



SUPPLY NETWORK LIMITED

ABN 12 003 135 680

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27 August 2004

The Manager
Companies Announcement Office
Australian Stock Exchange Limited
Exchange Centre
Level 4, 20 Bridge Street
Sydney NSW 2000

Dear Sir

Re: Preliminary Final Report Appendix 4E

Directors are pleased to announce the audited results for the year ended 30 June 2004 the details of which are included in the Appendix 4E - Preliminary Final Report attached.

In comparison with last year, revenue increased 10% to \$33.41m and net profit after tax increased 47% to \$1.34m. This equates to 6.22 cents per share.

Directors have declared a fully franked final dividend of 1.5 cents per share, payable on 6 September 2004, to shareholders registered on 23 August 2004. This represents a total of 2.5 cents dividend for the full year, up from 1.75 cents the previous full year.

Yours faithfully

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

Peter Gill
Company Secretary

Appendix 4E

Preliminary Final Report

1. Details of reporting period

Name of entity	Supply Network Limited
ABN	12 003 135 680
Financial year ended	30 June 2004
Previous corresponding period	30 June 2003

2. Results for announcement to the market

	2004 \$'000	2003 \$'000	% increase / (decrease) over corresponding period
Revenue from Ordinary activities	33,518	30,444	10.1%
Profit from ordinary activities after tax attributable to members	1,344	917	46.6%
Net profit attributable to members	1,344	917	46.6%
Dividends	Amount per Security	Franked amount per security	
Final dividend (* see below)	1.5¢	1.5¢	
Previous corresponding period	1.0¢	1.0¢	
Interim dividend (paid 16 March 2004)	1.0¢	1.0¢	
Previous corresponding period	0.75¢	0.75¢	
Record date for determining entitlements to the dividends	23 August 2004		

Brief explanation of any of the figures reported above necessary to enable the figures to be understood.

Refer to ASX announcement correspondence attached.

* Since the end of the financial year the Directors have declared a final dividend of 1.5 cents per share payable on 6 September 2004. In accordance with Australian Accounting Standards this dividend has not been provided for in the June 2004 financial statements

3. Consolidated Statement of Financial Performance

See attached financial statements

4. Consolidated Statement of Financial Position

See attached financial statements

5. Consolidated Statement of Cash Flows

See attached financial statements

6. Dividends

The Directors have declared a fully franked (at 30%) final dividend of 1.5 cents per share amounting to \$331,000 and payable on 6 September 2004 to eligible shareholders

A fully franked interim dividend of 1.0 cent per share amounting to \$216,000 was paid on 16 March 2004.

A fully franked final dividend of 1.0 cent per share amounting to \$216,000 was paid on 10 October 2003 in respect of the year ended 30 June 2003.

Amount per security of foreign sourced dividend or distribution	
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nil

7. Dividend Reinvestment Plans

No dividend reinvestment plans are in operation

8. Consolidated Retained Earnings

	\$'000
Balance at beginning of year	2,484
Net Profit	1,344
Dividends paid	(432)
Balance at end of year	3,396

9. Net tangible asset backing

	Current Period	Previous corresponding period
Net tangible asset backing per ordinary security	40.5¢	36.1 ¢

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

Daconti Pty Limited was incorporated 13 January 2004 and Supply Network Services Pty Limited was incorporated 17 March 2004 however these companies did not operate during the year

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 ASX announcement correspondence attached and attached financial statements

13. Foreign entities

Not applicable

14. Commentary on results for period**Earnings per security and nature of any dilution aspects**

	Current Period	Previous corresponding period
Basic earnings per share	6.22¢	4.47¢
Diluted earnings per share	6.19¢	4.47¢
Dilutive securities - share options	500,000	-

See Statement of Financial Performance in attached financial statements

14. Commentary on results for period (continued)

Returns to shareholders including distributions and buy backs

Refer to attached financial statements for details of returns and dividends. There were no buy backs during the current period.

Significant features of operating performance

Refer attached Managing Director's Report, financial statements and ASX announcement correspondence

The results of segments

Refer Note 30 to the attached financial statements

Discussion of trends in performance

Refer to ASX announcement correspondence attached

Any other factors which have affected the result in the period or which are likely to affect results in the future including those where the effects could not be quantified

None

15. Statement in relation to accounts this report is based on

This report is based on accounts that have been audited and are not subject to dispute or qualification.

Signature



Date 27 August 2004

Name Peter Gill

Position Company Secretary



Managing Director's Report 2003-2004 Financial Year

After a slow start to the year all companies within the Supply Network Group have finished with encouraging results.

For the past two years we have been positioning Multispares as a retail operation, selling predominantly to people who fit parts. This focus has simplified our marketing efforts and allowed improvements to the way we manage our stocks. Most outlets across Australia and New Zealand have recorded growth and we anticipate future improvements in return on assets.

Over the last year we formed Daconti Pty Limited. Daconti will have overall responsibility for wholesale operations within the Supply Network Group. It will seed new opportunities and provide on going supply chain and management support for specialist wholesale businesses including Globac. New specialist wholesale opportunities are currently under investigation.

Review of Operations

Multispares Australia

Multispares delivered double digit revenue growth in Australia for the third successive year. Revenue growth prior to one-off transactions was 8.3% and we are targeting organic growth rates in the range of 5-10% pa over the next three years.

In November 2003 Multispares signed an Agreement to fully manage the supply of parts to a fleet of 280 buses based on the southern side of Perth. There were some teething problems over the first six months while we established an in-house store and developed new operating procedures but we are now confident the Agreement adds tangible value for our customer. Although we have made a substantial investment in stock to support this Agreement, this investment and the knowledge we have gained will provide a platform for future growth in Perth and other Australian markets.

