

Report by Directors

The Directors of Danks Holdings Limited present their report on the company and its controlled entities for the year ended 30th June 2005.

Directors

Names of parent entity directors who have held office at any time during or since the end of the year are:

D.O. Oldfield OAM

J. W. Tregaskis

J. G. Danks

P.T. Danks

I.G. Lewis

P. T. Kempen

M.D. Danks

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Principal Activities

The principal activity of entities in the Group is the wholesale distribution of hardware throughout Australia.

Trading is conducted from warehouses located at Braeside Victoria, Huntingwood New South Wales and Kewdale Western Australia. A core focus of this business is achieved through the "HoME" "Thrifty-Link" and "Plants Plus" marketing groups.

Review of Operations

Directors report a Net Profit of \$4,652,000 (last year \$7,158,000) after income tax of \$2,477,000. Pre-tax profit from operations was down 8.6% to \$7,129,000 after excluding the profit on sale of the Mitcham property reported last year.

The disappointing result is attributed to Supply Chain cost overruns including significant increases in transport cost due to rising fuel prices and a slowing of consumer spending during the second half.

The company's revenue was \$551.2 million, 3.3% higher than last year. Product sales reflected continued growth for the ninth year in succession, increasing by 3.8% to \$503.8 million, including increased sales of "home brand" products.

Financial Position

The net assets of the economic entity have increased by \$426,000 from \$ 54,953,000 at 30 June 2004 to \$55,379,000 in 2005. This increase has resulted from the operating performance of the group.

The group's working capital, being current assets less current liabilities, has improved from \$51,025,000 in 2004 to \$51,944,000 in 2005. The economic entity's interest-bearing liabilities have increased by \$3,941,000 and cash assets reduced by \$8,266,000.

The directors believe the group is in a strong and stable financial position to expand and grow its current operations.

Report by Directors cont'd

Dividends Paid or Recommended

The directors recommend that on the 31st October 2005 a fully franked final dividend be paid at the rate of 25 cents per share.

The following dividends have been paid since the end of the previous financial year:

	\$'000
(1) Final ordinary dividend paid 19 th November 2004 This dividend was referred to in the directors' report dated 24 th August 2004.	2,601
(2) Interim ordinary dividend of \$0.25 per share paid 8 th April 2005. The dividend has been paid out of profits for the year ended 30th June 2005 and has not been referred to in a previous directors' report.	1,625

Significant Changes in State Affairs

No significant changes took place in the affairs of the company or the economic entity during the year.

After Balance Day Events

No matters or circumstances have arisen since the end of the financial year which have significantly affected or may significantly affect the operation of the economic entity, the results of those operations, or the state of affairs of the economic entity, in subsequent financial years.

Future Developments

Likely developments in the operations of the economic entity and the expected results of those operations have not been included in this report as the directors believe, on reasonable grounds, that the inclusion of such information would be likely to result in unreasonable prejudice to the company.

Environmental Issues

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

Meetings of Directors

During the year, 11 meetings of directors (including committees of directors) were held. Attendances by each director during the year were:

	Board		Audit Committee	
	Eligible to Attend	Number Attended	Eligible to Attend	Number Attended
D.O. Oldfield OAM (Chairman)	11	11	2	2
J. G. Danks	10	10	-	-
I.G. Lewis	10	10	2	2
M.D. Danks	10	10	2	2
J. W. Tregaskis	10	10	-	-
P.T. Danks	10	10	2	2
P. T. Kempen	11	11	2	2

The Audit Committee includes of all non-executive directors. The committee met twice during the year and all eligible directors were present for each meeting.

The Remuneration Committee comprises D. O. Oldfield, P T Kempen and I. G. Lewis. The committee met once during the year and all members were present.

Report by Directors cont'd

Information on Directors

Name	Qualification, Experience and Special Responsibilities
D. O. Oldfield OAM	FCA, Chartered Accountant, Company Director. Appointed Chairman of the Board June 2002 Appointed Director of the company in 1979. Chairman of the Audit Committee.
J. G. Danks*	BEC, joined the Group in 1971. Appointed Director in 1982. Managing Director of John Danks & Son Pty Ltd since November 1995.
I. G. Lewis	LLB (Hons) Barrister and Solicitor. Appointed Director in September 1994.
M. D. Danks	29 years management experience in hardware and steel distribution. Appointed Director in May 1997. Manager of the Steel Division July 1989 to June 2001
J. W. Tregaskis*	32 years Distribution Management experience. Director of the group from 1993 to 1995, re-appointed February 1998. General Manager of John Danks & Son Pty Ltd, since January 1998.
P. T. Danks	B App Sc, Cert Mktg, 16 years senior experience in corporate marketing. Appointed alternate Director for Prof. D. M. Danks May 1997. Appointed Director June 2002
P. T. Kempen	FCA, Chartered Accountant, FICD, Company Director 20 years experience in the provision of corporate advisory services. Appointed Director of the company in November 2003.

* Executive directors

Company Secretary

The following person held the position of company secretary at the end of the financial year:

R. P. Kemp	B Com, MBA, FCA, FCIS, Chartered Accountant Appointed company secretary on 19 May 1992. Has headed up the Finance and Administration Department for the past 13 years, in the position of Financial Controller/Company Secretary.
-------------------	--

Report by Directors cont'd

Remuneration Report

This report details the nature and amount of remuneration for each director of Danks Holdings Limited, and for the executives receiving the highest remuneration.

Remuneration Policy

The board of Danks Holdings Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the economic entity, as well as create goal congruence between directors, executives and shareholders.

The board's policy for determining the nature and amount of remuneration for board members and senior executives of the economic entity is as follows:

The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed by the remuneration committee and approved by the board after seeking professional advice from independent external consultants. All executives receive a base salary (which is based on factors such as length of service and experience), superannuation, fringe benefits and performance incentives. The remuneration committee reviews executive packages annually by reference to the economic entity's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.

The performance of executives is measured against criteria agreed biannually with each executive and is based predominantly on the forecast growth of the economic entity's profits and shareholders' value. All bonuses and incentives must be linked to predetermined performance criteria. The board may, however, exercise its discretion in relation to approving incentives and bonuses, and can recommend changes to the committee's recommendations. Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

The board policy is to remunerate non-executive directors at levels set to attract the most qualified and experienced directors. The remuneration committee determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. Fees for non-executive directors are not linked to the performance of the economic entity.

Directors and executives receive a superannuation guarantee contribution required by the government, which is currently 9%. Some individuals have chosen to sacrifice part of their salary to increase payments towards superannuation. In addition, a benefit to a maximum of three year's director's fees is paid to non-executive directors on retirement. The amount paid is based on years of service as a director.

