Danka Business Systems PLC
03 November 2005

Embargoed until 13.30 3rd November 2005

DANKA BUSINESS SYSTEMS PLC
('Danka', the 'Company' or the 'Group')

Announcement of results for the half year and second quarter ended 30th September 2005

Danka Business Systems PLC, a leading independent global provider of office imaging systems and services, today announced its results for the first half year and quarter ended 30th September 2005. Danka reported first half year revenue of £319.4 million, gross margins of 33.3% and a loss from continuing operations before tax and finance costs of £11.5 million, including a cost restructuring charge of £4.2 million. That charge relates to the Company's ongoing Vision 21 reengineering programme which has contributed to a decline in operating costs (distribution costs and administrative expenses) as a percentage of revenue to 34.8% from 35.5% a year ago. The half year results, as well as results for prior reporting periods, include Danka's former Central and South American subsidiaries, which were sold to Toshiba America Business Solutions, Inc., near the end of the second quarter, and a Canadian subsidiary, which was sold to Pitney Bowes with effect from the end of the first quarter.

'Our second quarter results reflect continued pressure on our revenue and margins across the business, in part due to the normal seasonality we see during this period and the effects of a highly competitive market environment,' said Danka Chief Executive Officer Todd Mavis. 'To meet these challenges, we have continued to take costs out of the business, and we expect recent organisational streamlining and outsourcing actions to yield further savings. In addition, we have significantly narrowed our geographical focus with recent sales of operations in Canada and Central and South America. We were encouraged by the continued performance in our general line field sales groups, but were disappointed in our U.S. national accounts, where a few larger transactions were delayed. Market pricing pressures, equipment mix, and other factors impacted our gross margins and we are taking steps to address this. And while volume from newer service contracts with printer manufacturers ramped up more slowly than anticipated in the second quarter, our core annuity services metrics continued to improve with the digital portion of our installed base increasing to 72%, digital volume increasing to 85% of total volume, and sales of digital colour systems growing by 16% over the year-ago quarter.'

Key financial metrics for the first half year:

- Total revenue was £319.4 million, which was 6.5% lower than the year-ago period. Retail equipment and related sales improved by £5.3 million from the comparative prior year period, while retail maintenance revenue decreased by £21.8 million from the comparative prior year period. The decline in retail maintenance revenue was due in large part to a continuing decline and shift in our machines in field, the decline in our analogue business and lower service pricing.

- Consolidated gross margins were 33.3% of revenue, lower than the 37.4% reported in the comparative prior year period. Retail equipment and related margins decline as a result of market pressures on pricing, a shift in product mix and product portfolio gaps. The decline in retail maintenance margins was due in large part to the effect of lower revenue on fixed service costs and continued investments to meet our obligations to printer manufacturer partners.

- Operating costs were £111.0 million, an 8.4% decline from the year-ago period. Contributing to the decrease were lower corporate and overhead costs as a result of the Company's continued streamlining of operations and efficiencies from its Vision 21 initiative. Improved internal systems also enabled the Company to identify a £2.1 million sales tax credit in the U.S.

- The loss from continuing operations before tax and finance costs was £11.5 million, including £4.2 million in restructuring costs and the £2.4 million net loss on the disposal of the Canadian, and Central and South American operations. That compares to a profit from continuing operations before tax and finance costs of £5.4 million for the comparative prior year period.

- Free cash flow (net cash provided by operating and investing activities excluding cash flows from acquisitions and disposals) was £(6.1) million, compared to £4.3 million from the comparative prior year period.

The results of the second quarter included revenue of £152.6 million, gross margins of 32.7% and a loss from continuing operations before tax and finance costs of £9.2 million, including a cost restructuring charge of £1.2 million and a loss on sale of operations of £5.5 million.

Key financial metrics for the second quarter:

- Total revenue was £152.6 million, which was 10.1% less than the year-ago period, with retail equipment and related sales declining by 6.4% and retail maintenance revenue declining by 12.7%. Primary reasons for the decline in retail equipment and related revenue are the delay of certain transactions in the Company's U.S. national accounts business, softness in certain European geographies and gaps in our U.S. product portfolio. The decline in retail maintenance revenue was due in large part to a continuing decline and shift in our machines in field, and the decline in our analogue business and lower service pricing. We further experienced a slower than anticipated ramp-up in volume from newer printer manufacturer contracts.