Over the past year Multispares has continued its commitment to regional customers. We have increased the number of regional sales representatives and completed a new on-line trading system specifically designed to support and extend partnerships with regionally based product resellers. The expansion of our branch network into new regional areas remains under evaluation.

For more than 12 months we have been struggling with space constraints in our national warehouse facilities in Sydney. Recently we signed an Agreement to Lease the third building on our current site, which gives Multispares lease options for up to 12 years over the entire site. Integrating this additional warehouse facility and other stock management initiatives are priorities over the current year.

Multispares New Zealand

Prior to last year Multispares NZ had more than doubled sales revenue over three years. This pace of growth was unsustainable and we approached the last 12 months as a period of consolidation. Excluding one-off transactions sales revenue grew by 12.5% when compared with

the previous 12 months, and we are targeting organic growth of 8-12% pa over the next three years.

As in Australia, compounding revenue growth has made better stock management and expanded warehouse facilities a priority. We have secured a lease with options out to 12 years on a building adjacent to our current Auckland site. This year we will be making a significant long-term investment by integrating these two facilities to expand our national distribution capabilities.

Globac

In its first full year of operation Globac increased revenue by more than 50% and made a small contribution to Group profitability. In the current year revenue is forecast to grow by a similar amount.

Globac has developed a line of supply and customer service levels that are promising for such a young business in this industry. It has significant potential for long-term growth as it expands its offering to the commercial vehicle brake market and we are encouraged by early successes.

Looking Forward

The immediate priority within Multispares is to improve the management of stock and build our return on assets. Improvements in this area will enable current growth rates to continue for some time without a major investment in infrastructure.

The Group will continue to develop Daconti as a major source of future growth. We believe there are many opportunities to leverage the strengths of the Group to grow specialist businesses within our industry.

I thank all staff for their contributions over the past year and look forward to working with them again.

SUPPLY NETWORK LIMITED

**Statement of Financial Performance
for the year ended 30 June 2004**

	Note	Consolidated		Parent	
		2004 \$000	2003 \$000	2004 \$000	2003 \$000
Revenue from ordinary activities	2	33,518	30,444	1,227	816
Expenses from ordinary activities excluding borrowing costs	3	(31,436)	(28,846)	(228)	(253)
Borrowing costs	3	(177)	(196)	-	-
Profit from ordinary activities before income tax expense		1,905	1,402	999	563
Income tax expense relating to ordinary activities	4	(561)	(485)	(1)	-
Profit from ordinary activities after income tax expense		1,344	917	998	563
Net profit		1,344	917	998	563
Net exchange difference on translation of financial statements of foreign controlled entity		66	4	-	-
Total revenues, expenses and valuation adjustments attributable to members of Supply Network Limited and recognised directly in equity		66	4	-	-
Total changes in equity other than those resulting from transactions with owners as owners		1,410	921	998	563
Basic earnings per share (cents per share)		6.22	4.47		
Diluted earnings per share (cents per share)		6.19	4.47		
Weighted average number of ordinary shares used in the calculation of basic earnings per share		21,611,790	20,499,013		
Effect of dilutive securities:					
Share options		91,781	-		
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share		21,703,571	20,499,013		

SUPPLY NETWORK LIMITED

**Statement of Financial Position
at 30 June 2004**

Note	Consolidated		Parent		
	2004 \$000	2003 \$000	2004 \$000	2003 \$000	
Current Assets					
Cash assets	27	476	438	-	100
Receivables	5	4,855	4,173	-	-
Inventories	6	10,419	9,301	-	-
Other	7	13	27	-	-
Total Current Assets		15,763	13,939	-	100
Non-Current Assets					
Receivables	8	-	-	6,846	6,354
Other financial assets	9	-	-	1,398	1,398
Property, plant and equipment	10	1,260	818	-	-
Deferred tax assets	11	682	586	506	114
Total Non-Current Assets		1,942	1,404	8,750	7,866
Total Assets		17,705	15,343	8,750	7,966
Current Liabilities					
Payables	12	5,411	4,249	24	16
Interest bearing liabilities	13	253	118	-	-
Current tax liabilities	14	197	360	199	26
Provisions	15	984	843	329	270
Total Current Liabilities		6,845	5,570	552	312
Non-Current Liabilities					
Interest bearing liabilities	16	1,975	1,775	-	-
Deferred tax liabilities	17	-	5	-	-
Provisions	18	124	229	56	97
Total Non-Current Liabilities		2,099	2,009	56	97
Total Liabilities		8,944	7,579	608	409
Net Assets		8,761	7,764	8,142	7,557
Equity					
Contributed equity	19	5,301	5,282	5,301	5,282
Reserves	20	64	(2)	-	-
Retained profits	21	3,396	2,484	2,841	2,275
Total Equity		8,761	7,764	8,142	7,557

SUPPLY NETWORK LIMITED

**Statement of Cash Flows
for the year ended 30 June 2004**

Note	Consolidated		Parent		
	2004 \$000	2003 \$000	2004 \$000	2003 \$000	
	Inflows (Outflows)				
Cash flows from operating activities					
	Receipts from customers	36,463	33,289	-	-
	Payments to suppliers and employees	(34,601)	(32,008)	(28)	(6)
	Interest received	10	6	1	4
	Borrowing costs	(185)	(183)	-	-
	Income taxes paid	(835)	(422)	-	-
	Net cash flows from (used in) operating activities				
27b		<u>852</u>	<u>682</u>	<u>(27)</u>	<u>(2)</u>
Cash flows from investing activities					
	Purchase of property, plant and equipment	(754)	(516)	-	-
	Proceeds from sale of property, plant and equipment	18	53	-	-
	Advances to and by wholly owned related parties	-	-	340	13
	Net cash flows from (used in) investing activities				
		<u>(736)</u>	<u>(463)</u>	<u>340</u>	<u>13</u>
Cash flows from financing activities					
	Proceeds from borrowings	484	148	-	-
	Proceeds from share issue	19	445	19	445
	Repayment of borrowings	(302)	(310)	-	-
	Payment of dividend on ordinary shares	(432)	(356)	(432)	(356)
	Net cash flows from (used in) financing activities				
		<u>(231)</u>	<u>(73)</u>	<u>(413)</u>	<u>89</u>
	Net increase (decrease) in cash held	(115)	146	(100)	100
	Add opening cash brought forward	438	292	100	-
	Closing cash carried forward				
27a		<u>323</u>	<u>438</u>	<u>-</u>	<u>100</u>

SUPPLY NETWORK LIMITED

Notes to the Financial Statements for the year ended 30 June 2004

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. Information from the financial statement of subsidiaries is included from the date the parent company obtains control until such time as control ceases.

