



**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

## **ASX Release**

27 August 2021

### **Preliminary Final Report Appendix 4E and Annual Accounts**

The Directors are pleased to announce the audited results for the year ended 30 June 2021 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 2021.

*Authorised by the Board of Supply Network Limited*

A handwritten signature in black ink, appearing to read 'Robert Coleman', is positioned above the printed name and title.

**Robert Coleman**  
Chief Financial Officer  
Telephone: + 61 2 8624 8077

# Appendix 4E

## Preliminary Final Report

### Year ending 30 June 2021

<b>Name of entity</b>	Supply Network Limited
<b>ABN</b>	12 003 135 680

#### 1. Details of reporting period

<b>Financial year ended</b>	30 June 2021
<b>Previous corresponding period</b>	30 June 2020

#### 2. Results for announcement to the market

				<b>\$'000</b>
<b>Revenue from ordinary activities</b>	up	18.8%	to	162,615
<b>Profit from ordinary activities after income tax</b>	up	45.0%	to	13,846
<b>Net profit for the period attributable to members</b>	up	45.0%	to	13,846
<b>Dividends</b>		<b>Amount per Security</b>	<b>Franked amount per security</b>	
<b>Final dividend (to be paid 1 October 2021)</b>		12.00¢	12.00¢	
<b>Record date for determining entitlements to final dividend</b>		17 September 2021		
<b>Interim dividend (paid 8 April 2021)</b>		8.00¢	8.00¢	
<b>Brief explanation of any of the figures reported above</b>				
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
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#### 4. Statement of Financial Position

Refer to attached financial statements and notes
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#### 5. Statement of Cash Flows

Refer to attached financial statements and notes
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#### 6. Statement of Changes in Equity

Refer to attached financial statements and notes
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## 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 1 October 2021

## 9. Net tangible asset backing

	Current Period	Previous corresponding period
Net tangible asset backing per ordinary security	120.9¢	103.8¢

## 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** 27 August 2021  
**Name** Robert Coleman  
**Position** Chief Financial Officer

**SUPPLY NETWORK LIMITED**  
**ABN 12 003 135 680**

**ANNUAL ACCOUNTS**

**FOR THE YEAR ENDED 30 JUNE 2021**

The financial statements were authorised for issue by the directors on 27 August 2021.  
The directors have the power to amend and reissue the financial statements.

**SUPPLY NETWORK LIMITED**

**ABN 12 003 135 680**

**ANNUAL ACCOUNTS**

**30 JUNE 2021**

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**SUPPLY NETWORK LIMITED**  
**CORPORATE INFORMATION**

**Directors**

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

**Company Secretary**

P W Gill

**Registered Office**

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](http://www.supplynetwork.com.au/governance.htm)

**Internet Address**

[www.supplynetwork.com.au](http://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.

**SUPPLY NETWORK LIMITED**  
**CHAIRMAN'S AND MANAGING DIRECTOR'S REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2021**

Over the past year we experienced strong demand in New Zealand and across all States in Australia, with all regions making solid contributions to overall sales revenue growth of 18.8%. The balance in our growth was particularly pleasing and sales revenue of \$162.6m was an excellent outcome for the Group.

Profit After Tax of \$13.8m giving a PAT Margin of 8.5%, was also an excellent result.

At the end of a year during which most businesses faced unexpected commercial and social challenges, we must acknowledge that our results would not have been possible without the hard work of experienced and committed staff. We work as a team but each person plays an important role, and we again thank all staff for their efforts.

### **Review of Operations**

Over the past 18 months we have learnt more about the resilience of our business through economic cycles. Heavy road transport is an indispensable service for most private and public enterprise, but over the past year government interventions to control the pandemic have intermittently reduced road transport activity in some sectors and some geographies. While our industry has been far less affected than most, we estimate total heavy vehicle activity over the full year, across all sectors and geographies, has tracked reasonably closely to GDP. This is the same conclusion we would draw in any year, but we make the point to emphasise that in FY2021 heavy vehicle activity levels reflect the GDP bounce following a significant slow-down in the final quarter of FY2020.

The more important macro trend is increasing vehicle complexity, which continues to increase the size of our addressable market. Our growth comes from a combination of GDP, the positive trend in our addressable market and any market share gains from original equipment suppliers and aftermarket competitors.

We have always downplayed our results in any single year. The work we do is interconnected over many years and we consider our long-term growth trend to be a better reflection of business performance than any annual result. This long-term growth trend remains positive and, importantly, indicates substantial unrealised opportunity in our addressable market. In this report we give a little more colour to how this market is constructed.

The total market demand for Bus Parts shrank in the last financial year because of lockdowns in major cities, which reduced operating frequencies on many routes, and the collapse of inbound tourism, which had a dramatic impact on long distance coach movements. We were fortunate to increase our Bus business in a couple of niche (but important) markets, and overall our Bus business remained steady. Bus remains one of our core customer segments, but with such strong overall growth Bus is now just 15% of total business mix.

Truck Parts has been the engine of our growth for the past decade. We have said many times this is a positive trend as the size of the Truck market provides substantial opportunity for future growth.

The "Truck Market" is diverse and truck manufactures are intensely competitive. Multiple vehicle models compete in every market segment and model updates further complicate this picture. This means the range of spare parts and the information base required to service even a single truck segment is substantial, and in our industry it takes considerable investment to build scale. Over the past two decades we have systematically extended our range and taken the opportunities provided by growth to extend services into new market segments. These new segments in turn provide more opportunities for growth. It is detailed work, competitive at every step and we do not take lightly the development still ahead of us, but we do now have the supply, the range and the capability to compete effectively in most segments of the truck market. Our future growth will come from segments where we are already strong and from opportunities in other segments where our market share is relatively low.

## SUPPLY NETWORK LIMITED

### CHAIRMAN'S AND MANAGING DIRECTOR'S REPORT (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2021

When our industry reflects on the impact of the pandemic, it will probably recall the biggest challenge as disruption to supply. The manufacture of truck and bus parts is a mature global industry with most manufacturers dependent on components sourced from other manufacturers, often in other regions. Australia and New Zealand are relatively isolated so in the current circumstances we are perhaps fortunate to be familiar with long and complex supply chains, and we carry substantial stock buffers. Nonetheless, our high rate of growth coupled with more disruptions to supply from virtually every region, caused directly and indirectly by the pandemic, has made managing continuity of supply difficult. We have added to our Operations Team and built new systems for early identification of product shortages. Staff have also managed the challenges extremely well and there is no doubt the changes we have made have strengthened our business for the post pandemic era. In the meantime, we expect supply challenges to continue for 1-2 years, and this will throw up opportunities for growth.

#### **Our Network**

In April 2021 we opened a new branch in Milperra, Sydney to service the southern Sydney suburbs from Port Botany to Moorebank. On 1<sup>st</sup> July 2021 we also opened a new branch in Townsville to service customers from Bowen in the south to Cape York in the north and Mount Isa in the west. Both these branches have capable teams and have been performing ahead of expectations.

Recently we signed Agreements to allow the relocation of our Mackay and Newcastle branches to larger and more accessible sites. Both relocations should take place in the third quarter of this financial year.

We have also made long term lease commitments to an extension of our distribution facilities in Hamilton (NZ), due for completion in the second quarter of this financial year, and for a new distribution centre at Truganina (Melbourne), due for completion in the final quarter. These two sites will roughly double our capacity for bulky products and establish a distribution system capable of supporting annual turnover of \$250m.

