

APPENDIX 4E

Preliminary final report

1. Name of entity

SCHAFFER CORPORATION LIMITED

ABN 008 675 689

Financial year ended ('current period') 30 JUNE 2008
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Previous corresponding period 30 JUNE 2007
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2. For announcement to the market

Results for announcement to the market:

					<i>\$'000</i>
2.1	Revenues from ordinary activities	up	33%	to	195,940
2.2	Net profit for the period attributable to members	up	6%	to	10,912
2.3	Dividends (see section 6)		Amount per security		Franked amount per security
	Final – Ordinary Dividend		25¢		25¢
	Interim – Ordinary Dividend		25¢		25¢
2.4	Record date for determining entitlements to the dividend		16 SEPTEMBER 2008		

3. Consolidated Income Statement

	Notes	2008 \$'000	2007 \$'000
Continuing Operations			
Revenue			
Sale of goods		191,235	143,771
Rental income	1(a)	4,057	3,720
Finance income	1(b)	646	164
Dividends		2	3
Revenue		<u>195,940</u>	147,658
Cost of sales and other directly attributable costs		<u>(153,060)</u>	(110,619)
Gross profit		42,880	37,039
Rental property expenses	1(a)	(2,318)	(2,050)
Other income	1(c)	4,280	2,035
Marketing expenses		(8,937)	(7,068)
Administrative expenses		<u>(13,193)</u>	(10,663)
Profit from continuing operations before tax and finance costs		22,712	19,293
Finance costs	1(b)	<u>(6,008)</u>	(4,514)
Profit before income tax		16,704	14,779
Income tax expense		<u>(4,998)</u>	(4,140)
Net profit for the year		<u>11,706</u>	10,639
Attributable to:			
Minority interest		794	387
Members of the parent		<u>10,912</u>	10,252
		<u>11,706</u>	10,639
Earnings per share (cents per share)			
- basic for profit for the year attributable to ordinary equity holders of the parent		77.3	72.7
- diluted for profit for the year attributable to ordinary equity holders of the parent		77.3	72.7
Dividends per share (cents per share)		50.0	50.0

The income statement should be read in conjunction with the accompanying notes.

Notes to the Consolidated Income Statement

NOTE 1	2008	2007
REVENUES AND EXPENSES	\$'000	\$'000
Revenue and expenses from continuing operations		
(a) Net rental income		
Rental property income	4,057	3,720
	<u>4,057</u>	<u>3,720</u>
Rental property expenses	(2,318)	(2,050)
Net rental income	<u>1,739</u>	<u>1,670</u>
(b) Finance (costs)/income		
Bank and other loans and overdrafts – interest	(5,842)	(4,483)
Finance charges payable under finance leases and hire purchase	(166)	(31)
Total finance costs	<u>(6,008)</u>	<u>(4,514)</u>
Bank interest received	646	164
Total finance income	<u>646</u>	<u>164</u>
(c) Other income		
Loss on sale of property, plant and equipment	(2)	(23)
Gain on sale of available-for-sale financial assets	15	272
Net gain on derivatives	1,353	1,444
Net foreign currency gain	1,465	139
Profit on disposal of investment property	1,334	-
Other	115	203
	<u>4,280</u>	<u>2,035</u>
(d) Depreciation and amortisation included in income statement		
Included in cost of sales	4,586	3,972
Included in rental property expenses	490	415
Included in marketing and administrative expenses	743	373
	<u>5,819</u>	<u>4,760</u>
(e) Lease payments included in income statement		
Included in cost of sales:		
Minimum lease payments – operating lease	1,159	1,226
Included in marketing and administrative expenses:		
Minimum lease payments – operating lease	797	702
	<u>1,956</u>	<u>1,928</u>

NOTE 1	2008	2007
REVENUES AND EXPENSES (continued)	\$'000	\$'000
(f) Employee benefit expense		
Wages and salaries	37,303	32,265
Long service leave provisions	560	395
Worker's compensation costs	1,114	1,147
Superannuation costs	3,197	2,863
Expense of share-based payments	104	79
	42,278	36,749
(g) Other expenses included in cost of sales		
Research	1,800	1,200

