SUPPLY NETWORK LIMITED
ABN 12 003 135 680
1 Turnbull Close Pemulwuy NSW 2145
PO Box 3405 Wetherill Park NSW 2164
Telephone: 02 8624 8077

25 September 2017

The Manager
ASX Market Announcements Office
ASX Limited
20 Bridge Street
SYDNEY NSW 2000

Dear Sir,

Re: 2017 Notice of Annual General Meeting and Annual Report

Please find attached the following documents which are being sent to shareholders on 26 September 2017:

- Chairman's letter to shareholders
- 2017 Notice of Annual General Meeting and explanatory notes
- Proxy form
- 2017 Annual Report.

Yours faithfully

Peter Gill
Company Secretary

Supply Network Limited
ABN 12 003 135 680

All Correspondence to:
Computershare Investor Services Pty Limited
GPO Box 2975 Melbourne
Victoria 3001 Australia
Enquiries (within Australia) 1300 850 505
(outside Australia) +61 3 9415 4000
Facsimile +61 3 9473 2500
www.computershare.com

Dear Shareholder

I am pleased to invite you to attend our Annual General Meeting and have enclosed the Notice of Meeting which sets out the items of business. The meeting will be held at 2 Turnbull Close, Pemulwuy, NSW 2145 on Tuesday, 21 November 2017 at 2:00 pm (AEDT).

If you are attending this meeting, please bring this letter with you to facilitate registration into the meeting.

If you are unable to attend the meeting we encourage you to submit your voting instructions online at www.investorvote.com.au. Alternatively complete the enclosed proxy form which should be returned to our share registry in the envelope provided or by facsimile on 03 9473 2555 so that it received by 2:00pm (AEDT) on Sunday 19 November 2017.

The Annual Report is also now available on the Supply Network Limited website at **www.supplynetwork.com.au.** If you would prefer to receive your copy of the Annual Report electronically, please visit www.investorcentre.com/au and provide your email address. If you are new to the Investor Centre website, simply click “Access a Single Holding Enquiry” and enter your SRN/HIN and postcode.

Corporate shareholders will be required to complete a “Certificate of Appointment of Representative” to enable a person to attend on their behalf. A form of this certificate may be obtained from the Company’s share registry.

I look forward to your attendance at the meeting.

Yours sincerely

Gregory Forsyth
Chairman

SUPPLY NETWORK LIMITED
ABN 12 003 135 680

2017 NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Supply Network Limited will be held at 2.00 pm on Tuesday 21 November 2017 at 2 Turnbull Close, Pemulwuy NSW 2145.

BUSINESS

1. **Financial Reports**

   To receive and consider the Financial Statements and the Reports of Directors and Auditors for the year ended 30 June 2017.

2. **Remuneration Report**

   To consider and if thought fit, pass the following resolution as an ordinary resolution:

   "To adopt the Remuneration Report for the year ended 30 June 2017."

   The vote on this resolution is advisory only and does not bind the Directors or the Company. A voting exclusion statement applies to this item of business (see the Voting Exclusions section on the following page).

3. **Election of Director**

   To consider and if thought fit, pass the following resolution as an ordinary resolution:

   "To re-elect Mr G J Forsyth as a Director who retires by rotation in accordance with the Company's Constitution and, being eligible for re-election, has offered himself for re-election."

   Biographical information on Mr Forsyth is set out in the explanatory notes to this notice.

4. **Increase the maximum aggregate amount of remuneration that may be paid to Non-Executive Directors**

   To consider and if thought fit, pass the following resolution as an ordinary resolution:

   "To increase the maximum aggregate amount of remuneration that may be paid to Directors for their services as Directors (other than remuneration paid to a Managing Director or an Executive Director in either capacity), in accordance with the Company's Constitution and ASX Listing Rule 10.17, from $200,000 to $400,000 per annum."

   An explanation of this proposed increase is set out in the explanatory notes to this notice. A voting exclusion statement applies to this item of business (see the Voting Exclusions section on the following page).

By order of the Directors

Peter Gill
26 September 2017

SUPPLY NETWORK LIMITED
ABN 12 003 135 680

2017 NOTICE OF ANNUAL GENERAL MEETING

Voting Online

If you are unable to attend the meeting we encourage you to submit your vote online at www.investorvote.com.au.

For intermediary online subscribers only (custodians) www.intermediaryonline.com.

Proxies

A shareholder entitled to vote is entitled to appoint a proxy to attend and vote instead of the shareholder. A suitable proxy form accompanies this Notice of Annual General Meeting. The person appointed a proxy need not be a shareholder of the Company.

Where the shareholder is entitled to cast two or more votes, the shareholder may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise.

To be effective, the instrument appointing a proxy (and the power of attorney or other authority, if any, under which it is signed or a certified copy of the power or authority) must be returned to Computershare Investor Services Pty Limited, either:

- by facsimile on 1800 783 447 (within Australia) or +61 3 9473 2555 (outside Australia);
- by post to GPO Box 242, Melbourne, VIC 3001; or
- by delivery to Level 4, 60 Carrington Street, Sydney.

not less than 48 hours prior to the meeting.

Voting Exclusions

Item 2 - Remuneration Report

The Company will disregard any votes cast on this resolution by, or on behalf of:

- a member of the Key Management Personnel (KMP), as disclosed in the Remuneration Report; and
- their closely related parties;

unless the vote is cast:

- by a person as proxy for a person who is entitled to vote in accordance with a direction on the Proxy Form; or
- by the Chairman of the Meeting as proxy for a person entitled to vote and the Chairman has received express authority to vote undirected proxies as the Chairman sees fit.

Item 4 - Increase the maximum aggregate amount of remuneration that may be paid to Non-Executive Directors

The Company will disregard any votes cast on this resolution:

- by or on behalf of the Directors and any of their associates;
- by or on behalf of a member of the KMP or their closely related parties; and
- as a proxy by a member of the KMP or their closely related parties;

unless the vote is cast:

- by a person as a proxy for a person who is entitled to vote in accordance with a direction on the Proxy Form; and
- by the Chairman of the Meeting as proxy for a person entitled to vote and the Chairman has received express authority to vote undirected proxies as the Chairman sees fit.

SUPPLY NETWORK LIMITED
ABN 12 003 135 680

EXPLANATORY NOTES TO NOTICE OF ANNUAL GENERAL MEETING

BUSINESS

Item 1: Financial Reports

The business of the meeting will include receipt and consideration of the Financial Statements of the Company and the reports of the Directors and Auditors for the year ended 30 June 2017. Shareholders are not required to vote on these reports but will be given an opportunity to raise questions on the Reports at the meeting. The Auditors will be available at the meeting to answer any questions in relation to the Auditor's Report.

Item 2: Remuneration Report

The Board submits its Remuneration Report to shareholders for consideration and adoption by way of a non-binding ordinary resolution. The Remuneration Report is set out on pages 10-13 of the Company's 2017 Annual Report.

A reasonable opportunity will be provided for discussion of the Remuneration Report at the meeting.

The Board recommends that shareholders vote in favour of this resolution.

Subject to the Voting Exclusion statement contained in this Notice, the Chairman of the Meeting intends to vote all undirected proxies in favour of the adoption of the Remuneration Report.

Item 3: Election of Director

Mr G J Forsyth retires by rotation in accordance with clause 10.4 of the Company's Constitution and, being eligible for re-election, offers himself for re-election.

Mr Forsyth was appointed as a Non-Executive Director on 25 January 2006 and was appointed Chairman of the Board on 17 March 2010. He is also the Chairman of the Audit Committee and a member of the Remuneration Committee. Mr Forsyth has over 30 years' experience in financial markets specialising in Australian listed equities.

The Board (excluding Mr Forsyth who has abstained) recommends that shareholders vote in favour of this resolution.

The Chairman of the Meeting intends to vote all undirected proxies in favour of the re-election of Mr Forsyth.

Item 4 - Increase the maximum aggregate amount of remuneration that may be paid to Non-Executive Directors

Shareholder approval is sought, in accordance with clause 10.12 of the Company Constitution and ASX Listing Rule 10.17, to increase the maximum aggregate amount of remuneration that may be paid to Non-Executive Directors from the present $200,000 per annum to $400,000 per annum.

The present maximum aggregate amount of $200,000 per annum was approved by shareholders at the 2002 Annual General Meeting of the Company and has not been amended for 15 years.

EXPLANATORY NOTES TO NOTICE OF ANNUAL GENERAL MEETING

Item 4 - Increase the maximum aggregate amount of remuneration that may be paid to Non-Executive Directors (continued)

The Directors consider it is now reasonable and appropriate to seek to increase the maximum aggregate amount of remuneration to give the Board flexibility to retain current Directors and attract and appoint additional Non-Executive Director(s) when required.

Total remuneration paid to Directors is detailed in the Remuneration Report in the Company's 2017 Annual Report.

The Board abstains from making a recommendation in relation to this resolution.

Subject to the Voting Exclusion statement contained in this Notice, the Chairman of the Meeting intends to vote all undirected proxies in favour of the increase in the maximum aggregate amount of remuneration that may be paid to Non-Executive Directors.

Supply Network Limited
ABN 12 003 135 680

Lodge your vote:

Online:
www.investorvote.com.au

By Mail:
Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only
(custodians) www.intermediaryonline.com

For all enquiries call:
(within Australia) 1300 850 505
(outside Australia) +61 3 9415 4000

Proxy Form

Vote and view the annual report online

- Go to www.investorvote.com.au **or** scan the QR Code with your mobile device.
- Follow the instructions on the secure website to vote.

Your access information that you will need to vote:

Control Number:

SRN/HIN:

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

For your vote to be effective it must be received by 2:00 pm (AEDT) Sunday 19 November 2017

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions for Postal Forms

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate “Certificate of Appointment of Corporate Representative” prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the help tab, "Printable Forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

GO ONLINE TO VOTE,
or turn over to complete the form ➔

☐ **Change of address.** If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with '**X**') should advise your broker of any changes.

Proxy Form

Please mark ☒ to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

I/We being a member/s of Supply Network Limited hereby appoint

☐ **the Chairman of the Meeting** **OR** ______________________

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the Meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Annual General Meeting of Supply Network Limited to be held at 2 Turnbull Close, Pemulwuy NSW 2145, Tuesday 21 November 2017 at 2:00 pm (AEDT) and at any adjournment or postponement of that Meeting.

Chairman authorised to exercise undirected proxies on remuneration related resolutions: Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on Items 2 and 4 (except where I/we have indicated a different voting intention below) even though Items 2 and 4 are connected directly or indirectly with the remuneration of a member of key management personnel and the directors, which includes the Chairman.

Important Note: If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on Items 2 and 4 by marking the appropriate box(es) in step 2 below.

