Schaffer Corporation Limited
ABN 73 008 675 689

SCHAFFER CORPORATION REPORTS 44% RISE IN INTERIM NET PROFIT OF $5.2 MILLION

Schaffer Corporation Limited (ASX: SFC) today announced a net profit after tax (NPAT) of $5.2 million for the first half of the 2007 financial year – a 44% increase on the previous corresponding period (pcp) ($3.6 million).

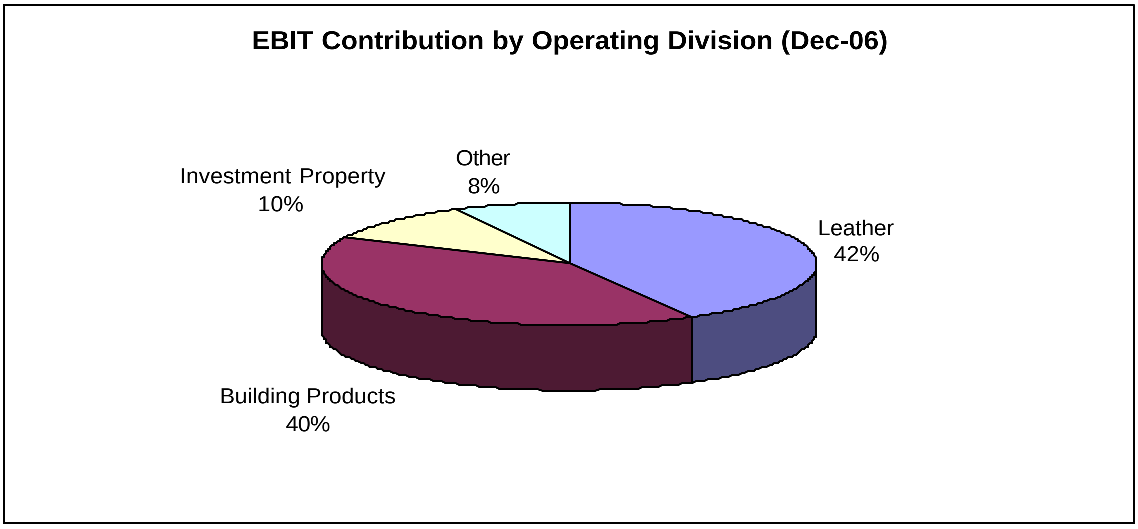
SFC also confirmed that it will pay an interim ordinary dividend of $0.25 per share (fully franked).

FINANCIAL PERFORMANCE SUMMARY

	31-Dec-05	**31-Dec-06**	Change
Revenue ($M)	73.7	**73.9**	
NPAT ($M)	3.6	**5.2**	+ 44%
Earnings per Share ($)	0.26	**0.37**	+ 43%
EBITDA ($M)	9.6	**12.4**	+ 29%
EBIT ($M)	7.3	**9.9**	+ 36%
Ordinary Dividend per Share ($)	0.25	**0.25**	
Cash Reserves ($M)	10.4	**4.7**	
Return on Capital Employed	16%	**18%**	

Across SFC's divisions, revenue was stable for the year at $73.9 million. The Building Products division profited from another strong half primarily through its exposure to the resource-driven building boom in Western Australia. Earnings at the Howe automotive leather business increased over pcp while revenue was lower. Restructuring costs and cost duplications associated with the establishment of Howe's Slovakian and China cutting plants were significantly lower for the period under review. SFC's joint venture property activities continue to contribute solid and consistent profits to the Group result.

OPERATIONS SUMMARY



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BUILDING PRODUCTS

The Building Products division reported sales of $27.0 million (pcp: $20.8 million) and earnings before interest and taxes (EBIT) of $3.9 million (pcp: $3.6 million). The previous period saw a new divisional earnings record. To better that performance for the half was an excellent outcome.

Timing issues resulted in pre-cast supplier Delta recording slightly lower revenue. Overall, Delta continues to benefit from the healthy level of building activity generated by WA's resource-fueled economy.

UrbanStone delivered another excellent result. That result was primarily driven by its exposure to the WA market. Conversely, the subdued NSW market continues to impact the business.