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.

(d) Foreign Currency Transactions

Transactions in foreign currencies of entities within the consolidated entity are converted to local currency at the rate of exchange ruling at the date of the transaction.

Foreign currency monetary items that are outstanding at the reporting date (other than monetary items arising under foreign currency contracts where the exchange rate for that monetary item is fixed in the contract) are translated using the spot rate at the end of the financial year.

A monetary item arising under a foreign currency contract outstanding at the reporting date where the exchange rate for the monetary item is fixed in the contract is translated at the exchange rate fixed in the contract.

Except for certain specific hedges, all resulting exchange differences arising on settlement or re-statement are recognised as revenues and expenses for the financial year. Any gain or cost on entering a hedge is deferred and amortised over the life of the contract.

Specific hedges

Where a purchase or sale is specifically hedged, exchange gains or losses on the hedging transaction arising up to the date of purchase or sale and costs, premiums and discounts relative to the hedging transaction are deferred and included in the measurement of the purchase or sale. Exchange gains and losses arising on the hedge transaction after that date are taken to net profit.

Translation of financial reports of overseas operations

All overseas operations are deemed self-sustaining, as each is financially and operationally independent of Supply Network Limited. The financial reports of overseas operations are translated using the current rate method and any exchange differences are taken directly to the foreign currency translation reserve.

(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 receivables are recognised and carried at original invoice amount less a provision for any uncollectible debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

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

SUPPLY NETWORK LIMITED

Notes to the Financial Statements for the year ended 30 June 2004

1. Statement of Significant Accounting Policies (continued)

(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

Non-current assets measured using the cost basis are not carried at an amount above their recoverable amount, and where a carrying value exceeds this recoverable amount, the asset is written down. In determining recoverable amount, the expected net cash flows have been discounted to their present value using a market determined risk adjusted discount of 12%.

(i) Investments

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

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight-line basis.

Finance leases

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. Major depreciation rates used are.

	2004	2003
Plant and Equipment	2-10 years	2-10 years

(l) Employee Benefits

Provision is made for employee entitlements benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave, sick leave and long service leave.

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.

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.

Contributions are made to employee superannuation funds and are charged against profits when incurred (refer Note 26).

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.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

SUPPLY NETWORK LIMITED

Notes to the Financial Statements for the year ended 30 June 2004

1. Statement of Significant Accounting Policies (continued)

(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.

(p) Interest Bearing Liabilities

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

(q) Revenue Recognition

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

Sale of goods

Control of goods passes to the buyer on despatch.

Interest

Control of the right to receive the interest payment.

Dividends

Control of the right to receive the dividend payment.

(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 future income tax benefit or a provision for deferred income tax. The net future income tax benefit relating to tax losses is not carried forward as an asset unless the benefit is virtually certain of being realised and timing differences are not carried forward unless the benefit is assured beyond reasonable doubt.

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.

SUPPLY NETWORK LIMITED

**Notes to the Financial Statements
for the year ended 30 June 2004**

	Consolidated		Parent	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000
2. Revenue from Ordinary Activities				
Revenue from operating activities				
Revenue from sale of goods	33,434	30,291	-	-
Revenues from non-operating activities				
Dividends received from				
- Wholly owned group	-	-	998	560
Interest received from				
- Other persons	10	6	1	4
Net foreign exchange gains from non-speculative activities	20	2	-	-
Management fees received from				
- Wholly owned group	-	-	228	252
Proceeds from sale of non-current assets (Note 3(a) below)	18	53		
Other income	36	92		
Total revenues from non-operating activities	84	153	1,227	816
Total revenues from ordinary activities	33,518	30,444	1,227	816
3. Expenses and Losses (Gains)				
Expenses				
Cost of goods sold	20,455	18,870	-	-
Depreciation of non-current assets				
- Plant and equipment	287	291	-	-
Other expenses				
Salaries and employee benefit expenses	5,804	5,177	155	192
Operating lease expenses	1,359	1,118	-	-
Other expenses	3,053	2,810	73	61
Utility expenses	362	349	-	-
Bad and doubtful debt – Trade Debtors	24	92	-	-
Provision for inventory obsolescence	62	70	-	-
Sale non-current asset expenses (Note 3(a) below)	30	69	-	-
Total other expenses	10,694	9,685	228	253
Total expenses from ordinary activities excluding borrowing costs	31,436	28,846	228	253
Borrowing Costs				
Interest paid to or payable to				
- Other persons	177	196	-	-
Total expenses from ordinary activities	31,613	29,042	228	253
(a) Revenue from sale of property, plant and equipment	18	53	-	-
Less expenses from sale of property, plant and equipment	30	69	-	-
Net (profit)/loss on disposal of property, plant and Equipment	(12)	(16)	-	-