STEP 2 Items of Business

PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

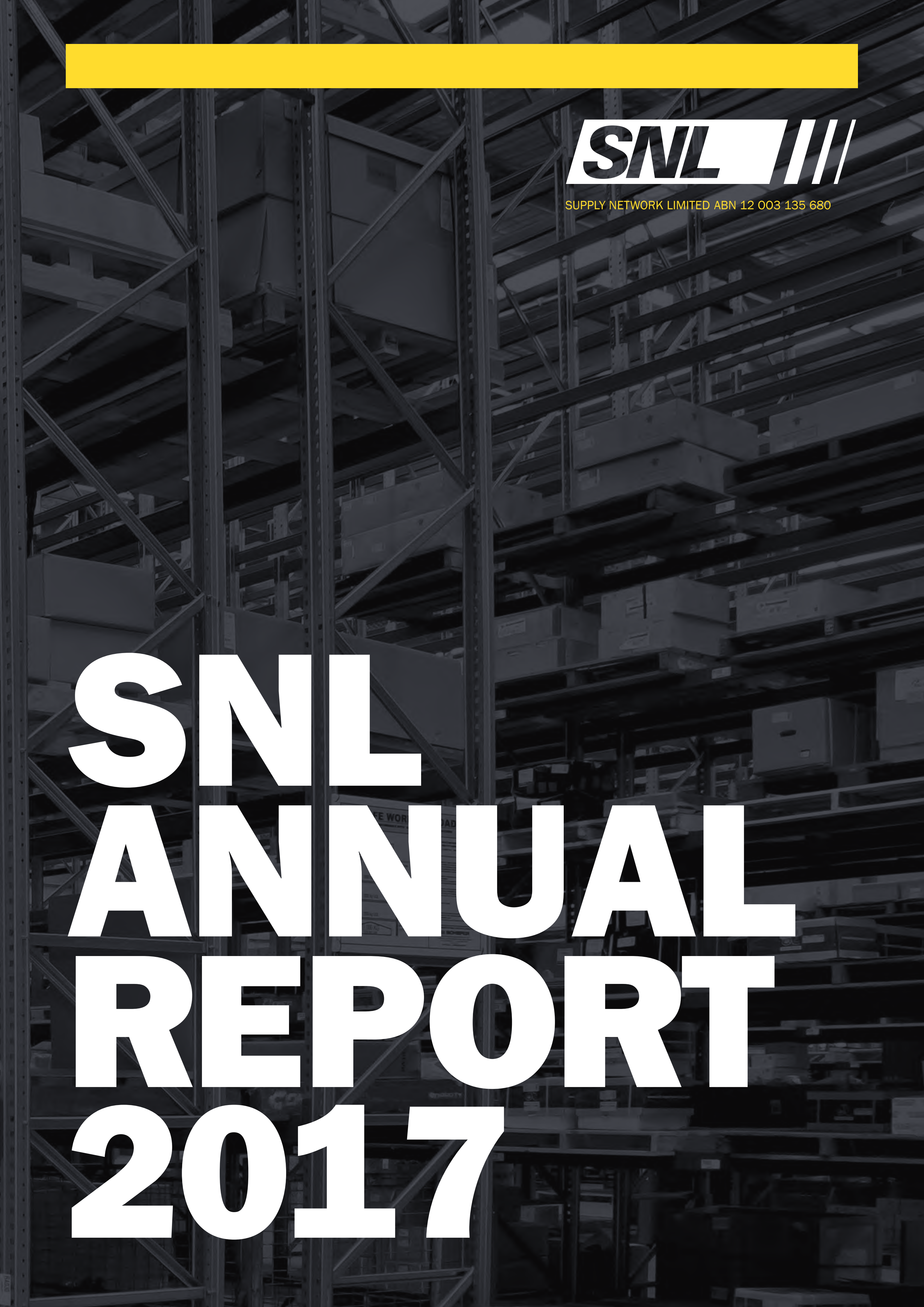
		For	Against	Abstain
2	To adopt the Remuneration Report for the year ended 30 June 2017	☐	☐	☐
3	To re-elect Mr G. J. Forsyth as a Director	☐	☐	☐
4	To increase the maximum aggregate amount of remuneration that may be paid to Non-Executive Directors	☐	☐	☐

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1	Securityholder 2	Securityholder 3
Sole Director and Sole Company Secretary	Director	Director/Company Secretary

Contact Name ______________ **Contact Daytime Telephone** ______________ **Date** / /



SUPPLY NETWORK LIMITED ABN 12 003 135 680

SNL ANNUAL REPORT 2017

CONTENTS

The financial statements were authorised for issue by the directors on 23 August 2017.
The directors have the power to amend and reissue the financial statements.

CORPORATE INFORMATION

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

Company Secretary
P W Gill

Registered Office
1 Turnbull Close
Pemulwuy NSW 2145

Telephone 02 8624 8077
E-mail admin@supplynetwork.com.au

Corporate Governance Statement
The Corporate Governance Statement can be found at:
www.supplynetwork.com.au/governance.htm

Internet Address
www.supplynetwork.com.au

Auditors
HLB Mann Judd (NSW Partnership)

Bankers
ANZ Banking Group Limited

Solicitors
Bartier Perry

Share Registry

Computershare Investor Services Pty Limited
Level 4, 60 Carrington Street
Sydney NSW 2000

Enquiries (within Australia)
1300 850 505

Enquiries (outside Australia)
61 3 9415 4000

Facsimile
61 3 9473 2500

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

CHAIRMAN'S AND MANAGING DIRECTOR'S REPORT

Our main focus throughout the year was sales development.

Following the successful relocation of our Australian Distribution Centre to Pemulwuy, Sydney (NDC), the 2017 financial year was our first in many with little disruption from congestion or the opening of new branches in either Australia or New Zealand. Our main focus throughout the year was sales development and this is reflected in a strong result. Highlights for the full year were revenue growth of 12% to $97.6m and EBIT of $9.9m, both close to the targets we set ourselves 3 years ago. To quote this same report in August 2014, "Directors have targeted an EBIT Margin of 10% on turnover of $100m in financial year 2017".

Review of Operations

Completion of the NDC gave us the capacity to stop secondary distribution from our Smeaton Grange site, allowing Smeaton Grange to focus on improving customer service levels and driving sales in the fast growing southwest region of Sydney. We had also been running a number of branch direct-ship programs with local Australian wholesalers. Opening the NDC allowed us to consolidate orders for these programs and ship them to the NDC, which has improved range control and significantly increased the frequency of replenishment to our branches. The benefits of consolidation are clear from strong year-on-year growth of 27% in Australia for these products over the 2017 financial year compared with an average 5% p.a. growth over the two prior years.

Major equipment suppliers to trailer builders are one group of local Australian wholesalers who are naturally aligned with the Multispares goals of consistently high service and quality standards, and we have worked closely with these companies to establish our branch network as a distribution channel for trailer equipment repair and replacement components. Although our penetration of the trailer market remains relatively undeveloped, we are achieving strong growth in trailer parts and they now contribute around 7% of group revenue.

Notwithstanding the significance of these achievements, the most important outcome from the completion of the NDC was the opportunity to accelerate development of our catalogue and stock holding of replacement parts for late generation vehicles, particularly parts for new technologies supporting emissions reduction, engine efficiency and vehicle safety. In most cases these technologies require component replacement rather than repair, meaning the parts are higher in value but also bulkier. These parts will be key drivers of future growth and the NDC has provided the space required to develop supply chains and invest in stock.

Our revenue from Bus Fleets has been flat in both Australia and New Zealand over the past 5 years and Bus Fleets now account for less than 25% of Group revenue. We have been able to offset natural declines in revenue resulting from improved maintenance methods and product price deflation by winning new or extending established fleet business. We are also pleased to report a number of significant wins that should allow us to grow Bus Fleet revenue in the current year. The Bus sector remains important to our business and there are more growth opportunities that we will work hard to secure over the next 2-3 years, however we expect Truck business to remain the main driver of growth over the next 5-10 years.

Sales Revenue increased by

$10.4m

Net Profit After Tax was

$6.8m

Earnings Per Share

16.62c

Multispares has a strong service offering for Truck Fleet Workshops and Independent Truck Repairers. The foundation of this service is also the essence of our recently released marketing message "HUGE RANGE OF TRUCK PARTS" across the European, Japanese and American vehicle makes. While most competitors have particular strengths in one segment, we confidently claim that no competitor can match the depth and breadth of our product range backed by substantial stocks, efficient distribution and a detailed catalogue. We also have industry leading delivery services and a big investment in online ordering platforms, including developments over the last year that now allow the real time capture of Multispares' catalogue and pricing information by third party systems and an electronic messaging system that automates the exchange of purchase orders and invoices. A recent implementation of these developments with one national fleet customer has delivered tangible operational benefits for both parties.

The Future

Multispares will remain a customer focused business, reinforcing customer relationships through continued investment in product range expansion, better service structures and a stronger branch network. The roles of our service structures and branch network are inseparable and essential to providing clarity on product application, reducing lead times for customers and controlling costs on the whole supply chain, so the pattern of development within our business over the past decade will continue over the course of our new 3-Year Plan to Financial Year 2020.

Our Australian operations are investigating opportunities to improve customer service levels in specific metropolitan localities and regional markets with substantial truck activity where we have significant scope to increase our market share. The investments we make to support growth in these areas will include elements of past structures but we are also exploring new ways to leverage our existing network in cost effective ways.

CHAIRMAN'S AND MANAGING DIRECTOR'S REPORT
CONTINUED

A strong financial position with almost zero net debt.

Our New Zealand distribution, based in Auckland, has progressively become capacity constrained and at our 2016 AGM Directors announced the intention to construct a new Distribution Centre in Hamilton (NZDC), about 90 minutes drive south of Auckland and roughly in the centre of the freight rail line connecting New Zealand's two main sea cargo ports in Auckland and Tauranga. This construction has been delayed and completion is now expected in the second half of this financial year. While the delay has not had a material impact on growth in New Zealand, completion of the NZDC will provide the same sort of opportunities as completion of the NDC in Australia and the additional capacity is essential to long term growth plans.

With the exception of Christchurch, all our New Zealand sites have a high profile, are convenient to customers and are the right size to support many years of growth. While all branches play an important role in our sales network, Christchurch has particular strategic significance as a hub to support planned growth in the South Island. Opportunities to relocate and upgrade this branch have been limited and were exacerbated by the Christchurch earthquakes. In July this year we identified a section of land for sale by tender that is in an ideal location and is the almost perfect size to support our long term strategic plans. The Board and NZ Management lodged a bid and we were the successful buyer. Our senior NZ Team has commenced background work and over the next two years we intend developing the site in a manner that will serve our needs in Christchurch for many years. The Board will consider either retaining ownership of this key site or options such as sale and lease-back.

Capital Management

Supply Network is in a strong financial position with almost zero net debt. Over the current financial year we have a number of significant commitments, including the purchase of land for development in Christchurch, fitout of the NZDC and continued investment in IT platforms and working capital to support growth in Australia and New Zealand. Directors have made clear their preference for conservative financial management and steady dividend growth. In view of this, a decision was taken to increase the final dividend from 5.0 to 5.5 cents per share. This means total dividends relating to our performance in the 2017 financial year have increased from 9.0 to 10.0 cents per share or 11%.

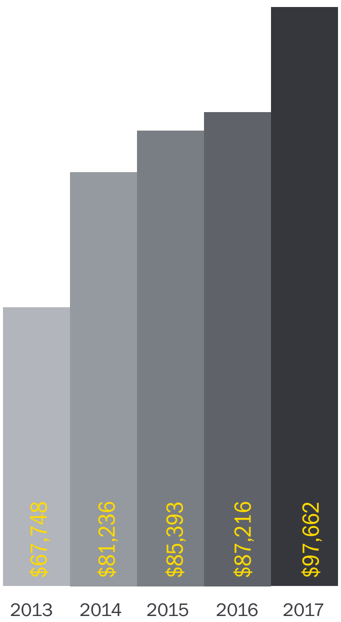
If we achieve the targets set for the 2018 financial year, Directors expect to deliver a similar increase in dividends for this year.

