SUPPLY NETWORK LIMITED
ABN 12 003 135 680
141 - 151 Fairfield Road Guildford NSW 2161
PO Box 460 Fairfield NSW 2165
Telephone: 61 2 9892 3888 Fax: 61 2 9892 2399

24 August 2011

The Manager
Companies Announcement Office
ASX Limited
20 Bridge Street
SYDNEY NSW 2000

Dear Sir

Re: Preliminary Final Report Appendix 4E and Annual Accounts

The Directors are pleased to announce the audited results for the year ended 30 June 2011 the details of which are included in the attached Appendix 4E - Preliminary Final Report.

The audited results are in line with our announcement 27 July 2011.

Yours faithfully

Peter Gill
Company Secretary

Appendix 4E

Preliminary Final Report
Year ending 30 June 2011

Name of entity	Supply Network Limited
ABN	12 003 135 680

1. Details of reporting period

Financial year ended	30 June 2011
Previous corresponding period	30 June 2010

2. Results for announcement to the market

				$'000
Revenue from ordinary activities	up	17.3%	to	50,625
Profit from ordinary activities after income tax	up	52.9%	to	2,509
Net profit for the period attributable to members	up	52.9%	to	2,509

Dividends	**Amount per Security**	**Franked amount per security**
Final dividend	3.00 ¢	3.00¢
Previous corresponding period	2.00 ¢	2.00¢
Interim dividend	2.00 ¢	2.00¢
Previous corresponding period	1.00 ¢	1.00¢

Record date for determining entitlements to dividend 9 September 2011

Brief explanation of any of the figures reported above

Refer to attached Chairman's and Managing Director's Report and financial statements.

3. Statement of Comprehensive Income

Refer to attached statement of comprehensive income

4. Statement of Financial Position

Refer to attached balance sheet

5. Statement of Cash Flows

Refer to attached statement of cash flows

6. Statement of Changes in Equity

Refer to attached statement of changes in equity

7. Details of Dividends

	Amount per Security	Franked amount per security
Final dividend –payable 23 September 2011	3.00¢	3.00¢
Previous corresponding period	2.00¢	2.00¢
Amount per security of foreign sourced dividend	Nil	-
Interim dividend – paid 31 March 2011	2.00¢	2.00¢
Previous corresponding period	1.00¢	1.00¢
Amount per security of foreign sourced dividend	Nil	-
Special dividend – paid 10 December 2010	4.00¢	4.00¢
Previous corresponding period	4.00¢	4.00¢
Amount per security of foreign sourced dividend	Nil	-
Final dividend June 2010 - paid 24 September 2010	2.00¢	2.00¢
Previous corresponding period	2.00¢	2.00¢
Amount per security of foreign sourced dividend	Nil	-

The Directors have declared a fully franked final dividend of 3.00 cents per share (requiring $1,026,000) payable 23 September 2011 to shareholders registered on 9 September 2011.

A fully franked interim dividend of 2.00 cents per share amounting to $660,000 was paid on 31 March 2011.

A fully franked special dividend of 4.00 cents per share amounting to $1,233,000 was paid on 10 December 2010.

A fully franked final dividend for June 2010 of 2.00 cents per share amounting to $596,000 was paid on 24 September 2010.

8. Dividend Reinvestment Plans

Supply Network Limited Dividend Reinvestment Plan will not operate in respect of the final dividend payable 23 September 2011.

9. Net tangible asset backing

	Current Period	Previous corresponding period
Net tangible asset backing per ordinary security	41.5¢	41.7¢

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

Nil

11. Details of associate and joint venture entities

Nil

12. Any other significant information needed by an investor to make an informed assessment of the entity's financial performance and financial position

Refer to attached Chairman's and Managing Director's report and financial statements

13. Foreign entities

Not applicable

14. Commentary on results for period

Earnings per security and nature of any dilution aspects

	Current Period	Previous corresponding period
Basic earnings per share	7.82¢	5.93¢
Diluted earnings per share	7.82¢	5.93¢
Dilutive securities - share options	Nil	Nil

See income statement in attached financial statements

Returns to shareholders including distributions and buy backs

Refer to attached financial statements.

Significant features of operating performance

Refer to attached Chairman's and Managing Director's Report and financial statements.

The results of segments

Refer to Note 26 Segment Information in the attached financial statements

Discussion of trends in performance

Refer to attached Chairman's and Managing Director's Report

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

None

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

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

Signature

Date 24 August 2011
Name Peter Gill
Position Company Secretary

SUPPLY NETWORK LIMITED

ABN 12 003 135 680

ANNUAL ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 2011

The financial statements were authorised for issue by the directors on 24 August 2011. The directors have the power to amend and reissue the financial statements.

SUPPLY NETWORK LIMITED

ABN 12 003 135 680

ANNUAL ACCOUNTS

30 JUNE 2011

Contents

SUPPLY NETWORK LIMITED

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

151 Fairfield Road
Guildford NSW 2161

Telephone	02 9892 3888
Facsimile	02 9892 2399
E-mail	admin@supplynetwork.com.au

Internet Address

www.supplynetwork.com.au

Auditors

HLB Mann Judd (NSW Partnership)

Bankers

ANZ Banking Group Limited

Solicitors

Bartier Perry

Share Registry

Computershare Investor Services Pty Limited
Level 3, 60 Carrington Street
Sydney NSW 2000

Enquiries (within Australia)	1300 855 080
Enquiries (outside Australia)	61 3 9415 4000
Facsimile	61 2 8234 5050

Stock Exchange Listing

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

SUPPLY NETWORK LIMITED

CHAIRMAN'S AND MANAGING DIRECTOR'S REPORT FOR THE YEAR ENDED 30 JUNE 2011

In the year to June 2011, Group Earnings Before Interest and Tax increased to $3.8m and Net Profit After Tax increased to $2.5m, our fourth successive record result. Weighted average earnings per share increased to 7.82 cents and return on average total shareholder's equity was 18.9%.

Sales revenue was a record $50.5m, an increase of 17% on the prior year.

Clearly this is an outstanding result and we congratulate staff on their achievement.

Review of Operations

Trading operations are now almost exclusively through Multispares in Australia and New Zealand. In April 2011, we opened a new Multispares branch in Mackay to service the region in the far north of Queensland. Mackay itself is a rapidly developing engineering support centre for the Bowen Basin mines and from there we get reliable overnight freight to most parts of the far north. Early results are pleasing with revenue ahead of budget.

Over the year we continued to expand our product development capacity and output. Substantial work has been completed to support the introduction of new products and we have continued to build our range for American trucks and trailers.

We have also invested substantially in our local sales teams and our metropolitan delivery services. These investments in customer service combined with development of our catalogue and expansion of our product range have been major factors in a significant increase in supply to truck fleets. Over the last 12 months our truck fleet business grew by more than 20% and we expect this substantial market to be the major driver of business growth for a number of years.

Bus fleets remain an important customer segment and our bus business continued to grow strongly last year. We opened our first E-commerce store within one major bus fleet just prior to the start of last financial year and, following successful trials, we began a progressive roll out of this capability to this customer's sites around Australia. We also continued our efforts on product development for recent bus models, widening our range to provide greater support for the new models operated by regional bus fleets.

Capital Management

Over the year, Supply Network paid fully franked dividends of 8 cents, including a 4 cent special dividend. By operating our Dividend Reinvestment Plan for all these dividends we have been able to return franking credits to shareholders while reducing our gearing.

At our November 2010 AGM, we announced the completion of our 4-year Special Dividend program and its replacement with a more flexible approach to ordinary dividend payout ratio depending on our gearing, cash position and anticipated DRP participation where relevant.

