SCHAFFER REPORTS $3.6 MILLION FIRST HALF PROFIT; DECLARES 25¢ PER SHARE ORDINARY DIVIDEND

Schaffer Corporation Limited (ASX: SFC) today announced a net profit (NPAT) for the first half of the 2006 financial year of $3.6 million (previous corresponding period (pcp): $6.6 million).

The first half NPAT is slightly above the guidance provided at the November 2005 Annual General Meeting ($3.5 million).

In addition, in line with previous guidance, SFC announced that it would pay an interim ordinary dividend of $0.25 per share (fully franked). The dividend will be paid in March 2006.

FINANCIAL PERFORMANCE

During the half, SFC's automotive leather business (Howe) continued to experience difficult trading conditions. The Building Products division experienced more buoyant trading conditions and bettered its performance from the pcp.

The following table below sets out SFC's financial performance for the half year and the pcp:

	H1 FY2005	**H1 FY2006**
Revenue ($M)	73.7	**73.7**
NPAT from Operating Earnings ($M)	5.9	**3.6**
NPAT from Property Disposals ($M)	0.7	**0.0**
Group Net Profit After Tax ($M)	6.6	**3.6**
Earnings per Share ($)	0.47	**0.26**
EBITD ($M)	13.7	**9.3**
Ordinary Dividend per Share ($)	0.50	**0.25**
Cash Reserves ($M)	20.0	**10.4**
Return on Capital Employed (excl. disposals)	22%	**15%**

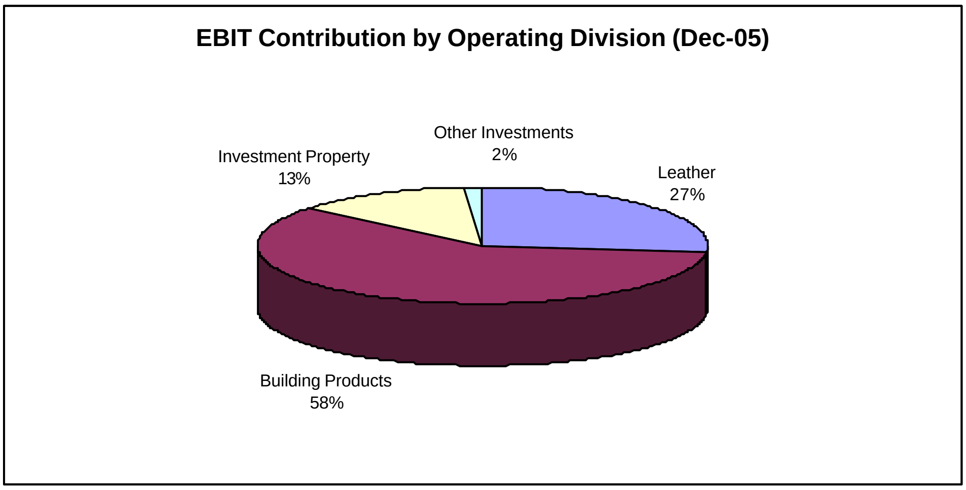
DIVIDENDS

Key dates in relation to SFC's $0.25 per share fully franked ordinary interim dividend are as follows:

- SFC's shares commence trading ex-dividend — 9 March 2006
- Record date for dividends — 16 March 2006
- Payment of dividends — 21 March 2006

SFC intends to maintain a high ordinary dividend payout ratio of at least 75%, subject to any special capital expenditure requirements, acquisition activity, liquidity needs and the availability of franking credits.

OPERATIONS SUMMARY



LEATHER DIVISION (HOWE)

Howe generated revenue of $46.4 million (pcp: $46.5 million) and earnings before interest and taxes (EBIT) of $2.1 million (pcp: $5.2 million).

While revenue was comparable with the pcp, industry overcapacity has led to margin pressures amid intense competition.

The well publicised difficulties at General Motors and Ford are reflected in weakening North American sales. However, volume increases in Europe and China are providing some offset.

In Europe, sales were stronger as the ramp-up of the Land Rover programme gained momentum, despite the loss of BMW as a customer. In China, sales have stabilised but remain well down on their pre-suspension peak in 2004, as the market has since shifted towards predominantly smaller vehicles.

