SCHAFFER CORPORATION REPORTS $8.1 MILLION NET PROFIT; DECLARES 25¢ PER SHARE DIVIDEND

Schaffer Corporation Limited (ASX: SFC) recorded a headline net profit after tax (NPAT) of $8.1 million for the 2006 financial year (FY 2005: $9.4 million, which included $0.7 million NPAT from a property sale).

SFC will pay a final ordinary dividend of $0.25 per share (fully franked), bringing the ordinary dividend for the 2006 financial year to $0.50 per share (fully franked) (FY 2005: $0.75 per share (fully franked)).

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

- SFC's shares commence trading ex-dividend — 8 September 2006
- Record date for final dividend — 14 September 2006
- Payment of dividend — 19 September 2006

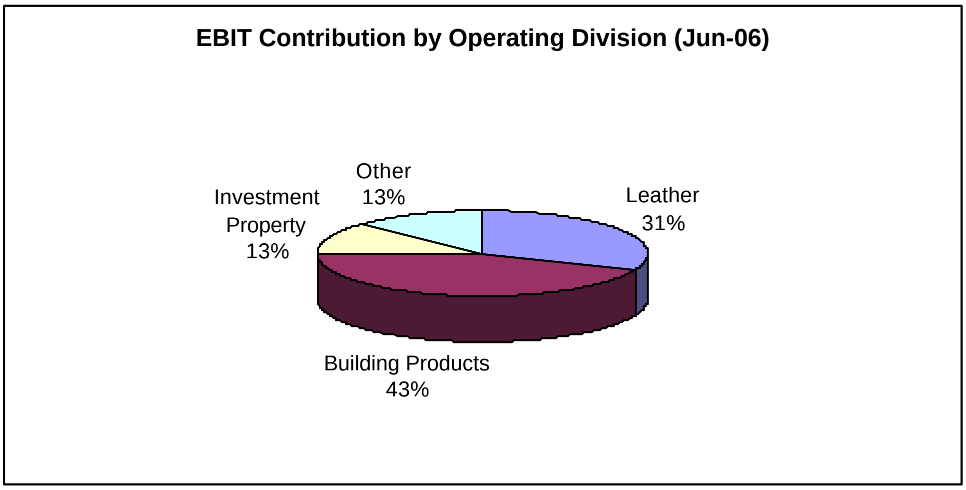
SUMMARY FINANCIAL PERFORMANCE

	2004/05	**2005/06**
Revenue ($M)	144.9	**145.3**
NPAT (Headline) ($M)	9.4	**8.1**
NPAT (excluding property disposals) ($M)	8.7	**8.1**
Earnings per Share (excluding property disposals) ($)	0.62	**0.58**
EBITDA ($M)	21.6	**21.1**
EBIT ($M)	16.6	**15.9**
Ordinary Dividend per Share ($)	0.75	**0.50**
Cash Reserves ($M)	12.7	**13.6**
Return on Capital Employed (excl. disposals)	16%	**16%**

Revenue was stable for the year at $145 million. SFC's automotive leather business (Howe) experienced difficult trading conditions and reduced earnings. That outcome was partially offset by significantly improved performance from the Building Products division and, to a lesser extent, SFC's joint venture property activities.

HEAD OFFICE: 1305 Hay Street, West Perth, Western Australia 6005
POSTAL ADDRESS: PO Box 770, West Perth, 6872 Western Australia

OPERATIONS SUMMARY



LEATHER (HOWE)

At Howe, sales totaled $91 million (FY 2005 $98 million) and earnings before interest and tax (EBIT) was $6.2 million (FY 2005: $8.6 million), demonstrating the pressure on margins.

Several factors impacted Howe's performance:

- A reduction in demand from Howe's US customers, where General Motors and Ford lost market share to Japanese and Korean original equipment manufacturers (OEM)
- The loss of BMW as a customer as a result of a South African industry support scheme, which provides rebates of approximately 23% for South African automotive leather suppliers
- Increased competition due to production overcapacity within the industry
- Significant and widespread cost cutting programs at OEM level.

