SUPPLY NETWORK LIMITED
ABN 12 003 135 680
1 Turnbull Close Pemulwuy NSW 2145
PO Box 3405 Wetherill Park NSW 2164
Telephone: 61 2 8624 8077

26 August 2019

The Manager
ASX Market 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 2019 the details of which are included in the attached Appendix 4E - Preliminary Final Report.

The audited results are in line with our announcement 30 July 2019.

Yours faithfully

Peter Gill
Company Secretary

Appendix 4E

Preliminary Final Report
Year ending 30 June 2019

Name of entity	Supply Network Limited
ABN	12 003 135 680

1. Details of reporting period

Financial year ended	30 June 2019
Previous corresponding period	30 June 2018

2. Results for announcement to the market

				$'000
Revenue from ordinary activities	up	10.5%	to	123,898
Profit from ordinary activities after income tax	up	6.3%	to	8,690
Net profit for the period attributable to members	up	6.3%	to	8,690

Dividends	**Amount per Security**	**Franked amount per security**
Final dividend (to be paid 27 September 2019)	8.50¢	8.50¢
Record date for determining entitlements to final dividend	12 September 2019	
Interim dividend (paid 4 April 2019)	6.00¢	6.00¢

Brief explanation of any of the figures reported above

Refer to attached Chairman's and Managing Director's Report and financial statements and notes

3. Statement of Comprehensive Income

Refer to attached financial statements and notes

4. Statement of Financial Position

Refer to attached financial statements and notes

5. Statement of Cash Flows

Refer to attached financial statements and notes

6. Statement of Changes in Equity

Refer to attached financial statements and notes

7. Details of Dividends

Refer to attached financial statements and notes

8. Dividend Reinvestment Plans

Supply Network Limited Dividend Reinvestment Plans did not operate during the year and will not operate in respect of the final dividend payable 27 September 2019

9. Net tangible asset backing

	Current Period	Previous corresponding period
Net tangible asset backing per ordinary security	93.9¢	85.4¢

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 and notes

13. Foreign entities

Not applicable

14. Commentary on results for period

Refer to attached Chairman's and Managing Director's Report and financial statements and notes

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 qualification

Signature

Date	**26 August 2019**
Name	**Peter Gill**
Position	**Company Secretary**

SUPPLY NETWORK LIMITED
ABN 12 003 135 680

ANNUAL ACCOUNT

FOR THE YEAR ENDED 30 JUNE 2019

The financial statements were authorised for issue by the directors on 26 August 2019.
The directors have the power to amend and reissue the financial statements.

SUPPLY NETWORK LIMITED

ABN 12 003 135 680

ANNUAL ACCOUNT

30 JUNE 2019

Contents

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

1 Turnbull Close
Pemulwuy NSW 2145

Telephone	02 8624 8077
E-mail	admin@supplynetwork.com.au

Corporate Governance Statement

The Corporate Governance Statement can be found at www.supplynetwork.com.au/governance.htm

Internet Address

www.supplynetwork.com.au

Auditors

HLB Mann Judd (NSW Partnership)

Bankers

ANZ Banking Group Limited

Solicitors

Bartier Perry

Share Registry

Computershare Investor Services Pty Limited
Level 3, 60 Carrington Street
Sydney NSW 2000

Enquiries (within Australia)	1300 850 505
Enquiries (outside Australia)	61 3 9415 4000
Facsimile	61 3 9473 2500

Stock Exchange Listing

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

CHAIRMAN'S AND MANAGING DIRECTOR'S REPORT
FOR THE YEAR ENDED 30 JUNE 2019

Sales revenue for Supply Network in the 2019 financial year was $123.9m, a 10.5% increase on the prior year and slightly ahead of forecasts. Growth patterns were similar across Australia and New Zealand with some regional variation explained by local market conditions and the timing of larger customer opportunities.

Group EBIT of $12.8m and EBIT margin of 10.3% were both in line with recent forecasts. Growth in EBIT tracked growth in sales revenue in Australia but EBIT was lower in New Zealand due to planned increases in operating costs related to the opening of our new Distribution Centre and Branch in Hamilton.

Review of Operations

Historically, in this report we have reviewed developments in our Truck business and Bus business separately. This made sense because we put a high priority on developing sophisticated sales and transaction capabilities with the large bus fleets. While bus fleet business remains a very important customer group, over recent years we have gradually extended our bus fleet ideas, technologies and systems to truck fleets and we now continue developing these ideas, technologies and systems for the much larger combined 'fleet market". In view of this, in future we will refer to "fleet business" with specific mention of bus, waste, bulk haul, general freight and other customer groups where appropriate.

Total sales revenue from fleets has continued growing at roughly the same rate as the rest of our business. Large fleets are generally sophisticated buyers with a focus on operating costs and risk management. There is significant competition between aftermarket suppliers for fleet business and fleets are also the main target of vehicle franchises with a very different value proposition. The scale of the Multispares branch network and the breadth and quality of our product range give us unique capability as a supply partner and this has helped us win contracts over the past year, but there is no room for complacency in this competitive market. To maintain our edge, we continue working on transaction efficiency and expanding our product range, over the past year adding high-quality suppliers in areas we had targeted for improvement.

Our second largest, perhaps most closely aligned customer group is the independent repairers. Their daily challenge is a complex array of customer vehicles, repairs and both scheduled and unscheduled work, often urgent. For many years we have been building our product range and delivery services to help these independents deal with their daily challenge. Continued strong growth, year on year, shows we have been getting this right but, as with fleets, this is a competitive market and there is no room for complacency. Over the past year we increased branch inventories, commenced new delivery services for some regional markets and continued a gradual increase in delivery service frequency for major metropolitan markets.

2019 was our first full year operating in Port Hedland WA and Hamilton NZ. Both these sites met targets set by the Board but also experienced challenges. Port Hedland is our most remote venture since we first opened in New Zealand 27 years ago. The climate and work conditions in Port Hedland are unique and challenging, and we have learnt a lot since opening. Despite a few setbacks, Port Hedland finished the year in good shape with an expanding customer base and making an important contribution to the management of one of our large national accounts. Multispares Port Hedland is a long-term commitment and an important frontier in our business development plans.

Hamilton was also an entirely new operation but far less remote, being around 90 minutes' drive south of Auckland. Notwithstanding this, setting up a new distribution facility in a new city with new staff required a lot of planning, training and support. In addition to the challenges in Hamilton, our New Zealand team also managed the construction of a new facility in Christchurch and subsequent relocation of our Christchurch branch in early June. Under these circumstances our New Zealand sales result was very good.

The Future

Supply Network has again made good progress on business development objectives and the Group is well placed to continue the path we have outlined in this report over recent years. The competitive structure of the commercial vehicle parts market means we must constantly balance our investment in inventory and customer service with competitive settings on product prices. There is no single game changer for our industry and our plans for profitable growth continue to be built on many small steps that improve service levels and operating efficiency.

One such step will be the opening of a second Brisbane branch in October this year. We have taken long term lease options on a purpose-built site with great street presence and easy heavy vehicle access from Kingsford Smith Drive in Eagle Farm. This new branch will dramatically improve service levels for customers from the Port of Brisbane to the northern suburbs, allowing our Darra branch to refocus on services south of the Brisbane River.

Following two years of strong growth and the completion or near completion of most of our current 3-Year Plan, Directors have brought forward by one year the development of our next 3-Year Plan. This new Plan builds on recent activities and sets targets to focus discussion on the resources, systems, products and customers that are needed to sustain growth. New 3-year targets will be outlined in the Chairman's Address at our AGM this coming November.

One obvious outcome of growth is increased inventory, which requires consideration of warehousing. Over the next three years we will start pushing against current distribution capacity limits, so we've begun investigating ways to add smaller distribution sites, as needed, to manage future growth. We will also continue developing our warehouse systems to improve picking accuracy, productivity and capacity utilisation.

Capital Management

In the current low interest environment, Directors have been comfortable allowing targeted increases to inventory to improve product availability for customers across the regions where we operate. This growth in inventory and the construction of our new site in Christchurch are behind an increase in gearing to around 25%, still relatively low, within target levels and easily reduced without affecting dividends if the business returns to a lower pace of growth.