In the last calendar year, Howe continued to implement its cost reduction programme by brining on line two lower-cost cutting plants in Slovakia (April 2005) and China (August 2005), while reducing costs from its Melbourne plant. The transition to cutting at these new facilities is largely complete. Both plants are now operating efficiently and providing Howe with a local presence in the Europe and Asian markets. One-off redundancy expenses from the Melbourne plant had a negative impact on earnings (reducing EBIT by $1.2 million).

In the first half, more than 50% of Howe's revenue was generated in US dollars and approximately 30% in Euros. Associated US dollar and Euro costs provide a natural hedge for a substantial proportion of that revenue. Howe's unhedged proportion of US dollar and Euro revenue exposes Howe's EBIT to variations of approximately A$250,000 and A$350,000 for each US cent or Eurocent, respectively, that the Australian dollar rises or falls against the other currencies.

The sector where the furniture leather business (Gosh) operates is extremely competitive. At current sales level, Gosh will struggle to provide a satisfactory return on capital employed (ROCE).

BUILDING PRODUCTS

The Building Products division reported a strong improvement in both revenue and earnings over the pcp. Revenue for the half year was $20.8 million (pcp: $15.6 million) and EBIT was $3.6 million (pcp: $2.4 million). The primary drivers of this improved performance were increased activity in the commercial building market and supply to infrastructure projects.

The division has experienced some input cost increases. However, Building Products continues to provide a satisfactory ROCE and is generating strong free cash flow. The division continues to assess opportunities to increase sales by extending product offerings through UrbanStone's established distribution network.

PROPERTY

At the end of 2005, SFC had joint venture interests in six commercial and retail properties valued at approximately $28 million, with $14.4 million of associated debt. SFC's investment property leasing operations contributed $0.9 million in EBIT and $0.5 million cash in the half-year.

SFC has a 15% interest in the Mindarie Keys residential subdivision. During the first half, subdivision staging issues at Mindarie limited the availability of stock for sale. Consequently, EBIT was $100,000, compared with $1.2 million in the pcp. Over the next two to three years, SFC expects its interest in Mindarie to generate at least another $2 million of EBIT and $3 million in cash.

Early in 2006 (ie, following the end of the first half), SFC acquired an 11% joint venture interest in a commercial property at Joondalup (north of Perth), which has significant development potential. SFC will consider further property acquisitions should a suitable opportunity arise.

DIVESTMENTS

The result for the first half of the 2005 financial year included one-off contributions from:

- The sale of surplus West Perth land, which generated EBIT of $900,000; and
- The sale of SFC's 51% interest in Solco Industries, which generated EBIT of $300,000.

There were no similar divestments during the first half of the 2006 financial year.

OUTLOOK

The outlook for the automotive component industry remains subdued. Competition among component suppliers is strong as a consequence of supplier overcapacity and cost cutting programmes at the original equipment manufacturer level. Given the pressure on margins, SFC (as previously advised) anticipates that Howe's full year earnings will be lower than for the pcp.

The North American market will continue to be difficult as GM and Ford restructure their operations. Howe's new business sales focus will primarily be on growth opportunities in the European and Asian markets.

Howe has made significant progress in repositioning its business with the reduction in costs at its Melbourne finishing and cutting facility and the establishment of cutting plants in low cost in Slovakia and China. The transition to the new Slovakian and Chinese cutting plants is providing Howe with a local presence and an excellent platform to pursue growth opportunities in the Europe and Asian markets. Following these changes, Howe remains internationally competitive and has developed a global market presence from which to build in the medium term.

While the Building Products division's second half is typically seasonally slower than the first half, full year sales and EBIT will be significantly above last year's results. These businesses have strong cash flow generating capacity and minimal capital requirements.

Earnings and Dividend Guidance

Historically, SFC's group earnings are greater in the first half year than the second. SFC anticipates second half earnings to slightly exceed those of the pcp. Such a result will partially offset the reductions in first half earnings.

Accordingly, SFC anticipates full year earnings for the 2006 financial year will be approximately materially below the $8.7 million recorded in the pcp.

