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

6 October 2009

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

Dear Sir,

Re: Notice of Annual General Meeting and 2009 Annual Report

Please find attached the following documents:

- Chairman's letter to shareholders
- Notice of Annual General Meeting, explanatory notes and proxy form
- 2009 Annual Report.

Yours faithfully

Peter Gill
Company Secretary

Supply Network Limited
ABN 12 003 135 680

All Correspondence to:
Computershare Investor Services Pty Limited
GPO Box 2975 Melbourne
Victoria 3001 Australia
Enquiries (within Australia) 1300 855 080
(outside Australia) 61 3 9614 4000
Facsimile 61 3 9473 2555
www.computershare.com

000001 000 SNL
MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Dear Shareholder

I am pleased to invite you to attend our Annual General Meeting and have enclosed the Notice of Meeting which sets out the items of business. The meeting will be held at 141-151 Fairfield Road, Guildford, NSW 2161 on Wednesday, 18 November 2009 at 2:00pm.

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

If you are unable to attend the meeting, you are encouraged to complete the enclosed proxy form. The proxy form should be returned in the envelope provided or faxed to our share registry on 03 9473 2555 so that it is received by 2:00pm on Monday, 16 November 2009.

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

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

I look forward to your attendance at the meeting.

Yours sincerely

G T Lingard
Chairman

Supply Networks Limited
ABN 12 003 135 680

2009 NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Supply Network Limited will be held at 2.00 pm on Wednesday 18 November 2009 at 141-151 Fairfield Road Guildford NSW 2161.

BUSINESS

1. **Financial Reports**

   To receive and consider the Financial Report and the Reports of Directors and Auditors for the year ended 30 June 2009.

2. **Remuneration Report**

   To adopt the Remuneration Report for the year ended 30 June 2009.
   The vote on this resolution is advisory only and does not bind the Directors or the Company.

3. **Election of Director**

   Consideration and, if thought appropriate, approval of the re-election of Mr P.W. McKenzie as a Director, who retires by rotation in accordance with the Company's Constitution, and being eligible has offered himself for re-election

   Biographical information on Mr P.W. McKenzie is set out in the explanatory notes to this notice.

Dated 6th October 2009
By order of the Directors

P W Gill
Company Secretary

PROXIES
Please note the following:

1. A shareholder entitled to vote is entitled to appoint a proxy to attend and vote instead of the shareholder. A suitable proxy form accompanies this Notice of Annual General Meeting.

2. The person appointed a proxy need not be a shareholder of the Company.

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

4. To be effective, the instrument appointing a proxy (and the power of attorney or other authority, if any, under which it is signed or a certified copy of the power or authority) must be returned to the share registry of the Company, Computershare Investor Services Pty Limited, either:
   - by facsimile on +61 3 9473 2555
   - by post to GPO box 242, Melbourne, VIC 3001; or
   - by delivery to Level 2, 60 Carrington Street, Sydney

   not less than 48 hours prior to the meeting

EXPLANATORY NOTES TO NOTICE OF ANNUAL GENERAL MEETING

Item 1: Financial Reports

The business of the meeting will include receipt and consideration of the Financial Statements of the Company and the reports of the Directors and Auditors for the year ended 30 June 2009. Shareholders are not required to vote on these reports but will be given an opportunity to raise questions on the Reports at the meeting. The Auditors will be available at the meeting to answer any questions in relation to the Auditor's Report.

Item 2: Remuneration Report

The Board submits its Remuneration Report to shareholders for consideration and adoption by way of a non-binding resolution. The Remuneration report is set out in pages 10-12 of the Annual Report.

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

The Board unanimously recommends that shareholders vote in favour of adopting the Remuneration Report.

Item 3: Election of Director

Mr P.W. McKenzie retires by rotation in accordance with the Company’s Constitution and, being eligible for re-election, offers himself for re-election.

Mr McKenzie was appointed as a Non-executive Director in July 2006. Chairman of the Remuneration Committee and a member of the Audit Committee. He holds a Masters Degree in Business Administration has over 13 years experience in 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

The Board unanimously recommends that shareholders vote in favour of Mr McKenzie’s election.

Supply Network Limited
ABN 12 003 135 680

Lodge your vote:

Online:
www.investorvote.com.au

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

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

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

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

000001 000 SNL
MR SAM SAMPLE
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SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Proxy Form

Vote online or view the annual report, 24 hours a day, 7 days a week:

www.investorvote.com.au

- ☑ **Cast your proxy vote**
- ☑ **Access the annual report**
- ☑ **Review and update your securityholding**

Your secure access information is:
Control Number: 999999

SRN/HIN: I9999999999 **PIN: 99999**

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

For your vote to be effective it must be received by 2:00pm (AEDT) on Monday 16 November 2009

How to Vote on Items of Business

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

Appointment of Proxy

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

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

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

A proxy need not be a securityholder of the Company.

Signing Instructions for Postal Forms

Individual: Where the holding is in one name, the securityholder must sign.
Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.
Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.
Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held.

Attending the Meeting

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

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

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

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
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SAMPLE ESTATE
SAMPLEVILLE VIC 3030

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

I 9999999999 I ND

Proxy Form

Please mark ☒ to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

XX

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

☐ **the Chairman of the meeting** **OR** ______________________

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

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the Annual General Meeting of Supply Network Limited to be held at 141-151 Fairfield Road, Guildford NSW on Wednesday, 18 November at 2:00pm and at any adjournment of that meeting.

STEP 2 Items of Business

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

		For	Against	Abstain
2.	To adopt the Remuneration Report for the year ended 30 June 2009.	☐	☐	☐
3.	To re-elect Mr P.W. McKenzie as a Director.	☐	☐	☐

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

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

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

Contact Name ______________________ Contact Daytime Telephone ______________________ Date ____ / ____ / ____

SUPPLY NETWORK LIMITED

ABN 12 003 135 680

Annual Report 2009


MULTISPARES
TRUCK PARTS
CUSTOMER SERVICE
Parts Hotline
13 16 15
MULTISPARES
Truck & Bus Parts
EUROPEAN
JAPANESE

Contents

Corporate Information

Directors

G T Lingard (Chairman)

G D H Stewart (Managing Director)

G J Forsyth

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 Stock Exchange

Chairman's and Managing Director's Report

"Group Sales Revenue grew by 4% and exceeded $40,000,000 for the first time."

Your Directors are pleased to report EBIT of $2.5m for the financial year 2008-2009, an increase of 4% on the prior year. Group profit after income tax was $1.5m or 6.1 cents per share based on the weighted average number of shares for the year. Return on average shareholder equity was 14%.

Group Sales Revenue grew by 4% and exceeded $40,000,000 for the first time.

The Directors consider these to be good results given the extraordinary events of the year. Of particular note were the sudden and dramatic falls in value of the Australian and New Zealand dollars and equally sudden and dramatic downturns in trucking activity during the first half of the financial year. Although there was a slow and steady recovery in both these factors over the second half, they remain below prior year levels.

The fall in value of the Australian and New Zealand currencies imposed an immediate and significant requirement on the Group to establish new lines of credit to finance an expected increase in the value of our inventory as existing product was sold and replaced at higher cost. Strong profitability, a stable management team and a history of conservative financial management enabled the additional facilities to be secured through our primary banking relationship. Continued careful management of inventory and profitability has minimised the draw down of new debt, resulting in a debt to equity ratio of just 31.3% as at the 30th June 2009, which remains below our four-year average of 34.7%.

In response to changes in the financial landscape Directors developed new growth strategies based on organic growth opportunities. These strategies focus new investments on capacity expansion and customer service levels with a target to deliver compound revenue growth of 7% per annum over the next three years.

The first stage of investment began during the second half of last financial year and will conclude at the end of the first quarter of this financial year. The main outlays are a transition to a new computer and communications infrastructure, the opening of a new Multispares branch in the Illawarra and a strengthening of staff levels in key areas.

Multispares Illawarra is the first new Multispares branch since we opened Canberra and Dandenong just over four years ago. New branches impact on Group performance in the first year and require significant management attention during the preparation and startup phases. However over the long-term they allow us to deliver critical service improvements to regional markets, particularly for truck repairers. Other branch openings are under consideration in our three-year forward planning.

