

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 2007.

Directors

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

P. T. Kempen	T.J. Flood (Appointed February 2007)
J. G. Danks	D.G. Hendy (Appointed March 2007)
J. W. Tregaskis	D.O. Oldfield OAM (Retired November 2006)
M.D. Danks	I.G. Lewis (Retired November 2006)
P.T. 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.

Operating results

The consolidated profit of the group after providing for income tax amounted to \$3,902,000.

Review of Operations

Directors are pleased with the turnaround in the profit performance of the business and the benefits of the restructuring program. The group lifted Net Profit to \$3.90 million; this is a 31% increase on last year's result (FY06 \$2.97 m).

The result was achieved despite an increase of only 2% in revenues to \$558.8 m due to a subdued national market for hardware, particularly in New South Wales. Sales across the three Danks marketing groups of HoME Timber & Hardware, Thrifty-Link and Plants Plus grew 2.4%, whilst sales to the non-aligned hardware stores declined by 7.2%. Sales throughout the group mirrored the economy generally with sales growth in Queensland and Western Australia being the stand out contributors with double digit growth rates.

Costs across the group have been well contained. After allowing for redundancy costs of \$1.20 m, the underlying cost base of the business declined by 1.5%

Working capital management continues to be a core focus in terms of receivables and inventory management. Notwithstanding the investment in new technology, establishing a national contact centre, and relocating to a new warehouse in South Dandenong the business was able to generate \$8.10 m in cash before dividend payments.

Financial Position

The net assets of the consolidated group have increased by \$5,230,000 from \$ 54,420,000 at 30 June 2006 to \$59,650,000 in 2007. This increase resulted from the operating performance of the group and the appreciation of the group's land and buildings with a net movement in the group's revaluation reserve of \$4,111,000.

The group's working capital, being inventories, receivables less payables, has reduced from \$51,777,000 in 2006 to \$47,309,000 in 2007. The consolidated group's interest-bearing liabilities were unchanged while cash assets increased by \$5,393,000.

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 2007 a fully franked final dividend be paid at the rate of 22 cents per share.

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

	\$'000
(1) Final ordinary dividend of \$0.20 per share paid 31 st October 2006 This dividend was referred to in the directors' report dated 24 th August 2006.	1,300
(2) Interim ordinary dividend of \$0.22 per share paid 7 th April 2007. The dividend has been paid out of profits for the year ended 30th June 2007 and has not been referred to in a previous directors' report.	1,430

Significant Changes in State Affairs

No significant changes took place in the affairs of the company or the consolidated group 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 consolidated group, the results of those operations, or the state of affairs of the consolidated group, in subsequent financial years.

Future Developments, Prospects and Business Strategies

Likely developments, future prospects and business strategies of the operations of the consolidated group 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 consolidated group.

Environmental Issues

The consolidated group'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, 17 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
P. T. Kempen (Chairman)	11	11	2	2
J. G. Danks	11	11	-	-
J. W. Tregaskis	11	11	-	-
M.D. Danks	11	11	2	2
P.T. Danks	10	10	2	2
T.J. Flood (appointed February 2007)	4	4	1	1
D.G. Hendy (appointed March 2007)	4	4		
D.O. Oldfield OAM (Chairman retired November 2006)	4	4	1	1
I.G. Lewis (retired November 2006)	4	4	1	1

Report by Directors cont'd

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

The Remuneration Committee comprises P T Kempen and P T Danks. The committee met once during the year and all members were present.

The Nomination Committee comprises P T Kempen, J G Danks and P T Danks. The committee met three times during the year and all members were present for each meeting.

Information on Directors

Peter T Kempen

Chairman

FCA, age 58 (appointed Director November 2003, Chairman from November 2006)
Chairman of the Audit Committee.

Mr Kempen has over 25 years experience working with many of Australia's leading companies in all facets of corporate advisory work. Until January 2002, Mr Kempen was the Managing Partner of Ernst & Young Corporate Finance Australia.

Mr Kempen's current directorships include Patties Foods Ltd (Non-executive Director from July 2002 and Chairman from September 2005), and Chairman of Ivanhoe Grammar School.

J Graeme Danks

Managing Director, Executive Director

BEc, Age 58 (appointed Director 1982)

Mr Danks has over 30 year's management experience in the hardware industry commencing his career with John Danks & Son Pty Ltd in 1971. Since then he has held various management positions with the company, most recently being appointed Managing Director in November 1995.

Mr Danks other directorships include Investments Pty Ltd, Danks Buildings Pty Ltd. He is also a member of the Wesley College Council (from 1999).

Michael D Danks

Non-executive Director

Age 55, (appointed Director May 1997)

Mr Danks has over 30 years management experience in hardware and steel distribution, commencing his career with a Mitre 10 retail store, and then John Danks & Son Pty Ltd, before becoming General Manager of the Steel Division from July 1989 to June 2001.

Mr Danks other directorships include Danks Buildings Pty Ltd. He is also a Trustee of the Annie Danks and Danks Charitable Trusts.

Report by Directors cont'd

Peter T Danks

Non-executive Director

B App Sc, Cert Mktg, age 41 (Alternate Director May 1997. Appointed Director June 2002)

Mr Danks has over 20 years experience in sales, marketing, strategic and senior management roles. Peter is currently Managing Director of Events & Facilities Group International (EFG), a strategic consultancy providing services to business and government. Prior to establishing EFG, Peter was Marketing Manager, Australian Grand Prix Corporation.

Mr Danks is also a Director of a number of private companies.

Tom J Flood

Non-executive Director

Age 59 (appointed Director February 2007)

Mr Flood has had a distinguished career, notably with Woolworths Limited. Mr Flood held a number of store and area management positions until his retirement in 2004, when he held the position of National Director of Supermarkets.

