

SCHAFFER CORPORATION LIMITED

ACN 008 675 689



CONDENSED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED

31 DECEMBER 2008

FINANCIAL REPORT

For the half-year ended 31 December 2008

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SCHAFFER CORPORATION LIMITED HALF YEAR FINANCIAL STATEMENTS

DIRECTOR'S REPORT

Your directors submit their report for the half year ended 31 December 2008 made in accordance with a resolution of the directors.

DIRECTORS

Details of the Directors of the company during the financial half year and at the date of this report are:

J M SCHAFFER,
B. Com (Hons.) FCPA
Managing Director
Executive Director since 06/09/72

Mr John Schaffer joined the company in 1972. Mr Schaffer has held the position of Managing Director since 1988.

D E BLAIN, BA
Non-executive Director,
Appointed 05/06/87

Mrs Danielle Blain joined the company in 1987. Mrs Blain served as Managing Director of Gosh Leather Pty. Ltd. from 1993 to 2001.

A K MAYER
Executive Director,
Appointed 21/11/01

Mr Anton Mayer is the Managing Director of Australian Leather Holdings Limited. Mr Mayer has over 35 years of international leather experience, broad business skills and a global business perspective.

D J SCHWARTZ
Non-executive Director,
Appointed 29/06/99

Mr David Schwartz is the chairman of Loftus Capital Partners Limited. He has over 20 years experience in manufacturing and distribution businesses. During the past 3 years Mr Schwartz has served as a director of the following listed companies:

Clime Investment Management Limited	01/10/99 - current
Home Leisure Limited	26/08/04 – 07/05/08
ADS Global Supply	01/05/08 - current

M D PERROTT AM

Non-executive Director,
Appointed 23/02/05

Mr Michael Perrott AM joined the Board as a non-executive director in February 2005. Mr Perrott AM has over 35 years experience in the construction and contracting industry. During the past 3 years Mr Perrott AM has also served as a director of the following other listed companies:

Port Bouvard Ltd	12/05/98 – current
GME Resources Ltd	21/11/96 – current
Portman Ltd	30/06/97 – 31/12/08
Gage Roads Brewing Co. Ltd.	20/10/06 – 24/10/07

Directors were in office for the entire period unless otherwise stated.

ATTENDANCE AT BOARD MEETINGS

During the half year five directors meetings were held. The number of meetings attended by each director is as follows:

	Meetings Eligible To Attend	Meetings Attended
J M Schaffer	5	5
D E Blain	5	4
D J Schwartz	5	4
A K Mayer	5	4
M D Perrott	5	5

AUDIT COMMITTEE

The consolidated entity has an Audit Committee, which operates to oversee the external audit functions of the consolidated entity. During the half year one audit committee meeting was held which all members of the audit committee were eligible to attend. The meeting was attended by Mr D J Schwartz, Mr. M D Perrott and Mrs D E Blain.

REVIEW OF OPERATIONS

The consolidated entity's revenue decreased by 6% from \$91,083,000 to \$85,532,000 this half year.

The net after tax consolidated profit, after minority interests decreased by 42% from \$5,790,000 to \$3,382,000.

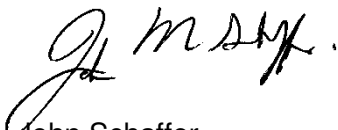
ROUNDING

The amounts contained in this report and in the half year financial statements have been rounded to the nearest \$1,000 (where rounding is applicable) under the option available to the company under ASIC Class Order 98/0100. The company is an entity to which this Class Order applies.

AUDITOR'S INDEPENDENCE DECLARATION

We have obtained an independence declaration from our auditors, Ernst & Young, as presented on page 20 of this half-year financial report.

Signed in accordance with a resolution of the directors



John Schaffer
Managing Director

Perth, 18 February 2009

**SCHAFFER CORPORATION LIMITED
CONSOLIDATED INCOME STATEMENT
FOR THE HALF YEAR ENDED 31 DECEMBER 2008**

	Note	Dec 2008 \$'000	Dec 2007 \$'000
Revenue			
Sale of goods		61,699	76,316
Construction services		20,894	12,467
Rental income		2,612	1,991
Dividends		-	1
Finance Income	4(a)	327	308
Total revenue		85,532	91,083
Cost of sales and services rendered		(59,052)	(71,876)
Gross profit		26,480	19,207
Rental property expenses		(1,167)	(991)
Other income/(loss)	4(b)	(7,084)	2,237
Marketing expenses		(4,722)	(4,115)
Administrative expenses		(5,583)	(4,807)
Profit from continuing operations before tax and finance costs		7,924	11,531
Finance costs	4(c)	(3,168)	(2,951)
Profit before income tax		4,756	8,580
Income tax expense	10	(1,322)	(2,500)
Net profit for the period		3,434	6,080
Attributable to:			
Minority interest		52	290
Members of the parent		3,382	5,790
Earnings per share (EPS)			
Basic EPS		24.0¢	41.0¢
Diluted EPS		24.0¢	41.0¢
Dividends paid per share		25¢	25¢

