

SUPPLY NETWORK LIMITED

Directors' Report

The Directors of Supply Network Limited submit their report for the financial year ended 30 June 2003.

Directors

The names of the company's directors 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.

H R Forsyth (Chairman)
G D H Stewart (Managing Director)
H M O Anderson
G T Lingard

Principal Activities

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

Results

The net profit of the consolidated entity after providing for income tax for the financial year was \$917,000 (2002: \$577,000).

Earnings Per Share

Basic and diluted earnings per share for the financial year are 4.47 cents per share (2002: 2.98 cents).

Dividends

Dividends paid or declared for payment are as follows

Final dividend for 2002 of 1.0 cent per share paid 16 September 2002	195,000
Interim dividend of 0.75 cents per share paid 28 March 2003	161,000
Final dividend for 2003 of 1.0 cent per share declared 29 August 2003 and payable 10 October 2003	215,000

Review of Operations

The consolidated entity experienced an improvement in both sales and profits in this financial year.

Total consolidated sales revenue increased by 15% from last financial year. This was a result of 10% growth in sales by the Australian operation and 23% growth in New Zealand (measured in NZ\$ terms which excludes the impact of exchange rate fluctuations).

The consolidated entity net profit of \$917,000 represents an increase of 59% on last year.

Further information is detailed in the Managing Director's and Chairman's report.

Significant Changes in the State of Affairs

The contributed equity of the company increased from \$4,837,000 to \$5,282,000. The increased capital was raised primarily by the issue of shares to existing shareholders by means of a share purchase plan.

At the annual general meeting held in November 2002 the company resolved to change its name to Supply Network Limited.

Significant Events after Balance Date

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

Likely Developments and Expected Results

The directors expect the consolidated entity's future operating results will continue to improve with sales growth expected to continue. Further expansion of product model coverage is an ongoing consideration.

The directors have excluded from this report any further information on the likely developments in the operations of the consolidated entity and the expected results of those operations in future financial years, as the directors believe that it would be likely to result in unreasonable prejudice to one or more entities in the consolidated entity.

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Directors' Report (continued)

Share Options

Unissued shares

As at the date of this report, there were 625,000 unissued ordinary shares under options. Refer to Note 19 of the financial statements for further details of the options outstanding.

Option holders do not have any right, by virtue of the option, to participate in any share issue of the company or any related body corporate.

Shares issued as a result of the exercise of options

During the financial year, G.D.H. Stewart a director, exercised the option to acquire 125,000 fully paid ordinary shares in Supply Network Limited at an exercise price of 13 cents.

Information on Directors

Harry Robert Forsyth - Chairman

Chairman of the Board since 1986, Chief Executive until September 1993, member of the Audit and Remuneration Committees, and Chairman of those Committees until March 1998. Previously held senior executive positions with the British Leyland Group in Australia.

Geoffrey David Huston Stewart - Managing Director

Appointed Chief Executive Officer in November 1999 and Managing Director in November 2000. He is a Chartered Professional Engineer and has an MBA from Macquarie University. He also has over 12 years executive management experience in the Road Transport Industry.

Hugh Munro Outram Anderson

Non-executive Director since 1994, Chairman of the Audit Committee and a member of the Remuneration Committee. Currently a Director of unlisted property companies and private companies in the agricultural industry. Private Funds Manager. NSW Councillor of Australian Institute of Company Directors. Over 25 years experience as a Public Company Director.

Garry Thomas Lingard

Non-executive Director since 1996, Chairman of the Remuneration Committee and a member of the Audit Committee. He has significant experience in managing and developing a diverse range of companies.

Directors' Meetings

The number of meetings of the Board of Directors and of Board Committees held during the year were:

Board or Committees	Number of Meetings
Full Board	13
Audit	2
Remuneration	2

The attendance of directors at meetings of the board and committees were:

	Full Board	Audit Committee	Remuneration Committee
H R Forsyth	13	2	2
H M O Anderson	12	2	2
G T Lingard	12	2	2
G D H Stewart	13	-	-

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

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Directors' Report (continued)

Directors' Interests

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

- (a) H R Forsyth is deemed to have a relevant interest in shares held by Hergfor Enterprises Pty Ltd, a substantial shareholder (6,097,314 shares).
- (b) H M O Anderson is deemed to have a relevant interest in shares held by Birubi Super Fund (514,000 shares).
- (c) G T Lingard is deemed to have a relevant interest in shares held by GT Lingard Holdings Pty Ltd (207,842 shares).
- (d) G D H Stewart holds 139,000 ordinary shares of the company and options to acquire a further 275,000 ordinary shares and is deemed to have a relevant interest in shares held by D G Stewart (214,000 shares).

Directors' and Senior Executives' Remuneration

The Remuneration Committee is responsible for making recommendations to the Board on remuneration policies and packages applicable to the Board members and senior executives of the consolidated entity. Remuneration is determined as part of an annual review which includes performance evaluation, regard to comparative remuneration and independent remuneration advice. The broad remuneration policy is to ensure the remuneration package properly reflects the person's duties and responsibilities and that remuneration is competitive in attracting, retaining and motivating people.

Senior executives may receive incentives based on the achievement of specific goals related to the performance of the consolidated entity. Non-executive directors do not receive any performance related remuneration.

Details of remuneration provided to Directors and the most highly remunerated executive officers are as follows:

	Salary	Directors' Fees	Bonus	Super- annuation	Other	Total
	\$	\$	\$	\$	\$	\$
Directors						
H R Forsyth	-	26,880	-	24,000	-	50,880
H M O Anderson	-	-	-	32,700	-	32,700
G T Lingard	-	30,000	-	2,700	-	32,700
G D H Stewart	162,296	-	37,553	21,866	11,808	233,523
Officers						
P W Gill	116,792	-	18,776	30,004	10,242	175,814
B A McKenna	120,512	-	18,776	16,548	11,526	167,362

Indemnification of Directors

During or since the financial year the company paid an insurance premium that indemnifies officers of the company and any other related body corporate against a liability incurred as such an officer, to the extent permitted by the Corporations Law. The company has not otherwise indemnified or made a relevant agreement to indemnify an officer of the company or any related body corporate against a liability incurred as such an officer.

