



SUPPLY NETWORK LIMITED

ABN 12 003 135 680

1 Turnbull Close Pemulwuy NSW 2145

PO Box 3405 Wetherill Park NSW 2164

Telephone: 61 2 8624 8077

ASX Release

26 August 2022

Preliminary Final Report Appendix 4E and Annual Accounts

The Directors are pleased to announce the audited results for the year ended 30 June 2022 the details of which are included in the attached Appendix 4E - Preliminary Final Report.

The audited results are in line with our announcement 29 July 2022.

Authorised by the Board of Supply Network Limited

A handwritten signature in black ink, appearing to read 'Robert Coleman', is positioned above the printed name and title.

Robert Coleman

Chief Financial Officer

Telephone: + 61 2 8624 8077

Appendix 4E

Preliminary Final Report

Year ending 30 June 2022

Name of entity	Supply Network Limited
ABN	12 003 135 680

1. Details of reporting period

Financial year ended	30 June 2022
Previous corresponding period	30 June 2021

2. Results for announcement to the market

				\$'000
Revenue from ordinary activities	up	22.1%	to	198,500
Profit from ordinary activities after income tax	up	44.6%	to	20,018
Net profit for the period attributable to members	up	44.6%	to	20,018
Dividends		Amount per Security		Franked amount per security
Final dividend (to be paid 3 October 2022)		20.00¢		20.00¢
Record date for determining entitlements to final dividend			19 September 2022	
Interim dividend (paid 7 April 2022)		12.00¢		12.00¢
Brief explanation of any of the figures reported above				
Refer to attached Chairman's and Managing Director's Report and financial statements and notes				

3. Statement of Comprehensive Income

Refer to attached financial statements and notes
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4. Statement of Financial Position

Refer to attached financial statements and notes
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5. Statement of Cash Flows

Refer to attached financial statements and notes
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6. Statement of Changes in Equity

Refer to attached financial statements and notes
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7. Details of Dividends

Refer to attached financial statements and notes

8. Dividend Reinvestment Plans

Supply Network Limited Dividend Reinvestment Plan has recommenced and will operate in respect of the final dividend payable 03 October 2022

9. Net tangible asset backing

	Current Period	Previous corresponding period
Net tangible asset backing per ordinary security	145.3¢	120.9¢

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

Nil

11. Details of associate and joint venture entities

Nil

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

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

13. Foreign entities

Not applicable

14. Commentary on results for period

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

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

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

Signature



Date 26 August 2022
Name Robert Coleman
Position Chief Financial Officer

SUPPLY NETWORK LIMITED
ABN 12 003 135 680

ANNUAL ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2022

The financial statements were authorised for issue by the directors on 26 August 2022.
The directors have the power to amend and reissue the financial statements.

SUPPLY NETWORK LIMITED

ABN 12 003 135 680

ANNUAL ACCOUNTS

30 JUNE 2022

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SUPPLY NETWORK LIMITED
CORPORATE INFORMATION

Directors

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

Company Secretary

P W Gill

Registered Office

1 Turnbull Close
Pemulwuy NSW 2145

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

Corporate Governance Statement

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

Internet Address

www.supplynetwork.com.au

Auditors

HLB Mann Judd (NSW Partnership)

Bankers

ANZ Banking Group Limited

Solicitors

Bartier Perry

Share Registry

Computershare Investor Services Pty Limited
Level 3, 60 Carrington Street
Sydney NSW 2000
Enquiries (within Australia) 1300 850 505
Enquiries (outside Australia) 61 3 9415 4000
Facsimile 61 3 9473 2500

Stock Exchange Listing

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

SUPPLY NETWORK LIMITED
CHAIRMAN'S AND MANAGING DIRECTOR'S REPORT
FOR THE YEAR ENDED 30 JUNE 2022

Strong economic growth, positive industry trends and a solid business performance were the main drivers of 22% revenue growth in FY2022. This exceeded expectations and was an excellent outcome. We congratulate staff on their achievements and thank them for their dedication and effort.

Profit After Tax of was \$20.0m, and the improvement in PAT Margin (10.1%) comes from steady gross margins and further gains in operating efficiency.

Review of Operations

Revenue growth has been strong across all geographic segments, although stronger in Australia than New Zealand, and across all target product and customer segments except Bus customers, who continued to experience Covid related operating constraints throughout the financial year. This sales momentum has continued into the early part of the 2023 financial year, although we do expect our rate of growth to moderate as the economy slows.

Further consolidation of the truck and bus parts market has accelerated our gains from decades of focus on building competitive strengths, including:

- A substantial pool of industry talent and experience,
- A well balanced and evolving Multispares branch network,
- Extensive supply chains reaching all parts of the global industry, and
- An integrated business operating on efficient and scalable systems.

Notwithstanding this, managing 22% growth stretched resources and brought forward planned improvements in our business. We are extremely pleased with the way our teams have responded to the challenges of the past year and we are confident in their ability to continue responding to the opportunities that lie ahead.

One well publicised challenge has been navigating the supply chain problems caused by various component and material shortages along with significant delays in shipping. Everyone in our industry has faced the same difficulties, however, it has been pleasing to see the pre-emptive actions at Multispares ensured spare parts have been available to our customers when required for vehicle fitment. Our relationship with many suppliers has grown stronger over the period and, despite challenges, serious product shortages have been infrequent.

Our Network

Since the last Annual Report, we have relocated our Newcastle and Mackay branches to larger and more accessible sites. Newcastle completed their relocation in March and experienced an immediate lift in sales, greater than forecast. Mackay is just settling at their new site and, although operating in a smaller market, we are again expecting a positive response from customers.

Early in 2022 we completed the extension of our New Zealand distribution facilities in Hamilton. This has allowed products that were previously distributed from Auckland to be consolidated in Hamilton, simplifying distribution and freeing the Auckland branch to focus on sales.

In the 2023 financial year we have schedule completion of two significant expansion projects, at Truganina and Yatala.

Truganina is located directly west of Port Melbourne in a large and developing logistics hub, around 15 minutes from our capacity constrained branch in Sunshine. We have contracted to lease a building presently under construction in the heart of Truganina where we will establish a new branch with significant future capacity. Within the same facility, we will also set up a second national distribution centre that will take over distribution of defined growth products that it will be difficult to continue to support from our main distribution facility in Sydney. Following construction delays, this Truganina facility is scheduled to open in early 2023.

SUPPLY NETWORK LIMITED

CHAIRMAN'S AND MANAGING DIRECTOR'S REPORT (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2022

To support ongoing growth in our SE Queensland operations, in the second half of this financial year we will open a new branch in Yatala. This new branch will network with established branches in Darra and Eagle Farm to improve service levels in what is expected to be a strong market in the lead up to the Brisbane Olympics. Yatala is located at the northern end of the Gold Coast, close to the junction of the M1 and M6 motorways. This is an emerging logistics hub that is critical infrastructure for the Gold Coast and offers some advantages for distribution into Brisbane and surrounding regions.

The Future

The pace of recent growth has brought forward plans for further expansion. The projects already underway will give us the capacity to grow revenue past \$250m and we have started planning further investment requirements to support revenue of \$300m. The macro trends in our market remain positive and our greater scale has opened new product and market opportunities. Under these circumstances, Directors remain focused on organic growth strategies executed by a capable and experienced team.

