



DANKS HOLDINGS LIMITED
ABN 81 004 295 532

**ANNUAL GENERAL MEETING
18 NOVEMBER 2008**

CHAIRMAN'S ADDRESS

WELCOME

Welcome to the 57th Annual General Meeting of Danks Holdings Limited.

May I extend a special welcome to our long standing shareholders, and also to our new shareholders attending their first Danks AGM.

I am delighted to be presenting to you again as your Chairman, and am pleased that I am able to report a slight improvement in the company's fortunes in the last financial year despite the weakening economic conditions in Australia.

WELCOME TO OUR NEW DIRECTOR

Following the resignation of Tom Flood in November last year due to other commitments, the Board undertook a search for a new non-executive director.

The company was looking for an experienced person with skills that would be complementary to the other directors, particularly in the areas of retailing and logistics.

I am pleased today to introduce our newest director Mr. Joe Barberis.

Mr. Barberis joined the Board in September 2008. Mr. Barberis has had a distinguished career in retail and distribution where his most recent role was Managing Director of Officeworks. Prior to Officeworks Mr. Barberis managed the transition of the Shell fuel outlets into the Coles Express network. Joe served over 20 years within the Shell organization in various senior roles including General Manager of Shell's retail businesses in Australia, New Zealand and the Pacific Islands.

I am pleased to say that the board is already benefiting from the experience of Mr. Barberis. As you know Joe is offering himself for election today; and we look forward to his continuing guidance in building the Danks business.

OTHER BOARD MATTERS

As you are aware Mr. John Tregaskis retired from the company and the Board in mid July of this year. John made an extremely valuable contribution to the company over a long and distinguished career, and on your behalf I would to thank him and wish him well in his future pursuits.

The Board was saddened to learn of the death of our former Chairman, Mr. Doug Oldfield in August of this year. Doug served on the Board of the company for 27 years prior to his retirement in November 2006.

RESULTS FOR THE YEAR ENDED 30 JUNE 2008

The Board was pleased to report a 3% increase in Net Profit after Tax to \$4.0m for the year.

This was achieved despite a disappointing sales growth in a number of the larger states due to the drought, continuing low levels of housing construction and the loss of some stores to the group. Western Australia continued to show strong sales growth. A key strategy to mitigate the effects of a slowing economy and the loss of stores was to improve service levels to customers. It is pleasing to report that during the year the company maintained a 95% warehouse service level to customers.

Trading Margins were maintained during the year and the underlying cost base was restricted to a 4% increase despite major cost pressures in freight and wages.

The company again strengthened its balance sheet with improved working capital management, particularly in inventory where we maintained our high service level whilst reducing inventory holdings by \$2 million. This followed a significant inventory reduction in the prior year.

The strengthening of the balance sheet meant the company was able to reduce its borrowing costs from the prior year.

DIVIDEND

The board was pleased to maintain dividends throughout the year. Eligible shareholders were paid a final dividend of 22 cents per share on the 31st October 2008. This brings the total dividend payment for the year to 44 cents per share fully franked.

DANKS CONTINUES TO INVEST IN TOMORROW.

During 2007/08 Danks assisted customers in 45 significant store developments during the year, including 13 major XL format store redevelopments. It is pleasing to note that the upgrades have helped our customers grow their business and meet the competition head on. The flow on benefit to our company is the very strong increase in warehouse purchases from these customers.

Danks has successfully moved into a new purpose built warehouse in Perth to service the growing Western Australia market. The move was a feat of great planning and execution with the entire move completed in just 3 days. The move also coincides with a considerable investment in new materials handling technology in order to generate further supply chain efficiencies in Western Australia.

The Danks customer call centre, First Point, continues to provide a very high level of service to customers. It has lead the way in educating customers about the vast array of electronic services available to customers of Danks. During the year First Point expanded its services to include outbound telemarketing to the existing customer base.

STRATEGY

The Board is pleased to report that the first acquisition as a result of the strategy to have direct ownership in large retail hardware operations was completed in July 2008. Blue Mountains Hardware, an existing HoME Timber and Hardware store was acquired for \$3.64m. To date the store has performed to expectations and gives the Board confidence to continue to follow the strategy.

The company is continuing to look at further acquisition opportunities, however only those that fit our strategy and meet strict financial criteria will be pursued.

OUTLOOK

The current economic outlook is extremely challenging and very difficult to forecast. In the 4 months to 31st October the company has recorded a 2.6% decrease in sales versus the same period in the prior year. New South Wales, South Australia and Queensland have been the states most affected.

Despite this small drop in sales the company so far, has been able to maintain similar profit levels to last year.

At every opportunity the company is examining its cost base whilst continuing to maintain services to its customers. In July 2008 the Retail Operations team restructure was completed.

A number of experienced Business Development Managers were appointed to replace the existing sales support network. The aim of the restructure was to reduce geographic overlap and to provide a more targeted approach to achieving better outcomes for the business.

The above level of uncertainty means that the company is unable to provide any earnings guidance for the year ending 30 June 2009.

Thank you