As a result of our strong cash position at year end, with gearing down to around 21%, we announced a record final dividend of 3 cents and suspended the operation of the DRP. This brings the total ordinary dividends declared from financial year 2011 earnings to 5 cents, which represents a payout ratio of approximately 68% based on current issued capital.

Directors will continue to monitor cash flows and our requirements for investment capital and will reactivate the DRP as appropriate to manage gearing towards the lower end of our target range.

The Future

Supply Network Limited has delivered most of its targets for its current 3-year organic growth plan one year ahead of schedule. As a consequence, management has begun laying the foundations for our next three year business plan.

Basing staff and stock within a reasonable delivery time from customer workshops is a key component of our service. For this reason, further extensions to our branch network are being considered. Establising successful branches requires a comprehensive business plan, significant resources and a continued focus on the local market. Even with the resources of Multispares to back up branch operations, it generally takes 4-5 years for a new branch to become established and begin providing an acceptable return on the initial investment. In making our decisions on new branches, we look beyond the first 4-5 years to the role each location will play in our strategic platform for customer service, and there are a few more locations we believe will be crucial in the long term.

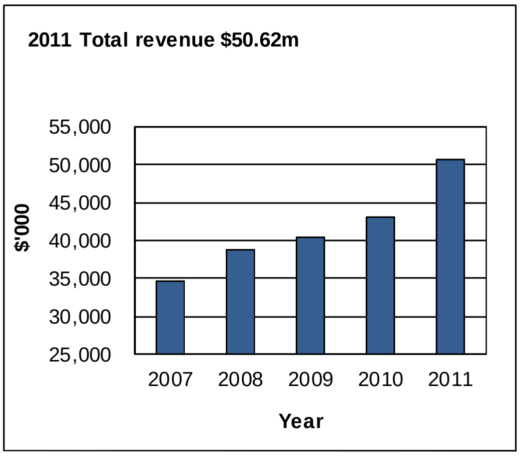
A broad product offering is another key to our customer service and, given the rapid development of heavy vehicle technology and the constant introduction of new models to the Australian and New Zealand markets, we have had to increase our investment in product development. Continued rapid development adds both cost and complexity to our business but, again, we see this investment as critical in to our long term success.

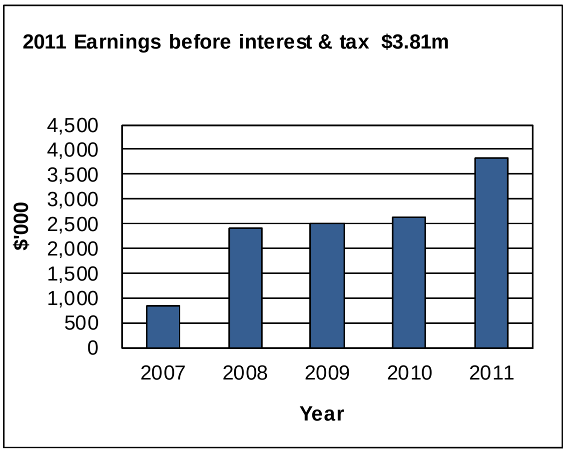
Finally, development of our E-commerce capabilities has delivered extraordinary service levels to important bus fleet customers, and we have committed to further development of this technology. Once we have completed this next phase development, our B2B platform will effectively automate most transaction requirements and we will focus on selling the benefits to a wider pool of fleet customers.

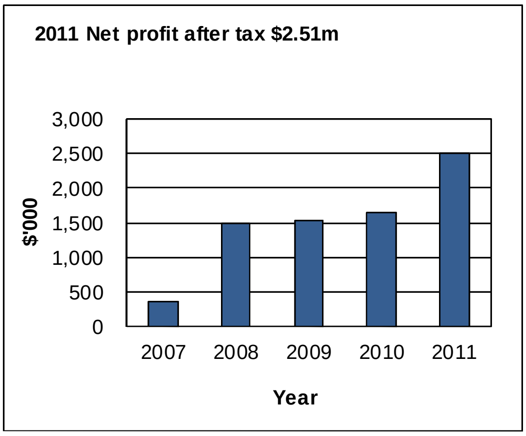
The industry we operate in has a long term annual growth outlook of around 5%. By continuing to invest in our core business capabilities, ongoing service delivery improvements and supporting infrastructure we have set realistic long term revenue growth targets of a minimum of 7% per annum. We did much better than that over the last year and we forecast revenue growth of at least 10% in the current year.

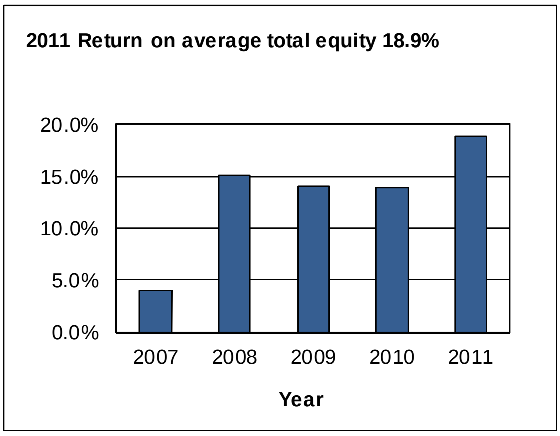
SUPPLY NETWORK LIMITED

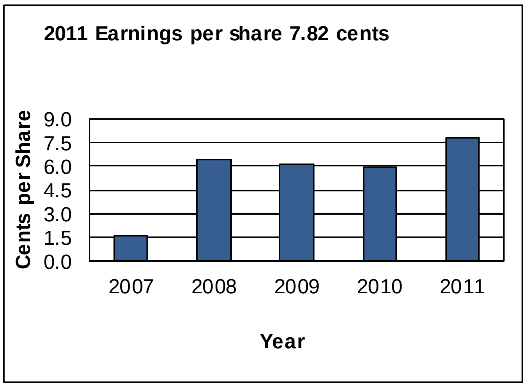
Performance Highlights

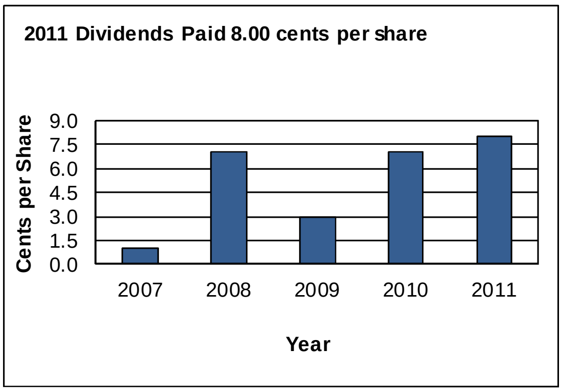












SUPPLY NETWORK LIMITED

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2011

The Directors of Supply Network Limited submit their report on the consolidated entity (the Group) consisting of Supply Network Limited and the entitites it controlled at the end of, or during, the financial year ended 30 June 2011.

Directors

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

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

Principal Activities

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

Results

The net profit of the Group after providing for income tax for the financial year was $2,509,000 (2010: $1,641,000).

Earnings per Share

Basic and diluted earnings per share for the financial year are 7.82 cents per share (2010: 5.93 cents).

Dividends

Dividends paid or declared for payment are as follows:

	$
Final Dividend for 2010 of 2.00 cents per share paid 24 September 2010	596,000
Special Dividend for 2011 of 4.00 cents per share paid 10 December 2010	1,233,000
Interim Dividend for 2011 of 2.00 cents per share paid 31 March 2011	660,000
Final dividend for 2011 of 3.00 cents per share declared 27 July 2011 and payable 23 September 2011	1,026,000

Review of Operations

Group sales revenue for the year was $50.5m, an increase of 17.2% when compared to last year.