Review of Operations

The trading activities of Multispares in Australia and New Zealand have continued and will continue to dominate Group revenue and management attention. Over the past year both companies underwent changes in their management structure to strengthen our leadership in sales and provide a greater focus for the business on customer requirements.

Sales revenue increased by 5% in Multispares Australia and by 11% in Multispares New Zealand (in $NZ terms) compared with the prior year, with growth spread across all geographic markets. Despite strong competition and heavy discounting on some products, average margins improved across the full range.

Globac revenue fell by $170k compared with the prior year, largely as a consequence of significant price competition in the wholesale market for American truck and trailer brake products. In response to these changed market

conditions Globac modified its operations, reduced its cost structure and remains active in the American brake market.

Over the year Globac achieved steady growth in its wholesale business for its range of specialist brake controls. Continued expansion of this range and the addition of new trailer brake products will stabilise Globac's revenue and see it continue as a small, but important contributor to the Supply Network Group.

Group operations have been centralised at our main facility in Sydney. In a dynamic global supply market we need a strong Operations Team with broad technical skills. This has been an area of significant investment over the past two years with new leadership, a number of new staff and new systems built around customer-focused development, procurement and inventory. Work on range expansion, program completion and proper presentation of quality options is adding value to customer relationships and building revenues.

Capital Management

Directors responded to the expected market slowdown and higher costs for inventory by suspending payment of the planned Special Dividend and by reactivating our Dividend Reinvestment Plan. Having taken these steps Directors were able to maintain the Interim and Final Dividends at 1.0 and 2.0 cents per share respectively. Total Dividends paid or payable for the year were 3.0 cents per share, the same as for the previous year and just below our target payout ratio of 50-60%.

The Board will consider the Group's capital requirements before the AGM where it will announce whether it will recommence the Special Dividend payment.

A Thank You to Staff

The Directors acknowledge the skills and the efforts of our excellent teams across Australia and New Zealand. Through a period of dramatic change and tough market conditions the staff have lifted the performance of our Group. The Directors wish to thank all staff for their contributions to our success.

The Future

Our three-year organic growth strategy will require additional investments in information technology, our branch network and staff. These investments are expected to be skewed marginally towards the first year but generally spread throughout the period.

A small decline in gross margin is anticipated over the current year as we emerge from the effects of dramatic decline then partial recovery of the Australian and New Zealand currencies.

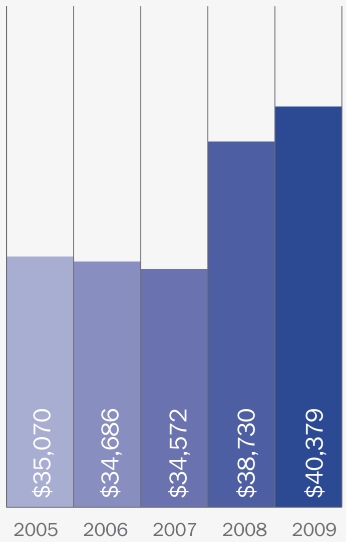
Given the state of the economy and our organic growth strategies, increasing profitability in the current year will be difficult. However the Directors expect a steady improvement in profitability in subsequent years.

Supply Network Limited has emerged from the tough market conditions of recent times as a stronger, more profitable and widely respected business. We will continue to invest wisely in the expansion of our core activities to provide a balance of growth and returns for shareholders.

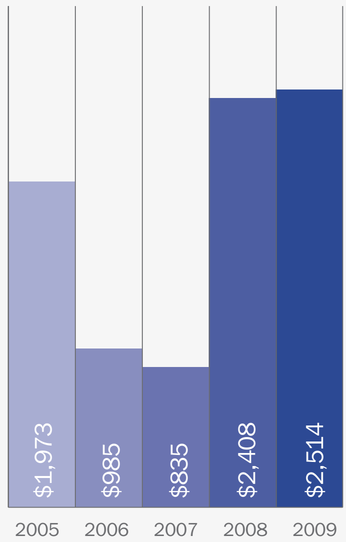
Our Business

Performance Highlights

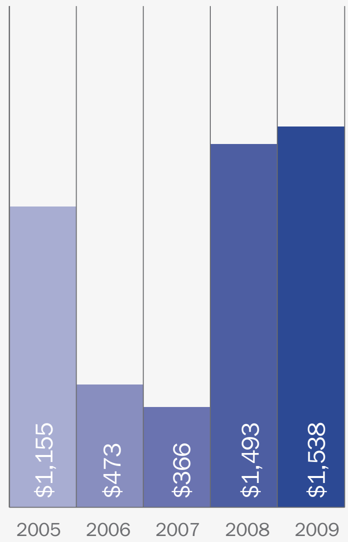
2009
Total revenue
$40.38m
(,000)



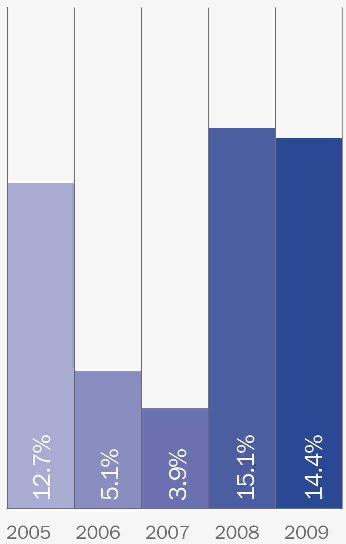
2009
Earnings before interest and tax
$2.51m
(,000)



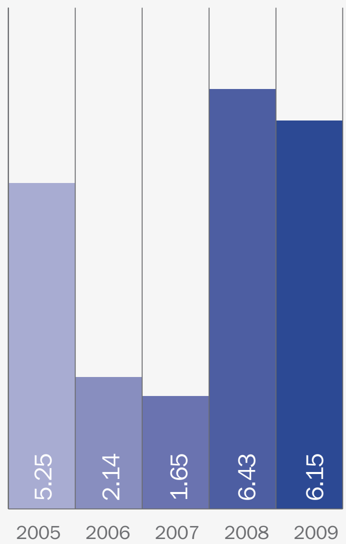
2009
Profit after income tax
$1.54m
(,000)



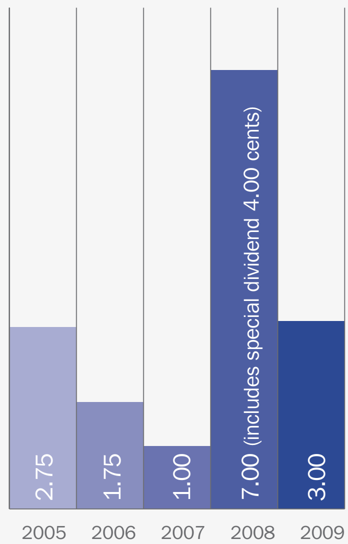
2009
Return on average total equity
14.4%



2009
Earnings per share
6.15 cents



2009
Dividends per share
3.00 cents



Who we are:

Supply Network Limited is a listed company operating trading entities under the Multispares and Globac brands. Each trading entity has its own management team and its own operating focus within a broad market definition of replacement parts for road transport equipment.

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

"Behind the scenes teams of professional staff keep our business moving forward."

Our Business

Continued

“Expanding our branch network into regional markets is driving the development of a new range of products.”

Our business principles:

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

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

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

The breadth of our product range, significant regional differences and a strong regional structure does add to our operating cost. However we are an organisation with substantial scale, which allows us to buy products well and many of our operational and administrative activities are highly efficient. This keeps us competitive while our branch network keeps service levels strong.

Organisational culture:

Our Code of Conduct states:

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

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

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

In many ways this Code embodies our organisational culture. In a business with thousands of daily transactions spread across an area larger than Western Europe, dealing with thousands of different products, we rely on our staff to operate professionally and intelligently to interpret requirements and serve customers. They can’t do this alone and in every location our success depends on the strength of the local team.

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

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


MULTISPARES
BRAKE
STEERING
SUSPENSION
COMMERCIAL MIRRORS
Hella

Director's Report

The Directors of Supply Network Limited submit their report for the financial year ended 30 June 2009.

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 T Lingard	(Chairman)
G D H Stewart	(Managing Director)
G J Forsyth	
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 $1,538,000 (2008: $1,493,000).