SUPPLY NETWORK LIMITED

**Notes to the Financial Statements
for the year ended 30 June 2004**

	Consolidated		Parent	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000
4. Income Tax Expense				
The prima facie tax, using tax rates applicable in the country of operation, on profit differs from income tax provided in the financial statements as follows				
Profit from ordinary activities	1,905	1,402	999	563
Prima facie tax payable	589	421	300	169
Tax effect of permanent and other differences				
Dividends received	-	-	(299)	(169)
Other items not deductible	23	64	-	-
Amount over provided in prior year	(51)	-	-	-
Income tax expense attributable to profit from ordinary activities	561	485	1	-
Total income tax expense comprises movements in				
Current tax payable	659	618	8	18
Future income tax benefit	(5)	(121)	(7)	(18)
Provision for deferred income tax	(93)	(12)	-	-
	561	485	1	-

Tax Consolidation

Effective 1 July 2003, for the purpose of income taxation, Supply Network Limited and its 100% owned Australian subsidiaries formed a tax consolidated group. Members of the group have undertaken to enter into a tax sharing agreement in order to allocate income tax expense to the wholly-owned subsidiaries on a pro-rata basis. In addition, the agreement provides for the allocation of income tax liabilities between entities should the head entity default on its tax payment obligations. At the balance date, the possibility of default is remote. The head entity of the tax consolidated group is Supply Network Limited.

Supply Network Limited will formally notify the Australian Taxation Office of its adoption of the tax consolidation regime when lodging its 30 June 2004 consolidated tax return.

5. Receivables (Current)

Trade debtors	4,909	4,378	-	-
Provision for doubtful debts	(84)	(206)	-	-
	4,825	4,172	-	-
Other debtors	30	1	-	-
	4,855	4,173	-	-

(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

(b) Provision for doubtful debts

The consolidated entity has changed the accounting estimate for measurement of the provision for doubtful debts. Previously the consolidated entity maintained a specific provision for identified doubtful debts and a general provision for doubtful debts. The consolidated entity ceased to maintain a general provision during the current financial year. The effect of the revised estimate has been to increase current year net profits by \$62,000.

SUPPLY NETWORK LIMITED

**Notes to the Financial Statements
for the year ended 30 June 2004**

	Consolidated		Parent	
	2004	2003	2004	2003
	\$000	\$000	\$000	\$000
6. Inventories (Current)				
Finished goods (at cost)	9,709	8,646	-	-
Provision for obsolescence	(845)	(830)	-	-
	<u>8,864</u>	<u>7,816</u>		
Stock in transit (at cost) – finished goods	1,555	1,485	-	-
	<u>10,419</u>	<u>9,301</u>		
7. Other Current Assets				
Prepayments	13	27	-	-
	<u>13</u>	<u>27</u>		
8. Receivables (Non Current)				
Amounts receivable from wholly owned group (see Note 32)	-	-	6,846	6,354
	<u>-</u>	<u>-</u>	<u>6,846</u>	<u>6,354</u>

9. Other Financial Assets

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

	Class of Shares	Percentage Holdings	2004 \$	2003 \$
Multispares N.Z. Limited	ORD	100%	1,030,600	1,030,600
Multispares Limited	ORD	100%	367,429	367,429
Daconti Pty Limited	ORD	100%	2	-
Globac Limited	ORD	100%	2	2
Supply Network Services Pty Limited	ORD	100%	2	-
			<u>1,398,035</u>	<u>1,398,031</u>

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).

SUPPLY NETWORK LIMITED

**Notes to the Financial Statements
for the year ended 30 June 2004**

9. Other Financial Assets (continued)

**(c) Financial information for class order closed group
Consolidated statement of financial performance for
the year ended 30 June 2004**

	Closed Group	
	2004	2003
	\$000	\$000
Profit from ordinary activities before income tax expense	1,326	920
Income tax expense relating to ordinary activities	(397)	(311)
Profit from ordinary activities after income tax	<u>929</u>	<u>609</u>
Retained profits at the beginning of the financial year	2,321	1,875
Adjustment arising on adoption of revised accounting standard AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets"	-	193
Dividends provided for or paid	(432)	(356)
Retained profits at end of the financial year	<u>2,818</u>	<u>2,321</u>

**Consolidated statement of financial position
at 30 June 2004**

	Closed Group	
	2004	2004
	\$000	\$000
Current Assets		
Cash assets	474	363
Receivables	4,208	3,683
Inventories	8,595	7,828
Other	8	23
Total Current Assets	<u>13,285</u>	<u>11,897</u>
Non-Current Assets		
Other financial assets	1,031	1,030
Property, plant and equipment	1,069	641
Deferred tax assets	562	510
Total Non-Current Assets	<u>2,662</u>	<u>2,181</u>
Total Assets	<u>15,947</u>	<u>14,078</u>
Current Liabilities		
Payables	4,496	3,320
Interest bearing liabilities	100	118
Current tax liabilities	199	227
Provisions	934	803
Total Current Liabilities	<u>5,729</u>	<u>4,468</u>
Non-Current Liabilities		
Interest bearing liabilities	1,975	1,775
Deferred tax liabilities	-	3
Provisions	124	229
Total Non-Current Liabilities	<u>2,099</u>	<u>2,007</u>
Total Liabilities	<u>7,828</u>	<u>6,475</u>
Net Assets	<u>8,119</u>	<u>7,603</u>
Equity		
Contributed equity	5,301	5,282
Retained profits	<u>2,818</u>	<u>2,321</u>
Total Equity	<u>8,119</u>	<u>7,603</u>