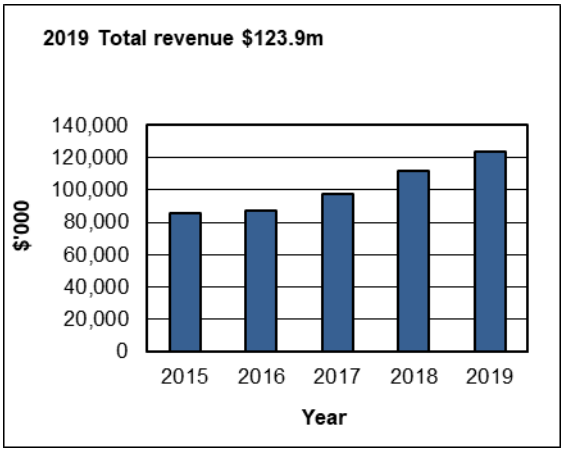
Dividends paid or announced based on results in the 2019 financial year totaled 14.5 cents per share, an increase of 7% on the prior year and maintaining the payout ratio at 68% of earnings.

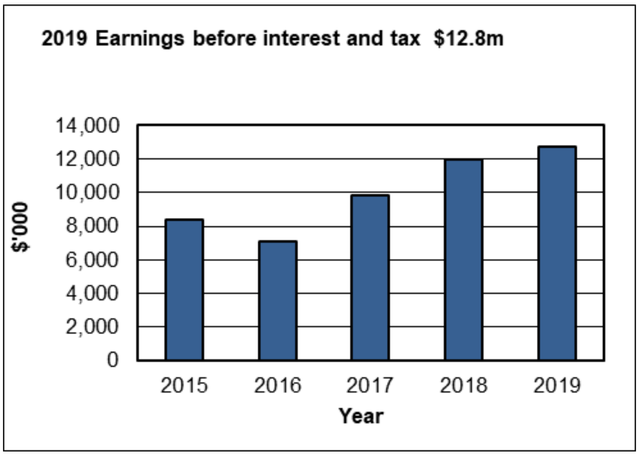
A Thank You to Staff

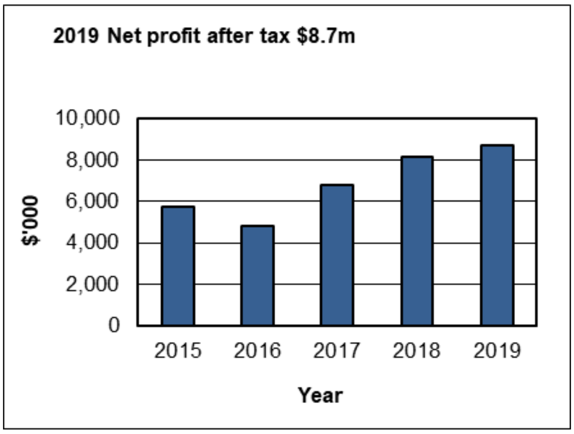
We congratulate staff on their results over the last financial year. Growing revenue to $123.9m during a year of challenging projects was a great effort. As always, we appreciate their efforts and look forward to working with them in the new financial year.

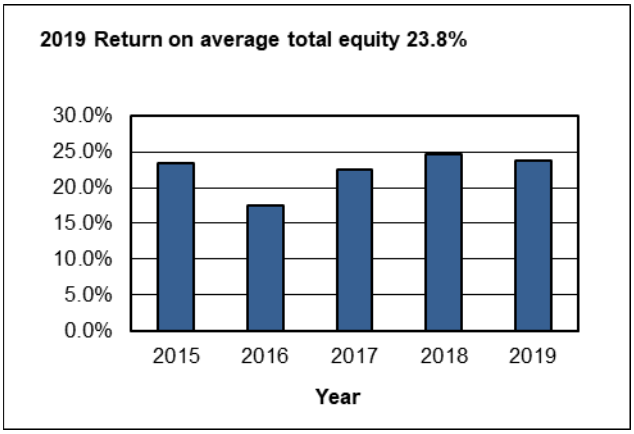
SUPPLY NETWORK LIMITED

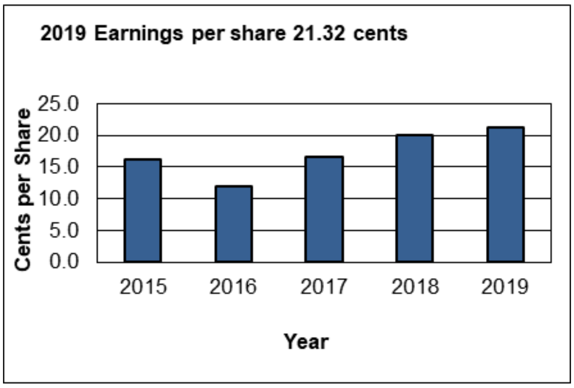
PERFORMANCE HIGHLIGHTS

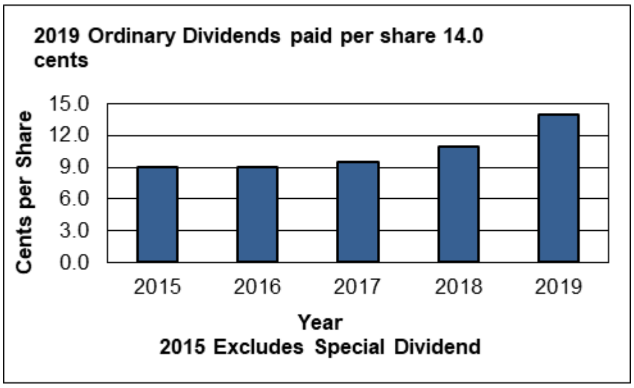












SUPPLY NETWORK LIMITED

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2019

The Directors of Supply Network Limited (the company) submit their report on the consolidated entity (the Group) consisting of Supply Network Limited and the entities it controlled at the end of, or during, the year ended 30 June 2019.

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.

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

Principal Activities

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

Results

The net profit of the Group after providing for income tax for the financial year was $8.7m (2018: $8.2m).

Earnings per Share

Basic and diluted earnings per share for the financial year were 21.32 cents per share (2018: 20.06 cents) and 21.31 cents per share (2018: 20.06 cents) respectively.

Dividends

Dividends paid or declared for payment were as follows:	**$000**
Final dividend for 2018 of 8.00 cents per share paid 28 September 2018	3,261
Interim dividend for 2019 of 6.00 cents per share paid 4 April 2019	2,446
Final dividend for 2019 of 8.50 cents per share declared 30 July 2019 and payable 27 September 2019	3,465

Review of Operations

Group sales revenue for the year was $123.9m, which is an increase of 10.5% when compared to the prior year.

Sales revenue in the Australian operation increased by 10.2% and in the New Zealand operation increased by 9.0% in NZ$ terms.

Earnings before interest and tax for the year were $12.8m, an increase of 6.6% on last year.

Profit after income tax for the year was $8.7m, an increase of 6.3% on last year.

Throughout the year we continued developing new opportunities to expand our operations in a highly competitive market.

During the period we commenced operations at our new branch and distribution centre in Hamilton, New Zealand. Construction of the new branch in Christchurch New Zealand was completed with occupancy in June 2019. The Group continued to invest in stock to improve service levels and support growth objectives. These investments will add to our operating costs but also support the company's long-term growth plans.

Review of Operations (continued)

Earnings per share were 21.32 cents, an increase of 1.26 cents on last year (refer Note 18).

Group cash flows from operating activities were $2.4m, a decrease of $3.7m on last year. Increasing inventory levels continue to impact on group cash flows.

Gearing at balance date has increased to 24.6%, which is an increase on gearing from 11.6% as at June 2018. There were additional long-term borrowings during the year of $5.9m, with $1.0m unused at reporting date (refer Note 23(b)).

As at June 30, 2019 net assets of the group were $38.3m (June 2018: $34.8m) and net tangible asset backing was 93.9 cents per share (June 2018: 85.4 cents).

The Directors have declared a fully franked final dividend of 8.5 cents per share payable on 27 September 2019 to shareholders registered on 12 September 2019.

The Dividend Reinvestment Plan did not operate during the year and will not operate in respect of the final dividend.

