The background of the entire page is a solid blue color. Overlaid on this background are several white line drawings of various mechanical components. These include what appear to be pistons, valves, and other parts of an internal combustion engine or a similar mechanical system. The drawings are rendered in a clean, technical style with clear lines and shading to indicate three-dimensional forms. They are scattered across the page, with some larger and more prominent than others.

Supply Network Limited

Annual Report 2003

**Networking
the supply of
components to the
road transport industry**

Annual Report 30 June 2003

Supply Network Limited

(formerly Multispare Holdings Limited)

ABN 12 003 135 680

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Corporate Information

Directors

H R Forsyth (Chairman)
G D H Stewart (Managing Director)
H M O Anderson
G T Lingard

Company Secretary

P W Gill

Registered Office

151 Fairfield Road
Guildford NSW 2161

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

Internet Address

www.supplynetwork.com.au

Auditors

Ernst & Young

Bankers

ANZ Banking Group Limited

Solicitors

Bartier Perry
Vpro Network Lawyers

Share Registry

Computershare Investor Services Pty Limited
Level 3, 60 Carrington Street
Sydney NSW 2000
Enquiries (within Australia) 1300 855 080
Enquiries (outside Australia) 61 3 9611 5711
Facsimile 61 2 8234 5050

Stock Exchange Listing

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

Chairman's Report

I am pleased to report an excellent result for our first year under the Supply Network Limited banner. Revenue grew by 12% to \$30,444,000 while after tax profit was \$917,000 an increase of 59% on the prior year result.

This result exceeded the forecast indicated in last year's report of 3.3 cents per share and the revised projection at our AGM in 2002. These changing forecasts have been transmitted to the market as soon as they became known in keeping with our continuous disclosure obligations.

It is appropriate that I should acknowledge this year's result before tax as the highest recorded in the last decade and is testament to the efforts of all employees under the guidance of Geoff Stewart and his executive team.

Multispares Limited, the major Australian subsidiary continued to perform strongly with all branches improving revenue and profit returns on last year. Our new Australian operation, Globac Limited, made minimal contribution but is expected to progressively gain momentum in the coming months having secured Office and Warehouse space with effect from 1 July 2003.

The operations of Multispares NZ Limited made a significant contribution to the result with revenue and profit growth well ahead of target. It is however unlikely that this level of growth can be sustained in the current year as we consolidate our position in that market.

With the opening of the Newcastle Branch our planned expansion is complete and we have taken the opportunity of expiring leases in Wellington (NZ) and Perth (WA) to relocate to modern and better situated premises.

We are pleased to welcome a number of new substantial shareholders to our register following the Share Purchase Plan success and other on market dealing. Increased interest in our securities has had a positive impact on the share price and recent trading offers a more realistic reflection of the value of the business and it's potential.

Your Board's objective to take Supply Network Limited to a more prominent position in the industry continues and whilst a number of potential acquisitions have been considered during the past year there have been no positive outcomes. As a result of positive cash flow from operations and an equity raising in the first half year our gearing has fallen below 25%, which leaves us in a strong position to invest in new opportunities.

It was pleasing to be in a position to retain a final dividend of 1 cent per share fully franked after the reintroduction of an interim dividend earlier in the year. The total dividend for the year of 1.75 cents per share represents a 40 per cent payout ratio. The Board is mindful of the high level of franking credits available for distribution and seeks to balance the benefits of a higher payout ratio with those of a strong balance sheet.

Our Annual Board review considered the need to appoint an additional non executive Director and concluded that for the present, the skills mix and experience was adequate, but this will remain under review should major expansion be planned.

An excellent result for the year requires considerable commitment and dedication from everyone involved and I would like to take this opportunity to thank all our staff, the management team and my fellow directors for their continued support and hard work.

Managing Director's Report

In the first year operating under our new name, Supply Network Limited (SNL) we have made solid progress on stated goals. Specifically, consolidated revenue increased 12%, earnings per share increased by 50% to 4.5 cents per share and return on equity increased to 12.8%, which is well ahead of the 12% target we set last year for financial year 2003-2004.

While these results are good, the most pleasing aspect of the year has been the successful incubation of Globac Limited. The launch of this independent wholesale operation is the first investment by SNL outside of its traditional Multispares companies. For many this will clarify our strategic goal to "grow through start-up or acquisition of related specialist businesses".

Review of Operations

Multispares Australia

Revenue in Australia increased by 10% when compared with the previous full year and internal KPI's indicate slow but continuing gains in market share. The new outlet in Beresfield (Newcastle) commenced trading on August 1, 2002 and revenue from the region has grown steadily since that date.

There are no immediate plans for additional outlets in Australia and with some investment planned on the facilities in Guildford (Sydney) in the current year we will complete a strategy of upgrading the exposure, capacity and amenity of the Australian branch network.

Multispares New Zealand

NZ\$ revenue grew by 23% excluding one-off sales, assisted by a strong first full year result from Christchurch. NZ\$ revenue from established operations (Auckland and Wellington) increased by 16%.

In April 2003 our Wellington sales outlet and New Zealand administration team relocated to substantially better premises. This has raised our profile in the local market, provided additional warehouse space to offset capacity problems in our main distribution warehouse in Auckland and improved the amenities for staff. Early results under a new Wellington manager are ahead of expectations.

As in Australia there are no immediate plans for additional outlets or branch relocations. Growth expectations in New Zealand remain higher in the short term as the local operation completes a transition to direct imports from all major overseas suppliers. This is reducing its dependency on Multispares Australia and strengthening its competitive position.

Globac

Globac has been operating for around nine months and significant progress has been made on the development of its supply chain, product range and business plan. Office and warehouse facilities have been established, commencement stock is in place and Globac is in the process of launching its wholesale brake product operation.

Looking Forward

The priorities within Multispares are refinements to product lines, raising of market awareness and improvements to customer service. With these priorities the existing branch network can deliver our earnings growth target of 11% in the current year. In particular significant improvement in the return on assets of Multispares Australia is possible.

For Globac we have forecast a break-even result in the current year and a positive contribution in the financial year 2004-2005.

Additional capital may be required for specific new investments as they arise.

Improving Teams

We have developed a team culture in all business units and there is no doubt this is having a positive impact on our results. I congratulate all staff for their contributions over the financial year 2002-2003 and I am looking forward to working with them again.

Directors' Report

The Directors of Supply Network Limited submit their report for the financial year ended 30 June 2003.

Directors

The names of the company's directors during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

H R Forsyth (Chairman)
G D H Stewart (Managing Director)
H M O Anderson
G T Lingard

Principal Activities

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

Results

The net profit of the consolidated entity after providing for income tax for the financial year was \$917,000 (2002: \$577,000).

Earnings Per Share

Basic and diluted earnings per share for the financial year are 4.47 cents per share (2002: 2.98 cents).

Dividends

Dividends paid or declared for payment are as follows

Final dividend for 2002 of 1.0 cent per share paid 16 September 2002	195,000
Interim dividend of 0.75 cents per share paid 28 March 2003	161,000
Final dividend for 2003 of 1.0 cent per share declared 29 August 2003 and payable 10 October 2003	215,000

Review of Operations

The consolidated entity experienced an improvement in both sales and profits in this financial year.

Total consolidated sales revenue increased by 15% from last financial year. This was a result of 10% growth in sales by the Australian operation and 23% growth in New Zealand (measured in NZ\$ terms which excludes the impact of exchange rate fluctuations).

The consolidated entity net profit of \$917,000 represents an increase of 59% on last year.

Further information is detailed in the Managing Director's and Chairman's reports.

Significant Changes in the State of Affairs

The contributed equity of the company increased from \$4,837,000 to \$5,282,000. The increased capital was raised primarily by the issue of shares to existing shareholders by means of a share purchase plan.

At the annual general meeting held in November 2002 the company resolved to change its name to Supply Network Limited.

Directors' Report (continued)

Significant Events after Balance Date

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

Likely Developments and Expected Results

The directors expect the consolidated entity's future operating results will continue to improve with sales growth expected to continue. Further expansion of product model coverage is an ongoing consideration.