Mr Flood's current directorships also include Myer Pty Ltd (from August 2007).

David G Hendy

Non-executive Director

Age 53 (appointed Director March 2007)

Mr Hendy commenced his career with Woolworths, before starting his own company, Kids Biz Toy Company. He later founded Funtastic Limited which has grown to become one of the largest marketing and distribution companies in the country.

Mr Hendy's other directorships include Funtastic Limited (Non-executive Director from January 2006 and Chairman from May 2006) and until June 07 was also a Non-executive Director of Repco Limited.

John W Tregaskis

General Manager, Executive Director

Age 58 (Director from 1993 to 1995, re-appointed Director in February 1998)

Mr Tregaskis has over 35 years experience in the retail and distribution industry. He joined John Danks & Son Pty Ltd in September 1990 as Marketing Director, however left the organisation in the mid 90's. He re-joined the Danks organization in 1998 as General Manager and Executive Director.

Mr Tregaskis' other directorships include North Melbourne Football Club (2003/2004).

Report by Directors cont'd

Company Secretary

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

P M Cooper

B Ec, CPA

Appointed company secretary on 24 April 2007. Heads up the Finance and Administration Department in the position of Chief Financial Officer/Company Secretary.

Over 15 years experience in senior roles in Finance, Treasury, Company Secretarial and Risk Management.

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's policy for determining the nature and amount of remuneration for board members and senior executives of the consolidated group 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 consolidated group's performance, executive performance and comparable information from industry sectors.

The performance of executives is measured against criteria agreed biannually with each executive and is based predominantly on the forecast growth of the consolidated group'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 consolidated group.

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

Performance-based Remuneration

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 consolidated group, as well as create goal congruence between directors, executives and shareholders.

Performance linked remuneration is designed to reward key management personnel for meeting their financial and personal objectives. The incentive is provided in the form of cash or payments towards superannuation.

The following table shows the gross revenue, profits and dividends for the last five years as well as the share price at the end of the respective financial years.

	2003	2004	2005	2006	2007
Revenue	\$450m	\$533m	\$551m	\$547m	\$559m
Net Profit	\$5.2m	\$7.2m	\$4.7m	\$3.0m	\$3.9m
Share price at Year-end	\$12.45	\$12.40	\$10.75	\$7.05	\$9.05
Dividends Declared	55 cents	65 cents	50 cents	40 cents	44 cents

No shares were purchased under the on-market share buy-back announced in November 2006.

Key Management Personnel Remuneration

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

2007 Key Management Person	Salary & Fees	Super- annuation Contribu- tions	Cash Bonus	Non- cash benefits	Retirement Benefits	Total	Perfor- mance related %
Mr P T Kempen	-	70,000	-	-	-	70,000	-
Mr D O Oldfield*	34,000	-	-	-	146,000	180,000	-
Mr J G Danks	391,000	105,000	40,000	56,000	-	592,000	6.8
Mr M D Danks	-	44,000	-	-	-	44,000	-
Mr I G Lewis*	-	17,000	-	-	67,000	84,000	-
Mr J W Tregaskis	307,000	91,000	40,000	48,000	-	486,000	8.2
Mr P T Danks	29,000	15,000	-	-	-	44,000	-
Mr T.J. Flood	-	23,000	-	-	-	23,000	-
Mr D.G. Hendy	16,000	2,000	-	-	-	18,000	-
Mr P. M. Cooper	52,000	8,000	-	-	-	60,000	-
Mr C Dekazos	227,000	37,000	22,000	27,000	-	313,000	7.0
Mr S W Johnston	215,000	24,000	8,000	20,000	-	267,000	3.0
Mr R.P. Kemp	63,000	55,000	-	13,000	-	131,000	-
Mr D Patton	134,000	24,000	5,000	34,000	-	197,000	2.6
Mr M Tapply	127,000	25,000	5,000	38,000	-	195,000	2.6
Mr D Taucher	151,000	23,000	10,000	-	-	184,000	5.4
	1,746,000	563,000	130,000	236,000	213,000	2,888,000	

* retired November 2007

Report by Directors cont'd

2006 Key Management Person	Salary & Fees	Super- annuation Contribu- tions	Cash Bonus	Non- cash benefits	Retirement Benefits	Total	Perfor- mance related %
Mr D O Oldfield	81,000	-	-	-	-	81,000	-
Mr J G Danks	376,000	100,000	-	58,000	-	534,000	-
Mr M D Danks	19,000	22,000	-	-	-	41,000	-
Mr I G Lewis	-	41,000	-	-	-	41,000	-
Mr J W Tregaskis	295,000	88,000	-	57,000	-	440,000	-
Mr P T Danks	19,000	22,000	-	-	-	41,000	-
Mr P T Kempen	19,000	22,000	-	-	-	41,000	-
Mr C Dekazos	179,000	29,000	12,000	14,000	-	234,000	5.1
Mr S W Johnston	209,000	23,000	-	16,000	-	248,000	-
Mr R P Kemp	71,000	88,000	-	20,000	-	179,000	-
Mr D Patton	111,000	25,000	-	43,000	-	179,000	-
Mr M Tapply	123,000	24,000	-	36,000	-	183,000	-
	1,502,000	484,000	12,000	244,000	-	2,242,000	

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 consolidated group 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 2007 has been received and can be found on page 8.

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.

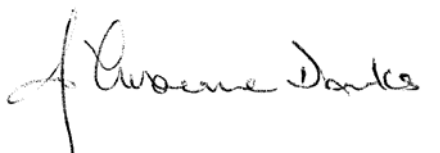
Staff

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.



