

# 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 2008.

## 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* (resigned July 2008)
J. G. Danks*	P.T. Danks
M.D. Danks	D. G. Hendy
J.J.Barberis (appointed September 2008)	

\*Executive directors

## Review of Operations

Revenue in the first half was \$299.4m, down 1.3% on the same period last year. Victoria achieved a positive sales growth but both Queensland and Western Australia struggled to maintain the previous sales growth performance of the last few years.

Directors are also pleased to report that Blue Mountains HoME Hardware, acquired in July 2007 has performed well and is meeting its revenue and profitability targets and made a positive contribution to EPS in the first half.

Trading margins were maintained during the half year. The Danks Exclusive Brands (DEBS) program continues to benefit the group as it is developed. The DEBS family of brands include: Del Terra, Earthcore, Red Centre, Tekraft, Worx and Sirdar. A number of new initiatives in the lighting product category saw the introduction of the brand Olsent. In addition the company recently released a new house brand of paint for the HoME Timber & Hardware group under the 'Finish' brand which is produced and supported by a major paint company.

Cost increases in labour and freight were largely offset by efficiency gains made elsewhere in the business. In July 2008 a restructure of the Retail Operations team was implemented. This involved a significant recruitment campaign aimed at attracting highly skilled business development managers who have replaced the representative sales team. This resulted in a net reduction of 20 FTE's. Total restructure costs incurred were \$446k.

The company is continuing to support a number of its customers who have made large reinvestments in their retail stores by implementing major upgrades. In the first half of the 2009 financial year 16 major upgrades, including 3 large 'XL' formats were completed.

Danks has for a number of years been marketing its own integrated retail point of sale and back office system (DART) for the independent retail hardware segment. In the six months ended 31 December 2008 eight systems were installed into the retail operations of the company's customers. These systems provide our customers with leading edge business tools that allow them to control their businesses and maximise financial performance.

## Financial Position

The net assets of the economic entity have increased by \$1,192,000 from \$60,819,000 at 30 June 2008 to \$62,011,000 at 31 December 2008. This increase resulted from the operating performance of the group less dividends paid.

The group's working capital, being inventories, receivables and payables, has increased from \$49,704,000 at June 2008 to \$55,453,000 at 31 December 2008. The economic entity's interest-bearing liabilities of \$13,410,000 have increased by \$6,410,000 from June 2008, while cash assets increased by \$134,000.

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

## Report by Directors cont'd

The company currently has an on-market share buyback scheme in operation. This scheme expires on 18 December 2009.

### 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 2008, 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.

### 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 17 February 2009

# Auditor's Independence Declaration

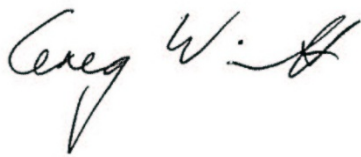
Under Section 307C of the Corporations Act 2001

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 2008, 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.



**G D WINNETT**

Partner

17 February 2009



**DANBY BLAND PROVAN & CO**

Chartered Accountants

123 Camberwell Road

Hawthorn East Vic

# Consolidated Income Statement

Half-year ended 31 December 2008

	Economic Entity	
	31 Dec 2008	31 Dec 2007
	\$'000	\$'000
Revenue	<b>299,434</b>	303,469
Changes in inventories	<b>5,011</b>	(2,401)
Inventories purchased	<b>(249,673)</b>	(248,286)
Employee benefit expenses	<b>(16,900)</b>	(16,941)
Occupancy expenses	<b>(2,904)</b>	(2,457)
Depreciation and Amortisation expense	<b>(1,451)</b>	(1,271)
Finance costs	<b>(830)</b>	(610)
Other expenses	<b>(28,663)</b>	(27,717)
Profit before income tax	<b>4,024</b>	3,786
Income tax expense	<b>(1,322)</b>	(1,187)
Profit for the period attributable to members of the parent entity	<b>2,702</b>	2,599
Basic earnings per share (cents)	<b>41.6</b>	40.0

*The accompanying notes form part of these financial statements*

# Consolidated Balance Sheet

as at 31<sup>st</sup> December 2008

	Economic Entity	
	31 Dec 2008	30 Jun 2008
	\$'000	\$'000
<b>Current Assets</b>		
Cash and cash equivalents	609	475
Trade and other receivables	67,332	63,213
Inventories	41,083	36,889
Other Current Assets	1,065	722
<b>Total Current Assets</b>	<b>110,089</b>	<b>101,299</b>
<b>Non-Current Assets</b>		
Property, plant and equipment	23,828	23,911
Goodwill	1,787	-
Intangible Assets	501	-
Deferred tax assets	2,650	2,565
<b>Total Non-Current Assets</b>	<b>28,766</b>	<b>26,476</b>
<b>Total Assets</b>	<b>138,855</b>	<b>127,775</b>
<b>Current Liabilities</b>		
Trade and other payables	52,962	50,395
Short Term Borrowings	6,410	1,000
Other Current Liabilities	2,190	-
Current Tax Liabilities	547	546
Short Term Provisions	2,571	3,236
<b>Total Current Liabilities</b>	<b>64,680</b>	<b>55,177</b>
<b>Non-Current Liabilities</b>		
Long Term Borrowings	7,000	7,000
Deferred Tax Liabilities	3,051	2,921
Long Term Provisions	2,113	2,113
<b>Total Non –Current Liabilities</b>	<b>12,164</b>	<b>12,034</b>
<b>Total Liabilities</b>	<b>76,844</b>	<b>67,211</b>
<b>Net Assets</b>	<b>62,011</b>	<b>60,564</b>
<b>Equity</b>		
Issued Capital	7,321	7,351
Reserves	10,423	10,220
Retained Earnings	44,267	42,993
<b>Total Equity</b>	<b>62,011</b>	<b>60,564</b>

