



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

25 August 2010

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

Dear Sir

Re: Preliminary Final Report Appendix 4E and Annual Accounts

The Directors are pleased to announce the audited results for the year ended 30 June 2010 the details of which are included in the attached Appendix 4E - Preliminary Final Report.

The audited results are in line with our announcement 29 July 2010.

Yours faithfully

Peter Gill
Company Secretary

Appendix 4E

Preliminary Final Report

1. Details of reporting period

Name of entity	Supply Network Limited
ABN	12 003 135 680
Financial year ended	30 June 2010
Previous corresponding period	30 June 2009

2. Results for announcement to the market

			\$'000
Revenue from ordinary activities	up	6.8%	to 43,143
Profit from ordinary activities after income tax	up	6.7%	to 1,641
Net profit for the period attributable to members	up	6.7%	to 1,641
Dividends		Amount per Security	Franked amount per security
Final dividend		2.00 ¢	2.00¢
Previous corresponding period		2.00 ¢	2.00¢
Interim dividend		1.00 ¢	1.00¢
Previous corresponding period		1.00 ¢	1.00¢
Record date for determining entitlements to dividend		10 September 2010	
Brief explanation of any of the figures reported above			
Please refer to Chairman's and Managing Director's Report and financial statements.			

3. Statement of Financial Performance

Refer to attached statement of 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. Details of Dividends

	Amount per Security	Franked amount per security
Final dividend –payable 24 September 2010	2.00¢	2.00¢
Previous corresponding period	2.00¢	2.00¢
Amount per security of foreign sourced dividend	Nil	-
Interim dividend – paid 31 March 2010	1.00¢	1.00¢
Previous corresponding period	1.00¢	1.00¢
Amount per security of foreign sourced dividend	Nil	-
Special dividend – paid 22 December 2009	4.00¢	4.00¢
Previous corresponding period	-	-
Amount per security of foreign sourced dividend	Nil	-
Final dividend June 2009 - paid 25 September 2009	2.00¢	2.00¢
Previous corresponding period	2.00¢	2.00¢
Amount per security of foreign sourced dividend	Nil	-

The Directors have declared a fully franked final dividend of 2.00 cents per share (requiring \$596,000) payable 24 September 2010 to shareholders registered on 10 September 2010.

A fully franked interim dividend of 1.00 cents per share amounting to \$292,000 was paid on 31 March 2010.

A fully franked special dividend of 4.00 cents per share amounting to \$1,046,000 was paid on 22 December 2009.

A fully franked final dividend for June 2009 of 2.00 cents per share amounting to \$506,000 was paid on 25 September 2009.

7. Dividend Reinvestment Plans

Supply Network Limited Dividend Reinvestment Plans will operate in respect of the final dividend payable 24 September 2010. Participation election notices to be effective must be received by the Share Registry prior to record date of 5.00pm (Sydney Time) on the 10 September 2010.

8. Statement of Retained Earnings

	\$'000
Balance at beginning of year	4,983
Net Profit	1,641
Dividends paid	(1,844)
Balance at end of year	4,780

9. Net tangible asset backing

	Current Period	Previous corresponding period
Net tangible asset backing per ordinary security	41.7¢	43.9¢

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

Nil

11. Details of associate and joint venture entities

Nil

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

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

13. Foreign entities

Not applicable

14. Commentary on results for period

Earnings per security and nature of any dilution aspects

	Current Period	Previous corresponding period
Basic earnings per share	5.93¢	6.15¢
Diluted earnings per share	5.93¢	6.15¢
Dilutive securities - share options	Nil	Nil

See income statement in 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 25 August 2010
Name Peter Gill
Position Company Secretary

SUPPLY NETWORK LIMITED

ABN 12 003 135 680

**ANNUAL ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 2010**

The financial report was authorised for issue by the directors on 25 August 2010. The company has the power to amend and reissue the financial report.

SUPPLY NETWORK LIMITED

ABN 12 003 135 680

ANNUAL ACCOUNTS

30 JUNE 2010

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SUPPLY NETWORK LIMITED
CORPORATE INFORMATION

Directors

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

Company Secretary

P W Gill

Registered Office

151 Fairfield Road
Guildford NSW 2161

Telephone 02 9892 3888
Facsimile 02 9892 2399
E-mail admin@supplynetwork.com.au

Internet Address

www.supplynetwork.com.au

Auditors

HLB Mann Judd (NSW Partnership)

Bankers

ANZ Banking Group Limited

Solicitors

Bartier Perry

Share Registry

Computershare Investor Services Pty Limited
Level 3, 60 Carrington Street
Sydney NSW 2000
Enquiries (within Australia) 1300 855 080
Enquiries (outside Australia) 61 3 9415 4000
Facsimile 61 2 8234 5050

Stock Exchange Listing

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

SUPPLY NETWORK LIMITED

CHAIRMAN'S AND MANAGING DIRECTOR'S REPORT FOR THE YEAR ENDED 30 JUNE 2010

The year to June 2010 saw group EBIT of \$2.6m and NPAT of \$1.6m, our third successive record result and ahead of our estimation at this time last year. Earnings per share were slightly diluted by shares issued under the DRP, as was our ROE but at 14% ROE remains healthy.

In last year's Annual Report we announced a new organic growth strategy, with a target to deliver compound revenue growth of 7% p.a. over three years. After the first year we are on track to meet this growth target with group revenue at \$43m.

Our organic growth strategies include capacity expansion and customer service improvements across a broad base of geographic segments and customer types. Considering the consequent increase in our expenditure on staff, branches and IT systems, the reported increase in EBIT over the full year is a solid outcome.

Review of Operations

Trading activities have been consolidated under the Multispares brand, with Globac operations now relatively minor and limited to a small number of specialist wholesale customers. The Globac range of trailer brake products is now successfully marketed by Multispares as part of a broader truck and trailer program.

Compared with the prior year, total sales revenue increased by 7% in Australia and by 7% in New Zealand (in \$NZ terms). Gross margin improved 0.4% as a consequence of strengthening local currencies over the year. Our product pricing is adjusted for significant exchange rate movements but competition dictates that, when the currency declines, some of the increased costs are absorbed. Margin recovery occurs naturally over time or more quickly when the currency strengthens again, which has been the cycle over the last 12 months.

Last August we opened a new branch in Illawarra to service the Southern Highlands and the South Coast from Wollongong to Nowra. This branch has been established as a local operation, staffed with local experience and local knowledge. Illawarra has had a promising first 12 months, customers have been supportive and we are developing a stronger offering based on local requirements.

