



**SUPPLY NETWORK LIMITED**

ABN 12 003 135 680

151 Fairfield Road

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Fairfield NSW 2165

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4 March 2005

The Manager  
Companies Announcements Office  
Australian Stock Exchange Limited  
Exchange Centre  
20 Bridge Street  
Sydney NSW 2000

Dear Sir

**RE: Shareholder Update 31 December 2004**

Please find attached a copy of Supply Network Limited Shareholder Update 31 December 2004 which is being sent to shareholders.

Yours faithfully

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

**Peter Gill**  
Company Secretary

**Supply Network Limited**  
**Statement of Financial Performance**  
Half-year ended 31 December 2004

	Consolidated	
	2004	2003
	\$000	\$000
<b>Revenues from ordinary activities</b>	17,521	16,140
Expenses from ordinary activities, excluding borrowing costs	(16,667)	(15,402)
Borrowing costs	(112)	(92)
<b>Profit from ordinary activities before income tax expense</b>	742	646
Income tax expense relating to ordinary activities	(243)	(169)
<b>Profit from ordinary activities after income tax expense</b>	499	477
<b>Net profit attributable to members of Supply Network Limited</b>	<b>499</b>	<b>477</b>
Net exchange difference on translation of financial statements of foreign controlled entity	12	1
<b>Total revenues, expenses and valuation adjustments attributable to members of Supply Network Limited and recognised directly in equity</b>	<b>12</b>	<b>1</b>
<b>Total changes in equity other than those resulting from transactions with owners as owners</b>	<b>511</b>	<b>478</b>
Basic earnings per share (cents per share)	2.29	2.21
Diluted earnings per share (cents per share)	2.25	2.21
Weighted average number of ordinary shares used in the calculation of basic earnings per share	21,795,557	21,549,364

**Supply Network Limited**  
**Statement of Financial Position**  
Half-year ended 31 December 2004

	Consolidated	
	December	June
	2004	2004
	\$000	\$000
<b>Current Assets</b>		
Cash assets	70	476
Receivables	4,695	4,855
Inventories	12,362	10,419
Other	197	13
<b>Total Current Assets</b>	<b>17,324</b>	<b>15,763</b>
<b>Non-Current Assets</b>		
Property, plant and equipment	1,147	1,260
Deferred tax assets	691	682
<b>Total Non-Current Assets</b>	<b>1,838</b>	<b>1,942</b>
<b>Total Assets</b>	<b>19,162</b>	<b>17,705</b>
<b>Current Liabilities</b>		
Payables	6,171	5,411
Interest bearing liabilities	189	253
Current tax liabilities	104	197
Provisions	1,062	984
<b>Total Current Liabilities</b>	<b>7,526</b>	<b>6,845</b>
<b>Non-Current Liabilities</b>		
Interest bearing liabilities	2,455	1,975
Provisions	161	124
<b>Total Non-Current Liabilities</b>	<b>2,616</b>	<b>2,099</b>
<b>Total Liabilities</b>	<b>10,142</b>	<b>8,944</b>
<b>Net Assets</b>	<b>9,020</b>	<b>8,761</b>
<b>Equity</b>		
Contributed equity	5,380	5,301
Reserves	76	64
Retained profits	3,564	3,396
<b>Total Equity</b>	<b>9,020</b>	<b>8,761</b>

**Supply Network Limited**  
**Statement of Cash Flows**  
Half-year ended 31 December 2004

	Consolidated	
	2004	2003
	\$000	\$000
<b>Cash flows from operating activities</b>		
Receipts from customers	19,131	17,764
Payments to suppliers and employees	(19,345)	(16,047)
Interest received	3	7
Borrowing costs	(109)	(87)
Income taxes paid	(344)	(400)
Net cash flows from/(used in) operating activities	(664)	1,237
<b>Cash flows from investing activities</b>		
Payments for property, plant and equipment	(58)	(611)
Proceeds from sale of property, plant and equipment	-	3
Net cash flows used in investing activities	(58)	(608)
<b>Cash flows from financing activities</b>		
Proceeds from issue of ordinary shares	80	19
Proceeds from borrowings	739	272
Repayment of borrowings	(170)	(255)
Payment of dividend on ordinary shares	(331)	(216)
Net cash flows from/(used in) financing activities	318	(180)
<b>Net increase (decrease) in cash held</b>	(404)	449
Add opening cash brought forward	323	438
<b>Closing cash carried forward</b>	<b>(81)</b>	<b>887</b>

4th March 2005

Dear Shareholder

I am pleased to provide you with an update on our Half-Year results to 31 December 2004, which has been advised to the ASX.

Consolidated sales revenue for the half-year increased by 8.6% over the same period last year

Profit from ordinary activities before income tax of \$742,000 represents an increase of 14.9% over the corresponding period last year.

Profit from ordinary operations after income tax of \$499,000 represents an increase of 4.6% over the same period last year. However if the December 03 result is adjusted to exclude a prior period income tax adjustment (\$49,000) then the December 04 half-year profit after tax represents an increase of 16.6%.

During the period the consolidated group has continued to develop its stock management initiatives including a substantial investment in higher stock levels of key products to support future revenue growth. This has resulted in short term negative cash flows from operations, financed primarily through additional borrowing. Gearing remains well within our target range and subject to the announcement of other significant investments, Directors expect a return to positive cashflows from operations in FY2006.

Major capital expenditures to be concluded in the current year are the opening of a new Multispares branch in Melbourne South East and the integration of major extensions to our distribution centres in Sydney and Auckland.

A summary of the financial data from our announcement to the Australian Stock Exchange is presented overleaf for your information. The details and any future announcements will be available on our website at [www.supplynetwork.com.au](http://www.supplynetwork.com.au).

Directors have declared a fully franked interim dividend of 1.25 cent per share, payable on 31 March 2005 to shareholders registered on 15 March 2005

Harry Forsyth  
Chairman



**Supply Network Limited**

**Registered Office**

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**Supply Network Limited**

A.B.N. 12 003 135 680

**Shareholder Update**

**31 December 2004**