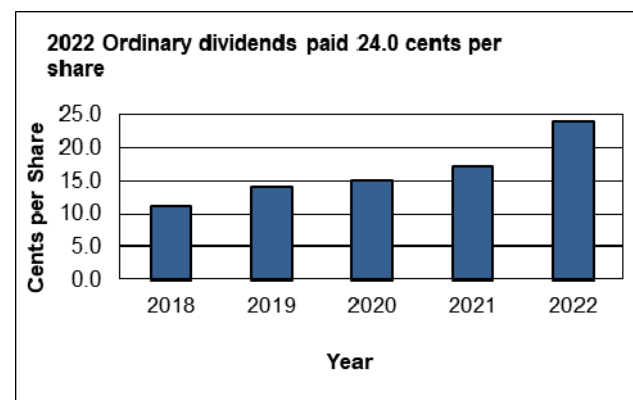
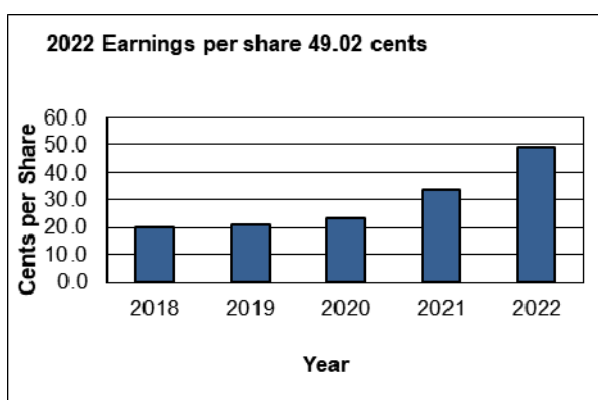
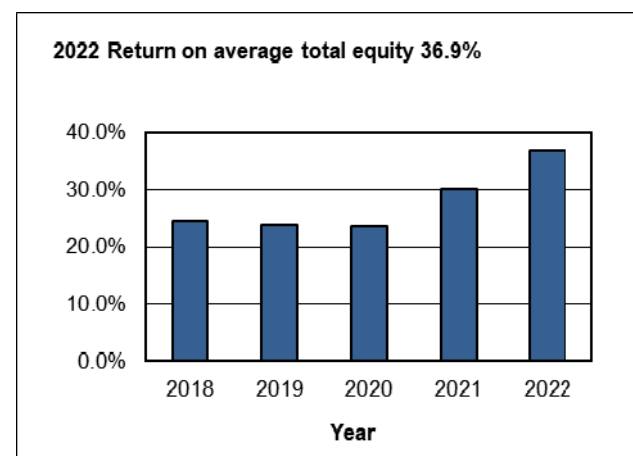
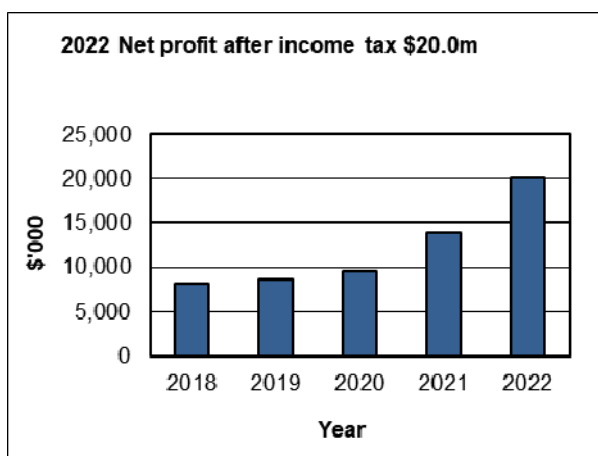
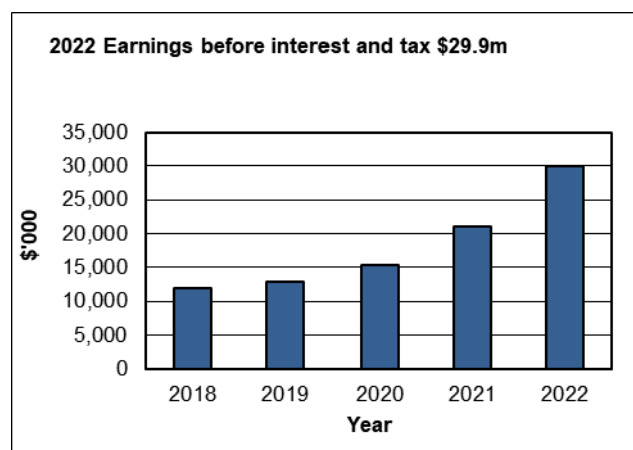
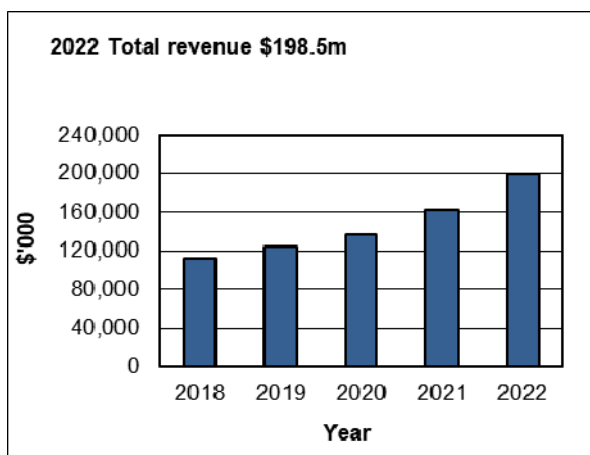
New investments in our operating network and IT systems will add around \$4m to capital expenditure over a two-year period across FY2023 and FY2024, after which we expect capital expenditure to return to long term trend levels.

Capital Management

Directors were pleased to announce an increase in our final dividend to 20 cents per share. Fully franked interim and final dividends for the year totaled 32.0 cents per share, an increase of 12.0 cents compared with the prior year. This represents a payout ratio of 65% on earnings per share of 49.0 cents, consistent with our stated objective to increase the average payout ratio. We have activated our Dividend Reinvestment Plan and we will consider whether the level of shareholder participation in the DRP supports further increases in our payout ratio for the Interim Dividend.

Net finance debt was \$2.5m, a decrease of \$1.1m from last year. Gearing (excluding Lease Liabilities) remains conservative at 15.6%. This places us in a strong position to fund current projects and new opportunities under consideration, while continuing the steady improvement in shareholder returns.

SUPPLY NETWORK LIMITED
Performance Highlights



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SUPPLY NETWORK LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2022

The Directors of Supply Network Limited (the company) submit their report on the consolidated entity (the Group) consisting of Supply Network Limited and the entities it controlled at the end of, or during, the year ended 30 June 2022.

Directors

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

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

Principal Activities

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

Results

The net profit of the Group after providing for income tax for the financial year was \$20.0m (2021: \$13.8m).

Earnings per Share

Basic earnings per share for the financial year were 49.02 cents per share (2021: 33.91 cents) and diluted earnings per share were 49.02 cents per share (2021: 33.90 cents).

Dividends

Dividends paid or declared for payment were as follows:	\$000
Final dividend for 2021 of 12.00 cents per share paid 1 October 2021	4,900
Interim dividend for 2022 of 12.00 cents per share paid 7 April 2022	4,900
Final dividend for 2022 of 20.00 cents per share declared 29 July 2022 and payable 3 October 2022	8,167

Review of Operations

Group sales revenue for the year was \$198.4m, which is an increase of 22.1% when compared to the prior year.

Sales revenue in the Australian operation increased by 24.4% and in the New Zealand operation increased by 11.9% in NZ\$ terms.

Earnings before interest, tax, depreciation and amortisation ("EBITDA") was \$36.6m an increase of 35.4% on last year.

Earnings before interest and tax ("EBIT") was \$29.9m an increase of 41.8% on last year.

Earnings per share ("EPS") for the year was 49.02 cents compared to 33.91 cents on last year.

Operations commenced at our new branch at Mount Louisa, Townsville. Our Beresfield, Newcastle branch has been relocated. Paget, Mackay branch relocation is expected to be finalised in the first quarter of the 2023 financial year. New branches at Yatala, Queensland and Truganina, Victoria are expected to commence operations during the 2023 financial year.

