

DANKS HOLDINGS LIMITED

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Improvement Program enhances service levels, but impacts Danks FY06 result

Phase One of a major Supply Chain restructure program that improved customer service levels and a slight drop in consumer demand contributed to a disappointing profit result for Danks Holdings Ltd (DKS) for the year ending 30 June 2006.

The after-tax profit for the Company – one of Australia's largest providers of hardware, garden products and retailer services – was down 36.2% on last year's result to \$2.97 million on slightly reduced revenue of \$547.2 million (down 0.7%).

Confident of improved profitability as the Company enters Phase Two of the Improvement Program, the Board of Directors adopted a strong dividend policy and declared a fully franked final dividend of 20 cents; this brings the full year dividend to 40 cents. The dividend will be paid on 31 October 2006.

During the financial year, Phase one of the program saw the Company invest heavily in additional warehousing space, logistics technology, and management specialists to return service delivery levels to 95% and above.

"Service levels to our customers has been a core focus for the year, which added significant costs to the business," according to Managing Director Graeme Danks.

Now the 95% service benchmark has been achieved consistently across the country, Danks enters phase two of the Improvement program – a pro-active targeted cost reduction program. Phase three, for which planning has commenced, includes upgraded infrastructure and operating systems.

Mr Danks said Phase Two includes a program of voluntary redundancies that have been initiated, along with many other cost cutting initiatives, at the Company's Braeside (Vic) and Huntingwood (NSW) Distribution Centres. Phase two is focused on creating a leaner business able to deliver the improved service levels more efficiently, thereby building on one of the company's core competitive strengths in the independent hardware market.

The Company reported strong trading margins for the year across its warehouse and promotional lines, largely through better margins on our own imported products and improved buying arrangements negotiated with local suppliers.

"State and general administrative expenses were also well controlled, particularly in the second half of the year," he said.

Overall, sales to the Danks marketing groups of Home Timber & Hardware, Thrifty-Link Hardware and Plants Plus Garden Centres reflected the relative economic fortunes of each state. Western Australia recorded outstanding growth of 12.8% fuelled by the current resources boom, Queensland sales were up 4.6% and Tasmania posted 2.1% growth.

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Sales of the Danks Exclusive Brands (DEBs) products were up by 21.6% on the previous year. This was in contrast to sales of local national brand products which recorded negative growth over the year.

Danks Trade Group had a small growth in sales of 1.3% on last year, in what industry commentators have noted as a flat building and renovation market nationally.

“In parallel with the cost Improvement Program, key strategies to grow sales in the coming year include the recruitment of more Group Members while also achieving greater sales from the existing Group Members” Mr Danks said. Initiatives include further store refits and upgrades, increased uptake of marketing programs, a continuing improvement of trade deals and marketing, and continuing core range reviews.

RESULTS SUMMARY

	2006	2005
Total Revenue \$m	547.2 m	551.2 m
Sales Revenue \$m	500.1 m	503.8 m
Pre-Tax Profit \$m	4.44 m	7.13 m
Net Profit \$m	2.97 m	4.65 m
EPS	45.6 c	71.5 c
Interim Dividend	20.0 c	25.0 c
Final Dividend	20.0 c	25.0 c

Danks commenced trading as John Danks & Son Pty Ltd in 1859 and operates a number of hardware Distribution Centres: in Melbourne, which services the South Australian, Northern Territory, Victorian and Tasmanian markets, in Sydney which services the Queensland and New South Wales markets, and also in Perth for the Western Australian market.

Danks services the product and marketing requirements of HoME Timber & Hardware, Thrifty-Link Hardware and Plants Plus Garden Centres, a total of more than 650 members, which are all independently owned and operated.

For more information/interviews:

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