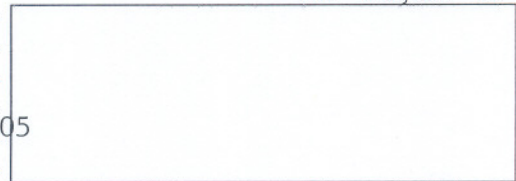


ASIC registered agent number 15639

7051 15 July 2001 1/1

lodging party or agent name SCHAFFER CORPORATION LIMITED
 office, level, building name or PO Box no. _____
 street number & name 1305 HAY STREET
 suburb/city WEST PERTH state/territory WA postcode 6005
 telephone (08) 9483 1222
 facsimile (08) 9481 0439
 DX number _____ suburb/city _____



ASS. REQ-A
 CASH. REQ-P
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Australian Securities & Investments Commission

notification of

form **7051**

• **Half Yearly Reports**

(ASX Form 1001)
 Corporations Act 2001
285(2), 286(1), 320

(to be lodged within 75 days of the end of the accounting period)

Disclosing entity

Please complete A, B or C.

A a company

name SCHAFFER CORPORATION LIMITED
 A.C.N. 008 675 689

B a body (other than a company)

name _____
 A.R.B.N. (if applicable) _____

C a registered scheme

name _____
 A.R.S.N. _____

Financial period

from 01/07/2006 to 31/12/2006

Certification

I certify that the attached documents comprise the half yearly reports together with every other document that is required to be lodged with the reports by a disclosing entity under the Corporations Act 2001. See Annexure "A" of 20 pages.

Signature

This form is to be signed by:

if a company or a body a director or secretary or the equivalent
 if a registered scheme a director or secretary of the responsible entity acting in that capacity

name of responsible entity SCHAFFER CORPORATION LIMITED
 A.C.N. 008 675 689
 name of person signing (print) GEOFF DAVIESON capacity SECRETARY

sign here date 21 / 02 / 2007

Small Business (less than 20 employees), please provide an estimate of the time taken to complete this form

Include

- The time actually spent reading the instructions, working on the question and obtaining the information
- The time spent by all employees in collecting and providing this information

hrs _____ mins _____

HALF YEARLY REPORTS

SCHAFFER CORPORATION LIMITED

ACN 008 675 689



CONDENSED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED

31 DECEMBER 2006

SCHAFFER CORPORATION LIMITED HALF YEAR FINANCIAL STATEMENTS

DIRECTOR'S REPORT

Your directors submit their report for the half year ended 31 December 2006 made in accordance with a resolution of the directors.

DIRECTORS

Details of the Directors of the company during the financial half year and at the date of this report are:

J M SCHAFFER,
B. Com (Hons.) FCPA
Managing Director
Executive Director since 06/09/72

Mr John Schaffer joined the company in 1972. Mr Schaffer has held the position of Managing Director since 1988.

D E BLAIN, BA
Non-executive Director,
Appointed 05/06/87

Mrs Danielle Blain joined the company in 1987. Mrs Blain served as Managing Director of Gosh Leather Pty. Ltd. from 1993 to 2001.

A K MAYER
Executive Director,
Appointed 21/11/01

Mr Anton Mayer is the Managing Director of Australian Leather Holdings Limited. Mr Mayer has over 35 years of international leather experience, broad business skills and a global business perspective.

D J SCHWARTZ
Non-executive Director,
Appointed 29/06/99

Mr David Schwartz is the chairman of Loftus Capital Partners Limited. He has over 20 years experience in manufacturing and distribution businesses. During the past 3 years Mr Schwartz has served as a director of the following listed companies:

Loftus Capital Partners Limited	01/10/99 - current
------------------------------------	--------------------

Home Leisure limited	26/08/04 - current
----------------------	--------------------

M D PERROTT
Non-executive Director,
Appointed 23/02/05

Mr Michael Perrott joined the Board as a non-executive director in February 2005. Mr Perrott has over 35 years experience in the construction and contracting industry. During the past 3 years Mr Perrott has also served as a director of the following other listed companies:

Port Bouvard Ltd	12/05/98 – current
GME Resources Ltd	21/11/96 – current
Portman Ltd	30/06/97 – current
Gage Roads Brewing Co. Ltd.	20/10/06 – current
Bone Medical Ltd	31/05/01 – 01/08/05
Asset Backed Holdings Ltd	23/10/00 – 03/10/03

Directors were in office for the entire period unless otherwise stated.