Earnings Per Share

Basic and diluted earnings per share for the financial year are 6.15 cents per share (2008: 6.43 cents).

Dividends

Dividends paid or declared for payment are as follows:

	$
Final Dividend for 2008 of 2.00 cents per share paid 26 September 2008	498,000
Interim dividend for 2009 of 1.00 cent per share paid 3 April 2009	249,000
Final dividend for 2009 of 2.00 cents per share declared 22 July 2009 and payable 25 September 2009	506,000

Review of Operations

The Group sales revenue for the year was $40.3m, which is an increase of 4.3% when compared to last year.

Sales revenue in the Australian operation increased by 4.3% while sales in the New Zealand operation increased by 10.8% measured in NZ$ terms, which excludes the impact of exchange rate fluctuations. When measured in Australian dollar terms the sales increase in New Zealand operation is 5.3%.

EBIT for the year was $2.51m, which is an increase of 4.4% over last year ($2.41m).

Profit after income tax for the year was $1.54m which is an increase of 3.0% over last year ($1.49m).

During the year the group has continued to invest in its supply capabilities for major fleets and other key market segments. We have also seen significant falls in the value of both the Australian and New Zealand dollar resulting in stock landing at considerably higher cost. These factors have resulted in the value of inventory increasing by $2.1m since last year and this has contributed to the negative cash flow from operating activities for year.

Additional long-term bank facilities of up to $2.5m were arranged to finance the increase in the value of inventory and at balance date $2.0m remains undrawn.

The Dividend Reinvestment Plan was reactivated and operated in respect of this year's interim dividend and this resulted in an increase in equity of $105k.

Gearing has increased to 31.3% at June 2009 from 30.1% last year.

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

Since the end of the financial year the Group has leased a property in the Illawarra region and will shortly open a new Multispares branch at that location. This is not expected to have a material impact on the Group's performance in the June 2010 financial year.

Other than the matter discussed above there has been no other matter or circumstance arise since the end of the financial year which is not otherwise dealt with in this report or 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 expect operating results for the Group for 2009/10 to be similar to this year with sales growth in the range of 5-10%. Management plans for the year focus on organic growth opportunities in the existing business units. Continued expansion of the product range and branch network is 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

Garry Thomas Lingard - Chairman

Appointed Chairman of the Board on 15 December 2005. Non-executive Director since October 1996 and a member of the Audit Committee and Remuneration Committee. He has significant experience in managing and developing a diverse range of companies.

Gregory James Forsyth

Appointed to the Board on 25 January 2006 as Non-executive Director. 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 22 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 13 years experience in 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 15 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 30 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 were 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 T Lingard	12	12	2	2	4	4
G J Forsyth	12	12	2	2	4	4
P W McKenzie	12	12	2	2	4	4
G D H Stewart	12	12	-	-	-	-
P W Gill	12	12	-	-	-	-

Board of Directors

From left: Peter McKenzie, Peter Gill, Garry Lingard, Greg Forsyth and Geoff Stewart.

“Sales revenue in the Australian operation increased by 4.3% while sales in the New Zealand operation increased by 10.8%”

Director's Report

Continued

Directors' Interests

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

(a) G T Lingard is deemed to have a relevant interest in shares held by GT Lingard Holdings Pty Ltd (216,155 shares).

(b) G J Forsyth holds 23,400 ordinary shares of the company and is deemed to have a relevant interest in shares held by Odalisque Pty Ltd (355,867 shares).

(c) P W McKenzie is deemed to have a relevant interest in shares held by PW & LJ McKenzie Superannuation Fund, a substantial shareholder (2,514,109 shares).

(d) G D H Stewart is deemed to have a relevant interest in shares held by Boboco Pty Limited (542,880) and D G Stewart (250,380 shares).

(e) P W Gill holds 101,351 ordinary shares of the company and is deemed to have a relevant interest in shares held by Viewbar Pty Limited (238,533 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 B.Bus, CA, ACIS

P W Gill has been the Company Secretary and Senior Finance Executive of Supply Network Limited for over 14 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 Supply Network Limited.

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 are 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 is the only remaining Director entitled to this retiring allowance, at a fixed amount of $102,804.

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 2009 is detailed in Table 1 on page 12.

Executive director and senior executives compensation

The company aims to reward its executives (Managing Director and Finance Director) with a level of compensation commensurate with their position and responsibilities within the 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 input from the Managing Director and 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 company 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
- Contract may be terminated by 6 months notice in writing by either party
- The company may terminate the contract at any time without notice for Causes as defined.

Individual contracts for key management personnel include:

- G D H Stewart – fixed compensation package of $271,000 plus a short-term incentive of up to 33% of the package.
- P W Gill – fixed compensation package of $240,000 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 T Lingard	Chairman (non-executive)
G J Forsyth	Director (non-executive)
P W McKenzie	Director (non-executive)
G D H Stewart	Managing Director (executive)
P W Gill	Finance Director and Company Secretary (executive)

Director's Report

Continued

Compensation of Key Management Personnel

Table 1: Compensation of Key Management Personnel for the year ended 30 June 2009

	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 T Lingard	**59,633**	**-**	**-**	**5,365**	**-**	**-**	**64,998**	**-**
G J Forsyth	**41,284**	**-**	**-**	**3,719**	**-**	**-**	**45,003**	**-**
P W McKenzie	**41,284**	**-**	**-**	**3,719**	**-**	**-**	**45,003**	**-**
G D H Stewart	**225,930**	**62,601**	**21,479**	**23,605**	**-**	**-**	**333,615**	**18.8%**
P W Gill	**113,855**	**49,200**	**26,153**	**100,003**	**-**	**-**	**289,211**	**17.0%**
Total	**481,986**	**111,801**	**47,632**	**136,411**	**-**	**-**	**778,779**	**14.4%**
Total	**641,419**			**136,411**		**-**	**778,779**	**14.4%**

Table 2: Compensation of Key Management Personnel for the year ended 30 June 2008

	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 T Lingard	55,068	-	-	4,956	-	-	60,024	-
G J Forsyth	36,708	-	-	3,301	-	-	40,009	-
P W McKenzie	15,295	-	-	24,714	-	-	40,009	-
G D H Stewart	199,408	62,601	32,850	17,944	-	-	312,803	20.0%
P W Gill	113,572	49,200	28,000	64,264	-	-	255,036	19.3%
Total	420,051	111,801	60,850	115,179	-	-	707,881	15.8%
Total	592,702			115,179		-	707,881	15.8%

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 2009 is presented on this page.

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 T Lingard
Director
Sydney
26 August 2009

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 2009, 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
26 August 2009

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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 Executives over the prior year. For the year ended 30 June 2009 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. Three of the five 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.

Two of the members of the Board, Mr G Lingard (Chairman) and Mr G Forsyth, are considered to be independent.

Mr G Lingard is a Director and shareholder of Carwill Pty Limited, a company that leases premises on normal commercial terms to a wholly owned and controlled entity. Carwill is not a material supplier to the SNL group and the SNL group is not a material customer to Mr Lingard's group of companies.

The Board has determined that the relationship does not interfere with Mr Lingard's ability to exercise independent judgement in decision-making.

Mr G Forsyth is related to Mr H Forsyth, the 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 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.

Directors are prohibited from buying or selling the Company's securities outside of certain windows (they can trade only within a period of 20 business days after a General Meeting or after certain ASX announcements or, in special circumstances, with the permission 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 Audit Committee consists of all three Non-Executive Directors, two of whom are independent, and has an independent Chairman who is not Chairman of the Board. 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, however one is being developed and it is expected to be adopted this year.

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 annual 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 has resolved to freeze the salary rate on which this entitlement is calculated at the level as of 30 June 2004.

The Board has 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.

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.