P. T. Kempen, Director
Dated 21 August 2007



J. G. Danks, Director

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 2007 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 - Partner

123 Camberwell Road
HAWTHORN EAST
Dated 21 August 2007

Income Statement

Year ended 30th June 2007

	Note	Consolidated group		Parent Entity	
		2007	2006	2007	2006
		\$'000	\$'000	\$'000	\$'000
Revenue	2	558,785	547,107	2,731	2,926
Other income	2	94	62	-	-
Changes in inventories		(4,807)	(3,813)	-	-
Inventories purchased		(454,510)	(447,166)	-	-
Employee benefit expenses		(33,602)	(33,228)	-	-
Occupancy expenses		(4,868)	(3,874)	-	-
Depreciation and Amortisation expense		(2,227)	(1,910)	-	-
Finance costs		(1,215)	(1,526)	-	-
Other expenses		(51,495)	(51,212)	-	-
Profit before income tax		6,155	4,440	2,731	2,926
Income tax expense	4	(2,253)	(1,473)	-	-
Profit for the year attributable to members of the parent entity		3,902	2,967	2,731	2,926
Basic earnings per share (cents)	8	60.0	45.6		
Diluted earnings per share (cents)	8	60.0	45.6		
Dividends per share (cents)		42.0	45.0		

The accompanying notes form part of these financial statements

Balance Sheet

as at 30th June 2007

	Note	Consolidated group		Parent Entity	
		2007	2006	2007	2006
		\$'000	\$'000	\$'000	\$'000
Assets					
Current Assets					
Cash and cash equivalents	9	7,352	1,959	-	-
Trade and other receivables	10	62,444	65,351	-	-
Inventories	11	38,873	43,680	-	-
Financial assets	12	-	75	-	-
Other current assets	14	833	1,131	-	-
Total Current Assets		109,502	112,196	-	-
Non-Current Assets					
Trade and other receivables	10	-	-	3,385	3,385
Financial assets	12	-	-	3,900	3,900
Property, plant and equipment	13	23,390	16,489	-	-
Deferred tax assets	17	2,611	2,878	-	-
Total Non-Current Assets		26,001	19,367	7,285	7,285
Total Assets		135,503	131,563	7,285	7,285
Current Liabilities					
Trade and other payables	15	54,008	57,254	-	-
Financial liabilities	16	6,174	-	-	-
Current tax liabilities	17	525	-	-	-
Short term provisions	18	3,004	3,205	-	-
Total Current Liabilities		63,711	60,459	-	-
Non-Current Liabilities					
Trade and other payables	15	-	-	120	120
Long-term borrowings	16	7,000	13,000	-	-
Deferred tax liabilities	17	2,814	1,075	-	-
Long-term provisions	18	2,328	2,609	-	-
Total Non-Current Liabilities		12,142	16,684	120	120
Total Liabilities		75,853	77,143	120	120
Net Assets		59,650	54,420	7,165	7,165
Equity					
Issued capital	19	7,391	7,391	7,091	7,091
Reserves	20	10,423	6,365	74	74
Retained earnings		41,836	40,664	-	-
Total Equity		59,650	54,420	7,165	7,165

The accompanying notes form part of these financial statements.

Statement of Changes in Equity

Year ended 30th June 2007

Note	Share Capital Ordinary \$'000	Retained Earnings \$'000	Capital Profits Reserve \$'000	Asset Revaluation Reserve \$'000	Hedge Reserve \$'000	Total \$'000
Consolidated group						
	7,391	40,623	3,857	2,455	-	54,326
		2,967				2,967
					53	53
		(2,926)				(2,926)
	7,391	40,664	3,857	2,455	53	54,420
		3,902				3,902
					(53)	(53)
				4,111		4,111
		(2,730)				(2,730)
	7,391	41,836	3,857	6,566	-	59,650
Parent Entity						
	7,091	-	-	74	-	7,165
		2,926				2,926
		(2,926)				(2,926)
	7,091	-	-	74	-	7,165
		2,731				2,731
		(2,731)				(2,731)
	7,091	-	-	74	-	7,165

The accompanying notes form part of these financial statements.

Cash Flow Statement

Year ended 30th June 2007

	Note	Consolidated group		Parent Entity	
		2007	2006	2007	2006
		\$'000	\$'000	\$'000	\$'000
Cash Flows From Operating Activities					
Receipts from customers		614,604	599,380	-	-
Payments to suppliers and employees		(601,440)	(583,997)	-	-
Interest received		251	183	-	-
Dividends received		-	-	2,731	2,926
Finance costs		(1,215)	(1,526)	-	-
Income tax paid		(915)	(3,042)	-	-
Net cash provided by (used in) operating activities	23	11,285	10,998	2,731	2,926
Cash Flows From Investing Activities					
Proceeds from sale of property, plant and equipment		301	195	-	-
Payment for property, plant and equipment		(3,462)	(2,395)	-	-
Net cash provided by (used in) investing activities		(3,161)	(2,200)	-	-
Cash Flows From Financing Activities					
Proceeds from borrowings		-	-	-	-
Dividends paid		(2,731)	(2,926)	(2,731)	(2,926)
Net cash provided by (used in) financing activities		(2,731)	(2,926)	(2,731)	(2,926)
Net increase (decrease) in cash held		5,393	5,872	-	-
Cash at beginning of financial year		1,959	(3,913)	-	-
Cash at end of financial year	23	7,352	1,959	-	-

Notes to the Financial Statements

Year ended 30th June 2007

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, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

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

The financial report of Danks Holdings Limited and controlled entities, and Danks Holdings Limited as an individual parent entity comply with all International Financial Reporting Standards (IFRS) in their entirety.