ATTENDANCE AT BOARD MEETINGS

During the half year five directors meetings were held in respect of which all directors were eligible to attend. Mr J M Schaffer, Mr A K Mayer, Mr D J Schwartz, Mr M D Perrott and Mrs D E Blain attended all five of the directors' meetings held during the half-year.

AUDIT COMMITTEE

The consolidated entity has an Audit Committee, which operates to oversee the internal and external audit functions of the consolidated entity. During the half year one audit committee meeting was held which all members of the audit committee were eligible to attend. The meeting was attended by Mr D J Schwartz, Mr. M D Perrott and Mrs D E Blain.

REVIEW OF OPERATIONS

The consolidated entity's revenue increased by 0% from \$73,715,000 to \$73,941,000 this half year.

The net after tax consolidated profit, after minority interests increased by 44% from \$3,631,000 to \$5,226,000.

ROUNDING

The amounts contained in this report and in the half year financial statements have been rounded to the nearest \$1,000 (where rounding is applicable) under the option available to the company under ASIC Class Order 98/0100. The company is an entity to which this Class Order applies.

DIRECTORS' BENEFITS

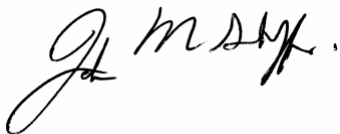
During or since the end of the previous half year no director of the company has received or become entitled to receive a benefit, other than a benefit included in the aggregate amount of emoluments received or due and receivable by the directors shown in the annual financial statements, by reason of a contract entered into by the company or an entity that the company controlled or a body corporate that was related to the company when its contract was made or when the directors received, or become entitled to receive, the benefit with:

- A director;
- A firm of which a Director is a member;
- A company in which a director has a substantial financial interest.

AUDITOR'S INDEPENDENCE DECLARATION

We have obtained an independence declaration from our auditors, Ernst & Young, as presented on page 20 of this half-year financial report.

Signed in accordance with a resolution of the directors



John Schaffer
Managing Director

Perth, 21 February 2007

SCHAFFER CORPORATION LIMITED
CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE HALF YEAR ENDED 31 DECEMBER 2006

	Note	CONSOLIDATED Dec 2006 \$'000	Dec 2005 \$'000
Continuing operations			
Revenue			
Sale of goods		71,989	71,799
Rental income		1,838	1,652
Dividends received		1	1
Finance Income	4(a)	113	263
Total revenue		<u>73,941</u>	<u>73,715</u>
Cost of sales		(56,072)	(56,250)
Gross profit		<u>17,869</u>	<u>17,465</u>
Rental property expenses		(1,143)	(827)
Other income	4(b)	1,134	697
Marketing expenses		(2,655)	(3,284)
Administrative expenses		(5,297)	(6,787)
Profit from continuing operations before tax and finance costs		<u>9,908</u>	<u>7,264</u>
Finance costs	4(c)	(2,155)	(1,934)
Profit before income tax		<u>7,753</u>	<u>5,330</u>
Income tax expense		(2,193)	(1,611)
Net profit for the period		<u><u>5,560</u></u>	<u><u>3,719</u></u>
Attributable to:			
Minority interest		334	88
Members of the parent		<u><u>5,226</u></u>	<u><u>3,631</u></u>
Earnings per share (EPS)			
Basic EPS		37.0¢	25.8¢
Diluted EPS		37.0¢	25.8¢
Dividends paid per share		25¢	25¢

SCHAFFER CORPORATION LIMITED
CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2006