Howe responded to the changing face of its industry and has substantially repositioned itself to remain globally competitive. Howe brought new cutting operations on-line in Slovakia and China, both lower cost countries. The plants provide an important local presence for Howe's Europe and Asian customers. During this half, Howe will complete the relocation of all its cutting requirements to its offshore plants. In the medium term, Howe's offshore cutting plants will strengthen its competitive position and substantially improve Howe's market presence in Europe and China.

Presently, approximately one half of Howe's revenue is generated in US dollars (USD) and a third is in Euros (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 Australian dollar (AUD) can cause Howe's EBIT to fall or to rise by approximately AUD 250,000 and AUD 400,000 for each US cent or Eurocent, respectively the AUD strengthens or weakens against those currencies.

The Gosh (furniture leather) business has been operating in a fiercely competitive market and has been struggling to provide an acceptable ROCE. Over the last three years, the business has been scaled back. With the virtual elimination of Australia's furniture business (due to competition from finished imported furniture), Gosh will cease all operations later this quarter. SFC's $8.1 million headline profit figure includes a $0.6 million (after tax) charge relating to the winding up of the Gosh business. A further $0.3 million (after tax) in closure costs is anticipated for this half.

BUILDING PRODUCTS

The Building Products division reported sales of $39 million (FY 2005 $28.8 million) and EBIT of $6.6 million (FY 2005 $2.9 million).

The much improved performance resulted primarily from a rebound in WA in commercial and infrastructure projects, to which Delta was a major supplier. The buoyant WA economy benefited UrbanStone sales, but the business was again impacted by the subdued NSW market.

As part of its growth strategy, UrbanStone intends to expand its WA distribution capacity. SFC has recently acquired a 4,800 m^2 retail property in Osborne Park, one of Perth's most central and popular 'home-improvement' retail destinations.

For some time, SFC has examined opportunities to acquire a business complementary to UrbanStone to extend the range of product offerings available through UrbanStone's national distribution network. The Limestone Resources acquisition (see ASX release of 1 June 2006) was settled on 6 July 2006 and the business is currently being integrated into the division.

PROPERTY

In the financial year, SFC's investment property leasing operations contributed $2 million in EBIT and $1.1 million of cash.

At 30 June 2006, SFC had joint venture interests in seven commercial and retail properties valued at approximately $32.5 million with $16.2 million of associated debt. At current valuations, the investment property portfolio has $14.9 million of unrealised capital gains.

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

SFC has a 15% interest in the Mindarie Keys residential subdivision. Strong demand during the second half resulted in a full year EBIT contribution of $1.9 million (FY 2005: $1.7 million). SFC expects to receive another $3 million of EBIT and $4 million in cash over the next two financial years from Mindarie Keys.

OUTLOOK

During the 2007 financial year, SFC expects Howe's trading conditions to continue to be challenging. Howe anticipates volume increases in Europe and China to largely offset reduced demand from its US customer base. However, increasing hide prices, supplier overcapacity, foreign government support schemes and aggressive pricing across the global automotive market will place further pressure on margins. As noted earlier, movements in foreign exchange rates may impact earnings.

In Building Products, SFC expects first half project timing issues to result in lower revenue from UrbanStone and Delta. Revenue from the recently acquired Limestone Resources business will offset this reduction. SFC anticipates Limestone Resources to contribute $12 million to $14 million of annual revenue at lower margins than the rest of the division. As a result of those issues, SFC expects Building Products' earnings rate to be lower than the previous corresponding period's record result. In addition, SFC expects capital expenditure of between $1 and $2 million at Limestone Resources to improve efficiency and increase capacity.

SFC expects solid and sustainable earnings from its investment property leasing operations during the first half of this financial year.

SFC further expects earnings from its interest in the Mindarie land subdivision to again be predominantly biased to the second half of the financial year due to stock availability and the timing of lot releases.