Dividends paid and or payable in respect of the 2019 financial year total 14.5 cents per share, which is an increase of 1.0 cent on the prior year (refer Note 17). The dividend payout ratio for the year is 68.0%.

A more detailed Review of Operations is included 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 in 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 forecast sales revenue growth for the Group of at least 10% in 2019/20. Management plans for the year focus on organic growth opportunities in the existing business units. Continued expansion of the product range and service network are the primary considerations in our three year outlook.

Information on Directors

Gregory James Forsyth - Chairman
Appointed Chairman of the Board on 17 March 2010. Non-executive Director since 25 January 2006. Chairman of the Audit Committee and a member of the Remuneration Committee. He has over 30 years experience in financial markets specialising in Australian listed equities.

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 and has over 20 years experience in the transport industry. Mr McKenzie operates a consultancy practice providing advice to public authorities and private clients in the transport industry.

Information on Directors (continued)

Geoffrey David Huston Stewart - Managing Director
Appointed Chief Executive Officer in November 1999 and Managing Director in November 2000. He has a Bachelor of Engineering (Mechanical) from the University of Sydney, an MBA from Macquarie University and over 30 years experience in the road transport industry.

Peter William Gill
Appointed senior finance executive in April 1995 and held that position until his retirement in October 2018. He was appointed to the Board in May 2008 as Finance Director and after his retirement remained on the Board as a Non-Executive Director. He is a Chartered Accountant with a Bachelor of Business degree and has over 40 years experience in accounting and finance in both commercial and professional fields. He is a Chartered Secretary and a Fellow of the Governance Institute of Australia.

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	3	3
P W McKenzie	12	10	2	2	3	3
G D H Stewart	12	12				
P W Gill	12	12				

Directors' Interests

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

(a) G J Forsyth holds 41,200 ordinary shares of the company and is deemed to have a relevant interest in shares held by Odalisque Pty Ltd (626,635 shares).

(b) P W McKenzie is deemed to have a relevant interest in shares held by PW & LJ McKenzie Superannuation Fund, a substantial shareholder (4,473,359 shares).

(c) G D H Stewart is deemed to have a relevant interest in shares held by Boboco Pty Limited (955,947) and D G Stewart (440,886 shares). G D H Stewart is deemed to have a relevant interest in plan shares held by D G Stewart (21,748 plan shares)

(d) P W Gill holds 178,460 ordinary shares of the company and is deemed to have a relevant interest in shares held by Viewbar Pty Limited (420,025 shares).

Indemnification of Directors

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

Company Secretary

P W Gill has been the Company Secretary of Supply Network Limited for over 20 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 (SNL).

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 SNL.

The broad remuneration policy is to ensure that 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 data.

Non-executive director compensation
The Board seeks to set Non-executive director compensation at a level which enables the company to attract and retain suitably qualified directors at a cost which is acceptable to shareholders.

Non-executive directors receive an annual fee for being a director of the company with no provision for retirement benefits. These fees are determined by reference to industry standards taking into account the company's relative size. No additional payments are made for serving on Board Committees and no performance related compensation or equity incentives are offered.

The present maximum aggregate sum for Non-executive directors is $400,000. This amount was approved by shareholders at the 2017 Annual General Meeting.

The compensation of Non-executive directors for the period ending 30 June 2019 is detailed in Table 1 on page 11.

Executive director and senior executives compensation
The company aims to reward its executives with a level of compensation commensurate with the position and responsibilities within the Group, to link reward with performance of the Group and to ensure that total compensation is competitive by market standards.

Compensation consists of the following three elements:
- fixed compensation
- variable compensation – short-term incentive and
- equity-based compensation – long-term incentive.

Fixed Compensation
The level of fixed compensation is set to provide 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 data as a guide.

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

Executive director and senior executives compensation (continued)

Variable Compensation - Short Term Incentive
The objective of the short-term incentive is to link the Group'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 Group 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 business performance, shareholder wealth and sustainable growth.

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

On an annual basis after completion of the audit of the Group's financial statements the short-term incentives payable are approved by the Board.

Equity-based Compensation - Long Term Incentive
Plan shares have been issued under the Supply Network Limited Employee Incentive Plan (EIP) which was approved at the 2018 AGM on 20 November 2018.

A plan share is a right to receive one ordinary share in the Company at a point in the future subject to meeting specified service and performance and/or other conditions (collectively called 'vesting conditions'). If the applicable conditions are met, the plan shares will vest and may be exercised by the holder of the plan share in return for an ordinary share in the Company. Plan shares do not vest unless the vesting conditions are met.

The Remuneration Committee has set service and performance vesting conditions as part of the remuneration packages in accordance with the Group's long-term incentive scheme. The conditions have been set in advance, taking into account expected profit growth.

Plan Shares
Executive plan shares are valued using the volume weighted average market price of the ordinary shares of the Company on the ASX for the five trading day period ending at market close on 30 August in the following financial year. Other senior manager plan shares are valued using the volume weighted average market price of the ordinary shares of the Company on the ASX for the five-trading day period ending at market close at grant date.

At the date of this report, the unissued ordinary shares of Supply Network Limited under plan shares are as follows:

For the year ended 30 June 2019	Balance as at 30/6/2018 No.	Granted as remuneration No.	Vesting of plan shares No.	Expiring plan shares No.	Balance as at 30/06/2019 No.
G D H Stewart – Managing Director	0	21,748	0	0	21,748
Other senior managers	0	29,770	0	0	29,770
Total	**0**	**51,518**	**0**	**0**	**51,518**

Share based payment expenses for the financial years	2019 $	2018 $	Fair Value
21,748 plan shares issued at fair value of $4.276 to G D H Stewart, 20/11/2018 vesting 01/09/2020	**31,000**	0	93,000
29,770 plan shares issued at fair value of $3.606 to Senior Managers, 24/04/2019 vesting 01/09/2020	**13,409**	0	107,269
Total expense arising from EIP share based payments	**44,409**	0	200,269

Executive director and senior executives compensation (continued)

Plan Shares (continued)
No other plan shares have been granted or vested or have expired in the previous financial year. There have been no plan shares issued since the reporting date. The plan shares will be granted for nil cash consideration, accordingly no funds will be raised on issue. In the case of an executive director, no plan shares may be issued to the director without express shareholder approval of the number and terms of the plan shares. Any plan shares which do not vest by 1 September 2020 will lapse. For further information on share based payments refer to Note 16 to the financial statements

Relationship between Remuneration Policies and SNL Performance
The tables below set out summary information about SNL earnings and movements in shareholder wealth for the five years to 30 June 2019. The Board is of the opinion that these results can be attributed, in part, to the remuneration policies and is satisfied with the overall trend in shareholder wealth over the past five years.

	2019	2018	2017	2016	2015
Total Revenue $	123.9m	112.1m	97.6m	87.2m	85.3m
Net Profit after tax $	8.7m	8.2m	6.8m	4.8m	5.7m
Share price year-end	$3.53	$4.24	$2.52	$2.10	$2.05
Dividends paid cents per share	14.0	11.0	9.5	9.0	9.0*

* 2015 excludes special dividend

Employment contracts
All SNL executives are employed under contracts with the following common terms and conditions:
- No fixed terms.
- Either party may terminate the contract by giving 6 months notice in writing.
- The company may terminate the contract at any time without notice for Causes as defined.
- Termination benefits of 6 months remuneration are payable, in addition to 6 months notice, where the company terminates the contract for other than Causes as defined.

Individual contracts for key management personnel include:
- G D H Stewart – fixed compensation package of $465,000 from 1 July 2018 plus a short-term incentive of up to 40% of the package and plan shares as noted above.