- Consolidated gross margins were 32.7% of revenue, lower than the 36.3% in the year-ago quarter. In the retail equipment segment, the factors in the margin decline included worldwide market pressures on pricing, an unfavourable product mix, primarily in Europe, certain product gaps and lower manufacturer incentives due to lower sales. The decline in retail maintenance margins was due in large part to the effect of lower revenue on fixed service costs and continuing investments to meet our obligations to printer manufacturer partners.

- Operating costs were £52.0 million, or 34.1% of sales, and were 12.4% lower than the year-ago period. Contributing to the decrease were lower overhead and corporate costs as a result of the Company's continued streamlining of operations and efficiencies from its Vision 21 initiative. Operating costs were favourably impacted by a £2.1 million sales tax recovery in the U.S.

- The losses from continuing operations before tax and finance costs was £9.2 million for the current year period, compared to a profit of £1.9 million for the prior year comparable period. The current year period results include a £1.2 million restructuring charge and a loss on sale of operations of £5.5 million, while the comparative prior year period included a £0.1 million restructuring charge.

'In addition to our continuing priority to streamline the business and reduce costs, we're also focused on the effective management of working capital,' noted Danka Chief Financial Officer Ed Quibell, a veteran of the services and software industries who joined the Company as CFO in August. 'In the second quarter we saw sequential improvements in key working capital areas, including a £7.4 million reduction in net accounts receivable and a £4.9 million decrease in inventories, offset by a £14.3 million reduction in accounts payable. Further evidence of improvement is U.S. days sales outstanding, a major area of focus for us, which were just over 46 days compared to almost 60 days just a couple of quarters ago. On the expense side, we have cut our administrative expenses by 19% over the past year as we become more efficient and increase employee productivity.'

Conference Call and Webcast

A conference call and Webcast to discuss Danka's half year and second quarter results has been scheduled for today, Thursday, 3rd November at 3:00 p.m. U.K. time. To access the Webcast, please go to www.danka.com. To participate in the conference call, callers in the United States and Canada may dial 800-309-1555; UK and other international callers should dial 001-706-643-7754. No conference number is needed. A recording of the call will be available from approximately two hours after the call ends until 10:00 p.m. UK time on 10th November. To access this recording, callers in the United States and Canada may dial 800-642-1687 and UK and other international callers may dial 001-706-645-9291 (the conference ID number for replay is 1727004) or visit Danka's Web site.

About Danka

Danka delivers value to clients worldwide by using its expert technical and professional services to implement effective document information solutions. As one of the largest independent providers of enterprise imaging systems and services, the Group enables choice, convenience and continuity. Danka's vision is to empower customers to benefit fully from the convergence of image and document technologies in a connected environment. This approach will strengthen the Group's client relationships and expand its strategic value. For more information, visit Danka at www.danka.com.

- ends -

For further information please contact:

Danka Business Systems PLC
Donald Thurman, Danka Investor Relations 001 770 280 3990
Paul Dumond, Company Secretary 020 7605 0154