In March we appointed our New Zealand National Sales Manager to the position of General Manager, Multispares NZ Limited. This has provided our New Zealand operations with an improved leadership structure and there have been many positive developments over the 6 months since this appointment. Of particular interest for shareholders, we have signed a lease on a newly developed property in Christchurch that will give us a better location and substantially more space to support planned growth in the South Island. Our move to the new site should be completed by November.

Over the last financial year we made significant progress on the upgrade of our IT systems. Our main application servers were relocated to a secure data centre in the Sydney CBD and administration of our entire network was outsourced to a specialist IT service provider. Our main enterprise software application now has live disaster recovery and we are in the process of duplicating resources on all secondary applications. The result of these changes is improved system availability and performance, significant business risk mitigation and the IT capacity we need to support growth.

In June we went live with our first E-commerce store located inside the depot of a Brisbane bus fleet. This E-commerce store is stocked and managed by Multispares as an integrated entity on our own distribution network. The customer's workshop staff scan products from this store directly onto job cards and the transactions between the two companies occur electronically. There has been considerable customer interest in this capability and following a successful trial period it is planned to establish more E-commerce stores this financial year.

SUPPLY NETWORK LIMITED

CHAIRMAN'S AND MANAGING DIRECTOR'S REPORT FOR THE YEAR ENDED 30 JUNE 2010 (continued)

Capital Management

With continuing volatility in the global financial markets, Directors believe it prudent to preserve our relatively low debt to equity gearing. Our Dividend Reinvestment Plan was operated in respect of all dividends paid during the financial year and the balance of the 4.0 cent special dividend paid in December was underwritten. We are pleased to report total dividends of 7.0 cents per share, an average DRP participation rate of around 70% and gearing reduced below 30%.

A Thank You to Staff

The Directors acknowledge the skills and the efforts of our expanding teams across Australia and New Zealand. Through our staff we have delivered another year of good results and the development of many new business opportunities. We thank all staff for their contribution to our success.

Retirement of Chairman

The Directors would also like to acknowledge the significant contribution of Garry Lingard, who retired as Chairman of the Board in March this year after 14 years of invaluable service as a Non-Executive Director, the last 4 years as Chairman. Garry has a passion for professional selling skills and competent business management and through strong leadership he made an important contribution to the growth of the Group during his tenure.

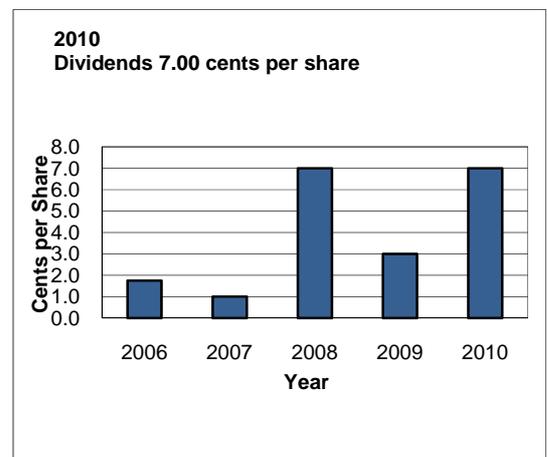
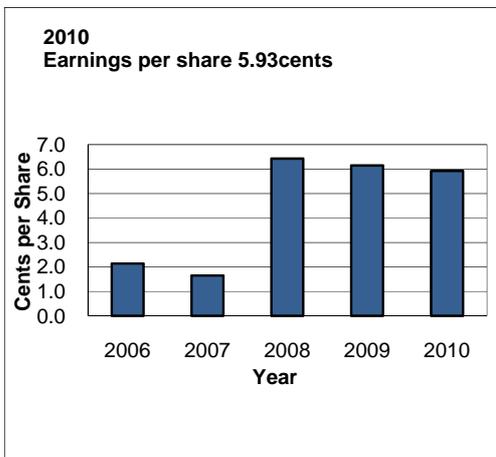
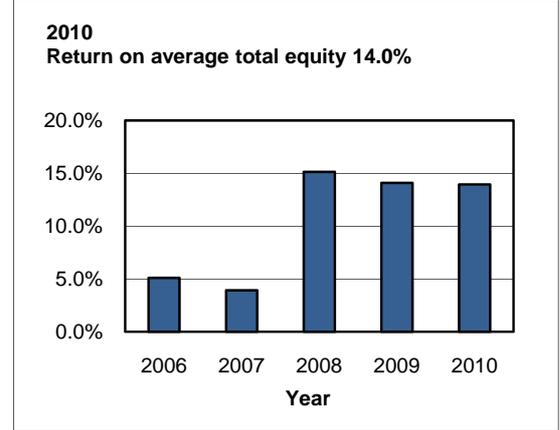
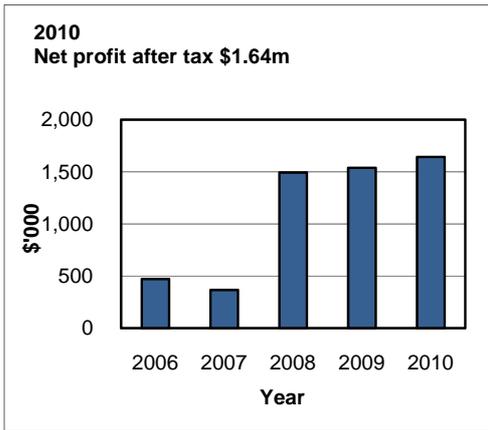
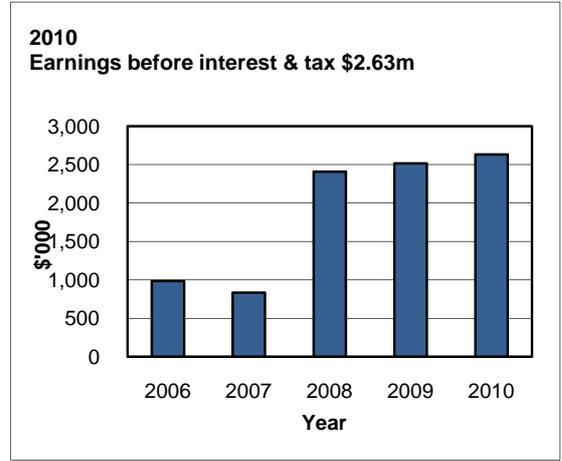
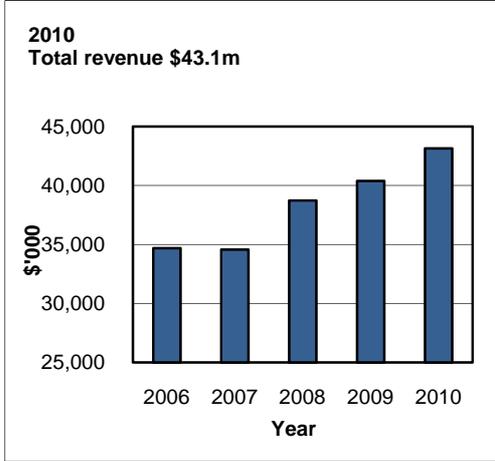
The Future

