



**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

20 September 2018

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

Dear Sir,

**Re: 2018 Annual Report**

Please find attached our 2018 Annual Report.

Yours faithfully

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

**Peter Gill**  
**Company Secretary**

# SNL ANNUAL REPORT 2018



SUPPLY NETWORK LIMITED ABN 12 003 135 680



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The financial statements were authorised for issue by the directors on 22 August 2018.  
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](mailto:admin@supplynetwork.com.au)

## Corporate Governance Statement

The Corporate Governance Statement can be found at:

[www.supplynetwork.com.au/governance.htm](http://www.supplynetwork.com.au/governance.htm)

## Internet Address

[www.supplynetwork.com.au](http://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

These results demonstrate the value of more than a decade of continuous reinvestment in core business activities.

Underpinning the 14.8% increase in revenue for the 2018 financial year was solid growth in every major geographic region, customer segment and product category. In a highly competitive market, sales revenue of \$112m was a remarkable achievement.

The pace of growth and delays to commencement of some planned operating costs contributed to an above forecast EBIT margin of 10.7% and record full year EBIT of \$12m for the Group.

These results demonstrate the value of more than a decade of continuous reinvestment in core business activities and reinforce our confidence in market opportunities.

## Review of Operations

Truck Parts has been the dominant driver of our growth over the past 6 years and remains at the centre of plans for range expansion and other significant investments. In 2018 we opened a new branch in Port Hedland, WA to improve services to workshops in the Pilbara. Road transport in this region is dominated by high horse power trucks hauling quad road trains carrying bulk products, around the clock. The conditions are harsh and the vehicle mileages high, so the importance of local support is as acute as anywhere. Port Hedland branch is a long-term investment with significant short-term cost, but we are excited by what our WA team has achieved over the past year and by new doors this investment in the Pilbara has opened.

Bus Parts remains an important segment of our business and is embedded in our strategic thinking and long-term plans. Notwithstanding steady growth in urban bus fleets and positive trends on passenger numbers, the cyclical tendering of most high volume metropolitan route service contracts combined with significant investment in fleet renewal around the country has resulted in more efficient fleet operations and years of deflation in the price of parts. As an organisation we have been closely involved in this process and believe our systems and actions have made a substantial contribution to the efforts of our

fleet customers to manage their operating costs. This has helped us to improve market share and we have more projects underway in this segment. However, the sheer size of the truck market and our much faster pace of growth in Truck Parts has resulted in a further decrease in the Bus Parts share of total revenue, now at around 22%. We see this trend as an inevitable consequence of continued growth and a positive reflection on the diversification of our revenue streams.

In the last quarter of the 2018 financial year we began transferring all New Zealand distribution operations to our new site in Hamilton and we expect to conclude this transfer in the first half of the 2019 financial year. The capacity for distribution from our Auckland site had become a drag on growth and had served its useful life. The investment in Hamilton will provide distribution capacity to support a new phase of growth for New Zealand and allow Auckland staff to focus on their customer service.

In July 2018 we commenced trading from Hamilton branch, which is attached to the distribution facility. With such fantastic access to stock, local staff will be able to dramatically improve service levels for customers in the growing Waikato economic region, and we are confident this will lead to significant new business.

Major investments in distribution centres for Australia and New Zealand over the past three years have provided the opportunity for a new focus on mobile warehousing technology and related systems to improve efficiency and stock pick accuracy. The development effort for these systems commenced early last financial year. A phased implementation is underway in Sydney and Hamilton and we have begun testing the technology in branch operations and for remote sites.

We are a physical business with most transactions requiring multiple product movements, so growth must be supported by ongoing investment in warehousing, systems and customer services. With this as our focus, over the course of last financial

## Sales Revenue

**\$112.1m**

## Net Profit After Tax was

**\$8.2m**

## Earnings Per Share

**20.06c**

year we invested \$2.9m in capital assets and we continued long-term programs that develop and expand service capability around Australia and New Zealand.

### The Future

Over the last two years, in most regions where we operate the level of economic activity has been supportive of business growth. We are aware of difficulty in rural areas affected by drought and a tapering of housing constructions starts, however a substantial pipeline of large infrastructure development projects provides a strong platform for our business activity over the 2019 financial year.

Of course, we have been monitoring significant consolidation in the aftermarket for car parts, in our region and elsewhere in the world. This consolidation is likely to continue but will have relatively little direct impact on our business because of an absence of obvious synergies between the service markets for light and heavy road vehicles. However, there has been a parallel, albeit far more gradual, consolidation in the aftermarket for truck and bus parts that is reflected in our own organic growth over recent years. Supply Network is well positioned to continue developing opportunities that arise in a maturing market and we are conscious of this in all our planning.

Construction of a new facility for Christchurch branch will commence over the next few months and we plan to relocate from the existing Christchurch facility early next financial year. In addition to weighing the costs and benefits of branch expansion or renewal, we continue to explore opportunities for new branch locations in Australia and New Zealand with a focus on improving service in areas of high truck activity.

Over the 2018 financial year, and particularly in the second half, our rate of growth was significantly higher than forecast. This is pleasing and a strong endorsement of our recent investments and the work of staff, but it does not change our view on forecast growth rates for the periods ahead. Over the

# CHAIRMAN'S AND MANAGING DIRECTOR'S REPORT

## CONTINUED

### New investment in capital assets

**\$2.9m**

next two years we are targeting compound organic growth of around 8% and believe this will further strengthen our market position.

Directors will also consider any promising acquisition opportunities that would complement our core business without distracting from progress on organic growth plans. It is possible more such opportunities will arise in a maturing market.

#### Capital Management

Notwithstanding an increase in working capital of around \$1.4m and expenditure on capital assets of around \$2.9m, the ratio of our net debt to net assets remains below 5%. Directors have long stated, taking account of organic growth plans, cash flows from operations should support dividend payments of 60-70% of earnings. Dividends paid or announced based on results of the 2018 financial year totalled 13.5 cents per share, an increase of 35% on the prior year and a payout ratio of 67.5% of earnings.

Directors have confidence in the financial strength of this business and are pleased to upgrade their preference for a dividend payout ratio of 60-70% of earnings to a new preference at the higher end of this target band.

Directors will continue to explore other capital management initiatives where they are in the best interests of the business and shareholders.

