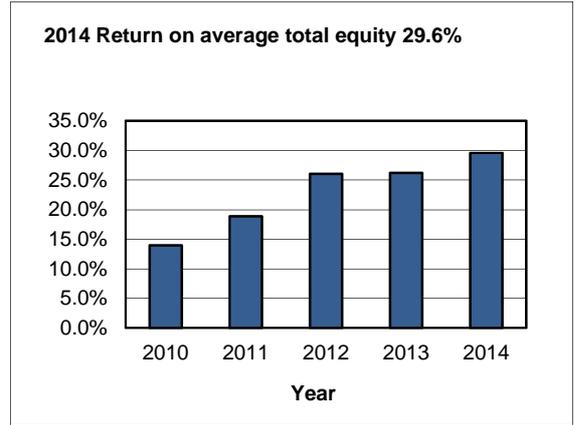
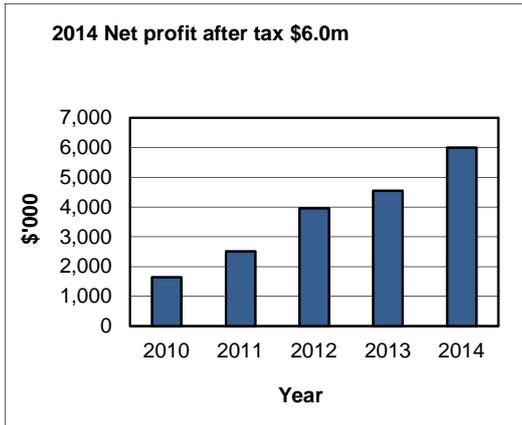
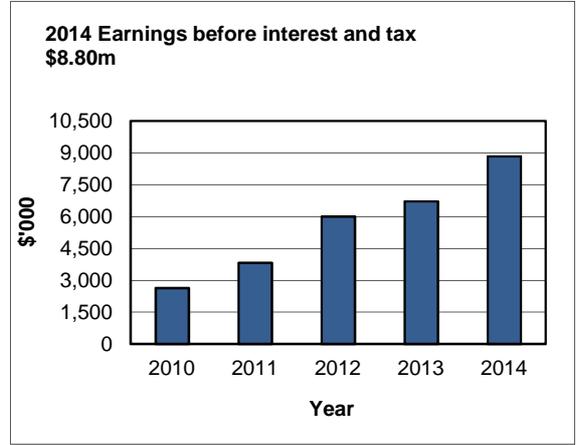
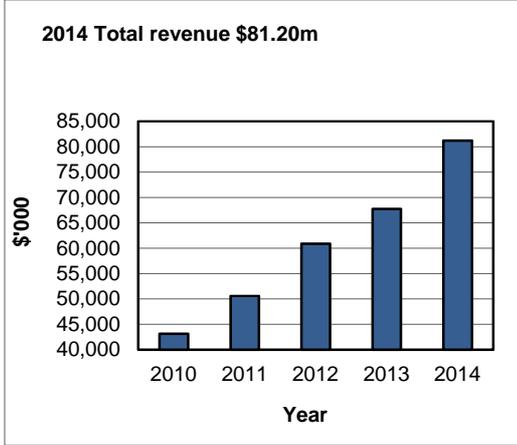
We have a solid product and customer foundation for the much larger Truck market, where we hold a considerably lower market share, and we believe there are many opportunities to maintain growth in Truck business at above 10% p.a. in the medium term.

We will continue to extend our range of Truck parts so that we offer customers a broad service across most models, and will continue to review and upgrade Branch locations where we believe this will raise our profile with core customer groups. A commitment has already been made to relocate Perth Branch in May 2015 to an adjacent site with twice the capacity and improved truck access.

After a year of dramatic change, Directors have brought forward the development of a new 3-Year Plan that includes the significant new investments outlined above and an average compound revenue growth target of 8% p.a. A combination of market conditions and this investment phase in new branches and facility relocations is likely to hold EBIT flat at around \$9.0m over the 2015 and 2016 financial years, and Directors have targeted an EBIT Margin of 10% on turnover of \$100m in financial year 2017.

The commitment by Directors to the relocation of Sydney operations demonstrates a strong conviction in a successful future for your business. We will continue the careful expansion of this financially strong Group that has served our customers, our staff and our shareholders so well.