A Thank You to Staff

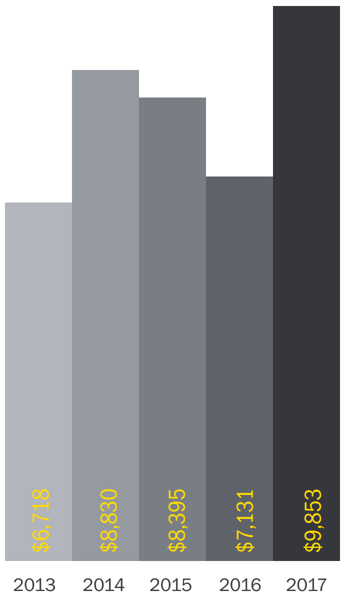
We congratulate staff on their results over the past year and over the course of our 3-Year Plan to the end of Financial Year 2017. We are a service company and rely on the skill, dedication and effort of staff for our achievements. We thank all staff for their hard work and the important contribution they make to the success of our business.

Performance Highlights

2017
Total revenue
$97.66m
(,000)

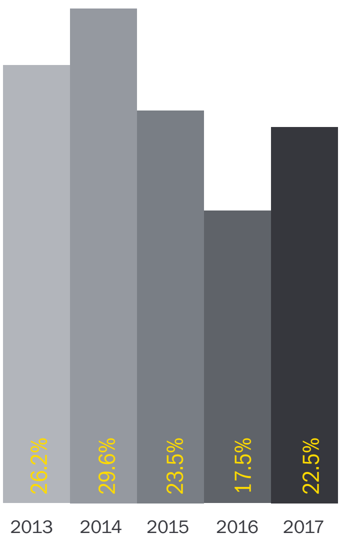


2017
Earnings before interest and tax
$9.85m
(,000)

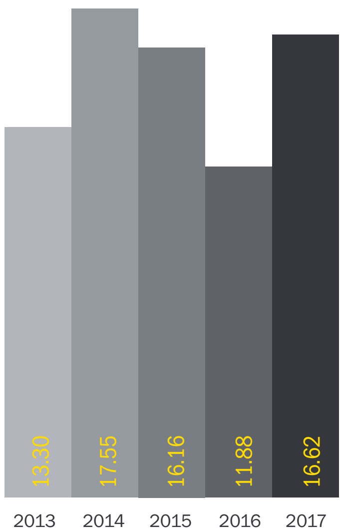


2017
Profit after income tax
$6.77m
(,000)

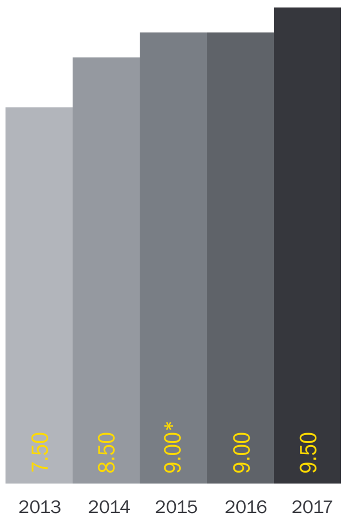
2017
Return on average total equity
22.5%



2017
Earnings per share
16.62 cents



2017
Ordinary Dividends paid per share
9.50 cents



*Excludes special dividend

OUR BUSINESS

Return on average total equity

22.5%

Dividends paid per share

9.50c

Who we are:

Supply Network Limited is an ASX listed company operating trading entities in Australia and New Zealand under the Multispares brand. Each trading entity has its own management team and its own operating focus within a broad market definition of replacement parts for road transport equipment.

In simple terms we sell truck and bus parts. In practice we sell a range of services including parts interpreting, procurement, supply management and problem solving. Through the skill we apply to these services we add considerable value to a growing range of products for an expanding customer base.

Our business principles:

The Australia-New Zealand market for trucks and buses is among the most diverse and competitive in the world. Vast distances, sophisticated operations and an open economy drive significant diversity in vehicle makes and models and present many challenges for replacement part suppliers. Our business has evolved around these unique characteristics of our local markets.

First and foremost we operate at the "quality" end of the aftermarket. The cost of product failure in our markets is high so we have built our reputation around long-term relationships, reliable products and lowering fleet operating costs. We often tell our customers, "There is nothing that we sell that we couldn't buy for less, but we don't compromise quality."

The diversity of vehicle makes and models and the concentration of certain vehicles for particular tasks sets up considerable difference in the demand for replacement parts from one region to another and across different market segments. In order to deal with the complexities of regional demand we have developed a decentralised management structure with a strong regional focus. We actively build depth in our branch network to improve local decision-making and strengthen support for local requirements.

The breadth of our product range, significant regional differences and a strong regional structure do add to our operating cost. However we are an organisation with substantial scale, which allows us to purchase products well and to operate efficiently by leveraging skills development and investments in information technology and e-commerce. This keeps us competitive while our branch network keeps service levels strong.

Organisational culture:

Our Management Charter states:

We value initiative and independent thought but work in teams for a team result.

We show respect for other stakeholders including staff, suppliers and customers.

We obey the law and through good business aim to make a positive contribution to local communities.

In a business with thousands of daily transactions, dealing with thousands of different products, we rely on our staff to operate professionally, interpret requirements and serve customers. They can't do this alone and in every location our success depends on the strength of the local team.

In the background we build organisational strength to support decision making and to streamline as many transactions as possible. Our staff thrive on the challenges that come from local empowerment but also appreciate the strong business and social ethics that bind us together.

Our organisational culture is an important factor in our ability to compete and to grow in this industry and has laid a strong platform for growth in the years ahead.

Business development:

Supply Network Limited's primary strategic goal is the continued organic growth of Multispares in the Australian and New Zealand markets. Multispares occupies a strong market position as the largest and most diversified independent supplier of aftermarket replacement parts for trucks and buses, and well-established relationships between Multispares and leading component manufacturers provides us with a stable platform for continued business investment.

Our internal planning is focused on identifying and executing strategies to drive organic growth across economic cycles primarily through targeted development of our product range, customer services, branch network, e-commerce platforms and information systems, always consistent with the Multispares Mission to supply "Quality Products with Professional Service at Competitive Prices".

Supply Network Limited will consider acquisition opportunities that offer significant synergy with the Multispares business where the expected return on investment is similar or superior to the returns from investing in organic growth. We are not contemplating diversification through investment in unrelated businesses.

DIRECTORS' REPORT

Sales revenue increased by

11.4%

in Australia and by

14.4%

in New Zealand

The Directors of Supply Network Limited (the company) submit their report on the consolidated entity (the Group) consisting of Supply Network Limited and the entities it controlled at the end of, or during, the year ended 30 June 2017.

Directors

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

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

Principal Activities

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

Results

The net profit of the Group after providing for income tax for the financial year was $6.8m (2016: $4.8m).

Earnings per Share

Basic and diluted earnings per share for the financial year are 16.62 cents per share (2016: 11.88 cents).

Dividends

Dividends paid or declared for payment are as follows:

Review of Operations

Group sales revenue for the year was $97.6m, which is an increase of 12.0% when compared to last year.

Sales revenue in the Australian operation increased by 11.4% and in the New Zealand operation increased by 14.4% in NZ$ terms.

Earnings before interest and tax for the year were $9.9m, an increase of 38.2% on last year.

Profit after income tax for the year was $6.8m, an increase of 39.8% on last year.

Throughout the year we continued to develop and explore opportunities to expand our operations in a highly competitive market.

Operating costs have increased this year as a result of the relocation and upgrade of our national distribution centre and Sydney branch during the 2016 financial year and the opening of a new branch in Somerton, Victoria in July 2016. Operating costs are expected to continue to increase as we build market position, develop new opportunities, improve customer service levels and expand our service network.

Earnings per share were 16.62 cents, an increase of 4.74 cents on last year (see Note 18).

Group cash flows from operating activities were $5.5m, an increase of $1.8m on last year. Increasing inventory levels continue to impact on group cash flows.

Gearing at balance date has declined to 11.0%, which is a small decrease on gearing of 12.5% as at June 2016. There were no significant additional long term borrowings during the year.

	$000
Final dividend for 2016 of 5.00 cents per share paid 30 September 2016	2,038
Interim dividend for 2017 of 4.50 cents per share paid 31 March 2017	1,834
Final dividend for 2017 of 5.50 cents per share declared 25 July 2017 and payable 29 September 2017	2,242

Net assets of the group are $31.5m (June 2016: $28.6m) and net tangible asset backing is 77.2 cents per share (June 2016: 70.3 cents).

The Directors have declared a fully franked final dividend of 5.5 cents per share payable on 29 September 2017 to shareholders registered on 15 September 2017.

The Dividend Reinvestment Plan did not operate during the year and will not operate in respect of the final dividend.

Dividends paid and or payable in respect of the 2017 year total 10.0 cents per share, which is an increase of 1.0 cent on the prior year (refer Note 17(b)). The dividend payout ratio for the year is 60.2%.

A more detailed Review of Operations is included in the Chairman's and Managing Director's Report.

Significant Changes in the State of Affairs

There were no significant changes in the state of affairs of the Group during the financial year not otherwise disclosed in this report or the consolidated financial statements.

Significant Events after Balance Date

Since balance date we have signed an agreement to purchase vacant land in Christchurch, NZ for $696,700 (refer Note 29).

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

Likely Developments and Expected Results

The Directors forecast sales revenue growth for the Group of at least 5% in 2017/18. Management plans for the year focus on organic growth opportunities in the existing business units. Continued expansion of the product range and service network are the primary considerations in our three year outlook.

Share Options - Unissued shares

As at the date of this report, there were no unissued ordinary shares under options. No options for shares were issued during the year.

Information on Directors

Gregory James Forsyth - Chairman

Appointed Chairman of the Board on 17 March 2010. Non-executive Director since 25 January 2006. Chairman of the Audit Committee and a member of the Remuneration Committee. He has over 30 years experience in financial markets specialising in Australian listed equities.

Peter William McKenzie

Appointed to the Board on 1 July 2006 as Non-executive Director. Chairman of the Remuneration Committee and a member of the Audit Committee. He holds a Masters Degree in Business Administration and has over 20 years experience in the transport industry. Mr McKenzie operates a consultancy practice providing advice to public authorities and private clients in the transport industry.

Geoffrey David Huston Stewart - Managing Director

Appointed Chief Executive Officer in November 1999 and Managing Director in November 2000. He has a Bachelor of Engineering (Mechanical) from the University of Sydney, an MBA from Macquarie University and 30 years experience in the road transport industry.

Peter William Gill

Appointed to the Board on 1 May 2008 as Finance Director. He has been the Senior Finance Executive and Company Secretary since April 1995. He is a Chartered Accountant with a Bachelor of Business degree and has over 40 years experience in accounting and finance in both commercial and professional fields.

DIRECTORS' REPORT
CONTINUED

Directors' Meetings

The number of meetings of the Board of Directors and of Board Committees held during the year and the number of meetings attended by each director was as follows:

	Directors Meetings		Audit Committee		Remuneration Committee	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
G J Forsyth	12	12	2	2	2	2
P W McKenzie	12	12	2	2	2	2
G D H Stewart	12	12	-	-	-	-
P W Gill	12	12	-	-	-	-

Earnings before interest and tax for the year were

$9.9m

Directors' Interests

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

(a) G J Forsyth holds 41,200 ordinary shares of the company and is deemed to have a relevant interest in shares held by Odalisque Pty Ltd (626,635 shares).

(b) P W McKenzie is deemed to have a relevant interest in shares held by PW & LJ McKenzie Superannuation Fund, a substantial shareholder (4,473,359 shares).

(c) G D H Stewart is deemed to have a relevant interest in shares held by Boboco Pty Limited (955,947) and D G Stewart (440,886 shares).

(d) P W Gill holds 178,460 ordinary shares of the company and is deemed to have a relevant interest in shares held by Viewbar Pty Limited (420,025 shares).

Indemnification of Directors

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

Company Secretary

P W Gill has been the Company Secretary and Senior Finance Executive of Supply Network Limited for over 20 years and is a Chartered Accountant.

