



22 August 2007

Improvement Program Yields Benefits for Danks - FY'07 Profit Up By 31%

The company is one of Australia's largest providers of hardware, outdoor lifestyle, garden products and retailer services. The company has a strong commitment to improving all aspects of its customer service.

The continual improvement in customer service coupled with the Supply Chain restructure, which commenced in FY06, along with the voluntary redundancy program in the first half of FY07, sees Danks Holdings Ltd (DKS) lift Net Profit after Tax to \$3.90 m. This is an improvement of 31% on last year's result of \$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%

The Board of Directors are pleased with the turnaround in the profit performance of the business and the benefits of the restructuring program. The Board has declared (record date 8 October 2007) a fully franked final dividend of 22 cents per ordinary share which will be paid on 31 October 2007. This brings the full year dividend to 44 cents per share, an increase of 10% above last year's dividend payment of 40 cents.

During the financial year the company established a number of technology based tools that were designed to improve stock availability and track the progress of customer order fulfillment and delivery. These new systems allowed Danks to maintain its internal benchmarks for service levels of stock availability and order delivery.

As part of the program to create a leaner structure, a national Customer Contact Centre was established in Melbourne to more efficiently handle service issues and streamline customer processes. The backbone of the contact centre is a sophisticated CRM technology platform that allows for seamless contact with customers across the whole Danks organization.

Mr. Danks commented that Phase 2 of the improvement program was delivering the benefits that had been outlined a year earlier and that Phase 3 had already started with the establishment of a new promotional / imports warehouse in South Dandenong, the vacating of the secondary warehouse in Dingley, and the relocation out of expensive third party warehousing in Laverton.

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In addition, the company will relocate to a new purpose built warehouse in Perth in the 3rd quarter of F'08. Danks has begun the definition stage for a new computer system to handle all core business and warehouse management computing across the group.

The company maintained its trading margin throughout the year aided by better margins on imported product and improved arrangements with national suppliers.

Sales of Danks Exclusive Brands (DEB's) again were strong in Plumbing, Tools and Gardening.

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. Working capital management continues to be a core focus in terms of receivables and inventory management.

The business is now very well placed in terms of its ability to fund business growth and or suitable acquisitions.

“Mr. Danks confirmed that the company is continuing to execute its strategies with regard to sales growth in the coming year. Management is continuing to look for opportunities to grow the number of Group Members and to grow sales to existing members. These initiatives include stronger marketing programs, store refits, store upgrades, improved trade deals and the continuation of core range reviews.”

RESULTS SUMMARY

	2007	2006	% Change
Total Revenue \$m	558.8 m	547.1 m	2.1
Sales Revenue \$m	510.4 m	500.1 m	2.1
Pre-Tax Profit \$m	6.155 m	4.440 m	38.6
Net Profit \$m	3.902 m	2.967 m	31.5
EPS	60.0 c	45.6 c	31.5
Interim Dividend	22.0 c	20.0 c	10.0
Final Dividend	22.0 c	20.0 c	10.0

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Further information on John Danks & Son Pty Ltd. can be found on our internet site: www.danks.com.au

Danks commenced trading as John Danks & Son Pty Ltd in 1859 and currently operates 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 in Perth that services Western Australia. There are also State Sales and Services offices in Brisbane, Sydney, Melbourne, Adelaide and Perth

Danks provides the product and Retailer Services requirements for HoME Timber & Hardware, Thrifty-Link Hardware and Plants Plus Garden Centres, a total of more than 650 stores, who are all independently owned and operated, plus over one thousand other independent retailers.