

## APPENDIX 4E

### Preliminary final report

1. Name of entity

SCHAFFER CORPORATION LIMITED

ABN

008 675 689

Financial year ended ('current period')

30 JUNE 2007

Previous corresponding period

30 JUNE 2006

2. For announcement to the market

*Results for announcement to the market:*

					\$'000
2.1	Revenues from ordinary activities	up	2%	to	147,658
2.2	Net profit for the period attributable to members	up	26%	to	10,252
2.3	<b>Dividends (see section 6)</b>				
			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				13 SEPTEMBER 2007

### 3. Condensed Consolidated Income Statement

	Notes	2007 \$'000	2006 \$'000
<b>Continuing Operations</b>			
<b>Revenue</b>			
Sale of goods		143,771	141,397
Rental income	1(a)	3,720	3,424
Finance income	1(b)	164	511
Dividends		3	3
Revenue		<u>147,658</u>	145,335
Cost of sales and other directly attributable costs		<u>(112,130)</u>	(111,124)
Gross profit		35,528	34,211
Rental property expenses	1(a)	(2,050)	(1,744)
Other income	1(c)	2,035	978
Marketing expenses		(5,025)	(4,737)
Administrative expenses		<u>(11,195)</u>	(12,347)
<b>Profit from continuing operations before tax and finance costs</b>		19,293	16,361
Finance costs	1(b)	<u>(4,514)</u>	(3,934)
<b>Profit before income tax</b>		14,779	12,427
Income tax expense		<u>(4,140)</u>	(3,997)
<b>Net profit for the period</b>		10,639	8,430
Profit attributable to minority interest		<u>(387)</u>	(286)
<b>Profit attributable to members of the parent</b>		<u><u>10,252</u></u>	8,144
Earnings per share (cents per share)			
- basic for profit for the year attributable to ordinary equity holders of the parent		72.7	57.8
- diluted for profit for the year attributable to ordinary equity holders of the parent		72.7	57.8
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 Condensed Consolidated Income Statement

NOTE 1	2007	2006
REVENUES AND EXPENSES	\$'000	\$'000
Revenue and expenses from continuing operations		
<b>(a) Net rental income</b>		
Rent received from		
- other persons/corporations	3,720	3,424
	<u>3,720</u>	<u>3,424</u>
Rental property expenses	(2,050)	(1,744)
Net rental income	<u>1,670</u>	<u>1,680</u>
<b>(b) Finance (costs)/income</b>		
Bank and other loans and overdrafts – interest	(4,483)	(3,916)
Finance charges payable under finance leases	(31)	(18)
Total finance costs	<u>(4,514)</u>	<u>(3,934)</u>
Bank interest received	164	511
Total finance income	<u>164</u>	<u>511</u>
<b>(c) Other income</b>		
(Loss)/gain on sale of property, plant and equipment	(23)	4
Gain on sale of available-for-sale financial assets	272	10
Net foreign currency gain	1,583	489
Government grants	-	348
Profit on disposal of controlled entity	-	37
Other	203	90
	<u>2,035</u>	<u>978</u>
<b>(d) Depreciation and amortisation included in income statement</b>		
Included in cost of sales:		
Depreciation	3,972	4,493
Included in rental property expenses		
Depreciation	415	405
Included in marketing and administrative expenses:		
Depreciation	373	336
	<u>4,760</u>	<u>5,234</u>
<b>(e) Lease payments included in income statement</b>		
Included in cost of sales:		
Minimum lease payments – operating lease	1,226	1,228
Included in marketing and administrative expenses:		
Minimum lease payments – operating lease	702	723
	<u>1,928</u>	<u>1,951</u>

NOTE 1	2007	2006
REVENUES AND EXPENSES (continued)	\$'000	\$'000
<b>(f) Employee benefit expense</b>		
Wages and salaries	32,265	30,023
Long service leave provisions	395	110
Worker's compensation costs	1,147	798
Superannuation costs	2,863	2,786
Expense of share-based payments	79	80
	<b>36,749</b>	<b>33,797</b>
<b>(g) Other expenses included in cost of sales</b>		
Research	1,200	800
Stock write down to net realisable value	-	858
Redundancy expenses	-	1,299
	<b>-</b>	<b>1,299</b>