The directors have excluded from this report any further information on the likely developments in the operations of the consolidated entity and the expected results of those operations in future financial years, as the directors believe that it would be likely to result in unreasonable prejudice to one or more entities in the consolidated entity.

Share Options

Unissued shares

As at the date of this report, there were 625,000 unissued ordinary shares under options. Refer to Note 19 of the financial statements for further details of the options outstanding.

Option holders do not have any right, by virtue of the option, to participate in any share issue of the company or any related body corporate.

Shares issued as a result of the exercise of options

During the financial year, G.D.H. Stewart a director, exercised the option to acquire 125,000 fully paid ordinary shares in Supply Network Limited at an exercise price of 13 cents.

Information on Directors

Harry Robert Forsyth - Chairman

Chairman of the Board since 1986, Chief Executive until September 1993, member of the Audit and Remuneration Committees, and Chairman of those Committees until March 1998. Previously held senior executive positions with the British Leyland Group in Australia.

Geoffrey David Huston Stewart - Managing Director

Appointed Chief Executive Officer in November 1999 and Managing Director in November 2000. He is a Chartered Professional Engineer and has an MBA from Macquarie University. He also has over 12 years executive management experience in the Road Transport Industry.

Hugh Munro Outram Anderson

Non-executive Director since 1994, Chairman of the Audit Committee and a member of the Remuneration Committee. Currently a Director of unlisted property companies and private companies in the agricultural industry. Private Funds Manager. NSW Councillor of Australian Institute of Company Directors. Over 25 years experience as a Public Company Director.

Garry Thomas Lingard

Non-executive Director since 1996, Chairman of the Remuneration Committee and a member of the Audit Committee. He has significant experience in managing and developing a diverse range of companies.

Directors' Report (continued)

Directors' Meetings

The number of meetings of the Board of Directors and of Board Committees held during the year were:

Board or Committees	Number of Meetings
Full Board	13
Audit	2
Remuneration	2

The attendance of directors at meetings of the board and committees were:

	Full Board	Audit Committee	Remuneration Committee
H R Forsyth	13	2	2
H M O Anderson	12	2	2
G T Lingard	12	2	2
G D H Stewart	13	-	-

As at the date of this report the company had an Audit Committee of the Board of Directors which met twice during the year, and a Remuneration Committee which met twice during the year.

Directors' Interests

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

- H R Forsyth is deemed to have a relevant interest in shares held by Hergfor Enterprises Pty Ltd, a substantial shareholder (6,097,314 shares).
- H M O Anderson is deemed to have a relevant interest in shares held by Birubi Super Fund (514,000 shares).
- G T Lingard is deemed to have a relevant interest in shares held by GT Lingard Holdings Pty Ltd (207,842 shares).
- G D H Stewart holds 139,000 ordinary shares of the company and options to acquire a further 275,000 ordinary shares and is deemed to have a relevant interest in shares held by D G Stewart (214,000 shares).

Directors' and Senior Executives' Remuneration

The Remuneration Committee is responsible for making recommendations to the Board on remuneration policies and packages applicable to the Board members and senior executives of the consolidated entity. Remuneration is determined as part of an annual review which includes performance evaluation, regard to comparative remuneration and independent remuneration advice. The broad remuneration policy is to ensure the remuneration package properly reflects the person's duties and responsibilities and that remuneration is competitive in attracting, retaining and motivating people.

Senior executives may receive incentives based on the achievement of specific goals related to the performance of the consolidated entity. Non-executive directors do not receive any performance related remuneration.

Details of remuneration provided to Directors and the most highly remunerated executive officers are as follows:

	Salary	Directors' Fees	Bonus	Super-annuation	Other	Total
	\$	\$	\$	\$	\$	\$
Directors						
H R Forsyth	-	26,880	-	24,000	-	50,880
H M O Anderson	-	-	-	32,700	-	32,700
G T Lingard	-	30,000	-	2,700	-	32,700
G D H Stewart	162,296	-	37,553	21,866	11,808	233,523
Officers						
P W Gill	116,792	-	18,776	30,004	10,242	175,814
B A McKenna	120,512	-	18,776	16,548	11,526	167,362

Directors' Report (continued)

Indemnification of Directors

During or since the financial year the company paid an insurance premium that indemnifies officers of the company and any other related body corporate against a liability incurred as such an officer, to the extent permitted by the Corporations Law. The company has not otherwise indemnified or made a relevant agreement to indemnify an officer of the company or any related body corporate against a liability incurred as such an officer.

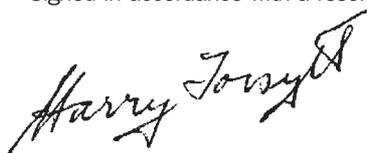
Rounding

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

Corporate Governance

In recognition of the need for high standards of corporate behaviour and accountability the directors support and adhere to the principles of corporate governance. The company's corporate governance statement is contained in the following section of this annual report.

Signed in accordance with a resolution of directors.



H R Forsyth

Director

Sydney
29 August 2003

Corporate Governance Statement

Supply Network Limited (SNL) Board members, as representatives and servants of the shareholders, are committed to setting a cultural framework within the organisation that engenders responsible citizenship amongst all employees, with an attitude of “doing the right thing” by all stake holders.

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

The Board has a program of visiting all divisions of the Company over a period of time, and seeks to understand the special needs of the business at each location. It encourages management to be sensitive to employee needs.

It works closely with the Managing Director to ensure sufficient authority is given to him to manage the business whilst maintaining a prudent level of checks and balances.

Board

Currently the Board composition includes three Non Executive Directors and one Executive Director (the Managing Director). The Board is mindful of the necessity to have a succession policy in place and is also mindful of the need, over time, to change the composition of the Board. It accepts that under certain definitions, not all the Non Executives are independent, however it does not believe this handicaps the governance of SNL, with each director bringing special skills to the table.

Conflicts of Interest are handled in the appropriate fashion with the director concerned where necessary abstaining from discussion and voting. If necessary, the director will also leave the room.

Meetings are generally scheduled monthly, with extra meetings held as needed. The Chairman is responsible for preparing the Agenda, and each director is free to seek to have any relevant items added.

Board Committees

There are two permanent Committees of the Board: Audit and Remuneration. The Board’s policy is to establish special purpose committees on an as needs basis (for example an Acquisitions, Relocation or Nominations Committee).

Membership of the two permanent committees is restricted to Non Executive directors only, although the Managing Director attends parts of meetings on occasions. The Chair of each Committee, who is not the SNL Chairman, is authorised to call meetings as necessary.

Decision Making Process

The Board vigorously debates management recommendations and sends papers back for consideration at a later meeting should it be of the view that the information is insufficient to make an informed decision. Equally it seeks to question members of the executive team on recommendations when the need arises.

Strategy

The Board ensures it has an input to strategy formulation and questions management at special meetings to discuss strategy. With the need to refine and revise future planning constantly, the Board encourages management to put forward any new ideas when necessary, and not to wait for a strategy meeting.

Remuneration

The Remuneration Committee has responsibility for monitoring salary levels. It reviews and recommends policies for basic and incentive based remuneration and seeks outside advice where necessary.

The Board has a policy of rewarding all employees (NZ and Australia) in a market competitive and fair manner. To assist this policy, the Company subscribes to remuneration surveys.

In keeping with contemporary practice, senior executives are offered salary packaging.

Senior management members are rewarded on an incentive basis in addition to their base salary, and where appropriate, employees have the opportunity to earn monthly bonuses.

Non Executive Directors are remunerated as disclosed in the notes to the accounts. In addition they receive out of pocket expenses for any company-sponsored travel, but receive no reimbursement for travel to Board meetings (unless the meeting is outside Sydney). The Chairman is provided with mobile phone and Internet facilities.

Corporate Governance Statement (continued)

Non Executive Director base remuneration is below that of the surveys to which the company subscribes, but each Director is entitled to a retirement allowance as approved by shareholders at the Annual Meeting in 1997. It is intended to cease this practice for any new Directors appointed, in favour of market rate remuneration.

Audit

The Board has an Audit Committee, which meets with the Auditors generally twice per year but more often when necessary.

The Committee satisfies itself that there is total independence of the Auditors and that all relevant information is laid before both the Auditors and the Committee.