	CONSOLIDATED	
	Dec 2006 \$'000	Jun 2006 \$'000
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	4,700	13,596
Trade and other receivables	27,205	26,004
Inventories	41,156	38,243
Prepayments and deposits	1,218	1,076
Derivatives	414	-
Available-for-sale financial assets	73	304
TOTAL CURRENT ASSETS	74,766	79,223
NON CURRENT ASSETS		
Property, plant and equipment	47,720	37,124
Investment properties	17,402	15,035
Deferred income tax asset	879	427
Other	889	-
Goodwill	1,299	1,299
TOTAL NON CURRENT ASSETS	68,189	53,885
TOTAL ASSETS	142,955	133,108
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	19,783	16,688
Derivatives	-	22
Interest bearing loans and borrowings	395	1,519
Income tax payable	1,369	1,825
Provisions	4,305	4,403
TOTAL CURRENT LIABILITIES	25,852	24,457
NON CURRENT LIABILITIES		
Interest bearing loans and borrowings	64,074	56,485
Deferred income tax liabilities	-	248
Provisions	1,439	1,812
TOTAL NON CURRENT LIABILITIES	65,513	58,545
TOTAL LIABILITIES	91,365	83,002
NET ASSETS	51,590	50,106
EQUITY		
Parent entity interest		
Issued capital	17,034	17,034
Reserves	2,496	2,976
Retained earnings	28,086	26,388
Total parent entity interest in equity	47,616	46,398
Minority interests	3,974	3,708
TOTAL EQUITY	51,590	50,106

SCHAFFER CORPORATION LIMITED
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2006

	Attributable to Equity Holders of the Parent			Minority Interest	Total Equity	
	Issued Capital \$'000	Retained Earnings \$'000	Other Reserves \$'000	Total \$'000	\$'000	
CONSOLIDATED						
At 1 July 2005	17,034	30,222	2,819	50,075	3,759	53,834
Profit for the half-year	-	3,631	-	3,631	88	3,719
Exercise of options	-	-	43	43	-	43
Share-based payments	-	-	98	98	-	98
Equity dividends	-	(8,455)	-	(8,455)	-	(8,455)
At 31 December 2005	17,034	25,398	2,960	45,392	3,847	49,239
At 1 July 2006	17,034	26,388	2,976	46,398	3,708	50,106
Profit for the half-year	-	5,226	-	5,226	334	5,560
Share-based payments	-	-	40	40	-	40
Unrealised gain on available for sale investments	-	-	80	80	-	80
Net realised gain on sale of available-for-sale investments	-	-	(194)	(194)	-	(194)
Settlement of Employee Participation Units	-	-	(119)	(119)	(68)	(187)
Foreign currency translation reserve	-	-	(287)	(287)	-	(287)
Equity dividends	-	(3,528)	-	(3,528)	-	(3,528)
At 31 December 2006	17,034	28,086	2,496	47,616	3,974	51,590

SCHAFFER CORPORATION LIMITED
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2006

	Note	CONSOLIDATED	
		Dec 2006 \$'000	Dec 2005 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		74,628	77,254
Payments to suppliers and employees		(65,933)	(61,478)
Other revenue		128	51
Government scheme income		-	348
Borrowing costs paid		(2,155)	(1,934)
Income taxes paid		(2,744)	(2,423)
Goods and services tax paid		(207)	(406)
Research & development expenditure		(400)	(600)
NET CASH FLOWS FROM OPERATING ACTIVITIES		<u>3,317</u>	<u>10,812</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income		113	263
Acquisition of property, plant and equipment		(5,887)	(2,132)
Acquisition of investment properties		(2,285)	-
Acquisition of business		(7,420)	-
Proceeds on sale of property, plant and equipment		41	10
Proceeds on disposal/(acquisition) of available-for-sale investments		337	(46)
Dividends received		1	1
NET CASH FLOWS USED IN INVESTING ACTIVITIES		<u>(15,100)</u>	<u>(1,904)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(3,528)	(8,455)
Proceeds from borrowings		6,301	157
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		<u>2,773</u>	<u>(8,298)</u>
NET INCREASE/(DECREASE) IN CASH & CASH EQUIVALENTS		<u>(9,010)</u>	<u>610</u>
Cash and cash equivalents at the beginning of period		<u>13,596</u>	<u>9,765</u>
CASH & CASH EQUIVALENTS AT THE END OF PERIOD	10	<u><u>4,586</u></u>	<u><u>10,375</u></u>