The Building Product division's revenue was also boosted by the first time inclusion of the Limestone Resources business, one of WA's leading suppliers of natural and reconstituted limestone products.

As part of the division's growth strategy, SFC acquired a 4,800 m^2 retail property in Osborne Park, Perth's premier home improvement retail destination. After extensive refurbishment, the property will re-open as UrbanStone Central in May 2007. The UrbanStone Central facility will offer a premium range of outdoor products manufactured by UrbanStone and Limestone Resources.

The division continues to review opportunities to grow its existing product range. SFC remains on the lookout for opportunities to increase sales by extending product offerings through UrbanStone's established distribution network. That network now encompasses 13 outlets nationally.

LEATHER (HOWE)

Howe's revenue was a disappointing $42 million (pcp: $46 million). Sales in the US market were significantly lower but were partially offset by sales improvements to Europe and Asia.

Notwithstanding the overall sales reduction, EBIT increased to $4.0 million (pcp: $2.1 million) driven by:

- The impact of redundancy and establishments costs in the pcp associated with the Slovakian and Chinese cutting plants
- The cessation of duplication costs with the closing of the Australian cutting plant
- Currency benefits caused by a weakening of the Australian dollar (AUD) against the Euro (EUR).

Howe's business performance continues to be impacted by a number of factors:

- Reduced demand in the US, where General Motors and Ford's market share is declining as more consumers switch to Japanese and Korean-made vehicles
- The loss of BMW as a customer to subsidised South African competitors
- Intense price competition due to production overcapacity within the industry
- Significant and widespread cost cutting programs at OEM level.

Importantly, Howe is witnessing growth in the European and Asian markets. Howe's offshore cutting plants provide:

- Lower labour cost than in Australia
- A local sales presence in Europe and Asia
- Improved customer response times.

Presently, approximately 50% of Howe's revenue is generated in US dollars (USD) and 40% in EUR. A substantial amount of that revenue receives a natural hedge from associated costs incurred in those currencies. The remaining unhedged exposure to movements in the USD and EUR against the AUD causes Howe's EBIT to rise and fall by approximately AUD 400,000 for each Eurocent and AUD 250,000 for each US cent that the AUD strengthens or weakens against those currencies.

In August 2006, the Gosh (furniture leather) business ceased production. In line with previous guidance, SFC incurred closure and restructuring costs of approximately $0.3 million (after tax) during the half. Gosh operated from a 2.1 hectare site in Hamilton Hill, which SFC is now offering for lease.

PROPERTY

SFC acquired joint venture interests in two properties during the last half:

- A 20% interest in an industrial warehouse in Vulcan Rd, Canning Vale
- A 20% interest in a 26 ha (industrial-zoned) property in Neerabup, which will be land banked for future subdivision as an industrial estate.

At 31 December 2006, SFC had joint venture interests in eight commercial and retail properties valued at approximately $33.5 million with $17.9 million of associated debt.

At current valuations, unrealised capital gains of $17.5 million are embedded in the investment property portfolio. SFC's investment property leasing operations contributed $1.0 million in EBIT and $0.6 million of cash for the half.

SFC's 15% interest in the Mindarie Keys residential subdivision was another source of improvement for the half. Mindarie Keys provided a half year EBIT contribution of $0.5 million (pcp: $0.1 million). SFC expects to receive approximately $3 million of EBIT and $4 million in cash over the next 18 months from its Mindarie Keys investment.

SFC's Board continuously reviews SFC's exposure to the property sector and will consider further acquisitions should suitable opportunities arise.

OUTLOOK - EARNINGS

The Building products division is positioned for another strong result in the second half.

The integration of Limestone Resources is well underway. SFC has identified opportunities for significant:

- Operational improvement at Limestone Resources
- Sales and marketing synergies as Limestone Resources product lines are offered through UrbanStone's national distribution network.

The opening of the UrbanStone Central will assist revenue growth and Delta will continue to leverage off the robust WA economy.

SFC expects full year EBIT for the Building Products division to at least equal the $6.6 million result for the 2006 financial year.