Remuneration of directors and management does not include any equity based components. All remuneration paid to directors and executives is valued at the cost to the company and is expensed.

Report by Directors cont'd

Details of Remuneration of Directors and Specified Executives

The remuneration for each director and each of the five executive officers of the consolidated entity receiving the highest remuneration was as follows:

Year ended 30 June 2005	Salary & Fees	Super-annuation Contributions	Cash Bonus	Non-cash benefits	Total
Directors					
Mr D O Oldfield	81,000	-	-	-	81,000
Mr J G Danks	404,000	73,000	-	19,000	496,000
Mr M D Danks	37,000	4,000	-	-	41,000
Mr I G Lewis	-	41,000	-	-	41,000
Mr J W Tregaskis	325,000	58,000	-	47,000	430,000
Mr P T Danks	37,000	4,000	-	-	41,000
Mr P T Kempen	37,000	4,000	-	-	41,000
	921,000	184,000	-	66,000	1,171,000

Specified Executives					
Mr I Bould	90,000	45,000	1,000	49,000	185,000
Mr C Dekazos	142,000	26,000	8,000	30,000	206,000
Mr S W Johnston	201,000	22,000	6,000	20,000	249,000
Mr R P Kemp	91,000	61,000	4,000	26,000	182,000
Mr M Tapply	120,000	23,000	1,000	36,000	180,000
	644,000	177,000	20,000	161,000	1,002,000

Year ended 30 June 2004	Salary & Fees	Super-annuation Contributions	Cash Bonus	Non-cash benefits	Total
Directors					
Mr D O Oldfield	74,000	-	-	-	74,000
Mr J G Danks	388,000	70,000	-	50,000	508,000
Mr M D Danks	34,000	3,000	-	-	37,000
Mr I G Lewis	-	37,000	-	-	37,000
Mr J W Tregaskis	306,000	55,000	-	43,000	404,000
Mr P T Danks	34,000	3,000	-	-	37,000
Mr P T Kempen	22,000	2,000	-	-	24,000
	858,000	170,000	-	93,000	1,121,000

Specified Executives					
Mr I Bould	107,000	15,000	-	53,000	175,000
Mr S W Johnston	190,000	23,000	7,000	20,000	240,000
Mr R P Kemp	98,000	46,000	5,000	28,000	177,000
Mr D Patton	118,000	22,000	2,000	32,000	174,000
Mr M Tapply	115,000	22,000	2,000	37,000	176,000
	628,000	128,000	16,000	170,000	942,000

Report by Directors cont'd

Indemnifying Officers or Auditor

During or since the end of the financial year the company has given an indemnity or entered an agreement to indemnify, or paid or agreed to pay insurance premiums as follows:

The economic entity paid a premium in respect of a contract insuring against a liability incurred as an officer for the costs or expenses to defend legal proceedings arising out of their conduct while acting in the capacity of director of the company, other than conduct involving a wilful breach of duty in relation to the company. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Proceedings on behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year.

Auditor's Independence Declaration

The auditor's independence declaration for the year ended 30 June 2005 has been received and can be found on page 7 of the directors' report.

Rounding of Accounts

The company is an entity to which ASIC Class Order 98/100 applies. Accordingly, amounts in the financial statements and directors' report have been rounded to the nearest thousand dollars.

Staff

The directors recognise the significant contribution of the company's staff without whose efforts this result would not have been possible. The Board records its grateful appreciation to all staff for their loyalty and effort.

The foregoing report is made in accordance with a resolution of the directors.



D. O. Oldfield, Director



J. G. Danks, Director

Dated 29 August 2005

Auditor's Independence Declaration

Under Section 307C of the Corporations Act 2001

To the Directors of Danks Holdings Ltd

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2005 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Danby Bland Provan & Co

DANBY BLAND PROVAN & CO
CHARTERED ACCOUNTANTS

R.A Lane

R.A Lane - Partner

123 Camberwell Road
HAWTHORN EAST
Dated 29 August 2005

Statement of Financial Performance

Year ended 30th June 2005

	Note	Economic Entity		Parent Entity	
		2005	2004	2005	2004
		\$'000	\$'000	\$'000	\$'000
Revenues from ordinary activities	2	551,237	533,490	4,226	3,576
Changes in inventories		9,367	1,562		
Inventories purchased		(465,649)	(442,268)		
Employee benefit expenses and on-costs		(31,142)	(28,410)		
Occupancy expenses		(3,937)	(3,777)		
Depreciation and Amortisation expense		(2,107)	(2,122)		
Borrowing costs expense		(956)	(1,146)		
Other expenses from ordinary activities		(49,684)	(47,697)		
Profit from ordinary activities before income tax expense		7,129	9,632	4,226	3,576
Income tax relating to ordinary activities	4	(2,477)	(2,474)		
Net Profit attributable to members of the parent entity	22	4,652	7,158	4,226	3,576
Total changes in equity other than those resulting from transactions with owners as owners		4,652	7,158	4,226	3,576
Basic earnings per share (cents)	8	71.5	110.1		
Diluted earnings per share (cents)	8	71.5	110.1		

The accompanying notes form part of these financial statements

Statement of Financial Position

as at 30th June 2005

	Note	Economic Entity		Parent Entity	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Current Assets					
Cash assets	9, 27	28	8,266	-	-
Receivables	10, 27	66,357	65,285	-	-
Inventories	11	47,492	38,125	-	-
Other	13	1,340	490	-	-
Total Current Assets		115,217	112,166	-	-
Non-Current Assets					
Receivables	10	-	-	3,385	3,385
Other financial assets	12	-	-	3,900	3,900
Property, plant and equipment	14	16,137	16,899	-	-
Deferred tax assets	15	2,727	2,318	-	-
Total Non-Current Assets		18,864	19,217	7,285	7,285
Total Assets		134,081	131,383	7,285	7,285
Current Liabilities					
Payables	16,27	55,402	57,765	-	-
Interest bearing liabilities	17,27	3,941	-	-	-
Current tax liabilities	18	880	537	-	-
Provisions	19	3,050	2,839	-	-
Total Current Liabilities		63,273	61,141	-	-
Non-Current Liabilities					
Payables	16	-	-	120	120
Interest bearing liabilities	17,27	13,000	13,000	-	-
Provisions	19	2,429	2,289	-	-
Total Non-Current Liabilities		15,429	15,289	120	120
Total Liabilities		78,702	76,430	120	120
Net Assets		55,379	54,953	7,165	7,165
Equity					
Contributed Equity	20	7,391	7,391	7,091	7,091
Reserves	21	7,365	7,365	74	74
Retained profits	22	40,623	40,197	-	-
Total Equity		55,379	54,953	7,165	7,165

The accompanying notes form part of these financial statements.