*The accompanying notes form part of these financial statements.*

# Consolidated Statement of Changes in Equity

Half-year ended 31 December 2008

	Note	Share Capital Ordinary \$'000	Retained Earnings \$'000	Capital Profits Reserve \$'000	Asset Revaluation Reserve \$'000	Hedge Reserve \$'000	Total \$'000
<b>Consolidated Group</b>							
Balance at 1 July 2007		7,391	41,836	3,857	6,566	-	59,650
Profit attributable to members of the Parent entity		-	2,599	-	-	-	2,599
Dividends paid or proposed		-	(1,430)	-	-	-	(1,430)
Balance at 31 December 2007		7,391	43,005	3,857	6,566	-	60,819
<b>Balance at 1 July 2008</b>		<b>7,351</b>	<b>42,993</b>	<b>3,857</b>	<b>6,566</b>	<b>(203)</b>	<b>60,564</b>
<b>Profit attributable to members of the parent entity</b>		<b>-</b>	<b>2,702</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,702</b>
<b>Hedge reserve reversal</b>						<b>203</b>	<b>203</b>
<b>Share buyback</b>		<b>(30)</b>					<b>(30)</b>
<b>Dividends paid or proposed</b>		<b>-</b>	<b>(1,428)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,428)</b>
<b>Balance at 31 December 2008</b>		<b>7,321</b>	<b>44,267</b>	<b>3,857</b>	<b>6,566</b>	<b>-</b>	<b>62,011</b>

*The accompanying notes form part of these financial statements.*

# Consolidated Cash Flow Statement

Half-year ended 31<sup>st</sup> December 2008

	Economic Entity	
	31 Dec 2008	31 Dec 2007
	\$'000	\$'000
<b>Cash Flows from Operating Activities</b>		
Receipts from customers	319,674	325,035
Payments to suppliers and employees	(318,986)	(321,967)
Interest received	55	129
Finance costs	(750)	(610)
Income tax paid	(920)	(935)
Net cash provided by (used in) operating activities	(927)	1,652
<b>Cash Flows from Investing Activities</b>		
Investments	Note 7 (1,977)	-
Proceeds from sale of property, plant and equipment	139	54
Payment for property, plant and equipment	(1,054)	(1,136)
Net cash provided by (used in) investing activities	(2,892)	(1,082)
<b>Cash Flows from Financing Activities</b>		
Proceeds from borrowings	3,000	3,000
Dividends paid	(1,428)	(1,430)
Share buy back	(30)	-
Net cash provided by (used in) financing activities	1,542	1,570
Net increase (decrease) in cash held	(2,277)	2,140
Cash at beginning of financial year	475	7,352
Cash at end of financial year	(1,802)	9,492
<i>Cash consists of:</i>		
Cash and cash equivalents	609	
Bank Overdraft	(2,411)	
Cash at end of financial year	(1,802)	

*The accompanying notes form part of these financial statements.*

# Notes to the Financial Statements

Half-year ended 31st December 2008

## 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 30 June 2008 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 2008.

	Economic Entity	
	31 Dec	31 Dec
	2008	2007
	\$'000	\$'000
<b>Note 2 Dividends</b>		
Final fully franked ordinary dividend of 22 (2007: 22c) per share franked at the tax rate of 30% (2007:30%)	1,428	1,430
Proposed Interim fully franked ordinary dividend of 22c (2007:22c) per share franked at the tax rate of 30% (2007: 30%)	1,428	1,430

## 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.

# Notes to the Financial Statements

Half-year ended 31st December 2008

## Note 6: Segment Information

The economic entity operates solely in Australia, in the distribution industry

## Note 7: Business Combination

On the 7th July 2008 the group acquired the retail hardware business, Blue Mountains Hardware in Katoomba NSW. The consideration for the purchase is \$3.58 million including a deferred component of \$1.60 million payable on 7th July 2009.

<b>Purchase consideration</b>	<b>3,577</b>
Cash Consideration	1,977
<b>Amount due under contract of sale</b>	<b>1,600</b>
<b>Assets and liabilities held at acquisition date</b>	
Inventory	962
Fixed Assets	377
Employee entitlements	(85)
Other Assets	125
Intangible Assets – Customer List	604
<b>Net Assets</b>	<b>1,983</b>
Add: Acquisition related expenses	193
<b>Goodwill on Consolidation</b>	<b>1,787</b>

## Directors' Declaration


The directors of the company declare that:

1. The financial statements and notes set out on pages 4 to 9
  - (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 2008 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 17 February 2009.

## **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 2008, 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 2008 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.

### **Independence**

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

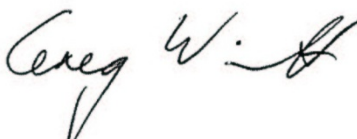
### **Conclusion**

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 2008 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**



**G D Winnett - Partner**  
Dated 17 February 2009