Supply Network Limited is in the middle of a three year organic growth plan that is expected to deliver compound revenue growth of around 7% p.a. with steady improvement in EBIT. This financial year, the second year of our plan, will see continued investment in capacity expansion and customer service improvement. These investments will constrain EBIT growth in the short term but by the end of the third year Supply Network will have built strong foundations for continued growth in the years ahead.

We will continue to invest wisely in our core activities to provide a balance of growth and returns for shareholders.

SUPPLY NETWORK LIMITED

Performance Highlights



SUPPLY NETWORK LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2010

The Directors of Supply Network Limited submit their report for the financial year ended 30 June 2010.

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
G T Lingard (retired 17 March 2010)

Principal Activities

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

Results

The net profit of the Group after providing for income tax for the financial year was \$1,641,000 (2009: \$1,538,000).

Earnings per Share

Basic and diluted earnings per share for the financial year are 5.93 cents per share (2009: 6.15 cents).

Dividends

Dividends paid or declared for payment are as follows:

	\$
Final Dividend for 2009 of 2.00 cents per share paid 25 September 2009	506,000
Special Dividend for 2010 of 4.00 cents per share paid 22 December 2009	1,046,000
Interim Dividend for 2010 of 1.00 cent per share paid 31 March 2010	292,000
Final dividend for 2010 of 2.00 cents per share declared 28 July 2010 and payable 24 September 2010	596,000

Review of Operations

Group sales revenue for the year was \$43.1m, an increase of 6.9% when compared to last year.

Sales revenue in the Australian operation increased by 7.4% while sales in the New Zealand operation increased by 6.6% measured in NZ\$ terms, which excludes the impact of exchange rate fluctuations. When measured in Australian dollar terms, sales in the New Zealand operation increased by 4.4%.

EBIT for the year was \$2.63m, an increase of 4.7% over last year (\$2.51m).

Profit after income tax for the year was \$1.64m, an increase of 6.7% over last year (\$1.54m).

During the year the Group continued to invest in information technology systems and in our branch network with the opening in August 2009 of the Illawarra branch. These investments are expected to underpin revenue growth in future years.

Ongoing inventory management and the strengthening of the Australian dollar and New Zealand dollar have resulted in inventory values remaining stable during the year and this has contributed to this year's positive cash flows from operations.

SUPPLY NETWORK LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2010 (continued)

Net cash inflows from operating activities for the year were \$2.3m, a significant improvement on the net cash outflows last year of \$596k.

There were no additional long-term borrowings during the year and gearing has declined from 31.3% to 26.4% at year end.

During the year total dividends of 7 cents per share were paid including a 4 cent special dividend. The Dividend Reinvestment Plan (DRP) operated in respect of all dividends with the special dividend DRP shortfall being underwritten. This resulted in an increase in contributed equity of \$1.49m.

The Directors have declared a fully franked final dividend of 2 cents per share payable on the 24 September 2010 with a record date of 10 September 2010. The DRP will operate in respect of this dividend.

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

Significant Changes in the State of Affairs

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

Significant Events after Balance Date

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

Likely Developments and Expected Results

The directors expect operating results for the Group for 2010/11 to be similar to this year with sales growth in the range of 5-10%. 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 is a Portfolio Manager with a funds management business specialising in Australian listed equities and has over 23 years experience in financial markets.

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

SUPPLY NETWORK LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2010
(continued)

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 16 years executive management 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 30 years experience in accounting and finance in both professional and commercial fields.

Garry Thomas Lingard – Chairman (retired 17 March 2010)

Chairman of the Board from December 2005 to March 2010. Non-executive Director since October 1996 and a member of the Audit Committee and Remuneration Committee. He has significant experience in managing and developing a diverse range of companies.

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	-	-	-	-
G T Lingard	9	9	2	2	2	2

Directors' Interests

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

- (a) G J Forsyth holds 28,504 ordinary shares of the company and is deemed to have a relevant interest in shares held by Odalisque Pty Ltd (433,515 shares).
- (b) P W McKenzie is deemed to have a relevant interest in shares held by PW & LJ McKenzie Superannuation Fund, a substantial shareholder (3,062,678 shares).
- (c) G D H Stewart is deemed to have a relevant interest in shares held by Boboco Pty Limited (661,334) and D G Stewart (305,011 shares).
- (d) P W Gill holds 123,463 ordinary shares of the company and is deemed to have a relevant interest in shares held by Viewbar Pty Limited (290,579 shares).

SUPPLY NETWORK LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2010
(continued)

Indemnification of Directors

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

Company Secretary

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

P.W. Gill has been the Company Secretary and Senior Finance Executive of Supply Network Limited for over 15 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 a fee for being a director of the company. These fees are determined by reference to industry standards taking into account the Company's relative size. No additional payments are made for serving on Board Committees and no performance related compensation or equity incentives are offered.

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

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

SUPPLY NETWORK LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2010
(continued)

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

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

G T Lingard was the only remaining Director entitled to this retiring allowance, at a fixed amount of \$102,804 which was paid on his retirement, 17 March 2010.

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

The compensation of non-executive directors for the period ending 30 June 2010 is detailed in Table 1 below.

Executive director and senior executives compensation

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

Compensation consists of the following two elements:

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

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

Fixed Compensation

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

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

Variable Compensation - Short Term Incentive

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

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

The cost of these incentives is deducted from the financial results before determining the performance rewards.