Staff development

The Human Resources Manager has responsibility for Staff Development and the Board fosters a strong program of training at all levels.

The Board also considers from time to time succession plans for key personnel.

Director training is encouraged and the Company pays for attendance at appropriate seminars.

Insurance

The Board reviews insurance cover on an annual basis and debates management recommendations on levels of cover.

The company has a Directors' and Officers' Liability Policy and each Director contributes to the premium for his own cover.

Risk management

Annually the Board considers a matrix of risk prepared by management. This matrix covers likelihood and severity of occurrences and is updated during the year as potential new risks confront the Company.

Where circumstances dictate, the subject is brought to the Board earlier than at the regular meeting.

Director share trading

Directors are generally prohibited from dealing in the Company's securities except for a period of 20 business days after certain ASX announcements or a General Meeting.

Only in special circumstances with the permission of the Chair and/or the Board may they deal outside this window.

Director shareholdings and options issued to senior management are disclosed in the Annual Report. Staff are encouraged to hold shares where practical.

External communications

The Board has a policy for external communications: on ASX and shareholder matters, the Chairman is the spokesperson and on trading and commercial matters, the Managing Director is the spokesperson.

Board appraisal

The Board conducts an appraisal of its members and achievements annually. This appraisal is a peer appraisal and is conducted internally.

The appraisal covers current and anticipated skill set requirements and succession planning. Targets for the ensuing year are set and progress is regularly monitored.

General

The Board generally agrees with the concept of the ASX Corporate Governance Guidelines although it is aware of the difficulties and potentially disproportionate costs faced by a small listed company in fully complying. The Board is totally onside with transparency and comprehensiveness of reporting and encourages interest in the business by stakeholders.

This Corporate Governance statement is written to reflect current practice and will be constantly revised as contemporary practices change.

Statement of Financial Performance

for the year ended 30 June 2003

	Note	Consolidated		Parent	
		2003 \$000	2002 \$000	2003 \$000	2002 \$000
Revenue from ordinary activities	2	30,444	27,154	816	1,284
Expenses from ordinary activities excluding borrowing costs	3	(28,846)	(26,088)	(253)	(790)
Borrowing costs	3	(196)	(221)	-	-
Profit from ordinary activities before income tax expense		1,402	845	563	494
Income tax expense relating to ordinary activities	4	(485)	(268)	-	(11)
Profit from ordinary activities after income tax expense		917	577	563	483
Net profit		917	577	563	483
Net exchange difference on translation of financial statements of foreign controlled entity		4	73	-	-
Total revenues, expenses and valuation adjustments attributable to members of Supply Network Limited and recognised directly in equity		4	73	-	-
Total changes in equity other than those resulting from transactions with owners as owners		921	650	563	483
Basic and diluted earnings per share (cents per share)		4.47	2.98		
Weighted average number of ordinary shares used in the calculation of basic earnings per share		20,499,013	19,345,845		

Statement of Financial Position

at 30 June 2003

	Note	Consolidated		Parent	
		2003 \$000	2002 \$000	2003 \$000	2002 \$000
Current Assets					
Cash assets	27	438	292	100	-
Receivables	5	4,173	3,950	-	-
Inventories	6	9,301	9,305	-	-
Other	7	27	15	-	-
Total Current Assets		13,939	13,562	100	-
Non-Current Assets					
Receivables	8	-	-	6,354	5,753
Other financial assets	9	-	-	1,398	1,398
Property, plant and equipment	10	818	661	-	-
Deferred tax assets	11	586	465	114	96
Total Non-Current Assets		1,404	1,126	7,866	7,247
Total Assets		15,343	14,688	7,966	7,247
Current Liabilities					
Payables	12	4,249	4,729	16	19
Interest bearing liabilities	13	118	162	-	-
Current tax liabilities	14	360	168	26	22
Provisions	15	843	993	270	432
Total Current Liabilities		5,570	6,052	312	473
Non-Current Liabilities					
Interest bearing liabilities	16	1,775	1,893	-	-
Deferred tax liabilities	17	5	17	-	-
Provisions	18	229	165	97	62
Total Non-Current Liabilities		2,009	2,075	97	62
Total Liabilities		7,579	8,127	409	535
Net Assets		7,764	6,561	7,557	6,712
Equity					
Contributed equity	19	5,282	4,837	5,282	4,837
Reserves	20	(2)	(6)	-	-
Retained profits	21	2,484	1,730	2,275	1,875
Total Equity		7,764	6,561	7,557	6,712

Statement of Cash Flows

for the year ended 30 June 2003

Note	Consolidated		Parent		
	2003 \$000	2002 \$000	2003 \$000	2002 \$000	
			Inflows (Outflows)		
Cash flows from operating activities					
	Receipts from customers	33,289	28,725	-	78
	Payments to suppliers and employees	(32,008)	(28,130)	(6)	(13)
	Interest received	6	-	4	-
	Borrowing costs	(183)	(223)	-	-
	Income taxes paid	(422)	(448)	-	-
	Net cash flows from (used in) operating activities	27(b) 682	(76)	(2)	65
Cash flows from investing activities					
	Purchase of property, plant and equipment	(516)	(231)	-	-
	Proceeds from sale of property, plant and equipment	53	621	-	615
	Advances to and by wholly owned related parties	-	-	13	(588)
	Net cashflows from (used in) investing activities	(463)	390	13	27
Cash flows from financing activities					
	Proceeds from borrowings	148	400	-	-
	Proceeds from share issue	445	-	445	-
	Repayment of borrowings	(310)	(123)	-	-
	Payment of dividend on ordinary shares	(356)	(97)	(356)	(97)
	Net cashflows from (used in) financing activities	(73)	180	89	(97)
	Net increase (decrease) in cash held	146	494	100	(5)
	Add opening cash brought forward	292	(202)	-	5
	Closing cash carried forward	27(a) 438	292	100	-

Notes to the Financial Statements

for the year ended 30 June 2003

1. Statement of Significant Accounting Policies

(a) Basis of Accounting

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 including applicable Accounting Standards. Other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) have also been complied with.

The financial report has been prepared in accordance with the historical cost convention and does not take into account changes in general purchasing power of the dollar or, except where stated, the price of specific assets.

(b) Principles of Consolidation

The consolidated financial statements are those of the consolidated entity, comprising Supply Network Limited (the parent entity) and all entities that Supply Network Limited controlled during the year and at reporting date. Supply Network Limited was previously known as Multispares Holdings Limited.

All inter company balances, including unrealised profits arising from intra group transactions have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

Financial statements of foreign controlled entities presented in accordance with overseas accounting principles are, for consolidation purposes, adjusted to comply with group policy and generally accepted accounting principles in Australia.

(c) Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous year except for the accounting policies with respect to the provision for dividends and employee benefits.

(i) Provision for dividends

The consolidated entity has adopted the new Accounting Standard AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets" which has resulted in a change in the accounting for the dividends provisions. Previously, the consolidated entity recognised a provision for dividend based on the amount that was proposed or declared after the reporting date. In accordance with the requirements of the new Standard, a provision for dividends will only be recognised at the reporting date where the dividends have been declared, determined or publicly recommended prior to the reporting date. The effect of the revised policy has been to increase consolidated retained profits and decrease provisions at the beginning of the year by \$193,000 (refer to note 21). In accordance with the new Standard, no provision for dividend has been recognised for the year ended 30 June 2003.

(ii) Employee benefits

The consolidated entity has adopted the revised Accounting Standard AASB 1028 "Employee Benefits" which has resulted in a change in the accounting policy for measurement of employee benefit liabilities. This change has not materially impacted the provision for employee entitlements as historically salary uplift factor has been applied. The adoption of this standard has had no material impact on the reported net profit of the company or consolidated entity or earnings per share.

(d) Foreign Currency Transactions

Transactions in foreign currencies are converted at the rate of exchange ruling at the date of the transaction.

Amounts payable to or by the consolidated entity in foreign currencies have been translated into Australian currency at the rate of exchange ruling at the end of the financial year.

Exchange differences relating to monetary items are included in the Statement of Financial Performance in the period when the exchange rates change as exchange gains or losses.

