

Report by Directors

The Directors of Danks Holdings Limited present their report on the company and its controlled entities for the half-year ended 31 December 2006.

Directors

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

P. T. Kempen, Chairman	J. W. Tregaskis*
J. G. Danks*	P.T. Danks
M.D. Danks	T.J. Flood (appointed February 2007)
D.O. Oldfield OAM (retired November 2006)	I.G. Lewis (retired November 2006)

*Executive directors

Review of Operations

Revenue for the half-year grew by 3.3% to \$301.5 million, that combined with continued strong trading margins have resulted in a pre-tax profit \$3.561 million. The improvement on the previous half-year of 9.1% was achieved despite absorbing voluntary redundancies in excess of \$1.0 million.

The Improvement Program commenced in the previous financial year was aggressively pursued during the half-year with the continued rationalisation of the company's network of distribution centres. A facility was leased in South Dandenong, Victoria replacing two smaller warehouses, similar to the consolidation achieved last year in New South Wales.

Other projects included the installation of a Demand Planning and Forecasting software tool that aided in an inventory reduction of \$5.7 million since the end of the financial year. Also the establishment of a National Customer Service Centre which was very well received by our retail store owners.

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

Financial Position

The net assets of the economic entity have increased by \$1,054,000 from \$ 54,420,000 at 30 June 2006 to \$55,474,000 at December 2006. This increase resulted from the operating performance of the group less dividends paid.

The group's working capital, being current assets less current liabilities, has increased from \$51,737,000 at June 2006 to \$52,191,000 in December. The economic entity's interest-bearing liabilities of \$13,000,000 are unchanged from June 2006 while cash assets decreased by \$177,000.

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

Auditor's Independence Declaration

The lead auditor's independence declaration under section 307C of the Corporations Act 2001, for the half-year ended 31 December 2006, has been received and can be found on page 3.

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.

Report by Directors cont'd

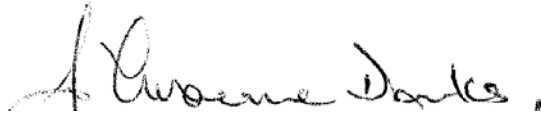
Staff

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



J. G. Danks, Director

Dated 21 February 2007

Auditor's Independence Declaration

Under Section 307C of the Corporations Act 2001

To the Directors of Danks Holdings Ltd

As lead auditor for the review of the financial report of Danks Holdings Limited for the half year ended 31 December 2006, 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

21 February 2007



DANBY BLAND PROVAN & CO

Chartered Accountants

123 Camberwell Road

Hawthorn East Vic

Consolidated Income Statement

Half Year ended 31 December 2006

	Economic Entity	
	31 Dec 2006	31 Dec 2005
	\$'000	\$'000
Revenue	301,467	291,952
Changes in inventories	(5,704)	(6,717)
Inventories purchased	(241,834)	(233,664)
Employee benefit expenses	(17,514)	(16,642)
Occupancy expenses	(2,243)	(1,824)
Depreciation and Amortisation expense	(1,060)	(973)
Finance costs	(699)	(899)
Other expenses	(28,852)	(27,968)
Profit before income tax	3,561	3,265
Income tax expense	(1,154)	(1,022)
Profit for the year attributable to members of the parent entity	2,407	2,243
Basic earnings per share (cents)	37.0	34.5

The accompanying notes form part of these financial statements

Consolidated Balance Sheet

as at 31st December 2006

	Economic Entity	
	31 Dec 2006	30 June 2006
	\$'000	\$'000
Current Assets		
Cash and cash equivalents	1,782	1,959
Trade and other receivables	73,594	65,351
Inventories	37,976	43,680
Financial assets	-	75
Other current assets	2,029	1,131
Total Current Assets	115,381	112,196
Non-Current Assets		
Property, plant and equipment	17,051	16,489
Deferred tax assets	2,624	2,878
Total Non-Current Assets	19,675	19,367
Total Assets	135,056	131,563
Current Liabilities		
Trade and other payables	60,336	57,254
Current tax liabilities	-	-
Short term provisions	2,854	3,205
Total Current Liabilities	63,190	60,459
Non-Current Liabilities		
Long-term borrowings	13,000	13,000
Deferred tax liabilities	1,053	1,075
Long-term provisions	2,339	2,609
Total Non-Current Liabilities	16,392	16,684
Total Liabilities	79,582	77,143
Net Assets	55,474	54,420
Equity		
Issued capital	7,391	7,391
Reserves	6,312	6,365
Retained earnings	41,771	40,664
Total Equity	55,474	54,420