Environmental Regulation and Performance

The Group's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

Remuneration Report

The report outlines the remuneration arrangements in place for Directors and Executives of the Supply Network Limited Group (SNL).

The information provided in this Remuneration Report has been audited as required by section 308 (3C) of the Corporations Act 2001.

Remuneration Committee

The Remuneration Committee is responsible for making recommendations to the Board on remuneration policies and packages applicable to the directors and senior executives of SNL.

The broad remuneration policy is to ensure that the remuneration package of directors and senior executives properly reflects the person's duties and responsibilities and that remuneration is competitive in attracting, retaining and motivating people.

The Remuneration Committee assesses the appropriateness of the amount of remuneration of directors and senior executives on an annual basis by reference to relevant employment market data.

Non-executive director compensation

The Board seeks to set Non-executive director compensation at a level which enables the company to attract and retain suitably qualified directors at a cost which is acceptable to shareholders.

Non-executive directors receive an annual fee for being a director of the company with no provision for retirement benefits. These fees are determined by reference to industry standards taking into account the company's relative size. No additional payments are made for serving on Board Committees and no performance related compensation or equity incentives are offered.

The present maximum aggregate sum for Non-executive directors is $200,000. This amount was approved by shareholders at the 2002 Annual General Meeting.

The compensation of Non-executive directors for the period ending 30 June 2017 is detailed in Table 1 on page 12.

Executive director and senior executives compensation

The company aims to reward its executives (Managing Director and Finance Director) with a level of compensation commensurate with their position and responsibilities within the Group, to link reward with performance of the Group and to ensure that total compensation is competitive by market standards.

Compensation consists of the following two elements:

- fixed compensation and
- variable compensation – short-term incentive.

The Board has not used equity-based compensation for executives during the financial year and has no plans to introduce it.

Fixed Compensation

The level of fixed compensation is set to provide compensation that is both appropriate to the position and competitive in the market place. Executives' fixed compensation is reviewed annually by the Remuneration Committee using relevant employment market data as a guide.

Executives are given the scope to tailor their fixed compensation package in a variety of forms including salary, non-monetary benefits and superannuation.

Variable Compensation - Short Term Incentive

The objective of the short-term incentive is to link SNL's performance and operational targets with the compensation of the executives. The short-term incentive is cash based and provides senior executives with the opportunity to earn incentives based on a percentage of fixed annual compensation.

The short-term incentive payable to executives is determined by the Board having regard to the performance of the Group and the executive for the relevant year based on qualitative and/or quantitative factors including total shareholder return, return on average equity, return on investment and other business objectives. These factors were chosen as they focused on business performance, shareholder wealth and sustainable growth.

The cost of these incentives is deducted from the financial results before determining the performance rewards.

On an annual basis after completion of the audit of SNL financial statements the short-term incentives payable are approved by the Board.

Relationship between Remuneration Policies and SNL Performance

The tables below set out summary information about SNL earnings and movements in shareholder wealth for the five years to 30 June 2017. The Board is of the opinion that these results can be attributed, in part, to the remuneration policies and is satisfied with the overall trend in shareholder wealth over the past five years.

DIRECTORS' REPORT
CONTINUED

	2017	2016	2015	2014	2013
Total Revenue $	97.6m	87.2m	85.3m	81.2m	67.7m
Net Profit after tax $	6.8m	4.8m	5.7m	6.0m	4.5m
Share price year-end	$2.52	$2.10	$2.05	$2.30	$1.30
Dividends paid cents per share	9.5	9.00	34.0*	8.50	7.50

*2015 include 25 cents per share special dividend.

Employment contracts

All SNL executives are employed under contracts with the following common terms and conditions

- No fixed terms.
- Either party may terminate the contract by giving 6 months notice in writing.
- The company may terminate the contract at any time without notice for Causes as defined.
- Termination benefits of 6 months remuneration are payable, in addition to 6 months notice, where the company terminates the contract for other than Causes as defined.

Individual contracts for key management personnel include:

- G D H Stewart – fixed compensation package of $385,113 from 1 July 2016 plus a short-term incentive of up to 33% of the package.
- P W Gill – fixed compensation package of $341,069 from 1 July 2016 plus a short-term incentive of up to 25% of the package.

Key Management Personnel

Details of key management personnel are as follows:

Directors

G J Forsyth	Chairman (non-executive)
P W McKenzie	Director (non-executive)
G D H Stewart	Managing Director (executive)
P W Gill	Finance Director and Company Secretary (executive)

Compensation of Key Management Personnel

Table 1: Compensation of Key Management Personnel for the year ended 30 June 2017

	Short Term			Other Long Term Benefits	Post Employment		Share Based Payment	Total	Total Performance Related
	Salary, Fees & Leave	Bonus Payable	Non Monetary	Long Service Leave	Super-annuation	Retirement Benefits	Options Granted		
	$	$	$	$	$	$	$	$	%
Directors									
G J Forsyth	83,597	-	-	-	7,942	-	-	91,539	-
P W McKenzie	58,153	-	-	-	5,525	-	-	63,678	-
G D H Stewart	355,964	127,087	-	6,443	35,000	-	-	524,494	24.2
P W Gill	272,197	85,267	26,000	5,706	35,000	-	-	424,170	20.1
Total	769,911	212,354	26,000	12,149	83,467	-	-	1,103,881	19.2
Total	1,008,265			12,149	83,467		-	1,103,881	19.2

Table 2: Compensation of Key Management Personnel for the year ended 30 June 2016

	Short Term			Other Long Term Benefits	Post Employment		Share Based Payment	Total	Total Performance Related
	Salary, Fees & Leave	Bonus Payable	Non Monetary	Long Service Leave	Super-annuation	Retirement Benefits	Options Granted		
	$	$	$	$	$	$	$	$	%
Directors									
G J Forsyth	81,958	-	-	-	7,786	-	-	89,744	-
P W McKenzie	57,013	-	-	-	5,416	-	-	62,429	-
G D H Stewart	359,189	99,676	-	12,201	35,000	-	-	506,066	19.7
P W Gill	276,353	66,876	21,600	12,302	35,000	-	-	412,131	16.2
Total	774,513	166,552	21,600	24,503	83,202	-	-	1,070,370	15.6
Total	962,665			24,503	83,202		-	1,070,370	15.6

Rounding

The amounts contained in the directors' report and in the financial report have been rounded to the nearest $1,000 (where rounding is applicable) under the option available to the company under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The company is an entity to which the Instrument applies.

Auditors' Independence Declaration

A copy of the Auditors' Independence declaration for the year ended 30 June 2017 is set out on page 14.

Non-Audit Services

There were no non-audit services provided during the year to the entity by its auditors, HLB Mann Judd (NSW Partnership).

Signed in accordance with a resolution of directors.

G J Forsyth
Director
Sydney
23 August 2017

HLB Mann Judd
Accountants | Business and Financial Advisers

Auditor's Independence Declaration

To the Directors of Supply Network Limited

As lead auditor for the audit of the consolidated financial report of Supply Network Limited for the year ended 30 June 2017, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) any applicable code of professional conduct in relation to the audit.

This declaration is in relation to Supply Network Limited and the entities it controlled during the year.

Sydney, NSW
23 August 2017

D K Swindells
Partner

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Email: mailbox@hlbnsw.com.au | Website: www.hlb.com.au

FINANCIAL STATEMENTS

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2017

		Consolidated	
		2017	2016
	Note	$000	$000
Revenue	3	**97,625**	87,176
Finance revenue	3	**18**	31
Other income		**19**	9
Changes in inventories of finished goods		**(56,190)**	(49,988)
Employee benefits expense		**(18,051)**	(16,799)
Depreciation and amortisation		**(1,076)**	(946)
Other expenses	3	**(12,474)**	(12,321)
Finance costs	3	**(230)**	(267)
Profit before income tax		**9,641**	6,895
Income tax expense	4	**(2,869)**	(2,052)
Profit after income tax		**6,772**	4,843
Profit attributable to members of the parent		**6,772**	4,843
Other comprehensive Income			
Items that may be reclassified subsequently to profit or loss			
Adjustment on translation of foreign controlled entity net of tax	16	**(88)**	695
Total other comprehensive income/(loss) after income tax		**(88)**	695
Total comprehensive income for the year attributable to members of the parent		**6,684**	5,538
Basic and diluted earnings per share (cents per share)	18	**16.62**	11.88
Dividends per share (cents per share)	17	**9.50**	9.00

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

BALANCE SHEET
AT 30 JUNE 2017

		Consolidated	
		2017	2016
	Note	$000	$000
ASSETS			
Current assets			
Cash and cash equivalents	5	**3,223**	2,304
Trade and other receivables	6	**11,552**	9,930
Inventories	7	**31,462**	28,967
Other current assets	8	**176**	60
Total current assets		**46,413**	41,261
Non-current assets			
Plant and equipment	9	**5,350**	5,805
Deferred tax assets	4	**2,258**	1,958
Total non-current assets		**7,608**	7,763
TOTAL ASSETS		**54,021**	49,024
LIABILITIES			
Current liabilities			
Trade and other payables	10	**16,368**	14,577
Interest bearing loans and borrowings	11	**372**	356
Income tax payable	12	**805**	462
Provisions	13	**809**	727
Derivatives	14	**5**	30
Total current liabilities		**18,359**	16,152
Non-current liabilities			
Interest bearing loans and borrowings	11	**3,102**	3,238
Provisions	13	**1,107**	993
Total non-current liabilities		**4,209**	4,231
TOTAL LIABILITIES		**22,568**	20,383
NET ASSETS		**31,453**	28,641
EQUITY			
Contributed equity	15	**21,075**	21,075
Reserves	16	**779**	867
Retained earnings		**9,599**	6,699
TOTAL EQUITY		**31,453**	28,641

The above balance sheet should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2017

	Note	Contributed Equity $000	Exchange Translation Reserve $000	Retained Earnings $000	Total $000
Consolidated					
Balance at 1 July 2015		21,075	172	5,525	26,772
Total comprehensive income for the year			695	4,843	5,538
Transactions with owners in their capacity as owners					
Dividends provided for or paid	17	-	-	(3,669)	(3,669)
Balance at 30 June 2016		**21,075**	**867**	**6,699**	**28,641**
Total comprehensive income for the year			**(88)**	**6,772**	**6,684**
Transactions with owners in their capacity as owners					
Dividends provided for or paid	17	**-**	**-**	**(3,872)**	**(3,872)**
Balance at 30 June 2017		**21,075**	**779**	**9,599**	**31,453**

The above statement of changes in equity should be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2017

		Consolidated	
		2017	2016
	Note	$000	$000
		Inflows / (Outflows)	
Cash flows from operating activities			
Receipts from customers		**106,930**	96,839
Payments to suppliers and employees		**(98,401)**	(90,345)
Interest received		**18**	37
Interest paid		**(215)**	(237)
Income tax paid		**(2,805)**	(2,564)
Net cash flows from (used in) operating activities	23(a)	**5,527**	3,730
Cash flows from investing activities			
Purchase of plant and equipment		**(629)**	(2,967)
Proceeds from sale of plant and equipment		**14**	31
Net cash flows from (used in) investing activities		**(615)**	(2,936)
Cash flows from financing activities			
Proceeds from borrowings		**300**	-
Repayment of borrowings		**(412)**	(390)
Dividends paid		**(3,872)**	(3,669)
Net cash flows from (used in) financing activities		**(3,984)**	(4,059)
Net increase (decrease) in cash and cash equivalents		**928**	(3,265)
Cash and cash equivalents at beginning of year		**2,304**	5,519
Exchange rate adjustment to balances held in foreign currencies		**(9)**	50
Cash and cash equivalents at end of year	5	**3,223**	2,304

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

1. Corporate information

The consolidated financial statements of Supply Network Limited (the company) for the year ended 30 June 2017 were authorised for issue in accordance with a resolution of the directors on 23 August 2017.