SUPPLY NETWORK LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2010
(continued)

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

Employment contracts

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

- No fixed terms.
- Contract may be terminated by up to 6 months notice in writing by either party.
- 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 up 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 \$290,300 plus a short-term incentive of up to 33% of the package.
- P W Gill – fixed compensation package of \$257,100 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)
G T Lingard	Chairman (non-executive, retired 17 March 2010)

Compensation of Key Management Personnel

Table 1: Compensation of Key Management Personnel for the year ended 30 June 2010

	Short Term			Post Employment		Share Based Payment	Total	Total Performance Related
	Salary & Fees \$	Bonus Payable \$	Non Monetary \$	Super-annuation \$	Retirement Benefits \$	Options Granted \$	\$	%
Directors								
G J Forsyth	48,165	-	-	4,339	-	-	52,504	-
P W McKenzie	41,284	-	-	3,719	-	-	45,003	-
G D H Stewart	245,623	71,544	-	25,374	-	-	342,541	20.9%
P W Gill	170,040	51,000	20,000	50,010	-	-	291,050	17.5%
G T Lingard	42,737	-	-	3,846	102,804	-	149,387	-
Total	547,849	122,544	20,000	87,288	102,804	-	880,485	13.9%
Total		690,393		190,092		-	880,485	13.9%

SUPPLY NETWORK LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2010
(continued)

Table 2: Compensation of Key Management Personnel for the year ended 30 June 2009

	Short Term			Post Employment		Share Based Payment	Total	Total Performance Related
	Salary & Fees \$	Bonus Payable \$	Non Monetary \$	Super-annuation \$	Retirement Benefits \$	Options Granted \$	\$	%
Directors								
G J Forsyth	41,284	-	-	3,719	-	-	45,003	-
P W McKenzie	41,284	-	-	3,719	-	-	45,003	-
G D H Stewart	225,930	62,601	21,479	23,605	-	-	333,615	18.8%
P W Gill	113,855	49,200	26,153	100,003	-	-	289,211	17.0%
G T Lingard	59,633	-	-	5,365	-	-	64,998	-
Total	481,986	111,801	47,632	136,411	-	-	777,830	14.4%
Total		641,419		136,411		-	777,830	14.4%

Rounding

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

Auditors' Independence Declaration

A copy of the Auditors' Independence declaration for the year ended 30 June 2010 is set out on page 12.

Non-Audit Services

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

Signed in accordance with a resolution of directors.

G J Forsyth
 Director
 Sydney
 25 August 2010



Accountants | Business and Financial Advisers

AUDITOR'S INDEPENDENCE DECLARATION

To the Directors of Supply Network Limited

As lead auditor for the audit of Supply Network Limited for the year ended 30 June 2010, I declare that, to the best of my knowledge and belief, there have been:

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

This declaration is in respect of Supply Network Limited and the entities it controlled during the year.

D K Swindells
Partner

Sydney
25 August 2010

CORPORATE GOVERNANCE STATEMENT

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

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

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

Principle 1 – Lay solid foundations for management and oversight

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

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

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

On a scheduled date the Board formally reviews the performance of the Managing Director and the Finance Director over the prior year. For the year ended 30 June 2010 this formal review took place, in accordance with the process disclosed. The Board encourages management to conduct periodic performance reviews of all senior staff.

Principle 2 – Structure the board to add value

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

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

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

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

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

SUPPLY NETWORK LIMITED
CORPORATE GOVERNANCE STATEMENT
(continued)

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

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.

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.

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

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

Principle 3 - Promote ethical and responsible decision-making

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

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

Principle 4 – Safeguard integrity in financial reporting

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

The Board has established an Audit Committee. The Audit Committee is responsible for annually reviewing the appointment of the Auditors and recommending to the full Board their reappointment or replacement. It has no formal charter however one is being developed.

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.

SUPPLY NETWORK LIMITED
CORPORATE GOVERNANCE STATEMENT
(continued)

Principle 5 – Make timely and balanced disclosure

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

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

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

Principle 6 – Respect the rights of shareholders

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

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

Principle 7 – Recognise and manage risk

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

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

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

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

Principle 8 – Remunerate fairly and responsibly

Board members are remunerated by reference to industry standards.

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

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

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

SUPPLY NETWORK LIMITED
CORPORATE GOVERNANCE STATEMENT
(continued)

Principle 8 – Remunerate fairly and responsibly (continued)

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

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

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

SUPPLY NETWORK LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2010

	Note	Consolidated	
		2010 \$000	2009 \$000
Revenue	3	43,103	40,328
Finance revenue	3	7	36
Other income		33	15
Changes in inventories of finished goods		(25,564)	(24,095)
Employee benefits expenses		(8,317)	(7,633)
Depreciation and amortisation		(303)	(292)
Other expenses	3	(6,321)	(5,809)
Finance costs	3	(283)	(344)
Profit before income tax		2,355	2,206
Income tax expense	4	(714)	(668)
Profit after income tax		1,641	1,538
Profit attributable to members of the parent		1,641	1,538
Other comprehensive Income			
Adjustment on translation of foreign controlled entity	16	28	(19)
Income tax expense		-	-
Total other comprehensive income after income tax		28	(19)
Total comprehensive income for the year attributable to members of the parent		1,669	1,519
Basic and diluted earnings per share (cents per share)	18	5.93	6.15
Dividends per share (cents per share)	17	7.00	3.00

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

SUPPLY NETWORK LIMITED

**BALANCE SHEET
AT 30 JUNE 2010**

	Note	Consolidated	
		2010 \$000	2009 \$000
ASSETS			
Current assets			
Cash and cash equivalents	5	1,528	211
Trade and other receivables	6	5,471	5,234
Inventories	7	14,944	14,837
Other current assets	8	41	100
Total current assets		21,984	20,382
Non-current assets			
Plant and equipment	9	988	735
Deferred tax assets	4	780	773
Derivatives	14	2	-
Total non-current assets		1,770	1,508
TOTAL ASSETS		23,754	21,890
LIABILITIES			
Current liabilities			
Trade and other payables	10	7,185	6,277
Interest bearing loans and borrowings	11	303	314
Income tax payable	12	67	264
Provisions	13	348	337
Derivatives	14	-	8
Total current liabilities		7,903	7,200
Non-current liabilities			
Interest bearing loans and borrowings	11	2,981	3,160
Provisions	13	448	425
Total non-current liabilities		3,429	3,585
TOTAL LIABILITIES		11,332	10,785
NET ASSETS		12,422	11,105
EQUITY			
Contributed equity	15	7,857	6,365
Reserves	16	(215)	(243)
Retained earnings		4,780	4,983
TOTAL EQUITY		12,422	11,105