The following is a summary of the material accounting policies adopted by the consolidated group in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Basis of preparation:

The accounting policies set out below have been consistently applied to all years presented.

Reporting Basis and Conventions

The financial report has been prepared on accrual basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Accounting Policies:

Principles of Consolidation

A controlled entity is any entity Danks Holdings Limited has the power to control the financial and operating policies of so as to obtain benefits from its activities.

A list of controlled entities is contained in Note 27 to the financial statements. All controlled entities have a June financial year-end.

All inter-company balances and transactions between entities in the consolidated group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

Income Tax

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

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the 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 of 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 that future tax profits will be available against which deductible temporary differences can be utilised.

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 consolidated group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Notes to the Financial Statements

Year ended 30th June 2007

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 un-saleable 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 and impairment losses.

Property:

Freehold land and buildings are shown at their fair value (being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction) based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

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 been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow through to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a evaluation reserve in equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, is depreciated on a straight line basis over their useful lives to the consolidated group 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%

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

Notes to the Financial Statements

Year ended 30th June 2007

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 payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred. Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

Financial Instruments

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Financial Assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB 139: Recognition and Measurement of Financial Instruments. Derivatives are categorised as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Available-for-sale financial assets

Available for sale financial assets include any financial assets not included in the above categories.

Available for sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

Financial Liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal repayments and amortisation.

Derivative instruments

Derivative instruments are measured at fair value. Gains and losses arising from changes in fair value are taken to the income statement unless they are designated as hedges.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

Impairment of Assets

At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the assets carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement. Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Notes to the Financial Statements

Year ended 30th June 2007

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, have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. 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 consolidated group to employee superannuation funds and are charged as expenses when incurred.

Provisions

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

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.

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 balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

Comparative Figures

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

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.

Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

The financial report was authorised to issue on 21 August 2007 by the board of directors.

Notes to the Financial Statements

Year ended 30th June 2007

	Consolidated group		Parent Entity	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Note 2 Revenue				
Sale of goods	510,448	500,114	-	-
Services and other operating revenue	48,086	46,810	-	-
Interest received	251	183	-	-
Dividends received – wholly owned subsidiaries	-	-	2,731	2,926
	558,785	547,107	2,731	2,926
Other income:				
Gain on disposal of property, plant & equipment	94	62	-	-
	94	62	-	-
Note 3 Profit for the Year				
(a) Expenses:				
Cost of Sales	459,538	450,979	-	-
Finance costs				
- External	1,215	1,526	-	-
Net foreign exchange losses	164	-	-	-
Bad and doubtful debts - trade receivables	(78)	455	-	-
Rental expense on operating leases				
- Minimum lease payments	2,990	2,231	-	-
Writedown of inventories to net realisable values	161	800	-	-
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% (2006 30%)	1,847	1,332	819	878
Add tax effect of:				
- Depreciation of buildings	2	2	-	-
- Non-assessable profit on sale of property	-	-	-	-
- Other non allowable items	389	138	-	-
- Rebateable fully franked dividends	-	-	(819)	(878)
Under(Over) provision for income tax prior year	15	1	-	-
Income tax attributable to entity	2,253	1,473	-	-
The applicable weighted average effective tax rates are as follows:				
	37%	33%		
Income tax expense comprises				
- Current tax	1,960	1,623	-	-
- Deferred tax	278	(151)	-	-
- Under provision in respect of prior year	15	1	-	-
	2,253	1,473	-	-

Notes to the Financial Statements

Year ended 30th June 2007

Note 5 Key Management Personnel Compensation

(a) Names and positions held of consolidated group and parent entity key management personnel in office at any time during the financial year are:

Mr P T Kempen	Chairman – Non-Executive
Mr D O Oldfield	Chairman – Non-Executive (retired November 2006)
Mr J G Danks	Managing Director - Executive
Mr M D Danks	Director – Non-Executive
Mr I G Lewis	Director – Non-Executive (retired November 2006)
Mr J W Tregaskis	General Manager - Executive
Mr P T Danks	Director – Non-Executive
Mr T.J. Flood	Director – Non-Executive (appointed February 2007)
Mr D.G. Hendy	Director – Non-Executive (appointed March 2007)
Mr P M Cooper	Chief Financial Officer/Company Secretary (appointed March 2007)
Mr C Dekazos	National Merchandise & Marketing Manager
Mr S W Johnston	National Retail Operations Manager
Mr R P Kemp	Company Secretary / Financial Controller (resigned December 2006)
Mr D Patton	Human Relations Manager
Mr M Tapply	Business Systems Manager
Mr D G Taucher	National Operations Manager

(b) Key Management Personnel Compensation

Details of the remuneration for key management personnel is included in the Remuneration Report section of the Directors Report.

(c) Shareholdings

Number of shares held by Key Management Personnel

	Balance 1.7.06	Net Change	Balance 30.6.07
Mr P T Kempen	5,000	4,000	9,000
Mr J G Danks	21,346	-	21,346
Mr M D Danks	18,202	-	18,202
Mr J W Tregaskis	1,450	2,550	4,000
Mr P T Danks	-	-	-
Mr T J Flood	-	-	-
Mr D G Hendy	-	-	-
Mr P M Cooper	-	-	-
Mr C Dekazos	-	-	-
Mr S W Johnston	-	-	-
Mr D Patton	-	-	-
Mr M Tapply	-	-	-
Mr D G Taucher	-	-	-
Total	45,998	6,550	52,548

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.