At Howe, the restructuring process is complete and all immediate opportunities for cost savings have been taken. Looking ahead, Howe's avenues for profit growth are predicated on building Howe's revenue base.

The US market has contracted and SFC anticipates ongoing pressure on US revenues and margins. Accordingly, Howe's focus for future growth is on Europe and Asia. Howe's Slovakian cutting facility is providing an important platform for future growth among existing European customers and new business opportunities. Similarly in Asia, the Shanghai cutting facility is enabling sales growth in the Asian region.

SFC anticipates Howe's full year earnings to be an improvement on the EBIT of $4.8 million in the pcp.

SFC expects its Investment Property leasing activities will generate solid and steadily improving returns. Mindarie earnings should be in line with the previous year. However, that outcome will depend on when stock is released to market. The potential exists for a significant proportion of Mindarie earnings to carry-over into the 2008 financial year. Neerabup will be earnings neutral, as it is essentially a land banking exercise for at least the next three years.

At Group level, SFC expects full year earnings to improve over the $8.1m NPAT reported for the 2006 financial year ending.

OUTLOOK - DIVIDENDS

The Board expects to pay a final dividend of $0.25 per share (fully franked).

The Board does not expect to lift its dividend payout ratio significantly beyond the 75% range in the medium term to ensure that SFC conserves funds for growth.

The Board's payout ratio policy remains one of balancing returns to shareholders with the need to fund organic growth in the Building Products division and grow the Property portfolio.

Key dates in relation to SFC's interim dividend are as follows:

▪ SFC's shares commence trading ex-dividend	8 March 2007
▪ Record date for final dividend	15 March 2007
▪ Payment of dividend	20 March 2007

John Schaffer
Chairman

21 February 2007

SCHAFFER INTERIM PROFIT UP 44% to $5.2 MILLION; 25¢ DIVIDEND

Schaffer Corporation Limited (ASX: SFC) today announced a net profit after tax (NPAT) of $5.2 million for the first half of the 2007 financial year along with an interim ordinary dividend of $0.25 per share (fully franked).

The result was 44% above the result reported for the previous corresponding period.

SFC Chairman, Mr John Schaffer, said that earnings were being driven by the excellent performance of the Building Products division and improved earnings in the Howe automotive leather business.

	31-Dec-05	**31-Dec-06**	Change
Revenue ($M)	73.7	**73.9**	
NPAT ($M)	3.6	**5.2**	+ 44%
Earnings per Share ($)	0.26	**0.37**	+ 43%
EBITDA ($M)	9.6	**12.4**	+ 29%
EBIT ($M)	7.3	**9.9**	+ 36%
Ordinary Dividend per Share ($)	0.25	**0.25**	
Cash Reserves ($M)	10.4	**4.7**	
Return on Capital Employed	16%	**18%**	

Mr Schaffer said that the Building Products division was well leveraged to the resource-driven building boom in Western Australia. Consequently, the division recorded its second successive record half.

"With the integration of Limestone Resources and the opening later this half of the 4,800 m^2 UrbanStone Central retail property in Osborne Park, SFC expects full year EBIT for the Building Products division to at least equal the $6.6 million result for the 2006 financial year," Mr Schaffer said.

In the first half, Howe experienced the benefit of its previous restructuring and the opening of its Slovakian and Chinese cutting plants. The Howe business continues to operate in an environment of intense competition and future earnings growth is predicated on building Howes' revenue base.

Mr Schaffer noted that SFC's Investment Property division continues to provide steadily improving earnings and cash production. SFC's Board continuously reviews SFC's exposure to the property sector and will consider further acquisitions should suitable opportunities arise.

Mr Schaffer concluded that SFC expects full year earnings to improve over the $8.1m NPAT reported for the 2006 financial year.

- ends -

Key dates in relation to SFC's interim dividend are as follows:

- SFC's shares commence trading ex-dividend 8 March 2007
- Record date for final dividend 15 March 2007
- Payment of dividend 20 March 2007

For further information, please contact:

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APPENDIX 4D

Preliminary half-year report

1. Name of entity

SCHAFFER CORPORATION LIMITED

ACN: **008 675 689**

Financial year ended ('current period'): **31 DECEMBER 2006**

Previous corresponding period: **31 DECEMBER 2005**

2. For announcement to the market

Results for announcement to the market: .