Income Statements

For the year ended 30 June 2009

		Consolidated		Parent	
	Note	2009	2008	2009	2008
		$000	$000	$000	$000
Revenue	3	**40,328**	38,662	**1,581**	1,290
Finance revenue	3	**36**	55	**34**	50
Other income		**15**	13	**-**	-
Changes in inventories of finished goods		**(24,095)**	(23,272)	**-**	-
Employee benefits expenses		**(7,633)**	(7,019)	**(155)**	(140)
Depreciation and amortisation		**(292)**	(385)	**-**	-
Other expenses	3	**(5,809)**	(5,591)	**(76)**	(86)
Finance costs	3	**(344)**	(311)	**-**	-
Profit before income tax		**2,206**	2,152	**1,384**	1,114
Income tax expense	4	**(668)**	(659)	**(24)**	(18)
Profit after income tax		**1,538**	1,493	**1,360**	1,096
Net profit attributable to members of the parent	18	**1,538**	1,493	**1,360**	1,096
Basic and diluted earnings per share (cents per share)	20	**6.15**	6.43		
Dividends per share (cents per share)	19	**3.00**	6.00		

The above income statements should be read in conjunction with the accompanying notes.

Balance Sheets

At 30 June 2009

	Note	Consolidated		Parent	
		2009	2008	2009	2008
		$000	$000	$000	$000
ASSETS					
Current assets					
Cash and cash equivalents	5	**211**	1,344	**2**	891
Trade and other receivables	6	**5,234**	5,248	**-**	4
Inventories	7	**14,837**	12,595	**-**	-
Other current assets	8	**100**	44	**-**	-
Total current assets		**20,382**	19,231	**2**	895
Non-current assets					
Trade and other receivables	6	**-**	-	**9,229**	8,005
Other financial assets	9	**-**	-	**1,398**	1,398
Plant and equipment	10	**735**	753	**-**	-
Deferred tax assets	4	**773**	861	**38**	38
Total non-current assets		**1,508**	1,614	**10,665**	9,441
TOTAL ASSETS		**21,890**	20,845	**10,667**	10,336
LIABILITIES					
Current liabilities					
Trade and other payables	11	**6,277**	6,146	**26**	26
Interest bearing loans and borrowings	12	**314**	145	**-**	-
Income tax payable	13	**264**	637	**238**	625
Provisions	14	**337**	382	**109**	109
Derivatives	15	**8**	-	**-**	-
Total current liabilities		**7,200**	7,310	**373**	760
Non-current liabilities					
Interest bearing loans and borrowings	12	**3,160**	2,931	**-**	-
Provisions	14	**425**	376	**-**	-
Total non-current liabilities		**3,585**	3,307	**-**	-
TOTAL LIABILITIES		**10,785**	10,617	**373**	760
NET ASSETS		**11,105**	10,228	**10,294**	9,576
EQUITY					
Contributed equity	16	**6,365**	6,260	**6,365**	6,260
Reserves	17	**(243)**	(224)	**-**	-
Retained earnings	18	**4,983**	4,192	**3,929**	3,316
TOTAL EQUITY		**11,105**	10,228	**10,294**	9,576

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

Statements of Changes in Equity

For the year ended 30 June 2009

	Note	Consolidated		Parent	
		2009	2008	2009	2008
		$000	$000	$000	$000
Total equity at the beginning of the financial year		**10,228**	9,494	**9,576**	8,973
Net income recognised in equity attributable to members of the company:					
Adjustments from translation of foreign controlled entities	**17**	**(19)**	(266)	**-**	-
Net profit for the financial year		**1,538**	1,493	**1,360**	1,096
Total recognised income and expense for the financial year		**1,519**	1,227	**1,360**	1,096
Transactions with equity holders in their capacity as equity holders:					
Contributions of equity by members of the company	**16**	**105**	862	**105**	862
Dividends paid to members of the company	**19**	**(747)**	(1,355)	**(747)**	(1,355)
Total transactions with equity holders in their capacity as equity holders		**(642)**	(493)	**(642)**	(493)
Total equity at the end of the financial year		**11,105**	10,228	**10,294**	9,576

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

Cash Flow Statements

For the year ended 30 June 2009

	Note	Consolidated		Parent	
		2009 $000	2008 $000	2009 $000	2008 $000
		Inflows / (Outflows)			
Cash flows from operating activities					
Receipts from customers		**44,629**	41,870	**-**	-
Payments to suppliers and employees		**(44,002)**	(40,108)	**-**	-
Interest received		**40**	51	**38**	46
Interest paid		**(313)**	(295)	**-**	-
Income tax paid		**(950)**	(264)	**-**	-
Net cash flows from (used in) operating activities	25(a)	**(596)**	1,254	**38**	46
Cash flows from investing activities					
Purchase of plant and equipment		**(299)**	(45)	**-**	-
Proceeds from sale of plant and equipment		**4**	12	**-**	-
Advances to and by wholly owned related parties		**-**	-	**(285)**	1,286
Net cash flows from (used in) investing activities		**(295)**	(33)	**(285)**	1,286
Cash flows from financing activities					
Proceeds from borrowings		**720**	194	**-**	-
Proceeds from issue of shares		**105**	862	**105**	862
Repayment of borrowings		**(301)**	(355)	**-**	-
Equity dividends paid		**(747)**	(1,355)	**(747)**	(1,355)
Net cash flows from (used in) financing activities		**(223)**	(654)	**(642)**	(493)
Net increase (decrease) in cash and cash equivalents		**(1,114)**	567	**(889)**	840
Cash and cash equivalents at beginning of year		**1,309**	739	**891**	51
Exchange rate adjustment to balances held in foreign currencies		**1**	3	**-**	-
Cash and cash equivalents at end of year	5	**196**	1,309	**2**	891

The above cash flow statements should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

For the year ended 30 June 2009

1. Corporate information

The financial report of Supply Network Limited (the company) for the year ended 30 June 2009 was authorised for issue in accordance with a resolution of the directors on 26 August 2009.

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

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards. The financial report has 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 report is 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 financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). The financial report also complies with International Financial Reporting Standards (IFRS).

(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 profit 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 judgements, apart from those involving estimates.

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

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

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

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 is 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 taken to the income statement.

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 income statement is translated at the weighted average exchange rate for the year.

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

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

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

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

(f) Cash and cash equivalents

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

For the purpose of the Cash Flow Statement, 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.

Receivables from related parties are recognised and carried at the nominal amount due.

(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 are accounted for as follows:

Finished Goods – weighted average cost into store.

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

Obsolete and redundant inventories are provided for as appropriate.

(i) Investments

Investments in controlled entities are recorded in the parent entity's financial statements at cost.

(j) 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 and 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 the income statement on a straight-line basis over the lease term. Lease incentives are recognised in the income statement as an integral part of the total lease expense.

(k) 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:

	2009	2008
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 the income statement in the year the asset was derecognised.

(l) 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 to the income statement.

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

(m) 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.

(n) 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 presented in the income statement net of any reimbursement.

Notes to the Financial Statements

For the year ended 30 June 2009 *(continued)*

2. Statement of significant accounting policies *(continued)*

(n) Provisions (continued)

Provisions are measured at present value of managements' 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.

(o) 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.

(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.

(p) Post-employment benefits

Contributions are made to employee superannuation funds and are charged against profit when incurred (refer note 24).

(q) 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.

(r) 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.

(s) Impairment of assets

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

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

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

(t) 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.

(iii) Dividends
Revenue is recognised when the Group's right to receive the dividend payment is established.

(iv) Management Fees
Revenue is recognised in the parent entity's financial statements when services are provided to wholly owned entities.

(u) Borrowing costs

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

(v) Income tax

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

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

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

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

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

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

Income tax relating to items recognised directly in equity are recognised in equity and not in the income statement.

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 in accordance with UIG 1052. 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 groups future tax profits.

(w) Other taxes

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

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

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

Cash flows are included in the Cash Flow Statement 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.

(x) 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

Notes to the Financial Statements

For the year ended 30 June 2009 *(continued)*

- 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.

(y) New Accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2009 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, other than as set out below:

(i) AASB 8 Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8 (effective from 1 January 2009)

AASB 8 will result in a change for many entities in the approach to segment reporting, as it requires adoption of a 'management approach' to reporting on financial performance. The information being reported will be based on what the key decision makers use internally for evaluating segment performance and deciding how to allocate resources to operating segments. The Group will adopt AASB 8 from 1 July 2009. It will not result in an increase in the number of reportable segments presented, but may result in increased disclosures.