The Truganina DC will be located in the heart of Melbourne's largest trucking hub, so we have designed the site to include a new sales branch.

#### **The Future**

By the end of last year we had passed all the financial targets we set in our 3-year Plan running to the end of FY2022, and we had completed or were well progressed with all the business development objectives, so we have brought forward our next 3-year Plan to commence at the start of FY2022. This new Plan has a revenue target of \$200m in FY2024. The main drivers of growth will be further development of our service network, business systems and teams. Our focus will be similar to and build on the work in previous Plans, and will require a pattern of investment similar to the pattern over recent years. In summary, this new Plan is a continuation of established organic development strategies.

While the immediate economic outlook remains uncertain, government stimulus spending is generally supportive of our major customers, and we expect a small contribution from economic growth over the current year. These are unusual times and clearly there are risks of short-term business interruption, but we have started the year strongly and have targeted revenue growth of at least 10% in FY2022.

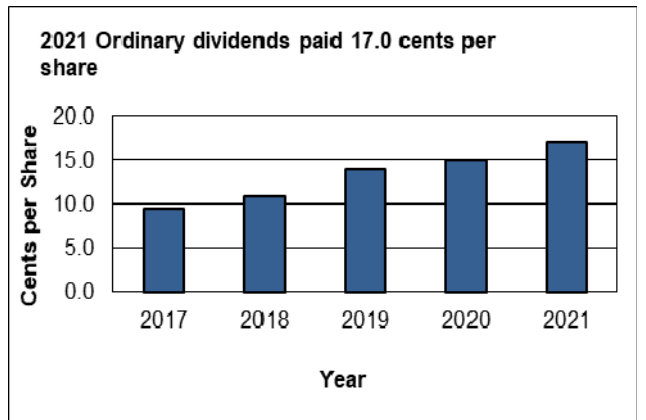
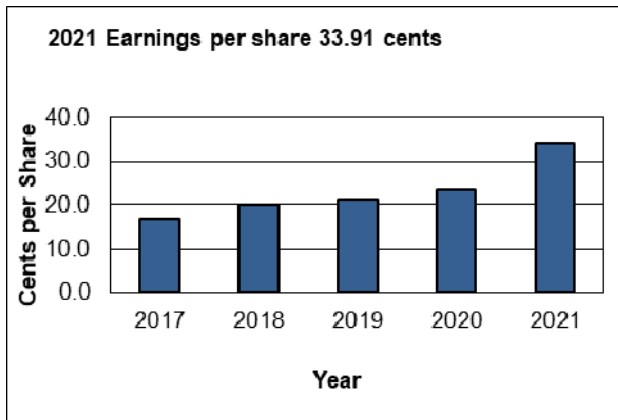
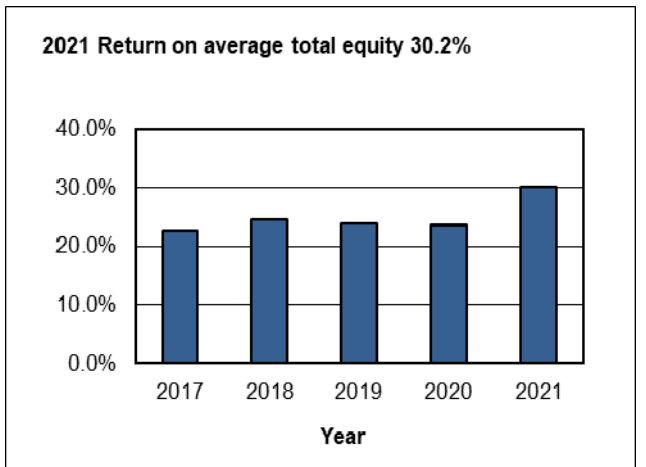
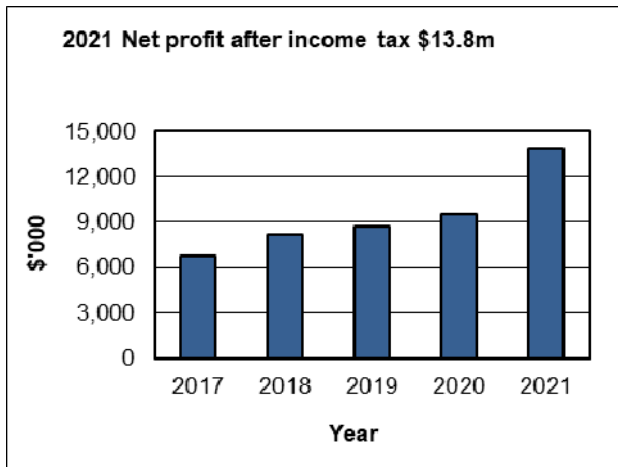
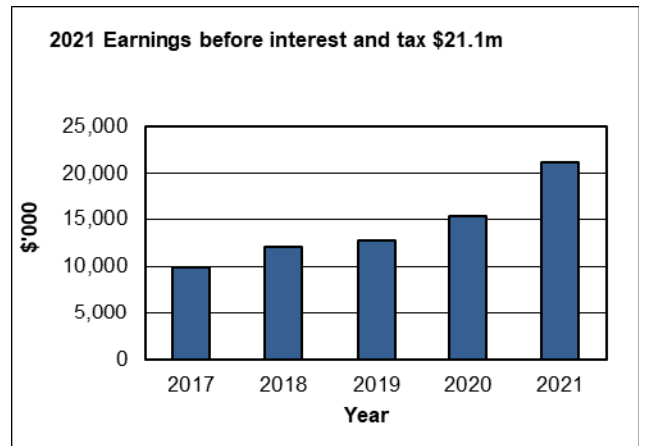
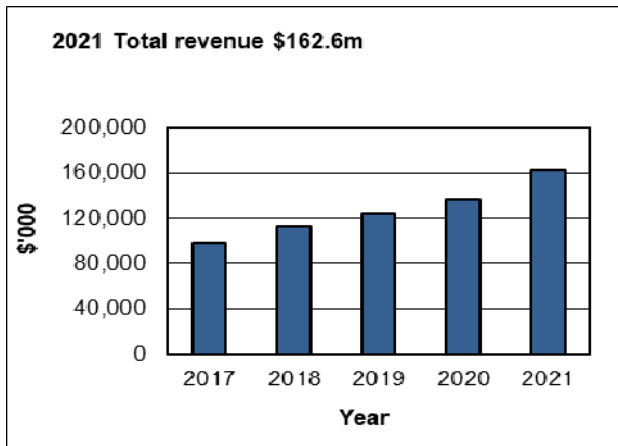
#### **Capital Management**

Directors were pleased to announce an increase in our final dividend to 12 cents per share. Fully franked interim and final dividends for the year totaled 20.0 cents per share, an increase of 4.5 cents compared with the prior year. This represents a payout ratio of 59% on basic diluted earnings per share of 33.9 cents, slightly below our target payout ratio in recognition of funding requirements during a period of higher investment and accelerated growth.

Net finance debt was \$3.5m, a decrease of \$4.4m from last year. Gearing (excluding Lease Liabilities) remained conservative at 18.4%. Our strong balance sheet provides an excellent foundation for ongoing investment in growth initiatives and Directors remain committed to a progressive increase in dividends.