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 2010

	Note	Contributed Equity \$000	Exchange Translation Reserve \$000	Retained Earnings \$000	Total \$000
Consolidated					
Balance at 1 July 2008		6,260	(224)	4,192	10,228
Total comprehensive income for the year		-	(19)	1,538	1,519
Transactions with owners in their capacity as owners					
Dividends provided for or paid		-	-	(747)	(747)
Issue of shares under dividend reinvestment plan		105	-	-	105
Balance at 30 June 2009		6,365	(243)	4,983	11,105
Total comprehensive income for the year		-	28	1,641	1,669
Transactions with owners in their capacity as owners					
Dividends provided for or paid		-	-	(1,844)	(1,844)
Issue of shares under dividend reinvestment plan		1,492	-	-	1,492
Balance at 30 June 2010		7,857	(215)	4,780	12,422

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 2010

	Note	Consolidated	
		2010 \$000	2009 \$000
Cash flows from operating activities		Inflows/(Outflows)	
Receipts from customers		47,433	44,629
Payments to suppliers and employees		(43,890)	(44,002)
Interest received		7	40
Interest paid		(276)	(313)
Income tax paid		(918)	(950)
Net cash flows from (used in) operating activities	23(a)	2,356	(596)
Cash flows from investing activities			
Purchase of plant and equipment		(499)	(299)
Proceeds from sale of plant and equipment		11	4
Net cash flows from (used in) investing activities		(488)	(295)
Cash flows from financing activities			
Proceeds from borrowings		-	720
Repayment of borrowings		(186)	(301)
Dividends paid		(352)	(642)
Net cash flows from (used in) financing activities		(538)	(223)
Net increase (decrease) in cash and cash equivalents		1,330	(1,114)
Cash and cash equivalents at beginning of year		196	1,309
Exchange rate adjustment to balances held in foreign currencies		2	1
Cash and cash equivalents at end of year	5	1,528	196

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 2010

1. Corporate information

The consolidated financial report of Supply Network Limited for the year ended 30 June 2010 was authorised for issue in accordance with a resolution of the directors on 25 August 2010.

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

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

2. Statement of significant accounting policies

(a) Basis of accounting

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

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated, under the option available to the Company under ASIC Class Order 98/100. The Company is an entity to which the class order applies.

(b) Statement of compliance

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

(c) Basis of consolidation

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

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

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

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

(d) Significant accounting judgements, estimates and assumptions

(i) Significant accounting judgements

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

SUPPLY NETWORK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (continued)

2. Statement 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 statement of comprehensive income 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 2010
(continued)

2. Statement of significant accounting policies (continued)

(e) Foreign currency transactions (continued)

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

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

(f) Cash and cash equivalents

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

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

(g) Trade and other receivables

Trade receivables, which generally have 30 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

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

(h) Inventories

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

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

Finished Goods – weighted average cost into store.

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

Obsolete and redundant inventories are provided for as appropriate.

SUPPLY NETWORK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010
(continued)**

2. Statement of significant accounting policies (continued)

(i) Leases

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

Group as a lessee

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

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

There were no finance leases during the year.

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:

	2010	2009
Plant and equipment	2-10 years	2-10 years

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

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

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

SUPPLY NETWORK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (continued)

2. Statement of significant accounting policies (continued)

(k) Derivative financial instruments

The Group uses derivative financial instruments such as foreign currency contracts to hedge its risks associated with foreign currency fluctuations. Such derivative financial instruments are stated at market value. None of the forward exchange contracts qualify for hedge accounting and all gains or losses arising from changes in the fair value are charged directly in profit or loss.

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

(l) Trade and other payables

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

(m) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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

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

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

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

(n) Employee leave benefits

(i) *Wages, salaries, annual leave and sick leave*

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

SUPPLY NETWORK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010
(continued)**

2. Statement of significant accounting policies (continued)

(n) Employee leave benefits (continued)

(ii) Long Service Leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(o) Post-employment benefits

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

(p) Contributed equity

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

(q) Interest bearing liabilities

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

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

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

(r) Impairment of assets

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

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

SUPPLY NETWORK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (continued)

2. Statement of significant accounting policies (continued)

(r) Impairment of assets (continued)

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

(s) Revenue recognition

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

(i) **Sale of goods**

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

(ii) **Interest Income**

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

(t) Borrowing costs

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

(u) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at balance sheet date.

Deferred income tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

SUPPLY NETWORK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (continued)

2. Statement of significant accounting policies (continued)

(u) Income tax (continued)

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

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted at the balance sheet date.

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

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

(v) Other taxes

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

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

SUPPLY NETWORK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010
(continued)**

2. Statement of significant accounting policies (continued)

(v) Other taxes (continued)

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

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(w) Earnings per share

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

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

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

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

(x) New Accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2010 reporting period. The Group's assessment of the impact of these new standards and interpretations is they will result in no significant changes to the amounts recognised or matters disclosed in the Group's financial statements.

SUPPLY NETWORK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010
(continued)

		Consolidated	
		2010	2009
		\$000	\$000
3.	Revenues and expenses		
	Revenue and expenses from operating activities		
(a)	Revenue		
	Sale of goods	<u>43,103</u>	<u>40,328</u>
(b)	Finance revenue		
	Bank interest	<u>7</u>	<u>36</u>
(c)	Other expenses		
	Bad and doubtful debts – trade receivables	(50)	(64)
	Freight and cartage expenses	(793)	(732)
	Operating lease expense	(1,792)	(1,689)
	Other	(3,686)	(3,324)
		<u>(6,321)</u>	<u>(5,809)</u>
(d)	Finance costs		
	Bank loans and overdrafts	(276)	(316)
	Other external	(7)	(28)
		<u>(283)</u>	<u>(344)</u>
4.	Income tax		
(a)	Income tax expense		
	The major components of income tax expense are:		
	Current income tax		
	Current income tax charge	721	588
	Adjustments in respect of previous years	-	(8)
	Deferred income tax		
	Adjustment to deferred tax assets for previous year	-	73
	Relating to origination and reversal of temporary differences	(7)	15
	Income tax expense	<u>714</u>	<u>668</u>

SUPPLY NETWORK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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(continued)

	Consolidated	
	2010	2009
	\$000	\$000
4. Income tax (continued)		
(b) Reconciliation of prima facie tax payable to income tax expense		
Accounting profit before income tax	2,355	2,206
At the Group's income tax rate of 30% (2009:30%)	706	662
Adjustments in respect of previous years	-	(8)
Expenditure not allowable for income tax purposes	8	14
	714	668
(c) Deferred tax assets		
Depreciation differences	176	168
Doubtful debts	25	20
Employee benefits	327	335
Stock obsolescence	164	150
Unrealised profit in stock	28	33
Other	60	67
	780	773

(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 is 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 2010
(continued)

	Consolidated	
	2010	2009
	\$000	\$000
5. Cash and cash equivalents		
Cash at bank and in hand	575	210
Short-term deposits	953	1
	1,528	211

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.