SUPPLY NETWORK LIMITED

**Notes to the Financial Statements
for the year ended 30 June 2004**

	Consolidated		Parent	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000
10. Property, Plant and Equipment				
Property, plant and equipment at cost				
Plant and equipment				
Opening balance	2,614	2,310	-	-
Additions	754	516	-	-
Disposals	(370)	(214)	-	-
Currency translation difference	14	2	-	-
Closing balance	<u>3,012</u>	<u>2,614</u>	-	-
Accumulated Depreciation				
Opening Balance	1,796	1,649	-	-
Depreciation for the year	287	291	-	-
Disposals	(340)	(145)	-	-
Currency translation difference	9	1	-	-
Closing balance	<u>1,752</u>	<u>1,796</u>	-	-
Net book value	<u>1,260</u>	<u>818</u>	-	-
Total property, plant and equipment	<u>1,260</u>	<u>818</u>	-	-
11. Deferred Tax Assets (Non Current)				
Future income tax benefits				
Attributable to timing differences				
- Provision for doubtful debts	26	62	20	-
- Provision for employee entitlements	334	323	317	110
- Provision for obsolescence	160	150	99	-
- Other	162	51	70	4
	<u>682</u>	<u>586</u>	<u>506</u>	<u>114</u>
12. Payables (Current)				
Unsecured Liabilities				
Trade creditors and accruals	2,722	2,013	24	16
Foreign currency payable – Unhedged Note 31(a)	1,198	1,170	-	-
Foreign currency payable – Hedged Note 31 (b)	1,491	1,066	-	-
	<u>5,411</u>	<u>4,249</u>	<u>24</u>	<u>16</u>

(a) Terms and conditions

Terms and conditions relating to the above financial instruments

(i) Trade creditors and foreign currency payables are non interest bearing and are generally settled on 60 day terms

SUPPLY NETWORK LIMITED

**Notes to the Financial Statements
for the year ended 30 June 2004**

		Consolidated		Parent	
		2004 \$000	2003 \$000	2004 \$000	2003 \$000
13. Interest Bearing Liabilities (Current)					
Bank overdraft – secured	(a)	153	-	-	-
Bank loans – secured	(a)	100	100	-	-
Other loans – secured	(b)	-	18	-	-
		<u>253</u>	<u>118</u>	<u>-</u>	<u>-</u>
(a) Refer Note 16(a) for details of bank loans					
(b) Other loans comprises a hire purchase agreement secured on certain asset of certain controlled entity. The agreement was for three years and subject to monthly repayment and matured in March 2004. The interest rate on the agreement was 8.9%					
14. Current Tax Liabilities					
Current year tax payable		197	327	199	18
Prior year tax payable		-	33	-	8
		<u>197</u>	<u>360</u>	<u>199</u>	<u>26</u>
15. Provisions (Current)					
Employee entitlements	Note 26	<u>984</u>	<u>843</u>	<u>329</u>	<u>270</u>
16. Interest Bearing Liabilities (Non Current)					
Bank loans – secured	(a)	<u>1,975</u>	<u>1,775</u>	<u>-</u>	<u>-</u>
(a) Bank overdrafts and bank loans are secured by fixed and floating charges over the assets of Supply Network Limited and controlled entities. Bank overdrafts have no specific term and are subject to annual review in September each year. Interest rates on overdrafts are variable and during the year average interest rate was 9.6%. Bank loans comprise fixed interest only loans of \$1,300,000 at an average interest rate of 7.5% (renewed July 2004 - average interest rate of 8.0%) maturing February and July 2006; fixed interest loan of \$775,000 at 7.7% renewable for a further term in November 2004 and repay able by quarterly instalments.					
17. Deferred Tax Liabilities					
Provision for deferred income tax					
Attributable to timing differences					
- Depreciation		-	4	-	-
- Prepayments		-	1	-	-
		<u>-</u>	<u>5</u>	<u>-</u>	<u>-</u>
18. Provisions (Non Current)					
Employee entitlements	Note 26	<u>124</u>	<u>229</u>	<u>56</u>	<u>97</u>

SUPPLY NETWORK LIMITED

**Notes to the Financial Statements
for the year ended 30 June 2004**

	Consolidated		Parent	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000
19. Contributed Equity				
(a) Issued and Paid Up Capital 21,638,845 ordinary shares fully paid (2003: 21,513,845)	5,301	5,282	5,301	5,282
(b) Movements in Shares on Issue				
	2004	2003	2004	2003
	Number of Shares	\$000	Number of Shares	\$000
Balance at beginning of year	21,513,845	5,282	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	19	125,000	16
Balance at end of the year	21,638,845	5,301	21,513,845	5,282

Since the end of the financial year a further 400,000 shares were issued at 20 cents per share (\$80,000) under Share Option Plan (see (c) below).

(c) Share Options

Options over ordinary shares:

At the end of the year there were 500,000 (2003: 625,000) unissued ordinary shares in respect of which options were outstanding.

Since the end of the financial year a further 400,000 options were exercised.

(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.

	Consolidated		Parent	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000
20. Reserves				
Foreign Currency Translation				
Balance at beginning of year	(2)	(6)	-	-
Gain on translation of overseas controlled entities	66	4	-	-
Balance at end of year	64	(2)	-	-

