

APPENDIX 4E

Preliminary final report

1. Name of entity

SCHAFFER CORPORATION LIMITED

ABN

008 675 689

Financial year ended ('current period')

30 JUNE 2010

Previous corresponding period

30 JUNE 2009

2. For announcement to the market

Results for announcement to the market:

				<i>\$'000</i>
2.1	Revenues from ordinary activities	down	19%	to 136,832
2.2	Net profit for the period attributable to members	down	57%	to 4,501
2.3	Dividends (see section 6)	Amount per security	Franked amount per security	
	Final – Ordinary Dividend	20¢	20¢	
	Interim – Ordinary Dividend	20¢	20¢	
2.4	Record date for determining entitlements to the dividend	09 SEPTEMBER 2010		

3. Consolidated Statement of Comprehensive Income

	Notes	2010 \$'000	2009 \$'000
Continuing Operations			
Revenue			
Sale of goods		115,628	127,380
Construction services		14,997	36,165
Rental income	1(a)	5,825	5,554
Finance income	1(b)	381	392
Dividends		1	-
Revenue		<u>136,832</u>	169,491
Cost of sales and services rendered		<u>(107,551)</u>	(117,287)
Gross profit		29,281	52,204
Rental property expenses	1(a)	(2,573)	(2,492)
Other income/(losses)	1(c)	1,365	(6,996)
Marketing expenses		(6,775)	(8,225)
Administrative expenses		<u>(10,689)</u>	(12,792)
Profit from continuing operations before tax and finance costs		10,609	21,699
Finance costs	1(b)	<u>(4,528)</u>	(5,767)
Profit before income tax		6,081	15,932
Income tax expense		<u>(1,754)</u>	(4,520)
Net profit for the year		<u>4,327</u>	11,412
Other comprehensive income			
Net fair value gains/(losses) on available-for-sale financial assets		15	(11)
Foreign currency translation loss		(611)	(274)
Income tax on items of comprehensive income		<u>(4)</u>	3
Other comprehensive income for the period net of tax		<u>(600)</u>	(282)
Total comprehensive income for the period		<u>3,727</u>	11,130

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

**SCHAFFER CORPORATION LIMITED
CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2010**

	Note	2010 \$'000	2009 \$'000
Profit for the period is attributable to:			
Non-controlling interest		(174)	948
Owners of the parent		4,501	10,464
		4,501	10,464
Total comprehensive income for the period is attributable to:			
Non-controlling interest		(247)	831
Owners of the parent		3,974	10,299
		3,727	11,130
Earnings per share (EPS)			
Basic EPS		31.9¢	74.1¢
Diluted EPS		31.9¢	74.1¢
Dividends paid per share		40.0¢	45.0¢

Notes to the Consolidated Income Statement

NOTE 1	2010	2009
REVENUES AND EXPENSES	\$'000	\$'000
Revenue and expenses from continuing operations		
(a) Net rental income		
Rental property income	5,825	5,554
	<u>5,825</u>	<u>5,554</u>
Rental property expenses	(2,573)	(2,492)
Net rental income	<u>3,252</u>	<u>3,062</u>
(b) Finance (costs)/income		
Bank and other loans and overdrafts – interest	4,416	(5,621)
Finance charges payable under finance leases and hire purchase	112	(146)
Total finance costs	<u>4,528</u>	<u>(5,767)</u>
Bank interest received	381	392
Total finance income	<u>381</u>	<u>392</u>
(c) Other income/(losses)		
Gain on sale of property, plant and equipment	152	30
Loss on sale of available-for-sale financial assets	(10)	-
Net (loss)/gain on derivatives	400	(3,026)
Net foreign currency loss	(469)	(4,243)
Profit on disposal of investment property	946	-
Other	346	243
	<u>1,365</u>	<u>(6,996)</u>
(d) Depreciation, amortisation and impairment included in income statement		
Depreciation and amortisation included in:		
Cost of sales	3,566	4,622
Rental property expenses	569	514
Marketing and administrative expenses	698	466
Impairment of assets	-	573
	<u>4,833</u>	<u>6,175</u>
(e) Lease payments included in income statement		
Included in cost of sales:		
Minimum lease payments – operating lease	1,168	1,174
Included in marketing and administrative expenses:		
Minimum lease payments – operating lease	1,013	911
	<u>2,181</u>	<u>2,085</u>

NOTE 1	2010	2009
REVENUES AND EXPENSES (continued)	\$'000	\$'000
(f) Employee benefit expense		
Wages and salaries	30,186	33,724
Long service leave provisions	205	404
Worker's compensation costs	842	1,310
Superannuation costs	1,923	2,923
Expense of share-based payments	89	125
	33,245	38,486
(g) Other expenses included in cost of sales		
Research and development	-	400