SUPPLY NETWORK LIMITED
Performance Highlights



SUPPLY NETWORK LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2014

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 2014.

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 \$6.00m (2013: \$4.55m).

Earnings per Share

Basic and diluted earnings per share for the financial year are 17.55 cents per share (2013: 13.30 cents).

Dividends

Dividends paid or declared for payment are as follows:	\$000
Final dividend for 2013 of 4.50 cents per share paid 26 September 2013	1,538
Interim dividend for 2014 of 4.00 cents per share paid 16 April 2014	1,368
Final dividend for 2014 of 5.00 cents per share declared 30 July 2014 and payable 30 September 2014	1,709

Review of Operations

Group sales revenue for the year was \$81.2m, an increase of 20% when compared to last year.

Sales revenue in the Australian operation increased by 16.5% and in the New Zealand operation increased by 23.3% in NZ\$ terms.

Earnings before interest and tax for the year were \$8.8m, an increase of 31.4% on last year.

Profit after income tax for the year was \$6.0m, an increase of 31.9% on last year.

Our strong performance for the year is the result of continuing sales growth and focus on cost management. In the second half of the financial year we relocated our Brisbane branch to a larger facility however the planned openings of two new regional branches were delayed and both will now open in the first half of the 2014-15 financial year.

SUPPLY NETWORK LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2014
(continued)

Review of Operations (continued)

Since last year inventory has increased by \$6.8m. The increase is partly due to the decline in the Australian dollar and increasing product costs but predominantly the increase was a result of sales growth and expansion of our product range to support customer requirements. In the later part of the year increased product costs and competition has put pressure on gross margins and we expect this pressure to continue next financial year.

The increase in inventory levels has impacted on our cash flow from operations, which has declined from \$3.4m last year to \$1.0m. Additional long term borrowings of \$1.0m, repayable over 5 years, were secured during the year resulting in gearing increasing to 18.8% from 17.9%.

Net assets of the group are \$22.0m (2013: \$18.5m) and net tangible asset backing is 64.6 cents per share (2013: 54.1 cents).

Total dividends of 8.5 cents per share were paid during the year, which is an increase of 1.0 cent per share over last year. The dividend reinvestment plan did not operate during the year.

Since the end of the year the Directors have recommenced the Dividend Reinvestment Plan and declared a fully franked final dividend of 5.0 cents per share payable on 30 September 2014. The Dividend Reinvestment Plan will operate in respect of this 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

Since balance date the company has entered into two 15 year lease agreements for premises in Sydney western suburbs. The current Sydney distribution centre and sales branch will relocate to these premises in the first half of the June 2016 financial year. The new leases are expected to increase operating lease costs by around \$800k per annum.

Other than the leases detailed above and final dividend declared, there is no other matter or circumstance that has arisen since the end of the financial year which is not otherwise dealt with in this report or in the consolidated financial statements.

Likely Developments and Expected Results

The Directors forecast sales revenue growth for the Group of at least 8% in 2014/15. 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 28 years experience in financial markets specialising in Australian listed equities.

SUPPLY NETWORK LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2014 (continued)

Peter William McKenzie

Appointed to the Board on 1 July 2006 as Non-executive Director. Chairman of the Remuneration Committee and a member of the Audit Committee. He holds a Masters Degree in Business Administration, has over 18 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.

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 21 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 34 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	4	4
P W McKenzie	12	12	2	2	4	4
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:

- 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).
- P W McKenzie is deemed to have a relevant interest in shares held by PW & LJ McKenzie Superannuation Fund, a substantial shareholder (3,722,470 shares).
- 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).
- 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 2014
(continued)

Company Secretary

Peter William Gill has been the Company Secretary and Senior Finance Executive of Supply Network Limited for over 19 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 2014 is detailed in Table 1 below.

SUPPLY NETWORK LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2014
(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.

Relationship between Remuneration Policies and Group Performance

The tables below set out summary information about the Group's earnings and movements in shareholder wealth for the five years to 30 June 2014. The Board is of the opinion that these results can be attributed, in part, to the remuneration policies and is satisfied with the overall trend in shareholder wealth over the past five years.

