

Group Profit and Loss Account

For the Quarters Ended 30th June 2005 and 2004

		30th June	
	Note	2005 £000	2004 £000
Continuing operations			
Revenue	4	166,786	171,836
Cost of sales		(110,525)	(105,771)
Gross profit	4	56,261	66,065
Other operating income	5	3,634	54
Distribution costs		(24,234)	(24,965)
Administrative expenses		(34,779)	(36,861)
Other operating expense		(136)	(119)
Restructuring costs		(3,009)	(643)
(Loss)/profit from continuing operations before tax and finance costs		(2,263)	3,531
Investment income		81	104
Finance costs		(7,656)	(7,395)
Loss from continuing operations before tax		(9,838)	(3,760)
Tax		(685)	(100)
Loss from continuing operations for the period and attributable to equity holders of the parent		(10,523)	(3,860)

Loss per share:	7	=====	=====
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Basic from continuing operations		(4.1)p	(1.5) p
Basic from discontinued operations		-	-
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		(4.1)p	(1.5) p
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Diluted from continuing operations		(4.1)p	(1.5) p
Diluted from discontinued operations		-	-
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		(4.1)p	(1.5) p
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Average exchange rate £1=		\$ 1.857	\$ 1.806
Average exchange rate €1=		€ 1.474	€ 1.499
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Danka Business Systems PLC
Group Balance Sheets

	30th June 2005 £000	30th June 2004 £000	31st March 2005 £000
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Non-current assets			
Intangible assets	1,001	636	1,084
Goodwill	2,184	1,202	2,037
Property and equipment	25,709	34,444	26,818
Equipment on operating leases	11,736	14,841	12,412
Other	8,650	7,985	10,029

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	49,280	59,108	52,380
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Current assets			
Inventories	60,476	54,833	51,184
Prepaid expenses	8,020	10,972	6,844
Trade and other receivables	115,222	132,400	120,978
Cash and cash equivalents	50,077	47,404	51,946
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	233,795	245,609	230,952
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Total assets	-----	-----	-----
	283,075	304,717	283,332
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Current liabilities			
Trade and other payables	(104,144)	(73,435)	(91,706)
Tax liabilities	(26,753)	(24,552)	(25,424)
Obligations under finance leases	(995)	(1,063)	(1,036)
Current portion of long-term borrowings	(598)	(1,731)	(179)
Deferred revenue	(21,155)	(22,055)	(21,264)
Short-term provisions	(51,898)	(50,513)	(59,885)
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	(205,543)	(173,349)	(199,494)
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Non-current liabilities			
Bank loans	(127,744)	(125,299)	(120,952)
Convertible loan notes	(165,227)	(151,327)	(153,528)
Retirement benefit obligations	(13,273)	(16,993)	(13,341)
Deferred tax liabilities	(434)	(1,093)	(324)
Long-term provisions	(3,983)	(3,916)	(5,499)
Obligations under finance leases	(1,159)	(2,339)	(1,482)
Other	(5,642)	(15,286)	(5,459)

	(317,462)	(316,253)	(300,585)
Total liabilities	(523,005)	(489,602)	(500,079)
Net liabilities	(239,930)	(184,885)	(216,747)
Equity			
Share capital	3,178	3,141	3,177
Share premium account	198,572	198,136	198,565
Share options	1,882	780	1,661
Translation reserve	(9,942)	(2,593)	2,947
Retained earnings	(433,620)	(384,349)	(423,097)
Total equity	(239,930)	(184,885)	(216,747)
Closing exchange rate £1=	\$ 1.792	\$ 1.813	\$ 1.889
Closing exchange rate £1=	€ 1.484	€ 1.488	€ 1.456

Danka Business Systems PLC
Group Cash Flow Statement
For the Quarters Ended 30th June 2005 and 2004

30th June

	Note	2005 £000	2004 £000
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Net cash outflow from operating activities	10	(165)	(5,794)
Cash flows from investing activities			
Interest received		81	104
Capital expenditure		(1,970)	(3,575)
Proceeds from sale of Canadian operations		6,680	-
Proceeds from sale of fixed assets		47	1,131
		-----	-----
Net cash from investing activities		4,838	(2,340)
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Cash flows from financing activities			
Proceeds from new borrowings		412	1,091
Payments under finance leases		(450)	(221)
Interest paid		(7,488)	(7,438)
Proceeds from share options exercised		8	162
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Net cash from financing activities		(7,518)	(6,406)
		-----	-----
Net decrease in cash and cash equivalents		(2,845)	(14,540)
Cash and cash equivalents at 1st April		51,946	61,298
Effect of exchange rate fluctuations on cash held		976	646
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Cash and cash equivalents at 30th June		50,077	47,404
		=====	=====

Danka Business Systems PLC
Group Statement of Changes in Equity

For the Quarters Ended 30th June 2005 and 2004 and the Year Ended 31st March 2005

	30th June	31st March	
	2005	2004	2005
	£000	£000	£000
Balance at 1st April	(216,747)	(178,774)	(178,774)
Loss for the period	(10,523)	(3,860)	(46,189)
Shares issued	8	162	627
Share option expense in the period	221	180	1,061
Exchange translation differences in the period	(12,802)	(2,593)	2,947
Exchange translation differences related to disposals	(87)	-	-
Pension scheme actuarial variations	-	-	3,581
Balance at 30th June/30th June/31st March	(239,930)	(184,885)	(216,747)

Notes to the Financial Information

1. The consolidated interim financial statements for the quarters ended 30th June, 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 quarters ended 30th June, 2005 and 30th June, 2004 comprise the Company and its subsidiaries (together referred to as the 'Group'). The consolidated interim financial statements were authorised for issuance on 3rd August, 2005.