(ii) Revised AASB 101 Presentation of Financial Statements and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101 (effective from 1 January 2009)

The September 2007 revised AASB 101 requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. If the Group makes a prior period adjustment or reclassifies items in the financial statements, it will need to disclose a third balance sheet, this one being as at the beginning of the comparative period. The Group will apply the revised standard from 1 July 2009.

	Consolidated 2009 $000	Consolidated 2008 $000	Parent 2009 $000	Parent 2008 $000
3. Revenues and expenses				
Revenue and expenses from operating activities				
(a) Revenue				
Sale of goods	**40,328**	38,662	**-**	-
Dividends	**-**	-	**1,305**	1,050
Management fees	**-**	-	**276**	240
	40,328	38,662	**1,581**	1,290
(b) Finance revenue				
Bank interest	**36**	55	**34**	50
(c) Other expenses				
Bad and doubtful debts – trade receivables	**(64)**	(19)	**-**	-
Freight and cartage expenses	**(732)**	(765)	**-**	-
Operating lease expense	**(1,689)**	(1,675)	**-**	-
Other	**(3,324)**	(3,132)	**(76)**	(86)
	(5,809)	(5,591)	**(76)**	(86)
(d) Finance costs				
Bank loans and overdrafts	**(316)**	(289)	**-**	-
Other external	**(28)**	(22)	**-**	-
	(344)	(311)	**-**	-
4. Income tax				
(a) Income tax expense				
The major components of income tax expense are:				
Income statement				
Current income tax				
Current income tax charge	**588**	814	**24**	20
Adjustments in respect of current income tax of previous years	**(8)**	(2)	**-**	(1)
Deferred income tax				
Adjustment to deferred tax assets for previous year	**73**	-	**-**	-
Relating to origination and reversal of temporary differences	**15**	(153)	**-**	(1)
Income tax expense reported in the income statement	**668**	659	**24**	18

Notes to the Financial Statements

For the year ended 30 June 2009 *(continued)*

	Consolidated		Parent	
	2009 $000	2008 $000	2009 $000	2008 $000
4. Income tax (continued)				
(b) Reconciliation of prima facie tax payable to income tax expense				
Accounting profit before income tax	**2,206**	2,152	**1,384**	1,114
At the Group's income tax rate of 30% (2008:30%)	**662**	645	**415**	334
Adjustments in respect of current income tax of previous years	**(8)**	(2)	**-**	(1)
Expenditure not allowable for income tax purposes	**14**	16	**-**	-
Fully franked dividends received	**-**	-	**(391)**	(315)
	668	659	**24**	18
(c) Deferred tax assets				
Depreciation differences	**168**	149	**-**	-
Doubtful debts	**20**	7	**-**	-
Employee benefits	**335**	341	**33**	33
Stock obsolescence	**150**	260	**-**	-
Lease make good provision	**16**	8	**-**	-
Unrealised profit in stock	**33**	33	**-**	-
Other	**51**	63	**5**	5
	773	861	**38**	38

(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(v).

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

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

	Consolidated		Parent	
	2009	**2008**	**2009**	**2008**
	$000	**$000**	**$000**	**$000**
5. Cash and cash equivalents				
Cash at bank and in hand	**210**	456	**1**	3
Short-term deposits	**1**	888	**1**	888
	211	1344	**2**	891

Cash at bank earns interest at floating rates based on daily bank deposit rates. The carrying amounts of cash and cash equivalents represents 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 Cash Flow Statement

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

	Consolidated		Parent	
	2009	**2008**	**2009**	**2008**
	$000	**$000**	**$000**	**$000**
Cash at bank and in hand	**210**	456	**1**	3
Short-term deposits	**1**	888	**1**	888
Bank overdrafts (note 12)	**(15)**	(35)	**-**	-
	196	1,309	**2**	891
6. Trade and other receivables				
Current				
Trade receivables (i)	**5,285**	5,268	**-**	-
Allowance for impairment loss	**(67)**	(25)	**-**	-
	5,218	5,243	**-**	-
Other receivables	**16**	5	**-**	4
	5,234	5,248	**-**	4
Non-current				
Amounts receivable from wholly owned subsidiaries (ii)	**-**	-	**9,229**	8,005
Ageing of trade receivables not impaired				
Not overdue	**4,942**	4,881	**-**	-
61-90 days past due	**258**	321	**-**	-
91 days and above past due	**18**	41	**-**	-
	5,218	5,243	**-**	-
Ageing of trade receivables impaired				
Not overdue	**2**	-	**-**	-
61-90 days past due impaired	**12**	4	**-**	-
91 days and above past due	**53**	21	**-**	-
	67	25	**-**	-
Total receivables	**5,285**	5,268	**-**	-

(i) Trade receivables are non-interest bearing and generally on 30 day terms. As at 30 June 2009 trade receivables of $276,000 (2008: $362,000) 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) Amounts receivable from wholly owned subsidiaries are non-interest bearing and are repayable in full on demand (refer note 29).

Information regarding the effective interest rate and the credit risk of current receivables are disclosed in note 28.

Notes to the Financial Statements

For the year ended 30 June 2009 *(continued)*

	Consolidated		Parent	
	2009	**2008**	**2009**	**2008**
	$000	**$000**	**$000**	**$000**
7. Inventories				
Finished goods at lower of cost or net realisable value	**12,800**	10,647	-	-
Stock in transit (at cost) – finished goods	**2,037**	1,948	-	-
Total Inventories at lower of cost and net realisable value	**14,837**	12,595	-	-
8. Other current assets				
Prepayments	**100**	44	-	-
9. Other financial assets (non-current)				
(a) Investments in controlled entities	-	-	**1,398**	1,398

The consolidated financial statements include the financial statements of Supply Network Limited and the subsidiaries listed in the following table:

	Country of incorporation	Percentage Holdings	2009 $	2008 $
Multispares N.Z. Limited	New Zealand	100%	**1,030,600**	1,030,600
Multispares Limited	Australia	100%	**367,429**	367,429
Daconti Limited	Australia	100%	**2**	2
Globac Limited	Australia	100%	**2**	2
Supply Network Services Ltd	Australia	100%	**2**	2
			1,398,035	1,398,035

The financial year of all controlled entities are the same as that of the parent entity. All entities operate solely in their country of incorporation.

(b) Supply Network Limited, Multispares Limited, Globac Limited, Daconti 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, Daconti Limited and Supply Network Services Limited are relieved from the requirement to prepare financial statements.

The Income Statement and Balance Sheet of entities included in the class order "Closed Group" are set out in note (c).

9. Other financial assets (non-current) (continued)

(c) The consolidated income statement and balance sheet of the entities that are members of the "Closed Group" are as follows:

	Closed Group	
	2009	2008
Income Statement	$000	$000
Profit before income tax	**1,852**	2,038
Income tax expense	**(557)**	(625)
Profit after income tax	**1,295**	1,413
Net profit attributable to members of the parent	**1,295**	1,413
Retained Earnings		
Retained earnings at beginning of the year	**3,235**	3,177
Profit after income tax	**1,295**	1,413
Dividends provided for or paid	**(747)**	(1,355)
Retained earnings at end of the year	**3,783**	3,235
Balance Sheet		
ASSETS		
Current assets		
Cash and cash equivalents	**210**	1,343
Trade and other receivables	**4,603**	4,645
Inventories	**11,943**	10,542
Other current assets	**90**	37
Intercompany	**55**	12
Total current assets	**16,901**	16,579
Non-current assets		
Other financial assets	**1,031**	1,031
Plant and equipment	**563**	571
Deferred tax assets	**642**	720
Total non-current assets	**2,236**	2,322
TOTAL ASSETS	**19,137**	18,901
LIABILITIES		
Current liabilities		
Trade and other payables	**4,874**	4,843
Interest bearing loans and borrowings	**122**	110
Income tax payable	**238**	626
Provisions	**868**	925
Derivatives	**6**	2
Total current liabilities	**6,108**	6,506
Non-current liabilities		
Interest bearing loans and borrowings	**2,514**	2,575
Provisions	**367**	325
Total non-current liabilities	**2,881**	2,900
TOTAL LIABILITIES	**8,989**	9,406
NET ASSETS	**10,148**	9,495
EQUITY		
Contributed equity	**6,365**	6,260
Retained earnings	**3,783**	3,235
TOTAL EQUITY	**10,148**	9,495