Statement of Cash Flows

Year ended 30th June 2005

	Note	Economic Entity		Parent Entity	
		2005	2004	2005	2004
		\$'000	\$'000	\$'000	\$'000
Cash Flows From Operating Activities					
Receipts from customers		601,827	564,520	-	-
Payments to suppliers and employees		(605,414)	(557,040)	-	-
Interest received		299	163	-	-
Dividends received		-	-	4,226	3,576
Borrowing costs		(956)	(1,146)	-	-
Income tax paid		(2,501)	(1,868)	-	-
Net cash provided by (used in) operating activities	25	(6,745)	4,629	4,226	3,576
Cash Flows From Investing Activities					
Proceeds from sale of property, plant and equipment		300	5,425	-	-
Payment for property, plant and equipment		(1,508)	(1,551)	-	-
Net cash provided by (used in) investing activities		(1,208)	3,874	-	-
Cash Flows From Financing Activities					
Dividends paid		(4,226)	(3,576)	(4,226)	(3,576)
Net cash provided by (used in) financing activities		(4,226)	(3,576)	(4,226)	(3,576)
Net increase (decrease) in cash held		(12,179)	4,927	-	-
Cash at 1st July 2004		8,266	3,339	-	-
Cash at 30th June 2005	25	(3,913)	8,266	-	-

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

Year ended 30th June 2005

Note 1: Statement of Significant Accounting Policies

The Financial Report is a general purpose financial report that has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report covers the economic entity of Danks Holdings Limited and controlled entities, and Danks Holdings Limited as an individual entity. Danks Holdings Limited is a listed public company, incorporated and domiciled in Australia.

The financial report has been prepared on an accrual basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets. The accounting policies have been consistently applied unless otherwise stated.

Consolidation: The consolidated accounts comprise the accounts of Danks Holdings Limited and all controlled entities. A list of controlled entities is contained in Note 29 to the Financial Statements. All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation.

Inventories: Inventories are measured on the basis of a physical stocktake during the year and adjusted for stock movements to balance date and valued at the lower of cost and net realisable value after making provision for unsaleable or obsolete stock. The principles of valuation have been applied consistently.

Net realisable value is determined on the basis of the entities normal selling pattern. Expenses of marketing, selling and distribution to customers are estimated and deducted to establish net realisable value.

Property, Plant and Equipment: Each class of Property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation or amortisation.

Property: Freehold land and buildings are measured on the cost or fair value basis, being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction. It is the policy of the economic entity to have an independent valuation every three years, with annual appraisals being made by the directors.

The revaluation of freehold land and buildings has not taken account of the potential capital gains tax on assets acquired after the introduction of capital gains tax.

Plant and equipment: Plant and equipment is measured on the cost basis. The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employment and subsequent disposal. The expected net cash flows have not been discounted to their present values in determining recoverable amounts.

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, is depreciated over their useful lives to the economic entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

Depreciation rates used for each class of assets are:

Buildings	2.5 - 4%
Plant and Equipment	7.5 - 50%
Leasehold Improvements	33.0 - 100%

Notes to the Financial Statements

Year ended 30th June 2005

Employee Benefits: Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within one year together with benefits arising from wages and salaries and annual leave which will be settled after one year, have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Contributions are made by the economic entity to employee superannuation funds and are charged as expenses when incurred.

Income Tax: The economic entity adopts the liability method of tax-effect accounting whereby the income tax expense shown in the statement of financial performance is based on the profit from ordinary activities, adjusted for any permanent differences.

Timing differences which arise due to the different accounting periods in which items of revenue and expense are included in the determination of accounting profit and taxable income, are brought to account as either provision for deferred income tax or an asset described as future income tax benefit at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond any reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit.

The amounts of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income tax legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Leases: No assets are held under leases deemed to be "finance leases", that is, leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of the leased assets.

Lease expenditure relating to leases deemed to be "operating leases" is expensed as incurred.

Foreign Currency Transactions and Balances: Hedging is undertaken in order to avoid or minimise possible adverse financial effects of movements in exchange rates. Unhedged foreign currency transactions during the year are converted to Australian currency at the rates of exchange applicable at the dates of the transactions.

Costs or gains arising at the time of entering into hedged transactions for the purchase of goods and services, and exchange differences that occur up to the date of purchase are deferred and included in the measurement of the purchase.

Investments: Non-current investments are measured on the cost basis. The carrying amount of non-current investments is reviewed annually by directors to ensure it is not in excess of the recoverable amount of these investments. The recoverable amount is assessed from the quoted market value for listed assets or the underlying net assets for other non-listed investments. The expected net cash flows from investments have not been discounted to their present value in determining the recoverable amounts.

Dividends are brought to account in the profit and loss account when received except for dividends from controlled entities that are brought to account when they are proposed by the controlled entity.

Cash: For the purpose of the statement of cash flows, cash includes cash on hand and at call deposits with banks or financial institutions, net of bank overdrafts.

Comparative Figures: Where required by Accounting Standards comparative figures have been adjusted to conform with changes in presentation for the current financial year.

Notes to the Financial Statements

Year ended 30th June 2005

Revenue: Revenue from sale of goods is recognised upon delivery of goods to customers.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Dividend revenue is recognised when the right to receive a dividend has been established. Dividends received from associates are accounted for in accordance with the equity method of accounting.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

All revenue is stated net of the amount of goods and services tax (GST).

Goods and Services Tax (GST): Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Rounding of Accounts: The parent entity has applied the relief available under ASIC Class Order 98/100 and accordingly, amounts in the financial report and directors' report have been rounded to the nearest thousand dollars.

Impact of Adoption of Australian Equivalents to International Financial Reporting Standards:

The company is preparing and managing the transition to Australian Equivalents to International Financial Reporting Standards (AIFRS) effective for the financial years commencing from 1 January 2005. The adoption of AIFRS will be reflected in the economic entity's and the parent entity's financial statements for the year ending 30 June 2006. On first time adoption of AIFRS, comparatives for the financial year ended 30 June 2005 are required to be restated. The majority of the AIFRS transitional adjustments will be made retrospectively against retained earnings at 1 July 2004.

The economic entity's management, with the assistance of external consultants, has assessed the significance of the expected changes and is preparing for their implementation. An AIFRS committee is overseeing and managing the economic entity's transition to AIFRS. The impact of the alternative treatments and elections under AASB 1: First Time Adoption of Australian Equivalents to International Financial Reporting Standards has been considered where applicable.