Weber Shandwick Square Mile
James Chandler/Helen Thomas 020 7067 0700

Certain statements contained herein, or otherwise made by the Group's officers, including statements related to Danka's future performance and the outlook for the Group's businesses and respective markets, projections, statements of the Group's plans or objectives, forecasts of market trends and other matters, are forward-looking statements, and contain information relating to Danka that is based on management's beliefs as well as assumptions made by, and information currently available to management. The words 'goal', 'anticipate', 'expect', 'believe' and similar expressions as they relate to Danka are intended to identify forward-looking statements, although not all forward-looking statements contain such identifying words. No assurance can be given that the results in any forward-looking statement will be achieved. For the forward-looking statements, Danka claims the protection of the safe harbour for forward-looking statements provided for in the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, as amended. Such statements reflect management's current views with respect to future events and are subject to certain risks, uncertainties and assumptions that could cause actual results to differ materially from those reflected in the forward-looking statements. Factors that might cause such actual results to differ materially from those reflected in any forward-looking statements include, but are not limited to, the following: (i) any inability to implement Danka's strategy successfully; (ii) any inability to comply with the financial or other covenants in the Group's debt instruments; (iii) any material adverse change in financial markets, the economy or in the Group's financial position; (iv) increased competition in the industry and the discounting of products by the Group's competitors; (v) new competition as the result of evolving technology; (vi) any inability by Danka to procure or any inability by Danka to continue to gain access to and distribute successfully new products, including digital products, colour products, multi-function products and high-volume copiers, or to continue to bring current products to the marketplace at competitive costs and prices; (vii) any inability to arrange financing for Danka's customers' purchases of equipment from Danka; (viii) any inability to enhance and unify the Group's management information systems successfully; (ix) any inability to record and process key data due to ineffective implementation of business processes and policies; (x) any negative impact from the loss of a key vendor or customer; (xi) any negative impact from the loss of any of the Group's senior or key management personnel; (xii) any change in economic conditions in domestic or international markets where Danka operates or has material investments which may affect demand for the Group's products or services; (xiii) any negative impact from the international scope of the Group's operations; (xiv) fluctuations in foreign currencies; (xv) any inability to achieve or maintain cost savings; (xvi) any incurrence of tax liabilities beyond management's current expectations, which could adversely affect the Group's liquidity; (xvii) any delayed or lost sales and other impacts related to the commercial and economic disruption caused by past or future terrorist attacks, the related war on terrorism, and the fear of additional terrorist attacks; and (xviii) other risks including those risks identified in any of the Group's filings with the Securities and Exchange Commission, or the SEC. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's analysis only as at the date they are made. Except as required by applicable law, Danka undertakes no obligation and does not intend to update these forward-looking statements to reflect events or circumstances that arise after the date they are made. Furthermore, as a matter of policy, Danka does not generally make any specific projections as to future earnings, nor does Danka endorse any projections regarding future performance, which may be made by others outside the Company.

The financial information for the half years and quarters ended 30th September, 2005 and 2004 is unaudited and not reviewed and does not constitute full accounts within the meaning of Section 240 of the Companies Act 1985. The financial information for such periods is prepared on the basis set out in note 2 to the financial information below. The comparative figures for the financial year ended 31st March 2005 are not the Company's statutory accounts for that year. Those accounts, which were prepared under UK Generally Accepted Accounting Practices, have been reported on by the Company's auditors but not yet delivered to the Registrar of Companies. The report of the auditors was unqualified and did not contain statements under section 237(2) or (3) of the Companies Act 1985.

This press release contains information regarding free cash flow that is computed as net cash provided by (used in) operating activities less capital expenditures plus proceeds from the sale of property and equipment and net debt that is computed as current maturities of long-term debt and notes payable plus long-term debt and notes payable less cash and cash equivalents. These measures are non-IFRS financial measures, defined as numerical measures of our financial performance that exclude or include amounts so as to be different than the most directly comparable measure calculated and presented in accordance with International Financial Reporting Standards, or IFRS in our statement of operations, balance sheet or statement of cash flows. The notes to this press release provide a reconciliation of these non-IFRS financial measures to the most directly comparable IFRS financial measures.

Although free cash flow and net debt represent non-IFRS financial measures, we consider these measures to be key operating metrics of the Group. We use these measures in our planning and budgeting processes, to monitor and evaluate our financial and operating results and to measure performance of our separate divisions. We also believe that free cash flow and net debt are useful to investors because they provide an analysis of financial and operating results using the same measures that we use in evaluating the Group. We expect that such measures provide investors with the means to evaluate our financial and operating results against other companies within our industry. We believe that these measures are meaningful to investors in evaluating our ability to meet our future debt service requirements and to fund our capital expenditures and working capital requirements. Our calculation of free cash flow and net debt may not be consistent with the calculation of these measures by other companies in our industry. Free cash flow and net debt are not measurements of financial performance under IFRS and should not be considered as an alternative to net earnings (loss) as an indicator of our operating performance or cash flows from operating activities as a measure of liquidity or any other measures of performance derived in accordance with IFRS.

Danka is a registered trademark and TechSource is a trademark of Danka Business Systems PLC. All other trademarks are the property of their respective owners.