Where a purchase or sale is specifically hedged, exchange gains or losses and costs are deferred and included in the measurement of purchase or sale.

The financial statements of a self-sustaining foreign operation are translated using the current method. Any exchange difference arising through the use of the method is taken to the foreign currency translation reserve.

Notes to the Financial Statements

for the year ended 30 June 2003

1 Statement of Significant Accounting Policies (continued)

(e) Cash and Cash Equivalents

Cash on hand and in banks and short term deposits are stated at nominal value.

For the purpose of the Statement of Cash Flows, cash includes cash on hand and in bank, net of outstanding bank overdrafts.

Bank overdrafts are carried at the principal amount. Interest is charged as an expense as it accrues.

(f) Receivables

Trade debtors are recognised and carried at original invoice amount less a provision for any uncollectable debts.

Provision for doubtful debts is recognised to the extent that recovery of outstanding receivable balances is considered less than likely. Any provision established is based on a review of all outstanding amounts at year end. A specific provision is maintained for identified doubtful debts, and a general provision is maintained in respect of receivables which are doubtful of recovery but which have not been specifically identified. Bad debts are written off when they are identified.

Receivables from related parties are recognised and carried at the nominal amount due.

(g) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is weighted average into store cost. Obsolete and redundant inventories are provided for as appropriate.

(h) Recoverable Amount

All non-current assets are reviewed at least annually to determine whether their carrying amounts require write down to recoverable amount. Recoverable amount is determined using net cash flows which have not been discounted.

(i) Other Financial Assets

Investments in controlled entities are valued in the parent entity's financial statements at cost. The carrying amounts of investments are reviewed annually to determine whether they exceed their recoverable amount. Investments other than in controlled entities are valued at the lower of cost or recoverable amount.

(j) Leased Assets

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Operating leases are not capitalised and rental payments are charged against operating profit in the period in which they are incurred.

There were no finance leases during the year.

(k) Property, Plant and Equipment

Plant and equipment is measured at cost.

Depreciation is provided on a straight line basis on all property, plant and equipment other than freehold land. Major depreciation rates used are.

	2003	2002
Plant and Equipment	2-10 years	2-10 years
Building	-	50 years

Notes to the Financial Statements

for the year ended 30 June 2003

1 Statement of Significant Accounting Policies (continued)

(l) Employee Entitlements

Provision is made for employee entitlements benefits accumulated as a result of employees rendering services up to balance date.

Liabilities arising in respect of wages and salaries and annual leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the market yield as at the reporting date on national government bonds, which have terms to maturity approximating the terms of the related liability, are used.

No provision is made for non-vesting sick leave as the anticipated pattern of future sick leave taken indicates that accumulated non-vesting leave will never be paid.

All on-costs, including superannuation, payroll tax and workers' compensation premiums are included in the determination of provisions.

Employee entitlement expenses arising in respect of the following categories

- wages and salaries, non monetary benefits, annual leave, long service leave, sick leave and other leave entitlements; and
- other types of employee entitlements

are charged against profits on a net basis in their respective categories.

The value of the equity-based compensation scheme described in note 26 is not being recognised as an employee benefits expense.

(m) Contributed Equity

Issued and paid up capital is recognised at the fair value of the consideration received by the company.

(n) Payables

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the consolidated entity.

Payables to related parties are carried at the principal amount.

(o) Provisions

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

A provision for dividends is not recognised as a liability unless the dividends are declared, determined or publicly recommended on or before the reporting date (refer note 1(c)).

(p) Interest Bearing Liabilities

Loans are measured at the principal amount. Interest is charged as an expense as it accrues.

(q) Revenue

Sales revenue is recognised when control of the goods has passed to the purchaser.

Interest income is recognised as it accrues.

Dividend revenue is recognised when the right to receive a dividend has been established.

Notes to the Financial Statements

for the year ended 30 June 2003

(r) Taxes

Income taxes

Tax-effect accounting is applied using the liability method whereby income tax is regarded as an expense and is calculated on the accounting profit after allowing for permanent differences. To the extent that timing differences occur between the time items are recognised in the financial statements and when items are taken into account in determining taxable income, the net related taxation benefit or liability, calculated at current rates, is disclosed as a deferred tax asset or deferred tax liability.

The net future income tax benefit relating to timing differences is not carried forward as an asset unless the benefit is virtually certain of being realised.

Goods and Services Tax (GST)

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

- where 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 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 Statement of Financial Position.

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.

(s) Earnings Per Share

Basic and diluted earnings per share are calculated as net profit attributable to members, adjusted to exclude cost of servicing equity (other than dividends) divided by weighted average number of ordinary shares.

(t) Comparatives

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

Notes to the Financial Statements

for the year ended 30 June 2003

	Consolidated		Parent	
	2003 \$000	2002 \$000	2003 \$000	2002 \$000
2. Revenue from Ordinary Activities				
Revenue from operating activities				
Revenue from sale of goods	30,291	26,344	-	-
Revenues from non-operating activities				
Dividends received from				
-Wholly owned group	-	-	560	420
Interest received from				
-Other persons	6	-	4	-
Net foreign exchange gains from non-speculative activities	2	21	-	-
Rent received from				
-Other persons	-	69	-	69
Management fees received from				
-Wholly owned group	-	-	252	180
Proceeds from sale of non-current assets (note 3(a))	53	621	-	615
Other income	92	99	-	-
Total revenues from non-operating activities	153	810	816	1,284
Total revenues from ordinary activities	30,444	27,154	816	1,284
3. Expenses and Losses (Gains)				
Expenses				
Cost of goods sold	18,870	16,872	-	-
Depreciation of non current assets				
-Building	-	7	-	7
-Plant and equipment	291	318	-	-
Total depreciation expense	291	325	-	7
Other Expenses				
Salaries & employee benefit expenses	5,392	4,790	192	148
Operating lease expenses	1,118	963	-	-
Other expenses	2,595	2,188	61	51
Utility expenses	349	303	-	-
Bad and doubtful debt - trade debtors	92	45	-	-
Provision for inventory obsolescence	70	7	-	-
Sale non current asset expenses (note 3(a))	69	595	-	584
Total other expenses	9,685	8,891	253	783
Total expenses from ordinary activities excluding borrowing costs	28,846	26,088	253	790
Borrowing Costs				
Interest paid to or payable to				
-Other persons	196	221	-	-
Total expenses from ordinary activities	29,042	26,309	253	790

Notes to the Financial Statements

for the year ended 30 June 2003

3. Expenses and Losses (Gains) (continued)

	Consolidated		Parent	
	2003 \$000	2002 \$000	2003 \$000	2002 \$000
(a) Revenue from sale of property, plant and equipment	53	621	-	615
Less expenses from sale of property, plant and equipment	69	595	-	584
Net (profit)/loss on disposal of property, plant and equipment	16	(26)	-	(31)

4. Income Tax Expense

The prima facie tax on profit from ordinary activities before income tax differs from income tax provided in the financial statements as follows:

Profit from ordinary activities	1,402	845	563	494
Prima facie tax payable at 30%	421	254	169	148
Tax effect of permanent and other differences	-	-	(169)	(126)
Dividends received	-	-	-	(9)
Non assessable gain on disposal of property, and equipment	-	(9)	-	(9)
Other items not deductible	64	22	-	(2)
Amount under provided in prior year	-	1	-	-
Income tax expense attributable to profit from ordinary activities	485	268	-	11
Total income tax expense comprises movements in				
Current tax payable	618	359	18	17
Future income tax benefit	(121)	(73)	(18)	(6)
Provision for deferred income tax	(12)	(18)	-	-
	485	268	-	11

5. Receivables (Current)

Trade debtors	4,378	4,122	-	-
Provision for doubtful debts	(206)	(180)	-	-
	4,172	3,942	-	-
Other debtors	1	8	-	-
	4,173	3,950	-	-

(a) Terms and conditions

Terms and conditions relating to the above financial instruments

- (i) Trade debtors are non interest bearing and generally settled on 30 day terms

Notes to the Financial Statements

for the year ended 30 June 2003

	Consolidated		Parent	
	2003 \$000	2002 \$000	2003 \$000	2002 \$000
6. Inventories (Current)				
Finished goods (at cost)	8,646	8,278	-	-
Provision for obsolescence	(830)	(760)	-	-
	7,816	7,518	-	-
Stock in transit (at cost) - finished goods	1,485	1,787	-	-
	9,301	9,305	-	-
7. Other Current Assets				
Prepayments	27	15	-	-
8. Receivables (Non Current)				
Amounts receivable from wholly owned group (see Note 32)	-	-	6,354	5,753

9. Other Financial Assets

(a) Shares in controlled entities at cost in parent entity

	Class of Shares	Percentage Holdings	2003 \$	2002 \$
Globac Limited	ORD	100%	2	2
Multispares Limited	ORD	100%	367,429	367,429
Multispares N.Z. Limited	ORD	100%	1,030,600	1,030,600
			1,398,031	1,398,031

The financial year of all controlled entities are the same as that of the parent entity. All companies are incorporated in Australia except Multispares NZ Limited which is incorporated in New Zealand. All entities operate solely in their country of incorporation.

