Schaffer Corporation Limited
ABN 73 008 675 689

SCHAFFER INTERIM PROFIT $2 MILLION WITH $0.10 FRANKED INTERIM DIVIDEND

Western Australian-based industrial group Schaffer Corporation Limited (ASX: SFC) today announced NPAT of $2.0 million for the first half, which result includes a $1.5 million loss associated with discontinued operations. SFC has declared and will pay a fully franked interim dividend of $0.10 per share on 25 March 2011.

SFC's Chairman John Schaffer said that the NPAT result reflected difficult trading conditions across the group's operating divisions and the impact of the accounting treatment of the decision to close the Automotive Leather division Mexican cutting plant.

"The decrease in NPAT over the same period last year can be substantially attributed to an overall decline in revenue and margin squeeze, particularly at our Building Materials division," Mr Schaffer said.

"In addition, the decision to close our Mexican cutting operations has had a substantial impact on the result, with the standards requiring us to book a $1.5 million loss including an after-tax provision of $0.7 million for costs and expenses of the closure.

"Whilst it was a difficult decision to close those Mexican operations, the impact on the future profitability of Automotive Leather can be clearly seen in these results. Excluding the impact of the discontinued operations, earnings at Automotive Leather more than doubled," Mr Schaffer said.

SFC anticipates that the generally difficult trading conditions in which its business units are operating will continue. Those conditions combined with a number of factors outside management control, including currency fluctuations, make it difficult to assess the likely full year net profit result. The Board presently expects a lower full year result than last year and SFC will update the market when it has greater clarity around the result.

Mr Schaffer added, "Schaffer Corporation remains in a strong financial position – a position that has been further bolstered by the release of $11 million after balance date from the sale and leaseback of three UrbanStone Central sites. In line with our strategic planning, we have used those funds to reduce SFC's direct bank debt, to conservative levels.

"We have gone to great lengths in recent years to optimise the operational structure and flexibility of our operations. Whilst our business units are operating in difficult conditions at present, they are well placed to capitalise on future improvements in their markets," Mr Schaffer concluded.

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