NOTES TO THE HALF YEAR FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2006

1. CORPORATE INFORMATION

The financial report of Schaffer Corporation Limited (the Company) for the half-year ended 31 December 2006 was authorised for issue in accordance with a resolution of the directors on 21 February 2007. Schaffer Corporation Limited is a company incorporated in Australia and limited by shares, which are publicly traded on the Australian Stock Exchange.

The nature of the operations and principal activities of the Group are described in note 14.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The half year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

The half year financial report should be read in conjunction with the annual Financial Report of Schaffer Corporation Limited as at 30 June 2006.

It is also recommended that the half year financial report be considered together with any public announcements made by Schaffer Corporation Limited and its controlled entities during the half year ended 31 December 2006 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

(a) Basis of preparation

The half year financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and AASB 134 "Interim Financial Reporting". The half year financial report has been prepared on an historical cost basis, except for derivative financial instruments and available-for-sale investments that have been measure at fair value.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated under the option available to the company under ASIC Class Order 98/0100. The company is an entity to which the class order applies.

For the purpose of preparing the half year financial report, the half year has been treated as a discrete reporting period.

(b) Significant accounting policies

The half year consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2006 except for the adoption of amending standards mandatory for annual periods beginning on or after 1 July 2006, as described in note 2(d).

Following the acquisition of the limestone business the group adopted the following accounting policy:

Amortisation of Limestone Quarries

Amortisation is provided on the units of production method with separate calculations made for each quarry location. The units of production method results in an amortisation charge proportional to the depletion of the economically recoverable mineral resources.

(c) Summary of significant accounting policies

(i) Basis of consolidation

The half year consolidated financial statements comprise the financial statements of Schaffer Corporation Limited and its subsidiaries as at 31 December 2006.

The acquisition of the limestone business on 5 July 2006 has been accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of the business combination to the fair values of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition. Accordingly, the half year consolidated financial statements include the results of the limestone business for the period from its acquisition on 5 July 2006.

(d) Changes in accounting policies

Australian Accounting Standard and Urgent Issues Group Interpretations that have recently been amended and are effective from 1 July 2006 are outlined in the table below.

AASB	Application date for the Group
2004-3	1 July 2006
2005-1	1 July 2006
2005-4	1 July 2006
2005-6	1 July 2006
2005-9	1 July 2006
2006-1	1 July 2006
I-19	1 July 2006

AASB	Application date for the Group
4	1 July 2006
5	1 July 2006
7	1 July 2006
8	1 July 2006
9	1 July 2006

None of these standards or interpretations resulted in a material change in accounting policy and therefore there was no material impact on the Group's financial performance or position for the half year.

3. DIVIDENDS PAID OR PROPOSED

	CONSOLIDATED	
	Dec 2006 \$'000	Dec 2005 \$'000
(a) Dividends declared and paid during the half year on ordinary shares. Final franked dividend for the financial year 30 June 2006: 25¢ (2005 – 25¢)	3,528	3,523
(b) Dividends proposed and not yet recognised as a liability Interim franked dividend for the half year 31 December 2006 – 25¢ (2005 – 25¢)	<u>3,528</u>	<u>3,523</u>
	<u><u>7,056</u></u>	<u><u>7,046</u></u>

4. SIGNIFICANT REVENUE AND EXPENSES

Profit before income tax expense includes the following revenues and expenses where disclosure is relevant in explaining the performance of the entity:

(a) Finance income

Bank interest received	<u>113</u>	<u>263</u>
------------------------	------------	------------

(b) Other income/(losses)