Group Income Statement
For the Three and Six Months Ended 30th September 2005 and 2004

	Note	Three Months Ended September 30 2005 £000	Three Months Ended September 30 2004 £000	Six Months Ended 30 September 2005 £000	Six Months Ended 30 September 2004 £000
Continuing operations					
Revenue	4	152,565	169,652	319,351	341,488
Cost of sales		(102,627)	(108,137)	(213,152)	(213,908)
Gross profit	4	49,938	61,515	106,199	127,580
Other operating income		(326)	102	203	156
Distribution costs		(23,143)	(23,724)	(47,377)	(48,689)
Administrative expenses		(28,819)	(35,612)	(63,598)	(72,473)
Other operating expense		(144)	(329)	(281)	(448)
Restructuring costs		(1,170)	(92)	(4,179)	(735)
Net loss on sale of operations	5	(5,531)	-	(2,426)	-
(Loss)/profit from continuing operations before tax and finance costs		(9,195)	1,860	(11,459)	5,391
Investment income		90	180	171	284
Finance costs		(7,708)	(7,840)	(15,363)	(15,235)

	Note				
Loss from continuing operations before tax		(16,813)	(5,800)	(26,651)	(9,560)
Tax - overseas		(537)	(100)	(1,222)	-
Loss from continuing operations for the period and attributable to equity holders of the parent		(17,350)	(5,900)	(27,873)	(9,560)
Loss per share:	7				
Basic from continuing operations		(6.8)p	(2.3)p	(11.0)p	(3.8)p
Basic from discontinued operations		-	-	-	-
		(6.8)p	(2.3)p	(11.0)p	(3.8)p
Diluted from continuing operations		(6.8)p	(2.3)p	(11.0)p	(3.8)p
Diluted from discontinued operations		-	-	-	-
		(6.8)p	(2.3)p	(11.0)p	(3.8)p
Average exchange rate £1=		$ 1.784	$ 1.819	$1 820	$ 1.813
Average exchange rate £1=		€ 1.463	€ 1.488	€ 1.468	€ 1.494

Danka Business Systems PLC

Group Balance Sheets

	30th September 2005 £000	30th September 2004 £000	31st March 2005 £000
Non-current assets			
Intangible assets	871	536	1,084
Goodwill	2,212	1,205	2,037
Property and equipment	24,008	32,325	26,818
Equipment on operating leases	8,535	13,270	12,412
Other	6,099	8,069	10,029
	41,725	55,405	52,380
Current assets			
Inventories	54,366	58,207	51,184
Prepaid expenses	6,258	10,618	6,844
Trade and other receivables	106,170	134,814	120,977
Cash and cash equivalents	48,323	58,940	51,947
	215,117	262,579	230,952
Total assets	256,842	317,984	283,332
Current liabilities			
Trade and other payables	(96,708)	(86,442)	(91,706)
Tax liabilities	(25,601)	(32,445)	(25,424)
Obligations under finance leases	(970)	(1,112)	(1,036)
Current portion of long-term borrowings	(93)	(965)	(179)
Deferred revenue	(20,018)	(23,647)	(21,264)

Short-term provisions	(51,026)	(53,955)	(59,885)
	(194,416)	(198,566)	(199,494)
Non-current liabilities			
Bank loans	(129,643)	(125,788)	(120,952)
Convertible loan notes	(170,352)	(154,841)	(153,528)
Retirement benefit obligations	(13,303)	(17,098)	(13,341)
Deferred tax liabilities	(493)	(1,458)	(324)
Long-term provisions	(2,540)	(6,127)	(5,499)
Obligations under finance leases	(953)	(2,027)	(1,482)
Other	(5,253)	(2,284)	(5,459)
	(322,537)	(309,623)	(300,585)
Total liabilities	(516,953)	(508,189)	(500,079)
Net liabilities	(260,111)	(190,205)	(216,747)
Equity			
Share capital	3,201	3,143	3,177
Share premium account	198,744	198,221	198,565
Share options	2,211	976	1,661
Translation reserve	(13,297)	(2,496)	2,947
Retained earnings	(450,970)	(390,049)	(423,097)
Total equity	(260,111)	(190,205)	(216,747)
Closing exchange rate £1=	$ 1.770	$ 1.809	$ 1.889

Closing exchange rate £1=	€ 1.468	€ 1.457	€ 1.456

Danka Business Systems PLC
Group Cash Flow Statement
For the Six Months Ended 30th September 2005 and 2004

	Note	30th September 2005 £000	30th September 2004 £000
Net cash outflow from operating activities	10	(2,824)	8,037
Cash flows from investing activities			
Interest received		171	297
Capital expenditure		(3,635)	(5,715)
Proceeds from sale of operations		9,534	-
Proceeds from sale of fixed assets		226	1,708
Net cash from investing activities		6,296	(3,710)
Cash flows from financing activities			
Payments under line of credit agreements		(26)	310
Payments under finance leases		(764)	(403)
Interest paid		(8,366)	(7,835)
Proceeds from share options exercised		312	227
Net cash from financing activities		(8,844)	(7,701)