Rounding

The amounts contained in this report and in the financial report have been rounded to the nearest \$1,000 (where rounding is applicable) under the option available to the company under ASIC Class Order 98/0100. The company is an entity to which the Class Order applies.

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Directors' Report (continued)

Corporate Governance

In recognition of the need for high standards of corporate behaviour and accountability the directors support and adhere to the principles of corporate governance. The company's corporate governance statement is contained in the following section of this annual report.

Signed in accordance with a resolution of directors.

H R Forsyth
Director

Sydney
29 August 2003

SUPPLY NETWORK LIMITED

**Statement of Financial Performance
for the year ended 30 June 2003**

	Note	Consolidated		Parent	
		2003 \$000	2002 \$000	2003 \$000	2002 \$000
Revenue from ordinary activities	2	30,444	27,154	816	1,284
Expenses from ordinary activities excluding borrowing costs	3	(28,846)	(26,088)	(253)	(790)
Borrowing costs	3	(196)	(221)	-	-
Profit from ordinary activities before income tax expense		1,402	845	563	494
Income tax expense relating to ordinary activities	4	(485)	(268)	-	(11)
Profit from ordinary activities after income tax expense		917	577	563	483
Net profit		917	577	563	483
Net exchange difference on translation of financial statements of foreign controlled entity		4	73	-	-
Total revenues, expenses and valuation adjustments attributable to members of Supply Network Limited and recognised directly in equity		4	73	-	-
Total changes in equity other than those resulting from transactions with owners as owners		921	650	563	483
Basic and diluted earnings per share (cents per share)		4.47	2.98		
Weighted average number of ordinary shares used in the calculation of basic earnings per share		20,499,013	19,345,845		

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**Statement of Financial Position
at 30 June 2003**

Note	Consolidated		Parent		
	2003 \$000	2002 \$000	2003 \$000	2002 \$000	
Current Assets					
Cash assets	27	438	292	100	-
Receivables	5	4,173	3,950	-	-
Inventories	6	9,301	9,305	-	-
Other	7	27	15	-	-
Total Current Assets		13,939	13,562	100	-
Non-Current Assets					
Receivables	8	-	-	6,354	5,753
Other financial assets	9	-	-	1,398	1,398
Property, plant and equipment	10	818	661	-	-
Deferred tax assets	11	586	465	114	96
Total Non-Current Assets		1,404	1,126	7,866	7,247
Total Assets		15,343	14,688	7,966	7,247
Current Liabilities					
Payables	12	4,249	4,729	16	19
Interest bearing liabilities	13	118	162	-	-
Current tax liabilities	14	360	168	26	22
Provisions	15	843	993	270	432
Total Current Liabilities		5,570	6,052	312	473
Non-Current Liabilities					
Interest bearing liabilities	16	1,775	1,893	-	-
Deferred tax liabilities	17	5	17	-	-
Provisions	18	229	165	97	62
Total Non-Current Liabilities		2,009	2,075	97	62
Total Liabilities		7,579	8,127	409	535
Net Assets		7,764	6,561	7,557	6,712
Equity					
Contributed equity	19	5,282	4,837	5,282	4,837
Reserves	20	(2)	(6)	-	-
Retained profits	21	2,484	1,730	2,275	1,875
Total Equity		7,764	6,561	7,557	6,712

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**Statement of Cash Flows
for the year ended 30 June 2003**

Note	Consolidated		Parent	
	2003 \$000	2002 \$000	2003 \$000	2002 \$000
	Inflows (Outflows)			
Cash flows from operating activities				
Receipts from customers	33,289	28,725	-	78
Payments to suppliers and employees	(32,008)	(28,130)	(6)	(13)
Interest received	6	-	4	-
Borrowing costs	(183)	(223)	-	-
Income taxes paid	(422)	(448)	-	-
Net cash flows from (used in) operating activities	27b 682	(76)	(2)	65
Cash flows from investing activities				
Purchase of property, plant and equipment	(516)	(231)	-	-
Proceeds from sale of property, plant and equipment	53	621	-	615
Advances to and by wholly owned related parties	-	-	13	(588)
Net cashflows from (used in) investing activities	(463)	390	13	27
Cash flows from financing activities				
Proceeds from borrowings	148	400	-	-
Proceeds from share issue	445	-	445	-
Repayment of borrowings	(310)	(123)	-	-
Payment of dividend on ordinary shares	(356)	(97)	(356)	(97)
Net cashflows from (used in) financing activities	(73)	180	89	(97)
Net increase (decrease) in cash held	146	494	100	(5)
Add opening cash brought forward	292	(202)	-	5
Closing cash carried forward	27a 438	292	100	-

SUPPLY NETWORK LIMITED

Notes to the Financial Statements for the year ended 30 June 2003

1. Statement of Significant Accounting Policies

(a) Basis of Accounting

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 including applicable Accounting Standards. Other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) have also been complied with.

The financial report has been prepared in accordance with the historical cost convention and does not take into account changes in general purchasing power of the dollar or, except where stated, the price of specific assets.

(b) Principles of Consolidation

The consolidated financial statements are those of the consolidated entity, comprising Supply Network Limited (the parent entity) and all entities that Supply Network Limited controlled during the year and at reporting date. Supply Network Limited was previously known as Multispares Holdings Limited.

