



**SUPPLY NETWORK LIMITED**

ABN 12 003 135 680

141 - 151 Fairfield Road Guildford NSW 2161

PO Box 460 Fairfield NSW 2165

Telephone: 02 9892 3888 Facsimile: 02 9892 2399

27 February 2007

The Manager  
Companies Announcements Office  
Australian Stock Exchange Limited  
20 Bridge Street  
**SYDNEY NSW 2000**

Dear Sir

**Re: Shareholder Update 31 December 2006**

Please find attached a copy of Supply Network Limited Shareholder Update 31 December 2006 which is being sent to shareholders.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Peter Gill', with a stylized flourish at the end.

Peter Gill  
Company Secretary

23th February 2007

Dear Shareholder

I am pleased to provide you with an update on our Half-Year results to 31 December 2006, which have been advised to the ASX.

Consolidated sales revenue for the first half was \$17.3m, which is a decline of 1.0% when compared to the same period last year. Sales growth in the Australian operation was 2.0% including modest growth of 1.2% in Multispares and strong growth of 41.3% in Globac when compared to the corresponding period last year.

Sales revenue in Multispares New Zealand declined by 8.4% when compared to the same period last year and measured in NZ\$ terms, which excludes the impact of exchange rate fluctuations. When measured in Australian dollar terms the sales decline is 14.8%.

Profit for the period of \$113,000 is below the corresponding period last year (\$189,000).

A number of market factors have continued to affect our short term results, including product price deflation, high fuel prices, longer warranty periods on vehicles, improved service life of parts and the drought in regional Australia. Ongoing cost controls have minimised the impact of these factors and will support future profit growth as market conditions improve.

The group has continued to develop and expand its total supply arrangements with a number of new contracts commencing during the period. To support these new contracts and other new supply based opportunities inventory levels have been increased by \$1.0 million since June 2006. This has resulted in a negative cash flow from operations over the first half, which has been financed from existing resources and facilities.

Cash flows from operating activities are expected to be positive over the second half of the financial year. There were no additional long term borrowings or facilities during the period and gearing remains at similar levels to the financial period ended June 2006.

Directors have resolved to not declare an interim dividend.

A summary of the financial data from our announcement to the ASX is presented overleaf.



Garry Lingard,  
Chairman

**Supply Network Limited**  
**Income Statement**  
**Half-year ended 31 December 2006**

	<b>Consolidated</b>	
	<b>31 Dec</b>	<b>31 Dec</b>
	<b>2006</b>	<b>2005</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Revenue</b>	17,288	17,467
Changes in inventories of finished goods	(10,715)	(10,710)
Employee benefits expenses	(3,261)	(3,244)
Depreciation and amortisation	(240)	(219)
Other expenses	(2,751)	(2,853)
Finance costs	(149)	(161)
<b>Profit before income tax expense</b>	<b>172</b>	<b>280</b>
Income tax expense	(59)	(91)
<b>Profit for the period</b>	<b>113</b>	<b>189</b>
<b>Profit attributable to members of the parent</b>	<b>113</b>	<b>189</b>
Basic earnings per share (cents)	0.51	0.85
Diluted earnings per share (cents)	0.51	0.85

**Supply Network Limited**  
**Balance Sheet**  
**At 31 December 2006**

	<b>Consolidated</b>	
	<b>31 Dec</b>	<b>30 Jun</b>
	<b>2006</b>	<b>2006</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Current assets</b>		
Cash and cash equivalents	257	816
Trade and other receivables	4,304	4,590
Inventories	12,476	11,350
Other current assets	204	85
Derivatives	830	660
<b>Total current assets</b>	<b>18,071</b>	<b>17,501</b>
<b>Non-current assets</b>		
Property, plant and equipment	1,294	1,447
Deferred tax assets	729	670
<b>Total non-current assets</b>	<b>2,023</b>	<b>2,117</b>
<b>Total assets</b>	<b>20,094</b>	<b>19,618</b>
<b>Current liabilities</b>		
Trade and other payables	5,823	5,791
Interest bearing loans and borrowings	986	110
Income tax payable	49	-
Provisions	388	366
Derivatives	845	659
<b>Total current liabilities</b>	<b>8,091</b>	<b>6,926</b>
<b>Non-current liabilities</b>		
Interest bearing loans and borrowings	2,468	3,217
Provisions	329	313
<b>Total non-current liabilities</b>	<b>2,797</b>	<b>3,530</b>
<b>Total liabilities</b>	<b>10,888</b>	<b>10,456</b>
<b>Net assets</b>	<b>9,206</b>	<b>9,162</b>
<b>Equity</b>		
Contributed equity	5,398	5,398
Reserves	8	(145)
Retained profits	3,800	3,909
<b>Total equity</b>	<b>9,206</b>	<b>9,162</b>

Supply Network Limited  
Cash Flow Statement  
Half-year ended 31 December 2006

	Consolidated	
	31 Dec 2006 \$'000	31 Dec 2005 \$'000
<b>Cash flows from operating activities</b>		
Receipts from customers	19,398	20,134
Payments to suppliers and employees	(18,688)	(18,627)
Interest received	3	4
Borrowing costs	(150)	(161)
Income taxes paid	(941)	(217)
Net cash flows from/(used in) operating activities	(378)	1,133
<b>Cash flows from investing activities</b>		
Payments for property, plant and equipment	(67)	(217)
Net cash flows used in investing activities	(67)	(217)
<b>Cash flows from financing activities</b>		
Proceeds from issue of ordinary shares	-	3
Proceeds from borrowings	196	170
Repayment of borrowings	(172)	(152)
Dividend paid on ordinary shares	(222)	(332)
Net cash flows from/(used in) financing activities	(198)	(311)
<b>Net increase (decrease) in cash held</b>	(643)	605
Net foreign exchange differences	12	(2)
Cash and cash equivalents at beginning of period	816	49
<b>Cash and cash equivalents at end of period</b>	185	652

Supply Network Limited  
Statement of Changes in Equity  
Half-year ended 31 December 2006

Consolidated	Attributable to equity holders of the parent			
	Issued Capital \$'000	Retained Earnings \$'000	Reserves \$'000	Total Equity \$'000
<b>At 1 July 2006</b>	5,398	3,909	(145)	9,162
Currency translation differences	-	-	153	153
Total income and expense for the period recognised directly in equity	5,398	3,909	8	9,315
Profit for the period	-	113	-	113
Total income / expense for the period	5,398	4,022	8	9,428
Exercise of options	-	-	-	-
Equity dividends	-	(222)	-	(222)
<b>At 31 December 2006</b>	<b>5,398</b>	<b>3,800</b>	<b>8</b>	<b>9,206</b>

Consolidated	Attributable to equity holders of the parent			
	Issued Capital \$'000	Retained Earnings \$'000	Reserves \$'000	Total Equity \$'000
<b>At 1 July 2005</b>	5,395	3,933	67	9,395
Currency translation differences	-	-	39	39
Total income and expense for the period recognised directly in equity	5,395	3,933	106	9,434
Profit for the period	-	189	-	189
Total income / expense for the period	5,395	4,122	106	9,623
Exercise of options	3	-	-	3
Equity dividends	-	(332)	-	(332)
<b>At 31 December 2005</b>	<b>5,398</b>	<b>3,790</b>	<b>106</b>	<b>9,294</b>



Supply Network Limited

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Shareholder Update

31 December 2006

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