**SUPPLY NETWORK LIMITED**  
**Performance Highlights**



**SUPPLY NETWORK LIMITED**  
**DIRECTORS' REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2021**

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 2021.

**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 \$13.8m (2020: \$9.5m).

**Earnings per Share**

Basic and diluted earnings per share for the financial year were 33.91 cents per share (2020: 23.42 cents) and 33.90 cents per share (2020: 23.41 cents) respectively.

**Dividends**

Dividends paid or declared for payment were as follows:	<b>\$000</b>
Final dividend for 2020 of 9.00 cents per share paid 1 October 2020	3,668
Interim dividend for 2021 of 8.00 cents per share paid 8 April 2021	3,267
Final dividend for 2021 of 12.00 cents per share declared 30 July 2021 and payable 1 October 2021	4,900

**Review of Operations**

Group sales revenue for the year was \$162.6m, which is an increase of 18.8% when compared to the prior year.

Sales revenue in the Australian operation increased by 18.0% and in the New Zealand operation increased by 24.7% in NZ\$ terms.

Earnings before interest, tax, depreciation and amortisation ("EBITDA") was \$27.0m an increase of 28.7% on last year.

Earnings before interest and tax ("EBIT") was \$21.1m an increase of 37.8% on last year.

Earnings per share ("EPS") for the year was 33.91 cents compared to 23.42 cents on last year.

During the period we commenced operations at our new branch at Milperra, Sydney and on 1<sup>st</sup> July 2021 we opened a new branch in Townsville. We continued to invest in stock and systems to improve customer service levels and support growth objectives.

**SUPPLY NETWORK LIMITED**  
**DIRECTORS' REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2021**  
**(continued)**

**Review of Operations (continued)**

The financial position of the Group remains strong. Group cash flows from operating activities was \$16.6m compared to \$11.2m for the prior year.

There were additional long-term borrowings drawn during the year of \$0.9m. Gearing (excluding lease liabilities) at 30 June 2021 was 18.4% which is a decrease on June 2020 gearing of 22.7%.

As at 30 June 2021 net assets of the group were \$49.3m (2020: \$42.3m) and net tangible asset backing was 120.9 cents per share (2020: 103.8 cents per share)

The Directors have declared a fully franked final dividend of 12.0 cents per share payable on 1 October 2021 to shareholders registered on 17 September 2021.

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 2021 financial year total 17.0 cents per share, which is an increase of 2.0 cents on the prior year (refer Note 19). The dividend payout ratio for the year is 59.0%.

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 2021/22. 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.

**SUPPLY NETWORK LIMITED**  
**DIRECTORS' REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2021**  
**(continued)**

**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.

***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 from April 1995 until his retirement from that role 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:

	<b>Directors Meetings</b>		<b>Audit Committee</b>		<b>Remuneration Committee</b>	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
G J Forsyth	15	15	2	2	3	3
P W McKenzie	15	15	2	2	3	3
G D H Stewart	15	15	-	-	-	-
P W Gill	15	15	-	-	-	-

**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 BNP Paribas Nominees Pty Ltd, a substantial shareholder (4,478,045 shares).
- (c) G D H Stewart is deemed to have a relevant interest in shares held by Boboco Pty Limited (955,947) and in employee incentive plan shares held by D G Stewart (42,443 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 (220,025 shares).

**SUPPLY NETWORK LIMITED**  
**DIRECTORS' REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2021**  
**(continued)**

**Indemnification of Directors**

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

**Company Secretary**

P W Gill has been the Company Secretary of Supply Network Limited for over 25 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 2021 is detailed in Table 1 on page 11.

**SUPPLY NETWORK LIMITED**  
**DIRECTORS' REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2021**  
**(continued)**

**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.

***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***

Employee incentive plan shares have been issued under the Supply Network Limited Employee Incentive Plan ("EIP") which was reapproved at the 2020 AGM.

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, approved by shareholders and issued to executives and other senior managers, 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.

**SUPPLY NETWORK LIMITED**  
**DIRECTORS' REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2021**  
**(continued)**

**Executive director and senior executives compensation (continued)**

**Plan Shares (continued)**

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

	Balance as at 30/6/2020 No.	Granted as remuneration No.	Vesting of plan shares No.	Expiring plan shares No.	Balance as at 30/06/2021 No.
<b>For the year ended 30 June 2021</b>					
G D H Stewart – Managing Director	21,748	57,166	(42,443)	-	36,471
Other senior managers	29,770	45,000	(29,770)	-	45,000
<b>Total</b>	<b>51,518</b>	<b>102,166</b>	<b>(72,213)</b>	<b>-</b>	<b>81,471</b>

<b>Share based payment expenses for the financial years</b>	<b>2021</b>	<b>2020</b>	<b>Fair</b>
	<b>\$</b>	<b>\$</b>	<b>Value</b>
21,748 plan shares issued at fair value of \$4.276 to G D H Stewart, 20/11/2018 vesting 01/09/2020	<b>8,857</b>	53,143	93,000
29,770 plan shares issued at fair value of \$3.603 to Senior Managers, 24/04/2019 vesting 01/09/2020	<b>13,409</b>	80,451	107,269
45,000 plan shares issued at fair value of \$6.329 to Senior Managers, 26/03/2021 vesting 01/09/2022	<b>50,261</b>	-	284,812
36,471 plan shares issued at fair value of \$6.329 to G D H Stewart, 26/03/2021 vesting 01/09/2023	<b>23,879</b>	-	230,828
Total expense arising from EIP share based payments	<b>96,406</b>	133,594	

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 executive plan shares which do not vest by 1 September 2023 will lapse. Other senior managers plan shares which do not vest by 1 September 2022 will lapse. For further information on share based payments refer to Note 18 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 2021. 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.

	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
<b>Total Revenue \$</b>	162.6m	136.8m	123.9m	112.1m	97.6m
<b>Net Profit after tax \$</b>	13.8m	9.5m	8.7m	8.2m	6.8m
<b>Share price year-end</b>	\$7.62	\$4.18	\$3.53	\$4.24	\$2.52
<b>Dividends paid cents per share</b>	17.0	15.0	14.0	11.0	9.5

**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 2020 plus a short-term incentive of up to 40% of the package and plan shares as noted above.

**SUPPLY NETWORK LIMITED**  
**DIRECTORS' REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2021**  
**(continued)**

**Executive director and senior executives compensation (continued)**

**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)

**Table 1: Compensation of Key Management Personnel for the year ended 30 June 2021**

	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		
	\$	\$	\$	\$	\$	\$	\$	\$	%
<b>Directors</b>									
G J Forsyth	104,498	-	-	-	9,927	-	-	114,425	-
P W McKenzie	66,877	-	-	-	6,353	-	-	73,230	-
G D H Stewart	452,430	279,000	-	7,780	25,000	-	32,736	796,946	39.1
P W Gill	77,836	-	-	-	7,394	-	-	85,230	-
<b>Total</b>	<b>701,641</b>	<b>279,000</b>	<b>-</b>	<b>7,780</b>	<b>48,674</b>	<b>-</b>	<b>32,736</b>	<b>1,069,831</b>	<b>29.1</b>
<b>Total</b>		<b>980,641</b>		<b>7,780</b>	<b>48,674</b>		<b>32,736</b>	<b>1,069,831</b>	<b>29.1</b>