Gain/(loss) on sale of property, plant & equipment	(6)	4
Gain on sale of available-for-sale investments	269	-
Net foreign currency gain	265	1,114
Gain/(loss) mark to market of derivatives	478	(820)
Government scheme income	-	348
Other	<u>128</u>	<u>51</u>
	<u><u>1,134</u></u>	<u><u>697</u></u>

(c) Finance Costs

Bank loans and overdraft interest	1,986	1,749
Finance charges payable under finance leases	12	9
Other	<u>157</u>	<u>176</u>
	<u><u>2,155</u></u>	<u><u>1,934</u></u>

(d) Expenses

Depreciation and amortisation of property, plant and equipment	2,454	2,312
Employee benefits	20,987	24,724
Expense of share based payments	71	203

5. NON CASH FINANCING AND INVESTING ACTIVITIES

During the financial period the consolidated entity acquired plant and equipment with a fair value of \$50,000 (2005 - \$Nil) by means of finance lease

6. SUBSEQUENT EVENTS

Subsequent to the end of the half year the company declared a dividend of 25c per share totalling \$3,528,000 payable on 20 March 2007.

There has not been any matter or circumstance in the interval between the end of the half year and the date of this report that has significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in subsequent financial periods.

7. CONTINGENT LIABILITIES

There have been no material changes in contingent liabilities from that disclosed in the last annual report.

8. CONTRIBUTED EQUITY

	CONSOLIDATED	
	Dec 2006	Dec 2005
	\$'000	\$'000
Ordinary Shares	<u>17,034</u>	<u>17,034</u>
All ordinary shares are fully paid and carry one vote per share and carry the right to dividends.		
	Number of	
Movements in ordinary shares on issue	Shares	\$'000
1 July 2006	14,091,935	17,034
On 1 September 2006 21,316 shares were issued in accordance with the Australian Leather Holdings Limited Employee Participation Units Plan	21,316	-
Total capital issued during the period	<u>21,316</u>	<u>-</u>
At 31 December 2006	<u>14,113,251</u>	<u>17,034</u>

9. INCOME TAX

The major components of income tax expense for the half year ended 31 December 2006 and 31 December 2005 are:

	CONSOLIDATED	
	Dec 2006	Dec 2005
	\$'000	\$'000
Consolidated Income Statement		
<i>Current income tax</i>		
Current income tax charge	2,555	1,410
Adjustments in respect of current income tax of previous years	245	(5)
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences	(607)	206
Income tax expense reported in the consolidated income statement	<u>2,193</u>	<u>1,611</u>

10. CASH AND CASH EQUIVALENTS

	CONSOLIDATED	
	Dec 2006	Dec 2005
	\$'000	\$'000
For the purpose of the half year condensed cash flow statement, cash and cash equivalents are comprised of the following:		
Cash at bank and in hand	4,700	10,427
Bank overdrafts	(114)	(52)
	<u>4,586</u>	<u>10,375</u>

11. PROPERTY, PLANT AND EQUIPMENT

Acquisitions and disposals

During the half year ended 31 December 2006, the Group acquired assets with a cost of \$15,349,000 (2005 - \$2,132,000).

Assets with a net book value of \$47,000 were disposed of by the Group during the half year ended 31 December 2006 (2005 - \$6,000), resulting in a loss on disposal of \$6,000 (2005 – gain \$4,000).

12. BUSINESS COMBINATION

On 5 July 2006 Schaffer Corporation Limited acquired the business of Limestone Resources Australia Pty. Ltd. a producer of natural and reconstituted limestone building products.

The total cost of the combination was \$7,670,000.

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

	CONSOLIDATED Recognised on acquisition \$'000
Quarry resource	4,500
Freehold land and buildings	1,150
Plant and leasehold improvements	1,232
Motor vehicles	856
Deferred tax asset	93
Inventories	150
	<hr/> 7,981
Employee entitlements reimbursement	(311)
Fair value of identifiable net assets	<hr/> 7,670 <hr/>
Cost of combination:	
Cash paid	<hr/> <hr/> 7,670 <hr/> <hr/>
The cash outflow on acquisition is as follows:	
Deposit paid year ended 30 June 2006	250
Cash paid in current period	7,420
Net cash outflow	<hr/> <hr/> 7,670 <hr/> <hr/>

It is impractical to disclose carrying value prior to acquisition as information was not available.