Given these factors, SFC anticipates earnings for the first half will not be less than the $3.6 million NPAT achieved for the corresponding period last year.

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

John Schaffer
Chairman

23 August 2006

SCHAFFER CORPORATION REPORTS $8.1 MILLION NET PROFIT; TO PAY 25¢ PER SHARE FINAL DIVIDEND

Schaffer Corporation Limited (ASX: SFC) today announced a headline NPAT of $8.1 million for the 2006 financial year (FY 2005: $9.4 million; which included $0.7 million NPAT from a property sale)

SFC also announced that it will pay a final ordinary dividend of $0.25 per share (fully franked), bringing the ordinary dividend for the 2006 financial year to $0.50 per share (fully franked) (FY 2005: $0.75 per share (fully franked)).

SFC Chairman John Schaffer said that continued difficult trading conditions at the Howe automotive leather business were partially offset by a record performance from the company's Building Products division:

	2004/05	2005/06
Revenue ($M)	144.9	145.3
NPAT (Headline) ($M)	9.4	8.1
NPAT (excluding property disposals) ($M)	8.7	8.1
Earnings per Share (excluding property disposals) ($)	0.62	0.58
Ordinary Dividend per Share ($)	0.75	0.50
Cash Reserves ($M)	12.7	13.6

"Howe was affected by lower US demand and the loss of the BMW program. The business was also impacted by the overcapacity in the industry and cost cutting by original equipment manufacturers," Mr. Schaffer said.

"Howe has repositioned itself and secured its competitive position by moving its cutting operations to low-labour-cost facilities closer to key markets in Europe and Asia.

The Gosh (furniture leather) business has been operating in a fiercely competitive market and has been struggling to provide an acceptable return. Over the last three years, the business has been scaled back. With the virtual elimination of Australia's furniture business (due to competition from finished imported furniture), Gosh will cease all operations later this quarter. SFC's $8.1 million headline profit figure includes a $0.6 million (after tax) charge relating to the winding up of the Gosh business. A further $0.3 million (after tax) in closure costs is anticipated for this half.

The Building Products division recorded record sales and EBIT, driven by WA commercial and infrastructure projects (where Delta was a major supplier) and the buoyant WA economy, which benefited UrbanStone.

"The recent acquisition of Limestone Resources has provided UrbanStone with a broader product offering and the ability to leverage its national distribution network. The revenue impact of the acquisition will be seen in the current year but the margins will be lower than the existing businesses within the division," Mr. Schaffer noted.

SFC's property activities continue to provide contributions to EBIT and cash. At current valuations, the company's investment property portfolio has $14.9 million of unrealised capital gains.

Mr. Schaffer said that, during the 2007 financial year, SFC expects Howe's trading conditions to continue to be challenging, with volume increases in Europe and China to largely offset reduced demand from its US customer base.

"Increasing hide prices, supplier overcapacity, foreign government support schemes and aggressive pricing across the global automotive market will place further pressure on margins," Mr. Schaffer noted.

"The Building Products division will likely experience first half project timing issues that result in lower revenue from UrbanStone and Delta. Revenue from the recently acquired Limestone Resources business will offset this reduction, albeit at lower margins than the rest of the division.

"SFC anticipates earnings for the first half will not be less than the $3.6 million NPAT achieved for the corresponding period last year," Mr. Schaffer added.

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

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

- SFC's shares commence trading ex-dividend — 8 September 2006
- Record date for final dividend — 14 September 2006
- Payment of dividend — 19 September 2006

For further information, please contact:

Mr. John Schaffer
Chairman
Schaffer Corporation Ltd
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Mr. Geoff Davieson
Chief Financial Officer
Schaffer Corporation Ltd
+61 8 9483 1202

23 August 2006

APPENDIX 4E

Preliminary final report

1. Name of entity

SCHAFFER CORPORATION LIMITED

ABN	Financial year ended ('current period')
008 675 689	**30 JUNE 2006**
	Previous corresponding period
	30 JUNE 2005

2. For announcement to the market

Results for announcement to the market: .