**SCHAFFER CORPORATION LIMITED
CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2008**

	Note	Dec 2008 \$'000	Jun 2008 \$'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		5,379	21,735
Trade and other receivables		19,375	26,294
Inventories		58,587	49,480
Prepayments and deposits		1,444	1,204
Derivative financial instruments		-	657
Available-for-sale financial assets		31	51
TOTAL CURRENT ASSETS		84,816	99,421
NON CURRENT ASSETS			
Property, plant and equipment		64,217	63,446
Investment properties		18,060	17,837
Deferred income tax asset		1,455	338
Goodwill		4,995	4,995
TOTAL NON CURRENT ASSETS		88,727	86,616
TOTAL ASSETS		173,543	186,037
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		20,953	36,267
Derivative financial instruments		2,493	-
Interest bearing loans and borrowings		3,619	4,996
Income tax payable		600	74
Provisions		4,612	6,347
TOTAL CURRENT LIABILITIES		32,277	47,684
NON CURRENT LIABILITIES			
Interest bearing loans and borrowings		82,821	80,537
Deferred income tax liabilities		-	451
Provisions		412	415
TOTAL NON CURRENT LIABILITIES		83,233	81,403
TOTAL LIABILITIES		115,510	129,087
NET ASSETS		58,033	56,950
EQUITY			
Parent entity interest			
Issued capital	7	17,034	17,034
Reserves		3,277	2,222
Retained earnings	8	33,292	33,438
Total parent entity interest in equity		53,603	52,694
Minority interests		4,430	4,256
TOTAL EQUITY		58,033	56,950

**SCHAFFER CORPORATION LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2008**

	Attributable to Equity Holders of the Parent			Minority Interest	Total Equity
	Issued Capital \$'000	Retained Earnings \$'000	Other Reserves \$'000		
At 1 July 2007	17,034	29,583	2,476	4,027	53,120
Unrealised loss on available for sale investments	-	-	(15)	-	(15)
Foreign currency translation reserve	-	-	302	-	302
Total profit recognised directly in equity	-	-	287	-	287
Profit for the half-year	-	5,790	-	290	6,080
Total income for the half-year	-	5,790	287	290	6,367
Cost of share-based payments	-	-	27	-	27
Equity dividends	-	(3,528)	-	-	(3,528)
At 31 December 2007	17,034	31,845	2,790	4,317	55,986
At 1 July 2008	17,034	33,438	2,222	4,256	56,950
Unrealised loss on available for sale investments	-	-	(14)	-	(14)
Foreign currency translation reserve	-	-	1,025	122	1,147
Total profit recognised directly in equity	-	-	1,011	122	1,133
Profit for the half-year	-	3,382	-	52	3,434
Total income for the half-year	-	3,382	1,011	174	4,567
Cost of share-based payments	-	-	44	-	44
Equity dividends	-	(3,528)	-	-	(3,528)
At 31 December 2008	17,034	33,292	3,277	4,430	58,033

SCHAFFER CORPORATION LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2008

	Note	Dec 2008 \$'000	Dec 2007 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		95,884	90,421
Payments to suppliers and employees		(100,953)	(66,365)
Other revenue		5	56
Borrowing costs paid		(3,168)	(2,951)
Income taxes paid		(1,135)	(3,268)
Goods and services tax paid		(770)	(826)
Research & development expenditure		(99)	(1,400)
NET CASH FLOWS FROM OPERATING ACTIVITIES		(10,236)	15,667
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income		327	308
Acquisition of property, plant and equipment		(3,461)	(6,772)
Acquisition of investment properties		(452)	(1,222)
Proceeds on sale of investment properties		-	2,363
Acquisition of controlled entity		-	(5,791)
Proceeds on sale of plant and equipment		87	8
Dividends received		-	1
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(3,499)	(11,105)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	3	(3,528)	(3,528)
Proceeds from borrowings		2,500	10,470
Repayment of borrowings		(1,592)	(1,175)
NET CASH FLOWS FROM FINANCING ACTIVITIES		(2,620)	5,767
NET INCREASE/(DECREASE) IN CASH & CASH EQUIVALENTS		(16,355)	10,329
Cash and cash equivalents at the beginning of the period		21,734	9,537
CASH & CASH EQUIVALENTS AT THE END OF THE PERIOD	11	5,379	19,866