Notes to the Financial Statements

For the year ended 30 June 2009 *(continued)*

		Consolidated		Parent	
		2009	**2008**	**2009**	**2008**
		$000	**$000**	**$000**	**$000**
10. Plant and equipment					
Plant and equipment at cost					
Opening balance		**3,626**	3,767	**-**	-
Additions		**299**	45	**-**	-
Disposals		**(93)**	(103)	**-**	-
Exchange difference		**(2)**	(83)	**-**	-
Closing balance		**3,830**	3,626	**-**	-
Accumulated depreciation					
Opening balance		**2,873**	2,631	**-**	-
Depreciation for the year		**292**	385	**-**	-
Disposals		**(68)**	(90)	**-**	-
Exchange difference		**(2)**	(53)	**-**	-
Closing balance		**3,095**	2,873	**-**	-
Total plant and equipment		**735**	753	**-**	-
11. Trade and other payables					
Trade payables and accruals		**6,277**	6,146	**26**	26
12. Interest bearing loans and borrowings					
Current	*Maturity*				
Obligations under hire purchase contracts (i)	*2012*	**22**	10	**-**	-
Bank overdraft – secured (ii)	*On demand*	**15**	35	**-**	-
Bank loans (iii)	*2010*	**277**	100	**-**	-
		314	145	**-**	-
Non-current					
Obligations under hire purchase contracts (i)	*2012*	**38**	-	**-**	-
Bank loans (iii)	*2010-2011*	**3,122**	2,931	**-**	-
		3,160	2,931	**-**	-

(i) Obligations under hire purchase contract 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 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 9.1% (2008: 11.6%).

(iii) Bank loans comprise fixed interest only loans of $3,050,000 with effective interest rates of 5.91% to 9.9% maturing between August 2009 and August 2011 and fixed interest loans of $350,000 with effective interest rates of 6.50% maturing between November 2010 and December 2013 and repayable by quarterly instalments of $30,000.

(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.

	Consolidated		Parent	
	2009	2008	2009	2008
	$000	$000	$000	$000
13. Current tax liabilities				
Current year tax payable	**264**	637	**238**	625

14. Provisions	Consolidated			Parent	
	Long Service Leave	Lease make good	Total	Directors Retirement Benefit	Total
	$000	$000	$000	$000	$000
At 1 July 2008	**535**	**223**	**758**	**109**	**109**
Arising during the year	**54**	**-**	**54**	**-**	**-**
Utilised	**(85)**	**-**	**(85)**	**-**	**-**
Exchange difference	**-**	**1**	**1**	**-**	**-**
Discount rate adjustment	**7**	**27**	**34**	**-**	**-**
At 30 June 2009	**511**	**251**	**762**	**109**	**109**
Current 2009	**337**	**-**	**337**	**109**	**109**
Non-current 2009	**174**	**251**	**425**	**-**	**-**
	511	**251**	**762**	**109**	**109**
Current 2008	382	-	382	109	109
Non-current 2008	153	223	376	-	-
	535	223	758	109	109

Long Service Leave

Consolidated long service leave includes Directors Retirement Benefit.

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.

15. Derivatives				
Current Liabilities				
Net forward currency contracts-cash flow hedges	**8**	-	**-**	-

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 28(b)).

Notes to the Financial Statements

For the year ended 30 June 2009 *(continued)*

	Consolidated		Parent	
	2009 $000	2008 $000	2009 $000	2008 $000
16. Contributed equity				
(a) Issued and paid up capital				
25,310,837 ordinary shares fully paid (2008: 24,887,624)	**6,365**	6,260	**6,365**	6,260

(b) Movements in Shares on Issue

	2009		2008	
	Number of Shares	$000	Number of Shares	$000
Balance at beginning of the year	**24,887,624**	**6,260**	22,126,345	5,398
Shares cancelled on buy-back	**-**	**-**	(4,000)	(1)
Shares issued under dividend reinvestment plan	**423,213**	**105**	2,765,279	863
Balance at end of the year	**25,310,837**	**6,365**	24,887,624	6,260

(c) Share Options

There were no outstanding options over ordinary shares on issue at 30 June 2009 and 30 June 2008.

(d) Terms and conditions of contributed equity

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

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

	Consolidated		Parent	
	2009 $000	2008 $000	2009 $000	2008 $000
17. Reserves				
Exchange translation reserve				
Balance at beginning of the year	**(224)**	42	**-**	-
Currency translation differences	**(19)**	(266)	**-**	-
Balance at end of the year	**(243)**	(224)	**-**	-

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

	Consolidated		Parent	
	2009	2008	2009	2008
	$000	$000	$000	$000
18. Retained earnings				
Balance at beginning of the year	**4,192**	4,054	**3,316**	3,575
Net profit	**1,538**	1,493	**1,360**	1,096
Total available for appropriation	**5,730**	5,547	**4,676**	4,671
Less dividends provided or paid	**(747)**	(1,355)	**(747)**	(1,355)
	4,983	4,192	**3,929**	3,316
19. Dividends paid and proposed on ordinary shares				
(a) Dividends declared and paid during the year				
Current year special fully franked dividend (2009: nil) (2008: 4.00 cents per share)	**-**	885	**-**	885
Current year interim fully franked dividend (2009: 1.00 cent per share) (2008: 1.00 cent)	**249**	249	**249**	249
Previous year final fully franked dividend (2008: 2.00 cents per share) (2007: 1.00 cent)	**498**	221	**498**	221
Total dividends paid	**747**	1,355	**747**	1,355
(b) Dividends proposed subsequent to 30 June and not recognised as a liability				
Current year final fully franked dividend (2009: 2.00 cents per share) (2008: 2.00 cents)	**506**	498	**506**	498
(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% (2008: 30%)			**3,834**	3,279
- franking credits that will arise from the payment of income tax payable as at the end of the financial year			**238**	625
			4,072	3,904
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:			**(217)**	(213)
			3,855	3,691

The tax rate at which paid dividends have been franked is 30% (2008: 30%).

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

Notes to the Financial Statements

For the year ended 30 June 2009 *(continued)*

20. 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	
	2009	**2008**
	$000	**$000**
Net profit attributable to ordinary equity holders of the parent	**1,538**	1,493
	No.	No.
Weighted average number of ordinary shares for basic earnings per share	**24,989,659**	23,203,052

	Consolidated		Parent	
	2009	**2008**	**2009**	**2008**
	$000	**$000**	**$000**	**$000**
21. Lease commitments				
Operating lease commitments payable				
- not later than one year	**1,262**	1,471	**-**	-
- later than one year and not later than five years	**1,872**	1,543	**-**	-
	3,134	3,014	**-**	**-**

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.

	Consolidated		Parent	
	2009	2008	2009	2008
	$	$	$	$
22. Auditor's compensation				
Amounts received or due and receivable by HLB Man Judd (NSW Partnership) for:				
- an audit and review of a financial report of the entity and any other entity in the consolidated group	**45,300**	43,200	**7,000**	6,472
Amounts received or due and receivable by HLB Wylie McDonald for:				
- an audit or review of the financial report of the subsidiary	**8,300**	7,900	**-**	-
	53,600	51,100	**7,000**	6,472

23. Key management personnel

(a) Compensation of key management personnel

Details of key management personnel are as follows:

Directors

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

The remuneration paid or payable to key management personnel of the parent and the Group are as follows:

	Consolidated		Parent	
	2009	2008	2009	2008
	$	$	$	$
Short-term	**641,419**	592,702	**142,201**	107,071
Post-employment	**136,411**	115,179	**12,803**	32,971
Termination benefits	**-**	-	**-**	-
Share-based payments	**-**	-	**-**	-
Other long-term benefits	**-**	-	**-**	-
	777,830	707,881	**155,004**	140,042

(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 2009 and 30 June 2008.

Notes to the Financial Statements

For the year ended 30 June 2009 *(continued)*

23. Key management personnel (continued)

(c) Option holdings of key management personnel

There were no options held by key management personnel at balance date 30 June 2009 and 30 June 2008.