The directors are of the opinion that the key material differences in the economic entity's accounting policies on conversion to AIFRS and the financial effect of these differences, where known, are as follows. Users of the financial statements should note, however, that the amounts disclosed could change if there are any amendments by standard-setters to the current AIFRS or interpretation of the AIFRS requirements changes from the continuing work of the economic entity's AIFRS committee.

Impairment of Assets: the economic entity currently determines the recoverable amount of an asset on the basis of undiscounted net cash flows that will be received from the assets use and subsequent disposal. In terms of pending AASB 136: Impairment of Assets, the recoverable amount of an asset will be determined as the higher of fair value less costs to sell and value in use. It is unlikely that this change in accounting policy will lead to impairments being recognised more often than under the existing policy.

Income Tax: Currently the economic entity adopts the liability method of tax-effect accounting whereby the income tax expense is based on the accounting profit adjusted for any permanent differences. Timing differences are currently brought to account as a future income tax benefit. Under AASB 112: Income Taxes, the economic entity will be required to adopt a balance sheet approach under which temporary differences are identified for each asset and liability rather than the effects of the timing and permanent differences between taxable income and accounting profit.

The most significant impact will be the recognition of a deferred tax liability at 1 July 2004 of approximately \$1,047,000 (parent: \$nil) in relation to the asset revaluation and \$1,047,000 (parent: \$nil) at 30 June 2005. This adjustment will have no effect on profit for the year ended 30 June 2005 and in both instances the deferred tax is recognised directly to equity being a reduction in the asset revaluation reserve.

Notes to the Financial Statements

Year ended 30th June 2005

Derivative Financial Instruments: The economic entity does not currently recognise derivative financial instruments in the financial statements. AASB 139: Financial Instruments: Recognition and Measurement requires a change to the method of accounting for derivative financial instruments and hedging activities so that they are recorded in the financial statements. AASB 1 provides an election whereby the requirements of AASB 139 dealing with financial instruments are not required to be applied to the first AIFRS comparative year and the first time adoption of this standard will apply from 1 July 2005. The economic entity has decided that it will adopt this election and will not restate comparative information for the financial year ending 30 June 2005.

On transition to AIFRS the estimated cumulative financial effect of the reliably known differences on the parent and economic entity's reported net profit and equity as at 30 June 2005 is summarised below. As noted above, these amounts represent management's best estimates, and could differ from actuals.

	Economic Entity 2005 \$000	Parent Entity 2005 \$000
Reconciliation of Net Profit		
Net profit reported under Australian Accounting Standards	4,652	4,226
Key transitional adjustments:		
—	-	-
Total transitional adjustments	-	-
Net profit under AIFRS	4,652	4,226
Reconciliation of Equity		
Total equity reported under Australian Accounting Standards	55,379	7,165
Retrospective adjustments to equity at 1 July 2004:		
— Recognition of deferred tax on revalued assets	(1,053)	-
Total equity under AIFRS	54,326	7,165

Notes to the Financial Statements

Year ended 30th June 2005

	Economic Entity		Parent Entity	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
Note 2 Revenue				
Operating activities:				
Sales revenue	503,769	485,396	-	-
Services revenue and other operating revenue	46,869	42,506	-	-
Interest received	299	163	-	-
Dividend received – wholly owned subsidiaries	-	-	4,226	3,576
	550,937	528,065	4,226	3,576
Non-operating activities:				
Proceeds on sale of property, plant & equipment	300	5,425	-	-
Total Revenue	551,237	533,490	4,226	3,576
Note 3 Profit from ordinary activities				
Profit from ordinary activities before income tax has been determined after:				
(a) Expenses:				
Cost of Sales	456,904	440,706	-	-
Borrowing costs				
- Other persons	956	1,146	-	-
Depreciation				
- Buildings	202	202	-	-
- Plant and equipment	1,873	1,893	-	-
Total depreciation	2,075	2,095	-	-
Amortisation of leasehold improvements	32	27	-	-
Bad and doubtful debts - trade debtors	29	176	-	-
Rental expense on operating leases				
- Minimum lease payments	2,127	1,601	-	-
Writedown of inventories to net realisable values	701	466	-	-
(b) Revenue and net gains:				
Net gain on disposal of non-current assets				
- property, plant & equipment	137	2,283	-	-
(c) Significant Revenues and Expenses				
Consideration on disposal of Mitcham property	-	5,118		
Carrying amount of net assets sold	-	(3,289)		
Net gain on the disposal	-	1,829		

Notes to the Financial Statements

Year ended 30th June 2005

	Economic Entity		Parent Entity	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
Note 4 Income Tax Expense				
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:				
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2004 30%)	2,139	2,890		
Add tax effect of:				
- Depreciation of buildings	2	2		
- Non-assessable profit on sale of property	-	(635)		
- Other non allowable items	324	217		
Under(Over) provision for income tax prior year	12	-		
Income tax attributable to profit from ordinary activities before income tax	<u>2,477</u>	<u>2,474</u>		
Income tax expense comprises				
- Provision attributable to current year	2,886	2,923		
- Under(Over) provision for income tax prior year	-	-		
- Provision attributable to future years				
- future income tax benefit	(409)	(449)		
	<u>2,477</u>	<u>2,474</u>		

Parent Entity: No charge for income tax expense is required as a consequence of rebates of tax allowable on dividends received.

Note 5 Directors ' and Executives Remuneration

(a) Names and positions held of parent entity directors and specified executives in office at any time during the financial year are:

Mr D O Oldfield	Chairman – Non-Executive
Mr J G Danks	Managing Director - Executive
Mr M D Danks	Director – Non-Executive
Mr I G Lewis	Director – Non-Executive
Mr J W Tregaskis	General Manager - Executive
Mr P T Danks	Director – Non-Executive
Mr P T Kempen	Director – Non-Executive appointed November 2003
Mr I Bould	National Marketing Manager
Mr C Dekazos	National Merchandise Manager
Mr S W Johnston	National Retail Operations Manager
Mr R P Kemp	Company Secretary / Financial Controller
Mr M Tapply	Business Systems Manager

(b) Parent Entity Directors' Remuneration

Details of the remuneration for each director and each of the five executive officers receiving the highest remuneration during the year are included in the directors report.

Notes to the Financial Statements

Year ended 30th June 2005

Note 5: Directors' and Executives' Remuneration (cont'd)

(c) Shareholdings

Number of shares held by Parent Entity Directors and specified Executives

	Balance 1.7.04	Net Change Other*	Balance 30.6.05
Parent entity Directors			
Mr D O Oldfield	-	-	-
Mr J G Danks	21,346	-	21,346
Mr M D Danks	18,202	-	18,202
Mr I G Lewis	-	-	-
Mr J W Tregaskis	1,450	-	1,450
Mr P T Danks	-	-	-
Mr P T Kempen	2,000	-	2,000

Messrs J G Danks and M D Danks are also directors of Investments Pty Ltd which holds 3,172,903 ordinary shares in Danks Holdings Limited.