(b) Supply Network Limited, Globac Limited and Multispares 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 issued by the Australian Securities Commission, Globac Limited and Multispares Limited are relieved from the requirement to prepare financial statements.

The Statement of Financial Performance and Statement of Financial Position of all entities included in the class order "Closed Group" are set out in Note (c).

Notes to the Financial Statements

for the year ended 30 June 2003

9. Other Financial Assets (continued)

(c) Financial information for class order closed group

Consolidated statement of financial performance for the year ended 30 June 2003

	Closed Group	
	2003	2002
	\$000	\$000
Profit from ordinary activities before income tax expense	920	708
Income tax expense relating to ordinary activities	(311)	(216)
Profit from ordinary activities after income tax	609	492
Retained profits at the beginning of the financial year	1,875	1,577
Adjustment arising on adoption of revised account standard AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets"	193	
Dividends provided for or paid	(356)	(194)
Retained profits at end of the financial year	2,321	1,875

Consolidated statement of financial position at 30 June 2003

	Closed Group	
	2003	2002
	\$000	\$000
Current Assets		
Cash assets	363	361
Receivables	3,683	3,462
Inventories	7,828	8,278
Other	23	31
Total Current Assets	11,897	12,132
Non-Current Assets		
Other financial assets	1,030	1,030
Property, plant and equipment	641	580
Deferred tax assets	510	417
Total Non-Current Assets	2,181	2,027
Total Assets	14,078	14,159
Current Liabilities		
Payables	3,320	4,094
Interest bearing liabilities	118	162
Current tax liabilities	227	162
Provisions	803	959
Total Current Liabilities	4,468	5,377
Non-Current Liabilities		
Interest bearing liabilities	1,775	1,893
Deferred tax liabilities	3	12
Provisions	229	165
Total Non-Current Liabilities	2,007	2,070
Total Liabilities	6,475	7,447
Net Assets	7,603	6,712
Equity		
Contributed equity	5,282	4,837
Retained profits	2,321	1,875
Total Equity	7,603	6,712

Notes to the Financial Statements

for the year ended 30 June 2003

	Consolidated		Parent	
	2003 \$000	2002 \$000	2003 \$000	2002 \$000
10. Property, Plant and Equipment				
Property, plant and equipment at cost				
Plant and equipment				
Opening balance	2,310	2,151	-	-
Additions	516	231	-	-
Disposals	(214)	(86)	-	-
Currency translation difference	2	14	-	-
Closing balance	2,614	2,310	-	-
Accumulated Depreciation				
Opening Balance	1,649	1,398	-	-
Depreciation for the year	291	318	-	-
Disposals	(145)	(75)	-	-
Currency translation difference	1	8	-	-
Closing balance	1,796	1,649	-	-
Net book value	818	661	-	-
Total property, plant and equipment, net	818	661	-	-
11. Deferred Tax Assets (Non Current)				
Future income tax benefits				
Attributable to timing differences				
-Provision for doubtful debts	62	54	-	-
-Provision for employee entitlements	323	290	110	90
-Provision for obsolescence	150	66	-	-
-Other	51	55	4	6
	586	465	114	96
12. Payables (Current)				
Trade creditors and accruals - unsecured	4,249	4,729	16	19

(a) Terms and conditions

Terms and conditions relating to the above financial instruments

(i) trade creditors are non interest bearing and are generally settled on 60 day terms

Notes to the Financial Statements

for the year ended 30 June 2003

		Consolidated		Parent	
		2003 \$000	2002 \$000	2003 \$000	2002 \$000
13. Interest Bearing Liabilities (Current)					
Bank loans - secured	(a)	100	100	-	-
Other loans - secured	(b)	18	62	-	-
		118	162	-	-

(a) Refer Note 16(a) for details of bank loans

(b) Other loans comprises hire purchase agreements secured on certain assets of certain controlled entities. The agreements are for three years and subject to monthly repayment and mature in June 2003 and June 2004. Interest rates on agreements range from 8.6% to 8.8%.

14. Current Tax Liabilities

Current year tax payable		327	125	18	11
Prior year tax payable		33	43	8	11
		360	168	26	22

15. Provisions (Current)

Dividend	Note 22	-	193	-	193
Employee entitlements	Note 26	843	800	270	239
		843	993	270	432

16. Interest Bearing Liabilities (Non Current)

Bank loans - secured	(a)	1,775	1,875	-	-
Other loans - secured	(b)	-	18	-	-
		1,775	1,893	-	-

(a) Bank overdrafts and bank loans are secured by a fixed and floating charge over the assets of Supply Network Limited and controlled entities. Bank overdrafts have no specific term and are subject to annual review in September each year. Interest rates on overdrafts are variable and during the year average interest rate was 8.6%. Bank loans comprise fixed interest only loan of \$1,000,000 at 8.0% (interest rate renewal July 2003 7.1%) maturing March 2005 and fixed interest loan of \$875,000 at 7.7% maturing 21 November 2004 and repayable by quarterly instalments.

(b) Refer Note 13(b) for details of other loans

17. Deferred Tax Liabilities

Provision for deferred income tax

Attributable to timing differences					
-Depreciation		4	15	-	-
-Prepayments		1	2	-	-
		5	17	-	-

18. Provisions (Non Current)

Employee entitlements	Note 26	229	165	97	62
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Notes to the Financial Statements

for the year ended 30 June 2003

	Consolidated		Parent	
	2003 \$000	2002 \$000	2003 \$000	2002 \$000
19. Contributed Equity				
(a) Issued and Paid Up Capital				
21,513,845 ordinary shares fully paid (2002: 19,345,845)	5,282	4,837	5,282	4,837

(b) Movements in Shares On Issue

	2003		2002	
	Number of Shares	\$'000	Number of Shares	\$'000
Balance beginning of year	19,345,845	4,837	19,345,845	4,837
Issue of shares under share purchase plan	2,043,000	429	-	-
Issue of shares under share option plan	125,000	16	-	-
Balance at end of the year	21,513,845	5,282	19,345,845	4,837

(c) Share Options

Options over ordinary shares:

At the end of the year there were 625,000 (2002: 750,000) unissued ordinary shares in respect of which options were outstanding.

(d) Terms and conditions of contributed equity

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the company, to participate in the proceeds from the sale of surplus assets in proportion to the number of, and amounts paid up on shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the company.

20. Reserves

Foreign Currency Translation

Balance at beginning of year	(6)	(79)	-	-
Gain(Loss) on translation of overseas controlled entities	4	73	-	-
Balance at end of year	(2)	(6)	-	-

Foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of self sustaining foreign operations.