Notes to the Financial Statements

Year ended 30th June 2007

	Consolidated group		Parent Entity	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Note 6 Auditor's Remuneration				
Remuneration of the auditor of the parent entity and Consolidated group for:				
- auditing or reviewing the financial report	179	170	-	-
- other services	-	-	-	-
Note 7 Dividends Paid or Proposed				
Final fully franked ordinary dividend of 20c (2006: 25c) per share franked at the tax rate of 30% (2006:30%)	1,300	1,626	1,300	1,626
Interim fully franked ordinary dividend of 22c (2006: 20c) per share franked at the tax rate of 30% (2006:30%)	1,431	1,300	1,431	1,300
	<u>2,731</u>	<u>2,926</u>	<u>2,731</u>	<u>2,926</u>
(a) Proposed final fully franked ordinary dividend of 22c (2006:20c) per share franked at the tax rate of 30% (2006 30%)	1,431	1,300	1,431	1,300
(b) Balance of franking account at year-end adjusted for:	25,642	24,607	-	-
(i) Franking credits arising from payment of provision for income tax and dividends recognised as receivables.				
(ii) Franking debits arising from payment of proposed dividends.				
Subsequent to year end, the franking account would be reduced by the proposed dividend reflected per (a) above.	(613)	(557)		
	<u>25,029</u>	<u>24,050</u>		
Note 8 Earnings per Share				
Net profit used in the calculation of EPS				
Net profit	3,902	2,967		
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 and Cash Equivalents				
Cash on hand and at bank	7,352	1,959	-	-
The effective interest rate on short term bank deposits was 5.95%				
Note 10 Trade and other Receivables				
Current				
Trade receivables	62,307	65,815	-	-
Provision for impairment of receivables	(2,453)	(2,696)	-	-
	<u>59,854</u>	<u>63,119</u>	-	-
Other receivables	2,590	2,232	-	-
	<u>62,444</u>	<u>65,351</u>	-	-
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	38,873	43,680	-	-

Notes to the Financial Statements

Year ended 30th June 2007

	Consolidated group		Parent Entity	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Note 12 Other Financial Assets				
Current				
Derivative financial assets comprising				
- forward exchange contracts	-	75	-	-
Non-current				
Available for sale financial assets comprising				
Unlisted shares in controlled entities				
- at cost	-	-	302	302
- at fair value	-	-	3,598	3,598
	-	-	3,900	3,900

Note 13 Property, Plant and Equipment

Freehold land - independent valuation 2001	-	5,134	-	-
Freehold land - independent valuation 2007	10,239	-	-	-
Freehold land - cost	-	157	-	-
Total Land	10,239	5,291	-	-
Buildings - independent valuation 2001	-	6,511	-	-
Buildings - independent valuation 2007	6,506	-	-	-
Buildings - cost	-	267	-	-
Accumulated depreciation	-	(994)	-	-
Total Buildings	6,506	5,784	-	-
Total Land and Buildings	16,745	11,075	-	-
Leasehold Improvements:				
Cost	459	198	-	-
Accumulated amortisation	(191)	(146)	-	-
	268	52	-	-
Plant and equipment:				
At cost	23,275	21,022	-	-
Capital works in progress	7	357	-	-
Accumulated depreciation	(16,905)	(16,017)	-	-
Total Plant and Equipment	6,377	5,362	-	-
Total Property, Plant and Equipment	23,390	16,489	-	-

(a) Valuation of freehold land and buildings

The group's land and buildings were revalued at 30 June 2007 by independent valuers. Valuations were made on the basis of open market value. The revaluation surplus net of applicable deferred income taxes was credited to an asset revaluation reserve in shareholders, equity.

(b) Movements in carrying amounts

	Freehold Land	Buildings	Leasehold Improve- ments	Plant and Equipment	Total
Consolidated group:					
Balance at the beginning of year	5,291	5,784	52	5,362	16,489
Additions	-	-	261	3,201	3,462
Disposals	-	-	-	(206)	(206)
Revaluation increments/(decrements)	4,948	924	-	-	5872
Depreciation expense	-	(202)	(45)	(1,980)	(2,227)
Carrying amount at the end of year	10,239	6,506	268	6,377	23,390

Notes to the Financial Statements

Year ended 30th June 2007

	Consolidated group		Parent Entity	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Note 14 Other Current Assets				
Current				
Prepayments	833	1,131	-	-
Note 15 Trade and Other Payables				
Current:				
Trade payables	48,594	53,936	-	-
Sundry payables and accrued expenses	5,414	3,318	-	-
	54,008	57,254	-	-
Non-current:				
Amounts owing to wholly owned subsidiary	-	-	120	120
Note 16 Financial Liabilities				
Secured Liabilities				
Current:				
Bank loans (a)	6,000	-	-	-
Derivative financial liabilities	174	-	-	-
	6,174	-	-	-
Non-current:				
Bank loans (a)	7,000	13,000	-	-
<p>(a) Bank borrowings are secured by a negative pledge over the assets of the company.</p> <p>(b) The covenants within the bank borrowings require:</p> <p>(i) net tangible assets to be greater than 35% of total assets,</p> <p>(ii) interest bearing debt is not to exceed 2.5 times earnings before interest, tax, depreciation and amortisation,</p> <p>(iii) gross interest is to be less than 3 times earnings before interest and tax,</p> <p>(iv) net assets to be greater than \$40m</p> <p>(v) dividends paid not to exceed 75% of net profit after tax</p> <p>(c) Interest rates are variable and are between 6.41% and 6.55%.</p>				
Note 17 Tax				
(a) Liabilities				
Current				
Income tax	525	-	-	-
Non-current				
Deferred tax liability comprises:				
Revaluation adjustments taken directly to equity	2,814	1,075	-	-
Income tax	2,814	1,075	-	-
(b) Assets				
Deferred tax assets comprise:				
Provisions	2,611	2,878	-	-
	2,611	2,878	-	-