	2014	2013	2012	2011	2010
Total Revenue	81.2m	67.7m	60.8m	50.6m	43.1m
Net Profit after tax	6.0m	4.5m	3.9m	2.5m	1.6m
Share price year-end	\$2.30	\$1.30	\$0.995	\$0.57	\$0.32
Dividends paid cents per share	8.50	7.50	6.00	8.00*	7.00*

* 2010 and 2011 include 4 cents per share special dividend.

SUPPLY NETWORK LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2014
(continued)

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 \$363,040 from 1 July 2014 plus a short-term incentive of up to 33% of the package.
- P W Gill – fixed compensation package of \$321,520 from 1 July 2014 plus a short-term incentive of up to 25% of the package.

Key Management Personnel

Details of key management personnel are as follows:

Directors

G 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 2014

	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		
	\$	\$	\$	\$	\$	\$	\$	\$	%
Directors									
G J Forsyth	74,515	-	-	-	6,893	-	-	81,408	-
P W McKenzie	51,835	-	-	-	4,795	-	-	56,630	-
G D H Stewart	321,773	113,022	-	10,101	25,000	-	-	469,896	24.1
P W Gill	254,807	75,830	24,000	10,282	25,000	-	-	389,919	19.4
Total	702,930	188,852	24,000	20,383	61,688	-	-	997,853	18.9
Total		915,782		20,383	61,688		-	997,853	18.9

SUPPLY NETWORK LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2014
(continued)

Table 2: 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		
	\$	\$	\$	\$	\$	\$	\$	\$	%
Directors									
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
Total	672,105	178,163	26,307	18,712	60,754	-	-	956,041	18.6
Total		876,575		18,712	60,754	-	-	956,041	18.6

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.

Auditors' Independence Declaration

A copy of the Auditors' Independence declaration for the year ended 30 June 2014 is set out on page 12.

Non-Audit Services

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 20 to the financial statements. The Directors are satisfied that the provision of non-audit services, during the year, by the auditor is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

The Directors are of the opinion that the services as disclosed in note 20 to the financial statements do not compromise the external auditor's independence, based on advice received from the Audit Committee, for the following reasons:

- All non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 'Code of Ethics for Professional Accountants' issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

Signed in accordance with a resolution of directors.



G J Forsyth
 Director
 Sydney
 20 August 2014

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 2014 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.

**Sydney, NSW
20 August 2014**



**S Grivas
Partner**

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 2014 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 2014 were as follows:-

	Total No.	Women No.	Percentage
Whole Organisation	188	18	9.6%
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 2014

	Notes	Consolidated	
		2014 \$000	2013 \$000
Revenue	3	81,216	67,679
Finance revenue	3	14	37
Other income		6	32
Changes in inventories of finished goods		(45,843)	(38,419)
Employee benefits expenses		(15,289)	(13,013)
Depreciation and amortisation		(787)	(613)
Other expenses	3	(10,473)	(8,948)
Finance costs	3	(308)	(275)
Profit before income tax		8,536	6,480
Income tax expense	4	(2,536)	(1,932)
Profit after income tax		6,000	4,548
Profit attributable to members of the parent		6,000	4,548
Other comprehensive Income			
Adjustment on translation of foreign controlled entity	16	480	334
Income tax expense		-	-
Total other comprehensive income after income tax		480	334
Total comprehensive income for the year attributable to members of the parent		6,480	4,882
Basic and diluted earnings per share (cents per share)	18	17.55	13.30
Dividends per share (cents per share)	17	8.50	7.50

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 2014**

	Notes	Consolidated	
		2014 \$000	2013 \$000
ASSETS			
Current assets			
Cash and cash equivalents	5	159	1,911
Trade and other receivables	6	9,051	8,413
Inventories	7	27,817	20,977
Other current assets	8	103	72
Derivatives	14	-	21
Total current assets		37,130	31,394
Non-current assets			
Plant and equipment	9	2,863	2,819
Deferred tax assets	4	1,373	1,134
Total non-current assets		4,236	3,953
TOTAL ASSETS		41,366	35,347
LIABILITIES			
Current liabilities			
Trade and other payables	10	12,536	11,248
Interest bearing loans and borrowings	11	387	574
Income tax payable	12	889	761
Provisions	13	635	527
Derivatives	14	4	-
Total current liabilities		14,451	13,110
Non-current liabilities			
Interest bearing loans and borrowings	11	3,773	2,737
Provisions	13	1,073	1,005
Total non-current liabilities		4,846	3,742
TOTAL LIABILITIES		19,297	16,852
NET ASSETS		22,069	18,495
EQUITY			
Contributed equity	15	9,698	9,698
Reserves	16	587	107
Retained earnings		11,784	8,690
TOTAL EQUITY		22,069	18,495

