

Report by Directors

The Directors of Danks Holdings Limited present their report on the company and its controlled entities for the six months ended 31 December 2005.

Directors

Names of directors who have held office during the reporting period and remain in office at the date of this report are:

D.O. Oldfield OAM, Chairman

J. G. Danks *

I.G. Lewis

M.D. Danks

J. W. Tregaskis *

P.T. Danks

P. T. Kempen

* Executive directors.

Review of Operations

The soft market conditions experienced in the second half of the previous fiscal year continued for the first half of the current year. The second quarter sales (October-December) have shown a further decline on the previous year. Trading margins have again improved for the six months under review, mainly due to the continued success of the Danks Exclusive Branded product strategy and the range review process.

Danks have completed the move to a new second warehouse complex at Greystanes, New South Wales, which has allowed the business to consolidate from four down to two facilities. This will reduce storage and handling costs in the New South Wales market. Similar Distribution Centre consolidations are being investigated in Victoria and Western Australia.

Supply Chain costs are still a challenge but continued close management of these costs improved earnings in the second quarter.

Adoption of Australian Equivalents to IFRS

This interim financial report has been prepared under Australian equivalents to IFRS. A reconciliation of differences between previous GAAP and Australian equivalents to IFRS has been included in note 2 of this report.

Rounding of Accounts

The economic entity 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

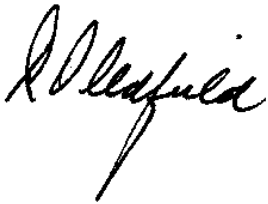
The directors recognise the significant contribution of the company's staff without whose efforts this result would not have been possible. The Board records its grateful appreciation to all staff for their loyalty and effort.

Report by Directors

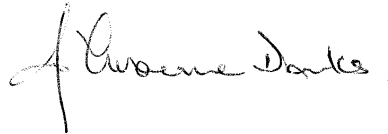
Auditors' Independence Declaration

Section 307C of the Corporations Act 2001 requires our auditors, Danby Bland Provan & Co, to provide the directors of the company with an Independence Declaration in relation to the review of the half-year financial report. This Independence Declaration is set out on page 3 and forms part of this directors' report for the half-year ended 31 December 2005.

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



D. O. Oldfield, Director



J. G. Danks, Director

Dated 23rd February 2006

Auditors' Independence Declaration

As lead auditor for the review of the financial report of Danks Holdings Limited for the half year ended 31 December 2005, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Danks Holdings Limited.



R A LANE

Partner

23rd February 2006



DANBY BLAND PROVAN & CO

Chartered Accountants

123 Camberwell Road

Hawthorn East Vic

Consolidated Balance Sheet

as at 31st December 2005

Economic Entity

	Note	31 Dec 2005 \$'000	30 June 2005 \$'000
Assets			
Current Assets			
Cash and cash equivalents		17	28
Trade and other receivables		73,227	66,357
Inventories		40,775	47,492
Other current assets		1,212	1,340
Total Current Assets		115,231	115,217
Non-Current Assets			
Property, plant and equipment		16,310	16,137
Deferred tax assets		3,132	2,727
Total Non-Current Assets		19,442	18,864
Total Assets		134,673	134,081
Current Liabilities			
Trade and other payables		56,165	55,402
Short-term borrowings		260	3,941
Current tax liabilities		680	880
Short-term provisions		3,142	3,050
Total Current Liabilities		60,247	63,273
Non-Current Liabilities			
Long-term borrowings		16,000	13,000
Deferred tax liabilities		1,053	1,053
Long-term provisions		2,429	2,429
Total Non-Current Liabilities		19,482	16,470
Total Liabilities		79,729	79,743
Net Assets		54,944	54,326
Equity			
Issued Capital		7,391	7,391
Reserves		6,312	6,312
Retained profits		41,241	40,623
Total Equity		54,944	54,326

Consolidated Income Statement

Half Year ended 31st December 2005

Economic Entity

	31 Dec 2005	31 Dec 2004
	\$'000	\$'000
Revenue	291,952	298,050
Changes in inventories	(6,717)	(3,499)
Inventories purchased	(233,664)	(244,614)
Employee benefit expenses	(16,642)	(15,296)
Occupancy expenses	(1,824)	(2,009)
Depreciation and Amortisation expense	(973)	(1,064)
Finance costs	(899)	(474)
Other expenses	(27,968)	(25,698)
Profit before income tax expense	3,265	5,396
Income tax expense	(1,022)	(1,663)
Net profit attributable to members of the parent entity	2,243	3,733
Basic earnings per share	34.5	57.4c

The accompanying notes form part of these financial statements

Consolidated Statement of Changes in Equity

		\$'000	\$'000	\$'000	\$'000
		Share	Retained	Asset	Total
		Capital	Profits	Revaluation	Total
Balance at 1 7.2004		7,391	40,198	6,312	53,901
Profit attributable to members of parent entity		-	3,733	-	3,733
Sub-total		7,391	43,931	6,312	57,634
Dividends paid or provided for	3	-	(2,601)	-	(2,601)
Balance at 31.12.2004		7,391	41,330	6,312	55,033
Balance at 1 7.2005		7,391	40,623	6,312	54,326
Profit attributable to members of parent entity		-	2,243	-	2,243
Sub-total		7,391	42,866	6,312	56,569
Dividends paid or provided for		-	(1,625)	-	(1,625)
Balance at 31.12.2005		7,391	41,241	6,312	54,944

