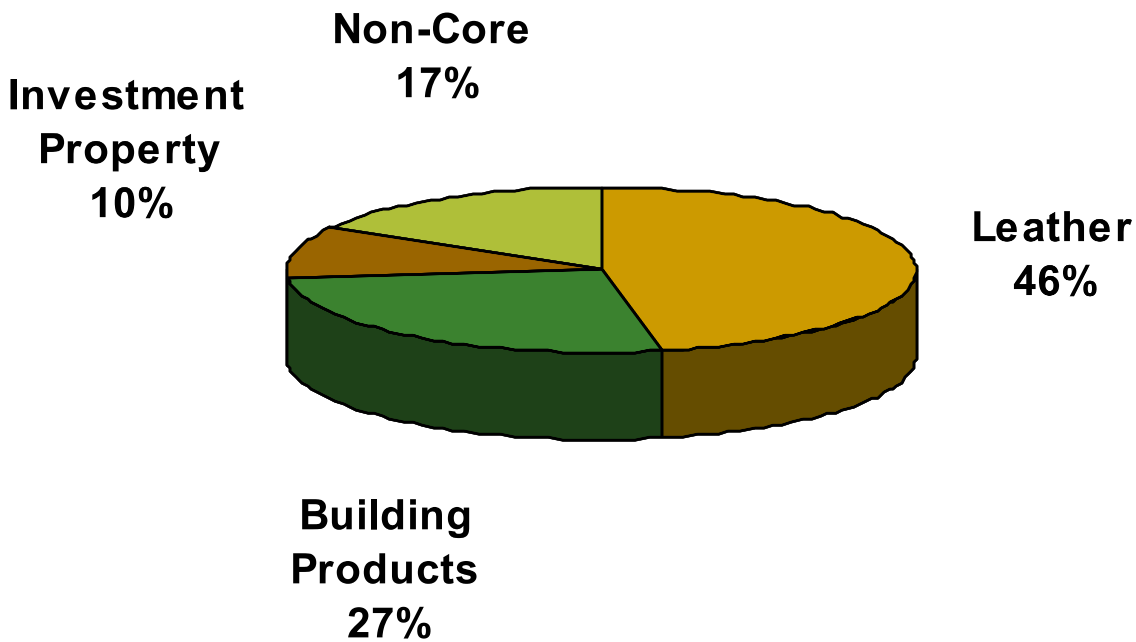
Schaffer Corporation Limited

Full Year Results – June 2005

Performance Summary

	2003/04	2004/05
Revenue (A$m)	192	149
Net Profit (A$m)	16.6	9.9
EPS	**$1.20**	**$0.70**
ROCE	27%	16%
EBITDA (A$m)	33	22
Operating Cash Flow	25.9	0.3
Ordinary Dividend	**$1.00**	**$0.75**
Special Dividend	**$0.40**	**$0.45**
Net Interest Cover (EBIT)	10.0	6.2
Net Debt/Equity	42%	81%

Jun 2005 EBIT Contribution



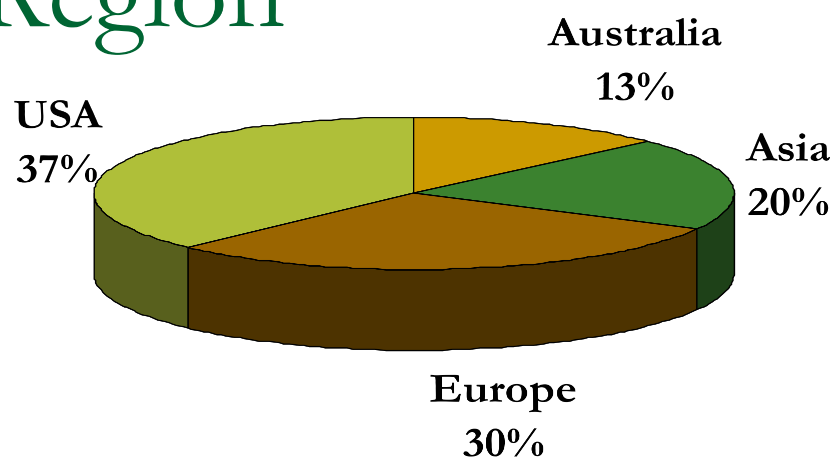
- Return on Capital Employed – 16%

Operations - Leather

($m)	2003/04	**2004/05**
Automotive Revenue	128	**98**
Furniture Revenue	13	**9**
EBIT	16.1	**8.0**