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 2014

	Note	Contributed Equity \$000	Exchange Translation Reserve \$000	Retained Earnings \$000	Total \$000
Consolidated					
Balance at 1 July 2012		9,698	(227)	6,706	16,177
Total comprehensive income for the year		-	334	4,548	4,882
Transactions with owners in their capacity as owners					
Dividends provided for or paid	17	-	-	(2,564)	(2,564)
Balance at 30 June 2013		9,698	107	8,690	18,495
Total comprehensive income for the year		-	480	6,000	6,480
Transactions with owners in their capacity as owners					
Dividends provided for or paid	17	-	-	(2,906)	(2,906)
Balance at 30 June 2014		9,698	587	11,784	22,069

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 2014

	Notes	Consolidated	
		2014 \$000	2013 \$000
Cash flows from operating activities		Inflows/(Outflows)	
Receipts from customers		88,046	75,015
Payments to suppliers and employees		(84,092)	(69,180)
Interest received		14	39
Interest paid		(302)	(225)
Income tax paid		(2,656)	(2,268)
Net cash flows from (used in) operating activities	23(a)	1,010	3,381
Cash flows from investing activities			
Purchase of plant and equipment		(729)	(1,662)
Proceeds from sale of plant and equipment		11	40
Net cash flows from (used in) investing activities		(718)	(1,622)
Cash flows from financing activities			
Proceeds from borrowings		1,000	500
Repayment of borrowings		(206)	(120)
Dividends paid		(2,906)	(2,564)
Net cash flows from (used in) financing activities		(2,112)	(2,184)
Net increase (decrease) in cash and cash equivalents		(1,820)	(425)
Cash and cash equivalents at beginning of year		1,911	2,277
Exchange rate adjustment to balances held in foreign currencies		68	59
Cash and cash equivalents at end of year	5	159	1,911

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 2014

1. Corporate information

The consolidated financial statements of Supply Network Limited (the company) for the year ended 30 June 2014 were authorised for issue in accordance with a resolution of the directors on 20 August 2014.

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 2014 (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 2014
(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.

(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.

SUPPLY NETWORK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014 (continued)

2. Summary of significant accounting policies (continued)

(i) Leases (continued)

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.

(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.

SUPPLY NETWORK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014 (continued)

2. Summary of significant accounting policies (continued)

(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.

(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 or loss 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.

SUPPLY NETWORK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014 (continued)

2. Summary of significant accounting policies (continued)

(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).

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.

SUPPLY NETWORK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014 (continued)

2. Summary of significant accounting policies (continued)

(s) Revenue recognition (continued)

(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
- 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.

SUPPLY NETWORK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014 (continued)

2. Summary of significant accounting policies (continued)

(u) Income tax (continued)

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.

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.

SUPPLY NETWORK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014
(continued)**

2. Summary of significant accounting policies (continued)

(x) New Accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2014 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.

	Consolidated	
	2014	2013
	\$000	\$000
3. Revenues and expenses		
Revenue and expenses from continuing operations		
(a) Revenue		
Sale of goods	<u>81,216</u>	<u>67,679</u>
(b) Finance revenue		
Bank interest	<u>14</u>	<u>37</u>
(c) Other expenses		
Bad and doubtful debts – trade receivables	(122)	(89)
Freight and cartage expenses	(1,278)	(1,052)
Operating lease expense	(2,909)	(2,528)
Other	(6,164)	(5,279)
	<u>(10,473)</u>	<u>(8,948)</u>
(d) Finance costs		
Bank loans and overdrafts	(280)	(232)
Other finance costs	(28)	(43)
	<u>(308)</u>	<u>(275)</u>
4. Income tax		
(a) Income tax expense		
The major components of income tax expense are:		
Current income tax		
Current income tax charge	2,775	2,077
Deferred income tax		
Relating to origination and reversal of temporary differences	(239)	(145)
Income tax expense	<u>2,536</u>	<u>1,932</u>

SUPPLY NETWORK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014
(continued)