Reconciliation to Statement of Cash Flows

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

	Consolidated	
	2010	2009
	\$000	\$000
Cash at bank and in hand	575	210
Short-term deposits	953	1
Bank overdrafts (note 11)	-	(15)
	1,528	196

6. Trade and other receivables

Current

Trade receivables (i)	5,547	5,285
Allowance for impairment loss	(84)	(67)
	5,463	5,218
Other receivables	8	16
	5,471	5,234

Ageing of trade receivables not impaired

Not overdue	5,106	4,942
61-90 days past due	332	258
91 days and above past due	25	18
	5,463	5,218

Ageing of trade receivables impaired

Not overdue	-	2
61-90 days past due impaired	8	12
91 days and above past due	76	53
	84	67
Total trade receivables	5,547	5,285

SUPPLY NETWORK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010
(continued)**

6. Trade and other receivables (continued)

- (i) Trade receivables are non-interest bearing and generally on 30 day terms. As at 30 June 2010 trade receivables of \$357,000 (2009: \$276,000) were past due and not impaired. These relate to independent customers for whom there is no recent history of default. An allowance for impairment loss is made when there is objective evidence that a trade receivable is impaired. The Group has retention of title clause over goods sold until payment is received.
- (ii) Information regarding the effective interest rate and the credit risk of current receivables is disclosed in note 27.

	Consolidated	
	2010	2009
	\$000	\$000
7. Inventories		
Finished goods at lower of cost or net realisable value	12,519	12,800
Stock in transit - finished goods at cost	2,425	2,037
Total inventories at lower of cost and net realisable value	14,944	14,837

8. Other current assets

Prepayments	41	100
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9. Plant and equipment

Plant and equipment at cost

Opening balance	3,830	3,626
Additions	569	299
Disposals	(173)	(93)
Exchange difference	9	(2)
Closing balance	4,235	3,830

Accumulated depreciation

Opening balance	3,095	2,873
Depreciation for the year	303	292
Disposals	(158)	(68)
Exchange difference	7	(2)
Closing balance	3,247	3,095

Total plant and equipment

	988	735
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10. Trade and other payables

Trade payables and accruals	7,185	6,277
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SUPPLY NETWORK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010
(continued)

		Consolidated	
		2010	2009
		\$000	\$000
11. Interest bearing loans and borrowings			
Current			
	Maturity		
Obligations under hire purchase contracts (i)	2012	24	22
Bank overdraft – secured (ii)	<i>On demand</i>	-	15
Bank loans (iii)	2010	279	277
		303	314
Non-current			
Obligations under hire purchase contracts (i)	2012	15	38
Bank loans (iii)	2010-2011	2,966	3,122
		2,981	3,160

- (i) Obligations under hire purchase contract are secured on a certain asset of a controlled entity. The agreement is for three years and subject to monthly repayment, maturing in February 2012. The interest rate on the agreement is 7.3%
- (ii) Bank overdrafts and bank loans are secured by fixed and floating charges over the assets of Supply Network Limited and controlled entities. Bank overdrafts have no specific term and are subject to annual review in November each year. Interest rates on overdrafts are variable and during the year the average interest rate was 9.6% (2009: 11.6%).
- (iii) Bank loans comprise fixed interest only loans of \$3,010,000 with effective interest rates of 6.5% to 7.8% maturing between August 2010 and August 2011 and fixed interest loans of \$235,000 with effective interest rates of 6.9% to 7.4% maturing between November 2011 and December 2013 and repayable by quarterly instalments of \$30,000.
- (iv) Bank loan agreements require certain financial ratios to be maintained
- Australian loan agreement requires:
- Consolidated adjusted gearing ratio not to exceed 1.75 to 1.
 - Working capital ratio as defined not to exceed 50% of stock plus debtors less trade creditors.
 - 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.
 - EBITDA to interest expense ratio of not less than 3 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 2010
(continued)

	Consolidated	
	2010	2009
	\$000	\$000
12. Current tax liabilities		
Current year tax payable	67	264

	Consolidated		
	Long Service Leave	Lease make good	Total
	\$000	\$000	\$000
13. Provisions			
At 1 July 2009	511	251	762
Arising during the year	83	70	153
Utilised	(122)	-	(122)
Exchange difference	-	1	1
Discount rate adjustment	(5)	7	2
At 30 June 2010	467	329	796
Current 2010	348	-	348
Non-current 2010	119	329	448
	467	329	796
Current 2009	337	-	337
Non-current 2009	174	251	425
	511	251	762

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	
	2010	2009
	\$000	\$000
14. Derivatives		
Current Assets (Liabilities)		
Net forward currency contracts-cash flow hedges	2	(8)

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(c)).

SUPPLY NETWORK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010
(continued)

		Consolidated	
		2010	2009
		\$000	\$000
15.	Contributed equity		
(a)	Issued and paid up capital 29,787,264 ordinary shares fully paid (2009: 25,310,837)	7,857	6,365

(b) Movements in Shares on Issue

	2010		2009	
	Number of Shares	\$000	Number of Shares	\$000
Balance at beginning of the year	25,310,837	6,365	24,887,624	6,260
Shares issued under dividend reinvestment plan	4,476,427	1,492	423,213	105
Balance at end of the year	29,787,264	7,857	25,310,837	6,365

(c) Share Options

There were no outstanding options over ordinary shares on issue at 30 June 2010 and 30 June 2009.