**Table 2: Compensation of Key Management Personnel for the year ended 30 June 2020**

	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		
	\$	\$	\$	\$	\$	\$	\$	\$	%
<b>Directors</b>									
G J Forsyth	104,498	-	-	-	9,927	-	-	114,425	-
P W McKenzie	66,877	-	-	-	6,353	-	-	73,230	-
G D H Stewart	453,503	186,000	-	7,798	25,000	-	53,143	725,444	33.0
P W Gill	77,836	-	-	-	7,394	-	-	85,230	-
<b>Total</b>	<b>702,714</b>	<b>186,000</b>	<b>-</b>	<b>7,798</b>	<b>48,674</b>	<b>-</b>	<b>53,143</b>	<b>998,329</b>	<b>24.0</b>
<b>Total</b>		<b>888,714</b>		<b>7,798</b>	<b>48,674</b>		<b>53,143</b>	<b>998,329</b>	<b>24.0</b>

**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 2021 is set out on page 13.



**SUPPLY NETWORK LIMITED**  
**DIRECTORS' REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2021**  
**(continued)**

**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  
27 August 2021

**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 2021, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (a) the auditor independence requirements as set out in 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 period.

**Sydney, NSW**  
**27 August 2021**



**S Grivas**  
**Partner**

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HLB Mann Judd (NSW Partnership) is a member of HLB International, the global advisory and accounting network.

**SUPPLY NETWORK LIMITED**  
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30 JUNE 2021**

	Notes	Consolidated	
		2021 \$000	2020 \$000
<b>Revenue from contracts with customers</b>	3	<b>162,577</b>	136,827
Finance revenue	3	2	2
Other income		36	7
Changes in inventories of finished goods		(94,511)	(79,678)
Employee benefits expense		(29,725)	(26,080)
Depreciation and amortisation		(5,912)	(5,682)
Other expenses	3	(11,367)	(10,089)
Finance costs	3	(1,420)	(1,695)
<b>Profit before income tax</b>		<b>19,680</b>	13,612
Income tax expense	4	(5,834)	(4,064)
<b>Profit after income tax</b>		<b>13,846</b>	9,548
<b>Profit attributable to members of the parent</b>		<b>13,846</b>	9,548
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Adjustment on translation of foreign controlled entity net of tax	18	(45)	(282)
<b>Total other comprehensive income/(loss) after income tax</b>		<b>(45)</b>	(282)
<b>Total comprehensive income for the year attributable to members of the parent</b>		<b>13,801</b>	9,266
Basic earnings per share (cents per share)	20	<b>33.91</b>	23.42
Diluted earnings per share (cents per share)	20	<b>33.90</b>	23.41
Dividends per share (cents per share)	19	<b>17.00</b>	15.00

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 2021**

	Note	Consolidated	
		2021 \$000	2020 \$000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	5	5,557	1,635
Trade and other receivables	6	17,594	14,892
Inventories	7	54,072	47,269
Other current assets	8	392	144
<b>Total current assets</b>		<b>77,615</b>	<b>63,940</b>
<b>Non-current assets</b>			
Property, plant and equipment	9	8,792	8,888
Right-of use assets	10	27,875	31,154
Deferred tax assets	4	2,869	2,599
<b>Total non-current assets</b>		<b>39,536</b>	<b>42,641</b>
<b>TOTAL ASSETS</b>		<b>117,151</b>	<b>106,581</b>
 <b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	11	25,044	19,549
Interest bearing loans and borrowings	12	456	1,438
Income tax payable	14	1,745	777
Provisions	15	1,080	936
Lease liabilities	13	3,919	3,599
Derivatives	16	-	3
<b>Total current liabilities</b>		<b>32,244</b>	<b>26,302</b>
<b>Non-current liabilities</b>			
Interest bearing loans and borrowings	12	8,618	8,152
Provisions	15	375	349
Lease liabilities	13	26,630	29,453
<b>Total non-current liabilities</b>		<b>35,623</b>	<b>37,954</b>
<b>TOTAL LIABILITIES</b>		<b>67,867</b>	<b>64,256</b>
<b>NET ASSETS</b>		<b>49,284</b>	<b>42,325</b>
 <b>EQUITY</b>			
Contributed equity	17	21,272	21,075
Reserves	18	613	762
Retained earnings		27,399	20,488
<b>TOTAL EQUITY</b>		<b>49,284</b>	<b>42,325</b>

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 2021**

	Note	Contributed Equity \$000	Share based payment Reserve \$000	Exchange Translation Reserve \$000	Retained Earnings \$000	Total \$000
<b>Consolidated</b>						
<b>Balance at 30 June 2019</b>		21,075	44	866	16,274	38,259
Adjustment for change in accounting policy		-	-	-	780	780
Total comprehensive income for the year		-	-	(282)	9,548	9,266
<b>Transactions with owners in their capacity as owners</b>		<b>21,075</b>	<b>44</b>	<b>584</b>	<b>26,602</b>	<b>48,305</b>
Share based payments	18	-	134	-	-	134
Dividends provided for or paid	19	-	-	-	(6,114)	(6,114)
<b>Balance at 30 June 2020</b>		<b>21,075</b>	<b>178</b>	<b>584</b>	<b>20,488</b>	<b>42,325</b>
Total comprehensive income/(loss) for the year		-	-	(45)	13,846	13,801
<b>Transactions with owners in their capacity as owners</b>		<b>21,075</b>	<b>178</b>	<b>539</b>	<b>34,334</b>	<b>56,126</b>
Share based payments	18	22	74	-	-	96
Shares vesting	18	178	(178)	-	-	-
Allotment fees		(3)	-	-	-	(3)
Dividends provided for or paid	19	-	-	-	(6,935)	(6,935)
<b>Balance at 30 June 2021</b>		<b>21,272</b>	<b>74</b>	<b>539</b>	<b>27,399</b>	<b>49,284</b>

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 2021**

	Note	Consolidated	
		2021 \$000	2020 \$000
<b>Cash flows from operating activities</b>			
		<b>Inflows/(Outflows)</b>	
Receipts from customers		177,755	150,301
Payments to suppliers and employees		(154,608)	(133,492)
Interest received		2	2
Interest paid		(309)	(458)
Interest paid lease liabilities		(1,112)	(1,237)
Income tax paid		(5,136)	(3,884)
Net cash flows from operating activities	24(a)	16,592	11,232
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(1,451)	(1,965)
Proceeds from sale of property, plant and equipment		28	8
Net cash flows used in investing activities		(1,423)	(1,957)
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		930	1,000
Repayment of borrowings		(405)	(412)
Repayment of lease liabilities		(3,804)	(3,386)
Dividends paid		(6,935)	(6,114)
Net cash flows used in financing activities		(10,214)	(8,912)
Net increase in cash and cash equivalents		4,955	363
Cash and cash equivalents at beginning of year		602	241
Exchange rate adjustment to balances held in foreign currencies		-	(2)
Cash and cash equivalents at end of year	5	5,557	602

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

**SUPPLY NETWORK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2021**

**1. Corporate information**

The consolidated financial statements of Supply Network Limited (the company) for the year ended 30 June 2021 were authorised for issue in accordance with a resolution of the directors on 27 August 2021.

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.

**SUPPLY NETWORK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2021**  
**(continued)**

**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:

*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.

**(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.



**SUPPLY NETWORK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2021**  
**(continued)**

**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) 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
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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.