From the date of acquisition the limestone business contributed \$233,000 to the net after tax profit of the group.

13. INTEREST BEARING LOANS AND DRAWINGS

The group increased its borrowings during the period by \$6,301,000.

14. SEGMENT INFORMATION

The Group comprise the following segments:

The leather segment is a manufacturer and supplier of leather in the automotive and furniture industries.

The building products segment comprises Delta Corporation Limited, Urbanstone Pty. Ltd. and Limestone Resources Australia Pty. Ltd. which produces and sells concrete paving, pre-cast and pre-stressed concrete elements and natural and reconstituted limestone products.

The investment property segment leases offices and retail premises and represents the Group's share of jointly controlled operations.

Other comprises cash and cash equivalents, available-for-sale financial assets, surplus land and the Group's share of the Mindarie Keys joint venture land subdivision.

14. SEGMENT INFORMATION continued

The following table presents revenue and profit information regarding business segments for the half year periods ended 31 December 2006 and 31 December 2005

	LEATHER		BUILDING PRODUCTS		INVESTMENT PROPERTY		OTHER		CONSOLIDATED	
	Dec 2006 \$'000	Dec 2005 \$'000	Dec 2006 \$'000	Dec 2005 \$'000	Dec 2006 \$'000	Dec 2005 \$'000	Dec 2006 \$'000	Dec 2005 \$'000	Dec 2006 \$'000	Dec 2005 \$'000
Total Revenue from Ordinary Activities	43,818	50,318	26,977	20,799	2,272	2,056	874	541	73,941	73,714
Unallocated Revenue									-	-
Total Revenue									73,941	73,714
Segment Earnings	4,023	2,076	3,913	3,580	1,010	992	737	118	9,683	6,766
Interest and Corporate Overheads									(1,930)	(1,436)
Operating Profit Before Income Tax									7,753	5,330
Income Tax Expense									(2,193)	(1,611)
Net Profit After Tax									5,560	3,719

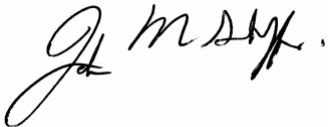
DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Schaffer Corporation Limited, I state that:

In the opinion of the directors:

- (a) The financial statements and notes of the consolidated entity:
 - (i) Give a true and fair view of the financial position as at 31 December 2006 and the performance for the half year ended on that date of the consolidated entity; and
 - (ii) Comply with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and
- (b) There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



John Schaffer
Managing Director

Perth, 21 February 2007

To the members of Schaffer Corporation Limited

Report on the Condensed Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Schaffer Corporation Limited and the entities it controlled during the half-year, which comprises the condensed balance sheet as at 31 December 2006, and the condensed income statement, condensed statement of changes in equity and condensed cash flow statement for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration.

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 (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes designing, implementing and maintaining internal controls 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 the consolidated entity's financial position as at 31 December 2006 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 and other mandatory financial reporting requirements in Australia. As the auditor of Schaffer Corporation Limited and the entities it controlled during the half-year, 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. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report. In addition to our review of the financial report, we were engaged to undertake other services. The provision of these services has not impaired our independence.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Schaffer Corporation Limited and the entities it controlled during the half-year, is not in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and of its performance for the half-year ended on that date; and
 - (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
- (b) other mandatory financial reporting requirements in Australia.



Ernst & Young



Gavin A. Buckingham

Partner

Perth


21 February 2007

Auditor's Independence Declaration to the Directors of Schaffer Corporation Limited

In relation to our review of the financial report of Schaffer Corporation Limited for the half-year ended 31 December 2006, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.



Ernst & Young



Gavin A. Buckingham
Partner
Perth
21 February 2007