Specified Executives

Mr R P Kemp	450	-	450
Mr I Bould	-	-	-
Mr C Dekazos	-	-	-
Mr S W Johnston	-	-	-
Mr M Tapply	-	-	-
Total	43,448	-	43,448

(d) Remuneration Practices

The company's policy for determining the nature and amount of emoluments of board members and senior executives of the company is included in the directors report.

	Economic Entity		Parent Entity	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000

Note 6 Auditor's Remuneration

Remuneration of the auditor of the parent entity and Economic entity for:

- auditing or reviewing the financial report	165	163	-	-
- other services	-	-	-	-

Notes to the Financial Statements

Year ended 30th June 2005

	Economic Entity		Parent Entity	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
Note 7 Dividends Paid or Proposed				
Interim fully franked ordinary dividend of 25c (2004: 25c) per share franked at the tax rate of 30% (2004:30%)	1,625	1,625	1,625	1,625
Proposed final fully franked ordinary dividend of 25c (2004:30c) per share franked at the tax rate of 30% (2004:30%)	1,625	1,951	1,625	1,951
Special fully franked ordinary dividend of 10c per share franked at the tax rate of 30%	-	650	-	650
	3,250	4,226	3,250	4,226
Balance of franking account at year-end adjusted for franking credits arising from payment of provision for income tax and dividends recognised as receivables, franking debits arising from payment of proposed dividends.	22,840	20,649	-	-
Note 8 Earnings per Share				
Net profit used in the calculation of EPS				
Net profit from ordinary activities	\$4,652,000	\$7,158,000		
Less profit on sale of Mitcham property	-	\$1,829,000		
Net profit from operations	\$4,652,000	\$5,329,000		
Earnings per share	71.5c	110.1c		
Earnings per Share from operations	71.5c	82.0c		
Weighted average number of ordinary shares outstanding during the year used in calculating basic earnings per share.	6,501,979	6,501,979		
Note 9 Cash Assets				
Cash on hand and at bank	28	8,266	-	-
Note 10 Receivables				
Current				
Trade debtors	66,756	65,125	-	-
Provision for doubtful debts	(2,764)	(2,288)	-	-
	63,992	62,837	-	-
Other debtors	2,365	2,448	-	-
	66,357	65,285	-	-
Non-current				
Amount receivable from wholly owned entity	-	-	3,385	3,385
Note 11 Inventories				
On hand and in transit, valued at the lower of cost and net realisable value:				
Current				
Trading stock	47,492	38,125	-	-
Note 12 Other Financial Assets				
Non-current				
Shares in controlled entities - not quoted on stock exchanges:				
- at directors' valuation 1980	-	-	98	98
- at directors' valuation 1987	-	-	3,500	3,500
- at cost	-	-	302	302
	-	-	3,900	3,900

Notes to the Financial Statements

Year ended 30th June 2005

	Economic Entity		Parent Entity	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
Note 13 Other Assets				
Current				
Prepayments	1,340	490	-	-
Note 14 Property, Plant and Equipment				
Freehold land - directors' valuation 2001	5,134	5,134	-	-
Freehold land - cost	150	150	-	-
Total Freehold land	5,284	5,284	-	-
Buildings - directors' valuation 2001	6,511	6,511	-	-
Accumulated depreciation	(764)	(573)	-	-
Buildings - cost	267	267	-	-
Accumulated depreciation	(29)	(18)	-	-
Total Buildings	5,985	6,187	-	-
Total Land and Buildings	11,269	11,471	-	-
Leasehold Improvements:				
Cost	145	135	-	-
Accumulated amortisation	(105)	(73)	-	-
	40	62	-	-
Plant and equipment:				
At cost	20,328	19,936	-	-
Capital works in progress	11	5	-	-
Accumulated depreciation	(15,511)	(14,575)	-	-
Total Plant and Equipment	4,828	5,366	-	-
Total Property, Plant and Equipment	16,137	16,899	-	-

(a) Valuation of freehold land and buildings

A directors' valuation of freehold land and buildings was undertaken at 30 June 2004. The valuation of \$14,600,000 was based on an assessment of the properties current market value. This valuation has not been recognised in the financial report.

(b) Movements in carrying amounts

	Freehold Land	Buildings	Leasehold Improve- ments	Plant and Equipment	Total
Economic Entity:					
Balance at the beginning of year	5,284	6,187	62	5,366	16,899
Additions	-	-	10	1,498	1,508
Disposals	-	-	-	(163)	(163)
Additions through acquisition of entity	-	-	-	-	-
Revaluation increments/(decrements)	-	-	-	-	-
Depreciation expense	-	(202)	(32)	(1,873)	(2,107)
Capitalised borrowing costs and depreciation	-	-	-	-	-
Disposals of assets on sale of subsidiary	-	-	-	-	-
Carrying amount at the end of year	5,284	5,985	40	4,828	16,137

Notes to the Financial Statements

Year ended 30th June 2005

	Economic Entity		Parent Entity	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
Note 15 Deferred Tax Assets				
Future income tax benefit				
The future income tax benefit is made up of the following estimated tax benefits:				
- Timing differences	2,727	2,318		
	2,727	2,318		
Note 16 Payables				
Current:				
Trade creditors	51,604	52,468	-	-
Sundry creditors and accrued expenses	3,798	5,297	-	-
	55,402	57,765	-	-
Non-current:				
Amounts owing to wholly owned subsidiary	-	-	120	120
Note 17 Interest Bearing Liabilities				
Secured Liabilities				
Current:				
Bank overdraft	3,941	-	-	-
Non-current:				
Bank loans (a)	13,000	13,000	-	-
(a) Bank borrowings are secured by a negative pledge over the assets of the company.				
(b) Interest rates are variable and are between 5.50% and 5.60%.				
Note 18 Tax Liabilities				
Current				
Income tax	880	537	-	-
Note 19 Provisions				
Current:				
Employee benefits	3,050	2,839	-	-
	3,050	2,839	-	-
Non-current:				
Employee benefits	2,429	2,289	-	-
	5,479	5,128	-	-
(a) Aggregate employee entitlement liability	5,479	5,128	-	-
	No.	No.	No.	No.
(b) Number of employees at year end	479	441		