- June 05 Automotive revenue is reduced primarily due to:
  - Suspension of China sales ($23m)
  - US aftermarket ($4m) and a lower selling price due to stronger $A strengthening ($2m)
- FX Impact Automotive:
  - Revenue: 53% USD denominated; 25% Euro denominated
  - Current (unhedged) US$ EBIT sensitivity is approx $350k per 1¢ appreciation in $A
  - Euro equivalent: approx $350k 1¢ appreciation in $A

Howe Sales by Region



- North America – difficult trading conditions for GM and Ford
- China - Inventory levels appear to be reducing prompting a partial recovery in orders.
- South Africa - MIDP scheme (which provides its beneficiaries a 23% prohibited subsidy) has resulted in some Howe customers switching to SA sourced leather:
  - GMH Australia: 2002;
  - Mitsubishi Australia: 2003;
  - BMW South Africa/Europe: 2005.
- Howe's focus is on growth opportunities in the European and Chinese markets.
- The Slovakia and Shanghai cutting plant will reduce costs and strengthen Howe's European and Asian market position.

Competitive Advantages

- Consistent supply of raw materials:
  - Australia has the 4th largest cattle herd globally
  - Secure supply of disease free hides
  - Range of hides to match product requirements

- Modern, global scale finishing facility:
  - Commissioned 1998
  - 50% operational overcapacity

- Low Cost Cutting Operations:
  - Juarez (Mexico) - operating since 1996
  - Kosice (Slovakia) - operating since Apr-2005
  - Shanghai (China) - operating since Aug-2005

- Quality Culture:
  - Automotive supplier since 1930's (GMH), 1990's (Ford, GM USA)
  - Experienced Management team and skilled workforce
  - Quality Accreditation Upgrade to TS16949 (recognised by all OEM's and sanctioned globally)

- Established Global Customer Base:
  - Supplying GM, Ford, Audi, Land Rover, Nissan, Mazda & Toyota

Building Products

- **Urbanstone** Premium range of paving products, Australian distribution network.

- **Delta** Pre-cast and pre-stressed concrete floors, beams & wall products.

Building Products Performance

($m)	2003/04	**2004/05**
Sales	34.7	28.9
EBIT	4.2	2.9

- Strong cash flow capability and satisfactory return on capital.
- Stable sales outlook.
- Some margin compression due to competition and input cost increases.
- Investigating alternatives to increase sales by extending product offerings.

Building Products – Competitive Advantages

- UrbanStone
  - Plant flexibility
  - Cost control
  - Distribution network
  - Product innovation
  - Premium branding
- Delta
  - Cost efficient product
  - Pre-stressed niche
  - Capacity
  - Distribution

Investment Property

- The investment property leasing operations provided $1.8m of EBIT and $0.9m of cash in 2004/05.
- SFC has sold down its investment property portfolio over the past two years funding a large portion of special dividends paid.
- At June 30, SFC had JV interests in 6 commercial and retail properties valued at approximately $24.8m with $14.1m of associated debt.
- At this stage there is no intention to divest additional investment properties.

Non-Core Investments

Development Property

- SFC has 15% interest in Mindarie Keys Residential subdivision
- Provided $1.7m of EBIT and 0.9m of cash in 2004/05
- Forecast $2.0m of EBIT and $3.0m cash to be generated over the next 2½ years (after debt reduction of $0.4m).

West Perth

- The sale of surplus West Perth land generated another $0.9m of EBIT and $1.5m of cash in 2004/05.

Kurrajong Land

- Provided EBIT of $0.2m in 2004/05. Cash proceeds of $0.6m were received in Jul-05.

Solco Divestment

- Provided EBIT of $0.3m and $0.6m of cash in 2004/05.

Equity Disposals

- Provided EBIT of $0.1m and $0.7m of cash in 2004/05.