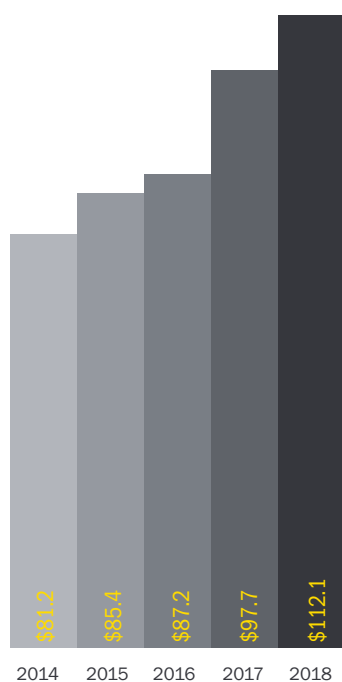
#### A Thank You to Staff

We congratulate staff on passing (and substantially exceeding) the milestone sales revenue of \$100m and acknowledge that good results would not be possible without many old and new staff making important contributions to the progress of this company. We are pleased for this opportunity to again thank all staff for their efforts throughout the past year.

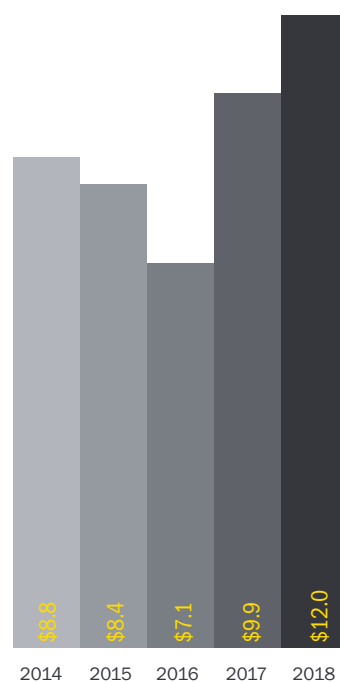


## Performance Highlights

2018  
Total revenue  
**\$112.1m**



2018  
Earnings before interest and tax  
**\$12.0m**



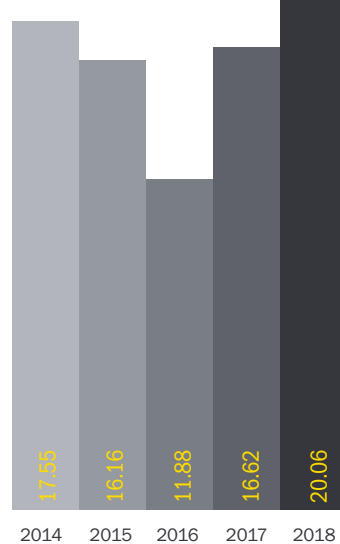
2018  
Profit after income tax  
**\$8.2m**



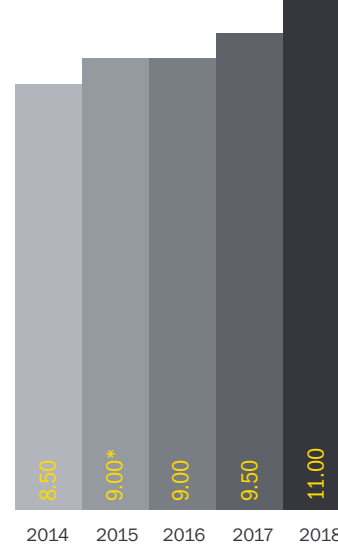
2018  
Return on average total equity  
**24.7%**



2018  
Earnings per share  
**20.06 cents**



2018  
Ordinary Dividends paid per share  
**11.00 cents**



\*excludes special dividend



# OUR BUSINESS

## Return on average total equity

24.7%

### 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

**16.6%**

in Australia and by

**11.0%**

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 2018.

## 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.

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 aftermarket parts to the commercial vehicle industry.

## Results

The net profit of the Group after providing for income tax for the financial year was \$8.2m (2017: \$6.8m).

## Earnings per Share

Basic and diluted earnings per share for the financial year were 20.06 cents per share (2017: 16.62 cents).

## Dividends

Dividends paid or declared for payment were as follows:

## Review of Operations

Group sales revenue for the year was \$112.1m, which is an increase of 14.8% when compared to the prior year.

Sales revenue in the Australian operation increased by 16.6% and in the New Zealand operation increased by 11.0% in NZ\$ terms.

Earnings before interest and tax for the year were \$12.0m, an increase of 21.6% on last year.

Profit after income tax for the year was \$8.2m, an increase of 20.7% on last year.

Throughout the year we continued developing new opportunities to expand our operations in a highly competitive market.

During the period we leased new premises in Port Hedland, Western Australia where we commenced trading in March 2018, and we acquired a parcel of land in Christchurch, New Zealand to be developed over the next 12 months as a bigger and better site for our Christchurch branch. In the second half of the financial year we established a new branch and a national distribution centre in Hamilton, New Zealand and trading from this location commenced on 1 July, 2018. These investments will add to our operating costs but also support the company's long-term growth plans.

Earnings per share were 20.06 cents, an increase of 3.44 cents on last year (refer Note 18).

Group cash flows from operating activities were \$6.1m, an increase of \$0.5m on last year. Increasing inventory levels continue to impact on group cash flows.

Gearing at balance date has increased to 11.6%, which is a small increase on gearing of 11.0% as at June 2017. There were additional long-term borrowings during the year of \$0.7m, with \$0.4m unused at reporting date (refer Note 23(b)).

	\$000
Final dividend for 2017 of 5.50 cents per share paid 29 September 2017	2,242
Interim dividend for 2018 of 5.50 cents per share paid 5 April 2018	2,242
Final dividend for 2018 of 8.00 cents per share declared 24 July 2018 and payable 28 September 2018	3,261



As at June 30, 2018 net assets of the group were \$34.8m (June 2017: \$31.5m) and net tangible asset backing was 85.4 cents per share (June 2017: 77.2 cents).

The Directors have declared a fully franked final dividend of 8.0 cents per share payable on 28 September 2018 to shareholders registered on 14 September 2018.

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 2018 financial year total 13.5 cents per share, which is an increase of 3.5 cents on the prior year (refer Note 17(b)). The dividend payout ratio for the year is 67.5%.