Statement of compliance

The consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRSs'). These are the Group's first 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 IFRSs 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 IFRSs; note 11 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 IFRSs adopted for use in the EU ('adopted IFRSs').

This interim financial information has been prepared on the basis of the recognition and measurement requirements of IFRSs 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 IFRSs. Based on those adopted and unadopted IFRSs, 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 IFRSs 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.

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 service 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.

	Quarters Ended 30th June	
	2005 £000	2004 £000
Turnover		
Retail equipment and related sales	64,569	55,238
Retail maintenance	75,511	87,177
Retail supplies and rental sales	13,794	16,186
Wholesale sales	12,912	13,235
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	166,786	171,836
	=====	=====

Gross profit

Retail equipment and related sales	20,582	19,853
Retail maintenance	27,774	37,126
Retail supplies and rental sales	5,554	6,518
Wholesale sales	2,351	2,568
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	56,261	66,065
	=====	=====

5. Disposal of Canadian 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 £3.6 million was recorded within other operating income after expenses of £0.2 million. The attributable tax was nil. During the quarter ended 30th June 2005, the Canadian operations had cash inflows from operating activities of £0.7 million (quarter ended 30th June 2004: £0.1 million; year ended 31st March 2005: outflows of £4.8 million) and cash outflows from investing activities of £0.1 million (2004: £0.1 million; 2005: £0.2 million). During the quarter ended 30th June 2005, the Canadian operations repaid funding from other Group entities of £0.8 million (quarter ended 30th June 2004: received funding of £0.1 million; year ended 31st March 2005: received funding of £3.8 million). The cash inflow on the disposal after deducting cash disposed of was £6.7 million in the quarter; expenses and any purchase price adjustment will be settled in the quarter ending 30th September.

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).

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

	Quarters Ended 30th June	
	2005	2004
	-----	-----
Shares in issue at 1st April	254,188,656	250,812,019
Effect of shares issued during the period	34,144	211,688
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Average number of ordinary shares in issue - basic	254,222,800	251,023,707
Average outstanding share options	-	-
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Average number of ordinary shares in issue - diluted	254,222,800	251,023,707
	=====	=====

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.

Quarters Ended 30th June

	2005		2004	
	£000	Pence Per Share	£000	Pence Per Share
Basic loss from continuing operations	(10,523)	(4.1)	(3,860)	(1.5)
Unusual items arising in respect of:				
Restructuring of worldwide operations	3,009		643	
Tax effect	-		-	
Net of tax effect	3,009	1.2	643	0.2
Disposal of Canada	(3,567)		-	
Tax effect	-		-	
Net of tax effect	(3,567)	(1.4)	-	-
Adjusted basic loss from continuing operations	(11,081)	(4.3)	(3,217)	(1.3)
Basic and diluted loss from continuing operations	(10,523)	(4.1)	(3,860)	(1.5)
Adjusted basic and diluted from continuing operations (before unusual items)	(11,081)	(4.3)	(3,217)	(1.3)

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

	Quarters Ended 30th June	
	2005 £000	2004 £000
Cash outflow from operating activities	(165)	(5,794)
Cash inflow/(outflow) from investing activities	4,838	(2,340)
Less: cash flow from acquisitions and disposals	(6,680)	-
Free cash flow	(2,007)	(8,134)

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 June 2005 £000	As at 30th June 2004 £000	As at 31st March 2005 £000
Current portion of long-term borrowings	598	1,731	179
Bank loans	127,744	125,299	120,952
Convertible loan notes	165,227	151,327	153,528
Finance leases	2,154	3,402	2,518
Less: cash and cash equivalents	(50,077)	(47,404)	(51,946)
Net debt	245,646	234,355	225,231

10. Net cash flow from operating activities

	Quarters Ended 30th June	
	2005	2004
	£000	£000
Loss before tax	(9,838)	(3,760)
Restructuring charges	3,009	643
Cash paid in respect of restructuring charges	(3,765)	(4,620)
Depreciation and amortisation	4,700	5,521
Loss on sale of property and equipment	125	141
Gain on sale of Canadian operation	(3,567)	-
Share-based payments	221	180
Net finance costs	7,575	7,291
Increase in inventories	(8,341)	(3,375)
Decrease in receivables	10,278	3,323
Decrease in payables	(421)	(11,031)
Tax paid	(141)	(107)
Net cash flow from operating activities	(165)	(5,794)

11. The following are reconciliations of the balance sheets as at 30th June 2004 and 31st March 2005 and the profit and loss account for the quarter ended 30th June 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 June 2004 £000	As at 31st March 2005 £000
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Net liabilities under UK GAAP as originally reported	(28,179)	(57,443)
Classification of non-equity shares under UK GAAP as liabilities under IFRS	(151,327)	(153,528)
Recognition of pension scheme deficits	(5,374)	(5,824)
Other	(5)	48
	-----	-----
Net liabilities under IFRS	(184,885)	(216,747)
	=====	=====
 Profit and loss account		 Quarter Ended 30th June 2005 £000

Loss for the period under UK GAAP as originally reported		(3,248)
Additional finance costs due to:		
Accretion of the equity conversion feature of the participating shares		(428)
Share option expense		(180)
Other		(4)

Loss for the period under IFRS		(3,860)
		=====

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