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

SUPPLY NETWORK LIMITED

**Notes to the Financial Statements
for the year ended 30 June 2004**

	Consolidated		Parent	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000
21. Retained Profits				
Retained Profits				
Balance at beginning of year	2,484	1,730	2,275	1,875
Net profit	1,344	917	998	563
Adjustment arising on adoption of revised accounting standard AASB 1044 "Provisions Contingent Liabilities and Contingent Assets"	-	193	-	193
Total available for appropriation	<u>3,828</u>	<u>2,840</u>	<u>3,273</u>	<u>2,631</u>
Less dividends provided or paid	432	356	432	356
Balance at end of year	<u>3,396</u>	<u>2,484</u>	<u>2,841</u>	<u>2,275</u>
22. Dividends Paid or Provided for on Ordinary Shares				
(a) Dividends paid during the year				
Current year interim fully franked dividend (1.00 cent per share) (2003: 1.00 cent)	216	161	216	161
Previous year final fully franked dividend (1.00 cent per share) (2003: 1.00 cent)	216	195	216	195
Total dividends paid	<u>432</u>	<u>356</u>	<u>432</u>	<u>356</u>
(b) Dividends proposed subsequent to 30 June and not recognised as a liability				
Current year final fully franked dividend (1.5 cents per share) (2003: 1.0 cent)	<u>331</u>	<u>215</u>	<u>331</u>	<u>215</u>
(c) Franking credit balance				
The amount of franking credits available for the subsequent financial year are:				
- franking account balance as at the end of the financial year at 30% (2003: 30%)			3,275	2,366
- franking credits that will arise from the payment of income tax payable as the end of the financial year			199	19
			<u>3,474</u>	<u>2,385</u>
The tax rate at which paid dividends have been franked is 30% (2003: 30%). Dividends proposed will be franked at the rate of 30% (2003: 30%).				
23. Lease Commitments				
Operating lease commitments payable				
- not later than one year	1,536	1,405	-	-
- later than one year and not later than five years	3,081	2,316	-	-
	<u>4,617</u>	<u>3,721</u>	<u>-</u>	<u>-</u>

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

SUPPLY NETWORK LIMITED

**Notes to the Financial Statements
for the year ended 30 June 2004**

	Consolidated		Parent	
	2004	2003	2004	2003
	\$	\$	\$	\$
24. Auditors Remuneration				
Amounts received or due and receivable for audit or review of the financial reports				
Ernst & Young	79,825	70,727	12,950	6,860
	<hr/>	<hr/>	<hr/>	<hr/>
Amounts received or due and receivable by the auditors for other services				
Ernst & Young – tax compliance	5,270	6,121	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

25. Directors and Executives Disclosures

(a) Details of Specified Directors and Specified Executives

(i) Specified Directors

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

(ii) Specified Executives

B A McKenna	Operations Manager
P W Gill	Financial Controller and Company Secretary

(b) Remuneration of Specified Directors and Specified Executives

(i) Remuneration Policy

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.

SUPPLY NETWORK LIMITED

**Notes to the Financial Statements
for the year ended 30 June 2004**

25. Directors and Executives Disclosures (continued)

(ii) Remuneration of Specified Directors and Specified Executives

	Salary & Fees	Primary Cash Bonus	Non Monetary Benefits	Post Employment Superannuation	Equity Options Granted (1)	Total
Specified Directors						
2004						
HR Forsyth	27,300	-	-	28,596	-	55,896
H M O Anderson	-	-	-	37,704	-	37,704
G T Lingard	34,584	-	-	3,120	-	37,704
G D H Stewart	172,152	58,955	30,583	18,554	-	280,244
Total	234,036	58,955	30,583	87,974	-	411,548
2003						
HR 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	11,808	21,866	-	233,523
Total	219,176	37,553	11,808	81,266	-	349,803
Specified Executives						
2004						
B A McKenna	133,466	33,689	30,583	17,225	-	214,963
P W Gill	121,434	26,055	30,583	31,350	-	209,422
Total	254,900	59,744	61,166	48,575	-	424,385
2003						
B A McKenna	120,512	18,776	11,526	16,548	-	167,362
P W Gill	116,792	18,776	10,242	30,004	-	175,814
Total	237,304	37,552	21,768	46,552	-	343,176

1. No options were granted during the year. Options were granted in the year ended 30 June 2002 to G D H Stewart 150,000, B A McKenna 100,000 and P W Gill 100,000. These options were valued at grant date at 1 cent each and disclosed as part of their remuneration in that year.

SUPPLY NETWORK LIMITED

**Notes to the Financial Statements
for the year ended 30 June 2004**

25. Directors and Executives Disclosures (continued)

(c) Remuneration Options: Granted and vested during the year

No options were granted and the following options vested during the year

	Vested Number	Granted Number
Specified Directors		
G D H Stewart	150,000	-
Specified Executives		
B A McKenna	100,000	-
P W Gill	100,000	-
Total	350,000	-

(d) Shares issued on exercise of remuneration options

	Shares Issued Number	Paid \$ per share	Unpaid \$ per share
Specified Directors			
G D H Stewart	125,000	0.15	-

(e) Option holdings of specified directors and specified executives

	Balance 1 July 2003	Granted as Remuneration	Options exercised	Balance 30 June 2004	Total Vested	Total Exercisable
Specified Directors						
G D H Stewart	275,000	-	(125,000)	150,000	150,000	150,000
Specified Executives						
B A McKenna	100,000	-	-	100,000	100,000	100,000
P W Gill	100,000	-	-	100,000	100,000	100,000
	475,000	-	(125,000)	350,000	350,000	350,000

(f) Shareholdings of specified directors and specified executives in Supply Network Limited

	Balance 1 July 2003	Granted as Remuneration	Options exercised	Balance 30 June 2004
Specified Directors				
H R Forsyth	6,097,314	-	-	6,097,314
H M O Anderson	514,000	-	-	514,000
G T Lingard	207,842	-	-	207,842
G D H Stewart	353,000	-	125,000	478,000
Specified Executives				
B A McKenna	52,425	-	-	52,425
P W Gill	190,500	-	-	190,500
	7,415,081	-	125,000	7,540,081

SUPPLY NETWORK LIMITED

**Notes to the Financial Statements
for the year ended 30 June 2004**

26. Employee Entitlements	Consolidated		Parent	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000
Accrued salaries and wages and on costs	267	243	-	-
Provision current	984	843	329	270
Provision non current	124	229	56	97
	<u>1,375</u>	<u>1,315</u>	<u>385</u>	<u>367</u>
Number of employees at year end	100	93	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.