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

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 around 8% in 2018/19. 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	3	3
P W McKenzie	12	12	2	2	3	3
G D H Stewart	12	12	-	-	-	-
P W Gill	12	12	-	-	-	-

Earnings before interest and tax for the year were

**\$12.0m**

### Directors' Interests

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

- 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).
- 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).
- 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).
- 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.

### Review of remuneration of directors

In July 2017, the Remuneration Committee engaged HLB Mann Judd (HLB) and TC Corporate Pty Limited (TC) to conduct independent reviews of the Directors' remuneration, covering the following:

- Contemporary remuneration structures appropriate for Executive Directors;
- Performance bonus structures appropriate for Executive Directors (both short and longer term);
- Remuneration package options for each Executive Director; and
- Appropriate remuneration levels for SNL Directors (executive and non-executive).

HLB and TC have confirmed that their reports and any recommendations in their reports have been made free from undue influence from any members of the company's Key Management Personnel.

The following arrangements were made to ensure that the reports and recommendations in the reports were free from undue influence:

- HLB and TC were engaged by, and reported directly to, the Chair of the Remuneration Committee. The engagement of the services was undertaken by the Chair of the Remuneration Committee under delegated authority on behalf of the Board;
- HLB and TC reports were provided directly to the Chair of the Remuneration Committee; and
- HLB and TC were permitted to speak to Executive Directors throughout the engagement to understand the company's processes, practices and other business issues, and obtain management perspectives. However, HLB and TC were not permitted to and did not provide any Executive Director with a copy of the draft or final report.

As a consequence, the Board is satisfied that the reports and recommendations in the reports were made free from undue influence from any Key Management Personnel.

HLB Mann Judd were paid \$14,000 for their report. In addition HLB has provided audit services throughout the year and receive \$70,750 for the provision of these services (refer Note 20).

TC Corporate were paid \$5,000 for their report. TC Corporate provided no other service during the year.

### 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.



# DIRECTORS' REPORT

## CONTINUED

### Dividends paid per share

**11.00c**

The present maximum aggregate sum for Non-executive directors is \$400,000. This amount was approved by shareholders at the 2017 Annual General Meeting.

The compensation of Non-executive directors for the period ending 30 June 2018 is detailed in Table 1 on page 13.

#### **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.

#### **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 following table sets out summary information about SNL earnings and movements in shareholder wealth for the five years to 30 June 2018. 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.

	2018	2017	2016	2015	2014
<b>Total Revenue \$</b>	112.1	97.6m	87.2m	85.3m	81.2m
<b>Net Profit after tax \$</b>	8.2m	6.8m	4.8m	5.7m	6.0m
<b>Share price year-end</b>	\$4.24	\$2.52	\$2.10	\$2.05	\$2.30
<b>Dividends paid cents per share</b>	11.0	9.5	9.0	9.0*	8.5

\*excludes 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 \$465,000 from 1 July 2017 plus a short-term incentive of up to 40% of the package.
- P W Gill – fixed compensation package of \$360,000 from 1 July 2017 plus a short-term incentive of up to 30% 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 2018**

	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		
	\$	\$	\$	\$	\$	\$	\$	\$	%
<b>Directors</b>									
G J Forsyth	104,498	-	-	-	9,927	-	-	114,425	-
P W McKenzie	66,877	-	-	-	6,353	-	-	73,230	-
G D H Stewart	473,539	186,000	-	31,242	25,000	-	-	715,781	26.0
P W Gill	267,289	108,000	-	13,032	25,000	-	-	439,321	24.6
Total	912,203	294,000	26,000	44,274	66,280	-	-	1,342,757	21.9
<b>Total</b>	<b>1,232,203</b>			<b>44,274</b>	<b>66,280</b>		<b>-</b>	<b>1,342,757</b>	<b>21.9</b>

# DIRECTORS' REPORT

## CONTINUED

**Table 2: 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		
	\$	\$	\$	\$	\$	\$	\$	\$	%
<b>Directors</b>									
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
<b>Total</b>		1,008,265		12,149	83,467		-	1,103,881	19.2

### 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 2018 is set out on page 15.

### Non-Audit Services

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in Note 20 to the financial statements. The Directors are satisfied that the provision of non-audit services during the year by the auditor is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The Directors are of the opinion that the services as disclosed in Note 20 to the financial statements do not compromise the external auditor's independence, based on advice received from the Audit Committee, for

the following reasons:

- All non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 'Code of Ethics for Professional Accountants' issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

Signed in accordance with a resolution of directors.



**G J Forsyth**  
Director  
Sydney  
22 August 2018





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 2018, 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.

A handwritten signature in black ink, appearing to read 'D K Swindells'.

Sydney, NSW  
22 August 2018

D K Swindells  
Partner

**HLB Mann Judd (NSW Partnership) ABN 34 482 821 289**

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# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2018

	Note	Consolidated	
		2018 \$000	2017 \$000
<b>Revenue</b>	3	<b>112,065</b>	97,625
Finance revenue	3	<b>16</b>	18
Other income		<b>13</b>	19
Changes in inventories of finished goods		<b>(65,397)</b>	(56,190)
Employee benefits expense		<b>(20,977)</b>	(18,817)
Depreciation and amortisation		<b>(1,091)</b>	(1,076)
Other expenses	3	<b>(12,631)</b>	(11,708)
Finance costs	3	<b>(276)</b>	(230)
<b>Profit before income tax</b>		<b>11,722</b>	9,641
Income tax expense	4	<b>(3,546)</b>	(2,869)
<b>Profit after income tax</b>		<b>8,176</b>	6,772
<b>Profit attributable to members of the parent</b>		<b>8,176</b>	6,772
<b>Other comprehensive Income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Adjustment on translation of foreign controlled entity net of tax	16	<b>(349)</b>	(88)
<b>Total other comprehensive income/(loss) after income tax</b>		<b>(349)</b>	(88)
<b>Total comprehensive income for the year attributable to members of the parent</b>		<b>7,827</b>	6,684
Basic and diluted earnings per share (cents per share)	18	<b>20.06</b>	16.62
Dividends per share (cents per share)	17	<b>11.00</b>	9.50