	Consolidated	
	2014	2013
	\$000	\$000
4. Income tax (continued)		
(b) Reconciliation of prima facie tax payable to income tax expense		
Profit before income tax	8,536	6,480
At the Group's income tax rate of 30% (2013:30%)	2,561	1,944
Other amounts which are not deductible (assessable) for income tax purposes	(25)	(12)
Income tax expense	2,536	1,932
(c) Deferred tax assets		
Depreciation differences	235	170
Doubtful debts	50	44
Employee benefits	599	509
Stock obsolescence	350	262
Other	139	149
	1,373	1,134

(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 2014
(continued)

	Consolidated	
	2014	2013
	\$000	\$000
5. Cash and cash equivalents		
Cash at bank and in hand	159	509
Short-term deposits	-	1,402
	159	1,911

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.

	Consolidated	
	2014	2013
	\$000	\$000
6. Trade and other receivables		
Current		
Trade receivables (i)	9,210	8,517
Allowance for impairment loss	(169)	(146)
	9,041	8,371
Other receivables	10	42
	9,051	8,413
Ageing of trade receivables not impaired		
Not overdue	8,701	7,975
61-90 days past due	326	394
91 days and above past due	14	2
	9,041	8,371
Ageing of trade receivables impaired		
Not overdue	22	33
61-90 days past due impaired	16	26
91 days and above past due	131	87
	169	146
Total trade receivables	9,210	8,517
Movements in allowance for impairment loss		
Opening balance	146	98
Additions during the year	63	64
Amounts written off during the year	(42)	(18)
Exchange difference	2	2
Closing balance	169	146

SUPPLY NETWORK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014
(continued)**

6. Trade and other receivables (continued)

- (i) Trade receivables are non-interest bearing and generally on 30 day terms. As at 30 June 2014 trade receivables of \$340,000 (2013: \$396,000) 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. Refer note 11(ii) regarding security pledged.
- (ii) Information regarding the effective interest rate and the credit risk of current receivables is disclosed in note 27.

Consolidated

2014 2013
\$000 \$000

7. Inventories

Finished goods at lower of cost or net realisable value	23,894	17,550
Stock in transit - finished goods at cost	3,923	3,427
Total inventories at lower of cost and net realisable value	27,817	20,977

8. Other current assets

Prepayments	103	72
	103	72

9. Plant and equipment

Plant and equipment at cost

Opening balance	6,840	5,514
Additions	771	1,712
Disposals	(168)	(439)
Exchange difference	110	53
Closing balance	7,553	6,840

Accumulated depreciation

Opening balance	4,021	3,737
Depreciation for the year	787	613
Disposals	(151)	(371)
Exchange difference	33	42
Closing balance	4,690	4,021

Total plant and equipment

	2,863	2,819
	2,863	2,819

10. Trade and other payables

Trade payables and accruals	12,536	11,248
	12,536	11,248

SUPPLY NETWORK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014
(continued)

		Consolidated	
		2014	2013
		\$000	\$000
11. Interest bearing loans and borrowings			
	Maturity		
Current			
Bank loans (i)	<i>2015-2019</i>	387	74
Bank loans (i)	<i>Subject to annual review</i>	-	500
		387	574
Non-current			
Bank loans (i)	<i>2015-2019</i>	3,773	2,737
		3,773	2,737
Total interest bearing loans and borrowings		4,160	3,311

- (i) Bank loans comprises:
- Flexible rate interest only loans of \$2,622,000 (2013: \$2,589,000), with interest rates of 6.0% to 7.1% (2013: 6.00% to 8.00%) maturing in July 2015, August 2015 and January 2017 (2013: July 2015 and August 2015).
- Flexible rate principal and interest loan of \$1,538,000 (2013: \$722,000), with an interest rate of 4.7% to 6.2% (2013: 6.2%) maturing in September 2015, December 2016 and March 2019 (2013: April 2018), 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 8.8% (2013: 9.6%).
- (iii) Bank loan agreements require certain financial ratios to be maintained
- Australian loan agreement requires:
- Consolidated borrowing base ratio as defined not to exceed 50% of eligible stock plus eligible debtors.
Consolidated debt to EBITDA does not exceed 2.5 to 1.
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.