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

Financial statements of foreign controlled entities presented in accordance with overseas accounting principles are, for consolidation purposes, adjusted to comply with group policy and generally accepted accounting principles in Australia.

(c) Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous year except for the accounting policies with respect to the provision for dividends and employee benefits.

(i) Provision for dividends

The consolidated entity has adopted the new Accounting Standard AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets" which has resulted in a change in the accounting for the dividends provisions. Previously, the consolidated entity recognised a provision for dividend based on the amount that was proposed or declared after the reporting date. In accordance with the requirements of the new Standard, a provision for dividends will only be recognised at the reporting date where the dividends have been declared, determined or publicly recommended prior to the reporting date. The effect of the revised policy has been to increase consolidated retained profits and decrease provisions at the beginning of the year by \$193,000 (refer to note 21). In accordance with the new Standard, no provision for dividend has been recognised for the year ended 30 June 2003.

(ii) Employee benefits

The consolidated entity has adopted the revised Accounting Standard AASB 1028 "Employee Benefits" which has resulted in a change in the accounting policy for measurement of employee benefit liabilities. This change has not materially impacted the provision for employee entitlements as historically salary uplift factor has been applied. The adoption of this standard has had no material impact on the reported net profit of the company or consolidated entity or earnings per share.

(d) Foreign Currency Transactions

Transactions in foreign currencies are converted at the rate of exchange ruling at the date of the transaction.

Amounts payable to or by the consolidated entity in foreign currencies have been translated into Australian currency at the rate of exchange ruling at the end of the financial year.

Exchange differences relating to monetary items are included in the Statement of Financial Performance in the period when the exchange rates change as exchange gains or losses.

Where a purchase or sale is specifically hedged, exchange gains or losses and costs are deferred and included in the measurement of purchase or sale

The financial statements of a self-sustaining foreign operation are translated using the current method. Any exchange difference arising through the use of the method is taken to the foreign currency translation reserve.

(e) Cash and Cash Equivalents

Cash on hand and in banks and short term deposits are stated at nominal value.

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

Bank overdrafts are carried at the principal amount. Interest is charged as an expense as it accrues.

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Notes to the Financial Statements for the year ended 30 June 2003

1. Statement of Significant Accounting Policies

(f) Receivables

Trade debtors are recognised and carried at original invoice amount less a provision for any uncollectable debts.

Provision for doubtful debts is recognised to the extent that recovery of outstanding receivable balances is considered less than likely. Any provision established is based on a review of all outstanding amounts at year end. A specific provision is maintained for identified doubtful debts, and a general provision is maintained in respect of receivables which are doubtful of recovery but which have not been specifically identified. Bad debts are written off when they are identified.

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

(g) Inventories

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

(h) Recoverable Amount

All non-current assets are reviewed at least annually to determine whether their carrying amounts require write down to recoverable amount. Recoverable amount is determined using net cash flows which have not been discounted.

(i) Other Financial Assets

Investments in controlled entities are valued in the parent entity's financial statements at cost. The carrying amounts of investments are reviewed annually to determine whether they exceed their recoverable amount. Investments other than in controlled entities are valued at the lower of cost or recoverable amount.

(j) Leased Assets

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

Operating leases are not capitalised and rental payments are charged against operating profit in the period in which they are incurred.

There were no finance leases during the year.

(k) Property, Plant and Equipment

Plant and equipment is measured at cost.

Depreciation is provided on a straight line basis on all property, plant and equipment other than freehold land. Major depreciation rates used are.

	2003	2002
Plant and Equipment	2-10 years	2-10 years
Building	-	50 years

(l) Employee Entitlements

Provision is made for employee entitlements benefits accumulated as a result of employees rendering services up to balance date.

Liabilities arising in respect of wages and salaries and annual leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the market yield as at the reporting date on national government bonds, which have terms to maturity approximating the terms of the related liability, are used.

No provision is made for non-vesting sick leave as the anticipated pattern of future sick leave taken indicates that accumulated non-vesting leave will never be paid.

All on-costs, including superannuation, payroll tax and workers' compensation premiums are included in the determination of provisions.

Employee entitlement expenses arising in respect of the following categories

- wages and salaries, non monetary benefits, annual leave, long service leave, sick leave and other leave entitlements; and
- other types of employee entitlements

are charged against profits on a net basis in their respective categories.

The value of the equity-based compensation scheme described in note 26 is not being recognised as an employee benefits expense.

SUPPLY NETWORK LIMITED

Notes to the Financial Statements for the year ended 30 June 2003

1. Statement of Significant Accounting Policies (continued)

(m) Contributed Equity

Issued and paid up capital is recognised at the fair value of the consideration received by the company.

(n) Payables

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the consolidated entity.

Payables to related parties are carried at the principal amount.

(o) Provisions

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

A provision for dividends is not recognised as a liability unless the dividends are declared, determined or publicly recommended on or before the reporting date (refer note 1(c)).

(p) Interest Bearing Liabilities

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

(q) Revenue

Sales revenue is recognised when control of the goods has passed to the purchaser.

Interest income is recognised as it accrues.

Dividend revenue is recognised when the right to receive a dividend has been established.

(r) Taxes

Income taxes

Tax-effect accounting is applied using the liability method whereby income tax is regarded as an expense and is calculated on the accounting profit after allowing for permanent differences. To the extent that timing differences occur between the time items are recognised in the financial statements and when items are taken into account in determining taxable income, the net related taxation benefit or liability, calculated at current rates, is disclosed as a deferred tax asset or deferred tax liability.

The net future income tax benefit relating to timing differences is not carried forward as an asset unless the benefit is virtually certain of being realised.

Goods and Services Tax (GST)

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

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

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

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.

(s) Earnings Per Share

Basic and diluted earnings per share are calculated as net profit attributable to members, adjusted to exclude cost of servicing equity (other than dividends) divided by weighted average number of ordinary shares.