Notes to the Financial Statements

Year ended 30th June 2005

	Note	Economic Entity		Parent Entity	
		2005	2004	2005	2004
		\$'000	\$'000	\$'000	\$'000
Note 20 Contributed Equity					
6,501,979 Fully paid ordinary shares		7,391	7,391	7,091	7,091
		No.	No.	No.	No.
Ordinary Shares At the reporting date		6,502	6,502	6,502	6,502

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

Note 21 Reserves

Capital profits reserve		3,857	3,857	-	-
Asset revaluation reserve		3,508	3,508	74	74
		7,365	7,365	74	74

(a) Capital Profits Reserve

Movements during the year

Opening balance		3,857	1,427	-	-
Realised increment on sale of freehold property transferred from asset revaluation reserve		-	601	-	-
Capital profit on sale of freehold property transferred from retained profits		-	1,829	-	-
Closing Balance		3,857	3,857	-	-

The capital profits reserve records realised gains on sale on non-current assets

(b) Asset Revaluation Reserve

Movements during the year

Opening balance		3,508	4,109	74	74
Transfer prior year revaluation increment capital profits reserve being increment realised on sale of freehold property		-	(601)	-	-
Closing Balance		3,508	3,508	74	74

The asset revaluation reserve records revaluations of non-current assets

Note 22 Retained Profits

Retained profits at the beginning of the financial year		40,197	38,444	-	-
Net Profit attributable to members of the parent entity		4,652	7,158	4,226	3,576
Dividends provided for or paid		(4,226)	(3,576)	(4,226)	(3,576)
Transfer to capital profits reserve		-	(1,829)	-	-
Retained profits at end of the financial year.		40,623	40,197	-	-

Note 23 Contingent Liabilities

Estimates of potential financial effect of contingent liabilities that may become payable:

Guarantee by the parent entity in respect of bank facilities of a controlled entity		-	-	51,520	51,520
Guarantee given for property lease rentals of a controlled entity		-	-	2,754	1,067

Notes to the Financial Statements

Year ended 30th June 2005

	Economic Entity		Parent Entity	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
Note 24 Capital and Leasing Commitments				
Leases				
Non-cancellable operating lease commitments not provided for in the financial statements				
Payable				
- not later than 1 year	2,062	549	-	-
- later than 1 year but not later than 5 years	1,162	518	-	-
- later than 5 years	-	-	-	-
	3,224	1,067	-	-
Capital expenditure not provided for in accounts	68	48	-	-
Amounts owing under maintenance agreements				
Payable				
- not later than 1 year	2,450	2,173	-	-
- later than 1 year but not later than 5 years	6,420	5,013	-	-
- later than 5 years	66	-	-	-
	8,936	7,186	-	-

Note 25 Cash Flow Information

(a) Reconciliation of Cash Flow from Operations with Profit from ordinary activities after Income Tax:

Profit from ordinary activities after Income Tax	4,652	7,158	4,226	3,576
Non-cash flows in profit from ordinary activities:				
Amortisation	32	27	-	-
Depreciation	2,075	2,095	-	-
Net gain on disposal of property, plant and equipment	(137)	(2,283)	-	-
Changes in assets and liabilities				
(Increase)/Decrease in trade and other debtors	(1,343)	(14,600)	-	-
(Increase)/Decrease in prepayments	(849)	362	-	-
(Increase)/Decrease in inventories	(9,465)	(2,176)	-	-
Increase/(Decrease) in trade creditors and accruals	(2,111)	11,953	-	-
Increase/(Decrease) in provisions	401	2,093	-	-
Cash Flows from (used in) operations	(6,745)	4,629	4,226	3,576

(b) Reconciliation of Cash

Cash at the end of the year is shown in the balance sheet as:

Cash assets	28	8,266	-	-
Interest bearing liabilities	(3,941)	-	-	-
	(3,913)	8,266	-	-

(c) Details of credit stand-by arrangements, available and unused loan facilities, are shown in Note 26 to the financial statements.

Notes to the Financial Statements

Year ended 30th June 2005

	Economic Entity		Parent Entity	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000

Note 26 Standby Arrangements and Unused Credit Facilities

Standby arrangements with banks to provide funds and support facilities

Credit facilities	30,000	30,000	-	-
Amount utilised	16,941	13,000	-	-
Unused credit facility	13,059	17,000	-	-

The credit facilities are summarised as follows:

Bank overdraft:

\$2,000,000 facility arranged with the Australian and New Zealand Banking Group Ltd.

General terms and conditions are set and agreed to annually.

Commercial Bill Facilities provided by Australian and New Zealand Banking Group Ltd:

Short term: \$8,000,000 variable interest rate facilities.

Long term: \$10,000,000 long term fixed and variable interest rate facilities.

As at 30th June 2005, \$7,000,000 long term bill facilities were utilised.

Commercial Bill Facilities provided by Commonwealth Trading Bank Ltd:

Short term: \$4,000,000 variable interest rate facilities

Long term: \$6,000,000 long term variable interest rate facilities.

As at 30th June 2005, \$6,000,000 long term bill facilities were utilised.

Current interest rates are between 5.02% and 5.82%.

Note 27 Financial Instruments

- (a) **Derivative Financial Instruments:** Derivative financial instruments are used by the economic entity to hedge exposure to exchange rate risk associated with foreign currency purchases and interest rate risk associated with movements in interest rates which impact on the borrowings of the economic entity. The derivative financial instruments used by the entity are not recognised in the financial statements. Transactions for hedging purposes are undertaken without the use of collateral as only reputable institutions with sound financial positions are dealt with.

Unrecognised Financial Instruments

- (i) **Forward Exchange Contracts:** The economic entity enters into forward exchange contracts to buy specified amounts of foreign currencies in the future at stipulated exchange rates. The objective in entering the forward exchange contracts is to protect the economic entity against unfavourable exchange rate movements for both contracted and anticipated future purchases undertaken in foreign currencies.

The accounting policy in regard to forward exchange contracts is detailed in Note 1.

At balance date, the details of outstanding forward exchange contracts are:

Buy United States Dollars	Sell Aust. Dollars		Average Exchange Rate	
	2005	2004	2005	2004
	\$'000	\$'000	\$	\$
Settlement				
- Less than 6 months	4,730	4,834	0.7682	0.7370
- 6 months to 1 year	-	-	-	-

- (ii) **Interest Rate Swaps:** The interest rate swap transaction entered into by the economic entity exchanges variable and fixed interest payment obligations to protect long term borrowings from the risk of increasing interest rates. The economic entity has variable interest rate debt and entered into a swap contract to pay interest at fixed rates. The settlement dates of the swap contracts correspond with interest payment dates of the borrowings. The swap contracts require settlement of the net interest receivable or payable and are brought to account as an adjustment to borrowing costs.