#### 4. Condensed Consolidated Balance Sheet

	Note	2007 \$'000	2006 \$'000
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		9,537	13,596
Trade and other receivables		28,158	26,004
Inventories		38,917	38,243
Prepayments		619	1,076
Available-for-sale financial assets		103	304
<b>TOTAL CURRENT ASSETS</b>		<b>77,334</b>	<b>79,223</b>
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment		48,382	37,124
Investment properties		17,353	15,035
Deferred income tax asset		585	428
Goodwill		1,299	1,299
<b>TOTAL NON CURRENT ASSETS</b>		<b>67,619</b>	<b>53,886</b>
<b>TOTAL ASSETS</b>		<b>144,953</b>	<b>133,109</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables		18,725	16,710
Interest bearing loans and borrowings		3,686	1,519
Income tax payable		1,477	1,825
Provisions		4,383	4,403
<b>TOTAL CURRENT LIABILITIES</b>		<b>28,271</b>	<b>24,457</b>
<b>NON CURRENT LIABILITIES</b>			
Interest bearing loans and borrowings		61,563	56,485
Deferred income tax liabilities		734	249
Provisions		1,265	1,812
<b>TOTAL NON CURRENT LIABILITIES</b>		<b>63,562</b>	<b>58,546</b>
<b>TOTAL LIABILITIES</b>		<b>91,833</b>	<b>83,003</b>
<b>NET ASSETS</b>		<b>53,120</b>	<b>50,106</b>
<b>EQUITY</b>			
Equity attributable to equity holders of the parent			
Issued Capital		17,034	17,034
Reserves		2,476	2,976
Retained earnings	8	29,583	26,388
Total parent entity interest in equity		49,093	46,398
Minority interests		4,027	3,708
<b>TOTAL EQUITY</b>		<b>53,120</b>	<b>50,106</b>

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

## 5.1 Condensed Consolidated Cash Flow Statement

	Notes	2007 \$'000	2006 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		152,414	153,060
Payments to suppliers and employees		(127,768)	(129,203)
Other revenue		203	90
Government scheme income		-	348
Interest paid		(4,514)	(3,934)
Income taxes paid		(4,166)	(2,946)
Goods and services tax refunded/(paid)		(1,113)	(496)
Research and development expenditure		(1,200)	(800)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	5.3	<b>13,856</b>	<b>16,119</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest income		164	511
Acquisition of property, plant and equipment		(8,031)	(2,798)
Proceeds on sale of property, plant and equipment		542	13
Acquisition of business		(7,420)	-
Acquisition of investment properties		(2,731)	(1,683)
Net cash impact on disposal of controlled entity		-	37
Proceeds on disposal/(purchases) of available-for-sale investments		340	(30)
Dividends received		3	3
Deposits paid		-	(352)
<b>NET CASH FLOWS USED IN INVESTING ACTIVITIES</b>		<b>(17,133)</b>	<b>(4,299)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Finance lease principal payments		(209)	(176)
Dividends paid		(7,057)	(12,315)
Proceeds from borrowings		9,584	4,502
Repayment of borrowings		(3,100)	-
<b>NET CASH FLOWS USED IN FINANCING ACTIVITIES</b>		<b>(782)</b>	<b>(7,989)</b>
<b>NET INCREASE/(DECREASE) IN CASH &amp; CASH EQUIVALENTS</b>			
Cash and cash equivalents at the beginning of the year		13,596	9,765
<b>CASH &amp; CASH EQUIVALENTS AT THE END OF THE YEAR</b>	5.4	<b>9,537</b>	<b>13,596</b>

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 2007

	Attributable to Equity Holders of the Parent			Total \$'000	Minority Interest \$'000	Total Equity \$'000
	Issued Capital \$'000	Retained Earnings \$'000	Other reserves \$'000			
<b>At 1 July 2005</b>	17,034	30,222	2,820	50,076	3,759	53,835
Transitional adjustment for AASB 132 and 139	-	-	6	6	-	6
Unrealised gain on available-for-sale investments net of tax	-	-	121	121	-	121
Foreign currency translation reserve	-	-	(51)	(51)	-	(51)
<b>Total income recognised directly in equity</b>	-	-	76	76	-	76
Profit for the year	-	8,144	-	8,144	286	8,430
<b>Total income for the year</b>	-	8,144	76	8,220	286	8,506
Cost of share-based payments	-	-	80	80	-	80
Equity dividends	-	(11,978)	-	(11,978)	(337)	(12,315)
<b>At 30 June 2006</b>	17,034	26,388	2,976	46,398	3,708	50,106
1 July 2006						
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)
<b>Total expense recognised directly in equity</b>	-	-	(460)	(460)	-	(460)
Profit for the year	-	10,252	-	10,252	387	10,639
<b>Total income for the year</b>	-	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)
<b>At 30 June 2007</b>	17,034	29,583	2,476	49,093	4,027	53,120

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

CASH AND CASH EQUIVALENTS	2007 \$'000	2006 \$'000
Net profit	10,639	8,430
Adjustment for -		
Depreciation and amortisation	4,760	5,234
Interest received	(164)	(511)
Dividends received	(3)	(3)
Share-based payments expense	(40)	80
Provision for employee entitlements	(567)	(265)
Loss/(profit) on sale of property, plant & equipment	23	(4)
Realised gain on available-for-sale investments	(272)	(10)
Profit on sale of shares in partly owned controlled entities	-	(37)
Changes in assets and liabilities		
(Increase)/decrease in trade and other receivables	(2,092)	1,875
(Increase) in inventories	(674)	(3,136)
Increase in trade and other payables	2,161	3,286
(Decrease)/increase in income tax payable	(348)	612
(Decrease)/increase in deferred income tax liabilities	485	(63)
(Increase)/decrease in deferred income tax asset	(157)	487
(Increase)/decrease in prepayments	105	144
Net cash flows from operating activities	<b>13,856</b>	<b>16,119</b>