Based on current estimates of second half earnings, SFC expects to declare a fully franked final dividend of $0.25 per share, payable in September 2006.

John Schaffer
Chairman

22 February 2006

SCHAFFER PROFIT OF $3.6 MILLION IN FIRST HALF; DIVIDENDS OF 25¢ PER SHARE

Schaffer Corporation Limited (ASX: SFC) today announced a net profit (NPAT) for the first half of the 2006 financial year of $3.6 million (previous corresponding period (pcp): $6.6 million) and an interim fully franked dividend of $0.25 per share.

The reported result was slightly above the guidance provided at the November 2005 AGM.

SFC Chairman John Schaffer said that difficult trading conditions at the Howe automotive leather business were partially offset by strong performance in the Building Products division:

	H1 FY2006
Revenue ($M)	73.7
Group Net Profit After Tax ($M)	3.6
Earnings per Share ($)	0.27
EBITD ($M)	9.4
Ordinary Dividend per Share ($)	0.26
Cash Reserves ($M)	10.4
Return on Capital Employed	15%

While Howe's revenue matched that of the previous corresponding period, industry overcapacity has led to margin pressures amid intense competition.

"Howe was particularly affected by the well publicised difficulties at General Motors and Ford, which have impacted North American sales.

"However, volume increases in Europe and China have provided some offset. The local cutting facilities that Howe established in 2005 in Slovakia and China have positioned the division to pursue further growth opportunities in the medium term.

"While conditions have been difficult at Howe, SFC's Building Products division had a very strong half. Revenue ($20.8 million) and EBIT ($3.6 million) were both significantly increased over the previous corresponding period," Mr Schaffer said.

Mr Schaffer added that the primary drivers of the Building Division's improved performance were increased activity in the commercial building market and supply to infrastructure projects.

The outlook for the automotive component industry remains subdued. Competition among component suppliers is strong as a consequence of supplier overcapacity and cost cutting programmes at the original equipment manufacturer level. Given the pressure on margins, SFC (as previously advised) anticipates that Howe's full year earnings will be lower than for the pcp.

While the Building Products division's second half is typically seasonally slower than the first half, full year sales and EBIT will be significantly above last year's results. These businesses have strong cash flow generating capacity and minimal capital requirements.

Mr Schaffer said that SFC anticipates second half earnings to slightly exceed those of the pcp, partially offsetting the reduction in first half earnings.

"Due to the improvement in second half earnings, the Board expects that full year earnings will be approximately materially below the $8.7 million reported for the 2005 financial year and SFC expects to declare a fully franked final dividend of $0.25," Mr Schaffer concluded.

Key dates in relation to SFC's $0.25 per share fully franked ordinary interim dividend are as follows:

- SFC's shares commence trading ex-dividend 9 March 2006
- Record date for dividends 16 March 2006
- Payment of dividends 21 March 2006

For further information, please contact:

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Schaffer Corporation Ltd
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Geoff Davieson
Chief Financial Officer
Schaffer Corporation Ltd
Tel: +61 8 9483 1202

22 February 2006

APPENDIX 4D

Preliminary half-year report

1. Name of entity

SCHAFFER CORPORATION LIMITED

ABN	Financial year ended ('current period')
008 675 689	**31 DECEMBER 2005**
	Previous corresponding period
	31 DECEMBER 2004

2. For announcement to the market

Results for announcement to the market: .

					$'000
2.1	Revenues from ordinary activities	up	-%	to	73,714
2.2	Profit from ordinary activities after tax attributable to members	down	45%	to	3,631
2.3	Net profit for the period attributable to members	down	45%	to	3,631

