



**SUPPLY NETWORK LIMITED**

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17 November 2010

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

Dear Sir

**Re: Chairman's Address to Shareholders and Special Dividend Announcement**

Please find attached the Chairman's Address to Shareholders being delivered to the Annual General Meeting today at 2.00pm, which includes details of a Special Dividend payment.

Yours faithfully

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

**Peter Gill**  
Company Secretary



## Chairman's Address 2010

Welcome to the 2010 Supply Network Limited Annual General Meeting.

To open I would like to thank my fellow directors, senior management and all our staff. They are all very committed to growing your business and should be congratulated for their efforts over the year.

Supply Network has reported another robust performance with a 7% increase in revenue for the 2010 financial year. Earnings before interest and tax and profit after tax were also ahead of last year and this is particularly pleasing considering the investment that has been made to improve our systems, infrastructure, branch network and depth of management to support our continued drive for future growth.

Our strategy of focusing on organic growth and strengthening our competitive position within core markets has been progressing well.

- One new branch was successfully opened in August 2009 and another is currently being assessed.
- Many new full service fleet supply agreements were entered into.
- Much time and effort has continued to be directed to our E-commerce capability and we envisage rolling this out to a number of key bus fleet customers over the next 12 months.
- Our range of truck and trailer parts continues to expand.
- Supply chain, warehousing and logistics improvements are being put in place to cater for the expected growth.

We have paid a steady level of fully franked ordinary dividends of 3 cents per share for the year, however with the increased number of shares on issue resulting from the prior special dividends and DRP, the overall amount of ordinary dividends paid in dollar terms is up by over 17% year on year. This represents a payout ratio of around 55% of profit after tax.

As part of our capital management program directors are pleased to announce another fully franked special dividend of 4 cents per share, payable on 10<sup>th</sup> December 2010 with a record date of 26<sup>th</sup> November 2010. The DRP will operate in respect of this dividend, however the DRP will not be underwritten due to the company's strong balance sheet position. Subject to the rules of the DRP, shares will be issued at a 5% discount to the volume weighted average market price (on an ex-dividend basis) during the five trading days immediately preceding and inclusive of the record date.

This special dividend fulfils the capital management objectives of the program outlined in 2007, which the Board believes has considerably enhanced shareholder value. Going forward the Directors intend to be more flexible with ordinary dividend payout ratios depending upon on our gearing, cash requirements and the anticipated DRP participation at the time.

Based on the company's present low level of gearing, strong cash flows and sizeable franking credit balance, it is anticipated that this will result in an increase in the payout ratio in the future in preference to special dividends, subject of course to future circumstances.

I am also pleased to advise that the momentum experienced in the 2010 financial year has continued into the first quarter of the current financial year. If this momentum is sustained we would expect earnings before interest and tax for the full year to be in the order of \$3m representing a healthy 14% increase over last year.

Before closing we would like to thank our previous Chairman – Mr Garry Lingard – for the many years of hard work and guidance he provided to the Group prior to his retirement in March this year.

We would also like to thank shareholders for their continued support. The Board considers that your company is well positioned for the future.

Thank you for your attendance.