Sales revenue in the Australian operation increased by 17.8% while sales in the New Zealand operation increased by 18.0% measured in NZ$ terms, which excludes the impact of exchange rate fluctuations. When measured in Australian dollar terms sales in the New Zealand operation increased by 13.6%.

EBIT for the year was $3.81m, an increase of 44.9% over last year ($2.63m).

Profit after income tax for the year was $2.51m, an increase of 52.9% over last year ($1.64m).

The Group continued to invest, during the year, in information technology systems and in the branch network with the opening in April 2011 of a branch in Mackay. These investments are expected to support future revenue growth.

Ongoing inventory management and the strengthening of the Australian dollar have resulted in inventory values remaining stable during the year and this has contributed to this year's positive cash flows from operations.

Net cash inflows from operating activities for the year were $3.1m, a significant improvement on last year's net cash inflows of $2.3m.

There were no additional long-term borrowings during the year and gearing has reduced from 26.4% to 20.7% at year end.

During the year total dividends of 8 cents per share were paid including a 4 cent special dividend. The Dividend Reinvestment Plan (DRP) operated in respect of all dividends. This resulted in an increase in contributed equity of $1.84m.

The directors have declared a fully franked final dividend of 3 cents per share payable on 23 September 2011 to shareholders registered on 9 September 2011. The DRP will not operate in respect of this dividend.

Further information on Review of Operations is detailed 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 at least 10% in 2011/12. Management plans for the year focus on organic growth opportunities in the existing business units. Continued expansion of the product range and branch 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 is a Portfolio Manager with a funds management business specialising in Australian listed equities and has over 24 years experience in financial markets.

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, has over 15 years experience in the transport industry, is the Chief Executive of a family owned bus business and operates a consultancy practice providing advice to clients primarily in the transport industry.

Geoffrey David Huston Stewart - Managing Director
Appointed Chief Executive Officer in November 1999 and Managing Director in November 2000. He is a Chartered Professional Engineer and has an MBA from Macquarie University. He also has over 17 years executive management 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 31 years experience in accounting and finance in both professional and commercial fields.

Directors' Meetings

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

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

Directors' Interests

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

(a) G J Forsyth holds 34,285 ordinary shares of the company and is deemed to have a relevant interest in shares held by Odalisque Pty Ltd (521,451 shares).

(b) P W McKenzie is deemed to have a relevant interest in shares held by PW & LJ McKenzie Superannuation Fund, a substantial shareholder (3,683,936 shares).

(c) G D H Stewart is deemed to have a relevant interest in shares held by Boboco Pty Limited (795,484) and D G Stewart (366,881 shares).

(d) P W Gill holds 148,506 ordinary shares of the company and is deemed to have a relevant interest in shares held by Viewbar Pty Limited (349,521 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 premium.

Company Secretary

P.W.Gill

P.W. Gill has been the Company Secretary and Senior Finance Executive of Supply Network Limited for over 16 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.

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 the Group.

The broad remuneration policy is to ensure 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 survey data.

Non-executive director compensation

The Board seeks to set aggregate compensation at a level which would enable the company to attract and retain suitably qualified directors at a cost which is acceptable to shareholders.

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

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

Non-executive Directors appointed prior to 30 June 2004 were entitled to a retiring allowance as approved by shareholders at the 1997 Annual General Meeting. The retiring allowance is a multiple (determined by length of service as a non-executive director) of the non-executive director's average last three years fees.

The directors have resolved to freeze the rate on which this entitlement is calculated at the level of compensation as at 30 June 2004. The retiring allowance multiples are as follows:

Length of Service	Retiring Allowance Multiple
Less than 3 years	nil
More than 3 years under 5 years	1.5
More than 5 years under 10 years	2.0
10 years and over	3.0

G T Lingard was the only remaining director entitled to this retiring allowance, at a fixed amount of $102,804 which was paid on his retirement, 17 March 2010.

The directors have also resolved to pay all non-executive directors, appointed after 30 June 2004, on a fee only basis with no retiring allowance being offered.

The compensation of non-executive directors for the period ending 30 June 2011 is detailed in Table 1 below.

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 company, to link reward with performance of the company and to ensure total compensation is competitive by market standards.

Compensation consists of the following two elements:
- fixed compensation and
- variable compensation – short-term incentive

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

Fixed Compensation

The level of fixed compensation is set to provide a level of 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 survey 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 (including motor vehicles) and superannuation.

Variable Compensation - Short Term Incentive

The objective of the short-term incentive is to link the company'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 company 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 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 the group results the short-term incentives are approved by the Remuneration Committee and usually paid by two instalments, in September and March each year.

Employment contracts

All Supply Network Limited executives are employed under contracts with the following common terms and conditions

- No fixed terms.
- An executive may terminate the contract by giving 6 months notice in writing.
- The company may terminate the contract by giving up to 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 up 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 $304,815 plus a short-term incentive of up to 33% of the package.
- P W Gill – fixed compensation package of $269,955 plus a short-term incentive of up to 25% of the package.

Key Management Personnel

Details of key management personnel are as follows:

Directors

G J Forsyth	Chairman (non-executive)
P W McKenzie	Director (non-executive)
G D H Stewart	Managing Director (executive)
P W Gill	Finance Director and Company Secretary (executive)
G T Lingard	Chairman (non-executive, retired 17 March 2010)

Compensation of Key Management Personnel

Table 1: Compensation of Key Management Personnel for the year ended 30 June 2011

	Short Term			Post Employment		Share Based Payment	Total	Total Performance Related
	Salary & Fees $	Bonus Payable $	Non Monetary $	Super-annuation $	Retirement Benefits $	Options Granted $	$	%
Directors								
G J Forsyth	61,997	-	-	5,580	-	-	67,577	-
P W McKenzie	44,036	-	-	3,964	-	-	48,000	-
G D H Stewart	240,330	95,799	-	49,970	-	-	386,009	24.8
P W Gill	187,148	64,275	20,000	50,000	-	-	321,423	20.0
Total	533,511	160,074	20,000	109,514	-	-	823,099	19.4
Total	713,585			109,514		-	823,099	19.4

SUPPLY NETWORK LIMITED

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2011
(continued)

Table 2: Compensation of Key Management Personnel for the year ended 30 June 2010

	Short Term			Post Employment		Share Based Payment	Total	Total Performance Related
	Salary & Fees $	Bonus Payable $	Non Monetary $	Super-annuation $	Retirement Benefits $	Options Granted $	$	%
Directors								
G J Forsyth	48,165	-	-	4,339	-	-	52,504	-
P W McKenzie	41,284	-	-	3,719	-	-	45,003	-
G D H Stewart	245,623	71,544	-	25,374	-	-	342,541	20.9
P W Gill	170,040	51,000	20,000	50,010	-	-	291,050	17.5
G T Lingard	42,737	-	-	3,846	102,804	-	149,387	-
Total	547,849	122,544	20,000	87,288	102,804	-	880,485	13.9
Total	690,393			190,092		-	880,485	13.9

Rounding

The amounts contained in this 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 Class Order 98/0100. The company is an entity to which the Class Order applies.

Auditors' Independence Declaration

A copy of the Auditors' Independence declaration for the year ended 30 June 2011 is set out on page 12.

Non-Audit Services

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

Signed in accordance with a resolution of directors.

G J Forsyth
Director
Sydney
24 August 2011

HLB Mann Judd

Accountants | Business and Financial Advisers

AUDITOR'S INDEPENDENCE DECLARATION

To the Directors of Supply Network Limited

As lead auditor for the audit of Supply Network Limited for the year ended 30 June 2011, I declare that, to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Supply Network Limited and the entities it controlled during the year.