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	16 MARCH 2006	

3. Condensed consolidated income statement

	Note	Dec 2005 $'000	Dec 2004 $'000
Continuing operations			
Revenue			
Sale of goods		**71,799**	71,533
Rental income		**1,652**	1,556
Finance income		**263**	606
Total revenue		**73,714**	73,695
Cost of sales and other directly attributable costs		**(56,250)**	(51,007)
Gross profit		**17,464**	22,688
Rental property expenses		**(827)**	(566)
Other income	1(a)	**698**	1,252
Marketing expenses		**(3,284)**	(3,031)
Administrative expenses		**(6,787)**	(8,378)
Profit from continuing operations before tax and finance costs		**7,264**	11,965
Finance costs		**(1,934)**	(1,979)
Profit before income tax		**5,330**	9,986
Income tax expense		**(1,611)**	(2,914)
Net profit after income tax for the period		**3,719**	7,072
Profit attributable to minority interest		**(88)**	(464)
Profit attributable to members of the parent		**3,631**	6,608
Earnings per share (EPS) (see section 14.1)			
Basic EPS		**25.8¢**	47.1¢
Diluted EPS		**25.8¢**	47.1¢
Dividends paid per share		**25¢**	60¢

Notes to the condensed consolidated income statement

	Dec 2005 ***$'000***	Dec 2004 *$'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:

(a) Other income/(losses)

	Dec 2005	Dec 2004
Dividends received from other corporations	**1**	6
Gain/(loss) on sale of property, plant and equipment	**4**	428
Gain on sale of listed and unlisted shares	**-**	10
Profit on disposal of controlled entity	**-**	665
Net foreign currency gain	**294**	137
Government scheme income	**348**	-
Other	**51**	6
	698	1,252

(b) Expenses

	Dec 2005	Dec 2004
Depreciation and amortisation of property, plant and equipment	**2,312**	2,436
Provision for employee benefits increase/(decrease)	**(528)**	2,114
Expense of share based payments	**203**	73

4. Condensed consolidated balance sheet

	Dec 2005 ***$'000***	June 2005 *$'000*
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	**10,427**	12,737
Trade and other receivables	**26,831**	28,123
Inventories	**35,507**	35,107
Available-for-sale financial assets	**269**	83
Prepayments	**1,523**	868
TOTAL CURRENT ASSETS	**74,557**	76,918
NON-CURRENT ASSETS		
Property, plant and equipment	**41,360**	41,657
Investment properties	**11,149**	11,038
Deferred income tax asset	**2,545**	2,937
Intangible assets	**1,299**	1,299
TOTAL NON-CURRENT ASSETS	**56,353**	56,931
TOTAL ASSETS	**130,910**	133,849
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	**19,003**	13,705
Interest-bearing loans and borrowings	**191**	3,139
Income tax payable	**1,014**	1,213
Derivatives	**65**	-
Provisions	**4,700**	4,348
TOTAL CURRENT LIABILITIES	**24,973**	22,405
NON-CURRENT LIABILITIES		
Interest-bearing loans and borrowings	**53,477**	53,292
Deferred income tax liabilities	**2,315**	2,524
Provisions	**906**	1,794
TOTAL NON-CURRENT LIABILITIES	**56,698**	57,610
TOTAL LIABILITIES	**81,671**	80,015
NET ASSETS	**49,239**	53,834
EQUITY		
Parent entity interest		
Issued capital	**17,034**	17,034
Reserves	**2,960**	2,819
Retained earnings	**25,398**	30,222
Total parent entity interest in equity	**45,392**	50,075
Minority interests	**3,847**	3,759
TOTAL EQUITY	**49,239**	53,834

5.1 Condensed consolidated statement of cash flows

	Dec 2005 *$'000*	Dec 2004 *$'000*
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	**77,254**	77,555
Payments to suppliers and employees	**(62,078)**	(71,062)
Acquisition/(disposal) of equity securities	**(46)**	104
Dividends received	**1**	6
Borrowing costs paid	**(1,934)**	(1,979)
Income tax paid	**(2,423)**	(3,888)
Goods and services tax refunded/(paid)	**(406)**	(168)
Government scheme income	**348**	-
Other	**51**	6
NET CASH FLOWS FROM OPERATING ACTIVITIES	***10,767***	*574*
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property, plant and equipment	**10**	1,901
Proceeds on disposal of joint venture interests	**-**	1,188
Purchase of property, plant and equipment	**(2,132)**	(2,129)
Interest received	**263**	606
Net cash impact of disposal of controlled entity	**-**	690
NET CASH FLOWS (USED IN)/FROM INVESTING ACTIVITIES	***(1,859)***	*2,256*
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issues of ordinary shares	**-**	724
Proceeds from borrowings	**293**	-
Repayments of borrowings	**(136)**	(1,079)
Dividends Paid	**(8,455)**	(9,819)
Dividends paid to minority interest in controlled entity	**-**	(1,178)
NET CASH FLOWS USED IN FINANCING ACTIVITIES	***(8,298)***	*(11,352)*
NET (DECREASE)/INCREASE IN CASH & CASH EQUIVALENTS	***610***	*(8,522)*
Cash and cash equivalents at beginning of period	**9,765**	28,489
CASH AND CASH EQUIVALENTS AT END OF PERIOD	***10,375***	*19,967*