Supply Network Limited is a company limited by shares, incorporated and domiciled in Australia, and whose shares are publicly traded on the Australian Securities Exchange.

The nature of the operations and principal activities of the Group are described in the Directors' report.

2. Summary of significant accounting policies

(a) Basis of accounting

These general purpose financial statements have been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards. These financial statements have also been prepared on a historical cost basis, except for selected financial assets and liabilities, which have been measured at fair value. The Group is a for profit entity for financial reporting purposes under Australian Accounting Standards.

The financial statements are presented in Australian dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated, under the option available to the company under ASIC Corporations (Rounding in Financial/ Directors' Reports) Instrument 2016/191. The company is an entity to which the Instrument applies.

(b) Statement of compliance

The consolidated financial statements of Supply Network Limited also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of Supply Network Limited and the subsidiaries it controlled at the end of or during the financial year (the Group).

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

In preparing the consolidated financial statements, all inter-company balances and transactions, income and expenses and profits and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

(d) Significant accounting judgements, estimates and assumptions

(i) Significant accounting judgements

In the process of applying the Group's accounting policies, management has not made any significant judgements, apart from those involving estimates.

(ii) Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Impairment of assets

The Group determines whether the carrying value of assets is impaired at least on an annual basis, where indicators exist. This requires an estimation of the recoverable amount of the cash generating units to which the assets are allocated.

Long service leave provision

The liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at balance date. In determining the present value of the liability, attrition rates and pay increases through inflation have been taken into account.

Obsolete inventory provision

Provision is made for anticipated obsolete and redundant inventories. This requires an estimation to be made based on expected sales volumes and current inventory levels.

Make good provision

Provision is made for the anticipated costs of future restoration of leased premises. The provision includes future cost estimates to restore the premises to their original condition at the end of the lease terms. The future cost estimates are discounted to their present value.

(e) Foreign currency transactions

Both the functional and presentation currency of Supply Network Limited and its Australian subsidiaries are Australian dollars ($). Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance date. These differences are included in other comprehensive income.

Subsidiary Company

The functional currency of the foreign operation, Multispares N.Z. Limited, is New Zealand dollars (NZ$).

As at the reporting date the assets and liabilities of the foreign subsidiary are translated into the presentation currency of Supply Network Limited at the exchange rate ruling at the balance sheet date and its profit or loss is translated at the weighted average exchange rate for the year.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the date of the initial transaction.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The exchange differences arising on the translation are taken directly to a separate component of equity.

On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in profit or loss.

(f) Cash and cash equivalents

Cash and short-term deposits in the Balance Sheet comprise cash at bank and in hand and short term deposits with an original maturity of three months or less.

For the purpose of the Statement of Cash Flows, cash and cash equivalents consists of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(g) Trade and other receivables

Trade receivables, which generally have 30 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An allowance for impairment is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written-off when identified.

(h) Inventories

Inventories including finished goods and stocks in transit are valued at the lower of cost and net realisable value.

Cost incurred in bringing each product to its present location and condition is accounted for as follows:

Finished Goods – weighted average cost into store.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

Obsolete and redundant inventories are provided for as appropriate.

(i) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of an arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Group as a lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

There were no finance leases during the year.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. Lease incentives are recognised in profit or loss as an integral part of the total lease expense.

(j) Plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on a straight line over the estimated useful life of the asset as follows:

Plant and equipment	3-15 years

The assets' residual values, useful lives and amortisation methods are reviewed and if appropriate revised at each financial year-end.

An item of plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset was derecognised.

Capital works in progress are stated at cost and not depreciated until assets are in use.

(k) Derivative financial instruments

The Group uses derivative financial instruments such as foreign currency contracts to hedge its risks associated with foreign currency fluctuations. Such derivative financial instruments are stated at market value. None of the forward exchange contracts qualify for hedge accounting and all gains or losses arising from changes in the fair value are charged directly in profit or loss.

The fair value of forward exchange contracts is calculated by reference to current exchange rates for contracts with similar maturity profiles.

(l) Trade and other payables

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured, non-interest bearing and are usually paid within 30-60 days of recognition.

(m) Provisions

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

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

Provisions are measured at present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability.

When discounting is used, the increase in the provision due to the passage of time is recognised in finance costs.

(n) Employee leave benefits

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

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017 (CONTINUED)

2. Summary of significant accounting policies (continued)

(n) Employee leave benefits *(continued)*

(i) Wages, salaries, annual leave and sick leave (continued)

They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on Australian corporate bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(o) Post-employment benefits

Contributions are made to employee superannuation funds and are charged against profit or loss when incurred (refer Note 22).

(p) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

(q) Interest bearing liabilities

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(r) Impairment of assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(s) Revenue recognition

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

(i) Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of the goods to the customer.

(ii) Interest income

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(t) Borrowing costs

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

(u) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at balance sheet date.

Deferred income tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted at the balance sheet date.

Income tax relating to items recognised directly in equity is recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

The tax consolidated current tax expense and other deferred tax assets are required to be allocated to the members of the tax-consolidated group. The Group uses a group allocation method for this purpose where the allocated current tax payable, current tax loss, deferred tax assets and other tax credits for each member of the tax consolidated group is determined as if the company is a stand-alone taxpayer but modified as necessary to recognise membership of a tax consolidated group. Recognition of amounts allocated to members of the tax-consolidated group has regard to the tax consolidated group's future tax profits.

(v) Other taxes

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

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(w) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

- cost of servicing equity (other than dividends)
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(x) New Accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2017 reporting period. The Director's assessment of the impact of these new standards and interpretations (to the extent relevant to the Group) is set out below.

Australian Accounting Standard AASB 15: Revenue from Contracts with Customers will apply to the Group the first time for the year ending 30 June 2019.

The Directors' assessment is that AASB 15 will have no impact on the Group's accounting policies or the amounts recognised in the financial statements.

Australian Accounting Standard AASB 16: Leases will apply to the Group for the first time for the year ending 30 June 2020. This Standard will change how the Group accounts for its current operating leases (refer Note 19). All such leases (other than leases with lease terms for 1 year or less and leases of low value items, i.e. for around $10,000 or less) will be brought onto the Balance Sheet by the recognition of a "Right-of-Use" asset, together with a liability for the present value of the lease payments for the life of the lease.

The future recognition of lease expenses will change, with more expenses recognised in the early periods of a lease, and less in later periods, as there will be a change from the straight-line expense currently recognised to front-ended finance charges. There will also be a change in lease expense classification from recognising operating expenses to recognising financing costs and amortisation. The Group has not yet calculated the financial impact of these changes.

There are no other Standards that have been issued that are not yet effective and that are expected to have a material impact on the Group in the current or future reporting periods.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017 (CONTINUED)

		Consolidated	
		2017	**2016**
		$000	**$000**
3.	**Revenues and expenses**		
	Revenue and expenses from continuing operations		
(a)	**Revenue**		
	Sale of goods	**97,625**	87,176
(b)	**Finance revenue**		
	Bank interest	**18**	31
(c)	**Other expenses**		
	Bad and doubtful debts – trade receivables	**(78)**	(105)
	Freight and cartage expenses	**(1,431)**	(1,283)
	Operating lease expense	**(4,568)**	(4,455)
	Other	**(6,397)**	(6,478)
		(12,474)	(12,321)
(d)	**Finance costs**		
	Bank loans and overdrafts	**(210)**	(236)
	Other finance costs	**(20)**	(31)
		(230)	(267)
4.	**Income tax**		
(a)	**Income tax expense**		
	The major components of income tax expense are:		
	Current income tax		
	Current income tax charge	**3,169**	2,283
	Deferred income tax		
	Relating to origination and reversal of temporary differences	**(300)**	(231)
	Income tax expense	**2,869**	2,052

	Consolidated	
	2017	2016
	$000	$000
4. Income tax (continued)		
(b) Reconciliation of prima facie tax payable to income tax expense		
Profit before income tax	**9,641**	6,895
At the Group's income tax rate of 30% (2016: 30%)	**2,892**	2,069
Effect of different tax rates of subsidiary	**(53)**	(43)
Other amounts which are not deductible (assessable) for income tax purposes	**30**	26
Income tax expense	**2,869**	2,052
(c) Deferred tax assets		
Depreciation differences	**280**	217
Doubtful debts	**56**	62
Employee benefits	**744**	680
Stock obsolescence	**581**	534
Operating lease incentives	**375**	315
Other	**222**	150
	2,258	1,958

(d) Tax consolidation

Supply Network Limited and its wholly owned Australian entities elected to form a tax consolidated group from 1 July 2003. The accounting policy in relation to this legislation is set out in Note 2(u).

The members of the tax consolidated group have entered into a tax sharing agreement which, in the opinion of the directors, would limit the joint and several liabilities of the wholly-owned entities for future income taxes of the tax consolidated group in the case of a default by the head entity, Supply Network Limited. At balance date the possibility of default is remote.

For the current year the entities have decided to enter into a tax funding agreement under which the funding amounts are based on the amounts of current tax expense allocated to the subsidiary and recognised by it in accordance with the accounting policy. The funding amounts are recognised as an increase/decrease in the subsidiaries' inter-company accounts with the tax consolidated group head company. The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments. The funding amounts are recognised in the current inter-company receivables or payables.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017 (CONTINUED)

	Consolidated	
	2017	2016
	$000	$000
5. Cash and cash equivalents		
Cash at bank and in hand	**3,223**	2,304
	3,223	2,304

Cash at bank earns interest at floating rates based on daily bank deposit rates. The carrying amounts of cash and cash equivalents represent fair value.

Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

	Consolidated	
	2017	2016
	$000	$000
6. Trade and other receivables		
Current		
Trade receivables (i)	**11,716**	10,075
Allowance for impairment loss	**(186)**	(205)
	11,530	9,870
Other receivables	**22**	60
	11,552	9,930
Ageing of trade receivables not impaired		
Not overdue	**11,151**	9,511
61-90 days past due	**293**	310
91 days and above past due	**86**	49
	11,530	9,870
Ageing of trade receivables impaired		
Not overdue	**63**	54
61-90 days past due impaired	**63**	41
91 days and above past due	**60**	110
	186	205
Total trade receivables	**11,716**	10,075
Movements in allowance for impairment loss		
Opening balance	**205**	213
Additions during the year	**29**	84
Amounts written off during the year	**(48)**	(95)
Exchange difference	**-**	3
Closing balance	**186**	205

(i) Trade receivables are non-interest bearing and generally on 30 day terms. As at 30 June 2017 trade receivables of $379,000 (2016: $359,000) were past due and not impaired. These relate to independent customers for whom there is no recent history of default. An allowance for impairment loss is made when there is objective evidence that a trade receivable is impaired. The Group has retention of title clause over goods sold until payment is received. Refer Note 11(ii) regarding security pledged.

(ii) Information regarding the effective interest rate and the credit risk of current receivables is disclosed in Note 27.