					$'000
2.1	Revenues from ordinary activities	up	0%	to	145,335
2.2	Profit from ordinary activities after tax attributable to members	down	13%	to	8,144
2.3	Net profit for the period attributable to members	down	13%	to	8,144
	Net profit excluding investment property disposals	down	7%	to	8,144

2.4	**Dividends (see section 6)**	Amount per security	Franked amount per security
	Final – Ordinary Dividend	25¢	25¢
	Interim – Ordinary Dividend	25¢	25¢
2.5	Record date for determining entitlements to the dividend	14 SEPTEMBER 2006	

3. Condensed Consolidated Income Statement

	Notes	**2006 $'000**	2005 $'000
Continuing Operations			
Revenue			
Sale of goods		**141,397**	140,742
Rental income	1(a)	**3,424**	3,150
Finance income	1(b)	**511**	1,023
Dividends		**3**	13
Revenue		**145,335**	144,928
Cost of sales and other directly attributable costs		**(111,124)**	(109,322)
Gross profit		**34,211**	35,606
Rental property expenses	1(a)	**(1,744)**	(1,510)
Other income	1(c)	**978**	2,291
Marketing expenses		**(4,737)**	(4,450)
Administrative expenses		**(12,347)**	(14,296)
Profit from continuing operations before tax and finance costs		**16,361**	17,641
Finance costs	1(b)	**(3,934)**	(3,845)
Profit before income tax		**12,427**	13,796
Income tax expense		**(3,997)**	(3,689)
Net profit for the period		**8,430**	10,107
Profit attributable to minority interest		**(286)**	(703)
Profit attributable to members of the parent		**8,144**	9,404
Earnings per share (cents per share)			
- basic for profit for the year attributable to ordinary equity holders of the parent		**57.8**	66.8
- diluted for profit for the year attributable to ordinary equity holders of the parent		**57.8**	66.8
Dividends per share (cents per share)		**50.0**	120.0

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

Notes to the Condensed Consolidated Income Statement

NOTE 1 **REVENUES AND EXPENSES**	**2006** **$'000**	2005 $'000
Revenue and expenses from continuing operations		
(a) Net rental income		
Rent received from		
- other persons/corporations	**3,424**	3,150
	3,424	3,150
Rental property expenses	**(1,744)**	(1,510)
Net rental income	**1,680**	1,640
(b) Finance (costs)/income		
Bank and other loans and overdrafts – interest	**(3,916)**	(3,805)
Finance charges payable under finance leases	**(18)**	(40)
Total finance costs	**(3,934)**	(3,845)
Bank interest received	**511**	1,023
Total finance income	**511**	1,023
(c) Other income		
Gain on sale of property, plant and equipment	**4**	373
Gain on sale of listed and unlisted shares	**10**	218
Net foreign currency gain	**489**	627
Government grants	**348**	369
Profit on disposal of controlled entity	**37**	689
Other	**90**	15
	978	2,291
(d) Depreciation and amortisation included in income statement		
Included in cost of sales:		
Depreciation	**4,493**	4,341
Included in rental property expenses		
Depreciation	**405**	405
Included in marketing and administrative expenses:		
Depreciation	**336**	230
	5,234	4,976
(e) Lease payments included in income statement		
Included in cost of sales:		
Minimum lease payments – operating lease	**1,228**	1,221
Included in marketing and administrative expenses:		
Minimum lease payments – operating lease	**723**	568
	1,951	1,789

NOTE 1 **REVENUES AND EXPENSES (continued)**	**2006** **$'000**	2005 $'000
(f) Employee benefit expense		
Wages and salaries	**30,023**	33,761
Long service leave provisions	**110**	127
Worker's compensation costs	**798**	1,173
Superannuation costs	**2,786**	3,073
Expense of share-based payments	**80**	301
	33,797	38,435
(g) Other expenses included in cost of sales		
Research	**800**	450
Stock write down to net realisable value	**858**	894
Redundancy expenses	**1,299**	473