June 05 Debt Position

	Recourse	Non-Recourse	Total
Operating Businesses	**0.3**	**41.6**	**41.9**
Property	**4.2**	**10.3**	**14.5**
Group Debt	**4.5**	**51.9**	**56.4**
Cash on Deposit			**12.7**
Net Debt			**43.7**

- The ALH Subordinated Debt and the Investment Property Debt are effectively “structural” debt.
- The $38.7m ALH subordinated non-recourse debt facility expires in 2012 and has low financial risk.
- The Group has un-drawn debt facilities of $15m.

Cash Flow

(A$m)	2003/04	2004/05
EBITDA	33.5	22.4
Less Net Interest	(2.9)	(2.8)
Less Tax Paid	(8.5)	(6.1)
ALH Change in Working Capital	3.4	(8.5)
Other Changes in Working Capital	(0.4)	(0.1)
Changes in Provisions/Entitlements	0.0	(3.0)
Share Issues	1.2	1.1
Total Cash Generated	**26.3**	**3.0**
Debt Reduction/(Increase)	9.8	(1.7)
Capital Expenditure	4.5	4.8
Acquisitions (Divestments)	(17.2)	(4.4)
Dividends Paid	21.8	20.1
Increase in Cash on deposit	7.4	(15.8)
Total Cash Applied	**26.3**	**3.0**

Outlook – Earnings

- **Automotive Leather**:
  - Challenging trading conditions are expected to persist in 2005/06 as high oil prices continue to impact upper-end vehicle sales.
  - Higher steel prices, supplier overcapacity and aggressive cost cutting programs by OEM's will continue to put pressure on component supplier margins.
  - The current strength of the A$ continues to impact earnings.
  - Cost reduction measures: reduced manning and overhead levels at Howe's Melbourne operations; relocated cutting operations to low cost countries (Slovakia: Apr-05; China: Aug-05).
  - These measures will substantially reposition the business during 2005/06. The full benefit will take some time to emerge due to some unavoidable cost duplication in the short term.
  - The Slovakia and Shanghai cutting plants will reduce costs and strengthen our European and Asian market position.
  - Sales to China (suspended for much of 2004/05) have recommenced. Volumes are building steadily but short of previous peak levels.
  - Howe is internationally competitive and has a global market presence from which to build in the medium term.

Outlook – Earnings (continued)

- **Building Products** – Stable sales with some margin compression due to competitive pressures and input cost increases. Strong cash flow generating capacity with minimal capital requirements.

- **Investment Property** – Improved earnings are expected from the existing portfolio due to rent reviews and higher occupancy levels.

- **Non- Core Investments** – Mindarie earnings lower due to low stock levels resulting from subdivision staging issues. Earnings predominantly biased to the second half of 2005/06.

- **At Group Level** - SFC's first half historically exceeds second half earnings. This year, group earnings to 31-Dec-05 are forecast to be materially lower than the PCP's operating earnings of $6.1m. Improved second half earnings should partially offset the first half reduction, however we expect full year earnings to remain materially below the $9.2m reported for 2004/05.

Outlook – Dividends

- SFC has declared fully franked dividends totaling 60¢/share payable in Sep-05 (i.e. a 25¢/share ordinary final dividend plus a 35¢/share special dividend). Dividends for 2004/05 total $1.20/share fully franked (75¢ ordinary and 45¢ special)

- Including the special dividend to be paid Sep-05, special dividends declared since August 2003 total $1.05 per share (a total of $14.7 million)

- SFC instituted its special dividend programme to distribute (in part) its excess franking credits and the proceeds from non-core investment property disposals and other surplus asset sales.

- SFC does not intend to make further investment property disposals. Accordingly, the Sep-2005 special dividend represents the balance of previously undistributed proceeds and will be the last under the current special dividend programme

- SFC's franking account surplus has largely been returned to shareholders over the past two years by (i) the special dividend payment program and (ii) an ordinary dividend payout ratio >100%.

- Going forward, SFC intends to maintain a relatively high ordinary dividend payout ratio (at least 75% - subject to capital expenditure and acquisition activity).