SUPPLY NETWORK LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2022
(continued)

Review of Operations (continued)

The financial position of the Group remains strong. Group cash flows from operating activities was \$18.1m compared to \$16.6m for the prior year.

Gearing (excluding lease liabilities) at 30 June 2022 was 15.6% which is a decrease on June 2021 gearing of 18.4%.

As at 30 June 2022 net assets of the group were \$59.3m (2021: \$49.3m) and net tangible asset backing was 145.3 cents per share (2021: 120.9 cents per share)

The Directors have declared a fully franked final dividend of 20.0 cents per share payable on 3 October 2022 to shareholders registered on 19 September 2022.

The Dividend Reinvestment Plan will operate in respect of the final dividend for June 2022.

Dividends paid and or payable in respect of the 2022 financial year total 32.0 cents per share, which is an increase of 12.0 cents on the prior year (refer Note 19). The dividend payout ratio for the year is 65.3%.

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

Significant Changes in the State of Affairs

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

Significant Events after Balance Date

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

Likely Developments and Expected Results

The Directors forecast sales revenue growth for the Group of around 8% in 2022/23. Management plans for the year focus on organic growth opportunities in the existing business units. Continued expansion of the product range and service network are the primary considerations in our three year outlook.

SUPPLY NETWORK LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2022
(continued)

Information on Directors

Gregory James Forsyth - Chairman

Appointed Chairman of the Board on 17 March 2010. Non-executive Director since 25 January 2006. Chairman of the Audit Committee and a member of the Remuneration Committee. He has over 35 years experience in financial markets specialising in Australian listed equities.

Peter William McKenzie

Appointed to the Board on 1 July 2006 as Non-executive Director. Chairman of the Remuneration Committee and a member of the Audit Committee. He holds a Masters Degree in Business Administration and has over 25 years experience in the transport industry. Mr McKenzie operates a consultancy practice providing advice to public authorities and private clients in the transport industry.

Geoffrey David Huston Stewart - Managing Director

Appointed Chief Executive Officer in November 1999 and Managing Director in November 2000. He has a Bachelor of Engineering (Mechanical) from the University of Sydney, an MBA from Macquarie University and over 35 years experience in the road transport industry.

Peter William Gill

Appointed senior finance executive from April 1995 until his retirement from that role in October 2018. He was appointed to the Board in May 2008 as Finance Director and after his retirement remained on the Board as a Non-Executive Director. He is a Chartered Accountant with a Bachelor of Business degree and has over 40 years experience in accounting and finance in both commercial and professional fields. He is a Chartered Secretary and a Fellow of the Governance Institute of Australia.

Directors' Meetings

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

	Directors Meetings		Audit Committee		Remuneration Committee	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
G J Forsyth	12	12	2	2	3	3
P W McKenzie	12	12	2	2	3	3
G D H Stewart	12	12	-	-	-	-
P W Gill	12	12	-	-	-	-

Directors' Interests

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

- (a) G J Forsyth holds 41,200 ordinary shares of the company and is deemed to have a relevant interest in shares held by Odalisque Pty Ltd (626,635 shares).
- (b) P W McKenzie is deemed to have a relevant interest in shares held by BNP Paribas Nominees Pty Ltd, a substantial shareholder (4,478,516 shares).
- (c) G D H Stewart is deemed to have a relevant interest in shares held by Boboco Pty Limited (955,947) and in shares held by D G Stewart (42,443 shares)
- (d) P W Gill holds 178,460 ordinary shares of the company and is deemed to have a relevant interest in shares held by Viewbar Pty Limited (220,025 shares).

SUPPLY NETWORK LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2022
(continued)

Indemnification of Directors

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

Company Secretary

P W Gill has been the Company Secretary of Supply Network Limited for over 25 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 Senior Executives of the Supply Network Limited Group ("SNL").

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

Remuneration Committee

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

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

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

Non-executive director compensation

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

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

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

The compensation of Non-executive directors for the period ending 30 June 2022 is detailed in Table 1 on page 11.

SUPPLY NETWORK LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2022
(continued)

Executive director and senior executives compensation (executives)

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

Compensation consists of the following three elements:

- fixed compensation
- variable compensation – short-term incentive and
- equity-based compensation – long-term incentive.

Fixed Compensation

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

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

Variable Compensation - Short Term Incentive

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

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

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

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

Equity-based Compensation - Long Term Incentive

Employee incentive plan shares have been issued under the Supply Network Limited Employee Incentive Plan ("EIP") which was reapproved at the 2020 AGM.

A plan share is a right to receive one ordinary share in the Company at a point in the future subject to meeting specified service and performance and/or other conditions (collectively called 'vesting conditions'). If the applicable conditions are met, the plan shares will vest and may be exercised by the holder of the plan share in return for an ordinary share in the Company. Plan shares do not vest unless the vesting conditions are met.

The Remuneration Committee has set service and performance vesting conditions as part of the remuneration packages in accordance with the Group's long-term incentive scheme. The conditions have been set in advance, taking into account expected profit growth.

Plan Shares

Executive plan shares, approved by shareholders and issued to executives and other senior managers, are valued using the volume weighted average market price of the ordinary shares of the Company on the ASX for the five-trading day period ending at market close at grant date.

SUPPLY NETWORK LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2022
(continued)

Executive director and senior executives compensation (continued)

Plan Shares (continued)

At the date of this report, the unissued ordinary shares of Supply Network Limited under plan shares are as follows:

	Balance as at 30/6/2021 No.	Granted No.	Exercised No.	Expired/ forfeited/ other No.	Balance as at 30/06/2022 No.
For the year ended 30 June 2022					
G D H Stewart – Managing Director*	36,471	-	-	(4,741)	31,730
Other senior managers	45,000	55,000	-	-	100,000
Total	81,471	55,000	-	(4,741)	131,730

* The reduction of 4,741 shares during the year relates to some future performance conditions now realised.

Share based payment expenses for the financial years	2022	2021	Fair
	\$	\$	Value
21,748 plan shares issued at fair value of \$4.276 to G D H Stewart, 20/11/2018 vesting 01/09/2020	-	8,857	93,000
29,770 plan shares issued at fair value of \$3.603 to Senior Managers, 24/04/2019 vesting 01/09/2020	-	13,409	107,269
45,000 plan shares issued at fair value of \$6.329 to Senior Managers, 26/03/2021 vesting 01/09/2022	201,044	50,261	284,812
31,730 plan shares issued at fair value of \$6.329 to G D H Stewart, 26/03/2021 vesting 01/09/2023	83,099	23,879	200,822
55,000 plan shares issued at fair value of \$8.332 to Senior Managers, 22/10/2021 vesting 01/09/2024	107,829	-	458,271
Total expense arising from EIP share based payments	391,972	96,406	

No other plan shares have been granted or vested or have expired in the previous financial year. There have been no plan shares issued since the reporting date. The plan shares will be granted for nil cash consideration, accordingly no funds will be raised on issue. In the case of an executive director, no plan shares may be issued to the director without express shareholder approval of the number and terms of the plan shares. Any executive plan shares which do not vest by 1 September 2023 will lapse. Other senior managers plan shares which do not vest by 1 September 2022 and 1 September 2024 will lapse. For further information on share based payments refer to Note 18 to the financial statements

Relationship between Remuneration Policies and SNL Performance

The tables below set out summary information about SNL earnings and movements in shareholder wealth for the five years to 30 June 2022. The Board is of the opinion that these results can be attributed, in part, to the remuneration policies and is satisfied with the overall trend in shareholder wealth over the past five years.