(t) Comparatives

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

SUPPLY NETWORK LIMITED

**Notes to the Financial Statements
for the year ended 30 June 2003**

	Consolidated		Parent	
	2003	2002	2003	2002
	\$000	\$000	\$000	\$000
2. Revenue from Ordinary Activities				
Revenue from operating activities				
Revenue from sale of goods	30,291	26,344	-	-
Revenues from non-operating activities				
Dividends received from				
-Wholly owned group	-	-	560	420
Interest received from				
-Other persons	6	-	4	-
Net foreign exchange gains from non-speculative activities	2	21	-	-
Rent received from				
-Other persons	-	69	-	69
Management fees received from				
-Wholly owned group	-	-	252	180
Proceeds from sale of non-current assets (Note 3(a) below)	53	621	-	615
Other income	92	99	-	-
Total revenues from non-operating activities	153	810	816	1,284
Total revenues from ordinary activities	30,444	27,154	816	1,284
3. Expenses and Losses (Gains)				
Expenses				
Cost of goods sold	18,870	16,872	-	-
Depreciation of non current assets				
-Building	-	7	-	7
-Plant and equipment	291	318	-	-
Total depreciation expense	291	325	-	7
Other Expenses				
Salaries & employee benefit expenses	5,392	4,790	192	148
Operating lease expenses	1,118	963	-	-
Other expenses	2,595	2,188	61	51
Utility expenses	349	303	-	-
Bad and doubtful debt - Trade Debtors	92	45	-	-
Provision for inventory obsolescence	70	7	-	-
Sale non current asset expenses (note(3a) below)	69	595	-	584
Total other expenses	9,685	8,891	253	783
Total expenses from ordinary activities excluding borrowing costs	28,846	26,088	253	790
Borrowing Costs				
Interest paid to or payable to				
-Other persons	196	221	-	-
Total expenses from ordinary activities	29,042	26,309	253	790
(a) Revenue from sale of property, plant and equipment	53	621	-	615
Less expenses from sale of property, plant and equipment	69	595	-	584
Net (profit)/loss on disposal of property, plant and equipment	16	(26)	-	(31)

SUPPLY NETWORK LIMITED

**Notes to the Financial Statements
for the year ended 30 June 2003**

	Consolidated		Parent	
	2003	2002	2003	2002
	\$000	\$000	\$000	\$000
4. Income Tax Expense				
The prima facie tax on profit from ordinary activities before income tax differs from income tax provided in the financial statements as follows				
Profit from ordinary activities	1,402	845	563	494
Prima facie tax payable at 30%	421	254	169	148
Tax effect of permanent and other differences				
Dividends received	-	-	(169)	(126)
Non assessable gain on disposal of property, plant and equipment	-	(9)	-	(9)
Other items not deductible	64	22	-	(2)
Amount under provided in prior year	-	1	-	-
Income tax expense attributable to profit from ordinary activities	485	268	-	11
Total income tax expense comprises movements in				
Current tax payable	618	359	18	17
Future income tax benefit	(121)	(73)	(18)	(6)
Provision for deferred income tax	(12)	(18)	-	-
	485	268	-	11
5. Receivables (Current)				
Trade debtors	4,378	4,122	-	-
Provision for doubtful debts	(206)	(180)	-	-
	4,172	3,942	-	-
Other debtors	1	8	-	-
	4,173	3,950	-	-
(a) Terms and conditions				
Terms and conditions relating to the above financial instruments				
(i) Trade debtors are non interest bearing and generally settled on 30 day terms				
6. Inventories (Current)				
Finished goods (at cost)	8,646	8,278	-	-
Provision for obsolescence	(830)	(760)	-	-
	7,816	7,518	-	-
Stock in transit (at cost) - finished goods	1,485	1,787	-	-
	9,301	9,305	-	-

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**Notes to the Financial Statements
for the year ended 30 June 2003**

	Consolidated		Parent	
	2003	2002	2003	2002
	\$000	\$000	\$000	\$000
7. Other Current Assets				
Prepayments	27	15	-	-
8. Receivables (Non Current)				
Amounts receivable from wholly owned group (see Note 32)	-	-	6,354	5,753

9. Other Financial Assets

(a) Shares in controlled entities at cost in parent entity

	Class of Shares	Percentage Holdings	2003	2002
			\$	\$
Globac Limited	ORD	100%	2	2
Multispares Limited	ORD	100%	367,429	367,429
Multispares N.Z. Limited	ORD	100%	1,030,600	1,030,600
			<u>1,398,031</u>	<u>1,398,031</u>

The financial year of all controlled entities are the same as that of the parent entity. All companies are incorporated in Australia except Multispares NZ Limited which is incorporated in New Zealand. All entities operate solely in their country of incorporation.

- (b) Supply Network Limited, Globac Limited and Multispares 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 issued by the Australian Securities Commission, Globac Limited and Multispares Limited are relieved from the requirement to prepare financial statements.

The Statement of Financial Performance and Statement of Financial Position of all entities included in the class order "Closed Group" are set out in Note (c).