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	Director (non-executive)

Executive director and senior executives compensation (continued)

Compensation of Key Management Personnel

Table 1: Compensation of Key Management Personnel for the year ended 30 June 2019

	Short Term			Long Term Benefits	Post-Employment		Equity	Total	Total Performance Related
	Salary, Fees & Leave	Bonus Payable	Non Monetary	Other	Super-annuation	Retirement Benefits	Options & Share Rights		
	$	$	$	$	$	$	$	$	%
Directors									
G J Forsyth	104,498	-	-	-	9,927	-	-	114,425	-
P W McKenzie	66,877	-	-	-	6,353	-	-	73,230	-
G D H Stewart	434,635	148,800	-	7,780	25,000	-	31,000	647,215	23.0
P W Gill	136,191	-	7,000	1,572	23,476	-	-	168,239	-
Total	742,201	148,800	7,000	9,352	64,756	-	31,000	1,003,109	14.8
Total	898,001			9,352	64,756		31,000	1,003,109	14.8

Table 2: Compensation of Key Management Personnel for the year ended 30 June 2018

	Short Term			Long Term Benefits	Post-Employment		Equity	Total	Total Performance Related
	Salary, Fees & Leave	Bonus Payable	Non Monetary	Other	Super-annuation	Retirement Benefits	Options & Share Rights		
	$	$	$	$	$	$	$	$	%
Directors									
G J Forsyth	104,498	-	-	-	9,927	-	-	114,425	-
P W McKenzie	66,877	-	-	-	6,353	-	-	73,230	-
G D H Stewart	473,539	186,000	-	31,242	25,000	-	-	715,781	26.0
P W Gill	267,289	108,000	26,000	13,032	25,000	-	-	439,321	24.6
Total	912,203	294,000	26,000	44,274	66,280	-	-	1,342,757	21.9
Total	1,232,203			44,274	66,280		-	1,342,757	21.9

Rounding

The amounts contained in the directors' report and in the financial report have been rounded to the nearest $1,000 (where rounding is applicable) under the option available to the company under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The company is an entity to which the Instrument applies.

Auditors' Independence Declaration

A copy of the Auditors' Independence declaration for the year ended 30 June 2019 is set out on page 13.

Non-Audit Services

There were no non-audit services provided during the year to the Group by HLB Mann Judd or any related practices or related audit firms.

Signed in accordance with a resolution of directors.

G J Forsyth
Director

Sydney, NSW
26 August 2019

Auditor's Independence Declaration to Supply Network Limited

As lead auditor for the audit of the consolidated financial report of Supply Network Limited for the year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) any applicable code of professional conduct in relation to the audit.

This declaration is in relation to Supply Network Limited and the entities it controlled during the year.

Sydney, NSW
26 August 2019

D K Swindells
Partner

SUPPLY NETWORK LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2019

		Consolidated	
		2019	**2018**
	Notes	**$000**	**$000**
Revenue from contracts with customers	3	**123,882**	112,065
Finance revenue	3	**6**	16
Other income		**10**	13
Changes in inventories of finished goods		**(72,501)**	(65,397)
Employee benefits expense		**(23,161)**	(20,977)
Depreciation and amortisation		**(1,342)**	(1,091)
Other expenses	3	**(14,120)**	(12,631)
Finance costs	3	**(450)**	(276)
Profit before income tax		**12,324**	11,722
Income tax expense	4	**(3,634)**	(3,546)
Profit after income tax		**8,690**	8,176
Profit attributable to members of the parent		**8,690**	8,176
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Adjustment on translation of foreign controlled entity net of tax	16	**436**	(349)
Total other comprehensive income/(loss) after income tax		**436**	(349)
Total comprehensive income for the year attributable to members of the parent		**9,126**	7,827
Basic earnings per share (cents per share)	18	**21.32**	20.06
Diluted earnings per share (cents per share)	18	**21.31**	20.06
Dividends per share (cents per share)	17	**14.00**	11.00

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

SUPPLY NETWORK LIMITED

BALANCE SHEET
AT 30 JUNE 2019

		Consolidated	
		2019	**2018**
	Note	**$000**	**$000**
ASSETS			
Current assets			
Cash and cash equivalents	5	**1,612**	2,401
Trade and other receivables	6	**13,780**	12,936
Inventories	7	**42,832**	34,265
Other current assets	8	**168**	172
Derivatives	14	**-**	16
Total current assets		**58,392**	49,790
Non-current assets			
Property, plant and equipment	9	**8,786**	7,180
Deferred tax assets	4	**2,533**	2,456
Total non-current assets		**11,319**	9,636
TOTAL ASSETS		**69,711**	59,426
LIABILITIES			
Current liabilities			
Trade and other payables	10	**19,644**	17,490
Interest bearing loans and borrowings	11	**1,541**	907
Income tax payable	12	**196**	1,025
Provisions	13	**925**	914
Derivatives	14	**14**	-
Total current liabilities		**22,320**	20,336
Non-current liabilities			
Interest bearing loans and borrowings	11	**7,859**	3,146
Provisions	13	**1,273**	1,148
Total non-current liabilities		**9,132**	4,294
TOTAL LIABILITIES		**31,452**	24,630
NET ASSETS		**38,259**	34,796
EQUITY			
Contributed equity	15	**21,075**	21,075
Reserves	16	**910**	430
Retained earnings		**16,274**	13,291
TOTAL EQUITY		**38,259**	34,796

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 2019

	Note	Contributed Equity $000	Share based payment Reserve $000	Exchange Translation Reserve $000	Retained Earnings $000	Total $000
Consolidated						
Balance at 30 June 2017		21,075	-	779	9,599	31,453
Total comprehensive income for the year		-	-	(349)	8,176	7,827
Transactions with owners in their capacity as owners						
Share based payments	16	-	-	-	-	-
Dividends provided for or paid	17	-	-	-	(4,484)	(4,484)
Balance at 30 June 2018		**21,075**	**-**	**430**	**13,291**	**34,796**
Total comprehensive income for the year		-		**436**	**8,690**	**9,126**
Transactions with owners in their capacity as owners						
Share based payments	16	**-**	**44**	**-**	**-**	**44**
Dividends provided for or paid	17	**-**	**-**	**-**	**(5,707)**	**(5,707)**
Balance at 30 June 2019		**21,075**	**44**	**866**	**16,274**	**38,259**

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 2019

	Note	Consolidated	
		2019	**2018**
		$000	**$000**
Cash flows from operating activities		**Inflows/(Outflows)**	
Receipts from customers		**136,961**	122,663
Payments to suppliers and employees		**(129,671)**	(112,877)
Interest received		**6**	17
Interest paid		**(343)**	(219)
Income tax paid		**(4,554)**	(3,526)
Net cash flows from (used in) operating activities	23(a)	**2,399**	6,058
Cash flows from investing activities			
Purchase of property, plant and equipment		**(2,835)**	(2,945)
Proceeds from sale of property, plant and equipment		**1**	-
Net cash flows from (used in) investing activities		**(2,834)**	(2,945)
Cash flows from financing activities			
Proceeds from borrowings		**4,873**	367
Repayment of borrowings		**(306)**	(395)
Dividends paid		**(5,707)**	(4,484)
Net cash flows from (used in) financing activities		**(1,140)**	(4,512)
Net increase (decrease) in cash and cash equivalents		**(1,575)**	(1,399)
Cash and cash equivalents at beginning of year		**1,773**	3,223
Exchange rate adjustment to balances held in foreign currencies		**43**	(51)
Cash and cash equivalents at end of year	5	**241**	1,773

The above statement of cash flows should be read in conjunction with the accompanying notes.

1. Corporate information

The consolidated financial statements of Supply Network Limited (the company) for the year ended 30 June 2019 were authorised for issue in accordance with a resolution of the directors on 26 August 2019.

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

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

2. Summary of significant accounting policies

(a) Basis of accounting

These general purpose financial statements have been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards. These financial statements have also been prepared on a historical cost basis, except for selected financial assets and liabilities, which have been measured at fair value. The Group is a for profit entity for financial reporting purposes under Australian Accounting Standards.

The financial statements are presented in Australian dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated, under the option available to the company under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The company is an entity to which the Instrument applies.

(b) Statement of compliance

The consolidated financial statements of Supply Network Limited also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(c) Basis of consolidation

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

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

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

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

(d) Significant accounting judgements, estimates and assumptions

(i) Significant accounting judgements

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

2. Summary of significant accounting policies (continued)

(d) Significant accounting judgements, estimates and assumptions (continued)

(ii) Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Impairment of assets

The Group determines whether the carrying value of assets is impaired at least on an annual basis, where indicators exist. This requires an estimation of the recoverable amount of the cash generating units to which the assets are allocated.