	2022	2021	2020	2019	2018
Total Revenue \$	198.5m	162.6m	136.8m	123.9m	112.1m
Net Profit after tax \$	20m	13.8m	9.5m	8.7m	8.2m
Share price year-end	\$9.45	\$7.62	\$4.18	\$3.53	\$4.24
Dividends paid cents per share	24.0	17.0	15.0	14.0	11.0

Employment contracts

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

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

Individual contracts for key management personnel include:

- G D H Stewart – fixed compensation package of \$465,000 from 1 July 2021 plus a short-term incentive of up to 40% of the package and plan shares as noted above.

SUPPLY NETWORK LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2022
(continued)

Executive director and senior executives compensation (continued)

Key Management Personnel

Details of key management personnel are as follows:

Directors

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

Senior Managers

R A Coleman Chief Financial Officer (Senior Manager)

Table 1: Compensation of Key Management Personnel for the year ended 30 June 2022

	Short Term			Long Term Benefits	Post-Employment		Equity	Total	Total Performance Related
	Salary, Fees & Leave \$	Bonus Payable \$	Non Monetary \$	Other \$	Super-annuation \$	Retirement Benefits \$	Options & Share Rights \$	\$	%
Directors									
G J Forsyth	107,659	-	-	-	10,766	-	-	118,425	-
P W McKenzie	70,209	-	-	-	7,021	-	-	77,230	-
G D H Stewart	439,576	186,000	-	7,780	27,500	-	83,099	743,955	36.2
P W Gill	86,573	-	-	-	8,657	-	-	95,230	-
Snr Managers									
R A Coleman	211,889	68,991	-	4,695	27,500	-	64,282	377,357	35.3
Total	915,906	254,991	-	12,475	81,444	-	147,381	1,412,197	28.5
Total		1,170,897		12,475	81,444		147,381	1,412,197	28.5

Table 2: Compensation of Key Management Personnel for the year ended 30 June 2021

	Short Term			Long Term Benefits	Post-Employment		Equity	Total	Total Performance Related
	Salary, Fees & Leave \$	Bonus Payable \$	Non Monetary \$	Other \$	Super-annuation \$	Retirement Benefits \$	Options & Share Rights \$	\$	%
Directors									
G J Forsyth	104,498	-	-	-	9,927	-	-	114,425	-
P W McKenzie	66,877	-	-	-	6,353	-	-	73,230	-
G D H Stewart	452,430	279,000	-	7,780	25,000	-	32,736	796,946	39.1
P W Gill	77,836	-	-	-	7,394	-	-	85,230	-
Total	701,641	279,000	-	7,780	48,674	-	32,736	1,069,831	29.1
Total		980,641		7,780	48,674		32,736	1,069,831	29.1

Rounding

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

Auditors' Independence Declaration

A copy of the Auditors' Independence declaration for the year ended 30 June 2022 is set out on page 13.

SUPPLY NETWORK LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2022
(continued)

Non-Audit Services

There were no non-audit services provided during the year to the Group by HLB Mann Judd or any related practices or related audit firms.

Signed in accordance with a resolution of directors.



G J Forsyth
Director

Sydney, NSW
26 August 2022

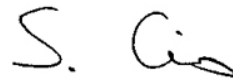
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Auditor's Independence Declaration to the Directors of Supply Network Limited

As lead auditor for the audit of the consolidated financial report of Supply Network Limited for the year ended 30 June 2022, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (a) the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (b) any applicable code of professional conduct in relation to the audit.

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



Sydney, NSW
26 August 2022

S Grivas
Partner

hlb.com.au

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HLB Mann Judd (NSW Partnership) is a member of HLB International, the global advisory and accounting network.

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SUPPLY NETWORK LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2022

	Notes	Consolidated	
		2022 \$000	2021 \$000
Revenue from contracts with customers	3	198,432	162,577
Finance revenue	3	2	2
Other income		66	36
Changes in inventories of finished goods		(113,667)	(94,511)
Employee benefits expense		(34,752)	(29,725)
Depreciation and amortisation		(6,652)	(5,912)
Other expenses	3	(13,504)	(11,367)
Finance costs	3	(1,459)	(1,420)
Profit before income tax		28,466	19,680
Income tax expense	4	(8,448)	(5,834)
Profit after income tax		20,018	13,846
Profit attributable to members of the parent		20,018	13,846
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Adjustment on translation of foreign controlled entity net of tax	18	(563)	(45)
Total other comprehensive loss after income tax		(563)	(45)
Total comprehensive income for the year attributable to members of the parent		19,455	13,801
Basic earnings per share (cents per share)	20	49.02	33.91
Diluted earnings per share (cents per share)	20	49.02	33.90
Dividends per share (cents per share)	19	24.00	17.00

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

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SUPPLY NETWORK LIMITED

**BALANCE SHEET
AT 30 JUNE 2022**

	Note	Consolidated	
		2022 \$000	2021 \$000
ASSETS			
Current assets			
Cash and cash equivalents	5	6,934	5,557
Trade and other receivables	6	21,358	17,594
Inventories	7	63,296	54,072
Other current assets	8	292	392
Total current assets		91,880	77,615
Non-current assets			
Property, plant and equipment	9	10,182	8,792
Right-of use assets	10	33,417	27,875
Deferred tax assets	4	3,055	2,869
Total non-current assets		46,654	39,536
TOTAL ASSETS		138,534	117,151
LIABILITIES			
Current liabilities			
Trade and other payables	11	29,495	25,044
Interest bearing loans and borrowings	12	606	456
Income tax payable	14	1,857	1,745
Provisions	15	1,277	1,080
Lease liabilities	13	4,559	3,919
Total current liabilities		37,794	32,244
Non-current liabilities			
Interest bearing loans and borrowings	12	8,778	8,618
Provisions	15	333	375
Lease liabilities	13	32,301	26,630
Total non-current liabilities		41,412	35,623
TOTAL LIABILITIES		79,206	67,867
NET ASSETS		59,328	49,284
EQUITY			
Contributed equity	17	21,272	21,272
Reserves	18	439	613
Retained earnings		37,617	27,399
TOTAL EQUITY		59,328	49,284

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

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SUPPLY NETWORK LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2022

	Note	Contributed Equity \$000	Share based payment Reserve \$000	Exchange Translation Reserve \$000	Retained Earnings \$000	Total \$000
Consolidated						
Balance at 30 June 2020		21,075	178	584	20,488	42,325
Total comprehensive income/(loss) for the year		-	-	(45)	13,846	13,801
Transactions with owners in their capacity as owners						
Share based payments	18	22	74	-	-	96
Shares vesting	18	178	(178)	-	-	-
Allotment fees		(3)	-	-	-	(3)
Dividends provided for or paid	19	-	-	-	(6,935)	(6,935)
Balance at 30 June 2021		21,272	74	539	27,399	49,284
Total comprehensive income/(loss) for the year		-	-	(563)	20,018	19,455
Transactions with owners in their capacity as owners						
Share based payments	18	-	389	-	-	389
Dividends provided for or paid	19	-	-	-	(9,800)	(9,800)
Balance at 30 June 2022		21,272	463	(24)	37,617	59,328

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

SUPPLY NETWORK LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2022

	Note	Consolidated	
		2022 \$000	2021 \$000
Cash flows from operating activities			
Receipts from customers		215,686	177,755
Payments to suppliers and employees		(187,584)	(154,608)
Interest received		2	2
Interest paid		(308)	(309)
Interest paid lease liabilities		(1,149)	(1,112)
Income tax paid		(8,526)	(5,136)
Net cash flows from operating activities	24(a)	18,121	16,592
Cash flows from investing activities			
Purchase of property, plant and equipment		(3,044)	(1,451)
Proceeds from sale of property, plant and equipment		33	28
Net cash flows used in investing activities		(3,011)	(1,423)
Cash flows from financing activities			
Proceeds from borrowings		902	930
Repayment of borrowings		(493)	(405)
Repayment of lease liabilities		(4,330)	(3,804)
Dividends paid		(9,800)	(6,935)
Net cash flows used in financing activities		(13,721)	(10,214)
Net increase in cash and cash equivalents		1,389	4,955
Cash and cash equivalents at beginning of year		5,557	602
Exchange rate adjustment to balances held in foreign currencies		(12)	-
Cash and cash equivalents at end of year	5	6,934	5,557

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

SUPPLY NETWORK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

1. Corporate information

The consolidated financial statements of Supply Network Limited (the company) for the year ended 30 June 2022 were authorised for issue in accordance with a resolution of the directors on 26 August 2022.