At balance date, the details of interest rate swap contracts are:

	2005	2004
	\$'000	\$'000
Notional Principal		
Settlement less than 1 year	-	-
Settlement 2 - 5 years	6,000	6,000
Effective Average Interest Rate Payable	6.16%	6.16%

Notes to the Financial Statements

Year ended 30th June 2005

Note 27 Financial Instruments cont.

- (b) **Interest Rate Risk:** The economic entity's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

	Fixed interest maturing:					Total \$'000
	Floating interest rate \$'000	1 year or less \$'000	over 1 to 5 years \$'000	more than 5 years \$'000	Non- interest bearing \$'000	
2005						
Financial assets						
- Cash and deposits	-	-	-	-	28	28
Receivables	-	-	-	-	66,357	66,357
	-	-	-	-	66,385	66,385
Weighted average interest rate	-					
Financial liabilities						
Bank overdrafts and loans	16,941	-	-	-	-	16,941
Trade and other creditors	-	-	-	-	55,402	55,402
Interest rate swaps*	(6,000)	-	6,000	-	-	-
Forward exchange contracts*	-	-	-	-	4,730	4,730
	10,941	-	6,000	-	60,132	77,073
Weighted average interest rate	5.58%					
Net financial assets (liabilities)	(10,941)	-	(6,000)	-	6,253	(10,688)

* Notional principal amount.

	Fixed interest maturing:					Total \$'000
	Floating interest rate \$'000	1 year or less \$'000	over 1 to 5 years \$'000	more than 5 years \$'000	Non- interest bearing \$'000	
2004						
Financial assets						
Cash and deposits	8,239	-	-	-	27	8,266
Receivables	-	-	-	-	65,285	65,285
	8,239	-	-	-	65,312	73,551
Weighted average interest rate	4.98%					
Financial liabilities						
Bank overdrafts and loans	13,000	-	-	-	-	13,000
Trade and other creditors	-	-	-	-	57,765	57,765
Interest rate swaps*	(6,000)	-	6,000	-	-	-
Forward exchange contracts*	-	-	-	-	4,834	4,834
	7,000	-	6,000	-	62,599	75,599
Weighted average interest rate	5.58%					
Net financial assets (liabilities)	1,239	-	(6,000)	-	2,713	(2,048)

* Notional principal amount.

Notes to the Financial Statements

Year ended 30th June 2005

Note 27 Financial Instruments cont.

- (c) **Credit Risk:** The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount, net of any provisions for doubtful debts, as disclosed in the statement of financial position and notes to the financial statements.

Credit risk for derivative financial instruments arises from the potential failure by counter-parties to the contract to meet their obligations. The credit risk exposure to forward exchange contracts and interest rate swaps is the net fair value of these contracts as disclosed in (d).

Except for the following concentrations of credit risks, the economic entity does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the economic entity.

- (d) **Net Fair Values:** No financial assets and financial liabilities are readily traded on organised markets in standardised form other than forward exchange contracts and interest rate swaps. The net fair values of other loans and amounts due are where applicable determined by discounting the cash flows, at market interest rates of similar borrowings to their present value. For forward exchange contracts the net fair value is the recognised unrealised gain or loss at balance date determined from the current forward exchange rates for contracts with similar maturities. The net fair value for interest rate swaps is the carrying value which represents the amount currently receivable at the reporting date. For other assets and other liabilities the net fair value approximates their carrying value.

Aggregate net fair values and carrying amounts of financial assets and financial liabilities at balance date:

	2005		2004	
	Carrying Amount \$'000	Net Fair Value \$'000	Carrying Amount \$'000	Net Fair Value \$'000
Financial Assets				
Interest rate swaps	-	5	-	9
Other assets	66,385	66,385	73,551	73,551
Forward exchange contracts	-	40	-	337
	66,385	66,430	73,551	73,897
Financial Liabilities				
Other loans and amounts due	16,941	16,941	13,000	13,000
Other liabilities	55,402	55,402	57,765	57,765
Forward exchange contracts	-	-	-	-
	72,343	72,343	70,765	70,765

Note 28 Segment Information

Industry: The economic entity operates solely in the distribution industry.

Geographical: The economic entity operates solely in Australia.

Notes to the Financial Statements

Economic Entity		Parent Entity	
2005	2004	2005	2004
\$'000	\$'000	\$'000	\$'000

Note 29 Investment in Controlled Entities

Parent Entity

Danks Holdings Limited

Controlled Entities

Home Saver Pty Ltd
 Homestead Hardware Australasia Pty Ltd
 Thrifty-Link Hardware Pty Ltd
 (wholly owned subsidiary of
 Homestead Hardware Australasia Pty Ltd)
 John Danks & Son Pty Ltd
 Hammer Hardware Stores Pty Ltd
 (wholly owned subsidiary of
 John Danks & Son Pty Ltd)
 HOME Hardware Australasia Pty Ltd
 HOME Timber & Hardware Unit Trust
 Australian Hardware Distributors Pty Ltd
 (wholly owned subsidiary of
 John Danks & Son Pty Ltd)

- (a) All controlled entities are wholly-owned.
 (b) All controlled entities are incorporated in Australia.

Note 30 Related Party Transactions

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

(a) Director related entities:

Messrs J. G. Danks and M. D. Danks are directors of Investments Pty Ltd which holds 3,172,903 ordinary shares in Danks Holdings Ltd. Messrs J. G. Danks, M. D. Danks and P. T. Danks have shareholdings and beneficial interests in Investments Pty Ltd.

Rent of warehouse owned by Danks Buildings Pty Ltd the beneficial owner of which is Investments Pty Ltd. Messrs J. G. Danks and M. D. Danks are directors of Danks Buildings Pty Ltd.

893	920	-	-
-----	-----	---	---

(b) Directors:

Directors of entities within the economic entity are able, with all staff members, to purchase goods from the economic entity at commercial prices.

(c) Share transactions of Directors:

Directors and director-related entities hold directly, indirectly or beneficially as at the reporting date the following equity interests in companies within the economic entity.