D K Swindells
Partner

Sydney
24 August 2011

HLB Mann Judd (NSW Partnership) ABN 34 482 821 289
Level 19 207 Kent Street Sydney NSW 2000 Australia | DX 10313 SSE | Telephone +61 (0)2 9020 4000 | Fax +61 (0)2 9020 4190
Email: mailbox@hlbnsw.com.au | Website: www.hlb.com.au

CORPORATE GOVERNANCE STATEMENT

The Board promotes a corporate governance framework that achieves the objectives of the business and discharges all responsibilities. It intends to direct the business so that it is managed in a manner consistent with the interests of shareholders, its business partners, and the wider community.

The Board of SNL does not comply with a number of the Corporate Governance Principles and Recommendations put forward by the ASX Corporate Governance Council. While we support their objectives we do not believe that it is appropriate for a company of our size and stage of development to be governed through a set of formal policies, procedures and codes of conduct that have been designed for companies far more complex than SNL.

Below we address each of the ASX Corporate Governance Principles and Recommendations. In each case where we state non-compliance it is because we believe the costs and rigidity of implementing and managing compliance would be contrary to serving the interests of our shareholders.

Principle 1 – Lay solid foundations for management and oversight
Whilst no formal "Charter of Board Responsibility" has been adopted, the Board has made clear to management, which functions are to be reserved for it. These functions are:

- Ratification of strategy and monitoring management's implementation.
- Any appointment or removal of the Chief Executive Officer.
- Approving the conditions of service and succession planning for all Executives.
- Approval of budgets including all capital expenditure and monitoring financial outcomes.
- Setting authority limits for managers, particularly those relating to expenditure and contracts.
- Audit, risk management and compliance systems.
- Ethical standards.
- Continuous disclosure to shareholders.

With a small Board, it is relatively easy to gather Board and management to address particular issues. This process is helped by an effective relationship between the Managing Director and the Chairman.

On a scheduled date the Board formally reviews the performance of the Managing Director and the Finance Director over the prior year. For the year ended 30 June 2011 this formal review took place, in accordance with the process disclosed. The Board encourages management to conduct periodic performance reviews of all senior staff.

Principle 2 – Structure the board to add value
The Board aims to have Directors whose skills meet business needs and are complementary to each other. Where appropriate Directors may seek approval of the Chairman to take independent professional advice at the company's expense.

The skills of the current Directors, their terms of office and their attendance at meetings of the Board and Board committees are detailed in our Annual report. Two of the current four Directors are in Non-Executive roles.

The Directors are expected to bring independent views and judgements to the Board's decision-making.

The Board has reviewed the independence of each of the Directors in office at the date of this report in light of the interests disclosed by them. An amount of over 5% of annual turnover of the Group is considered material for these purposes. Materiality for these purposes is determined on both quantitative and qualitative bases.

One member of the Board, Mr G Forsyth (Chairman), is considered to be independent.

Principle 2 – Structure the board to add value (continued)
Mr G Forsyth is related to Mr H Forsyth, a previous Chairman of SNL and a Director of Hergfor Enterprises Pty Limited (Hergfor), a substantial shareholder in SNL. Mr G Forsyth is not an officer of Hergfor and has no direct or indirect interest in Hergfor. The Board has determined that the relationship does not have an adverse impact on Mr G Forsyth's ability to exercise independent judgement in decision-making.

Mr G Stewart, Managing Director, Mr P W Gill, Finance Director and Company Secretary, and Mr P McKenzie, a trustee and member of PW & LJ McKenzie Superannuation Fund, which is a substantial shareholder in SNL, are considered not to be independent.

The Board acknowledges the ASX recommendation regarding the composition of the Board and that a majority of Directors be independent and will consider this for any future appointments.

With a small Board, there is no need for a formal Nomination Committee however the Board is aware of and regularly considers succession planning. When the Board seeks to fill vacancies it uses a skills matrix and aims to appoint people with complementary skills.

Each year the Board undertakes an internal review of its performance as a unit and of the performance of its members. Board members are given the opportunity to detail individually, issues they see as strengths and weaknesses of the Board, of its meetings, and of its members. These views are discussed by all members but the details and any related reports are not made public.

Principle 3 - Promote ethical and responsible decision-making
Whilst the Board has no formal code of conduct for Directors or Executives it believes one of a company's best assets is its reputation, and accordingly is adamant that both its members and all staff act with high standards in all their dealings. The Board encourages long-term approach to business decision making and the resolution of problems.

The company has a share trading policy. Directors are prohibited from buying or selling the company's securities outside of certain windows (they can trade only within a period of 1 day and 30 working days after a general meeting or after certain ASX announcements or, in special circumstances, with the written approval of the Chairman), and senior management are made aware of the prohibition on trading in shares while they are in possession of confidential information likely to have a material effect on share price.

Principle 4 – Safeguard integrity in financial reporting
The company practices high standards of financial reporting, with well-developed checks and balances in place. The Board requires the Managing Director and the Finance Director to state in writing to the Board that the company's financial reports present a true and fair view, in all material respects, of the company's financial condition and operational results and are in accordance with relevant accounting standards.

The Board has established an Audit Committee. The Audit Committee is responsible for annually reviewing the appointment of the Auditors and recommending to the full Board their reappointment or replacement. It has no formal charter.

The Audit Committee comprises both Non- Executive Directors.

Mr G Forsyth, Chairman of the Board, is the only independent Non-Executive Director and is the Chairman of the Audit Committee. The Board acknowledges the ASX recommendations regarding the composition of the Audit Committee however with the present structure of the Board the composition of the Audit Committee is considered appropriate.

Principle 5 – Make timely and balanced disclosure
The Board is sensitive to the requirements of an informed market. It seeks to keep its Shareholders informed through:

- Reports to the ASX.
- Half and full-year profit announcements.
- Annual Reports.
- Continuous disclosure to the ASX pursuant to the ASX Listing Rules.

Whilst there is no written list of policies and procedures concerning disclosure, the Board approves all announcements and has a diligent approach to disclosure.

Principle 6 – Respect the rights of shareholders
The Board members recognise their responsibility to consider the interests of all shareholders. Accordingly they promptly make market announcements available on SNL's website and are available for shareholders to speak with, particularly at general meetings. The Board requests the external auditor to attend the annual general meeting and to be available to answer shareholder questions.

The company's communication with shareholders is based on statutory reporting requirements, continuous disclosure to the ASX and all Board members attend general meetings where possible.

Principle 7 – Recognise and manage risk
The Board annually reviews the company's risk matrix. Senior management is involved in drawing up this document, which addresses the likelihood and severity of risks as well as contingency planning.

While there is no formalised internal compliance and control system policy, in a company of SNL's size there is close interaction between the executive and staff, and risk is minimised through staff training and monitoring at all levels. Where circumstances dictate, matters are brought to the Board earlier than at scheduled meetings.

The Managing Director and the Finance Director have stated to the Board in writing that:
- The declarations provided in accordance with section 295A of the Corporations Act 2001 are founded on a sound system of risk management and internal compliance and control that implements the policies adopted by the Board.
- The company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects in relation to financial reporting risks and material business risks.

Principle 8 – Remunerate fairly and responsibly
Board members are remunerated by reference to industry standards.

Non-Executive Directors appointed prior to 30 June 2004 are entitled to a retiring allowance as approved by shareholders in 1997. The Board resolved to freeze the salary rate on which this entitlement is calculated at the level as of 30 June 2004.

The Board also resolved to pay future Non-Executive Directors appointed after 30 June 2004 a fee only, with no provision for a retiring allowance.