Notes to the Financial Statements

Year ended 30th June 2007

	Note	Consolidated group		Parent Entity	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Note 17 Tax (continued)					
(c)	Reconciliation				
	Deferred Tax Liability				
	The movement in deferred tax liabilities for each temporary difference during the year is as follows:				
	Tangible assets revaluation adjustments taken directly to equity				
	Opening balance	1,053	1,053	-	-
	Charged directly to equity	1,761	-	-	-
	Closing balance	2,814	1,053	-	-
	Fair value gain adjustments				
	Opening balance	22	-	-	-
	Charged directly to equity	(22)	22	-	-
	Closing balance	-	22	-	-
	Deferred Tax Assets				
	The movement in deferred tax assets for each temporary difference during the year is as follows:				
	Provisions				
	Opening balance	2,878	2,727	-	-
	Charged to income	(267)	151	-	-
	Closing balance	2,611	2,878	-	-

Note 18 Provisions**Consolidated Group****Employee Benefits**

Opening balance at 1 July 2006	5,814	5,479	-	-
Additional provisions	2,425	2,304	-	-
Amounts used	(2,907)	(1,969)	-	-
Balance at 30 June 2007	5,332	5,814	-	-
Analysis of Total Provisions				
Current	3,004	3,205	-	-
Non-current	2,328	2,609	-	-
	5,332	5,814	-	-

Provision for Long-term Employee Benefits

A provision has been recognised for employee entitlements relating to long service leave. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits has been included in Note 1 to this report.

Note 19 Issued Capital

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.

Notes to the Financial Statements

Year ended 30th June 2007

Consolidated group

Parent Entity

	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000

Note 20 Reserves

(a) Capital Profits Reserve

The capital profits reserve records non-taxable profits on sale of investments.

(b) Asset Revaluation Reserve

The asset revaluation reserve records revaluations of non-current assets.

(c) Hedge Reserve

The hedge reserve records revaluations of items designated as hedges

Note 21 Capital and Leasing Commitments

Operating Lease Commitments

Non-cancellable operating lease commitments contracted but not capitalised in the financial statements

Payable – minimum lease payments

- not later than 1 year	2,972	1,848	-	-
- later than 1 year but not later than 5 years	2,986	3,629	-	-
- later than 5 years	-	-	-	-
	5,303	5,477	-	-

Capital Expenditure Commitments

	156	44	-	-
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Amounts owing under maintenance agreements

Payable

- not later than 1 year	2,250	2,593	-	-
- later than 1 year but not later than 5 years	1,643	3,893	-	-
	3,893	6,486	-	-

Note 22 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

- - **56,870** **56,520**

Guarantee given for property lease rentals of a controlled entity

- - **5,681** **5,415**

Note 23 Cash Flow Information

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

Profit after Income Tax	3,902	2,967	2,731	2,926
Non-cash flows in profit				
Amortisation	45	42	-	-
Depreciation	2182	1,868	-	-
Net gain on disposal of property, plant and equipment	(95)	(62)	-	-
Changes in assets and liabilities				
(Increase)/Decrease in trade and other receivables	3,150	1,074	-	-
(Increase)/Decrease in prepayments	(240)	747	-	-
(Increase)/Decrease in inventories	4,838	4,319	-	-
Increase/(Decrease) in trade payables and accruals	(3,072)	1,853	-	-
Increase/(Decrease) in income taxes payable		-	-	-
Increase/(Decrease) in deferred taxes payable		-	-	-
Increase/(Decrease) in provisions	575	(1,810)	-	-
Cash Flows from (used in) operations	11,285	10,998	2,731	2,926

(b) Reconciliation of Cash

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

Cash assets	7,352	1,959	-	-
Interest bearing liabilities	-	-	-	-
	7,352	1,959	-	-

(c) Details of credit stand-by arrangements, available and unused loan facilities, are shown in Note 24 to the financial statements.

Notes to the Financial Statements

Year ended 30th June 2007

Consolidated group Parent Entity

	2007	2007		
	\$'000	\$'000		
Note 24 Standby Arrangements and Unused Credit Facilities				
Standby arrangements with banks to provide funds and support facilities				
Credit facilities	35,000	35,000	-	-
Amount utilised	13,000	13,000	-	-
Unused credit facility	22,000	22,000	-	-

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.

Interest rates are variable and subject to adjustment.

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

Short term: \$13,000,000 variable interest rate facilities.

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

As at 30th June 2007, \$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 2007, \$6,000,000 long term bill facilities were utilised.

Current interest rates are between 6.35% and 6.55% (2006 . between 6.01% and 6.12%)

Note 25 Financial Instruments

a. Financial Risk Management

The group's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable, loans to and from subsidiaries, bills, and derivatives.

The main purpose of non-derivative financial instruments is to raise finance for group operations.

Derivatives are used by the group for hedging purposes. Such instruments include forward exchange and interest rate swap agreements. The group does not speculate in the trading of derivative instruments.

i. Treasury Risk Management

A finance committee consisting of senior executives of the group meet on a regular basis to analyse currency and interest rate exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

ii. Financial Risks

The main risks the group is exposed to through its financial instruments are interest rate risk, foreign currency risk, liquidity risk, credit risk and price risk.

Interest rate risk

Interest rate risk is managed with a mixture of fixed and floating rate debt. At 30 June 2007 approximately 46% of group debt is fixed. It is the policy of the group to keep approximately 50% of debt on fixed interest rates. For further details on interest rate risk refer to Note 25(b) (ii).

Foreign currency risk

The group is exposed to fluctuations in foreign currencies arising from purchase of goods and services in currencies other than the group's measurement currency. Refer to Note 25(b)(i) for further details.

Liquidity risk

The group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.