SUPPLY NETWORK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014
(continued)

	Consolidated		
	2014	2013	
	\$000	\$000	
12. Income tax payable			
Current year income tax payable	889	761	
13. Provisions			
	Consolidated		
	Long	Lease	Total
	Service	make	
	Leave	good	
	\$000	\$000	\$000
At 1 July 2013	748	784	1,532
Arising during the year	132	70	202
Utilised	-	(27)	(27)
Exchange difference	-	1	2
Discount rate adjustment	(1)	1	(1)
At 30 June 2014	879	829	1,708
Current 2014	635	-	635
Non-current 2014	244	829	1,073
	879	829	1,708
Current 2013	527	-	527
Non-current 2013	221	784	1,005
	748	784	1,532

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	
	2014	2013
	\$000	\$000
14. Derivatives		
Current assets (liabilities)		
Net forward currency contracts	(4)	21

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 2014
(continued)

	Consolidated	
	2014	2013
	\$000	\$000
15. Contributed equity		
(a) Issued and paid up capital		
34,187,229 ordinary shares fully paid (2013: 34,187,229)	9,698	9,698
(b) Movements in Shares on Issue		
	2014	2013
	Number of	Number of
	Shares	Shares
	\$000	\$000
Balance at beginning of the year	34,187,229	34,187,229
Balance at end of the year	34,187,229	34,187,229
(c) Share Options		
There were no outstanding options over ordinary shares on issue at 30 June 2014 and 30 June 2013.		
(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 2014
(continued)

	Consolidated	
	2014	2013
	\$000	\$000
17. Dividends paid and proposed on ordinary shares		
(a) Dividends declared and paid during the year		
Current year interim fully franked dividend (2014: 4.00 cents per share) (2013: 3.50 cents)	1,368	1,197
Previous year final fully franked dividend (2013: 4.50 cents per share) (2012: 4.00 cents)	1,538	1,367
Total dividends paid	2,906	2,564
(b) Dividends proposed subsequent to 30 June and not recognised as a liability		
Current year final fully franked dividend (2014: 5.00 cents per share) (2013: 4.50 cents)	1,709	1,538
(c) Franking credit balance		
The amount of franking credits available for the subsequent financial year are:		
Franking account balance as at the end of the financial year at 30% (2013: 30%)	5,235	4,308
Franking credits that will arise from the payment of income tax payable as at the end of the financial year	658	641
	5,893	4,949
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	(733)	(659)
	5,160	4,290

The tax rate at which paid dividends have been franked is 30% (2013: 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 2014
(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:

	Consolidated	
	2014	2013
	\$000	\$000
Net profit attributable to ordinary equity holders of the parent	6,000	4,548
	No.	No.
Weighted average number of ordinary shares for basic earnings per share	34,187,229	34,187,229
Basic and diluted earnings per share (cents per share)	17.55	13.30

19. Lease commitments

Operating lease commitments:

not later than one year	2,789	2,309
later than one year and not later than five years	5,106	4,425
later than five years	1,222	756
	9,117	7,490

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.

Significant Events after Balance Date

Since balance date the company has entered into two 15 year lease agreements for premises in Sydney western suburbs. The current Sydney distribution centre and sales branch will relocate to these premises in the first half of the June 2016 financial year. The new leases are expected to increase operating lease costs by around \$800k per annum.

SUPPLY NETWORK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014
(continued)

	Consolidated	
	2014	2013
	\$	\$
20. Auditor's compensation		
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	64,900	62,200
Review of remuneration contracts	1,500	-
Amounts received or due and receivable by HLB Mann Judd Limited Auckland for:		
An audit of the financial report of a subsidiary	15,800	14,000
	82,200	76,200

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:

	Consolidated	
	2014	2013
	\$	\$
Short-term	915,782	876,575
Post-employment	61,688	60,754
Other long term benefits	20,383	18,712
	997,853	956,041

(b) Shares issued on exercise of compensation options

There were no shares issued as compensation or on exercise of compensation options during the years ended 30 June 2014 and 30 June 2013.

(c) Option holdings of key management personnel

There were no options held by key management personnel at 30 June 2014 or 30 June 2013.