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**Notes to the Financial Statements
for the year ended 30 June 2003**

9. Other Financial Assets (continued)

(c) Financial information for class order closed group

Consolidated statement of financial performance for the year ended 30 June 2003	Closed Group	
	2003	2002
	\$000	\$000
Profit from ordinary activities before income tax expense	920	708
Income tax expense relating to ordinary activities	(311)	(216)
Profit from ordinary activities after income tax	609	492
Retained profits at the beginning of the financial year	1,875	1,577
Adjustment arising on adoption of revised account standard AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets"	193	
Dividends provided for or paid	(356)	(194)
Retained profits at end of the financial year	<u>2,321</u>	<u>1,875</u>

**Consolidated statement of financial position
at 30 June 2003**

Current Assets		
Cash assets	363	361
Receivables	3,683	3,462
Inventories	7,828	8,278
Other	23	31
Total Current Assets	<u>11,897</u>	<u>12,132</u>
Non-Current Assets		
Other financial assets	1,030	1,030
Property, plant and equipment	641	580
Deferred tax assets	510	417
Total Non-Current Assets	<u>2,181</u>	<u>2,027</u>
Total Assets	<u>14,078</u>	<u>14,159</u>
Current Liabilities		
Payables	3,320	4,094
Interest bearing liabilities	118	162
Current tax liabilities	227	162
Provisions	803	959
Total Current Liabilities	<u>4,468</u>	<u>5,377</u>
Non-Current Liabilities		
Interest bearing liabilities	1,775	1,893
Deferred tax liabilities	3	12
Provisions	229	165
Total Non-Current Liabilities	<u>2,007</u>	<u>2,070</u>
Total Liabilities	<u>6,475</u>	<u>7,447</u>
Net Assets	<u>7,603</u>	<u>6,712</u>
Equity		
Contributed equity	5,282	4,837
Retained profits	2,321	1,875
Total Equity	<u>7,603</u>	<u>6,712</u>

SUPPLY NETWORK LIMITED

**Notes to the Financial Statements
for the year ended 30 June 2003**

	Consolidated		Parent	
	2003 \$000	2002 \$000	2003 \$000	2002 \$000
10. Property, Plant and Equipment				
Property, plant and equipment at cost				
Plant and equipment				
Opening balance	2,310	2,151	-	-
Additions	516	231	-	-
Disposals	(214)	(86)	-	-
Currency translation difference	2	14	-	-
Closing balance	<u>2,614</u>	<u>2,310</u>	-	-
Accumulated Depreciation				
Opening Balance	1,649	1,398	-	-
Depreciation for the year	291	318	-	-
Disposals	(145)	(75)	-	-
Currency translation difference	1	8	-	-
Closing balance	<u>1,796</u>	<u>1,649</u>	-	-
Net book value	<u>818</u>	<u>661</u>	-	-
Total property, plant and equipment, net	818	661	-	-
11. Deferred Tax Assets (Non Current)				
Future income tax benefits				
Attributable to timing differences				
-Provision for doubtful debts	62	54	-	-
-Provision for employee entitlements	323	290	110	90
-Provision for obsolescence	150	66	-	-
-Other	51	55	4	6
	<u>586</u>	<u>465</u>	<u>114</u>	<u>96</u>
12. Payables (Current)				
Trade creditors and accruals - unsecured	<u>4,249</u>	<u>4,729</u>	<u>16</u>	<u>19</u>

(a) Terms and conditions

Terms and conditions relating to the above financial instruments

(i) trade creditors are non interest bearing and are generally settled on 60 day terms

SUPPLY NETWORK LIMITED

**Notes to the Financial Statements
for the year ended 30 June 2003**

		Consolidated		Parent	
		2003 \$000	2002 \$000	2003 \$000	2002 \$000
13. Interest Bearing Liabilities (Current)					
Bank loans - secured	(a)	100	100	-	-
Other loans - secured	(b)	18	62	-	-
		<u>118</u>	<u>162</u>	<u>-</u>	<u>-</u>

(a) Refer Note 16(a) for details of bank loans

(b) Other loans comprises hire purchase agreements secured on certain assets of certain controlled entities.
The agreements are for three years and subject to monthly repayment and mature in June 2003 and June 2004.
Interest rates on agreements range from 8.6% to 8.8%.

14. Current Tax Liabilities

Current year tax payable		327	125	18	11
Prior year tax payable		33	43	8	11
		<u>360</u>	<u>168</u>	<u>26</u>	<u>22</u>

15. Provisions (Current)

Dividend	Note 22	-	193	-	193
Employee entitlements	Note 26	843	800	270	239
		<u>843</u>	<u>993</u>	<u>270</u>	<u>432</u>

16. Interest Bearing Liabilities (Non Current)

Bank loans - secured	(a)	1,775	1,875	-	-
Other loans - secured	(b)	-	18	-	-
		<u>1,775</u>	<u>1,893</u>	<u>-</u>	<u>-</u>

(a) Bank overdrafts and bank loans are secured by a fixed and floating charge over the assets of Supply Network Limited and controlled entities.
Bank overdrafts have no specific term and are subject to annual review in September each year.
Interest rates on overdrafts are variable and during the year average interest rate was 8.6%.
Bank loans comprise fixed interest only loan of \$1,000,000 at 8.0% (interest rate renewal July 2003 7.1%) maturing March 2005 and fixed interest loan of \$875,000 at 7.7% maturing 21 November 2004 and repayable by quarterly instalments.

(b) Refer Note 13(b) for details of other loans

17. Deferred Tax Liabilities

Provision for deferred income tax

Attributable to timing differences					
-Depreciation		4	15	-	-
-Prepayments		1	2	-	-
		<u>5</u>	<u>17</u>	<u>-</u>	<u>-</u>

18. Provisions (Non Current)

Employee entitlements	Note 26	<u>229</u>	<u>165</u>	<u>97</u>	<u>62</u>
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SUPPLY NETWORK LIMITED

**Notes to the Financial Statements
for the year ended 30 June 2003**

	Consolidated		Parent	
	2003	2002	2003	2002
	\$000	\$000	\$000	\$000
19. Contributed Equity				
(a) Issued and Paid Up Capital				
21,513,845 ordinary shares fully paid (2002: 19,345,845)	5,282	4,837	5,282	4,837

	2003		2002	
	Number of Shares	\$'000	Number of Shares	\$'000
(b) Movements in Shares On Issue				
Balance beginning of year	19,345,845	4,837	19,345,845	4,837
Issue of shares under share purchase plan	2,043,000	429	-	-
Issue of shares under share option plan	125,000	16	-	-
Balance at end of the year	<u>21,513,845</u>	<u>5,282</u>	<u>19,345,845</u>	<u>4,837</u>

(c) Share Options

Options over ordinary shares:

At the end of the year there were 625,000 (2002: 750,000) unissued ordinary shares in respect of which options were outstanding.