	Consolidated	
	2017	**2016**
	$000	**$000**
7. Inventories		
Finished goods at lower of cost or net realisable value	**27,466**	25,032
Stock in transit - finished goods at cost	**3,996**	3,935
Total inventories at lower of cost and net realisable value	**31,462**	28,967
8. Other current assets		
Prepayments	**176**	60
9. Plant and equipment		
Plant and equipment at cost		
Opening balance	**10,608**	8,753
Purchases plant and equipment	**629**	2,967
Additions lease make good	**28**	319
Disposals	**(397)**	(1,561)
Exchange difference	**(20)**	130
Closing balance	**10,848**	10,608
Accumulated depreciation		
Opening balance	**4,803**	5,225
Depreciation for the year	**1,076**	946
Disposals	**(372)**	(1,440)
Exchange difference	**(9)**	72
Closing balance	**5,498**	4,803
Total plant and equipment	**5,350**	5,805
10. Trade and other payables		
Trade payables and accruals	**16,368**	14,577

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017 (CONTINUED)

	Consolidated	
	2017	2016
	$000	$000
11. Interest bearing loans and borrowings		
Current		
Bank loans - instalments due within 12 months (i)	**372**	356
	372	356
Non-current		
Bank loans (i)	**3,102**	3,238
	3,102	3,238
Total interest bearing loans and borrowings	**3,474**	3,594

(i) Bank loans comprises:

Fixed rate interest only loans of $2,821,000 (2016: $2,862,000), with interest rates of 4.05% to 5.5% (2016: 4.1% to 7.7%) maturing October 2020 and September 2021 (2016: August 2016, January 2017 and October 2017).

Variable rate principal and interest loans of $652,750 (2016: $732,000), with an interest rate of 3.67% (2016: 3.9%) maturing in June 2018, March 2019 and March 2020 (2016: June 2018 and March 2019), repayable by quarterly instalments.

(ii) Bank loans, overdrafts and trade facility are secured by fixed and floating charges over the assets of Supply Network Limited and controlled entities. Bank overdrafts have no specific term and are subject to annual review. Interest rates on overdrafts are variable and during the year the average interest rate was 8.2% (2016: 8.4%).

(iii) Bank loan agreements require certain financial ratios to be maintained

Australian loan agreement requires:

Consolidated borrowing base ratio as defined not to exceed 50% of eligible stock plus eligible debtors.
Consolidated debt to EBITDA does not exceed 2.5 to 1.
Consolidated EBITDA to interest expense ratio of not less than 2 to 1.

The Group complied with these ratios during the year.

	Consolidated	
	2017	2016
	$000	$000
12. Income tax payable		
Current year income tax payable	**805**	462

	Consolidated		
13. Provisions	Long Service Leave $000	Lease make good $000	Total $000
At 1 July 2016	**1,031**	**689**	**1,720**
Arising during the year	**157**	**28**	**185**
Exchange difference	**-**	**11**	**11**
At 30 June 2017	**1,188**	**728**	**1,916**
Current 2017	**809**	**-**	**809**
Non-current 2017	**379**	**728**	**1,107**
	1,188	**728**	**1,916**
Current 2016	727	-	727
Non-current 2016	304	689	993
	1,031	689	1,720

Lease make good provision

In accordance with its lease agreements, the Group must restore the leased premises to their original condition at the end of the lease term. An equivalent liability is recognised under AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*. Lease make good due within 12 months are shown as current.

	Consolidated	
	2017	2016
	$000	$000
14. Derivatives		
Current liabilities		
Net forward currency contracts	**5**	30

Instrument used by the Group

Derivative financial instruments are used by the Group in the normal course of business in order to hedge exposure to fluctuations in foreign exchange rates for certain inventory purchases, undertaken in foreign currencies. The Group's policy is and has been throughout the period that no trading in financial instruments is undertaken (refer Note 27(b)).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017 (CONTINUED)

	Consolidated 2017 $000	Consolidated 2016 $000
15. Contributed equity		
(a) Issued and paid up capital		
40,761,484 ordinary shares fully paid (2016: 40,761,484)	**21,075**	21,075

(b) Movements in ordinary shares on issue

	2017 Number of Shares	2017 $000	2016 Number of Shares	2016 $000
Balance at beginning of the year	**40,761,484**	**21,075**	40,761,484	21,075

(c) Share options

There were no outstanding options over ordinary shares on issue at 30 June 2017 and 30 June 2016.

(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.

16. Exchange translation reserve

The Exchange Translation Reserve is used to record exchange differences arising from the translation of the functional currency (NZ$) of the foreign subsidiary into the presentation currency (A$) of the consolidated financial statements (refer to Statement of Changes in Equity).

	Consolidated	
	2017	2016
	$000	$000
17. Dividends paid and proposed on ordinary shares		
(a) Dividends declared and paid during the year		
Final fully franked dividend for 2016 (5.00 cents per share) (2015: 5.00 cents)	**2,038**	2,038
Interim fully franked dividend for 2017 (4.50 cents per share) (2016: 4.00 cents)	**1,834**	1,631
Total dividends paid	**3,872**	3,669
(b) Dividends proposed subsequent to 30 June and not recognised as a liability		
Final fully franked dividend for 2017 (5.50 cents per share) (2016: 5.00 cents)	**2,242**	2,038
(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% (2016: 30%)	**3,089**	2,594
Franking credits that will arise from the payment of income tax payable as at the end of the financial year	**460**	289
	3,549	2,883
The amount of franking credits available for the future reporting periods:		
Impact of franking account of dividends proposed or declared before the financial report was authorised for issue but not recognised as a distribution to equity holders during the period	**(961)**	(874)
	2,588	2,009

The tax rate at which paid dividends have been franked is 30% (2016: 30%).

Dividends proposed will be franked at the rate of 30%.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017 (CONTINUED)

18. Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. There are no dilutive potential ordinary shares.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	Consolidated	
	2017	**2016**
	$000	**$000**
Net profit attributable to ordinary equity holders of the parent	**6,772**	4,843
	No.	No.
Weighted average number of ordinary shares for basic earnings per share	**40,761,484**	40,761,484
Basic and diluted earnings per share (cents per share)	**16.62**	11.88

	Consolidated	
	2017	**2016**
	$000	**$000**
19. Commitments		
(a) Operating lease commitments:		
not later than one year	**3,856**	3,764
later than one year and not later than five years	**11,361**	11,133
later than five years	**8,969**	8,926
	24,186	23,823

Operating leases have been entered into for properties, motor vehicles and equipment. Rental payments on motor vehicles and equipment are fixed. Rental payments on properties 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.

	Consolidated	
	2017	2016
	$	$
20. Auditor's compensation		
Amounts received or due and receivable by HLB Mann Judd (NSW Partnership) for:		
An audit and review of a financial report of the consolidated group	**69,100**	67,500
Amounts received or due and receivable by HLB Mann Judd Limited Auckland for:		
An audit of the financial report of a subsidiary	**17,850**	16,650
	86,950	84,150

21. Key management personnel

(a) Compensation of key management personnel

Details of key management personnel are as follows:

Directors

G J Forsyth	Chairman (non-executive)
P W McKenzie	Director (non-executive)
G D H Stewart	Managing Director (executive)
P W Gill	Finance Director and Company Secretary (executive)

The remuneration paid or payable to key management personnel of the Group was as follows:

	Consolidated	
	2017	2016
	$	$
Short-term	**1,008,265**	962,665
Post-employment	**83,467**	83,202
Other long term benefits	**12,149**	24,503
	1,103,881	1,070,370

(b) Shares issued on exercise of compensation options

There were no shares issued as compensation or on exercise of compensation options during the years ended 30 June 2017 and 30 June 2016.

(c) Option holdings of key management personnel

There were no options held by key management personnel at 30 June 2017 or 30 June 2016.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017 (CONTINUED)

21. Key management personnel (continued)

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

	Balance 1 July 2016	Options Exercised	Net Change Other	Balance 30 June 2017
	No.	No.	No.	No.
Directors				
G J Forsyth	**667,835**	**-**	**-**	**667,835**
P W McKenzie	**4,473,359**	**-**	**-**	**4,473,359**
G D H Stewart	**1,396,833**	**-**	**-**	**1,396,833**
P W Gill	**598,485**	**-**	**-**	**598,485**
	7,136,512	**-**	**-**	**7,136,512**

	Balance 1 July 2015	Options Exercised	Net Change Other	Balance 30 June 2016
	No.	No.	No.	No.
Directors				
G J Forsyth	667,835	-	-	667,835
P W McKenzie	4,473,359	-	-	4,473,359
G D H Stewart	1,396,833	-	-	1,396,833
P W Gill	598,485	-	-	598,485
	7,136,512	-	-	7,136,512

22. Employee entitlements

Superannuation commitments

The Group makes contributions to superannuation funds on behalf of Australian and participating New Zealand employees. The funds are accumulation funds and provide benefits to employees on retirement, death or disability.

Australian operating companies have a legal obligation to contribute 9.5% of the employees' ordinary earnings to the funds, with employees contributing various percentages of their gross salary.

The New Zealand operating company has a legal obligation to contribute 3% of participating employees' total earnings to KiwiSaver, with employees contributing various percentages of their gross salary.

	Consolidated 2017 $000	2016 $000
23. Cash flow information		
(a) Reconciliation of net profit after tax to the net cash flows from operations		
Profit after income tax	**6,772**	4,843
Adjustments for non-cash income and expense items		
Loss on disposal of plant and equipment	**11**	90
Depreciation of plant and equipment	**1,076**	946
Transfers to provisions:		
Inventory obsolescence	**102**	283
Employee entitlements	**157**	33
Doubtful debts	**(19)**	(8)
Lease make good	**11**	(529)
Net exchange differences	**(76)**	647
Increase (decrease) in provision for:		
Income tax payable	**343**	(244)
Deferred taxes	**(300)**	(231)
Changes in assets and liabilities		
(Increase) decrease in:		
Trade and other receivables	**(1,603)**	(95)
Inventories	**(2,597)**	(3,444)
Other assets	**(116)**	(4)
(Decrease) increase in:		
Trade and other payables	**1,766**	1,443
Net cash flow from (used in) operating activities	**5,527**	3,730
(b) Financing facilities available:		
At reporting date the following facilities had been negotiated and were available:		
Total credit facilities	**6,212**	6,636
Facilities used at reporting date	**(3,474)**	(3,594)
Facilities unused at reporting date	**2,738**	3,042
The major facilities are summarised as follows:		
Bank overdrafts and trade facility	**2,738**	1,742
Facilities used	**-**	-
Facilities unused at reporting date	**2,738**	1,742
Bank loans	**3,474**	4,894
Facilities used	**(3,474)**	(3,594)
Facilities unused at reporting date	**-**	1,300

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017 (CONTINUED)

	2017	2016
	$000	$000
24. Parent entity information		
Current assets	**1,308**	1,403
Total assets	**28,412**	26,560
Current liabilities	**485**	320
Total liabilities	**485**	320
Shareholders equity:		
Issued capital	**21,075**	21,075
Retained earnings	**6,852**	5,165
	27,927	26,240
Profit for the year	**5,559**	4,317
Other comprehensive income	**-**	-
Total comprehensive income	**5,559**	4,317

25. Deed of Cross Guarantee

Supply Network Limited, Multispares Limited, Globac Limited and Supply Network Services Limited (Closed Group) have entered into a Deed of Cross Guarantee dated 5 June 1992 which provides that all parties to the deed will guarantee to each creditor payment in full of any debt of each company participating in the deed on winding-up of that company. As a result of the Class Order 98/1418 issued by the Australian Securities Commission, Multispares Limited, Globac Limited and Supply Network Services Limited are relieved from the requirement to prepare financial statements.

The Statement of Profit or Loss and Other Comprehensive Income and Balance Sheet of entities included in the class order "Closed Group" are set below.