Obsolete inventory provision

Provision is made for anticipated obsolete and redundant inventories. This requires an estimation to be made based on expected sales volumes and current inventory levels.

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.

Foreign Subsidiary Company

The functional currency of the foreign operation, Multispares N.Z. Limited, is New Zealand dollars (NZ$).

As at the reporting date the assets and liabilities of the foreign subsidiary are translated into the presentation currency of Supply Network Limited at the exchange rate ruling at the balance sheet date and its profit or loss is translated at the weighted average exchange rate for the year.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the date of the initial transaction.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

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

2. Summary of significant accounting policies (continued)

(e) Foreign currency transactions (continued)

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 cash equivalents in the Balance Sheet comprises cash at bank, on deposit and in hand with a 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 and bank trade facilities.

(g) Trade and other receivables

Trade and other receivables, which generally have 30 day terms, are recognised and carried at original invoice amount less any allowance for expected credit losses.

The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade and other receivables have been grouped based on days overdue.

Trade and other receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets.

(h) Inventories

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

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

Finished Goods – weighted average cost into store.

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

Obsolete and redundant inventories are provided for as appropriate.

(i) Leases

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

There were no finance leases during the year.

2. Summary of significant accounting policies (continued)

(i) Leases (continued)

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) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on a straight line basis over the estimated useful life of the asset as follows:

Plant and equipment	3 – 15 years

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

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

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

(k) Derivative financial instruments

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

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

(l) Trade and other payables

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

(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.

2. Summary of significant accounting policies (continued)

(m) Provisions (continued)

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

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

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

(n) Employee leave benefits

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

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

(ii) Long service leave

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

(o) Post-employment benefits

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

(p) Contributed equity

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

(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.

2. Summary of significant accounting policies (continued)

(r) Impairment of assets

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

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

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

(s) Revenue recognition

The Company recognises revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services

(i) Sale of goods
Revenue from the sales of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

(ii) Interest income
Interest 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.

(iii) Other revenue
Other revenue is recognised when it is received or when the right to receive payment is established.

(t) Borrowing costs

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

2. Summary of significant accounting policies (continued)

(u) Income tax

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

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

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

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

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

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

Income tax relating to items recognised directly in equity is recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

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

2. Summary of significant accounting policies (continued)

(v) Other taxes

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

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

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

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

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

(w) Earnings per share

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

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

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

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

(x) New, revised or amending Accounting standards and interpretations adopted

AASB 9 Financial Instruments

The Group's financial instruments include cash and cash equivalents, trade and other receivables and trade and other payables. The Group does not apply hedge accounting. On initial application of AASB 9, the Group determined that its financial assets and liabilities continue to be measured at amortised cost and the Group has applied the simplified approach to measuring expected credit losses of its trade and other receivables. The adoption of AASB 9 has not had a significant effect on the Group's accounting policies relating to financial instruments or a material impact on the financial performance or position of the Group. Comparatives were not required to be restated and no differences were required to be recognised to the opening balance of retained earnings at 1 July 2018 as a result of the adoption of AASB 9.

AASB 15 Revenue from Contracts with Customers

From 1 July 2018, the Group has adopted AASB 15 which replaces AASB 118 Revenue, AASB 111 Construction Contracts and several revenue related Interpretations. The adoption of AASB 15 has not had any effect on the financial performance or position of the Group. No adjustment was required to be recognised to the opening balance or retained earnings at 1 July 2018 as a result of the adoption of AASB 15.

2. Summary of significant accounting policies (continued)

(y) New Accounting standards and interpretations (continued)

Certain new accounting standards and interpretations have been published that are not mandatory for the June 2019 reporting period. The Director's assessment of the impact of these new standards and interpretations (to the extent relevant to the Group) is set out below.

Australian Accounting Standard AASB 16: Leases will apply to the Group for the first time for the year ending 30 June 2020. This Standard will change how the Group accounts for its current operating leases. All such leases (other than leases with lease terms for 1 year or less and leases of low value items, i.e. for around $10,000 or less) will be brought onto the Balance Sheet by the recognition of a "Right-of-Use" asset, together with a liability for the present value of the lease payments for the life of the lease.

The future recognition of lease expenses will change, with more expenses recognised in the early periods of a lease, and less in later periods, as there will be a change from the straight-line expense currently recognised to front-ended finance charges. There will also be a change in lease expense classification from recognising operating expenses to recognising financing costs and amortisation.

The Group has reviewed all of its leasing arrangements in light of the new lease accounting rules in AASB 16. Applying AASB 16 to the Group's current operating leases as at 30 June 2019 would result in approximately $31.5m in right-of-use assets and lease liabilities to be recognised in the balance sheet.

There are no other Standards that have been issued that are not yet effective and that are expected to have a material impact on financial reports of the Group in the current or future reporting periods.

3. Revenues and expenses

	Consolidated 2019 $000	Consolidated 2018 $000
Revenue and expenses from continuing operations		
(a) Revenue from contracts with customers		
Sale of goods	**123,882**	112,065

The Group derives its revenue from contracts with customers for the transfer of goods at a point for all its revenue lines.

AASB 15 requires an entity to disaggregate revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The Group has assessed that the disaggregation of revenue by operating groups is appropriate in meeting this disclosure requirement as this is the information regularly reviewed by the chief operating decision maker in order to evaluate the financial performance of the entity.

	Consolidated 2019 $000	Consolidated 2018 $000
(b) Finance revenue		
Bank interest	**6**	16
(c) Other expenses		
Bad and doubtful debts – trade receivables	**(111)**	(88)
Freight and cartage expenses	**(1,572)**	(1,469)
Operating lease expenses	**(5,272)**	(4,633)
Other	**(7,165)**	(6,441)
	(14,120)	(12,631)
(d) Finance costs		
Bank loans and overdrafts	**(336)**	(206)
Other finance costs	**(114)**	(70)
	(450)	(276)

4. Income tax

(a) Income tax expense

The major components of income tax expense are:

	Consolidated 2019 $000	Consolidated 2018 $000
Current income tax		
Current income tax charge	**3,701**	3,763
Deferred income tax		
Relating to origination and reversal of temporary differences	**(67)**	(217)
Income tax expense	**3,634**	3,546

		Consolidated	
		2019	**2018**
		\$000	**\$000**
4.	**Income tax (continued)**		
(b)	**Reconciliation of prima facie tax payable to income tax expense**		
	Profit before income tax	**12,324**	11,722
	At the Group's income tax rate of 30% (2018: 30%)	**3,697**	3,517
	Effect of different tax rates of subsidiary	**(46)**	(59)
	Other amounts which are not deductible (assessable) for income tax purposes	**(17)**	88
	Income tax expense	**3,634**	3,546
(c)	**Deferred tax assets**		
	Depreciation differences	**388**	333
	Doubtful debts	**68**	56
	Employee benefits	**794**	804
	Stock obsolescence	**541**	556
	Operating lease incentives	**453**	420
	Other	**289**	287
		2,533	2,456

(d) Tax consolidation

Supply Network Limited and its wholly owned Australian entities elected to form a tax consolidated group from 1 July 2003. The accounting policy in relation to this legislation is set out in Note 2(u).

The members of the tax consolidated group have entered into a tax sharing agreement which, in the opinion of the directors, would limit the joint and several liabilities of the wholly-owned entities for future income taxes of the tax consolidated group in the case of a default by the head entity, Supply Network Limited. At balance date the possibility of default is remote.

For the current year the entities have decided to enter into a tax funding agreement under which the funding amounts are based on the amounts of current tax expense allocated to the subsidiary and recognised by it in accordance with the accounting policy. The funding amounts are recognised as an increase/decrease in the subsidiaries' inter-company accounts with the tax consolidated group head company. The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments. The funding amounts are recognised in the current inter-company receivables or payables.

		Consolidated	
		2019	**2018**
		\$000	**\$000**
5.	**Cash and cash equivalents**		
	Cash at bank, on deposit and in hand	**1,612**	2,401
	Bank trade facility	**(1,371)**	(628)
		241	1,773

Cash at bank and on deposit earns interest at floating rates based on daily bank deposit rates. The carrying amounts of cash and cash equivalents represent fair value.