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

	Balance 1 July 2008	Options Exercised	Net Change Other	Balance 30 June 2009
	No.	No.	No.	No.
Directors				
G T Lingard	207,842	-	8,313	**216,155**
G J Forsyth	364,680	-	14,587	**379,267**
P W McKenzie	2,296,346	-	198,963	**2,495,309**
G D H Stewart	762,750	-	30,510	**793,260**
P W Gill	326,812	-	13,072	**339,884**
	3,958,430	-	265,445	**4,223,875**

	Balance 1 July 2007	Options Exercised	Net Change Other	Balance 30 June 2008
	No.	No.	No.	No.
Directors				
G T Lingard	207,842	-	-	207,842
G J Forsyth	320,000	-	44,680	364,680
P W McKenzie	1,996,752	-	299,594	2,296,346
G D H Stewart	678,000	-	84,750	762,750
P W Gill	290,500	-	36,312	326,812
	3,493,094	-	465,336	3,958,430

24. Employee entitlements

Superannuation commitments

The Group makes contributions to superannuation funds on behalf of Australian employees. Each Australian entity in the Group has 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 funds are accumulation funds and provide benefits to employees on retirement, death or disability.

No superannuation benefits are provided for employees of Multispares NZ Limited.

	Consolidated		Parent	
	2009 $000	2008 $000	2009 $000	2008 $000
25. Cash Flow Information				
(a) Reconciliation of net profit after tax to the net cash flows from operations				
Net profit after income tax	**1,538**	1,493	**1,360**	1,096
Adjustments for non-cash income and expense items				
Dividends received	**-**	-	**(1,305)**	(1,050)
Loss on sale of plant and equipment	**22**	1	**-**	-
Depreciation of plant and equipment	**292**	385	**-**	-
Transfers to provisions				
- Inventory obsolescence	**(66)**	16	**-**	-
- Employee entitlements	**(19)**	74	**-**	-
- Doubtful debts	**42**	(18)	**-**	-
- Lease make good	**28**	22	**-**	-
Net exchange differences	**(27)**	(328)	**-**	-
Increase (decrease) in provision for:				
- Income tax payable	**(370)**	563	**(387)**	561
- Deferred taxes	**88**	(168)	**-**	-
Changes in assets and liabilities				
(Increase) decrease in:				
Trade and other receivables	**(17)**	(937)	**(276)**	(557)
Inventories	**(2,174)**	(457)	**-**	-
Other assets	**(67)**	11	**4**	-
(Decrease) increase in:				
Trade and other payables	**134**	597	**642**	(4)
Net cash flow from (used in) operating activities	**(596)**	1,254	**38**	46

Notes to the Financial Statements

For the year ended 30 June 2009 *(continued)*

	Consolidated		Parent	
	2009	**2008**	**2009**	**2008**
	$000	**$000**	**$000**	**$000**
25. Cash Flow Information (continued)				
(b) Financing facilities available:				
At reporting date the following facilities had been negotiated and were available:				
Total credit facilities	**6,156**	3,740	-	-
Facilities used at reporting date	**(3,474)**	(3,076)	-	-
Facilities unused at reporting date	**2,682**	664	-	-
The major facilities are summarised as follows:				
Bank overdrafts	**697**	698	-	-
Facilities used	**(15)**	(34)	-	-
Facilities unused at reporting date	**682**	664	-	-
Bank loans	**5,459**	3,032	-	-
Facilities used	**(3,459)**	(3,032)	-	-
Facilities unused at reporting date	**2,000**	-	-	-

26. Contingent liabilities

As explained in note 9 the parent entity has entered a Deed of Cross Guarantee in accordance with a Class Order issued by the Australian Securities & Investments Commission. The parent entity and all the controlled entities, which are a party to the Deed, have guaranteed the repayment of all current and future creditors in the event that any of these companies are wound-up.

27. 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	
	2009	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**
	$000	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**
Revenue								
Sales to customers outside the Group	**33,887**	32,601	**6,441**	6,061			**40,328**	38,662
Other revenues from outside the Group	**44**	61	**7**	7			**51**	68
Inter-segment revenues	**1,250**	1,142	**9**	66	**(1,259)**	(1,208)	**-**	-
Total segment revenues	**35,181**	33,804	**6,457**	6,134	**(1,259)**	(1,208)	**40,379**	38,730
Results								
Segment results	**1,852**	2,038	**351**	105	**3**	9	**2,206**	2,152
Group profit from ordinary activities before income tax expense							**2,206**	2152
Income tax expense							**(668)**	(659)
Group profit from ordinary activities after income tax expense							**1,538**	1493
Net profit							**1,538**	1,493
Assets								
Segment assets	**19,137**	18,901	**4,078**	3,208	**(1,325)**	(1,264)	**21,890**	20,845
Liabilities								
Segment liabilities	**8,989**	9,406	**2,015**	1,368	**(219)**	(157)	**10,785**	10,617
Other segment information								
Acquisition of plant and equipment, intangible assets and other non-current assets	**242**	39	**57**	6	**-**	-	**299**	45
Depreciation	**224**	314	**68**	71	**-**	-	**292**	385
Non-cash expenses other than depreciation	**282**	322	**38**	50	**-**	-	**320**	372

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.

Notes to the Financial Statements

For the year ended 30 June 2009 *(continued)*

28. Financial risk management

The Group's principal financial instruments, other than derivatives, comprise cash, bank loans and 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 instrument 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 12).

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

Financial instruments	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 2009								
Financial assets								
Cash	**205**	**-**	**-**	**-**	**6**	**211**	**3.0**	**-**
Receivables	**-**	**-**	**-**	**-**	**5,285**	**5,285**	**-**	**-**
Forward currency contracts	**-**	**-**	**-**	**-**	**650**	**650**	**-**	**-**
Other debtors	**-**	**-**	**-**	**-**	**16**	**16**	**-**	**-**
	205	**-**	**-**	**-**	**5,957**	**6,162**		
Financial liabilities								
Payables	**-**	**-**	**-**	**-**	**6,277**	**6,277**	**-**	**-**
Bank loans and overdrafts	**15**	**277**	**3,122**	**-**	**-**	**3,414**	**11.2**	**7.9**
Forward currency contracts	**-**	**-**	**-**	**-**	**658**	**658**	**-**	**-**
Other loans	**-**	**22**	**38**	**-**	**-**	**60**	**-**	**7.3**
	15	**299**	**3,160**	**-**	**6,935**	**10,409**		
30 June 2008								
Financial assets								
Cash	1,338	-	-	-	6	1,344	6.0	-
Receivables	-	-	-	-	5,268	5,268	-	-
Forward currency contracts	-	-	-	-	648	648	-	-
Other debtors	-	-	-	-	5	5	-	-
	1,338	-	-	-	5,927	7,265		
Financial liabilities								
Payables	-	-	-	-	6,146	6,146	-	-
Bank loans and overdrafts	35	1,573	1,458	-	-	3,066	13.6	8.5
Forward currency contracts	-	-	-	-	648	648	-	-
Other loans	-	10	-	-	-	10	-	9.2
	35	1,583	1,458	-	6,794	9,870		

28. Financial risk management (continued)

(a) Interest rate risk (continued)

Financial instruments	Floating interest rate (i)	Fixed interest rate maturing 1 year or less	Fixed interest rate maturing 1 to 5 years	Fixed interest rate maturing Over 5 years	Non-interest bearing	Total	Weighted average interest rate Floating	Weighted average interest rate Fixed
	$000	$000	$000	$000	$000	$000	%	%
Parent								
30 June 2009								
Financial assets								
Cash	**2**	**-**	**-**	**-**	**-**	**2**	**-**	**-**
Receivables	**-**	**-**	**-**	**-**	**9,229**	**9,229**	**-**	**-**
	2	**-**	**-**	**-**	**9,229**	**9,231**		
Financial liabilities								
Payables	**-**	**-**	**-**	**-**	**26**	**26**	**-**	**-**
	-	**-**	**-**	**-**	**26**	**26**		
30 June 2008								
Financial assets								
Cash	891	-	-	-	-	891	7.0	-
Receivables	-	-	-	-	8,009	8,009	-	-
	891	-	-	-	8,009	8,900		
Financial liabilities								
Payables	-	-	-	-	26	26	-	-
	-	-	-	-	26	26		

(i) Floating interest rates are the most recently determined rate applicable to the instrument at balance date.