4. Consolidated Balance Sheet

	Note	2008 \$'000	2007 \$'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		21,735	9,537
Trade and other receivables		26,294	28,158
Inventories		49,480	38,917
Prepayments		1,204	619
Derivative financial instruments		657	608
Available-for-sale financial assets		51	103
TOTAL CURRENT ASSETS		99,421	77,942
NON CURRENT ASSETS			
Property, plant and equipment		63,446	48,382
Investment properties		17,837	17,353
Deferred income tax asset		338	585
Goodwill		4,995	1,299
TOTAL NON CURRENT ASSETS		86,616	67,619
TOTAL ASSETS		186,037	145,561
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		36,267	19,333
Interest bearing loans and borrowings		4,996	3,686
Income tax payable		74	1,477
Provisions		6,347	4,383
TOTAL CURRENT LIABILITIES		47,684	28,879
NON CURRENT LIABILITIES			
Interest bearing loans and borrowings		80,537	61,563
Deferred income tax liabilities		451	734
Provisions		415	1,265
TOTAL NON CURRENT LIABILITIES		81,403	63,562
TOTAL LIABILITIES		129,087	92,441
NET ASSETS		56,950	53,120
EQUITY			
Equity attributable to equity holders of the parent			
Issued Capital		17,034	17,034
Reserves		2,222	2,476
Retained earnings	8	33,438	29,583
Total parent entity interest in equity		52,694	49,093
Minority interests		4,256	4,027
TOTAL EQUITY		56,950	53,120

The balance sheet should be read in conjunction with the accompanying notes.

5.1 Consolidated Cash Flow Statement

	Notes	2008 \$'000	2007 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		206,840	152,414
Payments to suppliers and employees		(168,379)	(127,768)
Other revenue		115	203
Interest paid		(6,008)	(4,514)
Income taxes paid		(6,550)	(4,166)
Goods and services tax paid		(736)	(1,113)
Research and development expenditure		(1,800)	(1,200)
NET CASH FLOWS FROM OPERATING ACTIVITIES	5.3	<u>23,482</u>	<u>13,856</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income		646	164
Acquisition of property, plant and equipment		(17,051)	(8,031)
Proceeds on sale of investment property		2,363	-
Proceeds on sale of plant and equipment		68	542
Acquisition of business		-	(7,420)
Acquisition of controlled entity	5.7(a)	(5,791)	-
Acquisition of investment properties		(1,939)	(2,731)
Proceeds on disposal of available-for-sale investments		15	340
Dividends received		2	3
NET CASH FLOWS FROM/(USED) IN INVESTING ACTIVITIES		<u>(21,687)</u>	<u>(17,133)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Finance lease principal payments		(481)	(209)
Dividends paid		(7,562)	(7,057)
Proceeds from borrowings		22,495	9,584
Repayment of borrowings		(4,050)	(3,100)
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		<u>10,402</u>	<u>(782)</u>
NET INCREASE/(DECREASE) IN CASH & CASH EQUIVALENTS			
Cash and cash equivalents at the beginning of the year		<u>9,537</u>	<u>13,596</u>
CASH & CASH EQUIVALENTS AT THE END OF THE YEAR	5.4	<u>21,734</u>	<u>9,537</u>

The cash flow statement should be read in conjunction with the accompanying notes

5.2 Statement of Changes in Equity for the year ended 30 June 2008

	Attributable to Equity Holders of the Parent			Total \$'000	Minority Interest \$'000	Total Equity \$'000
	Issued Capital \$'000	Retained Earnings \$'000	Other reserves \$'000			
At 1 July 2006	17,034	26,388	2,976	46,398	3,708	50,106
Transitional adjustment for AASB 132 and 139						
Unrealised gain on available-for-sale investments net of tax	-	-	34	34	-	34
Transfer out of realised gain on available-for-sale investments net of tax	-	-	(127)	(127)	-	(127)
Foreign currency translation reserve	-	-	(367)	(367)	-	(367)
Total expense recognised directly in equity	-	-	(460)	(460)	-	(460)
Profit for the year	-	10,252	-	10,252	387	10,639
Total income for the year	-	10,252	(460)	9,792	387	10,179
Cost of share-based payments	-	-	79	79	-	79
Settlement of employee participation units	-	-	(119)	(119)	(68)	(187)
Equity dividends	-	(7,057)	-	(7,057)	-	(7,057)
At 30 June 2007	17,034	29,583	2,476	49,093	4,027	53,120
1 July 2007						
Unrealised loss on available-for-sale investments net of tax	-	-	(36)	(36)	-	(36)
Foreign currency translation reserve	-	-	(302)	(302)	(60)	(362)
Total expense recognised directly in equity	-	-	(338)	(338)	(60)	(398)
Profit for the year	-	10,912	-	10,912	794	11,706
Total income for the year	-	10,912	-	10,912	794	11,706
Cost of share-based payments	-	-	84	84	-	84
Equity dividends	-	(7,057)	-	(7,057)	(505)	(7,562)
At 30 June 2008	17,034	33,438	2,222	52,694	4,256	56,950