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 impairment of those assets, as disclosed in the balance sheet 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 Note 25(b)(i).

The consolidated group does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the consolidated group.

Notes to the Financial Statements

Year ended 30th June 2007

Note 25 Financial Instruments continued

(b) Financial Instruments

(i) Derivative Financial Instruments: Derivative financial instruments are used by the consolidated group 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 consolidated group. Transactions for hedging purposes are undertaken without the use of collateral as only reputable institutions with sound financial positions are dealt with.

Forward Exchange Contracts: The consolidated group 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 consolidated group 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	
	2007 \$'000	2006 \$'000	2007 \$	2006 \$
Settlement				
- Less than 6 months	4,475	6,721	0.8139	0.7499
- 6 months to 1 year	-	-	-	-

Interest Rate Swaps: The interest rate swap transaction entered into by the consolidated group exchanges variable and fixed interest payment obligations to protect long term borrowings from the risk of increasing interest rates. The consolidated group 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:

	2007 \$'000	2006 \$'000
Notional Principal		
Settlement less than 1 year	6,000	-
Settlement 1 - 2 years	-	6,000
Settlement 2 - 5 years	-	-
Effective Average Interest Rate Payable	6.16%	6.16%

Notes to the Financial Statements

Year ended 30th June 2007

Note 25 Financial Instruments cont.

(ii) **Interest Rate Risk:** The consolidated group'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	Within 1 year \$'000	1 to 5 years \$'000	Over 5 years \$'000	Non- interest bearing \$'000	
2007						
Financial assets						
- Cash and cash equivalents	7,333	-	-	-	19	7,352
Receivables	-	-	-	-	64,898	64,898
Forward exchange contracts*	-	-	-	-	-	-
	7,333	-	-	-	64,917	72,250
Weighted average interest rate	5.95%					
Financial liabilities						
Bank overdrafts and loans	13,000	-	-	-	-	13,000
Trade and sundry payables	-	-	-	-	54,008	54,008
Forward exchange contracts*	174	-	-	-	-	174
Interest rate swaps*	(6,000)	6,000	-	-	-	-
	7,174	6,000	-	-	54,008	67,182
Weighted average interest rate	6.37%					
Net financial assets (liabilities)	159	(6,000)	-	-	10,909	5,068

* Notional principal amount.

	Fixed interest maturing:					Total \$'000
	Floating interest rate \$'000	Within 1 year \$'000	1 to 5 years \$'000	Over 5 years \$'000	Non- interest bearing \$'000	
2006						
Financial assets						
Cash and cash equivalents	1,953	-	-	-	6	1,959
Receivables	-	-	-	-	65,351	65,351
Forward exchange contracts*	75	-	-	-	-	75
	2,028	-	-	-	65,357	67,385
Weighted average interest rate	5.46%					
Financial liabilities						
Bank overdrafts and loans	13,000	-	-	-	-	13,000
Trade and sundry payables	-	-	-	-	57,254	57,254
Interest rate swaps*	(6,000)	-	6,000	-	-	-
	7,000	-	6,000	-	57,254	70,254
Weighted average interest rate	5.73%					
Net financial assets (liabilities)	(4,972)	-	(6,000)	-	8,103	(2,869)

* Notional principal amount.

Notes to the Financial Statements

Year ended 30th June 2007

Note 25 Financial Instruments cont.

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.

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 present value of the future net interest cash flows.

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:

	2007		2006	
	Carrying Amount \$'000	Net Fair Value \$'000	Carrying Amount \$'000	Net Fair Value \$'000
Financial Assets				
Derivative financial assets	-	-	75	75
Loans and receivables	64,898	64,898	65,351	65,351
	64,898	64,898	65,426	65,426
Financial Liabilities				
Other loans and amounts due	13,000	13,000	13,000	13,000
Derivative financial liabilities	174	174	-	-
Other liabilities	54,008	54,008	57,254	57,254
	67,182	67,182	70,254	70,254

Fair values are in line with carrying values.

Note 26 Segment Information

Industry: The consolidated group operates solely in the distribution industry.

Geographical: The consolidated group operates solely in Australia.

Note 27 Controlled Entities

Parent Entity

Danks Holdings Limited

Controlled Entities Consolidated

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.

Notes to the Financial Statements

Consolidated group		Parent Entity	
2007	2006	2007	2006
\$'000	\$'000	\$'000	\$'000

Note 28 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.

	874	874	-	-
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Professional services provided by Ernst & Young transaction Advisory Services Limited. Mr P.T. Kempen is a director of Ernst & Young Transaction Advisory Services Limited.

	30	-		
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(b) Directors:

Directors of entities within the consolidated group are able, with all staff members, to purchase goods from the consolidated group 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 consolidated group.

Danks Holdings Limited ordinary shares	3,225,451	3,218,901	3,225,451	3,218,901
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Note 29 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
36 Smallwood Street
Underwood Qld 4119

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

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

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

Notes to the Financial Statements

Note 30: Change in Accounting Policy

- a. The following Australian Accounting Standards have been issued or amended and are applicable to the parent and consolidated group but are not yet effective. They have not been adopted in preparation of the financial statements at reporting date.