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 2018

		Consolidated	
		2018	2017
		\$000	\$000
	Note		
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	5	2,401	3,223
Trade and other receivables	6	12,936	11,552
Inventories	7	34,265	31,462
Other current assets	8	172	176
Derivatives	14	16	-
<b>Total current assets</b>		<b>49,790</b>	<b>46,413</b>
<b>Non-current assets</b>			
Property, plant and equipment	9	7,180	5,350
Deferred tax assets	4	2,456	2,258
<b>Total non-current assets</b>		<b>9,636</b>	<b>7,608</b>
<b>TOTAL ASSETS</b>		<b>59,426</b>	<b>54,021</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	10	17,490	16,368
Interest bearing loans and borrowings	11	907	372
Income tax payable	12	1,025	805
Provisions	13	914	809
Derivatives	14	-	5
<b>Total current liabilities</b>		<b>20,336</b>	<b>18,359</b>
<b>Non-current liabilities</b>			
Interest bearing loans and borrowings	11	3,146	3,102
Provisions	13	1,148	1,107
<b>Total non-current liabilities</b>		<b>4,294</b>	<b>4,209</b>
<b>TOTAL LIABILITIES</b>		<b>24,630</b>	<b>22,568</b>
<b>NET ASSETS</b>		<b>34,796</b>	<b>31,453</b>
<b>EQUITY</b>			
Contributed equity	15	21,075	21,075
Reserves	16	430	779
Retained earnings		13,291	9,599
<b>TOTAL EQUITY</b>		<b>34,796</b>	<b>31,453</b>

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

# STATEMENT OF CHANGES IN EQUITY

## FOR THE YEAR ENDED 30 JUNE 2018

		Contributed Equity	Exchange Translation Reserve	Retained Earnings	Total
	Note	\$000	\$000	\$000	\$000
<b>Consolidated</b>					
<b>Balance at 1 July 2016</b>		21,075	867	6,699	28,641
Total comprehensive income for the year			(88)	6,772	6,684
<b>Transactions with owners in their capacity as owners</b>					
Dividends provided for or paid	17	-	-	(3,872)	(3,872)
<b>Balance at 30 June 2017</b>		<b>21,075</b>	<b>779</b>	<b>9,599</b>	<b>31,453</b>
Total comprehensive income for the year			(349)	8,176	7,827
<b>Transactions with owners in their capacity as owners</b>					
Dividends provided for or paid	17	-	-	(4,484)	(4,484)
<b>Balance at 30 June 2018</b>		<b>21,075</b>	<b>430</b>	<b>13,291</b>	<b>34,796</b>

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 2018

		Consolidated	
		2018	2017
		\$000	\$000
Note		Inflows / (Outflows)	
<b>Cash flows from operating activities</b>			
Receipts from customers		122,663	106,754
Payments to suppliers and employees		(112,877)	(98,225)
Interest received		17	18
Interest paid		(219)	(215)
Income tax paid		(3,526)	(2,805)
Net cash flows from (used in) operating activities	23(a)	<u>6,058</u>	<u>5,527</u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(2,945)	(629)
Proceeds from sale of plant and equipment		-	14
Net cash flows from (used in) investing activities		<u>(2,945)</u>	<u>(615)</u>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		367	300
Repayment of borrowings		(395)	(412)
Dividends paid		(4,484)	(3,872)
Net cash flows from (used in) financing activities		<u>(4,512)</u>	<u>(3,984)</u>
Net increase (decrease) in cash and cash equivalents		(1,399)	928
Cash and cash equivalents at beginning of year		3,223	2,304
Exchange rate adjustment to balances held in foreign currencies		(51)	(9)
<b>Cash and cash equivalents at end of year</b>	5	<u>1,773</u>	<u>3,223</u>

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 2018

### 1. Corporate information

The consolidated financial statements of Supply Network Limited (the company) for the year ended 30 June 2018 were authorised for issue in accordance with a resolution of the directors on 22 August 2018.

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.

#### *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.

#### *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.

#### *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.

#### *Foreign 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 cash equivalents in the Balance Sheet comprises cash at bank, on deposit and in hand with a 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 and bank trade facilities.

#### **(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 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) Property, plant and equipment**

Property, plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on a straight line basis 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.

#### **(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. 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.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

### 2. Summary of significant accounting policies (continued)

#### (n) Employee leave benefits (continued)

##### (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 2018 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 2018 (CONTINUED)

	Consolidated	
	2018	2017
	\$000	\$000
<b>3. Revenues and expenses</b>		
<b>Revenue and expenses from continuing operations</b>		
<b>(a) Revenue</b>		
Sale of goods	112,065	97,625
<b>(b) Finance revenue</b>		
Bank interest	16	18
<b>(c) Other expenses</b>		
Bad and doubtful debts – trade receivables	(88)	(78)
Freight and cartage expenses	(1,469)	(1,431)
Operating lease expense	(4,633)	(4,568)
Other	(6,441)	(5,631)
	<b>(12,631)</b>	<b>(11,708)</b>
<b>(d) Finance costs</b>		
Bank loans, overdrafts and trade facility	(206)	(210)
Other finance costs	(70)	(20)
	<b>(276)</b>	<b>(230)</b>
<b>4. Income tax</b>		
<b>(a) Income tax expense</b>		
The major components of income tax expense are:		
<b>Current income tax</b>		
Current income tax charge	3,763	3,169
<b>Deferred income tax</b>		
Relating to origination and reversal of temporary differences	(217)	(300)
Income tax expense	<b>3,546</b>	<b>2,869</b>

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$000</b>	<b>\$000</b>
<b>4. Income tax (continued)</b>		
<b>(b) Reconciliation of prima facie tax payable to income tax expense</b>		
Profit before income tax	<b>11,722</b>	9,641
At the Group's income tax rate of 30% (2017: 30%)	<b>3,517</b>	2,892
Effect of different tax rates of subsidiary	<b>(59)</b>	(53)
Other amounts which are not deductible (assessable) for income tax purposes	<b>88</b>	30
Income tax expense	<b>3,546</b>	2,869
<b>(c) Deferred tax assets</b>		
Depreciation differences	<b>333</b>	280
Doubtful debts	<b>56</b>	56
Employee benefits	<b>804</b>	744
Stock obsolescence	<b>556</b>	581
Operating lease incentives	<b>420</b>	375
Other	<b>287</b>	222
	<b>2,456</b>	2,258