**SUPPLY NETWORK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2021**  
**(continued)**

**2. Summary of significant accounting policies (continued)**

**(i) Property, plant and equipment (continued)**

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.

**(j) Right-of-use assets**

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred and an estimate of costs expected to be incurred for dismantling and removing the underlying asset and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

**(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) Lease liabilities**

A lease liability is recognised at the commencement date of the lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate and any anticipated termination penalties.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future leased payments arising from a change in an index or a rate used; lease term; certainty of termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

**SUPPLY NETWORK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2021**  
**(continued)**

**2. Summary of significant accounting policies (continued)**

**(n) Provisions**

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

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

Provisions are measured at present value of 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.

**(o) Employee leave benefits**

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

Liabilities for wages and salaries, including non-monetary benefits and annual 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.

**(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.

**(p) Post-employment benefits**

Contributions are made to employee superannuation funds and are charged against profit or loss when incurred (refer Note 23).

**(q) 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.

**SUPPLY NETWORK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2021**  
**(continued)**

**2. Summary of significant accounting policies (continued)**

**(r) 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.

**(s) Impairment of non-financial 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.

**(t) 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.

**SUPPLY NETWORK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2021**  
**(continued)**

**2. Summary of significant accounting policies (continued)**

**(t) Revenue recognition (continued)**

**(iii) Other revenue**

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

**(u) Borrowing costs**

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

**(v) 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.

**SUPPLY NETWORK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2021**  
**(continued)**

**2. Summary of significant accounting policies (continued)**

**(v) Income tax (continued)**

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.

**(w) 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.

**(x) 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.

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

The Group has applied all new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are mandatory for the current reporting period. There has been no material impact on adoption of these standards.

**(z) New Accounting standards and interpretations not yet adopted**

There are no new 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.

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(continued)

		<b>Consolidated</b>	
		<b>2021</b>	<b>2020</b>
		<b>\$000</b>	<b>\$000</b>
<b>3.</b>	<b>Revenues and expenses</b>		
<b>(a)</b>	<b>Revenue from contracts with customers</b>		
	Sale of goods	<u>162,577</u>	136,827
	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 segments 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.		
		<b>Consolidated</b>	
		<b>2021</b>	<b>2020</b>
		<b>\$000</b>	<b>\$000</b>
<b>(b)</b>	<b>Finance revenue</b>		
	Bank interest	<u>2</u>	2
<b>(c)</b>	<b>Other expenses</b>		
	Credit losses – trade receivables	(88)	(138)
	Freight and cartage expenses	(1,873)	(1,597)
	Operating lease expenses and outgoings	(962)	(899)
	Other	(8,444)	(7,455)
		<u>(11,367)</u>	(10,089)
<b>(d)</b>	<b>Finance costs</b>		
	Bank loans and overdrafts	(268)	(436)
	Interest expense on lease liabilities	(1,112)	(1,237)
	Other finance costs	(40)	(22)
		<u>(1,420)</u>	(1,695)
<b>4.</b>	<b>Income tax</b>		
<b>(a)</b>	<b>Income tax expense</b>		
	The major components of income tax expense are:		
	<b>Current income tax</b>		
	Current income tax charge	6,104	4,130
	<b>Deferred income tax</b>		
	Relating to origination and reversal of temporary differences	(270)	(66)
	Income tax expense	<u>5,834</u>	4,064

**SUPPLY NETWORK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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(continued)

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$000</b>	<b>\$000</b>
<b>4. Income tax (continued)</b>		
<b>(b) Reconciliation of prima facie tax payable to income tax expense</b>		
Profit before income tax	<b>19,680</b>	13,612
At the Group's income tax rate of 30% (2020: 30%)	<b>5,904</b>	4,084
Effect of different tax rates of subsidiary	<b>(81)</b>	(55)
Other amounts which are not deductible for income tax purposes	<b>11</b>	35
Income tax expense	<b>5,834</b>	4,064
<b>(c) Deferred tax assets</b>		
Depreciation and AASB 16 differences	<b>809</b>	833
Doubtful debts	<b>77</b>	63
Employee benefits	<b>1,067</b>	870
Stock obsolescence	<b>727</b>	600
Other	<b>189</b>	233
	<b>2,869</b>	2,599

**(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(v).

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.

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$000</b>	<b>\$000</b>
<b>5. Cash and cash equivalents</b>		
Cash at bank, on deposit and in hand	<b>5,557</b>	1,635
Bank overdraft and trade facility – included in interest bearing loans and borrowings	<b>-</b>	(1,033)
	<b>5,557</b>	602

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.



**SUPPLY NETWORK LIMITED**  
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**FOR THE YEAR ENDED 30 JUNE 2021**  
(continued)

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$000</b>	<b>\$000</b>
<b>6. Trade and other receivables</b>		
<b>Current</b>		
Trade receivables (i)	17,838	15,048
Allowance for expected credit loss	(262)	(211)
	17,576	14,837
Other receivables	18	55
	17,594	14,892
<b>Ageing of trade receivables not impaired</b>		
Not overdue	17,350	14,628
61-90 days past due	186	141
91 days and above past due	40	68
	17,576	14,837
<b>Ageing of trade receivables impaired</b>		
Not overdue	85	19
61-90 days past due	70	36
91 days and above past due	107	156
	262	211
<b>Total trade receivables</b>	17,838	15,048
<b>Movements in allowance for expected credit loss</b>	211	229
Opening balance	74	19
Additions during the year	(23)	(37)
Amounts written off during the year	262	211
Closing balance		

- (i) Trade receivables are non-interest bearing and generally on 30 day terms. As at 30 June 2021 trade receivables of \$226,500 (2020: \$209,200) were past due and not impaired. The Group has retention of title clause over goods sold until payment is received. Refer Note 12(ii) regarding security pledged.
- (ii) Information regarding the effective interest rate and the credit risk of current receivables is disclosed in Note 28.

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$000</b>	<b>\$000</b>
<b>7. Inventories</b>		
Finished goods at lower of cost and net realisable value	43,535	40,159
Stock in transit - finished goods at cost	10,537	7,110
Total inventories at lower of cost and net realisable value	54,072	47,269
<b>8. Other current assets</b>		
Prepayments and deposits	392	144

**SUPPLY NETWORK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2021**  
(continued)

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$000</b>	<b>\$000</b>
<b>9. Property, plant and equipment</b>		
<b>Land and buildings at cost</b>		
Opening balance	3,168	3,168
Closing balance	<u>3,168</u>	<u>3,168</u>
<b>Plant and equipment at cost</b>		
Opening balance	14,140	13,138
Additions	1,451	1,965
Make good transfer with adoption of AASB 16	-	(720)
Disposals	(467)	(116)
Exchange difference	(22)	(127)
Closing balance	<u>15,102</u>	<u>14,140</u>
<b>Accumulated depreciation</b>		
Opening balance	8,420	7,520
Additions	1,387	1,310
Make good transfer with adoption of AASB 16	-	(269)
Disposals	(323)	(103)
Exchange difference	(6)	(38)
Closing balance	<u>9,478</u>	<u>8,420</u>
Plant and equipment - net book value	<u>5,624</u>	<u>5,720</u>
<b>Total property, plant and equipment</b>	<u>8,792</u>	<u>8,888</u>
<b>10. Right-of-use assets</b>		
Land and buildings - right-of-use	36,096	36,010
Less: Accumulated depreciation	(9,763)	(6,518)
	<u>26,333</u>	<u>29,492</u>
Plant and equipment - right-of-use	3,716	3,071
Less: Accumulated depreciation	(2,174)	(1,409)
	<u>1,542</u>	<u>1,662</u>
	<u>27,875</u>	<u>31,154</u>

The Group leases land and buildings for its offices, warehouses and sales outlets under agreements of between five to fifteen years with options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated. The Group also leases plant and equipment under agreements of between three to four years. The Group leases office equipment under agreements of up to three years.