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

Year ended 31 December 2006

	Note	Share Capital Ordinary \$'000	Retained Earnings \$'000	Capital Profits Reserve \$'000	Asset Revaluation Reserve \$'000	Hedge Reserve \$'000	Total \$'000
Balance at 1 July 2005		7,391	40,623	-	6,312	-	54,326
Net profit for the period		-	2,243	-	-	-	2,243
Dividends paid or proposed		-	(1,625)	-	-	-	(1,625)
Balance at 31 December 2005		7,391	41,241	-	6,312	-	54,944
Balance at 1 July 2006		7,391	40,664	3,857	2,455	53	54,420
Net profit for the period		-	2,407	-	-	-	2,407
Revaluation increment		-	-	-	-	-	-
Transfers from hedge reserve		-	-	-	-	(53)	(53)
Dividends paid or proposed		-	(1,300)	-	-	-	(1,300)
Balance at 31 December 2006		7,391	41,771	3,857	2,455	-	55,474

The accompanying notes form part of these financial statements.

Consolidated Cash Flow Statement

Half-year ended 31st December 2006

	Economic Entity	
	31 Dec 2006	31 Dec 2005
	\$'000	\$'000
Cash Flows From Operating Activities		
Receipts from customers	321,541	312,542
Payments to suppliers and employees	(317,462)	(306,710)
Interest received	99	66
Dividends received	-	-
Finance costs	(769)	(899)
Income tax paid	(663)	(1,628)
Net cash provided by (used in) operating activities	<u>2,746</u>	<u>3,371</u>
Cash Flows From Investing Activities		
Proceeds from sale of property, plant and equipment	92	112
Payment for property, plant and equipment	<u>(1,715)</u>	<u>(1,188)</u>
Net cash provided by (used in) investing activities	<u>(1,623)</u>	<u>(1,076)</u>
Cash Flows From Financing Activities		
Proceeds from borrowings	-	3,000
Dividends paid	<u>(1,300)</u>	<u>(1,625)</u>
Net cash provided by (used in) financing activities	<u>(1,300)</u>	<u>1,375</u>
Net increase (decrease) in cash held	(177)	3,670
Cash at beginning of financial year	<u>1,959</u>	<u>(3,913)</u>
Cash at end of financial year	<u>1,782</u>	<u>(243)</u>

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

Half-year ended 31st December 2006

Note 1: Basis of Preparation

The half-year consolidated financial statements are a general purpose financial report that has been prepared in accordance with the Corporations Act 2001, applicable Accounting Standards including AASB 134: Interim Financial Reporting, and other mandatory professional reporting requirements.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30th June 2006 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.

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

The half-year 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.

Statement of compliance

The accounting policies applied by the consolidated entity in this half year report are the same as those applied by the consolidated entity in the consolidated financial report as at 30 June 2006.

	Economic Entity	
	31 Dec	31 Dec
	2006	2005
	\$'000	\$'000

Note 2 Dividends

Final fully franked ordinary dividend of 20c (2005: 25c) per share franked at the tax rate of 30% (2005:30%)

1,300 1,626

Proposed Interim fully franked ordinary dividend of 22c (2005:20c) per share franked at the tax rate of 30% (2005 30%)

1,430 1,300

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 8
 - (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 2006 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.



Director
P. T. Kempen



Director
J. G. Danks

Dated at Braeside 21 February 2007.

Independent Review Report to the Members of Danks Holdings Limited

We have reviewed the accompanying half-year financial report of Danks Holdings Limited, which comprises the consolidated balance sheet as at 31 December 2006, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the half-year ended on that date, a statement of accounting policies and other explanatory notes and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the half-year's end.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards AASB 134 and the Corporations Act 2001. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the half-year 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.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of an Interim Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of Danks Holdings Limited's financial position as at 31 December 2006 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Danks Holdings Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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 the Corporations Act 2001 including:

- a) giving a true and fair view of the company's financial position as at 31 December 2006 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.



DANBY BLAND PROVAN & CO



R. A. Lane - Partner

Dated 21 February 2007