Executives receive a base salary package and may receive an annual performance bonus. The annual performance bonus payable to the executives is determined by the Board having regard to the performance of the company and the executive for the relevant year based on qualitative and/or quantitative factors which are agreed at the beginning of the year.

Principle 8 – Remunerate fairly and responsibly (continued)
The Board has not used equity-based remuneration over the past year and has no plans to introduce it at this stage. Should this change the Board would seek to have plans approved in advance by shareholders.

Please also refer to the Remuneration Report in the Annual Report.

The Remuneration Committee, consisting solely of Non-Executive Directors, monitors industry practice and advises the Board, which sets the remuneration levels of Executives.

SUPPLY NETWORK LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2011

	Notes	Consolidated 2011 $000	Consolidated 2010 $000
Revenue	3	**50,501**	43,103
Finance revenue	3	**52**	7
Other income		**72**	33
Changes in inventories of finished goods		**(29,291)**	(25,564)
Employee benefits expenses		**(9,781)**	(8,317)
Depreciation and amortisation		**(405)**	(303)
Other expenses	3	**(7,279)**	(6,321)
Finance costs	3	**(252)**	(283)
Profit before income tax		**3,617**	2,355
Income tax expense	4	**(1,108)**	(714)
Profit after income tax		**2,509**	1,641
Profit attributable to members of the parent		**2,509**	1,641
Other comprehensive Income			
Adjustment on translation of foreign controlled entity	16	**(100)**	28
Income tax expense		**-**	-
Total other comprehensive income after income tax		**(100)**	28
Total comprehensive income for the year attributable to members of the parent		**2,409**	1,669
Basic and diluted earnings per share (cents per share)	18	**7.82**	5.93
Dividends per share (cents per share)	17	**8.00**	7.00

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

SUPPLY NETWORK LIMITED

BALANCE SHEET
AT 30 JUNE 2011

	Notes	Consolidated 2011 $000	Consolidated 2010 $000
ASSETS			
Current assets			
Cash and cash equivalents	5	**2,872**	1,528
Trade and other receivables	6	**7,092**	5,471
Inventories	7	**15,546**	14,944
Other current assets	8	**42**	41
Derivatives	14	**-**	2
Total current assets		**25,552**	21,986
Non-current assets			
Plant and equipment	9	**1,659**	988
Deferred tax assets	4	**872**	780
Total non-current assets		**2,531**	1,768
TOTAL ASSETS		**28,083**	23,754
LIABILITIES			
Current liabilities			
Trade and other payables	10	**9,232**	7,185
Interest bearing loans and borrowings	11	**49**	303
Income tax payable	12	**593**	67
Provisions	13	**403**	348
Derivatives	14	**8**	-
Total current liabilities		**10,285**	7,903
Non-current liabilities			
Interest bearing loans and borrowings	11	**2,888**	2,981
Provisions	13	**727**	448
Total non-current liabilities		**3,615**	3,429
TOTAL LIABILITIES		**13,900**	11,332
NET ASSETS		**14,183**	12,422
EQUITY			
Contributed equity	15	**9,698**	7,857
Reserves	16	**(315)**	(215)
Retained earnings		**4,800**	4,780
TOTAL EQUITY		**14,183**	12,422

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

SUPPLY NETWORK LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2011

	Contributed Equity $000	Exchange Translation Reserve $000	Retained Earnings $000	Total $000
Consolidated				
Balance at 1 July 2009	6,365	(243)	4,983	11,105
Total comprehensive income for the year	-	28	1,641	1,669
Transactions with owners in their capacity as owners				
Dividends provided for or paid	-	-	(1,844)	(1,844)
Issue of shares under dividend reinvestment plan	1,492	-	-	1,492
Balance at 30 June 2010	**7,857**	**(215)**	**4,780**	**12,422**
Total comprehensive income for the year	**-**	**(100)**	**2,509**	**2,409**
Transactions with owners in their capacity as owners				
Dividends provided for or paid	**-**	**-**	**(2,489)**	**(2,489)**
Issue of shares under dividend reinvestment plan	**1,841**	**-**	**-**	**1,841**
Balance at 30 June 2011	**9,698**	**(315)**	**4,800**	**14,183**

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

SUPPLY NETWORK LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2011

	Notes	Consolidated 2011 $000	Consolidated 2010 $000
Cash flows from operating activities		**Inflows/(Outflows)**	
Receipts from customers		**54,261**	47,433
Payments to suppliers and employees		**(50,266)**	(43,890)
Interest received		**46**	7
Interest paid		**(250)**	(276)
Income tax paid		**(674)**	(918)
Net cash flows from (used in) operating activities	23(a)	**3,117**	2,356
Cash flows from investing activities			
Purchase of plant and equipment		**(811)**	(499)
Proceeds from sale of plant and equipment		**-**	11
Net cash flows from (used in) investing activities		**(811)**	(488)
Cash flows from financing activities			
Proceeds from borrowings		**57**	-
Repayment of borrowings		**(372)**	(186)
Dividends paid		**(648)**	(352)
Net cash flows from (used in) financing activities		**(963)**	(538)
Net increase (decrease) in cash and cash equivalents		**1,343**	1,330
Cash and cash equivalents at beginning of year		**1,528**	196
Exchange rate adjustment to balances held in foreign currencies		**1**	2
Cash and cash equivalents at end of year	5	**2,872**	1,528

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

1. Corporate information

The consolidated financial statements of Supply Network Limited for the year ended 30 June 2011 were authorised for issue in accordance with a resolution of the directors on 24 August 2011.

Supply Network Limited is a company limited by shares, incorporated 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. Statement 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 non-current assets, financial assets and liabilities, which have been measured at fair value.

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 Class Order 98/100. The company is an entity to which the class order 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.

2. Statement of significant accounting policies (continued)

(d) Significant accounting judgements, estimates and assumptions (continued)

(ii) Significant accounting estimates and assumptions

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

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

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

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

(e) Foreign currency transactions

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

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

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

As at the reporting date the assets and liabilities of the foreign subsidiary are translated into the presentation currency of Supply Network Limited at the exchange rate ruling at the balance sheet date and its statement of comprehensive income 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.

2. Statement of significant accounting policies (continued)

(e) Foreign currency transactions (continued)

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

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

(f) Cash and cash equivalents

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

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

(g) Trade and other receivables

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

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

(h) Inventories

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

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

Finished Goods – weighted average cost into store.

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

Obsolete and redundant inventories are provided for as appropriate.

2. Statement of significant accounting policies (continued)

(i) Leases

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

Group as a lessee

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

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

There were no finance leases during the year.

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

(j) Plant and equipment

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

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

	2011	**2010**
Plant and equipment	2-10 years	2-10 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.

2. Statement of significant accounting policies (continued)

(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.

2. Statement 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 national government 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 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).

2. Statement of significant accounting policies (continued)

(r) Impairment of assets (continued)

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

2. Statement of significant accounting policies (continued)

(u) Income tax (continued)

- 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 the statement of comprehensive income.

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.

2. Statement of significant accounting policies (continued)

(v) Other taxes (continued)

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 2011 reporting period. The Group's assessment of the impact of these new standards and interpretations is they will result in no significant changes to the amounts recognised or matters disclosed in the Group's financial statements.