21. Retained Profits

Balance at beginning of year	1,730	1,346	1,875	1,585
Net profit	917	577	563	483
Adjustment arising on adoption of revised account standard AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets"	193	-	193	-
Total available for appropriation	2,840	1,923	2,631	2,068
Dividend provided or paid	356	193	356	193
Balance at end of year	2,484	1,730	2,275	1,875

Notes to the Financial Statements

for the year ended 30 June 2003

	Consolidated		Parent	
	2003 \$000	2002 \$000	2003 \$000	2002 \$000
22. Dividends Paid or Provided for on Ordinary Shares				
(a) Dividends proposed and recognised as a liability				
Final fully franked dividend (2002:1.0 cent per share)	-	193	-	193
(b) Dividends paid during the year				
Current year interim fully franked dividend (0.75 cents per share) (2002:nil)	161	-	161	-
Previous year final fully franked dividend (1.0 cent per share)(2002:0.5 cents)	195	97	195	97
Total dividends paid	356	97	356	97
(c) Dividends proposed subsequent to 30 June and not recognised as a liability				
Current year final fully franked dividend (1.0 cent per share) (2002:nil)	215	-	215	-
(d) Franking credit balance				
The amount of franking credits available for the subsequent financial year are				
- franking account balance as at the end of the financial year at 30% (2002: 30%)			5,886	5,300
- franking credits that will arise from the payment of income tax payable as at the end of the financial year			44	19
			5,930	5,319

The tax rate at which paid dividends have been franked is 30% (2002:30%). Dividends proposed will be franked at the rate of 30% (2002:30%).

23. Lease Commitments

Operating lease commitments payable				
- not later than one year	1,405	1,046	-	-
- later than one year and not later than five years	2,316	1,176	-	-
	3,721	2,222	-	-

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

24. Auditors Remuneration

	\$	\$	\$	\$
Amounts received or due and receivable for audit or review of the financial reports				
Ernst & Young	70,727	58,002	6,860	4,886
Arthur Andersen	-	11,950	-	-
	70,727	69,952	6,860	4,886
Amounts received or due and receivable by the auditors for other services				
Ernst & Young - tax compliance	6,121	-	-	-
Arthur Andersen	-	4,907	-	-
	6,121	4,907	-	-

Notes to the Financial Statements

for the year ended 30 June 2003

	Consolidated		Parent	
	2003	2002	2003	2002
	\$	\$	\$	\$

25. Remuneration of Directors and Executives

(a) Remuneration of directors

Income paid or payable, or otherwise made available, in respect of the financial year, to all directors of each entity in the consolidated entity, directly or indirectly by the entities of which they are directors or any related party

349,803	297,328	-	-
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Income paid or payable, or otherwise made available, in respect of the financial year, to all directors of Supply Network Limited, directly or indirectly, from the entity or any related party

-	-	116,280	115,680
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The numbers of directors of the parent entity whose income falls within the following bands are

\$ 30,001 - \$ 40,000	2	2	2	2
\$ 50,001 - \$ 60,000	1	1	1	1
\$180,001 - \$190,000	-	1	-	-
\$230,001 - \$240,000	1	-	-	-

(b) Remuneration of executives

Remuneration received or due and receivable by executive officers of the consolidated entity whose remuneration is \$100,000 or more, from entities in the consolidated entity or a related party, in connection with the management of the affairs of the entities in the consolidated entity whether as an executive officer or otherwise

576,699	488,868	-	-
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The number of executives of the consolidated entity and the company whose remuneration falls within the following bands are

\$140,001 - \$150,000	-	1	-	-
\$160,001 - \$170,000	1	1	-	-
\$170,001 - \$180,000	1	-	-	-
\$180,001 - \$190,000	-	1	-	-
\$230,001 - \$240,000	1	-	-	-

26. Employee Entitlements

	\$000	\$000	\$000	\$000
Accrued salaries and wages and on costs	243	183	-	-
Provision current	843	800	270	239
Provision non current	229	165	97	62
	1,315	1,148	367	301
Number of employees at year end	93	85	3	3

Share Option Plan

A share option plan has been established where executive directors and certain members of staff of the consolidated entity are issued with options over ordinary shares of Supply Network Limited. The options, issued for nil consideration are issued when certain performance guidelines established by the directors of Supply Network Limited are achieved. The options are generally issued for terms ranging from 2 years to 5 years and are generally exercisable on the second anniversary of the date of issue. The option cannot be transferred and will not be quoted on the ASX. There is currently one executive director and five staff participating in this plan.

Notes to the Financial Statements

for the year ended 30 June 2003

26. Employee Entitlements (continued)

Information with respect to the number of options granted under the share option plan is as follows:

	2003		2002	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance at beginning of year	750,000	0.18	250,000	0.14
Issued	-	-	500,000	0.20
Exercised	125,000	-	-	-
Balance at end of year	625,000	0.19	750,000	0.18
Exercisable at end of year	125,000	0.15	250,000	0.14

(a) Options held at beginning of year

The following table summarises information about options held by employees 1 July 2002

Number of Options	Grant Date	Vesting Date	Expiry Date	Weighted Average Exercised Price
125,000	21/3/2001	21/3/2001	21/3/2003	0.13
125,000	21/3/2001	21/3/2001	21/3/2004	0.15
500,000	24/4/2002	24/4/2004	24/4/2007	0.20

(b) Options granted

There were no options granted during reporting period.

(c) Options exercised

The following table summarises information about options exercised by employees during the year ended 30 June 2003

Number of Options	Grant Date	Vesting Date	Expiry Date	Weighted Average Exercised Price	Proceeds from Share Issue	Number of Share Issue	Issue Date	Fair Value of Shares Issued
125,000	21/3/2001	21/3/2001	21/3/2003	0.13	\$16,250	125,000	19/8/2003	0.23

The above option was exercised by G.D.H. Stewart, a director. There were no options exercised during the year ended 30 June 2002.

Fair value of shares issued during the reporting period is estimated to be the market price of shares of Supply Network Limited on the ASX as at close of trading on issue date

(d) Options held as at the end of the reporting period

The following table summarises information about options held by employees at 30 June 2003

Number of Options	Grant Date	Vesting Date	Expiry Date	Weighted Average Exercised Price
125,000	21/3/2001	21/3/2001	21/3/2004	0.15
500,000	24/4/2002	24/4/2004	24/4/2007	0.20

Superannuation Commitments

The consolidated entity maintains superannuation funds covering Australian employees. Each Australian entity in the consolidated entity has a legal obligation to contribute 9% of the employees' ordinary earnings to the funds, with employees contributing various percentages of their gross salary. The funds are accumulation funds and have been established to provide benefits to employees on retirement, death or disability.

No superannuation benefits are provided for employees of Multispares NZ Limited.

Notes to the Financial Statements

for the year ended 30 June 2003

	Consolidated		Parent	
	2003	2002	2003	2002
	\$000	\$000	\$000	\$000

27. Notes to the Statement of Cash Flows

(a) Reconciliation of cash

Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows

Cash on hand	5	16	-	-
Cash at bank	433	276	100	-
	438	292	100	-

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

Net profit after income tax	917	577	563	483
Adjustments for non-cash income and expense items				
Dividends received	-	-	(560)	(420)
(Profit)/Loss on sale of property, plant and equipment	16	(26)	-	(31)
Depreciation of property, plant and equipment	291	325	-	7
Other	-	-	(54)	17
Transfers to provisions				
-Inventory obsolescence	70	7	-	-
-Employee entitlements	107	152	67	24
-Doubtful debts	26	16	-	-
Increase (decrease) in provision for				
-Income tax payable	192	(86)	4	(2)
-Deferred taxes	(128)	(94)	(18)	(6)
Changes in assets and liabilities				
(Increase) decrease in				
Accounts receivable	(256)	(523)	-	-
Inventories	(66)	(1,300)	-	-
Other assets	(5)	89	-	-
(Decrease) increase in				
Trade creditors and accruals	(482)	787	(4)	(7)
Net cash flow from operating activities	682	(76)	(2)	65

(c) Financing facilities available

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

Total credit facilities	3,374	3,024	-	-
Facilities used at reporting date	(1,875)	(2,245)	-	-
Facilities unused at reporting date	1,499	779	-	-
The major facilities are summarised as follows				
Bank overdrafts	675	674	-	-
Facilities used	-	(70)	-	-
Facilities unused at reporting date	675	604	-	-
Bank loans	2,700	2,000	-	-
Facilities used	(1,875)	(1,975)	-	-
Facilities unused at reporting date	825	25	-	-

Notes to the Financial Statements

for the year ended 30 June 2003

28. Contingent Liabilities

As explained in Note 9 the parent entity has entered a Deed of Cross Guarantee in accordance with a Class Order issued by the Australian Securities & Investments Commission. The parent entity and all the controlled entities which are a party to the Deed have guaranteed the repayment of all current and future creditors in the event that any of these companies are wound-up.