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

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

2. Summary of significant accounting policies

(a) Basis of accounting

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

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

(b) Statement of compliance

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

(c) Basis of consolidation

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

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

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

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

(d) Significant accounting judgements, estimates and assumptions

(i) Significant accounting judgements

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

SUPPLY NETWORK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022
(continued)

2. Summary of significant accounting policies (continued)

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

(ii) Significant accounting estimates and assumptions

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

Obsolete inventory provision

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

(e) Foreign currency transactions

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

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

Foreign Subsidiary Company

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

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

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

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

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

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

SUPPLY NETWORK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022
(continued)

2. Summary of significant accounting policies (continued)

(f) Cash and cash equivalents

Cash and cash equivalents in the Balance Sheet comprises cash at bank, on deposit and in hand with a maturity of three months or less.

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

(g) Trade and other receivables

Trade and other receivables, which generally have 30 day terms, are recognised and carried at original invoice amount less any allowance for expected credit losses.

The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade and other receivables have been grouped based on days overdue.

Trade and other receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets.

(h) Inventories

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

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

Finished Goods – weighted average cost into store.

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

Obsolete and redundant inventories are provided for as appropriate.

(i) Property, plant and equipment

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

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

Land and buildings	50 years
Plant and equipment	3 – 15 years

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

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

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

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SUPPLY NETWORK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022
(continued)

2. Summary of significant accounting policies (continued)

(j) Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred and an estimate of costs expected to be incurred for dismantling and removing the underlying asset and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

(k) Derivative financial instruments

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

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

(l) Trade and other payables

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

(m) Lease liabilities

A lease liability is recognised at the commencement date of the lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate and any anticipated termination penalties.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future leased payments arising from a change in an index or a rate used; lease term; certainty of termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

SUPPLY NETWORK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022
(continued)

2. Summary of significant accounting policies (continued)

(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 included in profit or loss net of any reimbursement.

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

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

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

(o) Employee leave benefits

(i) Wages, salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual 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.

(ii) Long service leave

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

(p) Post-employment benefits

Contributions are made to employee superannuation funds and are charged against profit or loss when incurred (refer Note 23).

(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.

SUPPLY NETWORK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022
(continued)

2. Summary of significant accounting policies (continued)

(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 non-financial 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

The Group recognises revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services

(i) Sale of goods

Revenue from the sales of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

(ii) Interest income

Interest 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.

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SUPPLY NETWORK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022
(continued)

2. Summary of significant accounting policies (continued)

(t) Revenue recognition (continued)

(iii) Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

(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 is recognised in equity and not in profit or loss.

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

SUPPLY NETWORK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022
(continued)

2. Summary of significant accounting policies (continued)

(v) Income tax (continued)

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

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

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

(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
- 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, revised or amending Accounting standards and interpretations adopted

The Group has applied all new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are mandatory for the current reporting period. There has been no material impact on adoption of these standards.

(z) New Accounting standards and interpretations not yet adopted

There are no new standards that have been issued that are not yet effective and that are expected to have a material impact on financial reports of the Group in the current or future reporting periods.

SUPPLY NETWORK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022
(continued)

		Consolidated	
		2022	2021
		\$000	\$000
3.	Revenues and expenses		
(a)	Revenue from contracts with customers		
	Sale of goods	<u>198,432</u>	<u>162,577</u>
	The Group derives its revenue from contracts with customers for the transfer of goods at a point for all its revenue lines.		
	AASB 15 requires an entity to disaggregate revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The Group has assessed that the disaggregation of revenue by operating segments is appropriate in meeting this disclosure requirement as this is the information regularly reviewed by the chief operating decision maker in order to evaluate the financial performance of the entity.		
		Consolidated	
		2022	2021
		\$000	\$000
(b)	Finance revenue		
	Bank interest	<u>2</u>	<u>2</u>
(c)	Other expenses		
	Credit losses – trade receivables	(190)	(88)
	Freight and cartage expenses	(2,475)	(1,873)
	Operating lease expenses and outgoings	(1,164)	(962)
	Other	(9,675)	(8,444)
		<u>(13,504)</u>	<u>(11,367)</u>
(d)	Finance costs		
	Bank loans and overdrafts	(237)	(268)
	Interest expense on lease liabilities	(1,149)	(1,112)
	Other finance costs	(73)	(40)
		<u>(1,459)</u>	<u>(1,420)</u>
4.	Income tax		
(a)	Income tax expense		
	The major components of income tax expense are:		
	Current income tax		
	Current income tax charge	8,634	6,104
	Deferred income tax		
	Relating to origination and reversal of temporary differences	(186)	(270)
	Income tax expense	<u>8,448</u>	<u>5,834</u>

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SUPPLY NETWORK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022
(continued)

	Consolidated	
	2022	2021
	\$000	\$000
4. Income tax (continued)		
(b) Reconciliation of prima facie tax payable to income tax expense		
Profit before income tax	28,466	19,680
At the Group's income tax rate of 30% (2021: 30%)	8,540	5,904
Effect of different tax rates of subsidiary	(102)	(81)
Other amounts which are not deductible for income tax purposes	10	11
Income tax expense	8,448	5,834
(c) Deferred tax assets		
Depreciation and AASB 16 differences	626	809
Doubtful debts	108	77
Employee benefits	1,248	1,067
Stock obsolescence	743	727
Other	330	189
	3,055	2,869
(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	
	2022	2021
	\$000	\$000
5. Cash and cash equivalents		
Cash at bank, on deposit and in hand	6,934	5,557
	6,934	5,557

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

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		Consolidated	
		2022	2021
		\$000	\$000
6.	Trade and other receivables		
	Current		
	Trade receivables (i)	21,654	17,838
	Allowance for expected credit loss	(367)	(262)
		21,287	17,576
	Other receivables	71	18
		21,358	17,594
	Ageing of trade receivables not impaired		
	Not overdue	21,050	17,350
	61-90 days past due	177	186
	91 days and above past due	60	40
		21,287	17,576
	Ageing of trade receivables impaired		
	Not overdue	56	85
	61-90 days past due	129	70
	91 days and above past due	182	107
		367	262
	Total trade receivables	21,654	17,838
	Movements in allowance for expected credit loss		
	Opening balance	262	211
	Additions during the year	190	88
	Amounts written off during the year	(83)	(37)
	Exchange difference	(2)	-
	Closing balance	367	262

- (i) Trade receivables are non-interest bearing and generally on 30 day terms. As at 30 June 2022 trade receivables of \$237,600 (2021: \$226,500) were past due and not impaired. The Group has retention of title clause over goods sold until payment is received. Refer Note 12(ii) regarding security pledged.
- (ii) Information regarding the effective interest rate and the credit risk of current receivables is disclosed in Note 28.