		Consolidated	
		2011	**2010**
		$000	**$000**
3.	**Revenues and expenses**		
	Revenue and expenses from operating activities		
(a)	***Revenue***		
	Sale of goods	**50,501**	43,103
(b)	***Finance revenue***		
	Bank interest	**52**	7
(c)	***Other expenses***		
	Bad and doubtful debts – trade receivables	**(109)**	(50)
	Freight and cartage expenses	**(871)**	(793)
	Operating lease expense	**(1,957)**	(1,792)
	Other	**(4,342)**	(3,686)
		(7,279)	(6,321)
(d)	***Finance costs***		
	Bank loans and overdrafts	**(247)**	(276)
	Other external	**(5)**	(7)
		(252)	(283)

4. Income tax

(a) Income tax expense

The major components of income tax expense are:

		2011 $000	2010 $000
	Current income tax		
	Current income tax charge	**1,198**	721
	Adjustments in respect of previous years	**2**	-
	Deferred income tax		
	Adjustment to deferred tax assets for change in tax rate	**10**	-
	Relating to origination and reversal of temporary differences	**(102)**	(7)
	Income tax expense	**1,108**	714

	Consolidated	
	2011	2010
	$000	$000

4. Income tax (continued)

(b) Reconciliation of prima facie tax payable to income tax expense

	2011 $000	2010 $000
Accounting profit before income tax	**3,617**	2,355
At the Group's income tax rate of 30% (2010:30%)	**1,085**	706
Adjustments in respect of previous years	**2**	-
Adjustment to deferred tax attributable to change in tax rate	**10**	-
Expenditure not allowable for income tax purposes	**11**	8
	1,108	714

(c) Deferred tax assets

	2011 $000	2010 $000
Depreciation differences	**174**	176
Doubtful debts	**20**	25
Employee benefits	**396**	327
Stock obsolescence	**205**	164
Unrealised profit in stock	**25**	28
Other	**52**	60
	872	780

(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 is 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.

	Consolidated	
	2011 $000	2010 $000
5. Cash and cash equivalents		
Cash at bank and in hand	**152**	575
Short-term deposits	**2,720**	953
	2,872	1,528

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

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

Reconciliation to Statement of Cash Flows

For the purposes of the Statement of Cash Flows, cash and cash equivalents comprise the following at 30 June:

	Consolidated	
	2011 $000	2010 $000
Cash at bank and in hand	**152**	575
Short-term deposits	**2,720**	953
	2,872	1,528

6. Trade and other receivables

Current		
Trade receivables (i)	**7,148**	5,547
Allowance for impairment loss	**(68)**	(84)
	7,080	5,463
Other receivables	**12**	8
	7,092	5,471
Ageing of trade receivables not impaired		
Not overdue	**6,689**	5,106
61-90 days past due	**376**	332
91 days and above past due	**15**	25
	7,080	5,463
Ageing of trade receivables impaired		
61-90 days past due impaired	**-**	8
91 days and above past due	**68**	76
	68	84
Total trade receivables	**7,148**	5,547

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011
(continued)

6. Trade and other receivables (continued)

(i) Trade receivables are non-interest bearing and generally on 30 day terms. As at 30 June 2011 trade receivables of $391,000 (2010: $357,000) 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.

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

	Consolidated	
	2011	**2010**
	$000	**$000**
7. Inventories		
Finished goods at lower of cost or net realisable value	**12,899**	12,519
Stock in transit - finished goods at cost	**2,647**	2,425
Total inventories at lower of cost and net realisable value	**15,546**	14,944
8. Other current assets		
Prepayments	**42**	41
9. Plant and equipment		
Plant and equipment at cost		
Opening balance	**4,235**	3,830
Additions	**1,088**	569
Disposals	**(244)**	(173)
Exchange difference	**(25)**	9
Closing balance	**5,054**	4,235
Accumulated depreciation		
Opening balance	**3,247**	3,095
Depreciation for the year	**405**	303
Disposals	**(237)**	(158)
Exchange difference	**(20)**	7
Closing balance	**3,395**	3,247
Total plant and equipment	**1,659**	988
10. Trade and other payables		
Trade payables and accruals	**9,232**	7,185

		Consolidated	
		2011	2010
		$000	$000
11. Interest bearing loans and borrowings			
Current	***Maturity***		
Obligations under hire purchase contracts (i)	*2012*	**15**	24
Bank loans (ii)	*2011*	**34**	279
		49	303
Non-current			
Obligations under hire purchase contracts (i)	*2012*	**-**	15
Bank loans (ii)	*2011-2013*	**2,888**	2,966
		2,888	2,981

(i) Obligations under hire purchase contracts are secured on a certain asset of a controlled entity. The agreement is for three years and subject to monthly repayment, maturing in February 2012. The interest rate on the agreement is 7.3%

(ii) Bank loans comprise fixed interest only loans of $2,826,000 with effective interest rates of 6.6% to 7.8% maturing between August 2011 and August 2013 and fixed interest loans of $96,000 with effective interest rates of 6.6% to 7.8% maturing between November 2011 and December 2013.

(iii) Bank overdrafts and bank loans are secured by fixed and floating charges over the assets of Supply Network Limited and controlled entities. Bank overdrafts have no specific term and are subject to annual review in November each year. Interest rates on overdrafts are variable and during the year the average interest rate was 10.4% (2010: 9.6%).

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

Australian loan agreement requires:

Consolidated adjusted gearing ratio not to exceed 1.75 to 1.
Working capital ratio as defined not to exceed 50% of stock plus debtors less trade creditors.
Consolidated EBITDA to interest expense ratio of not less than 2 to 1.

The Group complied with these ratios during the year.

New Zealand loan agreement requires:

Gearing ratio not to exceed 1.75 to 1.
EBITDA to interest expense ratio of not less than 3 to 1.

The subsidiary company complied with these ratios during the year.

12. Current tax liabilities

	Consolidated 2011 $000	Consolidated 2010 $000
Current year tax payable	**593**	67

13. Provisions

	Consolidated		
	Long Service Leave $000	Lease make good $000	Total $000
At 1 July 2010	**467**	**329**	**796**
Arising during the year	**92**	**276**	**368**
Utilised	**(21)**	**(16)**	**(37)**
Exchange difference	**-**	**(2)**	**(2)**
Discount rate adjustment	**(2)**	**7**	**5**
At 30 June 2011	**536**	**594**	**1,130**
Current 2011	**403**	**-**	**403**
Non-current 2011	**133**	**594**	**727**
	536	**594**	**1,130**
Current 2010	348	-	348
Non-current 2010	119	329	448
	467	329	796

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.*

14. Derivatives

	Consolidated 2011 $000	Consolidated 2010 $000
Current Assets (Liabilities)		
Net forward currency contracts-cash flow hedges	**(8)**	2

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)).

	Consolidated 2011 $000	Consolidated 2010 $000

15. Contributed equity

(a) Issued and paid up capital

	2011 $000	2010 $000
34,187,229 ordinary shares fully paid (2010: 29,787,264)	**9,698**	7,857

(b) Movements in Shares on Issue

	2011 Number of Shares	2011 $000	2010 Number of Shares	2010 $000
Balance at beginning of the year	**29,787,264**	**7,857**	25,310,837	6,365
Shares issued under dividend reinvestment plan	**4,399,965**	**1,841**	4,476,427	1,492
Balance at end of the year	**34,187,229**	**9,698**	29,787,264	7,857

(c) Share Options

There were no outstanding options over ordinary shares on issue at 30 June 2011 and 30 June 2010.