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

	Dec 2005 ***$'000***	Dec 2004 *$'000*
Net profit after tax	**3,719**	7,072
Non-cash items:		
Depreciation of non-current assets	**2,251**	2,311
Interest received	**(263)**	(606)
Amortisation of non-current assets	**61**	125
Share based payments expense	**203**	73
Net (profit)/loss on disposal of non-current assets	**(4)**	(1,408)
Profit on disposal of partly-owned controlled entity	**-**	(351)
Increase in/(reversal of) provision for currency loss	**-**	296
Deferred income tax liability on gain on available-for-sale investment	**(42)**	-
Changes in assets and liabilities		
(Increase)/decrease in trade and other receivables	**2,115**	3,469
(Increase)/decrease in inventory	**(400)**	(6,663)
(Increase)/decrease in deferred income tax asset	**461**	367
(Increase)/decrease in derivatives	**65**	-
(Increase)/decrease in prepayments	**(655)**	(440)
(Decrease)/increase in trade and other creditors	**5,298**	(418)
(Decrease)/increase in tax provision	**(1,022)**	(1,473)
(Decrease)/increase in deferred income tax liability	**(209)**	132
(Decrease)/increase in employee entitlements	**(765)**	(2,006)
(Increase)/decrease in other financial assets	**(46)**	94
Net cash flow from operating activities	**10,767**	574

5.3 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	1(	
Bank overdraft		
Total cash at end of period	**1(**	

5.4 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.

NONE

5.5 Financing facilities available

The consolidated entity has bank facilities available to the extent of $33,725,000 (June 2005 - $35,210,000). The unutilised facility for the consolidated entity at balance date was $18,711,000 (June 2005 - $15,706,000)

5.6 Acquisition of controlled entity

NONE

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 2004	15,916	39,077	2,672	57,665	4,874	62,539
Profit for the half-year		6,608		6,608	464	7,072
Exercise of options	724			724		724
Cost of share-based payments			73	73		73
Equity dividends		(9,819)		(9,819)	(1,178)	(10,997)
At 31 December 2004	16,640	35,866	2,745	55,251	4,160	59,411
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
Cost of share-based payments			43	43		43
Gain on available for sale investments			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

6.1 Dividends

Date the dividend is payable	21 MARCH 2006
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 MARCH 2006
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	10¢	10¢
Interim dividend:	Current year	25¢	25¢
	Previous year	50¢	50¢

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

	Current year	Previous year
Ordinary securities	$3,523,000	$8,440,000
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	30,222	39,077
Net profit attributable to members	3,631	6,608
Dividends and other equity distributions paid or payable	(8,455)	(9,819)
Retained profits at end of financial period	**25,398**	**35,866**

9. NTA backing	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	$3.13	$3.86

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 associates and joint venture entities

		Current period	Previous corresponding period
11.1	Name of associate or joint venture	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
11.2	**Group's share of associates' and joint venture entities':**	$'000	$'000
	Profit (loss) from ordinary activities before tax	595	1,730
	Income tax on ordinary activities	179	519
	Profit (loss) from ordinary activities after tax	416	1,211
	Extraordinary items net of tax		-
	Net profit (loss)	416	1,211
	Adjustments	-	-
	Share of net profit (loss) of associates and joint venture entities	416	1,211