AASB Amendment	AASB Standard Affected	Outline of Amendment	Application Date of the Standard	Application Date for the Group
2005–10 Amendments to Australian Accounting Standards	AASB 1: First-time Adoption of AIFRS AASB 101: Presentation of Financial Statements AASB 114: Segment Reporting AASB 117: Leases AASB 133: Earnings per share AASB 139: Financial Instruments: Recognition and Measurement	The disclosure requirements of AASB 132: Financial Instruments: Disclosure and Presentation have been replaced due to the issuing of AASB 7: Financial Instruments: Disclosures in August 2005. These amendments will involve changes to financial instrument disclosures within the financial report. However there will be no direct impact on the amounts included in the financial report as it is a disclosure standard.	1 January 2007	1 July 2007
AASB 7 Financial Instruments: Disclosures	AASB 132: Financial Instruments: Disclosure and Presentation	As above.	1 January 2007	1 July 2007

Directors' Declaration

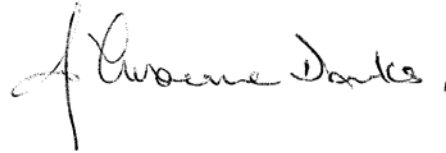
The directors of the company declare that:

1. the financial statements and notes, as set out on pages 9 to 29, 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 2007 and of the performance for the year ended on that date of the company and consolidated group;
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
P.T. Kempen



Director
J. G. Danks

Dated at Braeside 21 August 2007.

Independent Audit Report to the Members of Danks Holdings Limited

Report on the Financial Report

We have audited the accompanying financial report of Danks Holdings Limited and Controlled Entities, which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration 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.

As permitted by the Corporations Regulations 2001, the company has disclosed information about the remuneration of directors and executives (remuneration disclosures), required by Accounting Standard AASB 124: Related Party Disclosures, under the heading 'Remuneration Report' in pages 5 to 7 of the directors' report and not in the financial report.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with IFRS.

The directors also are responsible for preparation and presentation of the remuneration disclosures contained in the directors' report in accordance with the Corporations Regulations 2001.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement and that the remuneration disclosures in the directors' report comply with Accounting Standard AASB 124.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report and the remuneration disclosures in the directors' report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's Opinion

In our opinion:

- a. the financial report of Danks Holdings Limited and Controlled Entities is in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2007 and of their performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;
- b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1; and
- c. the remuneration disclosures that are contained in pages 5 to 7 of the directors' report comply with Accounting Standard AASB 124.



DANBY BLAND PROVAN & CO
Chartered Accountants



R A LANE
Partner

123 Camberwell Road
HAWTHORN EAST
Dated 21 August 2007

Distribution of Issued Capital

On the 31st July 2007 the twenty largest shareholders held 74.23% of the issued ordinary shares.
The shares were held in the following categories:

Number of Shares Held	Number of Shareholders Ordinary
1 - 1000	313
1001 - 5000	285
5001 - 10,000	54
10,001 - 100,000	44
100,001 and over	2

Substantial Shareholders

The company's register of substantial shareholders as at 31st July 2007 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 5th November 2007
- (b) By the directors 12th November 2007

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	2007	2006	2005	2004	2003	2002	2001
Profit & Loss Account Items (\$'000)							
Revenue	558,785	547,169	551,090	533,490	449,741	404,816	379,031
Operating Profit Before Income Tax	6,155	4,440	7,129	9,632	7,569	7,639	6,679
Income Tax	2,253	1,473	2,477	2,474	2,359	2,389	2,377
Operating Profit After Income Tax	3,902	2,967	4,652	7,158	5,210	5,250	4,302
Depreciation	2,227	1,910	2,107	2,122	2,099	2,252	2,166
Interest	1,215	1,526	956	1,146	1,148	982	988
Ordinary Dividends Paid and Proposed	2,860	2,600	3,250	4,226	3,576	3,576	3,251
Balance Sheet Items (\$'000)							
Total Assets	135,503	131,563	134,081	131,383	114,424	111,012	101,104
Total Liabilities	75,853	77,143	78,701	76,430	63,053	63,226	54,992
Net Assets	59,650	54,420	55,380	54,953	51,371	47,786	46,112
Shares on Issue	6,502	6,502	6,502	6,502	6,502	6,502	6,502
Statistics							
Earnings Cents per Share	60.0	45.6	71.5	110.1	80.1	80.7	66.2
Earnings Cents per Share (adjusted for Mitcham sale)	60.0	45.6	71.5	82.0	80.1	80.7	66.2
Ordinary Dividends Cents per Share Paid and Proposed	44.0	45.0	50.0	65.0	55.0	55.0	50.0
Dividend Cover (Times)	1.4	1.0	1.4	1.7	1.4	1.5	1.3
Interest Cover (Times)	6.1	3.9	9.5	9.4	7.6	8.8	7.8
Net Tangible Asset Backing per Share	\$8.77	\$7.93	\$8.10	\$8.10	\$7.61	\$7.03	\$6.82

Top Twenty Shareholders

as at 31st July 2007

	<u>Shares</u>	<u>%</u>
Investments Pty Ltd	3,172,903	48.80
RBC Dexia Investor Services Australia Nominees Pty Ltd	953,624	14.67
Mrs J Danks	56,715	0.87
Mr R W Butler	55,237	0.85
New Privateer Holdings Ltd	49,522	0.76
Mrs J A Schapper	47,238	0.73
Akir Pty Ltd	47,101	0.72
Mr. A. W. Wilkinson	45,000	0.69
Mrs. M. E. J. Denison	45,000	0.69
Mr. R. L. Denison	39,000	0.60
Miss M. S. Bowskill	36,720	0.56
Mr. J. R. Santleben	35,310	0.54
Mr C Harrison, Mrs J K Harrison	33,349	0.51
Mrs. N. M. Danks	32,947	0.51
Ms H M Scovell	31,837	0.49
Mr A Holst	30,600	0.47
Keenan & Brown Pty Ltd	30,503	0.47
Queensland Investment Corporation	29,909	0.46
Broadmayne Pty Ltd	27,732	0.43
Ringersma Investments Pty Ltd	25,920	0.40
J P Morgan	25,260	0.39
	<u>4,826,167</u>	<u>74.23</u>