The statement of changes in equity should be read in conjunction with the accompanying notes

5.3 Reconciliation of the net profit after tax to the net cash flows from operations

	2008 \$'000	2007 \$'000
CASH AND CASH EQUIVALENTS		
Net profit	11,706	10,639
Adjustment for -		
Depreciation and amortisation	5,819	4,760
Interest received	(646)	(164)
Dividends received	(2)	(3)
Share-based payments expense	84	79
Settlement of employee participation units	-	(119)
Profit on sale of investment properties	(1,334)	-
Loss on sale of property, plant & equipment	2	23
Realised gain on available-for-sale investments	15	(272)
Changes in assets and liabilities		
(Increase)/decrease in trade and other receivables	2,683	(2,092)
(Increase) in inventories	(9,025)	(674)
Increase in trade and other payables	15,229	2,161
(Decrease)/increase in employee entitlement provisions	885	(567)
(Decrease)/increase in income tax payable	(1,403)	(348)
(Decrease)/increase in deferred income tax liabilities	(283)	485
(Increase)/decrease in deferred income tax asset	337	(157)
(Increase)/decrease in prepayments	(585)	105
Net cash flows from operating activities	23,482	13,856

5.4 Reconciliation of cash

Reconciliation of cash at the end of the period (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

Cash on hand and at bank	21,735	9,537
Bank overdraft	(1)	-
Total cash at end of period	21,734	9,537

5.5 Non-cash financing and investing activities

Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows are as follows.

\$214,000 (2007 - \$970,000) for plant acquired under finance lease

5.6 Financing facilities available

The consolidated entity has bank facilities available to the extent of \$108,683,000 (2007 - \$93,513,000). The unutilised facility for the consolidated entity at balance date was \$21,358,000 (2007 - \$26,826,000)

5.7 Controlled gained/lost over entities having material effect

On 31 July 2007 Schaffer Corporation Limited acquired 100% of the share capital of Archistone Pty. Ltd. Refer note 5.7(a) for details.

5.7(a) Business combinations

On 31 July 2007 Schaffer Corporation Limited acquired 100% of the share capital of Archistone Pty. Ltd. a producer of natural and reconstituted limestone building materials.

The total cost of the combination was \$5,791,000.

The fair value of identifiable assets and liabilities at the date of acquisition are:

	Carrying value \$'000	CONSOLIDATED Recognised on acquisition \$'000
Quarry resource	103	750
Trade receivables	819	819
Plant and motor vehicles	2,744	2,493
Prepayments	382	382
Deferred tax asset	-	90
Inventories	1,538	1,538
Income tax refundable	77	77
Total assets	<u>5,663</u>	<u>6,149</u>
Employee entitlements	(229)	(229)
Trade payables	(1,720)	(1,720)
Borrowings	(748)	(748)
Lease liability	(1,357)	(1,357)
Total liabilities	<u>(4,054)</u>	<u>(4,054)</u>
Fair value of identifiable net assets	<u>1,609</u>	2,095
Goodwill arising on acquisition		<u>3,696</u>
Total cost of the combination		<u><u>5,791</u></u>

The cash outflow on acquisition is as follows:

Cash paid in current period	<u>(5,791)</u>
Net cash outflow	<u><u>(5,791)</u></u>

The key factors contributing to the \$3,696,000 of goodwill are:

- Archistone has an established revenue with strong retail sales component
- Archistone is a market leader in reconstituted small limestone block walling market
- Archistone creates opportunities for operational improvement in tandem with Limestone Resources
- The Archistone product range is complementary to those of Urbanstone and Limestone Resources
- The building materials segment will realize synergies as products will be sold through Urbanstone's national distribution network.

The contribution of the acquired business on the group's performance has not been separately disclosed given that it has been merged into the Building Materials business of Schaffer Corporation and the results cannot be separately determined.

6.1 Dividends

Date the dividend is payable	22 SEPTEMBER 2008
Record date to determine entitlements to the dividend (ie, on the basis of security holding balances established by 5.00 pm or such later time permitted by SCH Business Rules - securities are CHESS approved)	16 SEPTEMBER 2008
If it is a final dividend, has it been declared?	YES

6.2 Amount per security

	Amount per security	Franked amount per security at 30% tax
Final dividend:		
Current year	25¢	25¢
Previous year	25¢	25¢
Final special dividend:		
Current year	-	-
Previous year	-	-
Interim dividend:		
Current year	25¢	25¢
Previous year	25¢	25¢
Interim special dividend:		
Current year	-	-
Previous year	-	-

6.3 Total dividend per security (interim *plus* final and special)

	Current year	Previous year
Ordinary securities	50¢	50¢
Preference securities	-	-

6.4 Preliminary final report – dividend on all securities

	Current period \$'000	Previous corresponding period \$'000
Ordinary securities - Final	3,529	3,529
- Interim	3,528	3,528
Preference securities		
Other equity instruments		
Total	7,057	7,057

7. Dividend plan

The company does not have a dividend reinvestment plan.