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.

Notes to the Financial Statements

For the year ended 30 June 2009 *(continued)*

28. 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		**2009**	**2008**	**2009**	**2008**
				$000	**$000**
Euro currency	3 months or less	**0.57**	0.61	**459**	411
Japanese yen	3 months or less	**78.25**	100.53	**39**	97
GB pounds	3 months or less	**0.49**	-	**14**	-
Australian dollar	3 months or less	**1.00**	1.00	**139**	140
Total				**651**	**648**

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 company 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.

(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 25(b) for additional undrawn facilities to the Group has available to further reduce liquidity risk.

(e) Capital risk management

The Group and company manage 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 12, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, retained earnings and reserves as disclosed in notes 16,17 and 18 respectively.

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, new share issues, share buy-backs and additional borrowings.

	Consolidated		Parent	
	2009	**2008**	**2009**	**2008**
	$000	**$000**	**$000**	**$000**
29. Related party transactions				
(a) Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.				
Transactions with related parties:				
(i) Wholly owned controlled entities				
Management fees	**-**	-	**276**	240
Dividends	**-**	-	**1,305**	1,050
(ii) Key management personnel				
Lease rental (property)	**591**	578	**-**	-
Consultancy fees	**3**	10	**-**	-

(b) The parent entity entered into the following transactions during the year with related parties in the wholly owned group.

Loans were advanced and repayments received on short term intercompany accounts. Dividends and management fees were received from wholly owned controlled entities (see note 3).

These transactions were undertaken on normal commercial terms and conditions.

(c) The names of each person holding the position of Director of Supply Network Limited during the last two financial years were; G T Lingard, G D H Stewart, G J Forsyth, P W McKenzie and P W Gill (appointed 1 May 2008).

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

(e) Mr P W McKenzie was paid consultancy fees on normal commercial terms and conditions.

Directors' Declaration

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

(1) In the opinion of the directors:

(a) the financial statements and notes, and the Remuneration Report included in the Directors' Report, of the company and of the Group 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 Company's and the Group's financial position as at 30 June 2009 and of their performance for the year ended on that date;

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payables; and.

(c) as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in Note 9 will be able to meet any obligations or liabilities to which they are or may become subject, by virtue of the Deed of Cross Guarantee.

(2) The directors have been given the declarations by the chief executive officer and chief financial officer for the year ended 30 June 2009 required by Section 295A of the Corporations Act 2001.

On behalf of the Board

G T Lingard
Director
Sydney
26 August 2009

Independent Auditor's Report

To the members of Supply Network Limited

We have audited the accompanying financial report of Supply Network Limited ("the company"), which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration for both the company and the Supply Network Limited Group ("the consolidated entity") as set out on pages 16 to 44. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

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, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies 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 entity'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 entity'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.

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 26 August 2009 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 company's and consolidated entity's financial position as at 30 June 2009 and of their 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 financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2009. 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 2009 complies with section 300A of the Corporations Act 2001.

HLB Mann Judd

HLB MANN JUDD
(NSW Partnership)
Chartered Accountants

D K Swindells
Partner
Sydney
26 August 2009

ASX Additional Information

a) Shareholdings

The number of shareholders by size of their holdings as at 26 August 2009 are:

			Shareholdings
1	to	1,000	31
1,001	to	5,000	118
5,001	to	10,000	49
10,001	to	100,000	91
100,001	to	and over	32
Total shareholders			321

b) The number of shareholders who hold less than a marketable parcel is 44.

c) All ordinary shares carry one vote per share.

d) The address of the Principal Registered Office in Australia is 151 Fairfield Road, Guildford NSW 2161.

e) The share registry is at Computershare Investor Services Pty Ltd Level 3, 60 Carrington Street, Sydney NSW 1115.

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

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

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

i) Twenty largest shareholders

At 26 August 2009 the twenty largest shareholders were:

Name	Ordinary Shares Held
Hergfor Enterprises Pty Ltd	7,133,857
PW & LJ McKenzie Superannuation Fund	2,514,109
Mrs J E Davies	1,912,500
Dixson Trust Pty Ltd	1,481,831
Mr D J Woodcock	1,350,000
Kailva Pty Ltd	600,000
Boboco Pty Ltd	542,880
Birubi Super Fund	514,000
Mr M Nakayama	482,875
Sherkane Pty Ltd	450,000
Keisher Shipping Transport P/L	435,784
Trilon Nominees Pty Ltd	433,957
Trazrail Pty Ltd	395,953
Odalisque Pty Ltd	355,867
McKenzie Super Fund	292,659
Meadgate Pty Ltd	266,287
Mrs D G Stewart	250,380
Viewbar Pty Ltd	238,533
Forest Coach Lines Pty. Ltd. (Retirement Fund)	223,000
Mr R L Denison	220,000

The twenty largest shareholders held 20,094,472 ordinary shares equal to 79.4% of issued ordinary shares.

The company's register of substantial shareholders at 26 August 2009 is:

Hergfor Enterprises Pty Ltd	7,133,857
Mr D J Woodcock	3,262,500
PW & LJ McKenzie Superannuation Fund	2,514,109
Dixon Trust Pty Ltd	1,481,831

Five Years Consolidated Financial Summary

	2009	2008	2007	2006	2005
	$000	$000	$000	$000	$000
Financial data:					
Sales revenue	40,328	38,662	34,519	34,663	35,051
Total revenue	40,379	38,730	34,572	34,686	35,070
EBITDA	2,806	2,793	1,289	1,434	2,341
EBIT	2,514	2,408	835	985	1,973
Profit before income tax	2,206	2,152	560	696	1,698
Profit after income tax	1,538	1,493	366	473	1,155
Earnings per share (cents)	6.15	6.43	1.65	2.14	5.25
Dividends (cents per share)	3.00	7.00	1.00	1.75	2.75
Total assets	21,890	20,845	19,076	18,959	19,074
Total interest bearing debt	3,474	3,076	3,278	3,327	3,585
Total equity	11,105	10,228	9,494	9,162	9,396
Cash flow from (used in) operating activities	(596)	1,254	375	1,711	(649)
Cash flow from (used in) investing activities	(295)	(33)	(134)	(340)	(515)
Cash flow from (used in) financing activities	(223)	(654)	(332)	(604)	890
Net movement in cash	(1,114)	567	(91)	767	(274)
Financial ratios:					
Inventory turnover (a)	1.9	2.0	2.0	2.0	2.0
Interest cover (b)	9.1	11.8	4.7	5.0	8.5
Gearing (c)	31.3%	30.1%	34.5%	36.3%	38.2%
Net tangible asset backing (cents per share)	43.9	41.1	42.9	41.4	42.5
Return on average total assets	7.2%	7.5%	1.9%	2.5%	6.3%
Return on average total equity	14.4%	15.1%	3.9%	5.1%	12.7%

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

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

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

Networking the supply of components to the road transport industry

Operations

Australia
Parts Hotline 13 16 15

Brisbane Branch
Cnr Boundary Road & Postle Street
Coopers Plains QLD 4108

Newcastle Branch
Unit 2/11 Kinta Drive
Beresfield NSW 2322

Sydney Branch
151 Fairfield Road
Guildford NSW 2161

Illawarra Branch
Unit B/38 Industrial Road
Unanderra NSW 2526

Canberra Branch
Unit 1, 68 Sheppard St
Hume ACT 2620

Melbourne Branch
Cnr Fairbairn & Somerville Roads
Sunshine VIC 3020

Dandenong Branch
Unit 3/355 South Gippsland Highway
Dandenong VIC 3175

Adelaide Branch
193 Cormack Road
Wingfield SA 5013

Perth Branch
1/511 Abernethy Rd
Kewdale WA 6105

Administration
141-151 Fairfield Road
Guildford NSW 2161

New Zealand
Parts Hotline 0800 404 100

Auckland Branch

68 Portage Road
Otahuhu
Auckland

Wellington Branch

491 Hutt Road
Lower Hutt
Wellington

Christchurch Branch

Unit 1-2
104 Hayton Rd
Sockburn
Christchurch

Administration

491 Hutt Road
Lower Hutt
Wellington

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