4. Condensed Consolidated Balance Sheet

	Note	**2006 $'000**	2005 $'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		**13,596**	12,737
Trade and other receivables		**26,004**	28,123
Inventories		**38,243**	35,107
Prepayments		**1,076**	868
Available-for-sale financial assets		**304**	83
TOTAL CURRENT ASSETS		**79,223**	76,918
NON CURRENT ASSETS			
Property, plant and equipment		**39,834**	41,657
Investment properties		**12,325**	11,038
Deferred income tax asset		**2,321**	2,564
Goodwill		**1,299**	1,299
TOTAL NON CURRENT ASSETS		**55,779**	56,558
TOTAL ASSETS		**135,002**	133,476
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		**16,998**	13,705
Interest bearing loans and borrowings		**1,519**	3,139
Income tax payable		**1,825**	1,213
Provisions		**4,064**	4,348
TOTAL CURRENT LIABILITIES		**24,406**	22,405
NON CURRENT LIABILITIES			
Interest bearing loans and borrowings		**56,485**	53,292
Deferred income tax liabilities		**2,142**	2,151
Provisions		**1,812**	1,793
TOTAL NON CURRENT LIABILITIES		**60,439**	57,236
TOTAL LIABILITIES		**84,845**	79,641
NET ASSETS		**50,157**	53,835
EQUITY			
Equity attributable to equity holders of the parent			
Issued Capital		**17,034**	17,034
Reserves		**3,027**	2,820
Retained earnings	8	**26,388**	30,222
Total parent entity interest in equity		**46,449**	50,076
Minority interests		**3,708**	3,759
TOTAL EQUITY		**50,157**	53,835

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

5.1 Condensed Consolidated Cash Flow Statement

	Notes	**2006 $'000**	2005 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		**153,060**	145,201
Payments to suppliers and employees		**(129,203)**	(136,301)
Other revenue		**90**	15
Government scheme income		**348**	369
Interest paid		**(3,934)**	(3,846)
Income taxes paid		**(2,946)**	(6,124)
Goods and services tax refunded/(paid)		**(496)**	(314)
Research and development expenditure		**(800)**	(450)
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES	5.3	**16,119**	(1,450)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income		**511**	1,023
Acquisition of property, plant and equipment		**(4,481)**	(4,792)
Proceeds on sale of property, plant and equipment		**13**	4,090
Proceeds on disposal of joint venture interests		**-**	1,188
Net cash impact on disposal of controlled entity		**37**	714
Proceeds on disposal/(purchases) of equity securities		**(30)**	736
Dividends received		**3**	13
Deposits paid		**(352)**	-
NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		**(4,299)**	2,972
CASH FLOWS FROM FINANCING ACTIVITIES			
Finance lease principal payments		**(176)**	(845)
Dividends paid		**(12,315)**	(20,077)
Proceeds from share issue		**-**	1,118
(Repayment of)/proceeds from borrowings		**4,502**	(442)
NET CASH FLOWS USED IN FINANCING ACTIVITIES		**(7,989)**	(20,246)
NET INCREASE/(DECREASE) IN CASH & CASH EQUIVALENTS		**3,831**	(18,724)
Cash and cash equivalents at the beginning of the year		**9,765**	28,489
CASH & CASH EQUIVALENTS AT THE END OF THE YEAR	5.4	**13,596**	9,765