4. Consolidated Balance Sheet

	Note	2010 \$'000	2009 \$'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		15,510	14,404
Trade and other receivables		20,710	20,894
Inventories		43,908	49,246
Prepayments		913	630
Derivative financial instruments		206	401
Available-for-sale financial assets		31	39
		81,278	85,614
Non current assets classified as held for sale		-	2,658
TOTAL CURRENT ASSETS		81,278	88,272
NON CURRENT ASSETS			
Property, plant and equipment		59,653	60,129
Investment properties		16,731	17,951
Deferred income tax asset		1,534	1,224
Goodwill		4,995	4,995
TOTAL NON CURRENT ASSETS		82,913	84,299
TOTAL ASSETS		164,191	172,571
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		22,176	17,404
Interest bearing loans and borrowings		15,328	10,078
Income tax payable		811	3,312
Provisions		4,300	6,334
Derivative financial instruments		107	-
TOTAL CURRENT LIABILITIES		42,722	37,128
NON CURRENT LIABILITIES			
Interest bearing loans and borrowings		61,303	73,948
Provisions		1,421	383
TOTAL NON CURRENT LIABILITIES		62,724	74,331
TOTAL LIABILITIES		105,446	111,459
NET ASSETS		58,745	61,112
EQUITY			
Equity attributable to equity holders of the parent			
Issued Capital		17,034	17,034
Reserves		1,692	2,146
Retained earnings	8	35,701	36,845
Total parent entity interest in equity		54,427	56,025
Minority interests		4,318	5,087
TOTAL EQUITY		58,745	61,112

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

5.1 Consolidated Cash Flow Statement

	Notes	2010 \$'000	2009 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		143,673	180,812
Payments to suppliers and employees		(117,736)	(165,155)
Other revenue		346	243
Interest paid		(4,528)	(5,767)
Income taxes paid		(4,569)	(1,392)
Goods and services tax paid		(1,776)	(2,026)
NET CASH FLOWS FROM OPERATING ACTIVITIES	5.3	<u>15,410</u>	<u>6,715</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income		381	392
Acquisition of property, plant and equipment		(4,398)	(5,370)
Proceeds on sale of investment property		1,260	-
Proceeds on sale of property, plant and equipment		2,777	127
Improvements to investment properties		(606)	(556)
Proceeds on disposal of available-for-sale investments		14	-
Dividends received		1	-
NET CASH FLOWS USED IN INVESTING ACTIVITIES		<u>(571)</u>	<u>(5,407)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Finance lease principal payments		(606)	(621)
Dividends paid		(6,167)	(7,057)
Proceeds from borrowings		2,030	12,086
Repayment of borrowings		(8,990)	(13,046)
NET CASH FLOWS USED IN FINANCING ACTIVITIES		<u>(13,733)</u>	<u>(8,638)</u>
NET INCREASE/(DECREASE) IN CASH & CASH EQUIVALENTS			
		1,106	(7,330)
Cash and cash equivalents at the beginning of the year		<u>14,404</u>	<u>21,734</u>
CASH & CASH EQUIVALENTS AT THE END OF THE YEAR	5.4	<u>15,510</u>	<u>14,404</u>

The cash flow statement should be read in conjunction with the accompanying notes

5.2 Consolidated Statement of Changes in Equity for the year ended 30 June 2010

	Attributable to Equity Holders of the Parent							Non-controlling Interest	Total Equity	
	Issued Capital	Retained Earnings	Reserves				Total			
			Share Based Payment EPU's	Share Based Payment SFC Options	Net unrealised gains/(losses)	Foreign Currency translation				
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
At 1 July 2008	17,034	33,438	2,585	244	115	(2)	(720)	52,694	4,256	56,950
Profit for the year	-	10,464	-	-	-	-	-	10,464	948	11,412
Other comprehensive income	-	-	-	-	-	(8)	(157)	(165)	(117)	(282)
Total comprehensive income for the year	-	10,464	-	-	-	(8)	(157)	10,299	831	11,130
Transactions with owners in their capacity as owners:										
Share-based payments	-	-	-	89	-	-	-	89	-	89
Equity dividends	-	(7,057)	-	-	-	-	-	(7,057)	-	(7,057)
At 30 June 2009	17,034	36,845	2,585	333	115	(10)	(877)	56,025	5,087	61,112
At 1 July 2009	17,034	36,845	2,585	333	115	(10)	(877)	56,025	5,087	61,112
Profit for the year	-	4,501	-	-	-	-	-	4,501	(174)	4,327
Other comprehensive income	-	-	-	-	-	11	(538)	(527)	(73)	(600)
Total comprehensive income for the year	-	4,501	-	-	-	11	(538)	3,974	(247)	3,727
Transactions with owners in their capacity as owners:										
Share-based payments	-	-	-	73	-	-	-	73	-	73
Equity dividends	-	(5,645)	-	-	-	-	-	(5,645)	(522)	(6,167)
At 30 June 2 010	17,034	35,701	2,585	406	115	1	(1,415)	54,427	4,318	58,745