8. Consolidated retained profits

	Current period \$'000	Previous corresponding period \$'000
Retained profits at the beginning of the financial period	29,583	26,388
Net profit attributable to members	10,912	10,252
Dividends and other equity distributions paid or payable	(7,057)	(7,057)
Retained profits at end of financial period	33,438	29,583

9. NTA backing	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	\$3.64	\$3.39

10. Other significant information

All significant information is disclosed in this Appendix 4E and the attached press release.

11. Foreign entities

For foreign entities, which set of accounting standards is used in compiling the report (e.g. International Accounting Standards).

Australian Accounting Standards

12. Commentary on results

For a commentary on the results see the attached press release.

12.1 Earnings per security (EPS)

Details of basic and diluted EPS reported separately in accordance with AASB 133: <i>Earnings Per Share</i> are as follows.	Current year	Previous corresponding year
	\$'000	\$'000
The following reflects the income and share data used in the calculation of basic and diluted EPS:		
Basic Earnings	10,912	10,252
Diluted Earnings	10,912	10,252
	<u>Number</u>	<u>Number</u>
Weighted average number of ordinary shares used in the calculation of basic EPS	14,113,251	14,109,572
Weighted average number of ordinary shares used in the calculation of diluted EPS	14,113,251	14,109,572
Basic EPS	\$0.77	\$0.73
Diluted EPS	\$0.77	\$0.73

12.2 Segment reporting

Additional disclosure to explain change in segment reporting:

In prior years the company has disclosed four separate reporting segments, Leather, Building Products, Investment Properties and Other Investments. The Other Investments segment included property developments held for resale and equity investments in listed and non-listed entities. As the company no longer has any material equity investments the former Other Investments therefore the Other Investments segment has been combined into a single Property segment, to more accurately disclose company's total property portfolio in a single segment. The former Building Products segment has been renamed the Building Materials segment.

13. Significant events after balance date

The company will pay a fully franked final dividend of 25¢ per share on 22 September 2008.

14. Status of audit or review

This report is based on accounts to which one of the following applies.

- | | | | |
|-------------------------------------|--|--------------------------|--|
| <input type="checkbox"/> | The accounts have been audited. | <input type="checkbox"/> | The accounts have been subject to review. |
| <input checked="" type="checkbox"/> | The accounts are in the process of being audited or subject to review. | <input type="checkbox"/> | The accounts have <i>not</i> yet been audited or reviewed. |

15. Dispute or qualification – accounts not yet audited or subject to review

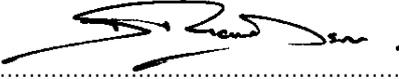
If the accounts have not yet been audited or subject to review and are likely to be subject to dispute or qualification, a description of the likely dispute or qualification.

N/A

16. Dispute or qualification – accounts audited or subject to review

If the accounts have been audited or subject to review and are subject to dispute or qualification, a description of the dispute or qualification.

N/A

Sign here:  Date: 20 AUGUST 2008
Company Secretary

Print Name: DAVID ANTONY RICHARDSON

SCHEDULE ACCOMPANYING APPENDIX 4E PRELIMINARY FINAL REPORT

SCHAFFER CORPORATION LIMITED

(ACN 008 675 689)

FOR THE YEAR ENDED 30 JUNE 2008

REPORT FOR INDUSTRY SEGMENTS

	LEATHER		BUILDING MATERIALS		PROPERTY		UNALLOCATED		CONSOLIDATED	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000	2008 \$000	2007 \$000	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Total Revenue from Ordinary Activities	119,921	84,435	65,563	55,144	10,456	8,079	-	-	195,940	147,658
Segment Earnings Before Interest & Tax	8,909	5,986	8,710	10,800	6,571	3,754	-	272	24,190	20,812
Interest and Corporate Overheads									(7,486)	(6,033)
Operating Profit Before Income Tax									16,704	14,779
Income Tax Expense									(4,998)	(4,140)
Net Profit After Tax									11,706	10,639
Segment Assets	89,894	75,744	64,779	40,415	27,868	25,071	3,496	4,331	186,037	145,561
Segment Liabilities	67,369	54,681	33,039	12,912	27,534	22,612	1,145	2,236	129,087	92,441