29. Subsequent Events

No matter or circumstance has arisen since the end of the financial year that has significantly or may significantly affect the operations of the consolidated entity, the result of those operations or the state of affairs of the consolidated entity.

30. Segment Information

Business segments

The consolidated entity operates predominantly in one business segment being the provision of after market parts for the commercial vehicle market.

Geographical segments

	Australia		New Zealand		Eliminations		Consolidated	
	2003	2002	2003	2002	2003	2002	2003	2002
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Revenue								
Sales to customers outside the consolidated entity	24,298	22,092	5,993	4,252	-	-	30,291	26,344
Other revenues from outside the consolidated entity	138	796	15	14	-	-	153	810
Intersegment revenues	1,379	1,330	16	25	(1,395)	(1,355)	-	-
Total segment revenues	25,815	24,218	6,024	4,291	(1,395)	(1,355)	30,444	27,154
Results								
Segment results	920	708	519	145	(37)	(8)	1,402	845
Consolidated entity profit from ordinary activities before income tax expense							1,402	845
Income tax expense							(485)	(268)
Consolidated entity profit from ordinary activities after income tax expense							917	577
Net profit							917	577
Assets								
Segment assets	14,078	14,159	2,711	1,814	(1,446)	(1,285)	15,343	14,688
Liabilities								
Segment liabilities	6,475	7,447	1,427	879	(323)	(199)	7,579	8,127
Other segment information								
Acquisition of property, plant and equipment, intangible assets and other non current assets	387	183	129	48	-	-	516	231
Depreciation	258	297	33	28	-	-	291	325
Non-cash expenses other than depreciation	219	239	7	15	-	-	226	254

Segment accounting policies are the same as the consolidated entity's policies described in Note 1. 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.

Notes to the Financial Statements

for the year ended 30 June 2003

31. Financial Instruments

a) Interest Rate Risk

The consolidated entity is exposed to interest rate risk through financial assets and liabilities.

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

Financial Instruments	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 %
30 June 2003								
Financial assets								
Cash	433	-	-	-	5	438	3.0	-
Foreign currency receivables - unhedged	-	-	-	-	834	834	-	-
Receivables	-	-	-	-	3,544	3,544	-	-
	433	-	-	-	4,383	4,816		
Financial liabilities								
Payables	-	-	-	-	2,013	2,013	-	-
Foreign currency payables -unhedged	-	-	-	-	1,170	1,170	-	-
Bank loans	-	100	1,775	-	-	1,875	-	7.8
Other loans	-	18	-	-	-	18	-	8.6
Forward exchange contracts	1,066	-	-	-	-	1,066	-	-
	1,066	118	1,775	-	3,183	6,142		
30 June 2002								
Financial assets								
Cash	276	-	-	-	16	292	2.8	-
Foreign currency receivables - unhedged	-	-	-	-	695	695	-	-
Receivables	-	-	-	-	3,435	3,435	-	-
	276	-	-	-	4,146	4,422		
Financial liabilities								
Payables	-	-	-	-	2,250	2,250	-	-
Foreign currency payables -unhedged	-	-	-	-	1,627	1,627	-	-
Bank loans	-	100	1,875	-	-	1,975	-	7.8
Other loans	-	62	18	-	-	80	-	8.8
Forward exchange contracts	852	-	-	-	-	852	-	-
	852	162	1,893	-	3,877	6,784		

(i) Floating interest rates are the most recently determined rate applicable to the instrument at balance date.

b) Foreign Exchange Risk

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

Notes to the Financial Statements

for the year ended 30 June 2003

31. Financial Instruments (continued)

The following table summarises by currency the Australian dollar value of forward exchange agreements.

Currency		Average exchange rate		2003	2002
		2003	2002	Buy \$000	Buy \$000
Japanese yen	3 months or less	77.2	70.0	147	177
Great British pound	3 months or less	0.40	-	20	-
Euro currency	3 months or less	0.56	0.59	877	661
US currency	3 months or less	0.66	0.54	22	14
Total				1,066	852

c) Credit Risk Exposure

The credit risk on financial assets of the consolidated entity which have been recognised in the Statement of Financial Position is the carrying amount net of any provision for doubtful debts. The consolidated entity minimises the concentration of credit risk by undertaking transactions with a large number of customers in Australia and New Zealand.

The credit risk on derivative financial instruments is represented by the net fair value of contracts disclosed in the table in Note 31(a). The credit risk on forward exchange contracts is minimised as transactions are only undertaken with recognised financial institutions.

d) Net Fair Value of Financial Assets and Liabilities

There are no financial assets or liabilities for which the carrying amounts are materially different from their net fair values.

32. Related Party Transactions

a) The parent entity entered into the following transactions during the year with related parties in the wholly owned group.

Loans were advanced and repayments received on short term intercompany accounts. Dividends and management fees were received from wholly owned controlled entities. (See Note 2).

These transactions were undertaken on commercial terms and conditions.

b) Amounts due to and receivable from related parties in the wholly owned group are set out in the respective notes to the financial statements.

c) The ownership interests in related parties in the wholly owned group are disclosed in Note 9.

d) The ultimate controlling entity of the consolidated entity is Supply Network Limited.

e) The names of each person holding the position of Director of Supply Network Limited during the last two financial years were H R Forsyth, H M O Anderson, G T Lingard and G D H Stewart.

f) Mr G T Lingard is a director and shareholder in a company which leases premises on normal commercial terms and conditions to a wholly owned controlled entity. Total payments in 2003: \$265,000 (2002: \$256,000).

g) Directors' Shareholdings

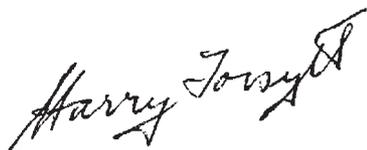
	2003	2002
Ordinary share options acquired by Directors from the parent entity during the year	-	150,000
Shares and share options held by Directors and their director-related entities in parent entity at end of the year		
Ordinary shares	7,172,156	6,877,156
Ordinary share options	275,000	400,000

Directors' Declaration

In accordance with a resolution of the directors of Supply Network Limited, I state that:

- (1) In the opinion of the directors:
 - (a) the financial statements and notes of the company and of the consolidated entity are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2003 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and 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.
- (2) In the opinion of the directors, as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in Note 9 will be able to meet any obligations or liabilities to which they are or may become subject, by virtue of the Deed of Cross Guarantee.

On behalf of the Board



H R Forsyth

Director

Sydney
29 August 2003

Independent Audit Report

To members of Supply Network Limited

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Supply Network Limited (the company) and the consolidated entity, for the year ended 30 June 2003. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company and the consolidated entity, and that complies with Accounting Standards in Australia, in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit of the financial report in order to express an opinion on it to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

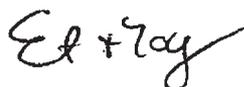
Independence

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Audit opinion

In our opinion, the financial report of Supply Network Limited is in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of Supply Network Limited and the consolidated entity at 30 June 2003 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) other mandatory financial reporting requirements in Australia.



Ernst & Young



Christopher D. George
Partner

Sydney
29 August 2003

ASX Additional Information

a) Shareholdings

The distribution of members and their holdings of 25 cents fully paid shares as at 26 August 2003 in the company's register was as follows:-

				Shareholdings
1	to	1,000		26
1,001	to	5,000		106
5,001	to	10,000		70
10,001	to	100,000		102
100,001	to	and over		33
Total shareholders				<hr/> <u>337</u>

b) The number of shareholders who hold less than a marketable parcel is 26.

c) Directors' Interests

Relevant interests of directors in the share capital and options of the company as at 26 August 2003.

