



SUPPLY NETWORK LIMITED

ABN 12 003 135 680

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4 March 2005

The Manager
Companies Announcements Office
Australian Stock Exchange Limited
Exchange Centre
20 Bridge Street
Sydney NSW 2000

Dear Sir

RE: Shareholder Update 31 December 2004

Please find attached a copy of Supply Network Limited Shareholder Update 31 December 2004 which is being sent to shareholders.

Yours faithfully

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

Peter Gill
Company Secretary

Supply Network Limited
Statement of Financial Performance
Half-year ended 31 December 2004

	Consolidated	
	2004	2003
	\$000	\$000
Revenues from ordinary activities	17,521	16,140
Expenses from ordinary activities, excluding borrowing costs	(16,667)	(15,402)
Borrowing costs	(112)	(92)
Profit from ordinary activities before income tax expense	742	646
Income tax expense relating to ordinary activities	(243)	(169)
Profit from ordinary activities after income tax expense	499	477
Net profit attributable to members of Supply Network Limited	499	477
Net exchange difference on translation of financial statements of foreign controlled entity	12	1
Total revenues, expenses and valuation adjustments attributable to members of Supply Network Limited and recognised directly in equity	12	1
Total changes in equity other than those resulting from transactions with owners as owners	511	478
Basic earnings per share (cents per share)	2.29	2.21
Diluted earnings per share (cents per share)	2.25	2.21
Weighted average number of ordinary shares used in the calculation of basic earnings per share	21,795,557	21,549,364

Supply Network Limited
Statement of Financial Position
Half-year ended 31 December 2004

	Consolidated	
	December	June
	2004	2004
	\$000	\$000
Current Assets		
Cash assets	70	476
Receivables	4,695	4,855
Inventories	12,362	10,419
Other	197	13
Total Current Assets	17,324	15,763
Non-Current Assets		
Property, plant and equipment	1,147	1,260
Deferred tax assets	691	682
Total Non-Current Assets	1,838	1,942
Total Assets	19,162	17,705
Current Liabilities		
Payables	6,171	5,411
Interest bearing liabilities	189	253
Current tax liabilities	104	197
Provisions	1,062	984
Total Current Liabilities	7,526	6,845
Non-Current Liabilities		
Interest bearing liabilities	2,455	1,975
Provisions	161	124
Total Non-Current Liabilities	2,616	2,099
Total Liabilities	10,142	8,944
Net Assets	9,020	8,761
Equity		
Contributed equity	5,380	5,301
Reserves	76	64
Retained profits	3,564	3,396
Total Equity	9,020	8,761

Supply Network Limited
Statement of Cash Flows
Half-year ended 31 December 2004

	Consolidated	
	2004	2003
	\$000	\$000
Cash flows from operating activities		
Receipts from customers	19,131	17,764
Payments to suppliers and employees	(19,345)	(16,047)
Interest received	3	7
Borrowing costs	(109)	(87)
Income taxes paid	(344)	(400)
Net cash flows from/(used in) operating activities	(664)	1,237
Cash flows from investing activities		
Payments for property, plant and equipment	(58)	(611)
Proceeds from sale of property, plant and equipment	-	3
Net cash flows used in investing activities	(58)	(608)
Cash flows from financing activities		
Proceeds from issue of ordinary shares	80	19
Proceeds from borrowings	739	272
Repayment of borrowings	(170)	(255)
Payment of dividend on ordinary shares	(331)	(216)
Net cash flows from/(used in) financing activities	318	(180)
Net increase (decrease) in cash held	(404)	449
Add opening cash brought forward	323	438
Closing cash carried forward	(81)	887

4th March 2005

Dear Shareholder

I am pleased to provide you with an update on our Half-Year results to 31 December 2004, which has been advised to the ASX.

Consolidated sales revenue for the half-year increased by 8.6% over the same period last year

Profit from ordinary activities before income tax of \$742,000 represents an increase of 14.9% over the corresponding period last year.

Profit from ordinary operations after income tax of \$499,000 represents an increase of 4.6% over the same period last year. However if the December 03 result is adjusted to exclude a prior period income tax adjustment (\$49,000) then the December 04 half-year profit after tax represents an increase of 16.6%.

During the period the consolidated group has continued to develop its stock management initiatives including a substantial investment in higher stock levels of key products to support future revenue growth. This has resulted in short term negative cash flows from operations, financed primarily through additional borrowing. Gearing remains well within our target range and subject to the announcement of other significant investments, Directors expect a return to positive cashflows from operations in FY2006.

Major capital expenditures to be concluded in the current year are the opening of a new Multispares branch in Melbourne South East and the integration of major extensions to our distribution centres in Sydney and Auckland.

A summary of the financial data from our announcement to the Australian Stock Exchange is presented overleaf for your information. The details and any future announcements will be available on our website at www.supplynetwork.com.au.

Directors have declared a fully franked interim dividend of 1.25 cent per share, payable on 31 March 2005 to shareholders registered on 15 March 2005

Harry Forsyth
Chairman



Supply Network Limited

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Shareholder Update

31 December 2004