In relation to right of use assets, depreciation charged in the year for land and buildings was \$3.4m and for plant and equipment was \$1.1m. Additions to the right of use assets during the year were \$2.7m (2020: \$3.0m). Disposals to the right of use assets during the year were \$0.4m (2020: nil). Modifications to the right of use assets during the year were \$1.5m (2020: nil).

Details on interest expense and cashflows relating to lease liabilities are disclosed in Note 13.

**SUPPLY NETWORK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2021**  
(continued)

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$000</b>	<b>\$000</b>
<b>11. Trade and other payables</b>		
Trade payables and accruals	<b>25,044</b>	19,549
<b>12. Interest bearing loans and borrowings</b>		
<b>Current</b>		
Bank loans-instalments due within 12 months (i)	456	405
Bank trade facility (ii)	-	1,033
	<b>456</b>	1,438
<b>Non-current</b>		
Bank loans (i)	8,618	8,152
	<b>8,618</b>	8,152
<b>Total interest bearing loans and borrowings</b>	<b>9,074</b>	9,590

- (i) Bank loans comprise:  
Fixed rate interest only loans of \$3,862,00 (2020: \$5,175,000), with interest rates of 2.3% to 5.4% (2020: 2.4% to 5.4%) maturing September and October 2022, June and December 2023 and October 2025 (2020: August and October 2021, January 2022, November and December 2023).

Variable rate principal and interest loans of \$5,212,000 (2020: \$3,382,600), with interest rates of 0.81% to 2.15% (2020: 1.64% to 2.60%) maturing October 2021, March and May 2022 (2020: September 2020, October 2021, March and May 2022 and November 2023), repayable by quarterly instalments.

- (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 3% (2020: 3.1%).

- (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 fixed charge cover ratio to be greater than or equal to 1.50 to 1.

The Group complied with these ratios during the year.

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$000</b>	<b>\$000</b>
<b>13. Lease liabilities</b>		
Lease liabilities – current	3,919	3,599
Lease liabilities – non-current	26,630	29,453
<b>Total lease liabilities</b>	<b>30,549</b>	33,052

Interest expense recognised in the statement of profit or loss and other comprehensive income was \$1.1m and interest and principle payments made to lessors in respect to lease liabilities was \$4.9m for the year.

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**NOTES TO THE FINANCIAL STATEMENTS**  
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(continued)

		<b>Consolidated</b>	
		<b>2021</b>	<b>2020</b>
		<b>\$000</b>	<b>\$000</b>
<b>14. Income tax payable</b>			
	Current year income tax payable	<b>1,745</b>	<b>777</b>
		<b>Consolidated</b>	
		<b>Long Service Leave</b>	<b>Total</b>
		<b>\$000</b>	<b>\$000</b>
<b>15. Provisions</b>			
	At 1 July 2020	<b>1,285</b>	<b>1,285</b>
	Arising during the year	<b>170</b>	<b>170</b>
	At 30 June 2021	<b>1,455</b>	<b>1,455</b>
	Current 2021	<b>1,080</b>	<b>1,080</b>
	Non-current 2021	<b>375</b>	<b>375</b>
		<b>1,455</b>	<b>1,455</b>
	Current 2020	936	936
	Non-current 2020	349	349
		1,285	1,285
		<b>Consolidated</b>	
		<b>2021</b>	<b>2020</b>
		<b>\$000</b>	<b>\$000</b>
<b>16. Derivatives</b>			
	<b>Current liabilities</b>		
	Net forward currency contracts	-	3
	<b>Instrument used by the Group</b>		
	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 28(b)).		
		<b>Consolidated</b>	
		<b>2021</b>	<b>2020</b>
		<b>\$000</b>	<b>\$000</b>
<b>17. Contributed equity</b>			
	<b>(a) Issued and paid up capital</b>		
	40,833,697 ordinary shares fully paid (2020: 40,761,484)	<b>21,272</b>	<b>21,075</b>
	<b>(b) Movements in Ordinary Shares on Issue</b>		
		<b>2021</b>	<b>2020</b>
		<b>Number of shares</b>	<b>Number of shares</b>
		<b>\$000</b>	<b>\$000</b>
	Balance at beginning and end of the year	<b>40,833,697</b>	<b>40,761,484</b>
		<b>21,272</b>	<b>21,075</b>

**SUPPLY NETWORK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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(continued)

**17. Contributed equity (continued)**

**(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.

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$000</b>	<b>\$000</b>
<b>18. Reserves</b>		
<b>(a) Exchange translation reserve</b>		
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).	<b>539</b>	584
<b>(b) Share based payment reserve</b>		
Balance at the beginning of the financial year	<b>178</b>	44
Movement in the share based payments	<b>(104)</b>	134
<b>Balance at end of the financial year</b>	<b>74</b>	178
<b>Total reserves</b>	<b>613</b>	762

Share based payment reserve relate to the Supply Network Limited Employee Incentive plan ("EIP") which was reapproved by shareholders at the 2020 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).

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$000</b>	<b>\$000</b>
<b>19. Dividends paid and proposed on ordinary shares</b>		
<b>(a) Dividends declared and paid during the year</b>		
Final fully franked dividend for 2020 (9.00 cents per share) (2019: 8.50 cents)	<b>3,668</b>	3,465
Interim fully franked dividend for 2020 (8.00 cents per share) (2020: 6.50 cents)	<b>3,267</b>	2,649
<b>Total dividends paid</b>	<b>6,935</b>	6,114
<b>(b) Dividends proposed subsequent to 30 June and not recognised as a liability</b>		
Final fully franked dividend for 2021 (12.00 cents per share) (2020: 9.00 cents)	<b>4,900</b>	3,669

**SUPPLY NETWORK LIMITED**  
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(continued)

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$000</b>	<b>\$000</b>
<b>19. Dividends paid and proposed on ordinary shares (continued)</b>		
<b>(c) Franking credit balance</b>		
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% (2020: 30%)	<b>6,947</b>	5,689
Franking credits that will arise from the payment of income tax payable as at the end of the financial year	<b>1,105</b>	450
	<b>8,052</b>	6,139
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	<b>(2,100)</b>	(1,572)
	<b>5,952</b>	4,567

The tax rate at which paid dividends have been franked is 30% (2020: 30%).  
Dividends proposed will be franked at the rate of 30%.