Net decrease in cash and cash equivalents	(5,372)	(3,374)
Cash and cash equivalents at 1st April	51,947	61,298
Effect of exchange rate fluctuations on cash held	1,748	1,016
Cash and cash equivalents at 30th September	48,323	58,940

Danka Business Systems PLC
Group Cash Flow Statement
For the Three Months Ended 30th September 2005 and 2004

		30th September	
	Note	2005 £000	2004 £000
Net cash outflow from operating activities	10	(2,659)	13,831
Cash flows from investing activities			
Interest received		90	193
Capital expenditure		(1,665)	(2,140)
Proceeds from sale of operations		2,854	-
Proceeds from sale of fixed assets		179	577
Net cash from investing activities		1,458	(1,370)
Cash flows from financing activities			
Payments under line of credit agreements		(438)	(781)
Payments under finance leases		(314)	(182)
Interest paid		(878)	(397)
Proceeds from share options exercised		304	65

Net cash from financing activities	(1,326)	(1,295)
Net decrease in cash and cash equivalents	(2,527)	11,166
Cash and cash equivalents at 1st July	50,077	47,404
Effect of exchange rate fluctuations on cash held	773	370
Cash and cash equivalents at 30th September	48,323	58,940

Danka Business Systems PLC
Group Statement of Recognised Income & Expense
For the Six Months Ended 30th September 2005 and 2004 and the Year Ended 31st March 2005

	30th September		31st March
	2005	2004	2005
	£000	£000	£000
Loss for the period	(27,873)	(9,560)	(46,189)
Share option expense in the period	550	376	1,061
Exchange translation differences in the period	(16,117)	(2,496)	2,947
Exchange translation differences related to disposals	(127)	-	-
Pension scheme actuarial variations	-	-	3,581
Total recognised income and expense for the period	(43,567)	(11,680)	(38,600)

Danka Business Systems PLC
Group Statement of Recognised Income & Expense
For the Three Months Ended 30th September 2005 and 2004

	30th September	
	2005 £000	2004 £000
Loss for the period	(17,350)	(5,900)
Share option expense in the period	329	196
Exchange translation differences in the period	(3,315)	297
Exchange translation differences related to disposals	(40)	-
Pension scheme actuarial variations	-	-
Total recognised income and expense for the period	(20,376)	(5,407)

Notes to the Financial Information

1. The consolidated interim financial statements for the three and six months ended 30th September, 2005 and 2004 are unaudited and unreviewed and do not constitute full accounts within the meaning of Section 240 of the Companies Act 1985. The financial information for such periods is prepared on the basis set out in note 2 below. The comparative figures for the financial year ended 31st March 2005 are not the Company's statutory accounts for that year. Those accounts, which were prepared under UK Generally Accepted Accounting Practices, have been reported on by the Company's auditors but not yet delivered to the Registrar of Companies. The report of the auditors was unqualified and did not contain statements under section 237(2) or (3)

of the Companies Act 1985.

2. Significant accounting policies

Danka Business Systems PLC ('the Company') is a company domiciled in the United Kingdom. The consolidated interim financial statements of the Company for the three and six months ended 30th September, 2005 and 2004 comprise the Company and its subsidiaries (together referred to as the 'Group'). The consolidated interim financial statements were authorised for issuance on 3rd November, 2005.

These are the Group's second International Financial Reporting Standards ('IFRS') consolidated interim financial statements for part of the period covered by the first IFRS annual financial statements and IFRS 1 First-time Adoption of International Financial Reporting Standards has been applied. An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the group is provided on the Company's website via the Investor Relations page at

www.danka.com/IFRS.asp

. The website also contains line-by-line reconciliations of equity and profit or loss for comparative periods reported under UK GAAP (previous GAAP) to those reported for those periods under IFRS; note 12 below contains abridged reconciliations.

Basis of preparation

The financial statements are presented in Sterling, rounded to the nearest thousand. They are prepared on the historical cost basis, as modified by requirements to revalue certain financial assets and liabilities, including derivatives.

EU law (IAS Regulation EC 1606/2002) requires that the next annual consolidated financial statements of the Company, for the year ending 31st March 2006, be prepared in accordance with IFRS adopted for use in the EU ('adopted IFRS').