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

	2004		2003	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance at beginning of year	625,000	0.19	750,000	0.18
Issued	-	-	-	-
Exercised	(125,000)	0.15	(125,000)	0.13
Balance at end of year	<u>500,000</u>	<u>0.20</u>	<u>625,000</u>	<u>0.19</u>
Exercisable at end of year	500,000	0.20	125,000	0.15

(a) Options held at beginning of year

The following table summarises information about options held by employees at 1 July 2003

Number of Options	Grant Date	Vesting Date	Expiry Date	Weighted Average Exercise 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

(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.

Number of Options	Grant Date	Vesting Date	Expiry Date	Weighted Average Exercise Price	Proceeds from Shares Issued	Number of Shares Issued	Issue Date	Fair Value of Shares Issued
30 June 2004								
125,000	21/3/2001	21/3/2001	21/3/2004	0.15	\$18,750	125,000	18/9/2003	0.34
30 June 2003								
125,000	21/3/2001	21/3/2001	21/3/2003	0.13	\$16,250	125,000	19/8/2002	0.23

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.

SUPPLY NETWORK LIMITED

**Notes to the Financial Statements
for the year ended 30 June 2004**

26. Employee Entitlements (continued)

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

The following table summarises information about options held by employees at 30 June 2004.

Number of Options	Grant Date	Vesting Date	Expiry Date	Weighted Average Exercise Price
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.

SUPPLY NETWORK LIMITED

**Notes to the Financial Statements
for the year ended 30 June 2004**

	Consolidated		Parent	
	2004	2003	2004	2003
	\$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 and at bank	476	438	-	100
Bank overdraft	(153)	-	-	-
	323	438	-	100
(b) Reconciliation of net profit after tax to the net cash flows from operations				
Net profit after income tax	1,344	917	998	563
Adjustments for non-cash income and expense items				
Dividends received	-	-	(998)	(560)
(Profit)/Loss on sale of property, plant and equipment	12	16	-	-
Depreciation of property, plant and equipment	287	291	-	-
Other	-	-	(30)	(54)
Transfers to provisions				
- Inventory obsolescence	8	70	-	-
- Employee entitlements	34	107	18	67
- Doubtful debts	(123)	26	-	-
Increase (decrease) in provision for:				
- Income tax payable	(163)	192	(15)	4
- Deferred taxes	(111)	(128)	(7)	(18)
Changes in assets and liabilities				
(Increase) decrease in:				
Accounts receivable	(531)	(256)	-	-
Inventories	(1,133)	(66)	-	-
Other assets	(16)	(5)	-	-
(Decrease) increase in:				
Trade creditors and accruals	1,244	(482)	7	(4)
Net cash flow from operating activities	852	682	(27)	(2)
(c) Financing Facilities Available:				
At reporting date the following facilities had been negotiated and were available:				
Total credit facilities	3,435	3,375	-	-
Facilities used at reporting date	(2,228)	(1,875)	-	-
Facilities unused at reporting date	1,207	1,500	-	-
The major facilities are summarised as follows:				
Bank overdrafts	682	675	-	-
Facilities used	(153)	-	-	-
Facilities unused at reporting date	529	675	-	-
Bank loans	2,753	2,700	-	-
Facilities used	(2,075)	(1,875)	-	-
Facilities unused at reporting date	678	825	-	-

SUPPLY NETWORK LIMITED

**Notes to the Financial Statements
for the year ended 30 June 2004**

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

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	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000	2004 \$000	2003 \$000	2004 \$000	2003 \$000
Revenue								
Sales to customers outside the consolidated entity	27,106	24,298	6,328	5,993	-	-	33,434	30,291
Other revenues from outside the consolidated entity	80	138	4	15	-	-	84	153
Intersegment revenues	1,016	1,379	3	16	(1,019)	(1,395)	-	-
Total segment revenues	<u>28,202</u>	<u>25,815</u>	<u>6,335</u>	<u>6,024</u>	<u>(1,019)</u>	<u>(1,395)</u>	<u>33,518</u>	<u>30,444</u>
Results								
Segment results	<u>1,323</u>	<u>920</u>	<u>585</u>	<u>519</u>	<u>(3)</u>	<u>(37)</u>	<u>1,905</u>	<u>1,402</u>
Consolidated entity profit from ordinary activities before income tax expense							1,905	1,402
Income tax expense							(561)	(485)
Consolidated entity profit from ordinary activities after income tax expense							<u>1,344</u>	<u>917</u>
Net profit							<u>1,344</u>	<u>917</u>
Assets								
Segment assets	<u>15,945</u>	<u>14,078</u>	<u>3,162</u>	<u>2,711</u>	<u>(1,402)</u>	<u>(1,446)</u>	<u>17,705</u>	<u>15,343</u>
Liabilities								
Segment liabilities	<u>7,828</u>	<u>6,475</u>	<u>1,420</u>	<u>1,427</u>	<u>(304)</u>	<u>(323)</u>	<u>8,944</u>	<u>7,579</u>
Other segment information								
Acquisition of property, plant and equipment, intangible assets and other non-current assets	694	387	60	129	-	-	754	516
Depreciation	237	258	50	33	-	-	287	291
Non-cash expenses other than depreciation	144	233	41	63	-	-	185	296

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.