**(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 2018 (CONTINUED)

	Consolidated	
	2018	2017
	\$000	\$000
<b>5. Cash and cash equivalents</b>		
Cash at bank, on deposit and in hand	2,401	3,223
Bank trade facility	(628)	-
	<b>1,773</b>	<b>3,223</b>

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

	Consolidated	
	2018	2017
	\$000	\$000
<b>6. Trade and other receivables</b>		
<b>Current</b>		
Trade receivables (i)	13,030	11,716
Allowance for impairment loss	(187)	(186)
	<b>12,843</b>	<b>11,530</b>
Other receivables	93	22
	<b>12,936</b>	<b>11,552</b>
<b>Ageing of trade receivables impaired</b>		
Not overdue	62	63
61-90 days past due impaired	70	63
91 days and above past due	55	60
	<b>187</b>	<b>186</b>
<b>Total trade receivables</b>	<b>13,030</b>	<b>11,716</b>
<b>Movements in allowance for impairment loss</b>		
Opening balance	186	205
Additions during the year	37	29
Amounts written off during the year	(36)	(48)
Closing balance	<b>187</b>	<b>186</b>

- (i) Trade receivables are non-interest bearing and generally on 30 day terms. As at 30 June 2018 trade receivables of \$380,500 (2017: \$379,000) 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.



	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$000</b>	<b>\$000</b>
<b>7. Inventories</b>		
Finished goods at lower of cost and net realisable value	<b>30,261</b>	27,466
Stock in transit - finished goods at cost	<b>4,004</b>	3,996
Total inventories at lower of cost and net realisable value	<b>34,265</b>	31,462
<b>8. Other current assets</b>		
Prepayments and deposits	<b>172</b>	176
<b>9. Property, plant and equipment</b>		
<b>Land at cost</b>		
Opening balance	-	-
Additions	<b>744</b>	-
Closing balance	<b>744</b>	-
<b>Plant and equipment at cost</b>		
Opening balance	<b>10,848</b>	10,608
Additions	<b>2,201</b>	657
Disposals	<b>(30)</b>	(397)
Exchange difference	<b>(61)</b>	(20)
Closing balance	<b>12,958</b>	10,848
<b>Accumulated depreciation</b>		
Opening balance	<b>5,498</b>	4,803
Additions	<b>1,091</b>	1,076
Disposals	<b>(27)</b>	(372)
Exchange difference	<b>(40)</b>	(9)
Closing balance	<b>6,522</b>	5,498
Plant and equipment - net book value	<b>6,436</b>	5,350
<b>Total property, plant and equipment</b>	<b>7,180</b>	5,350

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

	Consolidated	
	2018	2017
	\$000	\$000
<b>10. Trade and other payables</b>		
Trade payables and accruals	<b>17,490</b>	16,368
<b>11. Interest bearing loans and borrowings</b>		
<b>Current</b>		
Bank loans - instalments due within 12 months (i)	<b>279</b>	372
Bank trade facility (ii)	<b>628</b>	-
	<b>907</b>	372
<b>Non-current</b>		
Bank loans (i)	<b>3,146</b>	3,102
	<b>3,146</b>	3,102
Total interest bearing loans and borrowings	<b>4,053</b>	3,474

(i) Bank loans comprises:

Fixed rate interest only loans of \$2,800,000 (2017: \$2,821,000), with interest rates of 4.8% to 5.2% (2017: 4.1% to 5.5%) maturing October 2020 and August 2021 (2017: October 2020, August 2021).

Variable rate principal and interest loans of \$624,700 (2017: \$652,750), with interest rates of 4.07% to 4.96% (2017: 3.7%) maturing in March 2019, March 2020 and March 2022 (2017: June 2018, March 2019 and March 2020), 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 trade facilities have 60 day terms and both are subject to annual review. Interest rates on these facilities are variable and during the year the average interest rate was 7.7% (2017: 8.2%).

(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.

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$000</b>	<b>\$000</b>
<b>12. Income tax payable</b>		
Current year income tax payable	<b>1,025</b>	805

	<b>Consolidated</b>		
	<b>Long Service Leave</b>	<b>Lease make good</b>	<b>Total</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
At 1 July 2017	<b>1,188</b>	<b>728</b>	<b>1,916</b>
Arising during the year	<b>86</b>	<b>60</b>	<b>146</b>
At 30 June 2018	<b>1,274</b>	<b>788</b>	<b>2,062</b>
Current 2018	<b>914</b>	-	<b>914</b>
Non-current 2018	<b>360</b>	<b>788</b>	<b>1,148</b>
	<b>1,274</b>	<b>788</b>	<b>2,062</b>
Current 2017	809	-	809
Non-current 2017	379	728	1,107
	1,188	728	1,916

#### 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 provisions due within 12 months are shown as current.

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$000</b>	<b>\$000</b>
<b>14. Derivatives</b>		
<b>Current assets (liabilities)</b>		
Net forward currency contracts	<b>16</b>	(5)

#### 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 2018 (CONTINUED)

	Consolidated			
	2018		2017	
	\$000		\$000	
<b>15. Contributed equity</b>				
<b>(a) Issued and paid up capital</b>				
40,761,484 ordinary shares fully paid (2017: 40,761,484)		<b>21,075</b>		21,075
<b>(b) Movements in ordinary shares on issue</b>				
	<b>2018</b>		<b>2017</b>	
	Number of Shares	\$000	Number of Shares	\$000
Balance at beginning and end of the year	<b>40,761,484</b>	<b>21,075</b>	40,761,484	21,075

### (c) Share options

There were no outstanding options over ordinary shares on issue at 30 June 2018 and 30 June 2017.