(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.

20. Reserves

Foreign Currency Translation

Balance at beginning of year	(6)	(79)	-	-
Gain(Loss) on translation of overseas controlled entities	4	73	-	-
Balance at end of year	<u>(2)</u>	<u>(6)</u>	<u>-</u>	<u>-</u>

Foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of self sustaining foreign operations.

21. Retained Profits

Retained Profits

Balance at beginning of year	1,730	1,346	1,875	1,585
Net profit	917	577	563	483
Adjustment arising on adoption of revised account standard AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets"	193	-	193	-
Total available for appropriation	<u>2,840</u>	<u>1,923</u>	<u>2,631</u>	<u>2,068</u>
Dividend provided or paid	356	193	356	193
Balance at end of year	<u>2,484</u>	<u>1,730</u>	<u>2,275</u>	<u>1,875</u>

SUPPLY NETWORK LIMITED

**Notes to the Financial Statements
for the year ended 30 June 2003**

	Consolidated		Parent	
	2003	2002	2003	2002
	\$000	\$000	\$000	\$000
22. Dividends Paid or Provided for on Ordinary Shares				
(a) Dividends proposed and recognised as a liability				
Final fully franked dividend (2002:1.0 cent per share)	-	193	-	193
<hr/>				
(b) Dividends paid during the year				
Current year interim fully franked dividend (0.75 cents per share) (2002:nil)	161	-	161	-
Previous year final fully franked dividend (1.0 cent per share)(2002:0.5 cents)	195	97	195	97
Total dividends paid	356	97	356	97
<hr/>				
(c) Dividends proposed subsequent to 30 June and not recognised as a liability				
Current year final fully franked dividend (1.0 cent per share) (2002:nil)	215	-	215	-
<hr/>				
(d) 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% (2002: 30%)			5,886	5,300
- franking credits that will arise from the payment of income tax payable as at the end of the financial year			44	19
			<hr/>	<hr/>
			5,930	5,319

The tax rate at which paid dividends have been franked is 30% (2002:30%). Dividends proposed will be franked at the rate of 30% (2002:30%).

23. Lease Commitments

Operating lease commitments payable				
- not later than one year	1,405	1,046	-	-
- later than one year and not later than five years	2,316	1,176	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	3,721	2,222	-	-

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.

24. Auditors Remuneration

	\$	\$	\$	\$
Amounts received or due and receivable for audit or review of the financial reports				
Ernst & Young	70,727	58,002	6,860	4,886
Arthur Andersen	-	11,950	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	70,727	69,952	6,860	4,886
Amounts received or due and receivable by the auditors for other services				
Ernst & Young - tax compliance	6,121	-	-	-
Arthur Andersen	-	4,907	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	6,121	4,907	-	-

SUPPLY NETWORK LIMITED

**Notes to the Financial Statements
for the year ended 30 June 2003**

	Consolidated		Parent	
	2003	2002	2003	2002
	\$	\$	\$	\$
25. Remuneration of Directors and Executives				
(a) Remuneration of directors				
Income paid or payable, or otherwise made available, in respect of the financial year, to all directors of each entity in the consolidated entity, directly or indirectly by the entities of which they are directors or any related party	349,803	297,328	-	-

Income paid or payable, or otherwise made available, in respect of the financial year, to all directors of Supply Network Limited, directly or indirectly, from the entity or any related party	-	-	116,280	115,680
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The numbers of directors of the parent entity whose income falls within the following bands are

\$ 30,001 - \$ 40,000	2	2	2	2
\$ 50,001 - \$ 60,000	1	1	1	1
\$180,001 - \$190,000	-	1	-	-
\$230,001 - \$240,000	1	-	-	-

(b) Remuneration of executives

Remuneration received or due and receivable by executive officers of the consolidated entity whose remuneration is \$100,000 or more, from entities in the consolidated entity or a related party, in connection with the management of the affairs of the entities in the consolidated entity whether as an executive officer or otherwise	576,699	488,868	-	-
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The number of executives of the consolidated entity and the company whose remuneration falls within the following bands are

\$140,001 - \$150,000	-	1	-	-
\$160,001 - \$170,000	1	1	-	-
\$170,001 - \$180,000	1	-	-	-
\$180,001 - \$190,000	-	1	-	-
\$230,001 - \$240,000	1	-	-	-

26. Employee Entitlements

	\$000	\$000	\$000	\$000
Accrued salaries and wages and on costs	243	183	-	-
Provision current	843	800	270	239
Provision non current	229	165	97	62
	<u>1,315</u>	<u>1,148</u>	<u>367</u>	<u>301</u>
Number of employees at year end	<u>93</u>	<u>85</u>	<u>3</u>	<u>3</u>

Share Option Plan

A share option plan has been established where executive directors and certain members of staff of the consolidated entity are issued with options over ordinary shares of Supply Network Limited. The options, issued for nil consideration are issued when certain performance guidelines established by the directors of Supply Network Limited are achieved. The options are generally issued for terms ranging from 2 years to 5 years and are generally exercisable on the second anniversary of the date of issue. The option cannot be transferred and will not be quoted on the ASX. There is currently one executive director and five staff participating in this plan.