The accompanying notes form part of these financial statements

Consolidated Cash Flow Statement

Half Year ended 31st December 2005

Economic Entity

	Note	31 Dec 2005	31 Dec 2004
		\$'000	\$'000
Cash Flows From Operating Activities			
Receipts from customers		312,542	315,055
Payments to suppliers and employees		(306,710)	(313,363)
Interest received		66	167
Dividends received		-	-
Borrowing costs		(899)	(474)
Income tax paid		(1,628)	(1,158)
Net cash provided by (used in) operating activities		3,371	227
Cash Flows From Investing Activities			
Proceeds from sale of property, plant and equipment		112	135
Payment for property, plant and equipment		(1,188)	(818)
Net cash provided by (used in) investing activities		(1,076)	(683)
Cash Flows From Financing Activities			
Proceeds from borrowings		3,000	2,000
Dividends paid		(1,625)	(2,601)
Net cash provided by (used in) financing activities		1,375	(601)
Net (decrease) increase in cash held		3,670	(1,057)
Cash at 1st July 2005		(3,913)	8,266
Cash at 31 st December 2005		(243)	7,209

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

Half Year ended 31st December 2005

Note 1: Basis of Preparation

The half-year consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standard AASB 134: Interim Financial Reporting, Urgent Issues Group Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30th June 2005 and any public announcements made by Danks Holdings Limited and Controlled Entities during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

This is the first interim financial report prepared under Australian equivalents to IFRS, however, the accounting policies applied are consistent with those applied in the 30 June 2005 annual report presented under previous Australian GAAP with the exception of the income tax policy. Accordingly, the income tax accounting policy under Australian equivalents to IFRS has been included below. A reconciliation of equity between previous GAAP and Australian equivalents to IFRS has been prepared per Note 2. There are no material differences between the income statements and cash flow statements presented under AIFRS and those presented under previous GAAP.

The half-year report does not include full disclosures of the type normally included in an annual report.

Accounting Policies

Income Tax

The charge for current income tax expenses is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable the future tax profits will be available against which deductible temporary differences can be utilised.

The amount 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 law.

Notes to the Financial Statements

Half Year ended 31st December 2005

Note 2: First-time Adoption of Australian Equivalents to International Financial Reporting Standards

The impacts of adopting AIFRS on the total equity as reported under Australian Accounting Standards applicable before 1 January 2005 ("AGAAP") are set out below.

	Note	Economic Entity		
		30 June 2005	31 December 2004	1 July 2004
		\$'000	\$'000	\$'000
Total equity under AGAAP		55,379	56,086	54,953
Effect of transition to AIFRS				
Tax effect of revaluation of non-current assets	2(a)	(1,053)	(1,053)	(1,053)
Total equity under AIFRS		<u>54,326</u>	<u>55,033</u>	<u>53,900</u>

(a) Under AASB 1112 Income taxes, the group is required to use a balance sheet liability method, rather than the previous income statement method, which recognises deferred tax balances where there is a difference between the carrying value of an asset or liability and its tax base. This results in the recognition of a deferred tax liability in relation to the revaluation of freehold land and buildings which had not been previously tax effected.

Notes to the Financial Statements

Half Year ended 31st December 2005

	Economic Entity	
	31 Dec	31 Dec
	2005	2004
	\$'000	\$'000
Note 3: Dividends		
Dividend Paid		
Final fully franked ordinary dividend of 25c (2004:30c) per share franked at the tax rate of 30% (2004 30%) paid November 2005	1,625	1,951
Special fully franked ordinary dividend of nil (2004:10c per share franked at the tax rate of 30%)	-	650
Dividend Proposed:		
Interim fully franked ordinary dividend of 20c (2005:25c) per share franked at the tax rate of 30% (2005 30%)	1,300	1,625

Note 4: Events subsequent to Reporting Date

Since the reporting date no event has arisen that would be likely to materially affect the operations of the entity or the state of affairs of the entity not otherwise disclosed in the financial report.

Note 5: Contingent Liabilities

There has been no change in contingent liabilities since the last annual reporting date.

Note 6: Segment Information

The economic entity operates solely in Australia, in the distribution industry.

Directors Declaration

The directors of the company declare that:

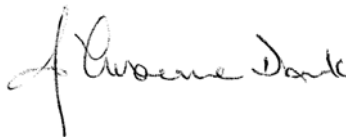
1. The financial statements and notes set out on pages 4 to 10:
 - (a) comply with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations; and
 - (b) give a true and fair view of the economic entity's financial position as at 31st December 2005 and of its performance for the half year ended on that date.
2. In the director's 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.

Dated at Braeside this 23rd day of February 2006



D. O. Oldfield, Director



J. G. Danks, Director

Independent Review Report

to the Members of Danks Holdings Limited

Scope

We have reviewed the financial report of Danks Holdings Limited and its controlled entities for the half-year ended 31st December 2005 as set out on pages 4 to 10. The financial report includes the consolidated financial statements of the consolidated entity, comprising the company and entities it controlled at the end of the half-year or from time to time during the half-year. The company's directors are responsible for the financial report. We have performed an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Accounting Standard AASB 134: Interim Financial Reporting and other mandatory professional reporting requirements in Australia and statutory requirements, so as to present a view which is consistent with our understanding of the company's financial position, and performance as represented by the results of its operations and its cash flows, and in order for the company to lodge the financial report with the Australian Securities and Investments Commission.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. A review is limited primarily to inquiries of company's personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Danks Holdings Limited is not in accordance with:

- (a) the Corporations Act 2001, including;
 - (i) giving a true and fair view of the company's financial position as at 31st December 2005 and of its performance for the half-year ended on that date; and
 - (ii) complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.

123 Camberwell Road
HAWTHORN EAST

Danby Bland Provan & Co

DANBY BLAND PROVAN & CO
CHARTERED ACCOUNTANTS

R. A. Lane

Dated 23rd February 2006

R. A. Lane - Partner