### (d) Terms and conditions of contributed equity

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

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

	Consolidated	
	2018	2017
	\$000	\$000
<b>16. Exchange Translation Reserve</b>		
The Exchange Translation Reserve is used to record exchange differences arising from the translation of the functional currency of the foreign subsidiary, New Zealand dollar, into the presentation currency of the consolidated financial statements, Australian dollar, (refer to Statement of Changes in Equity).	<b>430</b>	779

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$000</b>	<b>\$000</b>
<b>17. Dividends paid and proposed on ordinary shares</b>		
<b>(a) Dividends declared and paid during the year</b>		
Final fully franked dividend for 2017 (5.50 cents per share) (2016: 5.00 cents)	<b>2,242</b>	2,038
Interim fully franked dividend for 2018 (5.50 cents per share) (2017: 4.50 cents)	<b>2,242</b>	1,834
<b>Total dividends paid</b>	<b>4,484</b>	3,872
<b>(b) Dividends proposed subsequent to 30 June and not recognised as a liability</b>		
Final fully franked dividend for 2018 (8.00 cents per share) (2017: 5.50 cents)	<b>3,261</b>	2,242
<b>(c) Franking credit balance</b>		
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% (2017: 30%)	<b>3,807</b>	3,089
Franking credits that will arise from the payment of income tax payable as at the end of the financial year	<b>770</b>	460
	<b>4,577</b>	3,549
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	<b>(1,398)</b>	(961)
	<b>3,179</b>	2,588

The tax rate at which paid dividends have been franked is 30% (2017: 30%).

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



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2018 (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:

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$000</b>	<b>\$000</b>
Net profit attributable to ordinary equity holders of the parent	<b>8,176</b>	6,772
Weighted average number of ordinary shares for basic earnings per share	<b>40,761,484</b>	40,761,484
Basic and diluted earnings per share (cents per share)	<b>20.06</b>	16.62

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$000</b>	<b>\$000</b>
<b>19. Commitments</b>		
<b>(a) Operating lease commitments:</b>		
not later than one year	<b>3,986</b>	3,856
later than one year and not later than five years	<b>11,346</b>	11,361
later than five years	<b>12,114</b>	8,969
	<b>27,446</b>	24,186

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.

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
<b>20. Auditor's compensation</b>		
Amounts received or due and receivable by HLB Mann Judd (NSW Partnership) or its associated entities for:		
An audit and review of a financial report of the consolidated group	<b>70,750</b>	69,100
Non-audit services – review of remuneration of directors	<b>14,000</b>	-
Amounts received or due and receivable by HLB Mann Judd Limited Auckland for:		
An audit of the financial report of a subsidiary	<b>17,650</b>	17,850
	<b>102,400</b>	86,950

## 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:

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Short-term	<b>1,232,203</b>	1,008,265
Post-employment	<b>66,280</b>	83,467
Other long term benefits	<b>44,274</b>	12,149
	<b>1,342,757</b>	1,103,881

### (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 2018 and 30 June 2017.

### (c) Option holdings of key management personnel

There were no options held by key management personnel at 30 June 2018 or 30 June 2017.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

### 21. Key management personnel (continued)

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

	Balance 1 July 2017	Options Exercised	Net Change Other	Balance 30 June 2018
	No.	No.	No.	No.
<b>Directors</b>				
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
	<b>7,136,512</b>	-	-	<b>7,136,512</b>

	Balance 1 July 2016	Options Exercised	Net Change Other	Balance 30 June 2017
	No.	No.	No.	No.
<b>Directors</b>				
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
	<b>7,136,512</b>	-	-	<b>7,136,512</b>

### 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.

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$000</b>	<b>\$000</b>
<b>23. Cash flow information</b>		
<b>(a) Reconciliation of net profit after tax to the net cash flows from operations</b>		
Profit after income tax	<b>8,176</b>	6,772
<b>Adjustments for non-cash income and expense items</b>		
Loss on disposal of plant and equipment	<b>3</b>	11
Depreciation of plant and equipment	<b>1,091</b>	1,076
Transfers to provisions:		
Inventory obsolescence	<b>(19)</b>	102
Employee entitlements	<b>86</b>	157
Doubtful debts	<b>1</b>	(19)
Lease make good	<b>60</b>	11
Net exchange differences	<b>(297)</b>	(76)
Increase (decrease) in provision for:		
Income tax payable	<b>220</b>	343
Deferred taxes	<b>(198)</b>	(300)
<b>Changes in assets and liabilities</b>		
(Increase) decrease in:		
Trade and other receivables	<b>(1,407)</b>	(1,603)
Inventories	<b>(2,784)</b>	(2,597)
Other assets	<b>4</b>	(116)
(Decrease) increase in:		
Trade and other payables	<b>1,122</b>	1,766
<b>Net cash flow from (used in) operating activities</b>	<b>6,058</b>	5,527
<b>(b) Financing facilities available:</b>		
At reporting date the following facilities had been negotiated and were available:		
Total credit facilities	<b>6,521</b>	6,212
Facilities used at reporting date	<b>(4,053)</b>	(3,474)
Facilities unused at reporting date	<b>2,468</b>	2,738
The major facilities are summarised as follows:		
Bank overdrafts and trade facility	<b>2,729</b>	2,738
Facilities used	<b>(628)</b>	-
Facilities unused at reporting date	<b>2,101</b>	2,738
Bank loans	<b>3,792</b>	3,474
Facilities used	<b>(3,425)</b>	(3,474)
Facilities unused at reporting date	<b>367</b>	-

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

	2018	2017
	\$000	\$000
<b>24. Parent Entity Information</b>		
Current assets	6	1,308
Total assets	<b>31,371</b>	28,412
Current liabilities	<b>796</b>	485
Total liabilities	<b>796</b>	485
Shareholders equity:		
Issued capital	<b>21,075</b>	21,075
Retained earnings	<b>9,500</b>	6,852
	<b>30,575</b>	27,927
Profit for the year	<b>7,132</b>	5,559
Other comprehensive income	-	-
Total comprehensive income	<b>7,132</b>	5,559

### 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	
	2018	2017
	\$000	\$000
<b>Statement of Profit or Loss and Other Comprehensive Income</b>		
Profit before income tax	<b>9,609</b>	7,745
Income tax expense	<b>(2,713)</b>	(2,120)
Profit after income tax	<b>6,896</b>	5,625
Net profit attributable to members of the parent	<b>6,896</b>	5,625
Other comprehensive income	-	-
Total comprehensive income	<b>6,896</b>	5,625
<b>Retained Earnings</b>		
Retained earnings at beginning of the year	<b>6,934</b>	5,181
Profit after income tax	<b>6,896</b>	5,625
Dividends provided for or paid	<b>(4,484)</b>	(3,872)
Retained earnings at end of the year	<b>9,346</b>	6,934