(d) Terms and conditions of contributed equity

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

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

16. Exchange Translation Reserve

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

		Consolidated 2011 $000	Consolidated 2010 $000
17.	**Dividends paid and proposed on ordinary shares**		
(a)	**Dividends declared and paid during the year**		
	Current year special fully franked dividend (2011: 4.00 cents per share) (2010: 4.00 cents)	**1,233**	1,046
	Current year interim fully franked dividend (2011: 2.00 cents per share) (2010: 1.00 cent)	**660**	292
	Previous year final fully franked dividend (2010: 2.00 cents per share) (2009: 2.00 cents)	**596**	506
	Total dividends paid	**2,489**	1,844
(b)	**Dividends proposed subsequent to 30 June and not recognised as a liability**		
	Current year final fully franked dividend (2011: 3 cents per share) (2010: 2.00 cents)	**1,026**	596
(c)	**Franking credit balance**		
	The amount of franking credits available for the subsequent financial year are:		
	-franking account balance as at the end of the financial year at 30% (2010: 30%)	**3,242**	3,824
	-franking credits that will arise from the payment of income tax payable as at the end of the financial year	**482**	7
		3,724	3,807
	The amount of franking credits available for the future reporting periods:		
	-impact of franking account of dividends proposed or declared before the financial report was authorised for issue but not recognised as a distribution to equity holders during the period:	**(440)**	(255)
		3,284	3,552

The tax rate at which paid dividends have been franked is 30% (2010: 30%).

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

18. Earnings per share

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

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

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

	Consolidated	
	2011	**2010**
	$000	**$000**
Net profit attributable to ordinary equity holders of the parent	**2,509**	1,641
	No.	**No.**
Weighted average number of ordinary shares for basic earnings per share	**32,092,131**	27,695,090

19. Lease commitments

Operating lease commitments payable		
– not later than one year	**1,799**	1,728
– later than one year and not later than five years	**3,628**	4,446
– later than five years	**21**	338
	5,448	6,512

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

20. Auditor's compensation

	Consolidated 2011 $000	Consolidated 2010 $000
Amounts received or due and receivable by HLB Man Judd (NSW Partnership) for: an audit and review of a financial report of the consolidated group	**53,200**	51,000
Amounts received or due and receivable by HLB Mann Judd Limited for: an audit of the financial report of a subsidiary	**11,000**	9,600
	64,200	60,600

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)
G T Lingard	Chairman (non-executive, retired 17 March 2010)

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

	Consolidated 2011 $	Consolidated 2010 $
Short-term	**713,585**	690,393
Post-employment	**109,514**	87,288
Termination benefits	**-**	102,804
	823,099	880,485

(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 2011 and 30 June 2010.

21. Key management personnel (continued)

(c) Option holdings of key management personnel

There were no options held by key management personnel at 30 June 2011 or 30 June 2010.

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

	Balance 1 July 2010	Options Exercised	Net Change Other	Balance 30 June 2011
	No.	No.	No.	No.
Directors				
G J Forsyth	**462,019**	**-**	**93,717**	**555,736**
P W McKenzie	**3,062,678**	**-**	**621,258**	**3,683,936**
G D H Stewart	**966,345**	**-**	**196,020**	**1,162,365**
P W Gill	**414,042**	**-**	**83,985**	**498,027**
	4,905,084	**-**	**994,980**	**5,900,064**

	Balance 1 July 2009	Options Exercised	Net Change Other	Balance 30 June 2010
	No.	No.	No.	No.
Directors				
G J Forsyth	379,267	-	82,752	462,019
P W McKenzie	2,495,309	-	567,369	3,062,678
G D H Stewart	793,260	-	173,085	966,345
P W Gill	339,884	-	74,158	414,042
G T Lingard (retired 17 March 2010)	216,155	-	39,640	255,795
	4,223,875	-	937,004	5,160,879

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% of the employees' ordinary time earnings to the funds, with employees contributing various percentages of their gross salary.

The New Zealand operating company has a legal obligation to contribute 2% of participating employees' total earnings to KiwiSaver. Employees contribute between 2%-8% of their gross salary.

		Consolidated	
		2011	2010
		$000	$000
23.	**Cash Flow Information**		
(a)	**Reconciliation of net profit after tax to the net cash flows from operations**		
	Profit after income tax	**2,509**	1,641
	Adjustments for non-cash income and expense items		
	Loss on sale of plant and equipment	**7**	4
	Depreciation of plant and equipment	**405**	303
	Transfers to provisions:		
	– Inventory obsolescence	**235**	97
	– Employee entitlements	**240**	(28)
	– Doubtful debts	**(16)**	17
	– Lease make good	**268**	77
	Net exchange differences	**(137)**	38
	Increase (decrease) in provision for:		
	– Income tax payable	**526**	(198)
	– Deferred taxes	**(92)**	(7)
	Changes in assets and liabilities		
	(Increase) decrease in:		
	– Trade and other receivables	**(1,605)**	(262)
	– Inventories	**(831)**	(205)
	– Other assets	**(277)**	(4)
	(Decrease) increase in:		
	– Trade and other payables	**1,885**	883
	– Net cash flow from (used in) operating activities	**3,117**	2,356

	Consolidated 2011 $000	2010 $000

23. Cash Flow Information (continued)

(b) Financing facilities available:

At reporting date the following facilities had been negotiated and were available:

	2011 $000	2010 $000
Total credit facilities	**4,783**	5,984
Facilities used at reporting date	**(2,937)**	(3,284)
Facilities unused at reporting date	**1,846**	2,700

The major facilities are summarised as follows:

	2011 $000	2010 $000
Bank overdrafts	**692**	700
Facilities used	**-**	-
Facilities unused at reporting date	**692**	700
Bank loans	**4,091**	5,284
Facilities used	**(2,937)**	(3,284)
Facilities unused at reporting date	**1,154**	2,000

24. Parent Entity Information

	2011 $000	2010 $000
Current assets	**2,419**	953
Total assets	**13,006**	11,267
Current liabilities	**505**	37
Total liabilities	**505**	37
Shareholders equity:		
Issued capital	**9,698**	7,857
Retained earnings	**2,803**	3,373
	12,501	**11,230**
Profit for the year	**1,919**	1,289
Other comprehensive income	**-**	-
Total comprehensive income	**1,919**	1,289

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 Comprehensive Income and Balance Sheet of entities included in the class order “Closed Group” are set below.

	Closed Group	
Statement of Comprehensive Income	**2011 $000**	**2010 $000**
Profit before income tax	**2,986**	1,864
Income tax expense	**(908)**	(566)
Profit after income tax	**2,078**	1,298
Net profit attributable to members of the parent	**2,078**	1,298
Other comprehensive income	**-**	-
Total comprehensive income	**2,078**	1,298
Retained Earnings		
Retained earnings at beginning of the year	**3,237**	3,783
Profit after income tax	**2,078**	1,298
Dividends provided for or paid	**(2,489)**	(1,844)
Retained earnings at end of the year	**2,826**	3,237

25. Deed of Cross Guarantee (continued)

Balance Sheet

	Closed Group 2011 $000	Closed Group 2010 $000
ASSETS		
Current assets		
Cash and cash equivalents	**2,453**	1,230
Trade and other receivables	**6,190**	4,745
Inventories	**12,462**	11,891
Other current assets	**39**	35
Intercompany	**23**	30
Total current assets	**21,167**	17,931
Non-current assets		
Other financial assets	**1,031**	1,031
Plant and equipment	**1,497**	848
Deferred tax assets	**702**	626
Total non-current assets	**3,230**	2,505
TOTAL ASSETS	**24,397**	20,436
LIABILITIES		
Current liabilities		
Trade and other payables	**8,053**	6,136
Interest bearing loans and borrowings	**15**	124
Income tax payable	**481**	7
Provisions	**403**	348
Derivatives	**9**	-
Total current liabilities	**8,961**	6,615
Non-current liabilities		
Interest bearing loans and borrowings	**2,250**	2,340
Provisions	**662**	387
Total non-current liabilities	**2,912**	2,727
TOTAL LIABILITIES	**11,873**	9,342
NET ASSETS	**12,524**	11,094
EQUITY		
Contributed equity	**9,698**	7,857
Retained earnings	**2,826**	3,237
TOTAL EQUITY	**12,524**	11,094