					$'000
2.1	Revenues from ordinary activities	up	0%	to	73,941
2.2	Profit from ordinary activities after tax attributable to members	up	44%	to	5,226
2.3	Net profit for the period attributable to members	up	44%	to	5,226

2.4	**Dividends (see section 6)**	Amount per security	Franked amount per security
	Final dividend		
	Interim period	25¢	25¢
2.5	Record date for determining entitlements to the dividend	15 MARCH 2007	

3. Condensed consolidated income statement

	Note	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		**113**	263
Total revenue		**73,941**	73,715
Cost of sales		**(56,072)**	(56,250)
Gross profit		**17,869**	17,465
Rental property expenses		**(1,143)**	(827)
Other income	1(a)	**1,134**	697
Marketing expenses		**(2,655)**	(3,284)
Administrative expenses		**(5,297)**	(6,787)
Profit from continuing operations before tax and finance costs		**9,908**	7,264
Finance costs		**(2,155)**	(1,934)
Profit before income tax		**7,753**	5,330
Income tax expense		**(2,193)**	(1,611)
Net profit for the period		**5,560**	3,719
Attributable to:			
Minority interest		**334**	88
Members of the parent		**5,226**	3,631
Earnings per share (EPS) (see section 14.1)			
Basic EPS		**37.0¢**	25.8¢
Diluted EPS		**37.0¢**	25.8¢
Dividends paid per share		**25¢**	25¢

Notes to the condensed consolidated income statement

	Dec 2006 *$'000*	Dec 2005 *$'000*
1. REVENUE & EXPENSES		

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

	Dec 2006	Dec 2005
(a) Other income/(losses)		
Gain/(loss) on sale of property, plant and 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	**128**	51
	1,134	697
(b) Expenses		
Depreciation and amortisation of property, plant and equipment	**2,454**	2,312
Provision for employee benefits increase/(decrease)	**(1,224)**	(528)
Expense of share based payments	**71**	203

4. Condensed consolidated balance sheet

	Dec 2006 *$'000*	June 2006 *$'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
Available-for-sale financial assets	**73**	304
Derivatives	**414**	-
Prepayments and deposits	**1,218**	1,076
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

5.1 Condensed consolidated statement of cash flows

	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)
Borrowing costs paid	**(2,155)**	(1,934)
Income tax paid	**(2,744)**	(2,423)
Goods and services tax paid	**(207)**	(406)
Government scheme income	**-**	348
Research and development expenditure	**(400)**	(600)
Other	**128**	51
NET CASH FLOWS FROM OPERATING ACTIVITIES	***3,317***	*10,812*
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividends received	**1**	1
Proceeds on sale of property, plant and equipment	**41**	10
Acquisition of property, plant and equipment	**(5,887)**	(2,132)
Acquisition of investment properties	**(2,285)**	-
Acquisition of business	**(7,420)**	-
Interest received	**113**	263
Proceeds on disposal/(acquisition) of available-for-sale investments	**337**	(46)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	***(15,100)***	*(1,904)*
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	**6,301**	157
Dividends paid	**(3,528)**	(8,455)
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES	***2,773***	*(8,298)*
NET (DECREASE)/INCREASE IN CASH & CASH EQUIVALENTS	***(9,010)***	*610*
Cash and cash equivalents at beginning of period	**13,596**	9,765
CASH AND CASH EQUIVALENTS AT END OF PERIOD	***4,586***	*10,375*

5.2 Reconciliation of cash

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

Cash on hand and at bank	4	
Bank overdraft		
Closing cash balance per cash flow statement	**4**	

5.3 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.

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.

5.4 Financing facilities available

The consolidated entity has bank facilities available to the extent of $56,921,000 (June 2006 - $52,480,000). The unutilised facility for the consolidated entity at balance date was $29,752,000 (June 2006 - $31,762,000)

5.5 Acquisition of controlled entity

There were no controlled entities acquired however a business was acquired as described in note 5.6.