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	3,631	6,608
Diluted Earnings	3,631	6,608
	Number	Number
Weighted average number of ordinary shares used in the calculation of basic EPS	14,091,935	14,026,462
Dilutive effect of employee options on issue	-	-
Weighted average number of ordinary shares used in the calculation of diluted EPS	14,091,935	14,026,462
Basic EPS	25.8	47.1
Diluted EPS	25.8	47.1

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: 22 FEBRUARY 2006
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 2005

REPORT FOR INDUSTRY SEGMENTS

	LEATHER		BUILDING PRODUCTS		INVESTMENT PROPERTY		OTHER INVESTMENTS		CONSOLIDATED	
	Dec 2005 $000	Dec 2004 $000	Dec 2005 $000	Dec 2004 $000	Dec 2005 $000	Dec 2004 $000	Dec 2005 $000	Dec 2004 $000	Dec 2005 $000	Dec 2004 $000
Total Revenue from Ordinary Activities	50,318	51,453	20,799	15,567	2,056	3,735	541	2,940	73,714	73,695
Unallocated Revenue									-	-
Total Revenue									73,714	73,695
Segment Earnings	2,076	5,249	3,580	2,414	992	1,951	118	1,265	6,766	10,879
Interest and Corporate Overheads									(1,436)	(893)
Operating Profit Before Income Tax									5,330	9,986
Income Tax Expense									(1,611)	(2,914)
Net Profit After Tax									3,719	7,072
Segment Assets	76,587	76,401	22,254	20,967	14,801	14,422	15,454	26,408	129,096	138,198
Unallocated Assets									1,814	2,319
Total Assets									130,910	140,517
Segment Liabilities	57,985	57,638	5,372	4,370	15,382	15,195	589	1,398	79,328	78,601
Unallocated Liabilities									2,343	2,505

Total Liabilities									81,671	81,106

APPENDIX 1 ACCOMPANYING APPENDIX 4D PRELIMINARY HALF-YEAR REPORT

	*** 30 JUN 2005 *$'000*	** 31 DEC 2004 *$'000*	* 1 JUL 2004 *$'000*
(i) Reconciliation of equity as presented under AGAAP to that under AIFRS			
Total equity under AGAAP	53,972	59,145	62,268
Adjustments to retained earnings (net of tax)			
Adjustments relating to share based payments (see note (a) below)	319	781	848
Write-back of goodwill amortization (see note (b) below)	110	55	-
Deferred taxation (see note (c) above)	(40)	(101)	(88)
Accumulated depreciation of joint venture properties (see note (d) below)	(870)	(812)	(754)
	(481)	(77)	6
Adjustments to reserves			
Option premium reserve (see note (a) below)	111	70	30
Share based payments reserve (see note (h) below)	123	90	57
Adjustments to outside equity interests in controlled entities			
Write-back of goodwill amortization (see note (b) below)	22	11	-
Shared based payment (see note (h) below)	87	172	178
Total equity under AIFRS	53,834	59,411	62,539

* This column represents the adjustments as at the date of transition to AIFRS
** This column represents the adjustments as at the date of transition to AIFRS and those for the half-year ended 31 December 2004
*** This column represents the cumulative adjustments as at the date of transition to AIFRS and those for the year ended 30 June 2005

The above changes will result in an increase in deferred income tax liability under AIFRS as follows:

Adjustment in respect of capitalized finance leases	-	225	225
Fixed asset cost base difference due to revaluations (see note (c) below)	161	223	212
Increase in deferred income tax liability	161	448	437

The above changes will result in an increase in deferred income tax asset under AIFRS as follows:

Adjustment in respect of employee participation units (refer note (h) below)	(275)	(477)	(477)
Adjustment in respect of capitalized finance leases	-	225	225
Fixed asset cost base difference due to revaluations (see note (c) below)	121	123	125
Accumulated depreciation of joint venture properties (see note (c) below)	373	348	323
Increase in deferred income tax asset	219	219	196