## 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	9,537	13,596
Bank overdraft	-	-
<b>Total cash at end of period</b>	<b>9,537</b>	<b>13,596</b>

## 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.

\$970,000 (2006 - \$218,000) for plant acquired under finance lease

## 5.6 Financing facilities available

The consolidated entity has bank facilities available to the extent of \$56,556,000 (2006 - \$52,480,000). The unutilised facility for the consolidated entity at balance date was \$28,523,000 (2006 - \$31,762,000)

## 5.7 Acquisition of controlled entity

There were no controlled entities acquired however a business was acquired as described in note 5.8.

## 5.8 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.

The total cost of the combination was \$7,670,000.00

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

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

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

From the date of acquisition the limestone business contributed \$259,000 to the net after tax profit of the group.

## 6.1 Dividends

Date the dividend is payable

18 SEPTEMBER 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 CHES approved)

13 SEPTEMBER 2007

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
<b>Final dividend:</b>		
Current year	25¢	25¢
Previous year	25¢	25¢
<b>Final special dividend:</b>		
Current year	-	-
Previous year	-	-
<b>Interim dividend:</b>		
Current year	25¢	25¢
Previous year	25¢	25¢
<b>Interim special dividend:</b>		
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	3,523
- Interim	3,528	3,523
Preference securities		
Other equity instruments		
<b>Total</b>	<b>7,057</b>	<b>7,046</b>

#### 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	26,388	30,222
Transfers from reserves	-	-
Net profit attributable to members	10,252	8,144
Dividends and other equity distributions paid or payable	(7,057)	(11,978)
<b>Retained profits at end of financial period</b>	<b>29,583</b>	<b>26,388</b>

<b>9. NTA backing</b>	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	\$3.39	\$3.20

#### 10. Control gained/lost over entities having material effect

Not applicable
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#### 11. Other significant information

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

## 12. Foreign entities

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

Not applicable

## 13. Commentary on results

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

### 13.1 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 \$'000	Previous corresponding year \$'000
The following reflects the income and share data used in the calculation of basic and diluted EPS:		
Basic Earnings	10,252	8,144
Diluted Earnings	10,252	8,144
	<u>Number</u>	<u>Number</u>
Weighted average number of ordinary shares used in the calculation of basic EPS	14,109,572	14,091,935
Weighted average number of ordinary shares used in the calculation of diluted EPS	14,109,572	14,091,935
Basic EPS	\$0.73	\$0.58
Diluted EPS	\$0.73	\$0.58

### 13.2 Segment reporting

See attached

## 14. Significant events after balance date

On 31 Jul 2007 Schaffer Corporation Limited purchased Archistone Pty. Ltd. a limestone building product producer for a cash consideration of \$6,200,000.

On 6 August 2007 Schaffer Corporation Limited disposed of its interest in the Queens Road Joint Venture for a consideration of \$1,600,000.

The company will pay a fully franked final dividend of 25¢ per share on 18 September 2007.

**15. 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. |

**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
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**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
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Sign here:  ..... Date: 22 AUGUST 2007  
Company Secretary

Print Name: GEOFFREY VICTOR DAVIESON

SCHEDULE ACCOMPANYING APPENDIX 4E PRELIMINARY FINAL REPORT

**SCHAFFER CORPORATION LIMITED**

(ACN 008 675 689)

FOR THE YEAR ENDED 30 JUNE 2007

REPORT FOR INDUSTRY SEGMENTS

	LEATHER		BUILDING PRODUCTS		INVESTMENT PROPERTY		OTHER INVESTMENTS		CONSOLIDATED	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000	2007 \$000	2006 \$000	2007 \$000	2006 \$000	2007 \$000	2006 \$000
<b>Total Revenue from Ordinary Activities</b>	84,435	98,111	55,144	39,043	4,611	4,236	3,468	3,945	147,658	145,335
Unallocated Revenue									-	-
<b>Total Revenue</b>									147,658	145,335
Segment Earnings	5,986	4,829	8,665	6,586	1,936	1,928	2,090	2,001	18,677	15,344
Interest and Corporate Overheads									(3,898)	(2,917)
Operating Profit Before Income Tax									14,779	12,427
Income Tax Expense									(4,140)	(3,997)
Net Profit After Tax									10,639	8,430
Segment Assets	71,138	73,821	38,875	22,092	17,838	15,930	16,387	20,388	144,238	132,231
Unallocated Assets									715	878
Total Assets									144,953	133,109
Segment Liabilities	54,073	55,896	12,912	5,600	21,003	17,342	1,609	2,098	89,597	80,936
Unallocated Liabilities									2,236	2,067
Total Liabilities									91,833	83,003