	Closed Group	
	2018	2017
	\$000	\$000
<b>25. Deed of Cross Guarantee (continued)</b>		
<b>Balance Sheet</b>		
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	1,386	1,831
Trade and other receivables	10,357	8,914
Inventories	26,457	23,565
Other current assets	118	96
Intercompany	101	42
Derivatives	11	-
<b>Total current assets</b>	<b>38,430</b>	<b>34,448</b>
<b>Non-current assets</b>		
Other financial assets	6,031	6,031
Plant and equipment	4,867	4,765
Deferred tax assets	2,057	1,821
<b>Total non-current assets</b>	<b>12,955</b>	<b>12,617</b>
<b>TOTAL ASSETS</b>	<b>51,385</b>	<b>47,065</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Trade and other payables	15,000	13,797
Interest bearing loans and borrowings	815	372
Income tax payable	770	459
Provisions	914	809
Derivatives	-	7
<b>Total current liabilities</b>	<b>17,499</b>	<b>15,444</b>
<b>Non-current liabilities</b>		
Interest bearing loans and borrowings	2,344	2,531
Provisions	1,122	1,081
<b>Total non-current liabilities</b>	<b>3,466</b>	<b>3,612</b>
<b>TOTAL LIABILITIES</b>	<b>20,965</b>	<b>19,056</b>
<b>NET ASSETS</b>	<b>30,420</b>	<b>28,009</b>
<b>EQUITY</b>		
Contributed equity	21,075	21,075
Retained earnings	9,345	6,934
<b>TOTAL EQUITY</b>	<b>30,420</b>	<b>28,009</b>

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

### 26. Segment information

The Group operates predominantly in one business segment being the provision of aftermarket 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	
	2018	2017	2018	2017	2018	2017	2018	2017
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Revenue</b>								
Sales to customers outside the Group	<b>90,906</b>	77,968	<b>21,159</b>	19,657	-	-	<b>112,065</b>	97,625
Other income from outside the Group	<b>18</b>	22	<b>11</b>	15	-	-	<b>29</b>	37
Inter-segment revenues	<b>2,019</b>	1,786	<b>235</b>	48	<b>(2,254)</b>	(1,834)	-	-
Total segment revenues	<b>92,943</b>	79,776	<b>21,405</b>	19,720	<b>(2,254)</b>	(1,834)	<b>112,094</b>	97,662
<b>Results</b>								
Segment results	<b>9,609</b>	7,745	<b>2,950</b>	2,657	<b>(837)</b>	(761)	<b>11,722</b>	9,641
Profit before income tax and finance costs							<b>11,982</b>	9,853
Finance revenue							<b>16</b>	18
Finance costs							<b>(276)</b>	(230)
Profit before income tax							<b>11,722</b>	9,641
Income tax expense							<b>(3,546)</b>	(2,869)
Profit after income tax expense							<b>8,176</b>	6,772
<b>Assets</b>								
Segment assets	<b>51,385</b>	47,065	<b>14,374</b>	13,110	<b>(6,333)</b>	(6,154)	<b>59,426</b>	54,021
<b>Liabilities</b>								
Segment liabilities	<b>20,965</b>	19,056	<b>3,897</b>	3,563	<b>(232)</b>	(51)	<b>24,630</b>	22,568
<b>Other segment information</b>								
Additions to property, plant and equipment, intangible assets and other non-current assets	<b>985</b>	650	<b>1,960</b>	7	-	-	<b>2,945</b>	657
Depreciation	<b>880</b>	856	<b>211</b>	220	-	-	<b>1,091</b>	1,076
Other non-cash expenses	<b>435</b>	263	<b>8</b>	146	-	-	<b>443</b>	409

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) \$000	Fixed interest rate maturing			Non- interest bearing \$000	Total \$000	Weighted average interest rate	
		1 year or less \$000	1 to 5 years \$000	Over 5 years \$000			Floating %	Fixed %
<b>Consolidated</b>								
<b>30 June 2018</b>								
<b>Financial assets</b>								
Cash	2,401	-	-	-	-	2,401	1.5	-
Trade receivables	-	-	-	-	13,030	13,030	-	-
Forward currency contracts	-	-	-	-	1,710	1,710	-	-
Other receivables	-	-	-	-	93	93	-	-
	<b>2,401</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14,833</b>	<b>17,234</b>		
<b>Financial liabilities</b>								
Trade and other payables	-	-	-	-	17,490	17,490	-	-
Bank loans and overdrafts	625	-	2,800	-	-	3,425	4.3	4.9
Bank trade facility	-	628	-	-	-	628	3.0	-
Forward currency contracts	-	-	-	-	1,694	1,694	-	-
	<b>625</b>	<b>628</b>	<b>2,800</b>	<b>-</b>	<b>19,184</b>	<b>23,237</b>		
<b>Consolidated</b>								
<b>30 June 2017</b>								
<b>Financial assets</b>								
Cash	3,223	-	-	-	-	3,223	1.5	-
Trade receivables	-	-	-	-	11,716	11,716	-	-
Forward currency contracts	-	-	-	-	1,282	1,282	-	-
Other receivables	-	-	-	-	22	22	-	-
	<b>3,223</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,020</b>	<b>16,243</b>		
<b>Financial liabilities</b>								
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	-	-
	<b>653</b>	<b>-</b>	<b>2,821</b>	<b>-</b>	<b>17,655</b>	<b>21,129</b>		

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2018 (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 1-3 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.

Currency		Average exchange rate		Buy	Buy
		2018	2017	2018	2017
				\$000	\$000
Euro currency	3 months or less	0.64	0.67	1,338	855
US dollar	3 months or less	0.75	0.75	123	264
Japanese yen	3 months or less	83.38	84.0	202	168
Swedish krona	3 months or less	6.52	-	32	-
<b>Total</b>				<b>1,695</b>	<b>1,287</b>

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 that 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 (refer Note 5) and equity attributable to equity holders of the parent, comprising issued capital (refer Note 15), reserves (refer 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	
	2018	2017
	\$000	\$000
<b>28. Related party transactions</b>		
(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	434	342
Amounts owed by related parties	93	74

(b) Mr P W McKenzie is a Director of a family owned bus business to which the group sells goods 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 2018 and 30 June 2017



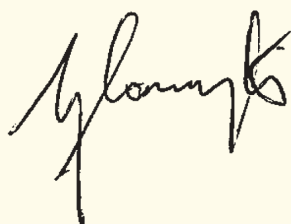
# DIRECTORS' DECLARATION

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 2018 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 2018 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.