(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 2010
(continued)

	Consolidated	
	2010	2009
	\$000	\$000
17. Dividends paid and proposed on ordinary shares		
(a) Dividends declared and paid during the year		
Current year special fully franked dividend (2010: 4.00 cents per share) (2009: nil)	1,046	-
Current year interim fully franked dividend (2010: 1.00 cent per share) (2009: 1.00 cent)	292	249
Previous year final fully franked dividend (2009: 2.00 cents per share) (2008: 2.00 cents)	506	498
Total dividends paid	1,844	747
(b) Dividends proposed subsequent to 30 June and not recognised as a liability		
Current year final fully franked dividend (2010: 2 cents per share) (2009: 2.00 cents)	596	506
(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% (2009: 30%)	3,824	3,834
-franking credits that will arise from the payment of income tax payable as at the end of the financial year	3	238
	3,827	4,072
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:	(255)	(217)
	3,572	3,855

The tax rate at which paid dividends have been franked is 30% (2009: 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 2010
(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	
	2010	2009
	\$000	\$000
Net profit attributable to ordinary equity holders of the parent	1,641	1,538
	No.	No.
Weighted average number of ordinary shares for basic earnings per share	27,695,090	24,989,659

19. Lease commitments

Operating lease commitments payable		
not later than one year	1,728	1,262
later than one year and not later than five years	4,446	1,872
later than five years	338	-
	6,512	3,134

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

SUPPLY NETWORK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010
(continued)

	Consolidated	
	2010	2009
	\$000	\$000
20. Auditor's compensation		
Amounts received or due and receivable by HLB Man Judd (NSW Partnership) for:		
– an audit and review of a financial report of the consolidated group	51,000	45,300
Amounts received or due and receivable by HLB Mann Judd (Auckland Partnership) for:		
– an audit or review of the financial report of a subsidiary	9,600	8,300
	60,600	53,600

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)
G T Lingard	Chairman (non-executive, retired 17 March 2010)

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

	Consolidated	
	2010	2009
	\$	\$
Short-term	690,393	641,419
Post-employment	87,288	136,411
Termination benefits	102,804	-
Share-based payments	-	-
Other long-term benefits	-	-
	880,485	777,830

(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 2010 and 30 June 2009.

SUPPLY NETWORK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010
(continued)

21. Key management personnel (continued)

(c) Option holdings of key management personnel

There were no options held by key management personnel at 30 June 2010 or 30 June 2009.

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

	Balance 1 July 2009	Options Exercised	Net Change Other	Balance 30 June 2010
	No.	No.	No.	No.
Directors				
G J Forsyth	379,267	-	82,752	462,019
P W McKenzie	2,495,309	-	567,369	3,062,678
G D H Stewart	793,260	-	173,085	966,345
P W Gill	339,884	-	74,158	414,042
G T Lingard (retired 17 March 2010)	216,155	-	39,640	255,795
	4,223,875		937,004	5,160,879
	Balance 1 July 2008	Options Exercised	Net Change Other	Balance 30 June 2009
	No.	No.	No.	No.
Directors				
G J Forsyth	364,680	-	14,587	379,267
P W McKenzie	2,296,346	-	198,963	2,495,309
G D H Stewart	762,750	-	30,510	793,260
P W Gill	326,812	-	13,072	339,884
G T Lingard	207,842	-	8,313	216,155
	3,958,430		265,445	4,223,875

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% of the employees' ordinary time earnings to the funds, with employees contributing various percentages of their gross salary.

New Zealand operating company has a legal obligation to contribute 2% of participating employees' total earnings to KiwiSaver. Employees contribute between 2%-8% of their gross salary.

SUPPLY NETWORK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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(continued)

	Consolidated	
	2010	2009
	\$000	\$000
23. Cash Flow Information		
(a) Reconciliation of net profit after tax to the net cash flows from operations		
Profit after income tax	1,641	1,538
Adjustments for non-cash income and expense items		
Loss on sale of property, plant and equipment	4	22
Depreciation of property, plant and equipment	303	292
Transfers to provisions		
– Inventory obsolescence	97	(66)
– Employee entitlements	(28)	(19)
– Doubtful debts	17	42
– Lease make good	77	28
Net exchange differences	38	(27)
Increase (decrease) in provision for:		
– Income tax payable	(198)	(370)
– Deferred taxes	(7)	88
Changes in assets and liabilities		
(Increase) decrease in:		
Trade and other receivables	(262)	(17)
Inventories	(205)	(2,174)
Other assets	(4)	(67)
(Decrease) increase in:		
Trade and other payables	883	134
Net cash flow from (used in) operating activities	2,356	(596)

SUPPLY NETWORK LIMITED
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(continued)

	Consolidated	
	2010	2009
	\$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	5,984	6,156
Facilities used at reporting date	(3,284)	(3,474)
Facilities unused at reporting date	<u>2,700</u>	<u>2,682</u>
The major facilities are summarised as follows:		
Bank overdrafts	700	697
Facilities used	-	(15)
Facilities unused at reporting date	<u>700</u>	<u>682</u>
Bank loans	5,284	5,459
Facilities used	(3,284)	(3,459)
Facilities unused at reporting date	<u>2,000</u>	<u>2,000</u>
24. Parent Entity Information		
Current assets	953	2
Total assets	11,267	10,667
Current liabilities	37	373
Total liabilities	37	373
Shareholders equity:		
Issued capital	7,857	6,365
Retained earnings	3,373	3,929
	<u>11,230</u>	<u>10,294</u>
Profit for the year	1,289	1,360
Other comprehensive income	-	-
Total comprehensive income	<u>1,289</u>	<u>1,360</u>

SUPPLY NETWORK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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(continued)

25. Deed of Cross Guarantee

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

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

	Closed Group	
	2010	2009
Statement of Comprehensive Income	\$000	\$000
Profit before income tax	1,864	1,852
Income tax expense	(566)	(557)
Profit after income tax	<u>1,298</u>	<u>1,295</u>
Net profit attributable to members of the parent	1,298	1,295
Other comprehensive income	-	-
Total comprehensive income	<u>1,298</u>	<u>1,295</u>
Retained Earnings		
Retained earnings at beginning of the year	3,783	3,235
Profit after income tax	1,298	1,295
Dividends provided for or paid	(1,844)	(747)
Retained earnings at end of the year	<u>3,237</u>	<u>3,783</u>

SUPPLY NETWORK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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(continued)