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 2006

	Attributable to Equity Holders of the Parent				Minority Interest	Total Equity
	Issued Capital $'000	Retained Earnings $'000	Other reserves $'000	Total $'000	$'000	$'000
At 1 July 2004	15,916	39,077	2,673	57,666	4,874	62,540
Profit for the year	-	9,404	-	9,404	703	10,107
Exercise of options	1,118	-	-	1,118	-	1,118
Cost of share-based payments	-	-	147	147	-	147
Equity dividends	-	(18,259)	-	(18,259)	(1,818)	(20,077)
At 30 June 2005	17,034	30,222	2,820	50,076	3,759	53,835
1 July 2005						
Transitional adjustment for AASB 132 and 139	-	-	6	6	-	6
Profit for the year	-	8,144	-	8,144	286	8,430
Unrealised gain on available-for-sale investment	-	-	121	121	-	121
Cost of share-based payments	-		80	80	-	80
Equity dividends	-	(11,978)	-	(11,978)	(337)	(12,315)
At 30 June 2006	17,034	26,388	3,027	46,449	3,708	50,157

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	**2006 $'000**	2005 $'000
Net profit	**8,430**	10,107
Adjustment for -		
Depreciation and amortisation	**5,234**	4,976
Interest received	**(511)**	(1,023)
Dividends received	**(3)**	(13)
Gain on disposal of equity securities	**-**	(218)
Share-based payments expense	**80**	147
(Provision for)/write back of employee entitlements	**(265)**	(1,946)
Loss/(profit) on sale of property, plant & equipment	**(4)**	(1,537)
Realised gain on available-for-sale investments	**(10)**	-
Profit on sale of shares in partly owned controlled entities	**(37)**	(689)
Changes in assets and liabilities		
(Increase)/decrease in trade and other receivables	**1,875**	(1,773)
(Increase)/decrease in inventories	**(3,136)**	(3,657)
Decrease in deferred exchange loss	**-**	296
(Decrease)/increase in trade and other payables	**3,286**	(3,449)
(Decrease)/increase in income tax payable	**612**	(2,485)
(Decrease)/increase in deferred income tax liabilities	**(63)**	(512)
(Increase)/decrease in deferred income tax asset	**487**	563
(Increase)/decrease in prepayments	**144**	(237)
Net cash flows from operating activities	**16,119**	(1,450)

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	13,596	12,737
Bank overdraft	-	(2,972)
Total cash at end of period	**13,596**	**9,765**

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.

$218,000 for plant acquired under finance lease

5.6 Financing facilities available

The consolidated entity has bank facilities available to the extent of $52,980,000 (2005 - $35,210,000). The unutilised facility for the consolidated entity at balance date was $33,631,000 (2005 - $15,706,000)

5.7 Acquisition of controlled entity

NONE

6.1 Dividends

Date the dividend is payable	19 SEPTEMBER 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)	14 SEPTEMBER 2006
If it is a final dividend, has it been declared?	YES

6.2 Amount per security

	Amount per security	Franked amount per security at 30% tax
Final dividend:		
Current year	25¢	25¢
Previous year	25¢	25¢
Final special dividend:		
Current year	-	-
Previous year	35¢	35¢
Interim dividend:		
Current year	25¢	25¢
Previous year	50¢	50¢
Interim special dividend:		
Current year	-	-
Previous year	10¢	10¢

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

	Current year	Previous year
Ordinary securities	50¢	120¢
Preference securities	-	-

6.4 Preliminary final report – dividend on all securities

	Current period $'000	Previous corresponding period $'000
Ordinary securities - Final	3,523	8,455
- Interim	3,523	8,440
Preference securities		-
Other equity instruments		-
Total	**7,046**	**16,895**

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	30,222	39,077
Transfers from reserves	-	-
Net profit attributable to members	8,144	9,404
Dividends and other equity distributions paid or payable	(11,978)	(18,259)
Retained profits at end of financial period	**26,388**	**30,222**

9. NTA backing	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	$3.20	$3.46

10. Control gained/lost over entities having material effect

Not applicable

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
	Sentiens Joint Venture	11.00	-
11.2	**Group's share of associates' and joint venture entities':**	$'000	$'000
	Profit (loss) from ordinary activities before tax	2,834	2,339
	Income tax on ordinary activities	(850)	(701)
	Profit (loss) from ordinary activities after tax	1,984	1,638
	Extraordinary items net of tax	-	-
	Net profit (loss)	1,984	1,638
	Adjustments	-	-
	Share of net profit (loss) of associates and joint venture entities	1,984	1,638