Danks Holdings Limited ordinary shares	3,215,901	3,215,901	3,215,901	3,215,901
--	-----------	-----------	-----------	-----------

Notes to the Financial Statements

Note 31 Company Details

The registered office of the company is:

Danks Holdings Limited
414 Lower Dandenong Road
Braeside Vic 3195

The Principal places of business are:

John Danks & Son Pty Ltd
414 Lower Dandenong Road
Braeside Vic 3195

John Danks & Son Pty Ltd
15 Huntingwood Drive
Huntingwood NSW 2148

John Danks & Son Pty Ltd
11 Valentine Street
Kewdale WA 6105

John Danks & Son Pty Ltd
36 Smallwood Street
Underwood Q 4119

John Danks & Son Pty Ltd
1 Endeavour Drive
Port Adelaide SA 5015

Directors' Declaration

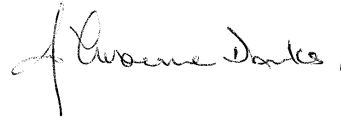
The directors of the company declare that:

1. the financial statements and notes, as set out on pages 8 to 28, are in accordance with the Corporations Act 2001:
 - (a) comply with Accounting Standards and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the financial position as at 30 June 2005 and of the performance for the year ended on that date of the company and economic entity;
2. the Chief Executive Officer and Chief Finance Officer have each declared that:
 - (a) the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
 - (b) the financial statements and notes for the financial year comply with the Accounting Standards; and
 - (c) the financial statements and notes for the financial year give a true and fair view.
3. in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



Director
D. O. Oldfield



Director
J. G. Danks

Dated at Braeside 29 August 2005.

Independent Audit Report

to the Members of Danks Holdings Limited

Scope

We have audited the financial report of Danks Holdings Limited and controlled entities for the financial year ended 30 June 2005 as set out on pages 8 to 29. The financial report includes the consolidated financial statements of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year. The company's directors are responsible for the financial report. We have conducted an independent audit of this financial report in order to express an opinion on it to the members of the company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements and statutory requirements so as to present a view which is consistent with our understanding of the company's and the consolidated entity's financial position and performance as represented by the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Independence

As auditor, we are required to be independent of the company and free of interests which could be incompatible with integrity and objectivity. In respect of this engagement, we followed the independence requirements set out by The Institute of Chartered Accountants in Australia, the Corporations Act 2001 and the Auditing and Assurance Standards Board.

In accordance with ASIC Class Order 05/83, we declare to the best of our knowledge and belief that the auditor's independence declaration set out on page 7 of the financial report has not changed as at the date of providing our audit opinion.

Apart from our statutory audit work, we did not undertake other services for the company.

Audit Opinion

In our opinion, the financial report of Danks Holdings Limited and controlled entities is in accordance with:

- (a) The Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30th June 2005 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Corporation Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.

Danby Bland Provan & Co

DANBY BLAND PROVAN & CO
CHARTERED ACCOUNTANTS

R.A Lane

Distribution of Issued Capital

On the 31st July 2005 the twenty largest shareholders held 76.97% of the issued ordinary shares.
The shares were held in the following categories:

Number of Shares Held	Number of Shareholders Ordinary
1 - 1000	315
1001 - 5000	289
5001 - 10,000	44
10,001 - 100,000	37
100,001 and over	4

Substantial Shareholders

The company's register of substantial shareholders as at 31st July 2005 shows the following -

	Ordinary Shares held
Investments Pty Ltd	3,172,903
Perpetual Trustees Australia Ltd	941,492

J. G. Danks and M. D. Danks are also directors of Investments Pty Ltd which holds 3,172,903 ordinary shares in Danks Holdings Limited.

Appointment of directors

The closing dates for receipt of nominations for office of directors are:

- (a) By a member 4th November 2005
- (b) By the directors 11th November 2005

Voting Rights

Ordinary shares carry one vote for each share.

Service Agreements

The company or any of its controlled entities are not party to any service agreements as defined by the Listing Requirements of the Australian Stock Exchange Limited.

Danks Holdings Limited ABN 81 004 295 532 and Controlled Entities

Seven Year Performance History	2005	2004	2003	2002	2001	2000	1999
Profit & Loss Account Items (\$'000)							
Revenue	551,090	533,490	449,741	404,816	379,031	372,729	309,708
Operating Profit Before Abnormal Items & Tax	7,129	9,632	7,569	7,639	6,679	9,014	8,376
Abnormal Items	-	-	-	-	-	-	-
Operating Profit Before Income Tax	7,129	9,632	7,569	7,639	6,679	9,014	8,376
Income Tax	2,477	2,474	2,359	2,389	2,377	3,113	3,200
Operating Profit After Income Tax	4,652	7,158	5,210	5,250	4,302	5,901	5,176
Depreciation	2,107	2,122	2,099	2,252	2,166	2,373	2,214
Interest	956	1,146	1,148	982	988	875	857
Ordinary Dividends Paid and Proposed	3,250	4,226	3,576	3,576	3,251	4,227	2,796
Balance Sheet Items (\$'000)							
Total Assets	134,081	131,383	114,424	111,012	101,104	101,591	96,030
Total Liabilities	78,701	76,430	63,053	63,226	54,992	60,549	56,662
Net Assets	55,380	54,953	51,371	47,786	46,112	41,042	39,368
Shares on Issue	6,502	6,502	6,502	6,502	6,502	6,502	6,502
Statistics							
Earnings Cents per Share (adjusted for bonus issue)	71.5	110.1	80.1	80.7	66.2	90.8	79.6
Earnings Cents per Share (adjusted for Mitcham sale)	71.5	82.0	80.1	80.7	66.2	90.8	79.6
Ordinary Dividends Cents per Share Paid and Proposed	50.0	65.0	55.0	55.0	50.0	65.0	43.0
Dividend Cover (Times)	1.4	1.7	1.4	1.5	1.3	1.4	1.9
Interest Cover (Times)	9.5	9.4	7.6	8.8	7.8	11.3	10.8
Net Tangible Asset Backing per Share	\$8.10	\$8.10	\$7.61	\$7.03	\$6.82	\$6.00	\$5.75

Top Twenty Shareholders

as at 31st July 2005

	Shares	%
Investments Pty Ltd	3,172,903	48.80
RBC Global Services Australia Nominees Pty Ltd	1,000,043	15.38
Milton Corporation Ltd	171,000	2.63
Mrs J Danks	56,715	0.87
Choiseul Investments Ltd	52,707	0.81
Mrs J A Schapper	47,238	0.73
Akir Pty Ltd	47,101	0.72
Mr. A. W. Wilkinson	45,000	0.69
Mr R W Butler	42,037	0.65
Mrs. M. E. J. Denison	41,000	0.63
Wilmar Enterprises Pty Ltd	40,000	0.62
Miss M. S. Bowskill	36,720	0.56
Mr. R. L. Denison	36,000	0.55
Mr. J. R. Santleben	35,310	0.54
Mrs. N. M. Danks	32,947	0.51
Mr C Harrison, Mrs J K Harrison	31,849	0.49
Ms H M Scovell	31,837	0.49
Mr A Holst	30,600	0.47
Broadmayne Pty Ltd	27,732	0.43
Ringersma Investments Pty Ltd	25,920	0.40
	5,004,659	76.97