

# DANKS HOLDINGS LIMITED

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### Danks profit up despite absorbing \$1.0 m restructuring costs

The Directors of Danks Holdings Ltd have today released the company's results for the half-year to December 2006.

Revenue for the half-year was \$301.5 million, which is a 3.3% growth on the same period last year, and sales for this period have grown by a similar 3.4%.

Profit after Tax has improved on the previous year by 9.1% to \$2.407 million.

The company has aggressively pursued the Improvement Program outlined at the end of the last financial year and the following initiatives have been completed in the past six months.

The company offered a program of voluntary redundancies to staff in the first quarter and the full cost of this was in excess of \$1.0 million, and has been brought to account in this half-year. The second half of this trading year will benefit from this lower cost base.

Danks has continued to consolidate and rationalize its network of Distribution Centres when it signed a lease for a 13,000 m<sup>2</sup> facility in South Dandenong, Victoria. This facility will replace two smaller warehouses, and allow the Company to operate in Melbourne from two warehouse sites. A similar consolidation was achieved last year in NSW with the opening of the Greystanes facility.

Another project that will help the company's performance in the future is a new Demand Planning and Forecasting software tool that has been installed to help with inventory reordering. The company has reported a reduction in its inventory holdings of \$5.7 million for the first half-year.

A new National Customer Service Centre has been established, staffed and commissioned during this six months, and has been very well received by our retail store owners. Prompt answers to customer queries and a future proactive selling role will be the immediate benefits of this change.

The redevelopment of existing stores has been strong in the first half-year with the completion of twenty six (26) retail store refurbishments. This not only represents significant investment by the retailers concerned, but in all cases has delivered very strong increases in the retail sales being achieved by these stores.

Danks have developed a larger retail store format which is referred to internally as 'HoME XL'. During this six month period there have been seven (7) 'XL' stores completed and four of these are brand new sites. The company provides the design and layout for these stores along with an opening order and the ongoing stock requirements.

'Trading margins have continued to be strong which is mainly due to the acceptance by our retailers of the Danks Exclusive Brands (DEB's) range of products', Mr Danks said.

Given the level of restructuring costs that have been absorbed, the Directors are very satisfied with the result for the half year and look forward to the second half with confidence. Consequently the Directors have increased the fully franked interim dividend to 22 cents per share (LY 20 cents).

### Results summary for the six months to December 2006

	2006	2005
Total Revenue \$m	301.5 m	292.0
Pre-Tax Profit \$m	3.56 m	3.27 m
Net Profit \$m	2.41 m	2.24 m
EPS	37.0 c	34.5 c
Interim Dividend	22.0 c	20.0 c

For further Information:

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Danks commenced trading as John Danks & Son Pty Ltd in 1859 and currently operates six hardware Distribution Centres, at Braeside and South Dandenong in Melbourne, which services the South Australian, Northern Territory, Victorian and Tasmanian markets, at Huntingwood and Greystanes in Sydney which services the Queensland and New South Wales markets, and also at Kewdale and Bassendean in Western Australia.

Danks services the product and marketing requirements of HoME Timber & Hardware, Thrifty-Link Hardware and Plants Plus Garden Centres, a total of more than 700 members, who are all independently owned and operated, plus over one thousand other independent retailers.