	Closed Group	
	2017	2016
	$000	$000
Statement of Profit or Loss and Other Comprehensive Income		
Profit before income tax	**7,745**	5,433
Income tax expense	**(2,120)**	(1,463)
Profit after income tax	**5,625**	3,970
Net profit attributable to members of the parent	**5,625**	3,970
Other comprehensive income	**-**	-
Total comprehensive income	**5,625**	3,970
Retained Earnings		
Retained earnings at beginning of the year	**5,181**	4,880
Profit after income tax	**5,625**	3,970
Dividends provided for or paid	**(3,872)**	(3,669)
Retained earnings at end of the year	**6,934**	5,181

25. Deed of Cross Guarantee (continued)

Balance Sheet

	Closed Group	
	2017	**2016**
	$000	**$000**
ASSETS		
Current assets		
Cash and cash equivalents	**1,831**	1,569
Trade and other receivables	**8,914**	7,820
Inventories	**23,565**	21,033
Other current assets	**96**	60
Intercompany	**42**	55
Total current assets	**34,448**	30,537
Non-current assets		
Other financial assets	**6,031**	6,031
Plant and equipment	**4,765**	4,995
Deferred tax assets	**1,821**	1,616
Total non-current assets	**12,617**	12,642
TOTAL ASSETS	**47,065**	43,179
LIABILITIES		
Current liabilities		
Trade and other payables	**13,797**	11,927
Interest bearing loans and borrowings	**372**	322
Income tax payable	**459**	289
Provisions	**809**	727
Derivatives	**7**	33
Total current liabilities	**15,444**	13,298
Non-current liabilities		
Interest bearing loans and borrowings	**2,531**	2,659
Provisions	**1,081**	966
Total non-current liabilities	**3,612**	3,625
TOTAL LIABILITIES	**19,056**	16,923
NET ASSETS	**28,009**	26,256
EQUITY		
Contributed equity	**21,075**	21,075
Retained earnings	**6,934**	5,181
TOTAL EQUITY	**28,009**	26,256

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017 (CONTINUED)

26. Segment information

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

The Group's geographical segments are determined based on the location of the Group's assets.

Geographical segments	Australia		New Zealand		Eliminations		Consolidated	
	2017	2016	2017	2016	2017	2016	2017	2016
	$000	$000	$000	$000	$000	$000	$000	$000
Revenue								
Sales to customers outside the Group	**77,968**	69,995	**19,657**	17,181	**-**	-	**97,625**	87,176
Other income from outside the Group	**22**	34	**15**	6	**-**	-	**37**	40
Inter-segment revenues	**1,786**	1,764	**48**	60	**(1,834)**	(1,824)	**-**	-
Total segment revenues	**79,776**	71,793	**19,720**	17,247	**(1,834)**	(1,824)	**97,662**	87,216
Results								
Segment results	**7,745**	5,432	**2,657**	2,111	**(761)**	(648)	**9,641**	6,895
Profit before income tax and finance costs							**9,853**	7,131
Finance revenue							**18**	31
Finance costs							**(230)**	(267)
Profit before income tax							**9,641**	6,895
Income tax expense							**(2,869)**	(2,052)
Profit after income tax expense							**6,772**	4,843
Assets								
Segment assets	**47,065**	43,179	**13,110**	12,116	**(6,154)**	(6,271)	**54,021**	49,024
Liabilities								
Segment liabilities	**19,056**	16,924	**3,563**	3,629	**(51)**	(170)	**22,568**	20,383
Other segment information								
Additions to plant and equipment, intangible assets and other non-current assets	**650**	3,041	**7**	245	**-**	-	**657**	3,286
Depreciation	**856**	736	**220**	210	**-**	-	**1,076**	946
Other non-cash expenses	**263**	452	**146**	114	**-**	-	**409**	566

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

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

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

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

27. Key economic risks

Financial risk management

The Group's principal financial instruments, other than derivatives, comprise cash, bank loans, bank overdrafts and bank trade facility. The main purpose of these financial instruments is to finance the Group's operations.

The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. The Group also enters into derivative transactions, principally forward currency contracts, the purpose of which is to manage the currency risk arising from the Group's operations. It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken. The main risks arising from the Group's operations are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group also has to manage its capital. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

(a) Interest rate risk

The Group is exposed to interest rate risk through financial assets and liabilities. The Group's main interest rate risk arises from long-term borrowings (refer Note 11).

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

Financial instruments - Contractual Maturities	Floating interest rate (i)	Fixed interest rate maturing			Non-interest bearing	Total	Weighted average interest rate	
		1 year or less	1 to 5 years	Over 5 years			Floating	Fixed
	$000	$000	$000	$000	$000	$000	%	%
Consolidated								
30 June 2017								
Financial assets								
Cash	**3,223**	**-**	**-**	**-**	**-**	**3,223**	**1.5**	**-**
Trade receivables	**-**	**-**	**-**	**-**	**11,716**	**11,716**	**-**	**-**
Forward currency contracts	**-**	**-**	**-**	**-**	**1,282**	**1,282**	**-**	**-**
Other receivables	**-**	**-**	**-**	**-**	**22**	**22**	**-**	**-**
	3,223	**-**	**-**	**-**	**13,020**	**16,243**		
Financial liabilities								
Trade and other payables	**-**	**-**	**-**	**-**	**16,368**	**16,368**	**-**	**-**
Bank loans and overdrafts	**653**	**-**	**2,821**	**-**	**-**	**3,474**	**3.7**	**5.0**
Forward currency contracts	**-**	**-**	**-**	**-**	**1,287**	**1,287**	**-**	**-**
	653	**372**	**2,821**	**-**	**17,655**	**21,129**		
Consolidated								
30 June 2016								
Financial assets								
Cash	2,304	-	-	-	-	2,304	1.5	-
Trade receivables	-	-	-	-	10,075	10,075	-	-
Forward currency contracts	-	-	-	-	1,413	1,413	-	-
Other receivables	-	-	-	-	60	60	-	-
	2,304	-	-	-	11,548	13,852		
Financial liabilities								
Trade and other payables	-	-	-	-	14,577	14,577	-	-
Bank loans and overdrafts	732	34	2,828	-	-	3,594	3.9	5.4
Forward currency contracts	-	-	-	-	1,443	1,443	-	-
	732	34	2,828	-	16,020	19,614		

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017 (CONTINUED)

27. Key economic risks (continued)

(a) Interest rate risk (continued)

(i) Floating interest rates are the most recently determined rate applicable to the instrument at balance date. Floating rate liabilities and non-interest bearing liabilities have contractual maturities of between 1-3 years.

The Group uses a mix of fixed and variable rate debt.

Fixed interest rate debts are used for long term funding. Amounts and maturity dates of long term funding for interest rate repricing vary depending on the interest rates offered at date of maturity. At balance date maturity dates range from 1-4 years.

Variable rate facilities such as bank overdrafts and trade facility are used for short term funding and are subject to annual renewal and market fluctuations in interest rates.

Surplus funds are invested with banks in short term call accounts and are subject to market fluctuations in interest rates.

Management have assessed the impact of any changes of effective interest rates and have determined there would be minimal effect on the Group's profit after income tax.

(b) Foreign exchange risk

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

The following table summarises the forward currency contracts outstanding at balance date.

		Average exchange rate		Buy	Buy
Currency		**2017**	**2016**	**2017**	**2016**
				$000	**$000**
Euro currency	3 months or less	**0.67**	0.64	**855**	1,145
US dollar	3 months or less	**0.75**	0.73	**264**	17
Japanese yen	3 months or less	**84.0**	76.51	**168**	262
Swedish krona	3 months or less	-	5.96	-	19
Total				**1,287**	1,443

Net exposure at balance date refer Note 14.

Management have assessed the impact of a material movement in the Australian dollar exchange rate on trade payables and have determined there would be minimal effect on the Group's profit after income tax.

The Group has an investment in a foreign subsidiary operation whose net assets are exposed to foreign currency translation risk. Currency exposure arising from this foreign operation is managed primarily through borrowings in that subsidiary's foreign currency.

(c) Credit risk

Credit risk is the risk of financial loss to the Group if a customer fails to meet its contractual obligations and arises primarily from the financial assets of the Group, which comprises cash and cash equivalents and trade and other receivables.

The Group's maximum exposures to credit risk at reporting date in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the balance sheet.

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

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

- 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.

An allowance for impairment loss is recognised when there is objective evidence that the Group will not be able to collect a trade receivable.

27. Key economic risks (continued)

(d) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as and when they fall due. Liquidity is managed to ensure, as far as possible, that sufficient funds are available to meet liabilities when they fall due without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages liquidity risk by maintaining adequate banking facilities and borrowing facilities by continuously monitoring forecasts and actual cash flows and matching maturity profiles of financial assets and liabilities. See Note 23(b) for additional undrawn facilities to the Group has available to further reduce liquidity risk.

(e) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, which comprises the borrowings detailed in Note 11, cash and cash equivalents (Note 5) and equity attributable to equity holders of the parent, comprising issued capital (Note 15), reserves (Note 16) and retained earnings.

The Board reviews the capital structure on a regular basis. As part of this review the cost of capital and the risks associated with each class of capital is considered. The Group balances its overall capital structure through the payment of dividends, operation of dividend reinvestment plan, new share issues, share buy-backs and additional borrowings.

	Consolidated	
	2017	**2016**
	$000	**$000**
28. Related party transactions		
(a) Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.		
Transactions with related parties:		
Key management personnel of the group		
Sales to related parties	**342**	266
Amounts owed by related parties	**74**	47

(b) Mr P W McKenzie is a Director of a family owned bus business that the group sells goods to on normal commercial terms and conditions.

(c) The names of each person holding the position of Director of Supply Network Limited during the last two financial years were; G J Forsyth, P W McKenzie, G D H Stewart and P W Gill.

(d) Investments in controlled entities

	Country of Incorporation
Multispares N.Z. Limited	New Zealand
Multispares Limited	Australia
Globac Limited	Australia
Supply Network Services Limited	Australia

The controlled entities were 100% owned for the years ended 30 June 2017 and 30 June 2016.

29. Events after balance date

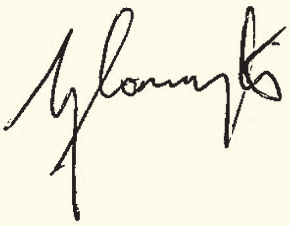
On 14 July 2017 Multispares NZ Limited signed an agreement for the purchase of vacant land in Christchurch for $696,700 (NZ $731,500). The property is proposed as the relocation site for our Christchurch branch.

DIRECTORS' DECLARATION

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

1. In the directors' opinion:
   (a) the financial statements and notes set out on pages 16 to 41 are in accordance with the Corporations Act 2001, including:
      (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2017 and of its performance for the financial year ended on that date; and
      (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
   (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
   (c) at the date of this declaration, there are reasonable grounds to believe that the members of the closed group identified in Note 25 will be able to meet any obligation or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in Note 25.
2. The directors have been given the declarations by the chief executive officer and chief financial officer for the year ended 30 June 2017 required by section 295A of the Corporations Act 2001.
3. The notes to the financial statements include a statement of compliance with International Financial Reporting Standards.

On behalf of the Board



G J Forsyth
Director
Sydney
23 August 2017

INDEPENDENT AUDITOR'S REPORT

HLB Mann Judd

Accountants | Business and Financial Advisers

To the members of Supply Network Limited

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the financial report of Supply Network ("the Company") and its controlled entities ("the Group"), which comprises the consolidated balance sheet as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year then ended; and

(b) complying with Australian Accounting Standards and the *Corporations Regulations* 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of *Ethics for Professional Accountants* ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company on 23 August 2017, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Email: mailbox@hlbnsw.com.au | Website: www.hlb.com.au

INDEPENDENT AUDITOR'S REPORT
(CONTINUED)

HLB Mann Judd

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. One Key Audit matter was addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter. We have determined the matter described below to be the key audit matter to be communicated in our report.