26. Segment information

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

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

Geographical segments	Australia		New Zealand		Eliminations		Consolidated	
	2011 $000	2010 $000	2011 $000	2010 $000	2011 $000	2010 $000	2011 $000	2010 $000
Revenue								
Sales to customers outside the Group	**42,863**	36,381	**7,638**	6,722	**-**	-	**50,501**	43,103
Other revenues from outside the Group	**67**	36	**5**	4	**-**	-	**72**	40
Inter-segment revenues	**904**	949	**122**	29	**(1,026)**	(978)	**-**	-
Total segment revenues	**43,834**	37,366	**7,765**	6,755	**(1,026)**	(978)	**50,573**	43,143
Results								
Segment results	**2,986**	1,864	**622**	478	**9**	13	**3,617**	2,355
Profit before income tax and finance costs							**3,817**	2,631
Finance revenue							**52**	7
Finance costs							**(252)**	(283)
Profit before income tax							**3,617**	2,355
Income tax expense							**(1,108)**	(714)
Profit after income tax expense							**2,509**	1,641
Assets								
Segment assets	**24,396**	20,436	**4,905**	4,548	**(1,218)**	(1,230)	**28,083**	23,754
Liabilities								
Segment liabilities	**11,873**	9,342	**2,155**	2,124	**(128)**	(134)	**13,900**	11,332
Other segment information								
Additions to plant and equipment, intangible assets and other non-current assets	**1,005**	535	**83**	34	**-**	-	**1,088**	569
Depreciation	**351**	246	**54**	57	**-**	-	**405**	303
Other non-cash expenses	**586**	244	**122**	86	**-**	-	**708**	330

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. Financial risk management

The Group's principal financial instruments, other than derivatives, comprise cash, bank loans, bank overdrafts and hire purchase contracts. 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 entity is exposed to interest rate risk through financial assets and liabilities. The Group's main interest rate risk arises from long-term borrowings (refer note 11).

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

Financial instruments - Contractual maturities	Floating interest rate (i)	Fixed interest rate maturing			Non-interest bearing	Total	Weighted average interest rate	
		1 year or less	1 to 5 years	Over 5 years			Floating	Fixed
	$000	$000	$000	$000	$000	$000	%	%
Consolidated								
30 June 2011								
Financial assets								
Cash	2,872	-	-	-	-	2,872	4.7	-
Receivables	-	-	-	-	7,148	7,148	-	-
Forward currency contracts	-	-	-	-	855	855	-	-
Other debtors	-	-	-	-	12	12	-	-
	2,872	-	-	-	8,015	10,887		
Financial liabilities								
Payables	-	-	-	-	9,232	9,232	-	-
Bank loans and overdrafts	-	34	2,888	-	-	2,922	-	7.4
Forward currency contracts	-	-	-	-	863	863	-	-
Other loans	-	15	-	-	-	15	-	7.3
	-	49	2,888	-	10,095	13,032		

27. Financial risk management (continued)

(a) Interest rate risk (continued)

Financial instruments - Contractual maturities	**Floating interest rate (i)**	**Fixed interest rate maturing**			**Non-interest bearing**	**Total**	**Weighted average interest rate**	
		1 year or less	**1 to 5 years**	**Over 5 years**			**Floating**	**Fixed**
	\$000	**\$000**	**\$000**	**\$000**	**\$000**	**\$000**	**%**	**%**
Consolidated								
30 June 2010								
Financial assets								
Cash	1,528	-	-	-	-	1,528	4.5	-
Receivables	-	-	-	-	5,547	5,547	-	-
Forward currency contracts	-	-	-	-	498	498	-	-
Other debtors	-	-	-	-	8	8	-	-
	1,528	-	-	-	6,053	7,581		
Financial liabilities								
Payables	-	-	-	-	7,185	7,185	-	-
Bank loans and overdrafts	-	279	2,966	-	-	3,245	-	7.7
Forward currency contracts	-	-	-	-	496	496	-	-
Other loans	-	24	15	-	-	39	-	7.3
	-	303	2,981	-	7,681	10,965		

(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 less than 1 year.

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 1-2 years.

Variable rate facilities such as bank overdrafts 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.

27. Financial risk management (continued)

(b) Foreign exchange risk

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

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

		Average exchange rate		Buy	Buy
Currency		**2011**	**2010**	**2011 $000**	**2010 $000**
Euro currency	3 months or less	**0.74**	0.70	**363**	160
Japanese yen	3 months or less	**84.72**	76.77	**163**	169
US dollar	3 months or less	**1.05**	0.88	**177**	47
GB pounds	3 months or less	**0.65**	-	**9**	-
Australian dollar	3 months or less	**1.00**	1.00	**151**	120
Total				**863**	496

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

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

(c) Credit risk

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

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

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

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

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

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

27. Financial risk management (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 and equity attributable to equity holders of the parent, comprising issued capital (note 15), reserves (note 16) and retained earnings.

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

28. Related party transactions

(a) Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

	Consolidated 2011 $000	Consolidated 2010 $000
Transactions with related parties:		
Key management personnel of the group		
Purchases from related parties	**-**	446
Sales to related parties	**195**	139
Amounts owed by related parties	**53**	31

(b) 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, P W Gill and G T Lingard (retired 17 March 2010).

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

(d) Mr G T Lingard is a Director and shareholder in a company which leases premises on normal commercial terms and conditions to a wholly owned controlled entity.

SUPPLY NETWORK LIMITED

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 17 to 49 are in accordance with the *Corporations Act 2001*, including:

      (i) complying with Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
      (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the financial year ended on that date; 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 notes to the financial statements include a statement of compliance with International Financial Reporting Standards.

3. The directors have been given the declarations by the chief executive officer and chief financial officer for the year ended 30 June 2011 required by section 295A of the *Corporations Act 2001*.

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

On behalf of the Board

G J Forsyth
Director
Sydney
24 August 2011

INDEPENDENT AUDITOR'S REPORT

To the members of Supply Network Limited

Report on the Financial Report

We have audited the accompanying financial report of Supply Network Limited] ("the company"), which comprises the balance sheet as at 30 June 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 17 to 50.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

In Note 2(b), the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements* that the consolidated financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial report 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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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

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

Level 19 207 Kent Street Sydney NSW 2000 Australia | DX 10313 SSE | Telephone +61 (0)2 9020 4000 | Fax +61 (0)2 9020 4190

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

SUPPLY NETWORK LIMITED

INDEPENDENT AUDITOR'S REPORT
(CONTINUED)

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of Supply Network Limited on 24 August 2011, would be in the same terms if provided to the directors as at the time of this auditor's report.

Auditor's Opinion

In our opinion:

(a) the financial report of Supply Network Limited is 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 2011 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 2(b).

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 8 to 11 of the directors' report for the year ended 30 June 2011.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.

Auditor's Opinion

In our opinion the Remuneration Report of Supply Network Limited for the year ended 30 June 2011 complies with section 300A of the *Corporations Act 2001*.

HLB MANN JUDD
Chartered Accountants

D K Swindells
Partner

SYDNEY
24 August 2011

HLB Mann Judd (NSW Partnership) ABN 34 482 821 289
Level 19 207 Kent Street Sydney NSW 2000 Australia | DX 10313 SSE | Telephone +61 (0)2 9020 4000 | Fax +61 (0)2 9020 4190
Email: mailbox@hlbnsw.com.au | Website: www.hlb.com.au