**20. 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:

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$000</b>	<b>\$000</b>
Net profit attributable to ordinary equity holders of the parent	<b>13,846</b>	9,548
Weighted average number of ordinary shares for basic earnings per share	<b>40,833,697</b>	40,761,484
Basic earnings per share (cents per share)	<b>33.91</b>	23.42
Weighted average number of ordinary shares for diluted earnings per share	<b>40,838,430</b>	40,783,232
Diluted earnings per share (cents per share)	<b>33.90</b>	23.41

**SUPPLY NETWORK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2021**  
(continued)

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
<b>21. Auditor's compensation</b>		
Amounts received or due and receivable by HLB Mann Judd (NSW Partnership) or its associated entities for:		
An audit and review of a financial report of the consolidated group	<b>81,000</b>	79,000
Amounts received or due and receivable by HLB Mann Judd Limited Auckland for:		
An audit of the financial report of a subsidiary	<b>19,550</b>	18,900
	<b>100,550</b>	97,900

**22. 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:

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Short-term	<b>980,641</b>	888,714
Post-employment	<b>48,674</b>	48,674
Other long-term benefits	<b>7,780</b>	7,798
Equity	<b>32,736</b>	53,143
	<b>1,069,831</b>	998,329

**(b) Share issued on exercise of compensation options**

There were 42,443 shares issued as compensation or on exercise of compensation options during the year ended 30 June 2021 (2020: nil).

**(c) Unissued shares**

During the year ended 30 June 2021 there were no ordinary shares committed to be issued to G D H Stewart.

**(d) Option holding of key management personnel**

There were no options held by key management personnel at 30 June 2021 or 30 June 2020.

**SUPPLY NETWORK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2021**  
(continued)

**22. Key management personnel (continued)**

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

	Balance 1 July 2020	Plan Shares Exercised	Net Change Other	Balance 30 June 2021
<b>Directors</b>				
G J Forsyth	667,835	-	-	667,835
P W McKenzie	4,478,045	-	-	4,478,045
G D H Stewart	1,396,833	42,443	(440,886)	998,390
P W Gill	598,485	-	(200,000)	398,485
	<u>7,141,198</u>	<u>42,443</u>	<u>(640,886)</u>	<u>6,542,755</u>

	Balance 1 July 2019	Plan Shares Exercised	Net Change Other	Balance 30 June 2020
<b>Directors</b>				
G J Forsyth	667,835	-	-	667,835
P W McKenzie	4,473,359	-	4,686	4,478,045
G D H Stewart	1,396,833	-	-	1,396,833
P W Gill	598,485	-	-	598,485
	<u>7,136,512</u>	<u>-</u>	<u>4,686</u>	<u>7,141,198</u>

**23. 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.



**SUPPLY NETWORK LIMITED**  
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(continued)

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$000</b>	<b>\$000</b>
<b>24. Cash Flow Information</b>		
<b>(a) Reconciliation of net profit after tax to the net cash flows from operations</b>		
Profit after income tax	13,846	9,548
<b>Adjustments for non-cash income and expense items</b>		
Loss on disposal of plant and equipment	117	6
Depreciation of right of use assets	4,524	4,372
Depreciation of plant and equipment	1,387	1,310
Transfers to provisions:		
Inventory obsolescence	428	237
Employee entitlements	170	67
Expected credit loss	51	(19)
Lease make good	-	(3)
Net exchange differences	(41)	(255)
Increase (decrease) in provision for:		
Income tax payable	974	581
Deferred taxes	(219)	(407)
<b>Changes in assets and liabilities</b>		
(Increase) decrease in:		
Trade and other receivables	(2,753)	(1,104)
Inventories	(7,231)	(4,674)
Other assets	(248)	25
Increase in:		
Trade and other payables	5,587	1,548
<b>Net cash flow from operating activities</b>	<b>16,592</b>	<b>11,232</b>
<b>(b) Financing facilities available:</b>		
At reporting date the following facilities had been negotiated and were available:		
Total credit facilities	13,970	13,926
Facilities used at reporting date	(9,074)	(9,591)
Facilities unused at reporting date	<b>4,896</b>	<b>4,335</b>
The major facilities are summarised as follows:		
Bank overdrafts and trade facility	4,896	5,369
Facilities used	-	(1,034)
Facilities unused at reporting date	<b>4,896</b>	<b>4,335</b>
Bank loans	9,074	8,557
Facilities used	(9,074)	(8,557)
Facilities unused at reporting date	<b>-</b>	<b>-</b>

**SUPPLY NETWORK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2021**  
(continued)

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$000</b>	<b>\$000</b>
<b>25. Parent Entity Information</b>		
Current assets	4,036	10
Total assets	42,181	35,667
Current liabilities	1,145	494
Total liabilities	1,145	494
Shareholders equity:		
Issued capital	21,272	21,075
Share based payment reserve	74	178
Retained earnings	19,690	13,920
	<b>41,036</b>	<b>35,173</b>
Profit for the year	12,705	8,137
Other comprehensive income	-	-
Total comprehensive income	<b>12,705</b>	<b>8,137</b>

**26. 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 (now called ASIC Corporations (Wholly-owned Companies) Instrument 2016/785), 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.

	<b>Closed Group</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$000</b>	<b>\$000</b>
<b>Statement of Profit or Loss and Other Comprehensive Income</b>		
Profit before income tax	17,032	10,891
Income tax expense	(4,699)	(3,294)
Profit after income tax	12,333	7,597
Net profit attributable to members of the parent	12,333	7,597
Other comprehensive income	-	-
Total comprehensive income	<b>12,333</b>	<b>7,597</b>
<b>Retained Earnings</b>		
Retained earnings at beginning of the year	14,321	11,946
Adoption of AASB 16	-	892
Profit after income tax	12,333	7,597
Dividends provided for or paid	(6,935)	(6,114)
Retained earnings at end of the year	<b>19,719</b>	<b>14,321</b>

**SUPPLY NETWORK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2021**  
(continued)

	<b>Closed Group</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$000</b>	<b>\$000</b>
<b>26. Deed of Cross Guarantee (continued)</b>		
<b>Balance sheet</b>		
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	5,189	1,631
Trade and other receivables	13,942	11,839
Inventories	39,360	34,587
Other current assets	316	141
Intercompany	86	75
<b>Total current assets</b>	<b>58,893</b>	<b>48,273</b>
<b>Non-current assets</b>		
Other financial assets	6,031	6,031
Plant and equipment	5,201	5,035
Right-of-use-assets	23,726	26,241
Deferred tax assets	2,226	2,040
<b>Total non-current assets</b>	<b>37,184</b>	<b>39,347</b>
<b>TOTAL ASSETS</b>	<b>96,077</b>	<b>87,620</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Trade and other payables	20,535	16,317
Interest bearing loans and borrowings	200	219
Income tax payable	1,105	450
Provisions	1,079	936
Lease liabilities	3,187	2,846
Derivatives	-	3
<b>Total current liabilities</b>	<b>26,106</b>	<b>20,771</b>
<b>Non-current liabilities</b>		
Interest bearing loans and borrowings	5,700	5,900
Provisions	375	349
Lease liabilities	22,831	25,026
<b>Total non-current liabilities</b>	<b>28,906</b>	<b>31,275</b>
<b>TOTAL LIABILITIES</b>	<b>55,012</b>	<b>52,046</b>
<b>NET ASSETS</b>	<b>41,065</b>	<b>35,574</b>
<b>EQUITY</b>		
Contributed equity	21,272	21,075
Reserves	74	178
Retained earnings	19,719	14,321
<b>TOTAL EQUITY</b>	<b>41,065</b>	<b>35,574</b>