Key Audit Matter	How our audit addressed the key audit matter
The consolidated balance sheet of the Group as at 30 June 2017 shows inventories at $31,462,000. This represents the lower of cost and net realisable value for inventories on hand at 30 June 2017. We have identified the Existence and Valuation of Inventories as a Key Audit Matter due to the size of this asset. Also, judgement is involved in management's estimation of the net realisable value of inventories, which is based on certain assumptions.	**1. In relation to Existence, we:** (a) Considered the Group inventory count procedures at or near the year-end. We attended the year-end stocktake at a number of locations where inventories are held and observed the count procedures and controls. (b) We further tested these controls by performing our own test accounts. (c) We reviewed differences between inventory counted and inventories shown in the Group's inventory records. (d) We reviewed records of physical movement of inventories before and after the inventory counts to ensure that these items had been included in the correct accounting period. **2. In relation to Valuation we:** (a) Tested the recorded cost of a sample of items on hand at 20 June 2017 to purchase invoices, including invoices for freight and other costs associated with bringing the items to their present location. (b) Evaluated management's process for identifying slow-moving inventories, and tested the accuracy of reports used by management in making their estimates of net realisable value. (c) Considered the assumptions made by management, and compared them with historical experience of the sale of inventories by the Group. 3. We reviewed the accounting policies used by the Group for inventories, and the disclosures in the financial report.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

INDEPENDENT AUDITOR'S REPORT

(CONTINUED)

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON THE REMUNERATION REPORT

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 10 to 13 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Supply Network Limited for the year ended 30 June 2017 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

HLB Mann Judd

HLB MANN JUDD
Chartered Accountants

D K Swindells
Partner

Sydney, NSW
23 August 2017

ASX ADDITIONAL INFORMATION

a) Shareholdings

The number of shareholders by size of their holdings as at 23 August 2017 are:

			Shareholdings
1	to	1,000	117
1,001	to	5,000	220
5,001	to	10,000	88
10,001	to	100,000	140
100,001	to	and over	32
Total shareholders			597

b) The number of shareholders who hold less than a marketable parcel is 22.

c) All ordinary shares carry one vote per share.

d) The address of the Principal Registered Office in Australia is 1 Turnbull Close Pemulwuy NSW 2145.

e) The share registry is at Computershare Investor Services Pty Ltd Level 4, 60 Carrington Street, Sydney NSW 2000.

f) The company's auditors are HLB Mann Judd (NSW Partnership) 207 Kent Street Sydney NSW 2000.

g) The company's securities are listed on the Australian Securities Exchange.

h) The name of the Company Secretary is P W Gill.

i) Twenty largest shareholders

At 23 August 2017 the twenty largest shareholders were:

Name	Ordinary Shares Held	% of issued Ordinary Shares
Hergfor Enterprises Pty Ltd	12,561,895	30.8%
PW & LJ McKenzie Super Fund	4,473,359	11.0%
Dixson Trust Pty Ltd	2,609,328	6.4%
Mrs J E Davies	1,900,000	4.7%
Mr D J Woodcock	1,810,000	4.4%
Kailva Pty Ltd	1,070,000	2.6%
LJA Holdings Pty Ltd	1,038,330	2.6%
Boboco Pty Ltd	955,947	2.4%
Keiser Investments Pty Ltd	937,722	2.3%
J P Morgan Nominees	857,038	2.1%
Odalisque Pty Ltd	626,635	1.5%
D & RJ McKenzie	573,347	1.4%
HSBC Custody Nominees	535,218	1.3%
Mr Masashi Nakayama	482,875	1.2%
Sherkane Pty Ltd	450,000	1.1%
Mrs D G Stewart	440,886	1.1%
Trilon Nominees Pty Ltd	433,957	1.1%
Viewbar Pty Ltd	420,025	1.0%
Lingard Super Fund	380,618	0.9%
One Managed Investment Fund Ltd	322,494	0.8%
	32,879,674	**80.7%**

The company's register of substantial shareholders at 23 August 2017 is:

Hergfor Enterprises Pty Ltd	12,561,895	30.8%
Mr D J Woodcock	4,748,330	11.7%
PW & LJ McKenzie Super Fund	4,473,359	11.0%
Dixson Trust Pty Ltd	2,609,328	6.4%

FIVE YEARS CONSOLIDATED FINANCIAL SUMMARY

	2017	2016	2015	2014	2013
	$000	$000	$000	$000	$000
Financial data:					
Sales revenue	97,625	87,176	85,332	81,216	67,679
Total revenue	97,662	87,216	85,393	81,236	67,748
EBITDA	10,929	8,077	9,336	9,617	7,331
EBIT	9,853	7,131	8,395	8,830	6,718
Profit (loss) before tax	9,641	6,895	8,145	8,536	6,480
Profit (loss) after tax	6,772	4,843	5,730	6,000	4,548
Earnings per share (cents)	16.62	11.88	16.16	17.55	13.30
Dividends (cents per share)	9.50	9.00	34.00	8.50	7.50
Total assets	54,021	49,024	46,463	41,366	35,347
Total interest bearing debt	3,474	3,594	3,924	4,160	3,311
Total equity	31,453	28,641	26,772	22,069	18,495
Cash flow from (used in) operating activities	5,527	3,730	7,696	1,010	3,381
Cash flow from (used in) investing activities	(615)	(2,936)	(1,476)	(718)	(1,622)
Cash flow from (used in) financing activities	(3,984)	(4,059)	(855)	(2,112)	(2,184)
Net movement in cash	928	(3,265)	5,365	(1,820)	(425)
Financial ratios:					
Inventory turnover (a)	2.1	2.1	2.1	2.2	2.4
Interest cover (b)	51.5	34.2	37.3	32.6	30.8
Gearing (c)	11.0%	12.5%	14.7%	18.8%	17.9%
Net tangible asset backing (cents per share)	77.2	70.3	65.7	64.6	54.1
Return on average total assets	13.1%	10.1%	13.0%	15.6%	13.7%
Return on average total equity	22.5%	17.5%	23.5%	29.6%	26.2%

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

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

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

NETWORKING THE SUPPLY OF COMPONENTS TO THE ROAD TRANSPORT INDUSTRY

MULTISPARES LOCATIONS

AUSTRALIA

Parts Hotline **13 16 15**

Mackay Branch
Unit 4/70 Connors Road
Paget QLD 4740

Brisbane Branch
Unit 1/2642 Ipswich Road
Darra QLD 4076

Toowoomba Branch
Tenancy 2/20 Carrington Road
Toowoomba QLD 4076

Newcastle Branch
Unit 2/11 Kinta Drive
Beresfield NSW 2322

Sydney Branch
1 Turnbull Close
Pemulwuy NSW 2145

Smeaton Grange Branch
85 Hartley Road
Smeaton Grange NSW 2567

Illawarra Branch
Unit B/38 Industrial Road
Unanderra NSW 2526

Canberra Branch
Unit 1/68 Sheppard Street
Hume ACT 2620

Melbourne Branch
Cnr Fairbairn & Somerville Roads
Sunshine VIC 3020

Dandenong Branch
302 South Gippsland Highway
Dandenong VIC 3175

Somerton Branch
Unit 1/802 Cooper Street
Somerton VIC 3062

Adelaide Branch
193 Cormack Road
Wingfield SA 5013

Perth Branch
Unit 10/511 Abernethy Road
Kewdale WA 6105

Kwinana Branch
31 Beach Street
Kwinana Beach WA 6167

NEW ZEALAND

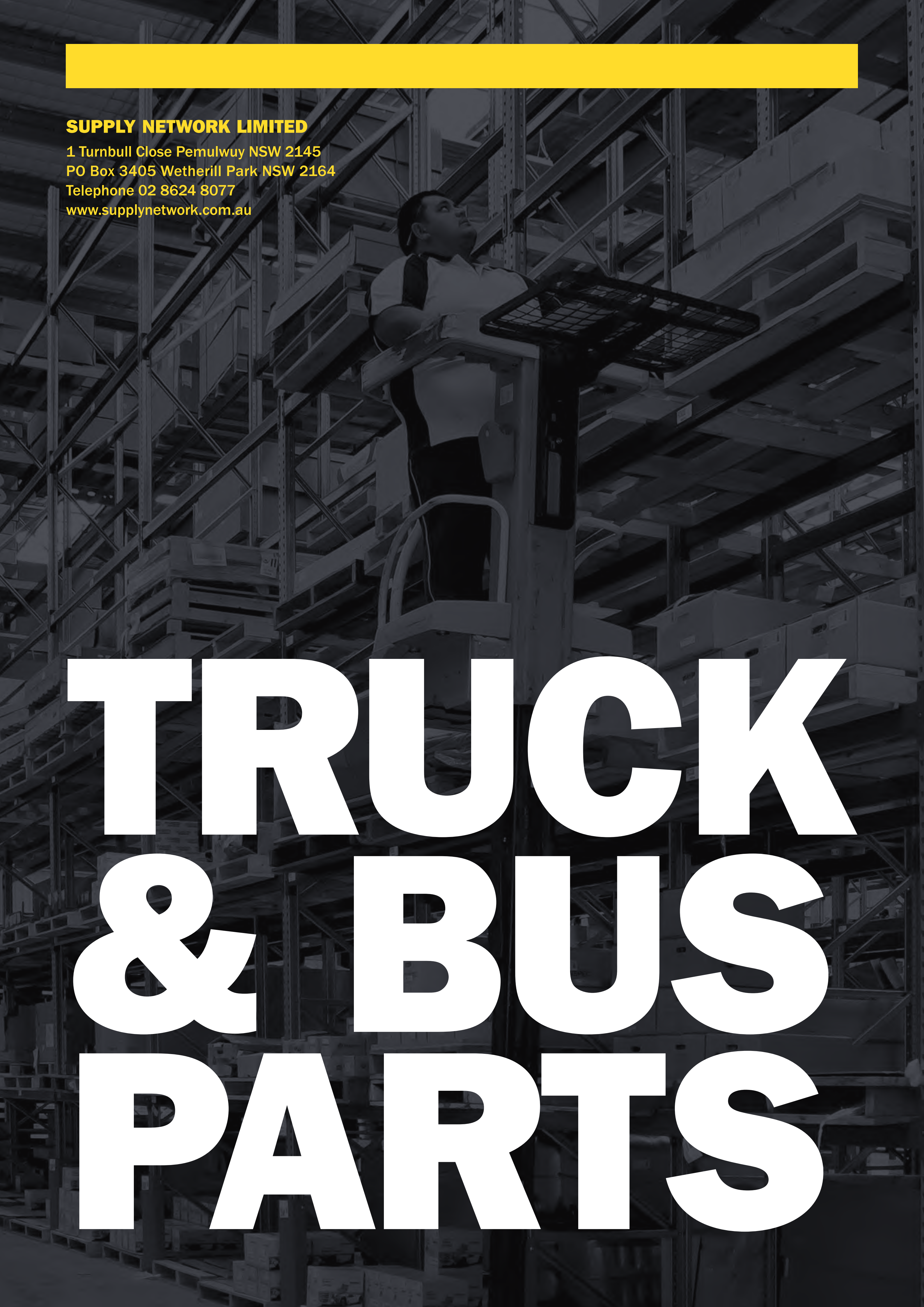
Parts Hotline **0800 404 100**

Auckland Branch
9 Vesty Drive
Mount Wellington

Wellington Branch
48-56 Seaview Road
Lower Hutt

Christchurch Branch
Unit 2/1 Edmonton Road
Hornby

Dunedin Branch
Unit 3/14 Teviot Street
Andersons Bay



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