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

	2010	2009
CASH AND CASH EQUIVALENTS	\$'000	\$'000
Net profit	4,327	11,412
Adjustment for -		
Depreciation, amortisation and impairment	4,833	6,175
Interest received	(381)	(392)
Dividends received	(1)	-
Share-based payments expense	73	89
Profit on sale of investment properties	(946)	-
(Profit)/loss on sale of property, plant & equipment	(152)	(30)
Realised loss on available-for-sale investments	10	-
Unrealised loss/(gain) on derivatives	(400)	(31)
Unrealised foreign currency translation loss	469	1,635
Changes in assets and liabilities		
Decrease in trade and other receivables	1,264	2,573
Decrease/(increase) in inventories	5,338	234
Decrease/(increase) in trade and other payables	4,764	(18,863)
Decrease in employee entitlement provisions	(996)	(45)
(Decrease)/increase in income tax payable	(2,501)	4,461
(Decrease)/increase in deferred income tax liabilities	-	(451)
(Increase)/decrease in deferred income tax asset	(310)	(882)
(Increase)/decrease in prepayments	(283)	574
Decrease in derivatives	302	256
Net cash flows from operating activities	15,410	6,715

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	15,510	14,404
Total cash at end of period	15,510	14,404

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.

\$171,000 (2009 - \$75,000) for plant acquired under finance lease

5.6 Financing facilities available

The consolidated entity has bank facilities available to the extent of \$92,606,000 (2009 - \$103,639,000). The unutilised facility for the consolidated entity at balance date was \$14,320,000 (2009 - \$16,642,000)

5.7 Controlled gained/lost over entities having material effect

Not applicable

6.1 Dividends

Date the dividend is payable	23 SEPTEMBER 2010
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)	9 SEPTEMBER 2010
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	20¢	20¢
Previous year	20¢	20¢
Final special dividend:		
Current year	-	-
Previous year	-	-
Interim dividend:		
Current year	20¢	20¢
Previous year	25¢	25¢
Interim special dividend:		
Current year	-	-
Previous year	-	-

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

	Current year	Previous year
Ordinary securities	40¢	45¢
Preference securities	-	-

6.4 Preliminary final report – dividend on all securities

	Current period \$'000	Previous corresponding period \$'000
Ordinary securities - Final	2,823	2,823
- Interim	2,823	3,528
Preference securities		
Other equity instruments		
Total	5,646	6,351

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	36,845	33,438
Net profit attributable to members	4,501	10,464
Dividends and other equity distributions paid or payable	(5,645)	(7,057)
Retained profits at end of financial period	35,701	36,845

9. Details of aggregate share of profits (losses) of jointly controlled assets

	Current period	Previous corresponding period
9.1 Name of jointly controlled assets	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
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
Vulcan Road Joint Venture	20.00	20.00
Neerabup Joint Venture	20.00	20.00
Sentiens Joint Venture	-	11.00
1500 Albany Highway Joint Venture	25.00	25.00
9.2 Group's share of income and expenses relating to its interests in jointly controlled assets	\$'000	\$'000
Profit from ordinary activities before tax	3,031	1,589
Income tax on ordinary activities	(909)	(477)
Profit from ordinary activities after tax	2,122	1,112
Share of net profit of jointly controlled assets	2,122	1,112

10. NTA backing

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	\$3.50	\$3.62

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).

Australian Accounting Standards

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	4,501	10,464
Diluted Earnings	4,501	10,464
	<u>Number</u>	<u>Number</u>
Weighted average number of ordinary shares used in the calculation of basic EPS	14,113,251	14,113,251
Weighted average number of ordinary shares used in the calculation of diluted EPS	14,113,251	14,113,251
Basic EPS	\$0.32	\$0.74
Diluted EPS	\$0.32	\$0.74

13.2 Segment reporting

See attached.

14. Significant events after balance date

The company will pay a fully franked final dividend of 20¢ per share on 23 September 2010.

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

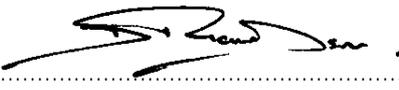
If the accounts have not yet been audited or subject to review and are likely to be subject to dispute or qualification, a description of the likely dispute or qualification.

N/A

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: 18 AUGUST 2010
Company Secretary

Print Name: DAVID ANTONY RICHARDSON

SCHEDULE ACCOMPANYING APPENDIX 4E PRELIMINARY FINAL REPORT

SCHAFFER CORPORATION LIMITED

(ACN 008 675 689)

FOR THE YEAR ENDED 30 JUNE 2010

REPORT FOR INDUSTRY SEGMENTS

	LEATHER		BUILDING MATERIALS		PROPERTY		UNALLOCATED		CONSOLIDATED	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000	2010 \$000	2009 \$000	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Total Revenue from Ordinary Activities	81,464	96,630	47,206	65,972	7,780	6,497	382	392	136,832	169,491
Segment Earnings Before Interest & Tax	(52)	9,608	7,291	10,032	4,752	3,558	-	-	11,991	23,198
Interest and Corporate Overheads									(5,910)	(7,266)
Operating Profit Before Income Tax									6,081	15,932
Income Tax Expense									(1,754)	(4,520)
Net Profit After Tax									4,327	11,412
Segment Assets	75,441	79,251	60,417	65,007	25,329	25,893	3,004	2,420	164,191	172,571
Segment Liabilities	52,509	51,494	23,724	30,672	27,185	27,020	2,028	2,273	105,446	111,459