SUPPLY NETWORK LIMITED

**Notes to the Financial Statements
for the year ended 30 June 2003**

26. Employee Entitlements (continued)

Information with respect to the number of options granted under the share option plan is as follows:

	2003		2002	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance at beginning of year	750,000	0.18	250,000	0.14
Issued	-	-	500,000	0.20
Exercised	125,000	-	-	-
Balance at end of year	625,000	0.19	750,000	0.18
Exercisable at end of year	125,000	0.15	250,000	0.14

(a) Options held at beginning of year

The following table summarises information about options held by employees 1 July 2002

Number of Options	Grant Date	Vesting Date	Expiry Date Date	Weighted Average Exercised Price
125,000	21/3/2001	21/3/2001	21/3/2003	0.13
125,000	21/3/2001	21/3/2001	21/3/2004	0.15
500,000	24/4/2002	24/4/2004	24/4/2007	0.20

(b) Options granted

There were no options granted during reporting period.

(c) Options exercised

The following table summarises information about options exercised by employees during the year ended 30 June 2003

Number of Options	Grant Date	Vesting Date	Expiry Date Date	Weighted Average Exercised Price	Proceeds from Share Issue	Number of Share Issue	Issue Date	Fair Value of Shares Issued
125,000	21/3/2001	21/3/2001	21/3/2003	0.13	\$16,250	125,000	19/8/2003	0.23

The above option was exercised by G.D.H. Stewart, a director. There were no options exercised during the year ended 30 June 2002.

Fair value of shares issued during the reporting period is estimated to be the market price of shares of Supply Network Limited on the ASX as at close of trading on issue date

(d) Options held as at the end of the reporting period

The following table summarises information about options held by employees at 30 June 2003

Number of Options	Grant Date	Vesting Date	Expiry Date Date	Weighted Average Exercised Price
125,000	21/3/2001	21/3/2001	21/3/2004	0.15
500,000	24/4/2002	24/4/2004	24/4/2007	0.20

Superannuation Commitments

The consolidated entity maintains superannuation funds covering Australian employees. Each Australian entity in the consolidated entity has a legal obligation to contribute 9% of the employees' ordinary earnings to the funds, with employees contributing various percentages of their gross salary. The funds are accumulation funds and have been established to provide benefits to employees on retirement, death or disability.

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

SUPPLY NETWORK LIMITED

**Notes to the Financial Statements
for the year ended 30 June 2003**

	Consolidated		Parent	
	2003	2002	2003	2002
	\$000	\$000	\$000	\$000

27. Notes to the Statement of Cash Flows

(a) Reconciliation of cash

Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows

Cash on hand	5	16	-	-
Cash at bank	433	276	100	-
	<u>438</u>	<u>292</u>	<u>100</u>	<u>-</u>

(b) Reconciliation of net profit after tax to the net cash flows from operations

Net profit after income tax	917	577	563	483
Adjustments for non-cash income and expense items				
Dividends received	-	-	(560)	(420)
(Profit)/Loss on sale of property, plant and equipment	16	(26)	-	(31)
Depreciation of property, plant and equipment	291	325	-	7
Other	-	-	(54)	17
Transfers to provisions				
-Inventory obsolescence	70	7	-	-
-Employee entitlements	107	152	67	24
-Doubtful debts	26	16	-	-
Increase (decrease) in provision for				
-Income tax payable	192	(86)	4	(2)
-Deferred taxes	(128)	(94)	(18)	(6)
Changes in assets and liabilities				
(Increase) decrease in				
Accounts receivable	(256)	(523)	-	-
Inventories	(66)	(1,300)	-	-
Other assets	(5)	89	-	-
(Decrease) increase in				
Trade creditors and accruals	(482)	787	(4)	(7)
Net cash flow from operating activities	<u>682</u>	<u>(76)</u>	<u>(2)</u>	<u>65</u>

(c) Financing facilities available

At reporting date the following facilities had been negotiated and were available

Total credit facilities	3,374	3,024	-	-
Facilities used at reporting date	(1,875)	(2,245)	-	-
Facilities unused at reporting date	<u>1,499</u>	<u>779</u>	<u>-</u>	<u>-</u>

The major facilities are summarised as follows:

Bank overdrafts	675	674	-	-
Facilities used	-	(70)	-	-
Facilities unused at reporting date	<u>675</u>	<u>604</u>	<u>-</u>	<u>-</u>
Bank loans	2,700	2,000	-	-
Facilities used	(1,875)	(1,975)	-	-
Facilities unused at reporting date	<u>825</u>	<u>25</u>	<u>-</u>	<u>-</u>

SUPPLY NETWORK LIMITED

**Notes to the Financial Statements
for the year ended 30 June 2003**

28. Contingent Liabilities

As explained in Note 9 the parent entity has entered a Deed of Cross Guarantee in accordance with a Class Order issued by the Australian Securities & Investments Commission. The parent entity and all the controlled entities which are a party to the Deed have guaranteed the repayment of all current and future creditors in the event that any of these companies are wound-up.

29. Subsequent Events

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

30. Segment Information

Business segments

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

Geographical segments

	Australia		New Zealand		Eliminations		Consolidated	
	2003	2002	2003	2002	2003	2002	2003	2002
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Revenue								
Sales to customers outside the consolidated entity	24,298	22,092	5,993	4,252	-	-	30,291	26,344
Other revenues from outside the consolidated entity	138	796	15	14	-	-	153	810
Intersegment revenues	1,379	1,330	16	25	(1,395)	(1,355)	-	-
Total segment revenues	25,815	24,218	6,024	4,291	(1,395)	(1,355)	30,444	27,154
Results								
Segment results	920	708	519	145	(37)	(8)	1,402	845
Consolidated entity profit from ordinary activities before income tax expense							1,402	845
Income tax expense							(485)	(268)
Consolidated entity profit from ordinary activities after income tax expense							917	577
Net profit							917	577
Assets								
Segment assets	14,078	14,159	2,711	1,814	(1,446)	(1,285)	15,343	14,688
Liabilities								
Segment liabilities	6,475	7,447	1,427	879	(323)	(199)	7,579	8,127
Other segment information								
Acquisition of property, plant and equipment, intangible assets and other non current assets	387	183	129	48	-	-	516	231
Depreciation	258	297	33	28	-	-	291	325
Non-cash expenses other than depreciation	219	239	7	15	-	-	226	254

Segment accounting policies are the same as the consolidated entity's policies described in Note 1. 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 2003**

31. Financial Instruments

a) Interest Rate Risk

The consolidated entity is exposed to interest rate risk through financial assets and liabilities.