12. Other significant information

All significant information is disclosed in this Appendix 4E 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 equivalents of International Financial Reporting Standards

14. Commentary on results

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

14.1 Earnings per security (EPS)

Details of basic and diluted EPS reported separately in accordance with *AASB 133: 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	8,144	9,404
Diluted Earnings	8,144	9,404
	Number	Number
Weighted average number of ordinary shares used in the calculation of basic EPS	14,091,935	14,069,712
Weighted average number of ordinary shares used in the calculation of diluted EPS	14,091,935	14,069,712
Basic EPS	$0.58	$0.67
Diluted EPS	$0.58	$0.67

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: 23 AUGUST 2006
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 2006

REPORT FOR INDUSTRY SEGMENTS

	LEATHER		BUILDING PRODUCTS		INVESTMENT PROPERTY		OTHER INVESTMENTS		CONSOLIDATED	
	2006 $000	2005 $000	2006 $000	2005 $000	2006 $000	2005 $000	2006 $000	2005 $000	2006 $000	2005 $000
Total Revenue from Ordinary Activities	98,111	105,412	39,043	28,844	4,236	3,885	3,945	6,787	145,335	144,928
Unallocated Revenue									-	-
Total Revenue									145,335	144,928
Segment Earnings	4,829	8,267	6,586	2,867	1,928	1,601	2,001	3,064	15,344	15,799
Interest and Corporate Overheads									(2,917)	(2,003)
Operating Profit Before Income Tax									12,427	13,796
Income Tax Expense									(3,997)	(3,689)
Net Profit After Tax									8,430	10,107
Segment Assets	74,802	78,080	22,092	21,389	15,924	14,081	20,388	17,507	133,206	131,057
Unallocated Assets									1,796	2,419
Total Assets									135,002	133,476
Segment Liabilities	56,826	56,822	6,078	5,025	16,668	14,966	2,098	617	81,670	77,430
Unallocated Liabilities									3,175	2,211
Total Liabilities									84,845	79,641

TRANSITION TO AIFRS

For all periods up to and including the year ended 30 June 2005, the Group prepared its financial statements in accordance with Australian generally accepted accounting practice (AGAAP). These financial statements for the year ended 30 June 2006 are the first the Group is required to prepare in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS).

Accordingly, the Group has prepared financial statements that comply with AIFRS applicable for periods beginning on or after 1 January 2005 and the significant accounting policies meeting those requirements are described in financial statements. In preparing these financial statements, the Group has started from an opening balance sheet as at 1 July 2004, the Group's date of transition to AIFRS, and made those changes in accounting policies and other restatements required by AASB 1 *First-time adoption of AIFRS.*

This note explains the principal adjustments made by the Group in restating its AGAAP balance sheet as at 1 July 2004 and its previously published AGAAP financial statements for the year ended 30 June 2005.

(a) Share-Based Payments

Schaffer Corporation Limited 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 recognise 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 granted after 7 November 2002 which had 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 amortised but instead is subject to annual impairment testing. This resulted in a change to the Group's previous accounting policy which amortises 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 there has been no impairment at 1 July 2004. In addition, the Group has determined that there is no impairment at either 30 June 2005 or 30 June 2006. The Group has not elected to apply AASB 3 retrospectively and hence prior year amortisation has not been 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 resulted in a change to the Group's previous accounting policy that used 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 increased. 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.

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 and the associated deferred tax consequence.

(d) Investment Property

Under previous Australian Standards, investment properties were not depreciated and the Group carried its investment property in the Balance Sheet at the lower of cost and net realisable value. AASB 140 Investment Property, requires investment properties to be recorded by the Group at either fair value or depreciated cost. The Group has adopted the cost method. The carrying value of investment properties and associated plant and equipment is $15.0 million whereas the current market value is approximately $32.5 million.