This interim financial information has been prepared on the basis of the recognition and measurement requirements of IFRS in issue that are either endorsed by the EU and effective (or available for early adoption at 31st March 2006) or are expected to be endorsed and effective (or available for early adoption) at 31st March 2006, the Group's first annual reporting date at which it is required to use adopted IFRS. Based on those adopted and unadopted IFRS, the directors have made assumptions about the accounting policies expected to be applied, which are set out on the Company's website as detailed above, when the first annual IFRS financial statements are prepared for the year ending 31st March 2006.

In particular, the directors have assumed that the amended IAS 19 issued by the International Accounting Standards Board will be adopted by the EU in sufficient time that it will be available for use in the annual IFRS financial statements for the year ending 31st March 2006.

In addition, the adopted IFRS that will be effective (or available for early adoption) in the annual financial statements for the year ending 31st March 2006 are still subject to change and to additional interpretations and therefore cannot be determined with certainty. Accordingly, the accounting policies for that annual period will be determined finally only when the annual financial statements are prepared for the year ending 31st March 2006.

Accounting policies

The accounting policies have been applied consistently throughout the Group for purposes of these consolidated interim financial statements. These are set out in full on the Company's website at the address set out above.

Restructuring costs and the net loss on sale of operations have been separately disclosed on the face of the income statement in accordance with IAS 1 in order to assist the assessment of financial performance owing to their material and infrequent nature.

3. Seasonality of operations

The Group's operations have historically experienced lower revenue during the second quarter (ending 30th September) of the financial year. This is primarily due to increased holiday taken by European and Canadian residents during July and August and lower levels of retail maintenance revenue from United States governmental agencies. This has historically resulted in reduced sales activity and reduced usage of photocopiers, facsimiles and other office imaging equipment during the second quarter. Accordingly, the results of operations for the interim periods are not necessarily indicative of the results which may be expected for the entire financial year.

4. Analysis of turnover and gross profit

The Group operates in one business segment, being the supply and servicing of office equipment and the provision of related services. The following table provides additional analysis of the components of turnover and of gross profit of the single business segment, where the sale or rental of equipment normally includes a service contract and the purchase of supplies once the contract expires. These components are not considered different classes of business because of their inter-relation.

	Three Months Ended 30th September		Six Months Ended 30th September	
	2005 £000	2004 £000	2005 £000	2004 £000
Turnover Retail equipment and related sales	58,944	62,978	123,513	118,216
Retail maintenance	70,210	80,379	145,721	167,556

Retail supplies and rental sales	12,448	14,888	26,242	31,074
Wholesale sales	10,963	11,407	23,875	24,642
	152,565	169,652	319,351	341,488
Gross profit				
Retail equipment and related sales	17,225	21,187	37,807	41,040
Retail maintenance	26,235	32,548	54,009	69,674
Retail supplies and rental sales	4,440	5,723	9,994	12,241
Wholesale sales	2,038	2,057	4,389	4,625
	49,938	61,515	106,199	127,580

5. Disposal of Canadian, Central and South American operations

On 30th June 2005, the Group sold its retail operations in Canada to Pitney Bowes of Canada Limited for $14 million (£7.8 million) cash and a pre-tax gain of 3.1 million was recorded after expenses of £0.4 million. The attributable tax was nil. During the six months ended 30th September 2005, the Canadian operations had cash inflows from operating activities of £0.7 million (six months ended 30th September 2004 - outflows of £1.1 million; year ended 31st March 2005 - outflows of £4.8 million) and cash outflows from investing activities of less than £0.1 million (six months ended 30th September 2004 - £0.1 million; year ended 31st March 2005 - £0.2 million). During the six months ended 30th September 2005, the Canadian operations repaid funding from other Group entities of £0.8 million (six months ended 30th September 2004 - received funding of £0.3 million; year ended 31st March 2005 - received funding of £3.8 million). The cash inflow on the disposal after deducting cash disposed of was £ 6.6 million in the six month period.

At 30th June 2005 prior to disposal, the Canadian operations comprised assets of £7.9 million (31st March 2005 - £7.6 million) less liabilities of £3.9 million (31st March 2005 - £3.9 million). The Canadian operations reported revenue of £5.1 million in the quarter ended 30th June 2005 (year ended 31st March 2005 and quarter ended 30th June 2004 - £19.4 million and £5.2 million respectively) and pre- and post-tax losses of £0.4 million in the quarter ended 30th June 2005 (year ended 31st March 2005 and quarter ended 30th June 2004: £4.2 million and £0.5 million respectively).