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

Financial Instruments	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
							%	%
30 June 2003								
Financial assets								
Cash	433	-	-	-	5	438	3.0	-
Foreign currency receivables - unhedged	-	-	-	-	834	834	-	-
Receivables	-	-	-	-	3,544	3,544	-	-
	<u>433</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,383</u>	<u>4,816</u>		
Financial liabilities								
Payables	-	-	-	-	2,013	2,013	-	-
Foreign currency payables -unhedged	-	-	-	-	1,170	1,170	-	-
Bank loans	-	100	1,775	-	-	1,875	-	7.8
Other loans	-	18	-	-	-	18	-	8.6
Forward exchange contracts	1,066	-	-	-	-	1,066	-	-
	<u>1,066</u>	<u>118</u>	<u>1,775</u>	<u>-</u>	<u>3,183</u>	<u>6,142</u>		
30 June 2002								
Financial assets								
Cash	276	-	-	-	16	292	2.8	-
Foreign currency receivables - unhedged	-	-	-	-	695	695	-	-
Receivables	-	-	-	-	3,435	3,435	-	-
	<u>276</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,146</u>	<u>4,422</u>		
Financial liabilities								
Payables	-	-	-	-	2,250	2,250	-	-
Foreign currency payables -unhedged	-	-	-	-	1,627	1,627	-	-
Bank loans	-	100	1,875	-	-	1,975	-	7.8
Other loans	-	62	18	-	-	80	-	8.8
Forward exchange contracts	852	-	-	-	-	852	-	-
	<u>852</u>	<u>162</u>	<u>1,893</u>	<u>-</u>	<u>3,877</u>	<u>6,784</u>		

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

b) Foreign Exchange Risk

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

The following table summarises by currency the Australian dollar value of forward exchange agreements.

Currency		Average exchange rate		2003	2002
		2003	2002	Buy \$000	Buy \$000
Japanese yen	3 months or less	77.2	70.0	147	177
Great British pound	3 months or less	0.40	-	20	-
Euro currency	3 months or less	0.56	0.59	877	661
US currency	3 months or less	0.66	0.54	22	14
Total				<u>1,066</u>	<u>852</u>

SUPPLY NETWORK LIMITED

Notes to the Financial Statements for the year ended 30 June 2003

c) Credit Risk Exposure

The credit risk on financial assets of the consolidated entity which have been recognised in the Statement of Financial Position is the carrying amount net of any provision for doubtful debts. The consolidated entity minimises the concentration of credit risk by undertaking transactions with a large number of customers in Australia and New Zealand.

The credit risk on derivative financial instruments is represented by the net fair value of contracts disclosed in the table in Note 31(a). The credit risk on forward exchange contracts is minimised as transactions are only undertaken with recognised financial institutions.

d) Net Fair Value of Financial Assets and Liabilities

There are no financial assets or liabilities for which the carrying amounts are materially different from their net fair values.

32. Related Party Transactions

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

Loans were advanced and repayments received on short term intercompany accounts. Dividends and management fees were received from wholly owned controlled entities. (See Note 2).

These transactions were undertaken on commercial terms and conditions.

- b) Amounts due to and receivable from related parties in the wholly owned group are set out in the respective notes to the financial statements.
- c) The ownership interests in related parties in the wholly owned group are disclosed in Note 9.
- d) The ultimate controlling entity of the consolidated entity is Supply Network Limited.
- e) The names of each person holding the position of Director of Supply Network Limited during the last two financial years were H R Forsyth, H M O Anderson, G T Lingard and G D H Stewart.
- f) Mr G T Lingard is a director and shareholder in a company which leases premises on normal commercial terms and conditions to a wholly owned controlled entity. Total payments in 2003: \$265,000 (2002: \$256,000).
- g) Directors' Shareholdings

	2003	2002
Ordinary share options acquired by Directors from the parent entity during the year	-	150,000
Shares and share option held by Directors and their Director-related entities in parent entity at end of the year		
Ordinary shares	7,172,156	6,877,156
Ordinary share options	275,000	400,000

SUPPLY NETWORK LIMITED

**Notes to the Financial Statements
for the year ended 30 June 2003**

Directors' Declaration

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

- (1) In the opinion of the directors:
 - (a) the financial statements and notes of the company and of the consolidated entity are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2003 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and 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.

- (2) In the opinion of the directors, as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in Note 9 will be able to meet any obligations or liabilities to which they are or may become subject, by virtue of the Deed of Cross Guarantee.

On behalf of the Board

H R Forsyth
Director

Sydney
29 August 2003

SUPPLY NETWORK LIMITED

Independent Audit Report

To the members of Supply Network Limited

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Supply Network Limited (the company) and the consolidated entity, for the year ended 30 June 2003. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company and the consolidated entity, and that complies with Accounting Standards in Australia, in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit of the financial report in order to express an opinion on it to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

Independence

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

Audit opinion

In our opinion, the financial report of Supply Network Limited is in accordance with:

- (a) the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position of Supply Network Limited and the consolidated entity at 30 June 2003 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the *Corporations Regulations 2001*; and
- (b) other mandatory financial reporting requirements in Australia.

Ernst & Young

Christopher D. George
Partner

Sydney
29 August 2003