		Consolidated	
		2022	2021
		\$000	\$000
7.	Inventories		
	Finished goods at lower of cost and net realisable value	52,644	43,535
	Stock in transit - finished goods at cost	10,652	10,537
	Total inventories at lower of cost and net realisable value	63,296	54,072
8.	Other current assets		
	Prepayments and deposits	292	392

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(continued)

		Consolidated	
		2022	2021
		\$000	\$000
9.	Property, plant and equipment		
	Land and buildings at cost		
	Opening balance	2,446	2,437
	Additions	-	19
	Exchange difference	(75)	10
	Closing balance	2,371	2,446
	Accumulated depreciation		
	Opening balance	70	35
	Additions	32	35
	Closing balance	102	70
	Land and buildings - net book value	2,269	2,376
	Plant and equipment at cost		
	Opening balance	15,824	14,871
	Additions	3,044	1,432
	Disposals	(128)	(467)
	Exchange difference	(98)	(12)
	Closing balance	18,642	15,824
	Accumulated depreciation		
	Opening balance	9,408	8,385
	Additions	1,498	1,352
	Disposals	(103)	(323)
	Exchange difference	(74)	(6)
	Closing balance	10,729	9,408
	Plant and equipment - net book value	7,913	6,416
	Total property, plant and equipment	10,182	8,792
10.	Right-of-use assets		
	Land and buildings - right-of-use	44,956	36,096
	Less: Accumulated depreciation	(13,703)	(9,763)
		31,253	26,333
	Plant and equipment - right-of-use	4,656	3,716
	Less: Accumulated depreciation	(2,492)	(2,174)
		2,164	1,542
		33,417	27,875

The Group leases land and buildings for its offices, warehouses and sales outlets under agreements of between five to fifteen years with options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated. The Group also leases plant and equipment under agreements of between three to four years. The Group leases office equipment under agreements of up to three years.

In relation to right of use assets, depreciation charged in the year for land and buildings was \$4.0m (2021: \$3.4m) and for plant and equipment was \$1.1m (2021: \$1.1m). Additions to the right of use assets during the year were \$9.1m (2021: \$2.7m). Disposals to the right of use assets during the year were \$0.8m (2021: \$0.4m). Modifications to the right of use assets during the year were \$2.2m (2021: \$1.5m).

Details on interest expense and cashflows relating to lease liabilities are disclosed in Note 13.

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(continued)

	Consolidated	
	2022	2021
	\$000	\$000
11. Trade and other payables		
Trade payables and accruals	29,495	25,044
12. Interest bearing loans and borrowings		
Current		
Bank loans-instalments due within 12 months (i)	606	456
Non-current		
Bank loans (i)	8,778	8,618
Total interest bearing loans and borrowings	9,384	9,074

- (i) Bank loans comprise:
Fixed rate interest only loans of \$1,317,000 (2021: \$3,862,000), with interest rates of 3.4% to 3.5% (2021: 2.3% to 5.4%) maturing November and December 2023 (2021: September and October 2022, June and December 2023 and October 2025).

Fixed rate principal and interest loans of \$924,000 with interest rates of 2.6% and 3.5% maturing November 2023 and October 2025 repayable by quarterly instalments.

Variable rate principal and interest loans of \$7,143,000 (2021: \$5,212,000), with interest rates of 1.94% to 4.35% (2021: 0.81% to 2.15%) maturing September and October 2023, June 2024 and November 2026 (2021: October 2021, March and May 2022). \$2,352,000 is repayable by quarterly instalments and \$4,791,000 repayable at termination.

- (ii) Bank loans, overdrafts and trade facility are secured by fixed and floating charges over the assets of Supply Network Limited and controlled entities. Bank overdrafts have no specific term and trade facilities have 60 day terms and both are subject to annual review. Interest rates on these facilities are variable and during the year the average interest rate was 3.1% (2021: 3.0%).

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

Australian loan agreement requires:

Borrowing base ratio as defined not to exceed 50% of eligible stock plus eligible debtors.

Debt to EBITDA does not exceed 2.5 to 1.

Fixed charge cover ratio to be greater than or equal to 2.00 to 1.

The Group complied with these ratios during the year.

	Consolidated	
	2022	2021
	\$000	\$000
13. Lease liabilities		
Lease liabilities – current	4,559	3,919
Lease liabilities – non-current	32,301	26,630
Total lease liabilities	36,860	30,549

Interest expense recognised in the statement of profit or loss and other comprehensive income was \$1.1m (2021: \$1.1m) and interest and principle payments made to lessors in respect to lease liabilities was \$5.4m (2021: \$4.9m) for the year.

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		Consolidated	
		2022	2021
		\$000	\$000
14.	Income tax payable		
	Current year income tax payable	1,857	1,745

		Consolidated	
		Long Service Leave	Total
		\$000	\$000
15.	Provisions		
	At 1 July 2021	1,455	1,455
	Arising during the year	155	155
	At 30 June 2022	1,610	1,610
	Current 2022	1,277	1,277
	Non-current 2022	333	333
		1,610	1,610
	Current 2021	1,080	1,080
	Non-current 2021	375	375
		1,455	1,455

16. Derivatives

Instrument used by the Group

Derivative financial instruments are occasionally 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)).

		Consolidated	
		2022	2021
		\$000	\$000
17.	Contributed equity		
	(a) Issued and paid up capital		
	40,833,697 ordinary shares fully paid (2021: 40,833,697)	21,272	21,272

(b) Movements in Ordinary Shares on Issue

	2022		2021	
	Number of shares	\$000	Number of shares	\$000
Balance at beginning and end of the year	40,833,697	21,272	40,833,697	21,272

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17. Contributed equity (continued)

(c) 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	
		2022	2021
		\$000	\$000
18. Reserves			
(a) Exchange translation reserve			
	The Exchange Translation Reserve is used to record exchange differences arising from the translation of the functional currency of the foreign subsidiary, New Zealand dollar, into the presentation currency of the consolidated financial statements, Australian dollar, (refer to Statement of Changes in Equity).	(24)	539
(b) Share based payment reserve			
	Balance at the beginning of the financial year	74	178
	Movement in the share based payments	389	(104)
	Balance at end of the financial year	463	74
	Total reserves	439	613

Share based payment reserve relate to the Supply Network Limited Employee Incentive plan ("EIP") which was reapproved by shareholders at the 2020 annual general meeting. The EIP is designed to provide long-term incentives for senior managers and above (including executive directors) to deliver long-term shareholder returns. Under the plan, participants are granted options which only vest if certain performance and services conditions are met (Refer to Remuneration report).

		Consolidated	
		2022	2021
		\$000	\$000
19. Dividends paid and proposed on ordinary shares			
(a) Dividends declared and paid during the year			
	Final fully franked dividend for 2021 (12.00 cents per share) (2020: 9.00 cents)	4,900	3,668
	Interim fully franked dividend for 2022 (12.00 cents per share) (2021: 8.00 cents)	4,900	3,267
	Total dividends paid	9,800	6,935
(b) Dividends proposed subsequent to 30 June and not recognised as a liability			
	Final fully franked dividend for 2022 (20.0 cents per share) (2021: 12.00 cents)	8,167	4,900

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	Consolidated	
	2022	2021
	\$000	\$000
19. Dividends paid and proposed on ordinary shares (continued)		
(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% (2021: 30%)	11,856	6,947
Franking credits that will arise from the payment of income tax payable as at the end of the financial year	1,158	1,105
	13,014	8,052
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	(3,500)	(2,100)
	9,514	5,952

The tax rate at which paid dividends have been franked is 30% (2021: 30%).
Dividends proposed will be franked at the rate of 30%.

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.