	*** 30 JUN 2005 *$'000*	** 31 DEC 2004 *$'000*
(ii) Reconciliation of net profit under AGAAP to that under AIFRS		
Net profit after tax and minorities as reported under AGAAP	9,891	6,691
Recognition of share-based payment expense (see note (a) below)	(619)	(73)
Write-back of goodwill amortization (see note (b) below)	132	66
Write-down joint venture properties to depreciated cost (see note (d) below)	(166)	(83)
Adjustment to income tax expense (see note (c) below)	98	12
Adjustment to net profit attributable to outside equity interest relating to recognition of share based payment expense (see note (h) below)	90	6
Adjustment to net profit attributable to outside equity interests relating to write-back of goodwill amortization (see note (b) below)	(22)	(11)
Net profit under AIFRS	9,404	6,608

IMPACT OF ADOPTING AASB EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

(a) Share-Based Payments

SFC operates a shareholder approved Employee Share Option Plan (“ESOP”). Pursuant to the ESOP the Company issues options to senior executives as part of its remuneration strategy designed to align the interests of the participants with those of all SFC shareholders. Under AASB 2 Share-Based Payments, the Company is required to recognize the fair value of equity settled share based payment arrangements as an expense over the vesting period. The standard applies to all share-based payments issued after 7 November 2002 which have not vested as at 1 January 2005. This treatment results in a transitional adjustment through retained earnings on 1 July 2004 and subsequent expense recognition in the Income Statement, with corresponding adjustments to equity. No tax deduction is allowed for the amount expensed.

(b) Goodwill

Under AASB 3 Business Combinations, goodwill is no longer amortized but instead will be subject to annual impairment testing. This will result in a change to the Group’s previous accounting policy which amortizes goodwill over its useful life (usually 20 years). Under the new policy, amortization is no longer charged, but goodwill will be written down to the extent it is impaired. No transition adjustment is required as the Group believes there has been no impairment at 1 July 2004. In addition, the Group has determined that there is no impairment at 30 June 2005. The Group has not elected to apply AASB 3 retrospectively and hence prior year amortization would not be written back as at the date of transition.

(c) Taxation

Under AASB 112 Income Taxes, deferred tax assets and deferred tax liabilities are recognized using the balance sheet approach, which will result in a change in the Group’s previous accounting policy that uses the income statement approach. AASB 112 has a wider scope than the Group’s previous accounting policy hence upon transition the amount of deferred taxes recognized in the balance sheet increase. Deferred tax liabilities will increase in relation to assets that are carried in the Balance Sheet at amounts greater than their tax cost base due to revaluations of assets in prior periods. The impact of this difference is to increase deferred tax liabilities and decrease opening retained earnings.

In the case of joint venture properties that were carried in the Balance Sheet at cost and not depreciated, an adjustment has been made to bring to account this depreciation that would have been expensed since acquisition in accordance with AIFRS and an associated increase in deferred tax asset.

(d) Investment Property

Under previous Australian Standards, investment properties were not depreciated and the Group has carried its investment property joint venture interests in the Statement of Financial Position at the lower of cost and net realizable value. AASB 140 Investment Property, required the value of investment properties to be recorded by the Group at either fair value or depreciated cost. The fair value option utilizes a mark to market approach whereby revaluation increments or decrements are required to be recognized in the Group's Income Statement at each balance date. The Group has adopted the depreciated value approach.

(e) Financial Assets and Liabilities

AASB 139 Financial Instruments: Recognition and Measurement requires financial instruments to be classified into one of the following categories which in turn determine the accounting treatment for the item. The classifications are:

- Financial assets held for trading – which are to be measured at fair value and fair value changes applied through the Income Statement;
- Financial assets held to maturity – which are to be measured at amortized cost;
- Loans and receivables – which are to be measured at amortized cost;
- Available-for-sale financial assets – which are to be measured at fair value with fair value changes taken to equity;
- Non-trading financial liabilities – which are to be measured at amortized cost.

This results in a change in the previous accounting policy that does not classify financial instruments.

Listed Shares

Previously listed shares were valued at the lower of cost and net realizable value. The new AASB 139 Financial Instruments: Recognition and Measurement, requires listed shares to be valued at their market value at balance date and any increment or decrement from the previous balance date to be recognized in the Company's Balance Sheet at each balance date. The new AASB 139 applied from1 July 2005. The impact at 1 July 2005 is $6,181 being an increase in the carrying value to bring the carrying value up to market value under AIFRS.