6. Trade and other receivables

	Consolidated 2019 $000	Consolidated 2018 $000
Current		
Trade receivables (i)	**13,908**	13,030
Allowance for expected credit loss	**(229)**	(187)
	13,679	12,843
Other receivables	**101**	93
	13,780	12,936
Ageing of trade receivables not impaired		
Not overdue	**13,195**	12,463
61-90 days past due	**407**	278
91 days and above past due	**77**	102
	13,679	12,843
Ageing of trade receivables impaired		
Not overdue	**85**	62
61-90 days past due	**51**	70
91 days and above past due	**93**	55
	229	187
Total trade receivables	**13,908**	13,030
Movements in allowance for expected credit loss		
Opening balance	**187**	186
Additions during the year	**75**	37
Amounts written off during the year	**(33)**	(36)
Closing balance	**229**	187

(i) Trade receivables are non-interest bearing and generally on 30 day terms. As at 30 June 2019 trade receivables of $484,100 (2018: $380,500) were past due and not impaired. The Group has retention of title clause over goods sold until payment is received. Refer Note 11(ii) regarding security pledged.

(ii) Information regarding the effective interest rate and the credit risk of current receivables is disclosed in Note 27.

7. Inventories

	Consolidated 2019 $000	Consolidated 2018 $000
Finished goods at lower of cost and net realisable value	**37,169**	30,261
Stock in transit - finished goods at cost	**5,663**	4,004
Total inventories at lower of cost and net realisable value	**42,832**	34,265

8. Other current assets

	2019	2018
Prepayments and deposits	**168**	172

	Consolidated	
	2019	**2018**
	$000	**$000**
9. Property, plant and equipment		
Land and buildings at cost		
Opening balance	**744**	-
Additions	**2,424**	744
Closing balance	**3,168**	744
Plant and equipment at cost		
Opening balance	**12,958**	10,848
Additions	**526**	2,201
Disposals	**(490)**	(30)
Exchange difference	**144**	(61)
Closing balance	**13,138**	12,958
Accumulated depreciation		
Opening balance	**6,522**	5,498
Additions	**1,342**	1,091
Disposals	**(398)**	(27)
Exchange difference	**54**	(40)
Closing balance	**7,520**	6,522
Plant and equipment - net book value	**5,618**	6,436
Total property, plant and equipment	**8,786**	7,180
10. Trade and other payables		
Trade payables and accruals	**19,644**	17,490
11. Interest bearing loans and borrowings		
Current		
Bank loans-instalments due within 12 months (i)	**170**	279
Bank trade facility (ii)	**1,371**	628
	1,541	907
Non-current		
Bank loans (i)	**7,859**	3,146
	7,859	3,146
Total interest bearing loans and borrowings	**9,400**	4,053

(i) Bank loans comprise:
Fixed rate interest only loans of $4,205,000 (2018: $2,800,000), with interest rates of 3.5% to 5.4% (2018: 4.8% to 5.2%) maturing October 2020, August 2021, January 2022 and December 2023 (2018: October 2020 and August 2021).

Variable rate principal and interest loans of $3,824,000 (2018: $624,700), with interest rates of 2.0% to 5.1% (2018: 4.07% to 4.96%) maturing March 2020, September 2020, January 2021, March 2022, May 2022 and November 2023 (2018: March 2019, March 2020 and March 2022), repayable by quarterly instalments.

11 Interest bearing loans and borrowings (continued)

(ii) Bank loans, overdrafts and trade facility are secured by fixed and floating charges over the assets of Supply Network Limited and controlled entities. Bank overdrafts have no specific term and trade facilities have 60 day terms and both are subject to annual review. Interest rates on these facilities are variable and during the year the average interest rate was 4.8% (2018: 7.7%).

(iii) Bank loan agreements require certain financial ratios to be maintained

Australian loan agreement requires:
Consolidated borrowing base ratio as defined not to exceed 50% of eligible stock plus eligible debtors.
Consolidated debt to EBITDA does not exceed 2.5 to 1.
Consolidated EBITDA to interest expense ratio of not less than 2 to 1.

The Group complied with these ratios during the year.

12. Income tax payable

	Consolidated	
	2019 $000	2018 $000
Current year income tax payable	**196**	1,025

13. Provisions

	Consolidated		
	Long ServiceLeave $000	Lease make good $000	Total $000
At 1 July 2018	**1,274**	**788**	**2,062**
Arising during the year	**(55)**	**191**	**136**
At 30 June 2019	**1,219**	**979**	**2,198**
Current 2019	**925**	**-**	**925**
Non-current 2019	**294**	**979**	**1,273**
	1,219	**979**	**2,198**
Current 2018	914	-	914
Non-current 2018	360	788	1,148
	1,274	788	2,062

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.* Lease make good provisions due within 12 months are shown as current.

	Consolidated 2019 $000	Consolidated 2018 $000
14. Derivatives		
Current assets (liabilities)		
Net forward currency contracts	**(14)**	16

Instrument used by the Group

Derivative financial instruments are used by the Group in the normal course of business in order to hedge exposure to fluctuations in foreign exchange rates for certain inventory purchases undertaken in foreign currencies. The Group's policy is and has been throughout the period that no trading in financial instruments is undertaken (refer Note 27(b)).

	Consolidated 2019 $000	Consolidated 2018 $000
15. Contributed equity		
(a) Issued and paid up capital		
40,761,484 ordinary shares fully paid (2018: 40,761,484)	**21,075**	21,075

(b) Movements in Ordinary Shares on Issue

	2019 Number of shares	2019 $000	2018 Number of shares	2018 $000
Balance at beginning and end of the year	**40,781,484**	**21,075**	40,761,484	21,075

(c) 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.

		Consolidated	
		2019 $000	2018 $000
16.	**Reserves**		
(a)	**Exchange translation reserve**		
	The Exchange Translation Reserve is used to record exchange differences arising from the translation of the functional currency of the foreign subsidiary, New Zealand dollar, into the presentation currency of the consolidated financial statements, Australian dollar, (refer to Statement of Changes in Equity).	**866**	430
(b)	**Share based payment reserve**		
	Balance at the beginning of the financial year	**-**	-
	Movement in the share based payments	**44**	-
	Balance at end of the financial year	**44**	-
	Total reserves	**910**	430

Share based payment reserve relate to the Supply Network Limited Employee Incentive Plan (EIP) which was approved by shareholders at the 2018 annual general meeting. The EIP is designed to provide long-term incentives for senior managers and above (including executive directors) to deliver long-term shareholder returns. Under the plan, participants are granted options which only vest if certain performance and services conditions are met (Refer to Remuneration report).

		Consolidated	
		2019 $000	2018 $000
17.	**Dividends paid and proposed on ordinary shares**		
(a)	**Dividends declared and paid during the year**		
	Final fully franked dividend for 2018 (8.00 cents per share) (2017: 5.50 cents)	**3,261**	2,242
	Interim fully franked dividend for 2019 (6.00 cents per share) (2018: 5.50 cents)	**2,446**	2,242
	Total dividends paid	**5,707**	4,484
(b)	**Dividends proposed subsequent to 30 June and not recognised as a liability**		
	Final fully franked dividend for 2019 (8.50 cents per share) (2018: 8.00 cents)	**3,465**	3,261

17. Dividends paid and proposed on ordinary shares (continued)

(c) Franking credit balance

	Consolidated 2019 $000	Consolidated 2018 $000
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% (2018: 30%)	**5,061**	3,807
Franking credits that will arise from the payment of income tax payable as at the end of the financial year	**55**	770
	5,116	4,577
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	**(1,485)**	(1,398)
	3,631	3,179

The tax rate at which paid dividends have been franked is 30% (2018: 30%). Dividends proposed will be franked at the rate of 30%.

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.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	Consolidated 2019 $000	Consolidated 2018 $000
Net profit attributable to ordinary equity holders of the parent	**8,690**	8,176
Basic earnings per share - weighted average number of ordinary shares	**40,761,484**	40,761,484
Basic earnings per share (cents per share)	**21.32**	20.06
Diluted earnings per share - weighted average number of ordinary shares	**40,774,592**	40,761,484
Diluted earnings per share (cents per share)	**21.31**	20.06

19. Commitments

	Consolidated 2019 $000	Consolidated 2018 $000
Operating lease commitments:		
not later than one year	**4,436**	3,986
Later than one year and not later than five years	**11,030**	11,346
Later than five years	**12,360**	12,114
	27,826	27,446

Operating leases have been entered into for properties, motor vehicles and equipment. Rental payments on motor vehicles and equipment are fixed. Rental payments on properties 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.