This declaration is made in accordance with a resolution of the directors.

On behalf of the Board



**G J Forsyth**  
Director  
Sydney  
22 August 2018

# INDEPENDENT AUDITOR'S REPORT



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 2018, 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 2018 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 22 August 2018, 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.

**HLB Mann Judd (NSW Partnership) ABN 34 482 821 289**

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# INDEPENDENT AUDITOR'S REPORT

(CONTINUED)



## 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 matters. 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
<p>The consolidated balance sheet of the Group as at 30 June 2018 shows inventories at \$34,265,000. This represents the lower of cost and net realisable value for inventories on hand at 30 June 2018.</p> <p>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.</p>	<p><b>1. In relation to Existence, we:</b></p> <ul style="list-style-type: none"> <li>(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.</li> <li>(b) We further tested these controls by performing our own test accounts.</li> <li>(c) We reviewed differences between inventory counted and inventories shown in the Group's inventory records.</li> <li>(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.</li> </ul> <p><b>2. In relation to Valuation we:</b></p> <ul style="list-style-type: none"> <li>(a) Tested the recorded cost of a sample of items on hand at 30 June 2018 to purchase invoices, including invoices for freight and other costs associated with bringing the items to their present location.</li> <li>(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.</li> <li>(c) Considered the assumptions made by management, and compared them with historical experience of the sale of inventories by the Group.</li> </ul> <p>3. We reviewed the accounting policies used by the Group for inventories, and the disclosures in the financial report.</p>

### **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 2018, 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

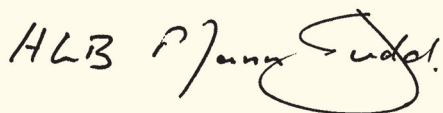
#### Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 11 to 14 of the directors' report for the year ended 30 June 2018.

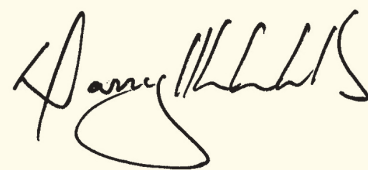
In our opinion, the Remuneration Report of Supply Network Limited for the year ended 30 June 2018 complies with section 300A of the *Corporations Act 2001*.

#### 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**  
Chartered Accountants



**D K Swindells**  
Partner

Sydney, NSW  
22 August 2018

# ASX ADDITIONAL INFORMATION

## a) Shareholdings

The number of shareholders by size of their holdings as at 22 August 2018 are:

			Shareholdings
1	to	1,000	435
1,001	to	5,000	391
5,001	to	10,000	90
10,001	to	100,000	131
100,001	to	and over	31
Total shareholders			1,078

- 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 22 August 2018 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%
Dixon 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	1,046,000	2.6%
LJA Holdings Pty Ltd	1,038,330	2.6%
J P Morgan Nominees	978,928	2.4%
Boboco Pty Ltd	955,947	2.4%
Keiser Investments Pty Ltd	937,722	2.3%
HSBC Custody Nominees	672,463	1.6%
Odalisque Pty Ltd	626,635	1.5%
D & RJ McKenzie	573,347	1.4%
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%
Indcorp Consulting Group Pty Ltd	300,000	0.7%
	<b>33,092,315</b>	<b>81.2%</b>

The company's register of substantial shareholders at 22 August 2018 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%
Dixon Trust Pty Ltd	2,609,328	6.4%



# FIVE YEARS CONSOLIDATED FINANCIAL SUMMARY

	2018	2017	2016	2015	2014
	\$000	\$000	\$000	\$000	\$000
<b>Financial data:</b>					
Sales revenue	112,065	97,625	87,176	85,332	81,216
Total revenue	112,094	97,662	87,216	85,393	81,236
EBITDA	13,073	10,929	8,077	9,336	9,617
EBIT	11,982	9,853	7,131	8,395	8,830
Profit (loss) before tax	11,722	9,641	6,895	8,145	8,536
Profit (loss) after tax	8,176	6,772	4,843	5,730	6,000
Earnings per share (cents)	20.06	16.62	11.88	16.16	17.55
Dividends (cents per share)	11.00	9.50	9.00	34.00	8.50
Total assets	59,426	54,021	49,024	46,463	41,366
Total interest bearing debt	4,053	3,474	3,594	3,924	4,160
Total equity	34,796	31,453	28,641	26,772	22,069
Cash flow from (used in) operating activities	6,058	5,527	3,730	7,696	1,010
Cash flow from (used in) investing activities	(2,945)	(615)	(2,936)	(1,476)	(718)
Cash flow from (used in) financing activities	(4,512)	(3,984)	(4,059)	(855)	(2,112)
Net movement in cash	(1,399)	928	(3,265)	5,365	(1,820)
<b>Financial ratios:</b>					
Inventory turnover (a)	2.3	2.1	2.1	2.1	2.2
Interest cover (b)	50.3	51.5	34.2	37.3	32.6
Gearing (c)	11.6%	11.0%	12.5%	14.7%	18.8%
Net tangible asset backing (cents per share)	85.4	77.2	70.3	65.7	64.6
Return on average total assets	14.4%	13.1%	10.1%	13.0%	15.6%
Return on average total equity	24.7%	22.5%	17.5%	23.5%	29.6%

(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

#### Port Hedland

8 Manganese Street  
Wedgefield WA 6721

### NEW ZEALAND

**Parts Hotline** 0800 404 100

#### Auckland Branch

9 Vesty Drive  
Mount Wellington

#### Hamilton Branch

1388-1390 Arthur Porter Drive  
Te Rapa

#### 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

# TRUCK & BUS PARTS

**SUPPLY NETWORK LIMITED**

1 Turnbull Close Pemulwuy NSW 2145  
PO Box 3405 Wetherill Park NSW 2164  
Telephone 02 8624 8077  
[www.supplynetwork.com.au](http://www.supplynetwork.com.au)