With effect from 31st August 2005, the Group sold its retail operations in Central and South America to Toshiba America Business Solutions, Inc., for $10 million (£5.7 million) cash and a pre-tax loss of £5.5 million was recorded after expenses of £0.6 million. The attributable tax was nil. During the six months ended 30th September 2005, the Central and South America operations had cash outflows from operating activities of £0.8 million (year ended 31st March 2005 - inflows of £1.4 million) and cash outflows from investing activities of £0.5 million (2004 - £1.0 million; 2005 - £1.3 million). The cash inflow on the disposal after deducting cash disposed of was £2.9 million; expenses and anypurchase price adjustment will be settled in the quarter ending 31st December 2005.

At 31st August 2005 prior to disposal, the Central and South America operations comprised assets of £16.1 million (31st March 2005 - £15.2 million) less liabilities of £3.6 million (31st March 2005: £3.5 million). The Central and South America operations reported revenue of £7.1 million in the six months ended 30th September 2005 (year ended 31st March 2005 and six months ended 30th September 2004 - £16.1 million and £8.4 million respectively) and pre- and post-tax earnings of £0.4 million in the six months ended 30th September 2005 (year ended 31st March 2005 and six months ended 30th September 2004 - pre-tax £0.8 million and £0.9 million respectively, post-tax £0.1 million and £0.6 million respectively).

6. Reconciliation of the weighted average number of basic and diluted ordinary shares in issue

	Three Months Ended 30th September		Six Months Ended 30th September	
	2005	2004	2005	2004
Shares in issue at 1st July / 1st April	254,222,800	251,257,559	254,188,656	250,812,019
Effect of shares issued during the period	392,244	174,013	231,337	416,735
Average number of ordinary shares in issue - basic	254,615,044	251,431,572	254,419,993	251,228,754
Average outstanding share options	-	-	-	-
Average number of ordinary shares in issue - diluted	254,615,044	251,431,572	254,419,993	251,228,754

7. The calculations of the loss per share from continuing operations are based on the loss from continuing operations on ordinary activities after taxation and the basic and diluted weighted average number of ordinary shares in issue during the period as per note 6 above. In order to provide a trend measure of underlying performance, Group loss from continuing operations on ordinary activities after taxation has been adjusted to exclude restructuring expenses and other items unusual because of their nature, size or incidence and basic loss per share recalculated. Outstanding share

options have not been considered in dilutive per share computations since the Group is in a loss position for the periods below and to include them would be anti-dilutive.

		Three Months Ended 30th September 2005			2004	
		£000	Pence Per Share		£000	Pen Per Sha
Basic loss from continuing operations		(17,350)	(6.8)		(5,900)	(2
Unusual items arising in respect of:						
Restructuring of worldwide operations	1,170			92		
Tax effect	-			-		
Net of tax effect		1,170	0.4		92	
Disposal of operations	5,531			-		
Tax effect	-			-		
Net of tax effect		5,531	2.2		-	
Sales tax credit	(2,100)			-		
Tax effect	-			-		
Net of tax effect		(2,100)	(0.8)		-	
Adjusted basic loss from continuing operations		(12,749)	(5.0)		(5,808)	(
Basic and diluted loss from continuing operations		(17,350)	(6.8)		(5,900)	(

Adjusted basic and diluted from continuing operations (before unusual items)	(12,749)	(5.0)	(5,808)	(

		Six Months Ended 30th September 2005			2004	
		£000	Pence Per Share		£000	Pen Per Sha
Basic loss from continuing operations		(27,873)	(11.0)		(9,560)	(3
Unusual items arising in respect of:						
Restructuring of worldwide operations	4,179			735		
Tax effect	-			-		
Net of tax effect		4,179	1.6		735	0
Disposal of operations	2,426			-		
Tax effect	-			-		
Net of tax effect		2,426	1.0		-	
Sales tax credit	(2,100)			-		
Tax effect	-			-		
Net of tax effect	(2,100)		(0.8)		-	
Adjusted basic loss from continuing operations	(23,368)		(9.2)		(8,825)	(3
Basic and diluted loss from continuing operations	(27,873)		(11.0)		(9,560)	(3

Adjusted basic and diluted from continuing operations (before unusual items)	(23,368)	(9.2)	(8,825)	(