20. Commitments

	Consolidated 2019 $000	Consolidated 2018 $000
Amounts received or due and recivable by HLB Mann Judd (NSW Partnership) or its associated entities for:		
An audit and review of a financial report of the consolidated group	**73,300**	70,750
Non-audit services	**-**	14,000
Amounts received or due and recievable by HLB Mann Judd Limited Auckland for:		
An audit of the financial report of a subsidiary	**18,750**	17,650
	92,050	102,400

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	Director and Company Secretary (non-executive)

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

	Consolidated 2019 $	Consolidated 2018 $0
Short-term	**898,001**	1,232,203
Post-employment	**64,756**	66,280
Other long-term benefits	**9,352**	44,274
Equity	**31,000**	-
	1,003,109	1,342,757

21 Key management personnel (continued)

(b) Share 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 2019 and 30 June 2018.

(c) Unissued shares

During the year ended 30 June 2019 there were 21,748 ordinary shares committed to be issued to G D H Stewart. The shares are expected to be issued in September 2020.

(d) Option holding of key management personnel

There were no options held by key management personnel at 30 June 2019 or 30 June 2018.

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

	Balance 1 July 2018	Plan Shares Exercised	Net Change Other	Balance 30 June 2019
Directors				
G J Forsyth	**667,835**	**-**	**-**	**667,835**
P W McKenzie	**4,473,359**	**-**	**-**	**4,473,359**
G D H Stewart	**1,396,833**	**-**	**-**	**1,396,833**
P W Gill	**598,485**	**-**	**-**	**598,485**
	7,136,512	**-**	**-**	**7,136,512**

	Balance 1 July 2017	Plan Shares Exercised	Net Change Other	Balance 30 June 2018
Directors				
G J Forsyth	667,835	-	-	667,835
P W McKenzie	4,473,359	-	-	4,473,359
G D H Stewart	1,396,833	-	-	1,396,833
P W Gill	598,485	-	-	598,485
	7,136,512	-	-	7,136,512

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 9.5% of the employees' ordinary earnings to the funds, with employees contributing various percentages of their gross salary.

The New Zealand operating company has a legal obligation to contribute 3% of participating employees' total earnings to KiwiSaver, with employees contributing various percentages of their gross salary.

23. Cash Flow Information

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

	Consolidated 2019 $000	Consolidated 2018 $000
Profit after income tax	**8,690**	8,176
Adjustments for non-cash income and expense items		
Loss on disposal of plant and equipment	**72**	3
Depreciation of plant and equipment	**1,342**	1,091
Transfers to provisions:		
Inventory obsolescence	**81**	(19)
Employee entitlements	**(56)**	86
Expected credit loss	**42**	1
Lease make good	**97**	60
Net exchange differences	**341**	(297)
Increase (decrease) in provision for:		
Income tax payable	**(829)**	220
Deferred taxes	**(77)**	(198)
Changes in assets and liabilities		
(Increase) decrease in:		
Trade and other receivables	**(857)**	(1,407)
Inventories	**(8,648)**	(2,784)
Other assets	**3**	4
(Decrease) increase in:		
Trade and other payables	**2,198**	1,122
Net cash flow from (used in) operating activities	**2,399**	6,058

(b) Financing facilities available:

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

	Consolidated 2019 $000	Consolidated 2018 $000
Total credit facilities	**13,485**	6,521
Facilities used at reporting date	**(9,400)**	(4,053)
Facilities unused at reporting date	**4,085**	2,468

The major facilities are summarised as follows:

	Consolidated 2019 $000	Consolidated 2018 $000
Bank overdrafts and trade facility	**4,456**	2,729
Facilities used	**(1,371)**	(628)
Facilities unused at reporting date	**3,085**	2,101
Bank loans	**9,031**	3,792
Facilities used	**(8,029)**	(3,425)
Facilities unused at reporting date	**1,000**	367

24. Parent Entity Information

	Consolidated	
	2019	**2018**
	$	**$0**
Current assets	**342**	6
Total assets	**33,054**	31,371
Current liabilities	**81**	796
Total liabilities	**81**	796
Shareholders equity:		
Issued capital	**21,075**	21,075
Retained earnings	**11,898**	9,500
	32,973	30,575
Profit for the year	**8,104**	7,132
Other comprehensive income	**-**	-
Total comprehensive income	**8,104**	7,132

25. Deed of Cross Guarantee

Superannuation commitments

Supply Network Limited, Multispares Limited, Globac Limited and Supply Network Services Limited (Closed Group) have entered into a Deed of Cross Guarantee dated 5 June 1992 which provides that all parties to the deed will guarantee to each creditor payment in full of any debt of each company participating in the deed on winding-up of that company. As a result of the Class Order 98/1418 issued by the Australian Securities Commission, Multispares Limited, Globac Limited and Supply Network Services Limited are relieved from the requirement to prepare financial statements.

The Statement of Profit or Loss and Other Comprehensive Income and Balance Sheet of entities included in the class order “Closed Group” are set below.

	Closed Group	
	2019	**2018**
	$	**$0**
Statement of Profit or Loss and Other Comprehensive Income		
Profit before income tax	**11,277**	9,609
Income tax expense	**(2,970)**	(2,713)
Profit after income tax	**8,307**	6,896
Net profit attributable to members of the parent	**8,307**	6,896
Other comprehensive income	**-**	-
Total comprehensive income	**8,307**	6,896
Retained Earnings		
Retained earnings at beginning of the year	**9,346**	6,934
Profit after income tax	**8,307**	6,896
Dividends provided for or paid	**(5,707)**	(4,484)
Retained earnings at end of the year	**11,946**	9,346

SUPPLY NETWORK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019
(continued)

25. Deed of Cross Guarantee (continued)

	Closed Group	
	2019	**2018**
	\$	**\$0**
Balance sheet		
ASSETS		
Current assets		
Cash and cash equivalents	**1,530**	1,386
Trade and other receivables	**10,968**	10,357
Inventories	**32,624**	26,457
Other current assets	**162**	118
Intercompany	**226**	101
Derivatives	**-**	11
Total current assets	**45,510**	38,430
Non-current assets		
Other financial assets	**6,031**	6,031
Plant and equipment	**4,621**	4,867
Deferred tax assets	**2,072**	2,057
Total non-current assets	**12,724**	12,955
TOTAL ASSETS	**58,234**	51,385
LIABILITIES		
Current liabilities		
Trade and other payables	**16,361**	15,000
Interest bearing loans and borrowings	**1,446**	815
Income tax payable	**55**	770
Provisions	**925**	914
Derivatives	**14**	-
Total current liabilities	**18,801**	17,499
Non-current liabilities		
Interest bearing loans and borrowings	**5,269**	2,344
Provisions	**1,143**	1,122
Total non-current liabilities	**6,412**	3,466
TOTAL LIABILITIES	**25,213**	20,965
NET ASSETS	**33,021**	30,420
EQUITY		
Contributed equity	**21,075**	21,075
Retained earnings	**11,946**	9,345
TOTAL EQUITY	**33,021**	30,420

26. Segment information

Superannuation commitments

The Group operates predominantly in one business segment being the provision of aftermarket 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 2019 $000	Australia 2018 $000	New Zealand 2019 $000	New Zealand 2018 $000	Eliminations 2019 $000	Eliminations 2018 $000	Consolidated 2019 $000	Consolidated 2018 $000
Revenue								
Sales to customers outside the Group	**100,167**	90,906	**23,715**	21,159	**-**	-	**123,882**	112,065
Other income from outside the Group	**5**	18	**11**	11	**-**	-	**16**	29
Inter-segment revenues	**2,767**	2,019	**9**	235	**(2,776)**	(2,254)	**-**	-
Total segment revenues	**102,939**	92,943	**23,735**	21,405	**(2,776)**	(2,254)	**123,898**	112,094
Results								
Segment results	**11,277**	9,609	**2,285**	2,950	**(1,238)**	(837)	**12,324**	11,722
Profit before income tax and finance costs							**12,768**	11,982
Finance revenue							**6**	16
Finance costs							**(450)**	(276)
Profit before income tax							**12,324**	11,722
Income tax expense							**(3,634)**	(3,546)
Profit after income tax expense							**8,690**	8,176
Assets								
Segment assets	**58,234**	51,386	**17,863**	14,373	**(6,386)**	(6,333)	**69,711**	59,426
Liabilities								
Segment liabilities	**25,169**	20,965	**6,613**	3,897	**(330)**	(232)	**31,452**	24,630
Other segment information								
Additions to property, plant and equipment, intangible assets and other non-current assets	**756**	985	**2,194**	1,960	**-**	-	**2,950**	2,945
Depreciation	**994**	880	**348**	211	**-**	-	**1,342**	1,091
Other non-cash expenses	**(68)**	435	**161**	8	**-**	-	**93**	443

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.