SUPPLY NETWORK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014
(continued)**

21. Key management personnel (continued)

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

	Balance 1 July 2013 No.	Options Exercised No.	Net Change Other No.	Balance 30 June 2014 No.
Directors				
G J Forsyth	555,736	-	-	555,736
P W McKenzie	3,683,936	-	38,534	3,722,470
G D H Stewart	1,162,365	-	-	1,162,365
P W Gill	498,027	-	-	498,027
	5,900,064	-	38,534	5,938,598
	Balance 1 July 2012 No.	Options Exercised No.	Net Change Other No.	Balance 30 June 2013 No.
Directors				
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
	5,900,064	-	-	5,900,064

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 9.50% from 1 July 2014 (2013: 9.25%) 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 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 2014
(continued)

	Consolidated	
	2014	2013
	\$000	\$000
23. Cash Flow Information		
(a) Reconciliation of net profit after tax to the net cash flows from operations		
Profit after income tax	6,000	4,548
Adjustments for non-cash income and expense items		
Loss on disposal of plant and equipment	7	6
Depreciation of plant and equipment	787	613
Transfers to provisions:		
Inventory obsolescence	357	187
Employee entitlements	301	291
Doubtful debts	23	48
Lease make good	1	23
Net exchange differences	390	334
Increase (decrease) in provision for:		
Income tax payable	128	(170)
Deferred taxes	(240)	(145)
Changes in assets and liabilities		
(Increase) decrease in:		
Trade and other receivables	(661)	(594)
Inventories	(7,197)	(3,230)
Other assets	303	(35)
(Decrease) increase in:		
Trade and other payables	811	1,505
Net cash flow from (used in) operating activities	1,010	3,381

SUPPLY NETWORK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014
(continued)

	Consolidated	
	2014	2013
	\$000	\$000
23. Cash Flow Information (continued)		
(b) Financing facilities available:		
At reporting date the following facilities had been negotiated and were available:		
Total credit facilities	6,078	5,112
Facilities used at reporting date	(4,160)	(3,311)
Facilities unused at reporting date	1,918	1,801
The major facilities are summarised as follows:		
Bank overdrafts	1,732	962
Facilities used	-	-
Facilities unused at reporting date	1,732	962
Bank loans	4,346	4,150
Facilities used	(4,160)	(3,311)
Facilities unused at reporting date	186	839
24. Parent Entity Information		
Current assets	-	852
Total assets	17,399	15,388
Current liabilities	683	663
Total liabilities	683	663
Shareholders equity:		
Issued capital	9,698	9,698
Retained earnings	7,018	5,027
	16,716	14,725
Profit for the year	4,897	3,609
Other comprehensive income	-	-
Total comprehensive income	4,897	3,609

SUPPLY NETWORK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014
(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.

	Closed Group	
	2014	2013
	\$000	\$000
Statement of Profit or Loss and Other Comprehensive Income		
Profit before income tax	7,023	5,251
Income tax expense	(1,986)	(1,587)
Profit after income tax	5,037	3,664
Net profit attributable to members of the parent	5,037	3,664
Other comprehensive income	-	-
Total comprehensive income	5,037	3,664
Retained Earnings		
Retained earnings at beginning of the year	5,036	3,936
Profit after income tax	5,037	3,664
Dividends provided for or paid	(2,906)	(2,564)
Retained earnings at end of the year	7,167	5,036

SUPPLY NETWORK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014
(continued)

	Closed Group	
	2014 \$000	2013 \$000
25. Deed of Cross Guarantee (continued)		
Balance Sheet		
ASSETS		
Current assets		
Cash and cash equivalents	54	1,212
Trade and other receivables	7,211	7,063
Inventories	21,695	17,052
Other current assets	83	65
Intercompany	34	51
Derivatives	-	18
Total current assets	29,077	25,461
Non-current assets		
Other financial assets	1,031	1,031
Plant and equipment	1,962	1,981
Deferred tax assets	1,144	942
Total non-current assets	4,137	3,954
TOTAL ASSETS	33,214	29,415
LIABILITIES		
Current liabilities		
Trade and other payables	10,373	9,778
Interest bearing loans and borrowings	322	100
Income tax payable	658	641
Provisions	635	527
Derivatives	7	-
Total current liabilities	11,995	11,046
Non-current liabilities		
Interest bearing loans and borrowings	3,303	2,650
Provisions	1,051	985
Total non-current liabilities	4,355	3,635
TOTAL LIABILITIES	16,349	14,681
NET ASSETS	16,865	14,734
EQUITY		
Contributed equity	9,698	9,698
Retained earnings	7,167	5,036
TOTAL EQUITY	16,865	14,734

SUPPLY NETWORK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014
(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.