5.6 Business combinations

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 at a cost of $7,670,000. Refer half year financial statements for more detail.

6.0 Statement of changes in equity

	Attributable to Equity Holders of the Parent				Minority Interest	Total Equity
	Issued Capital $'000	Retained Earnings $'000	Other Reserves $'000	Total $'000	$'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 unrealised 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

6.1 Dividends

Date the dividend is payable	20 MARCH 2007
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)	15 MARCH 2007
If it is a final dividend, has it been declared?	N/A

6.2 Amount per security

		Amount per security	Franked amount per security at 30% tax
Final dividend:	Current year		
	Previous year		
Special dividend:	Current year	0¢	0¢
	Previous year	0¢	0¢
Interim dividend:	Current year	25¢	25¢
	Previous year	25¢	25¢

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

	Current year	Previous year
Ordinary securities	$3,528,000	$3,523,000
Preference securities	-	-

6.4 Preliminary final report - final dividend on all securities

	Current period $'000	Previous corresponding period $'000
Ordinary securities		
Preference securities		
Other equity instruments		
Total	**N/A**	**N/A**

7. Dividend plan

The company does not have a dividend reinvestment plan.

8. Consolidated retained profits

	Current period $'000	Previous financial year $'000
Retained profits at the beginning of the financial period	26,388	30,222
Net profit attributable to members	5,226	3,631
Dividends and other equity distributions paid or payable	(3,528)	(8,455)
Retained profits at end of financial period	**28,086**	**25,398**

9. NTA backing	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	$3.28	$3.13

10. Control gained/lost over entities having material effect

There has been no changes in control of entities.

11. Details of aggregate share of profits (losses) of joint venture assets

		Current period	Previous corresponding period
11.1	Name of joint venture assets	Percentage Interest	Percentage Interest
	Joint Ventures		
	IBM Centre Joint Venture	22.10	22.10
	St. Kilda Road Joint Venture	20.00	20.00
	Hometown Joint Venture	25.00	25.00
	Queens Road Joint Venture	9.00	9.00
	Crosslands Shopping Centre JV	16.70	16.70
	89 St. George's Terrace Joint Venture	20.00	20.00
	Mindarie Keys Joint Venture	15.00	15.00
	Vulcan Road Joint Venture	20.00	-
	Neerabup Joint Venture	20.00	-
	Sentiens Joint Venture	11.00	-
11.2	**Group's share of joint venture assets**	$'000	$'000
	Profit (loss) from ordinary activities before tax	836	595
	Income tax on ordinary activities	251	179
	Profit (loss) from ordinary activities after tax	585	416
	Net profit (loss)	585	416
	Adjustments	-	-
	Share of net profit (loss) of joint venture assets	585	416

12. Other significant information

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

13. Foreign entities

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

Australian Accounting Standards

14. Commentary on results

Refer attachment

14.1 Earnings per security (EPS)

Details of basic and diluted EPS reported separately in accordance with *AASB 134: Earnings Per Share* are as follows.	Current year $'000	Previous corresponding year $'000
The following reflects the income and share data used in the calculation of basic and diluted EPS:		
Basic Earnings	5,226	3,631
Diluted Earnings	5,226	3,631
	Number	Number
Weighted average number of ordinary shares used in the calculation of basic EPS	14,105,953	14,091,935
Dilutive effect of employee options on issue	-	-
Weighted average number of ordinary shares used in the calculation of diluted EPS	14,105,953	14,091,935
Basic EPS	37.0	25.8
Diluted EPS	37.0	25.8

14.2 Segment reporting

See attached

15. Status of audit or review

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

☐	The accounts have been audited.	☑	The accounts have been subject to review.
☐	The accounts are in the process of being audited or subject to review.	☐	The accounts have *not* yet been audited or reviewed.

16. 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

17. 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: 21 FEBRUARY 2007
Company Secretary

Print Name: GEOFFREY VICTOR DAVIESON

SCHEDULE ACCOMPANYING APPENDIX 4D PRELIMINARY HALF-YEAR REPORT

SCHAFFER CORPORATION LIMITED

(ACN 008 675 689)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

REPORT FOR INDUSTRY SEGMENTS

	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