27. Key economic risks

Financial risk management

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

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

(a) Interest rate risk

The Group is exposed to interest rate risk through financial assets and liabilities. The Group's main interest rate risk arises from long-term borrowings (refer Note 11).

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

Financial instruments - Contractual maturities	Floating interest rate (i)	Fixed interest rate maturing			Non-interest bearing	Total	Weighted average interest rate	
		1 year or less	1 to 5 years	Over 5 years			Floating	Fixed
	$000	$000	$000	$000	$000	$000	%	%
Consolidated								
30 June 2019								
Financial assets								
Cash	1,612	-	-	-	-	1,612	1.5	-
Trade receivables	-	-	-	-	13,908	13,908	-	-
Forward currency contracts	-	-	-	-	1,492	1,492	-	-
Other receivables	-	-	-	-	101	101		
	1,612	-	-	-	15,501	17,113		
Financial liabilities								
Trade and other payables	-	-	-	-	19,644	19,644	-	-
Bank loans and overdrafts	3,824	-	4,205	-	-	8,029	3.5	4.7
Bank trade facility	-	1,371	-	-	-	1,371	2.8	-
Forward currency contracts	-	-	-	-	1,506	1,506	-	-
	3,824	1,371	4,205	-	21,150	30,550		

27 Key economic risks (continued)

(a) Interest rate risk (continued)

Financial instruments - Contractual maturities	Floating interest rate (i)	Fixed interest rate maturing			Non-interest bearing	Total	Weighted average interest rate	
		1 year or less	1 to 5 years	Over 5 years			Floating	Fixed
	$000	$000	$000	$000	$000	$000	%	%
Consolidated								
30 June 2018								
Financial assets								
Cash	2,401	-	-	-	-	2,401	1.5	-
Trade receivables	-	-	-	-	13,030	13,030	-	-
Forward currency contracts	-	-	-	-	1,710	1,710	-	-
Other receivables	-	-	-	-	93	93	-	-
	2,401	-	-	-	14,833	17,234		
Financial liabilities								
Trade and other payables	-	-	-	-	17,490	17,490	-	-
Bank loans and overdrafts	625	-	2,800	-	-	3,425	4.3	4.9
Bank trade facility	-	628	-	-	-	628	3.0	-
Forward currency contracts	-	-	-	-	1,694	1,694	-	-
	625	628	2,800	-	19,184	23,237		

(i) Floating interest rates are the most recently determined rate applicable to the instrument at balance date. Floating rate liabilities and non-interest bearing liabilities have contractual maturities of between 1-4 years.

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

Fixed interest rate debts are used for long term funding. Amounts and maturity dates of long term funding for interest rate repricing vary depending on the interest rates offered at date of maturity. At balance date maturity dates range from 1-4 years.

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

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

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

(b) Foreign exchange risk

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

27. Key economic risks (continued)

(b) Foreign exchange risk (continued)

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

Currency		Average exchange rate 2019	Average exchange rate 2018	Buy 2019 $000	Buy 2018 $000
Euro currency	3 months or less	**0.61**	0.64	**888**	1,338
US dollar	3 months or less	**0.69**	0.75	**406**	123
Japanese yen	3 months or less	**74.56**	83.38	**172**	202
GB pound	3 months or less	**0.54**	0.57	**21**	-
Swedish krona	3 months or less	**6.47**	6.52	**19**	32
Total				**1,506**	1,695

Net exposure at balance date refer Note 14.

Management have assessed the impact of a material movement in the Australian dollar exchange rate on trade payables and have determined that 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:
(a) payment terms are cash or 30 days,
(b) a risk assessment process is used for customers trading outside agreed terms,
(c) all new accounts are reviewed for past credit performance.

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

(d) Liquidity risk

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

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

27. Key economic risks (continued)

(e) Capital risk management

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

The capital structure of the Group consists of debt, which comprises the borrowings detailed in Note 11, cash and cash equivalents (refer Note 5) and equity attributable to equity holders of the parent, comprising issued capital (refer Note 15), reserves (refer Note 16) and retained earnings.

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

28. Related party transactions

	Consolidated	
	2019	**2018**
	$	**$**
(a) Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.		
Transactions with related parties:		
Key management personnel of the Group		
Sales to related parties	**451**	434
Amounts owed by related parties	**39**	93

(b) Mr P W McKenzie is a Director of a family owned bus business to which the Group sells goods on normal commercial terms and conditions.

(c) The names of each person holding the position of Director of Supply Network Limited during the last two financial years were; G J Forsyth, P W McKenzie, G D H Stewart and P W Gill.

(d) Investments in controlled entities

	Country of Incorporation
Multispares N.Z. Limited	New Zealand
Multispares Limited	Australia
Globac Limited	Australia
Supply Network Services Limited	Australia

The controlled entities were 100% owned for the years ended 30 June 2019 and 30 June 2018.

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 14 to 44 are in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2019 and of its performance for the financial year ended on that date; and

   (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001; and*

   (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

   (c) at the date of this declaration, there are reasonable grounds to believe that the members of the closed group identified in Note 25 will be able to meet any obligation or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in Note 25.

2. The directors have been given the declarations by the chief executive officer and chief financial officer for the year ended 30 June 2019 required by section 295A of the *Corporations Act 2001*.

3. The notes to the financial statements include a statement of compliance with International Financial Reporting Standards.

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

On behalf of the Board

G J Forsyth
Director
Sydney, NSW
26 August 2019

Independent Auditor's Report to the Members of Supply Network Limited

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the financial report of Supply Network Limited ("the Company") and its controlled entities (collectively "the Group"), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of Profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year then ended; and
(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the key audit matter
Inventory Valuation and Existence	
The consolidated balance sheet of the Group as at 30 June 2019 shows inventories at $42,832,000. This represents the lower of cost and net realisable value for inventories on hand at 30 June 2019.	1. In relation to Existence, we: (a) Considered the Group inventory count procedures at or near the year-end. We attended the year-end stocktake at a number of locations where inventories are held and observed the count procedures and controls. (b) We further tested these controls by performing our own test counts.

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Key Audit Matter	How our audit addressed the key audit matter
Inventory Valuation and Existence	
We have identified the Existence and Valuation of Inventories as a Key Audit Matter due to the size of this asset. Also, judgement is involved in management's estimation of the net realisable value of inventories, which is based on certain assumptions	(c) We reviewed differences between inventory counted and inventories shown in the Group's inventory records. (d) We reviewed records of physical movement of inventories before and after the inventory counts to ensure that these items had been included in the correct accounting period. 2. In relation to Valuation we: (a) Tested the recorded cost of a sample of items on hand at 30 June 2019 to purchase invoices, including invoices for freight and other costs associated with bringing the items to their present location. (b) Evaluated management's process for identifying slow-moving inventories, and tested the accuracy of reports used by management in making their estimates of net realisable value. (c) Considered the assumptions made by management, and compared them with historical experience of the sale of inventories by the Group. We reviewed the accounting policies used by the Group for inventories, and the disclosures in the financial report.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

HLB MANN JUDD

REPORT ON THE REMUNERATION REPORT

Opinion 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 2019.

In our opinion, the Remuneration Report of Supply Network Limited for the year ended 30 June 2019 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

D K Swindells
Partner

Sydney, NSW
26 August 2019