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

	Consolidated	
	2022	2021
	\$000	\$000
Net profit attributable to ordinary equity holders of the parent	20,018	13,846
Weighted average number of ordinary shares for basic earnings per share	40,833,697	40,833,697
Basic earnings per share (cents per share)	49.02	33.91
Weighted average number of ordinary shares for diluted earnings per share	40,833,697	40,838,430
Diluted earnings per share (cents per share)	49.02	33.90

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	Consolidated	
	2022	2021
	\$	\$
21. Auditor's compensation		
Amounts received or due and receivable by HLB Mann Judd (NSW Partnership) or its associated entities for:		
An audit and review of a financial report of the consolidated group	82,000	81,000
Amounts received or due and receivable by HLB Mann Judd Limited Auckland for:		
An audit of the financial report of a subsidiary	19,400	19,550
	101,400	100,550

22. Key management personnel

(a) Compensation of key management personnel

Details of key management personnel are as follows:

Directors

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

Senior Managers

R A Coleman	Chief Financial Officer
-------------	-------------------------

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

	Consolidated	
	2022	2021
	\$	\$
Short-term	1,170,897	980,641
Post-employment	81,444	48,674
Other long-term benefits	12,475	7,780
Equity	147,381	32,736
	1,412,197	1,069,831

(b) Share issued on exercise of compensation options

There were no shares issued as compensation or on exercise of compensation options during the year ended 30 June 2022 (2021: 42,443).

(c) Unissued shares

During the year ended 30 June 2022 there were no ordinary shares committed to be issued.

(d) Option holding of key management personnel

There were no options held by key management personnel at 30 June 2022 or 30 June 2021.

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(continued)

22. Key management personnel (continued)

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

	Balance 1 July 2021	Plan Shares Exercised	Net Change Other	Balance 30 June 2022
Directors			-	
G J Forsyth	667,835	-	-	667,835
P W McKenzie	4,478,045	-	471	4,478,516
G D H Stewart	998,390	-	-	998,390
P W Gill	398,485	-	-	398,485
Senior Managers				
R A Coleman	5,725	-	-	5,725
	6,548,480	-	471	6,548,951

	Balance 1 July 2020	Plan Shares Exercised	Net Change Other	Balance 30 June 2021
Directors				
G J Forsyth	667,835	-	-	667,835
P W McKenzie	4,478,045	-	-	4,478,045
G D H Stewart	1,396,833	42,443	(440,886)	998,390
P W Gill	598,485	-	(200,000)	398,485
	7,141,198	42,443	(640,886)	6,542,755

23. Employee entitlements

Superannuation commitments

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

Australian operating companies have a legal obligation to contribute 10.0% of the employees' ordinary earnings to the funds, with employees contributing various percentages of their gross salary.

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

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	Consolidated	
	2022	2021
	\$000	\$000
24. Cash Flow Information		
(a) Reconciliation of net profit after tax to the net cash flows from operations		
Profit after income tax	20,018	13,846
Adjustments for non-cash income and expense items		
Profit/Loss on disposal of plant and equipment	(7)	117
Depreciation of right of use assets	5,122	4,524
Depreciation of plant and equipment	1,530	1,387
Transfers to provisions:		
Inventory obsolescence	(7)	428
Employee entitlements	155	170
Expected credit loss	105	51
Net exchange differences	(574)	10
Increase / (decrease) in provision for:		
Income tax payable	112	974
Deferred taxes	(186)	(270)
Changes in assets and liabilities		
(Increase) / decrease in:		
Trade and other receivables	(3,869)	(2,753)
Inventories	(9,217)	(7,231)
Other assets	100	(248)
Increase in:		
Trade and other payables	4,839	5,587
Net cash flow from operating activities	18,121	16,592
(b) Financing facilities available:		
At reporting date the following facilities had been negotiated and were available:		
Total credit facilities	14,237	13,970
Facilities used at reporting date	(9,384)	(9,074)
Facilities unused at reporting date	4,853	4,896
The major facilities are summarised as follows:		
Bank overdrafts and trade facility	4,853	4,896
Facilities unused at reporting date	4,853	4,896
Bank loans	9,384	9,074
Facilities used	(9,384)	(9,074)
Facilities unused at reporting date	-	-

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	Consolidated	
	2022	2021
	\$000	\$000
25. Parent Entity Information		
Current assets	602	4,036
Total assets	57,803	42,181
Current liabilities	1,201	1,145
Total liabilities	1,201	1,145
Shareholders equity:		
Issued capital	21,272	21,272
Share based payment reserve	463	74
Retained earnings	34,867	19,690
	56,602	41,036
Profit for the year	24,978	12,705
Other comprehensive income	-	-
Total comprehensive income	24,978	12,705

26. Deed of Cross Guarantee

Supply Network Limited, Multispares Limited, Globac Limited and Supply Network Services Limited (Closed Group) have entered into a Deed of Cross Guarantee dated 5 June 1992 which provides that all parties to the deed will guarantee to each creditor payment in full of any debt of each company participating in the deed on winding-up of that company. As a result of the Class Order 98/1418 issued by the Australian Securities Commission (now called ASIC Corporations (Wholly-owned Companies) Instrument 2016/785), Multispares Limited, Globac Limited and Supply Network Services Limited are relieved from the requirement to prepare financial statements.

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

	Closed Group	
	2022	2021
	\$000	\$000
Statement of Profit or Loss and Other Comprehensive Income		
Profit before income tax	24,483	17,032
Income tax expense	(7,021)	(4,699)
Profit after income tax	17,462	12,333
Net profit attributable to members of the parent	17,462	12,333
Other comprehensive income	-	-
Total comprehensive income	17,462	12,333
Retained Earnings		
Retained earnings at beginning of the year	19,719	14,321
Profit after income tax	17,462	12,333
Dividends provided for or paid	(9,800)	(6,935)
Retained earnings at end of the year	27,381	19,719

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(continued)

	Closed Group	
	2022	2021
	\$000	\$000
26. Deed of Cross Guarantee (continued)		
Balance sheet		
ASSETS		
Current assets		
Cash and cash equivalents	4,712	5,189
Trade and other receivables	17,854	13,942
Inventories	47,622	39,360
Other current assets	278	316
Intercompany	209	86
Total current assets	70,675	58,893
Non-current assets		
Other financial assets	6,031	6,031
Plant and equipment	6,531	5,201
Right-of-use-assets	26,977	23,726
Deferred tax assets	2,267	2,226
Total non-current assets	41,806	37,184
TOTAL ASSETS	112,481	96,077
LIABILITIES		
Current liabilities		
Trade and other payables	25,130	20,535
Interest bearing loans and borrowings	200	200
Income tax payable	1,158	1,105
Provisions	1,277	1,079
Lease liabilities	3,700	3,187
Total current liabilities	31,465	26,106
Non-current liabilities		
Interest bearing loans and borrowings	5,500	5,700
Provisions	332	375
Lease liabilities	26,068	22,831
Total non-current liabilities	31,900	28,906
TOTAL LIABILITIES	63,365	55,012
NET ASSETS	49,116	41,065
EQUITY		
Contributed equity	21,272	21,272
Reserves	463	74
Retained earnings	27,381	19,719
TOTAL EQUITY	49,116	41,065

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27. Segment information

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

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

Geographical segments	Australia		New Zealand		Eliminations		Consolidated	
	2022	2021	2022	2021	2022	2021	2022	2021
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Revenue								
Sales to customers outside the Group	163,655	131,503	34,777	31,074	-	-	198,432	162,577
Other income from outside the Group	61	25	7	13	-	-	68	38
Inter-segment revenues	3,121	3,211	55	38	(3,176)	(3,249)	-	-
Total segment revenues	166,837	134,739	34,839	31,125	(3,176)	(3,249)	198,500	162,615
Results								
Segment results	24,484	17,032	3,982	2,648	-	-	28,466	19,680
Profit before income tax and finance costs							29,923	21,098
Finance revenue							2	2
Finance costs							(1,459)	(1,420)
Profit before income tax							28,466	19,680
Income tax expense							(8,448)	(5,834)
Profit after income tax expense							20,018	13,846
Assets								
Segment assets	112,481	96,077	32,313	27,191	(6,260)	(6,117)	138,534	117,151
Liabilities								
Segment liabilities	63,365	54,919	16,250	13,094	(409)	(146)	79,206	67,867
Other segment information								
Additions to property, plant and equipment, intangible assets and other non-current assets	2,557	1,354	487	97	-	-	3,044	1,451
Additions to right-of-use assets	6,824	2,430	2,254	257	-	-	9,078	2,687
Depreciation	1,203	1,071	327	316	-	-	1,530	1,387
Depreciation for right-of-use assets	4,029	3,668	1,093	856	-	-	5,122	4,524
Other non-cash expenses	747	955	147	274	-	-	894	1,229

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.