- (i) H R Forsyth is deemed to have a relevant interest in shares held by Hergfor Enterprises Pty Ltd, a substantial shareholder (6,097,314 shares).
 - (ii) H M O Anderson is deemed to have a relevant interest in shares held by Birubi Super Fund (514,000 shares).
 - (iii) G T Lingard is deemed to have a relevant interest in shares held by GT Lingard Holdings Pty Ltd (207,842 shares).
 - (iv) G D H Stewart holds 139,000 ordinary shares of the company and options to acquire a further 275,000 ordinary shares and is deemed to have a relevant interest in shares held by D G Stewart (214,000 shares).
- d) All ordinary shares carry one vote per share.
- e) The address of the Principal Registered Office in Australia is 151 Fairfield Road, Guildford NSW 2161.
- f) The share registry is at Computershare Investor Services Pty Ltd Level 3, 60 Carrington Street, Sydney NSW 1115.
- g) The company's auditors are Ernst & Young 321 Kent Street, Sydney NSW 2000.
- h) The company's securities are listed on the Australian Stock Exchange.
- i) The company has appointed an Audit Committee of the Board of Directors.
- j) The name of the Company Secretary is P W Gill.
- k) There are no contingent liabilities for termination benefits under service agreements with directors or persons who take part in the management of the company or its controlled entities.

ASX Additional Information

l) Twenty largest shareholders

At 26 August 2003 the twenty largest shareholders were:

Name	Ordinary Shares Held
Hergfor Enterprises Pty Ltd	6,097,314
Dixson Trust Pty Ltd	1,266,523
Mrs J E Davies	900,000
Mr D J Woodcock	800,000
Waynamc Pty Ltd	744,000
Niederer Asset Management Pty Ltd	612,000
Sherkane Pty Ltd	514,000
Trilon Nominees Pty Ltd	514,000
Birubi Super Fund	514,000
Mr M Nakayama	482,875
Bilbini Pty Ltd	442,133
Westpac Custodian Nominees Limited	358,100
Mr and Mrs F Alakus	354,000
Mr G Forsyth	312,524
I J Kennedy Pty Ltd	302,100
Trazrail Pty.Ltd.	290,922
Meadgate Pty Ltd	236,700
Mr and Mrs S Kahlert	235,600
Mr G Wieland	235,094
Forest Coach Lines Pty.Ltd. (Retirement Fund)	223,000

The twenty largest shareholders held 15,434,885 ordinary shares equal to 71.7% of issued ordinary shares.

The company's register of substantial shareholders at 26 August 2003 is:

Hergfor Enterprises Pty Ltd	6,097,314
Mr D J Woodcock	1,700,000
L.A. Niederer and Company Pty.Ltd.	1,693,594
Dixson Trust Pty Ltd	1,266,523

Five Year Consolidated Financial Summary

	2003	2002	2001	2000	1999
	\$'000	\$'000	\$'000	\$'000	\$'000
Financial data:					
Sales revenue	30,291	26,344	21,882	21,194	20,385
Total revenue	30,444	27,154	22,113	21,369	20,562
EBITDA	1,889	1,391	977	655	9
EBIT	1,598	1,066	676	380	(423)
Profit (loss) before tax	1,402	845	503	221	(585)
Profit (loss) after tax	917	577	315	106	(585)
Earnings per share (cents)	4.47	2.98	1.63	0.55	(3.02)
Dividends (cents per share)	1.75	1.00	0.50	0.50	-
Total assets	15,343	14,688	13,242	11,681	11,393
Total interest bearing debt	1,893	2,055	2,001	1,787	1,675
Total equity	7,764	6,561	6,104	5,868	5,880
Cash flow from (used) in operating activities	682	(76)	86	(83)	431
Cash flow from (used) in investing activities	(463)	390	(193)	(167)	(410)
Cash flow from (used) in financing activities	(73)	180	69	(14)	(372)
Net movement in cash	146	494	(38)	(264)	(351)
Financial ratios:					
Inventory turnover (a)	2.5	2.4	2.1	2.2	2.5
Interest cover (b)	9.6	6.3	5.6	4.13	0.06
Gearing (c)	24.4%	31.3%	32.8%	30.5%	28.5%
Net tangible asset backing (cents per share) (d)	36.1	33.9	31.5	30.3	28.6
Return on average total assets	6.1%	4.1%	2.5%	0.9%	(4.9%)
Return on average total equity	12.8%	9.1%	5.3%	1.8%	(9.4%)

(a) Inventory turnover (times) - cost of goods sold divided by average net finished goods

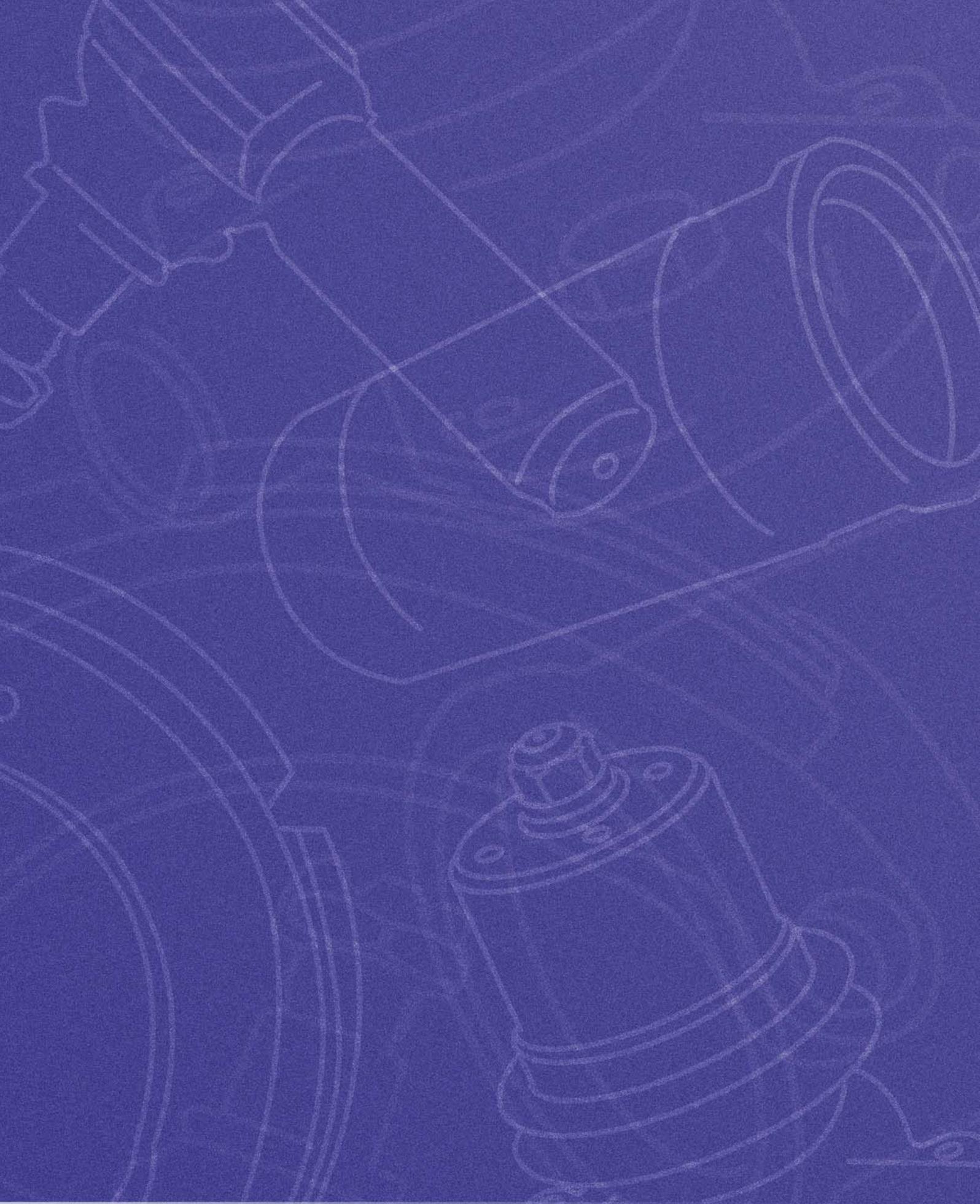
(b) Interest cover (times) - EBITDA divided by interest

(c) Gearing - total interest bearing debt as a % of total equity

(d) Net tangible asset backing - 2003 calculated before recognition of Provision for Dividend refer Note 1(c) Change in Accounting Policies



Operations



Supply Network Limited

ABN 12 003 135 680