SUPPLY NETWORK LIMITED

**Notes to the Financial Statements
for the year ended 30 June 2004**

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 2004								
Financial assets								
Cash	469	-	-	-	7	476	1.0	-
Receivables	-	-	-	-	4,909	4,909	-	-
Other debtors	-	-	-	-	30	30	-	-
	<u>469</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,946</u>	<u>5,415</u>	<u>-</u>	<u>-</u>
Financial liabilities								
Payables	-	-	-	-	2,722	2,722	-	-
Foreign currency payables – unhedged	-	-	-	-	1,198	1,198	-	-
Bank loans and overdrafts	153	100	1,975	-	-	2,228	9.6	7.5
Other loans	-	-	-	-	-	-	-	-
Forward exchange contracts	-	-	-	-	1,491	1,491	-	-
	<u>153</u>	<u>100</u>	<u>1,975</u>	<u>-</u>	<u>5,411</u>	<u>7,639</u>	<u>-</u>	<u>-</u>
30 June 2003								
Financial assets								
Cash	433	-	-	-	5	438	3.0	-
Receivables	-	-	-	-	4,378	4,378	-	-
Other debtors	-	-	-	-	1	1	-	-
	<u>433</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,384</u>	<u>4,817</u>	<u>-</u>	<u>-</u>
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	-	-
	<u>-</u>	<u>118</u>	<u>1,775</u>	<u>-</u>	<u>4,249</u>	<u>6,142</u>	<u>-</u>	<u>-</u>

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

SUPPLY NETWORK LIMITED

Notes to the Financial Statements for the year ended 30 June 2004

31. Financial Instruments (continued)

(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.

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

Currency		Average exchange rate		2004	2003
		2004	2003	Buy \$000	Buy \$000
Japanese yen	3 months or less	74.1	77.2	198	147
Great British pound	3 months or less	0.37	0.40	5	20
Euro currency	3 months or less	0.57	0.56	1,191	877
US currency	3 months or less	0.68	0.66	97	22
Total				<u>1,491</u>	<u>1,066</u>

(c) Credit Risk Exposure

The consolidated entity'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 Statement of Financial Position.

The company minimises concentrations of credit risk in relation to trade receivables by undertaking transactions with a large number of customers from across the range of business segments in which the group operates.

Credit risk in trade receivables is managed in the following ways:

- payment terms are cash or 30 days;
- a risk assessment process is used for customers trading outside agreed terms;
- all new accounts are reviewed for past credit performance

(d) Net Fair Value of Financial Assets and Liabilities

All financial assets and liabilities have been recognised at the balance date at their net fair values.

The following methods and assumptions are used to determine the net fair values of financial assets and liabilities

Recognised financial instruments

Cash and cash equivalents: The carrying value approximates fair value because of their short-term to maturity.

Trade receivables and trade creditors: The carrying amount approximates fair value.

Short-term borrowings: The carrying amount approximates fair value because of their short-term to maturity.

Long-term bank borrowings: The fair values of long-term borrowings are estimated using discounted cash flow analysis, based on current incremental borrowing rates for similar types of borrowing arrangements.

Forward exchange contracts: The fair values of forward exchange contracts are determined as the recognised gain or loss at reporting date calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

SUPPLY NETWORK LIMITED

**Notes to the Financial Statements
for the year ended 30 June 2004**

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.

(e) 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 2004: \$368,000 (2003: \$256,000).

(f) Directors' Shareholdings

Shares and share options held by Directors and their Director-related entities in parent entity at end of the year	2004	2003
Ordinary shares	7,297,156	7,172,156
Ordinary share options	150,000	275,000

SUPPLY NETWORK LIMITED

Notes to the Financial Statements for the year ended 30 June 2004

33. Impact of adopting AASB equivalents to International Financial Reporting Standards

Supply Network Limited has commenced analysis of the required transitioning of its accounting policies and financial reporting from current Australian Standards to Australian equivalents to International Financial Reporting Standards (IFRS). The company has allocated internal resources to identify key areas that will be impacted by the transition to IFRS. As Supply Network Limited has a 30 June year end, priority has been given to considering the preparation of an opening balance sheet in accordance with AASB equivalents to IFRS as at 1 July 2004. This will form the basis of accounting for Australian equivalents of IFRS in the future, and is required when Supply Network Limited prepares its first fully IFRS compliant financial report for the year ended 30 June 2006. Set out below are the key areas where accounting policies are currently expected to change and these changes may have an impact on the financial report of Supply Network Limited. At this stage the company has not been able to reliably quantify the impacts on the financial report.

Hedge Accounting

Under AASB 139 *Financial Instruments: Recognition and Measurements* in order to achieve a qualifying hedge the entity is required to meet the following criteria:

- Identify the type of hedge – fair value or cash flow;
- Identify the hedged items or transaction;
- Identify the nature of risk being hedged;
- Identify the hedged instrument;
- Demonstrate that the hedge has and will continue to be highly effective; and
- Document the hedging relationship, including the risk management objectives and strategy for undertaking the hedge and how effectiveness will be tested.

This will result in a change in the entity's current accounting procedure where additional documentation will be required to demonstrate that the hedges are highly effective. Supply Network Limited will also need to develop a procedure detailing the objectives, strategies and testing of hedging transactions. It is anticipated that there will be no future financial effect of the change in accounting policy.

Impairment of Assets

Under AASB 136 *Impairment of Assets* the recoverable amount of an asset is determined as the higher of net selling price and value in use. At present the group's accounting policy assesses the recoverable amount of an asset on the basis of discounted cash flows, which is consistent with value in use. As Supply Network Limited does not have any intangibles, the application of this standard is limited to investments and plant and equipment, where it is anticipated that the potential impact of the adoption of this standard is minor.

Share Based Payments

Under AASB 2 *Share based Payments*, the company will be required to determine the fair value of options issued to employees as remuneration and recognise an expense in the income statement, therefore future earnings may be reduced for any future equity based remuneration. At present, it is anticipated that there will be no future financial effect as a result of the adoption of the standard, however details of future equity based remuneration are not known.

Income Taxes

Under AASB 112 *Income Taxes*, the company will be required to use a balance sheet liability method which focuses on the tax effects of transactions and other events that affect amounts recognised in either accounting or tax based balance sheets. The most significant impact will be the recognition of a deferred tax liability in relation to the foreign currency translation reserve as Supply Network Limited is unable to control the timing of movements in exchange rates.