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28. Key economic risks

Financial risk management

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

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

(a) Interest rate risk

The Group is exposed to interest rate risk through financial assets and liabilities. The Group's main interest rate risk arises from long-term borrowings (refer Note 12).

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

Financial instruments - Contractual maturities	Floating interest rate (i) \$000	Fixed interest rate maturing			Non- interest bearing \$000	Total \$000	Weighted average interest rate	
		1 year or less	1 to 5 years	Over 5 years			Floating	Fixed
		\$000	\$000	\$000			%	%
Consolidated								
30 June 2022								
Financial assets								
Cash	6,934	-	-	-	-	6,934	0.1	-
Trade receivables	-	-	-	-	21,654	21,654	-	-
Other receivables	-	-	-	-	71	71	-	-
	6,934	-	-	-	21,725	28,659		
Financial liabilities								
Trade and other payables	-	-	-	-	29,495	29,495	-	-
Bank loans and overdrafts	7,143	-	2,241	-	-	9,384	2.7	3.1
Lease liability	-	4,559	16,850	15,451	-	36,860	-	4.4
	7,143	4,559	19,091	15,451	29,495	75,739		

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28. Key economic risks (continued)

(a) Interest rate risk (continued)

Financial instruments - Contractual maturities	Floating interest rate (i) \$000	Fixed interest rate maturing			Non- interest bearing \$000	Total \$000	Weighted average interest rate	
		1 year or less \$000	1 to 5 years \$000	Over 5 years \$000			Floating %	Fixed %
Consolidated								
30 June 2021								
Financial assets								
Cash	5,557	-	-	-	-	5,557	0.1	-
Trade receivables	-	-	-	-	17,838	17,838	-	-
Forward currency contracts	-	-	-	-	-	-	-	-
Other receivables	-	-	-	-	18	18	-	-
	<u>5,557</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,856</u>	<u>23,413</u>		
Financial liabilities								
Trade and other payables	-	-	-	-	25,044	25,044	-	-
Bank loans and overdrafts	5,212	-	3,862	-	-	9,074	1.0	3.0
Lease liability	-	3,919	13,551	13,079	-	30,549	-	4.2
Forward currency contracts	-	-	-	-	-	-	-	-
	<u>5,212</u>	<u>3,919</u>	<u>17,413</u>	<u>13,079</u>	<u>25,044</u>	<u>64,667</u>		

- (i) Floating interest rates are the most recently determined rate applicable to the instrument at balance date. Floating rate liabilities and non-interest bearing liabilities have contractual maturities of between 1-5 years.

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

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

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

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

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

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SUPPLY NETWORK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022
(continued)

28. Key economic risks (continued)

(b) Foreign exchange risk

The Group is exposed to the risk of adverse movements in the Australian dollar relative to certain foreign currencies. Net exposure at balance date refer Note 16.

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

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

(c) Credit risk

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

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

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

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

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

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

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

SUPPLY NETWORK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022
(continued)

28. Key economic risks (continued)

(e) Capital risk management

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

The capital structure of the Group consists of debt, which comprises the borrowings detailed in Note 12, cash and cash equivalents (refer Note 5) and equity attributable to equity holders of the parent, comprising issued capital (refer Note 17), reserves (refer Note 18) and retained earnings.

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

Consolidated	
2022	2021
\$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:

Key management personnel of the Group

Sales to related parties

Amounts owed by related parties

1,309	1,239
279	389

(b) Mr P W McKenzie is a Director of a company to which the Group sells goods on normal commercial terms and conditions.

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

(d) Investments in controlled entities

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

The controlled entities were 100% owned for the years ended 30 June 2022 and 30 June 2021.

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SUPPLY NETWORK LIMITED
DIRECTORS' DECLARATION

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

1. In the directors' opinion:
 - (a) the financial statements and notes set out on pages 14 to 43 are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2022 and of its performance for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
 - (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
 - (c) at the date of this declaration, there are reasonable grounds to believe that the members of the closed group identified in Note 26 will be able to meet any obligation or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in Note 26.
2. The directors have been given the declarations by the chief executive officer and chief financial officer for the year ended 30 June 2022 required by section 295A of the *Corporations Act 2001*.
3. The notes to the financial statements include a statement of compliance with International Financial Reporting Standards.

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

On behalf of the Board



G J Forsyth
Director

Sydney, NSW
26 August 2022

Independent Auditor's Report to the Members of Supply Network Limited

Opinion

We have audited the financial report of Supply Network Limited ("the Company") and its controlled entities (collectively "the Group"), which comprises the consolidated balance sheet as at 30 June 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- (a) giving a true and fair view of the Group's financial position as at 30 June 2022 and of its financial performance for the year then ended; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Key Audit Matter	How our audit addressed the key audit matter
<p data-bbox="229 324 790 369">Inventory Valuation and Existence</p> <p data-bbox="229 369 790 526">The consolidated balance sheet of the Group as at 30 June 2022 shows inventories at \$63,296,000. This represents the lower of cost and net realisable value for inventories on hand at 30 June 2022.</p> <p data-bbox="229 526 790 705">We have identified the Existence and Valuation of Inventories as a Key Audit Matter due to the size of this asset. Also, judgement is involved in management's estimation of the net realisable value of inventories, which is based on certain assumptions.</p>	<ol style="list-style-type: none"> <li data-bbox="798 369 1420 414">1. In relation to Existence, we: <ol style="list-style-type: none"> <li data-bbox="821 414 1420 571">(a) Considered the Group inventory count procedures at or near the year-end. We attended the year-end stocktake at a number of locations where inventories are held and observed the count procedures and controls. <li data-bbox="821 571 1420 638">(b) We further tested these controls by performing our own test counts. <li data-bbox="821 638 1420 728">(c) We reviewed differences between inventory counted and inventories shown in the Group's inventory records. <li data-bbox="821 728 1420 862">(d) We reviewed records of physical movement of inventories before and after the inventory counts to ensure that these items had been included in the correct accounting period. <li data-bbox="798 884 1420 929">2. In relation to Valuation we: <ol style="list-style-type: none"> <li data-bbox="821 929 1420 1131">(a) Tested the recorded cost of a sample of items on hand at interim date to purchase invoices, including invoices for freight and other costs associated with bringing the items to their present location. We then performed analytical review of interim date valuations against 30 June stock report. <li data-bbox="821 1131 1420 1265">(b) Evaluated management's process for identifying slow-moving inventories and tested the accuracy of reports used by management in making their estimates of net realisable value. <li data-bbox="821 1265 1420 1400">(c) Considered the assumptions made by management and compared them with historical experience of the sale of inventories by the Group. <li data-bbox="798 1422 1420 1489">3. We reviewed the accounting policies used by the Group for inventories, and the disclosures in the financial report.

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

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2022, but does not include the financial report and our auditor's report thereon.

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

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

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

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Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

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

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

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

REPORT ON THE REMUNERATION REPORT

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 8 to 11 of the directors' report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of Supply Network Limited for the year ended 30 June 2022 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

Sydney, NSW
26 August 2022

S. Grivas

S Grivas
Partner