(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 did not classify financial instruments in this way.

Listed and Unlisted Shares – Available-for-sale

Previously listed and unlisted shares were valued at the lower of cost and net realisable 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 from 1 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.

(f) AASB 1 Transitional exemptions

The Group has made its elections in relation to the transitional exemptions allowed by AASB 1 "First-time Adoption of Australian Equivalents to International Financial Reporting Standards" as follows:

Business combinations

AASB 3 “Business Combinations” was not applied retrospectively to past business combinations (i.e. business combinations that occurred before the date of transition to AIFRS).

Designation of previously recognised financial instruments

Certain financial assets were designated as available-for-sale at the date of transition to AIFRS.

Share-based payment transactions

AASB 2 “Share-Based Payments” is applied only to equity instruments granted after 7 November 2002 that had not vested on or before 1 January 2005.

Exemption from the requirement to restate comparative information for AASB 132 and AASB 139

The Group has elected to adopt this exemption and has not applied AASB 132 “Financial Instruments: Presentation and Disclosure” and AASB 139 “Financial Instruments: Recognition and Measurement” to its comparative information.

(g) Impact of adoption of AIFRS

The impacts of adopting AIFRS on the total equity and profit after tax as reported under Australian Accounting Standards applicable before 1 January 2005 (“AGAAP”) are illustrated below:

IMPACT OF ADOPTING ASSB EQUIVALENTS TO IASB STANDARDS

	** 30 Jun 05 $'000	* 1 Jul 04 $'000
(i) Reconciliation of equity as presented under AGAAP to that under AIFRS		
Total equity under AGAAP	53,972	62,268
Adjustments to retained earnings (net of tax)		
Adjustments relating to share based payments (see note (a) above)	320	848
Write-back of goodwill amortisation (see note (b) above)	110	-
Deferred taxation (see note (c) above)	(40)	(88)
Accumulated depreciation of joint venture properties (see note (d) above)	(870)	(754)
	(480)	6
Adjustments to reserves		
Option premium reserve (see note (a) above)	111	30
Share based payments reserve (see note (a) above)	123	57
Adjustments to outside equity interests in controlled entities		
Write-back of goodwill amortisation (see note (b) above)	22	-
Share based payment (see note (a) above)	87	178
Total equity under AIFRS	53,835	62,539

The above changes result in changes to the deferred income tax balances as follows:

DEFERRED TAX LIABILITY

Adjustment reflected in controlled entities	-	-
Adjustment in respect of capitalised finance leases	-	225
Fixed asset cost base difference due to revaluations (see note (c) above)	161	212
Accumulated depreciation of joint venture properties (see note (d) above)	(373)	(323)
(Decrease)/Increase in deferred income tax liability	(212)	114

DEFERRED TAX ASSET

Adjustment reflected in controlled entities	-	-
Adjustment in respect of employee participation units (see note (a) above)	(275)	(477)
Adjustment in respect of capitalised financed leases	-	225
Fixed asset cost base difference due to revaluations (see note (c) above)	121	125
(Decrease)/Increase in deferred income tax asset	(154)	(127)

(ii) Reconciliation of net profit under AGAAP to that under AIFRS

	30 Jun 05 $'000
Net profit after tax and minorities as reported under AGAAP	9,891
Recognition of share-based payment expense (see note (a) above)	(619)
Write-back of goodwill amortisation (see note (b) above)	132
Write-down joint venture properties to depreciated cost (see note (d) above)	(166)
Adjustment to income tax expense (see note (c) above)	98
Adjustment to net profit attributable to outside equity interest relating to recognition of share based payment expense (see note (a) above)	90
Adjustment to net profit attributable to outside equity interests relating to write-back of goodwill amortisation (see note (b) above)	(22)
Net profit under AIFRS	9,404