8. The following shows the computation of free cash flow:

	Three Months Ended 30th September		Six Months Ended 30th September	
	2005	2004	2005	2004
	£000	£000	£000	£000
Cash outflow from operating activities	(2,659)	13,831	(2,824)	8,037
Cash inflow/(outflow) from investing activities	1,458	(1,370)	6,296	(3,710)
Less: cash flow from acquisitions and disposals	(2,854)	-	(9,534)	-
Free cash flow	(4,055)	12,461	(6,062)	4,327

9. The following is an analysis of net debt (current and non-current bank and other loans including finance leases less cash and cash equivalents):

	As at 30th September		As at 31st March
	2005	2004	2005
	£000	£000	£000

Current portion of long-term borrowings	93	965	179
Bank loans	129,643	125,788	120,952
Convertible loan notes	170,352	154,841	153,528
Finance leases	1,923	3,139	2,518
Less: cash and cash equivalents	(48,323)	(58,940)	(51,947)
Net debt	253,688	225,793	225,230

10. Net cash flow from operating activities

	Three Months Ended 30th September		Six Months Ended 30th September	
	2005 £000	2004 £000	2005 £000	2004 £000
Loss before tax	(16,813)	(5,800)	(26,651)	(9,560)
Restructuring charges	1,170	92	4,179	735
Cash paid in respect of restructuring charges	(2,623)	(4,069)	(6,388)	(8,689)
Depreciation and amortisation	4,418	5,345	9,118	10,866
Loss on sale of property and equipment	314	(502)	439	(361)
Loss on sale of operations	5,531	-	2,426	-
Share-based payments	329	196	550	376
Net finance costs	7,618	7,660	15,192	14,951
Decrease/(increase) in inventories	4,852	(3,246)	(3,392)	(6,621)
Decrease/(increase) in receivables	7,360	(1,223)	17,637	2,100
Increase/(decrease) in payables	(14,341)	15,378	(15,336)	4,347

Tax paid	(474)	-	(598)	(107)
Net cash flow from operating activities	(2,659)	13,831	(2,824)	8,037

11. Group Statement of Changes in Equity for the Six Months Ended 30th September 2005 and 2004 and the Year Ended 31st March 2005

	30th September		31st March
	2005	2004	2005
	£000	£000	£000
Balance at 1st April	(216,747)	(178,774)	(178,774)
Loss for the period	(27,873)	(9,560)	(46,189)
Shares issued	203	249	627
Share option expense in the period	550	376	1,061
Exchange translation differences in the period	(16,117)	(2,496)	2,947
Exchange translation differences related to disposals	(127)	-	-
Pension scheme actuarial variations	-	-	3,581
Balance at 30th September/30th September/31st March	(260,111)	(190,205)	(216,747)

Group Statement of Changes in Equity for the Three Months Ended 30th September 2005 and 2004

30th September

	2005 £000	2004 £000
Balance at 1st July	(239,930)	(184,885)
Loss for the period	(17,350)	(5,900)
Shares issued	195	87
Share option expense in the period	329	196
Exchange translation differences in the period	(3,315)	297
Exchange translation differences related to disposals	(40)	-
Pension scheme actuarial variations	-	-
Balance at 30th September	(260,111)	(190,205)

12. The following are reconciliations of the balance sheets as at 30th September 2004 and 31st March 2005 and the income statement for the three and six months ended 30th September 2005 under UK GAAP as originally reported and under IFRS as restated earlier in this release. Full details of the reconciling items and the Group's IFRS accounting policies are on the Company's website via the Investor Relations page at

www.danka.com

.

Balance sheet	As at 30th September 2004 £000	As at 31st March 2005 £000
Net liabilities under UK GAAP as originally reported	(29,880)	(57,443)
Classification of non-equity shares		

under UK GAAP as liabilities under IFRS	(154,841)	(153,528)
Recognition of pension scheme deficits	(5,406)	(5,824)
Other	(78)	48
Net liabilities under IFRS	(190,205)	(216,747)

Income statement	Three Months Ended 30th September 2004 £000	Six Months Ended 30th September 2004 £000
Loss for the period under UK GAAP as originally reported	(5,011)	(8,259)
Additional finance costs due to:		
Accretion of the equity conversion feature of the participating shares	(426)	(854)
Share option expense	(196)	(376)
Other	(267)	(71)
Loss for the period under IFRS	(5,900)	(9,560)

13. Copies of this report will be available from the Company's registered office at Masters House, 107 Hammersmith Road, London W14 0QH.