**SUPPLY NETWORK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2021**  
(continued)

**27. 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.

<b>Geographical segments</b>	<b>Australia</b>		<b>New Zealand</b>		<b>Eliminations</b>		<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>Revenue</b>								
Sales to customers outside the Group	131,503	111,407	31,074	25,420	-	-	162,577	136,827
Other income from outside the Group	25	5	13	4	-	-	38	9
Inter-segment revenues	3,211	1,645	38	5	(3,249)	(1,650)	-	-
<b>Total segment revenues</b>	<b>134,739</b>	<b>113,057</b>	<b>31,125</b>	<b>25,429</b>	<b>(3,249)</b>	<b>(1,650)</b>	<b>162,615</b>	<b>136,836</b>
<b>Results</b>								
Segment results	17,032	10,891	2,648	2,721	-	-	19,680	13,612
Profit before income tax and finance costs							21,098	15,305
Finance revenue							2	2
Finance costs							(1,420)	(1,695)
Profit before income tax							19,680	13,612
Income tax expense							(5,834)	(4,064)
Profit after income tax expense							13,846	9,548
<b>Assets</b>								
Segment assets	96,077	87,620	27,191	25,268	(6,117)	(6,307)	117,151	106,581
<b>Liabilities</b>								
Segment liabilities	54,919	52,046	13,094	12,459	(146)	(249)	67,867	64,256
<b>Other segment information</b>								
Additions to property, plant and equipment, intangible assets and other non-current assets	1,354	1,737	97	228	-	-	1,451	1,965
Additions to right-of-use assets	2,430	32,652	257	6,429	-	-	2,687	39,081
Depreciation	1,071	967	316	343	-	-	1,387	1,310
Depreciation for right-of-use assets	3,668	3,501	856	871	-	-	4,524	4,372
Other non-cash expenses	955	465	274	53	-	-	1,229	518

Segment accounting policies are the same as the Group's policies described in Note 2.

During the year, there were no changes in segment accounting policies that had a material effect on the segment information.

The sale of goods between segments is at cost of the item plus a commercial margin.

Revenue is attributed to geographical areas based on location of the assets producing the revenues.

**SUPPLY NETWORK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2021**  
(continued)

**28. 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 12).

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

Financial instruments - Contractual maturities	Floating interest rate (i) \$000	Fixed interest rate maturing			Non- interest bearing \$000	Total \$000	Weighted average interest rate	
		1 year or less	1 to 5 years	Over 5 years			Floating	Fixed
		\$000	\$000	\$000			%	%
<b>Consolidated</b>								
<b>30 June 2021</b>								
<b>Financial assets</b>								
Cash	5,557	-	-	-	-	5,557	0.1	-
Trade receivables	-	-	-	-	17,838	17,838	-	-
Forward currency contracts	-	-	-	-	-	-	-	-
Other receivables	-	-	-	-	18	18	-	-
	<b>5,557</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>17,856</b>	<b>23,413</b>		
<b>Financial liabilities</b>								
Trade and other payables	-	-	-	-	25,044	25,044	-	-
Bank loans and overdrafts	5,212	-	3,862	-	-	9,074	1.0	3.0
Lease liability	-	3,919	13,551	13,079	-	30,549	-	4.2
Forward currency contracts	-	-	-	-	-	-	-	-
	<b>5,212</b>	<b>3,919</b>	<b>17,413</b>	<b>13,079</b>	<b>25,044</b>	<b>64,667</b>		

**SUPPLY NETWORK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2021**  
(continued)

**28. Key economic risks (continued)**

**(a) Interest rate risk (continued)**

Financial instruments - Contractual maturities	Floating interest rate (i) \$000	Fixed interest rate maturing			Non- interest bearing \$000	Total \$000	Weighted average interest rate	
		1 year or less \$000	1 to 5 years \$000	Over 5 years \$000			Floating %	Fixed %
<b>Consolidated</b>								
<b>30 June 2020</b>								
<b>Financial assets</b>								
Cash	1,635	-	-	-	-	1,635	1.0	-
Trade receivables	-	-	-	-	15,048	15,048	-	-
Forward currency contracts	-	-	-	-	1,543	1,543	-	-
Other receivables	-	-	-	-	55	55	-	-
	<u>1,635</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,646</u>	<u>18,281</u>		
<b>Financial liabilities</b>								
Trade and other payables	-	-	-	-	19,549	19,549	-	-
Bank loans and overdrafts	4,415	-	5,175	-	-	9,590	1.8	4.1
Lease liability	-	3,599	13,283	16,170	-	33,052	-	3.6
Forward currency contracts	-	-	-	-	1,546	1,546	-	-
	<u>4,415</u>	<u>3,599</u>	<u>18,458</u>	<u>16,170</u>	<u>21,095</u>	<u>63,737</u>		

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

**SUPPLY NETWORK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2021**  
(continued)

**28. 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		Buy	Buy
		2021	2020	2021 \$000	2020 \$000
Euro currency	3 months or less	-	0.61	-	853
US dollar	3 months or less	-	0.69	-	305
Japanese yen	3 months or less	-	73.74	-	388
<b>Total</b>				-	1,546

Net exposure at balance date refer Note 16.

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 24(b) for undrawn facilities the Group has available to further reduce liquidity risk.

**SUPPLY NETWORK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2021**  
**(continued)**

**28. 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 12, cash and cash equivalents (refer Note 5) and equity attributable to equity holders of the parent, comprising issued capital (refer Note 17), reserves (refer Note 18) 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.

<b>Consolidated</b>	
<b>2021</b>	<b>2020</b>
<b>\$000</b>	<b>\$000</b>

**29. Related party transactions**

**(a)** Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Transactions with related parties:

Key management personnel of the Group

Sales to related parties

Amounts owed by related parties

<b>1,239</b>	<b>940</b>
<b>389</b>	<b>468</b>

**(b)** Mr P W McKenzie is a Director of a company 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

	<b>Country of Incorporation</b>
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 2021 and 30 June 2020.



**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 43 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 2021 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 26 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 26.
2. The directors have been given the declarations by the chief executive officer and chief financial officer for the year ended 30 June 2021 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  
27 August 2021

**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 balance sheet as at 30 June 2021, 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 2021 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
<b>Inventory Valuation and Existence</b>	
<p>The consolidated balance sheet of the Group as at 30 June 2021 shows inventories at \$54,072,000. This represents the lower of cost and net realisable value for inventories on hand at 30 June 2021.</p> <p>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.</p>	<ol style="list-style-type: none"> <li>1. In relation to Existence, we:               <ol style="list-style-type: none"> <li>(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.</li> <li>(b) We further tested these controls by performing our own test counts.</li> <li>(c) We reviewed differences between inventory counted and inventories shown in the Group's inventory records.</li> <li>(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.</li> </ol> </li>   <li>2. In relation to Valuation we:               <ol style="list-style-type: none"> <li>(a) Tested the recorded cost of a sample of items on hand at interim date to purchase invoices, including invoices for freight and other costs associated with bringing the items to their present location. We then performed analytical review of interim date valuations against 30 June stock report.</li> <li>(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.</li> <li>(c) Considered the assumptions made by management and compared them with historical experience of the sale of inventories by the Group.</li> </ol> </li>   <li>3. We reviewed the accounting policies used by the Group for inventories, and the disclosures in the financial report.</li> </ol>

### 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 2021, 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.

## 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 2021.

In our opinion, the Remuneration Report of Supply Network Limited for the year ended 30 June 2021 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

Sydney, NSW  
27 August 2021

S. Grivas

S Grivas  
Partner