	Closed Group	
	2010	2009
	\$000	\$000
25. Deed of Cross Guarantee (continued)		
Balance Sheet		
ASSETS		
Current assets		
Cash and cash equivalents	1,230	210
Trade and other receivables	4,745	4,603
Inventories	11,891	11,943
Other current assets	35	90
Intercompany	30	55
Total current assets	17,931	16,901
Non-current assets		
Other financial assets	1,031	1,031
Plant and equipment	848	563
Deferred tax assets	626	642
Total non-current assets	2,505	2,236
TOTAL ASSETS	20,436	19,137
LIABILITIES		
Current liabilities		
Trade and other payables	6,136	4,874
Interest bearing loans and borrowings	124	122
Income tax payable	7	238
Provisions	348	868
Derivatives	-	6
Total current liabilities	6,615	6,108
Non-current liabilities		
Interest bearing loans and borrowings	2,340	2,514
Provisions	387	367
Total non-current liabilities	2,727	2,881
TOTAL LIABILITIES	9,342	8,989
NET ASSETS	11,094	10,148
EQUITY		
Contributed equity	7,857	6,365
Retained earnings	3,237	3,783
TOTAL EQUITY	11,094	10,148

SUPPLY NETWORK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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(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	
	2010	2009	2010	2009	2010	2009	2010	2009
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Revenue								
Sales to customers outside the Group	36,381	33,887	6,722	6,441			43,103	40,328
Other revenues from outside the Group	36	44	4	7			40	51
Inter-segment revenues	949	1,250	29	9	(978)	(1,259)	-	-
Total segment revenues	37,366	35,181	6,755	6,457	(978)	(1,259)	43,143	40,379
Results								
Segment results	1,864	1,852	478	351	13	3	2,355	2,206
Profit before income tax and finance costs							2,631	2,514
Finance revenue							7	36
Finance costs							(283)	(344)
Profit before income tax							2,355	2,206
Income tax expense							(714)	(668)
Profit after income tax expense							1,641	1,538
Assets								
Segment assets	20,436	19,137	4,548	4,078	(1,230)	(1,325)	23,754	21,890
Liabilities								
Segment liabilities	9,342	8,989	2,124	2,015	(134)	(219)	11,332	10,785
Other segment information								
Acquisition of property, plant and equipment, intangible assets and other non-current assets	465	242	34	57	-	-	499	299
Depreciation	246	224	57	68			303	292
Other non-cash expenses	244	282	86	38			330	320

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 2010
(continued)**

27. Financial risk management

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

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

(a) Interest rate risk

The Group entity is exposed to interest rate risk through financial assets and liabilities. The Group's main interest rate risk arises from long-term borrowings (refer note 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 2010								
Financial assets								
Cash	1,528	-	-	-	-	1,528	4.5	-
Receivables	-	-	-	-	5,547	5,547	-	-
Forward currency contracts	-	-	-	-	498	498	-	-
Other debtors	-	-	-	-	8	8	-	-
	1,528	-	-	-	6,053	7,581		
Financial liabilities								
Payables	-	-	-	-	7,185	7,185	-	-
Bank loans and overdrafts	-	279	2,966	-	-	3,245	-	7.7
Forward currency contracts	-	-	-	-	496	496	-	-
Other loans	-	24	15	-	-	39	-	7.3
	-	303	2,981	-	7,681	10,965		

SUPPLY NETWORK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010
(continued)

27. Financial risk management (continued)

(a) Interest rate risk (continued)

Financial instruments - Contractual Maturities	Floating interest rate (i) \$000	Fixed interest rate maturing			Non- interest bearing \$000	Total \$000	Weighted average interest rate	
		1 year or less \$000	1 to 5 years \$000	Over 5 years \$000			Floating %	Fixed %
Consolidated								
30 June 2009								
Financial assets								
Cash	205	-	-	-	6	211	3.0	-
Receivables	-	-	-	-	5,285	5,285	-	-
Forward currency contracts	-	-	-	-	650	650	-	-
Other debtors	-	-	-	-	16	16	-	-
	<u>205</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,957</u>	<u>6,162</u>		
Financial liabilities								
Payables	-	-	-	-	6,277	6,277	-	-
Bank loans and overdrafts	15	277	3,122	-	-	3,414	11.2	7.9
Forward currency contracts	-	-	-	-	658	658	-	-
Other loans	-	22	38	-	-	60	-	7.3
	<u>15</u>	<u>299</u>	<u>3,160</u>	<u>-</u>	<u>6,935</u>	<u>10,409</u>		

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

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

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

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

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

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

SUPPLY NETWORK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010
(continued)**

27. Financial risk management (continued)

(b) Foreign exchange risk

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

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

Currency		Average exchange rate		Buy	Buy
		2010	2009	2010 \$000	2009 \$000
Euro currency	3 months or less	0.70	0.57	160	459
Japanese yen	3 months or less	76.77	78.25	169	39
US dollar	3 months or less	0.88	-	47	-
GB pounds	3 months or less	-	0.49	-	14
Australian dollar	3 months or less	1.00	1.00	120	139
Total				496	651

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.

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

SUPPLY NETWORK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010
(continued)**

27. Financial risk management (continued)

(d) Liquidity risk

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

The Group manages liquidity risk by maintaining adequate banking facilities and borrowing facilities by continuously monitoring forecasts and actual cash flows and matching maturity profiles of financial assets and liabilities. See note 23(b) for additional undrawn facilities to the Group has available to further reduce liquidity risk.

(e) Capital risk management

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

The capital structure of the Group consists of debt, which comprises the borrowings detailed in note 11, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital (note 15), reserves (note 16) and retained earnings.

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

Consolidated	
2010	2009
\$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

Purchases from related parties	446	591
Sales to related parties	139	163
Amounts owed by related parties	31	41

- (b) 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, P W Gill and G T Lingard (retired 17 March 2010).
- (c) 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.
- (d) 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.

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 17 to 49 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance for the financial year ended on that date; 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. The notes to the financial statements include a statement of compliance with International Financial Reporting Standards.
3. The directors have been given the declarations by the chief executive officer and chief financial officer for the year ended 30 June 2010 required by section 295A of the *Corporations Act 2001*.

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

On behalf of the Board

G J Forsyth
Director
Sydney
25 August 2010

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 balance sheet as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 17 to 50.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

In Note 1(a), 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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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

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 opinions.



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*, provided to the directors of Supply Network Limited on 25 August 2010, would be in the same terms if provided to the directors as at the time of this auditor's report.

Auditor's Opinion

In our opinion:

- (a) the financial report of Supply Network Limited is in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 1(a).

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 2010. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Supply Network Limited for the year ended 30 June 2010 complies with section 300A of the *Corporations Act 2001*.

HLB MANN JUDD
Chartered Accountants

D K Swindells
Partner

Sydney
25 August 2010