Geographical segments	Australia		New Zealand		Eliminations		Consolidated	
	2014	2013	2014	2013	2014	2013	2014	2013
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Revenue								
Sales to customers outside the Group	66,725	57,266	14,491	10,413	-	-	81,216	67,679
Other income from outside the Group	10	28	10	41	-	-	20	69
Inter-segment revenues	980	799	87	-	(1,067)	(799)	-	-
Total segment revenues	67,715	58,093	14,588	10,454	(1,067)	(799)	81,236	67,748
Results								
Segment results	7,023	5,252	1,920	1,243	(407)	(15)	8,536	6,480
Profit before income tax and finance costs							8,830	6,718
Finance revenue							14	37
Finance costs							(308)	(275)
Profit before income tax							8,536	6,480
Income tax expense							2,536	(1,932)
Profit after income tax expense							6,000	4,548
Assets								
Segment assets	33,213	29,415	9,308	7,108	(1,155)	(1,176)	41,366	35,347
Liabilities								
Segment liabilities	16,349	14,681	3,021	2,240	(73)	(69)	19,297	16,852
Other segment information								
Additions to plant and equipment, intangible assets and other non-current assets	613	904	159	808	-	-	772	1,712
Depreciation	621	549	166	64	-	-	787	613
Other non-cash expenses	592	451	89	118	-	-	681	569

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 2014
(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
							%	%
Consolidated								
30 June 2014								
Financial assets								
Cash	159	-	-	-	-	159	-	-
Trade receivables	-	-	-	-	9,210	9,210	-	-
Forward currency contracts	-	-	-	-	691	691	-	-
Other receivables	-	-	-	-	10	10	-	-
	159	-	-	-	9,911	10,070		
Financial liabilities								
Trade and other payables	-	-	-	-	12,536	12,536	-	-
Bank loans and overdrafts	1,375	387	2,398	-	-	4,160	5.2	6.6
Forward currency contracts	-	-	-	-	695	695	-	-
	1,375	387	2,398	-	13,231	17,391		

SUPPLY NETWORK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014
(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	1 to 5 years	Over 5 years			Floating	Fixed
		\$000	\$000	\$000			%	%
Consolidated 30 June 2013								
Financial assets								
Cash	1,911	-	-	-	-	1,911	2.7	-
Receivables	-	-	-	-	8,517	8,517	-	-
Forward currency contracts	-	-	-	-	1,025	1,025	-	-
Other receivables	-	-	-	-	42	42	-	-
	<u>1,911</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,584</u>	<u>11,495</u>		
Financial liabilities								
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	-	-
	<u>500</u>	<u>74</u>	<u>2,737</u>	<u>-</u>	<u>12,252</u>	<u>15,563</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 between 1-5 years.

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.

(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.

SUPPLY NETWORK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014
(continued)

27. Financial risk management (continued)

(b) Foreign exchange risk (continued)

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

Currency		Average exchange rate		Buy	Buy
		2014	2013	2014 \$000	2013 \$000
Euro currency	3 months or less	0.68	0.71	224	717
Japanese yen	3 months or less	94.89	92.78	425	181
GB pounds	3 months or less	0.55	-	14	-
US dollar	3 months or less	0.93	0.93	33	106
Total				696	1,004

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.

(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.

SUPPLY NETWORK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014
(continued)

27. Financial risk management (continued)

(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.

Consolidated	
2014	2013
\$000	\$000

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	270	256
Amounts owed by related parties	46	49

- (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

	Country of Incorporation
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 ended 30 June 2014 and 30 June 2013.

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 49 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 2014 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 2014 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
20 August 2014

SUPPLY NETWORK LIMITED
ABN 12 003 135 680

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 2014, 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 statements comply 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.

SUPPLY NETWORK LIMITED
ABN 12 003 135 680

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 20 August 2014, 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 2014 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 statements also comply 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 11 of the directors' report for the year ended 30 June 2014. 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 2014 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 2014 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.

A handwritten signature in blue ink that reads 'HLB Mann Judd'.

HLB Mann Judd
Chartered Accountants

Sydney, NSW
20 August 2014

A handwritten signature in blue ink that reads 'S. Grivas'.

S Grivas
Partner