**NOTES TO THE HALF YEAR FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2008**

1. CORPORATE INFORMATION

The financial report of Schaffer Corporation Limited (the Company) for the half-year ended 31 December 2008 was authorised for issue in accordance with a resolution of the directors on 18 February 2009. Schaffer Corporation Limited is a company incorporated in Australia and limited by shares, which are publicly traded on the Australian Stock Exchange.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

(a) Basis of preparation

This general purpose condensed financial report for the half-year ended 31 December 2008 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is recommended that the half-year financial report be read in conjunction with the annual report for the year ended 30 June 2008 and considered together with any public announcements made by Schaffer Corporation Limited during the half-year ended 31 December 2008 in accordance with the continuous disclosure obligations of the ASX listing rules.

The accounting policies and method of computation are the same as those adopted in the most recent annual financial report.

(b) Changes in accounting policy

From 1 July 2008 the Group has adopted the following Standards and interpretations, mandatory for annual periods beginning on or after 1 July 2008.

- AASB 2008-10 *Amendment to Australian Accounting Standards – Reclassification of Financial Assets (amendments to AASB 139 Financial Instruments: Recognition and Measurement and AASB 7 Financial Instruments Disclosures)*
- Interpretation 12 and AASB 2007-2 *Service Concession Arrangements* and consequential amendments to other Australian Accounting Standards
- Interpretation 129 *Service Concession Arrangements: Disclosures*
- Interpretation 4 (revised) *Determining whether an arrangement contains a lease*
- Interpretation 13 *Customer Loyalty Programmes*

- Interpretation 14 *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.*

Adoption of these standards and interpretations did not have any effect on the financial position or performance of the Group.

The Group has not elected to early adopt any new standards or amendments.

3. DIVIDENDS PAID OR PROPOSED

	CONSOLIDATED	
	Dec 2008 \$'000	Dec 2007 \$'000
(a) Dividends declared and paid during the half year on ordinary shares. Final franked dividend for the financial year 30 June 2008: 25¢ (2007 – 25¢)	3,528	3,528
(b) Dividends proposed and not yet recognised as a liability Interim franked dividend for the half year 31 December 2008 – 25¢ (2007 – 25¢)	3,528	3,528
	7,056	7,056

4. SIGNIFICANT REVENUE AND EXPENSES

Profit before income tax expense includes the following revenues and expenses where disclosure is relevant in explaining the performance of the entity:

	CONSOLIDATED	
	Dec 2008 \$'000	Dec 2007 \$'000
(a) Finance income		
Bank interest received	327	308
(b) Other income/(losses)		
Gain on sale of property, plant & equipment	11	7
Gain on sale of investment properties	-	1,371
Net foreign currency (loss)/gain	(2,202)	900
Net loss on derivatives	(4,898)	(96)
Other	5	55
	(7,084)	2,237
(c) Finance Costs		
Bank loans and overdraft interest	2,983	2,587
Finance charges payable under finance leases	61	90
Other	124	274
	3,168	2,951
(d) Expenses		
Depreciation and amortisation of property, plant and equipment	2,843	2,543
Employee benefits	20,641	20,191
Expense of share based payments	80	11

5. SUBSEQUENT EVENTS

Subsequent to the end of the half year the company declared a dividend of 25¢ per share totalling \$3,528,000 payable on 18 March 2009.

There has not been any other matter or circumstance in the interval between the end of the half year and the date of this report that has significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in subsequent financial periods.

6. COMMITMENT AND CONTINGENT LIABILITIES

There have been no material changes in commitment and contingent liabilities from that disclosed in the last annual report.

7. CONTRIBUTED EQUITY

	CONSOLIDATED	
	Dec 2008 \$'000	Dec 2007 \$'000
Ordinary Shares	17,034	17,034

All ordinary shares are fully paid and carry one vote per share and carry the right to dividends.

	Number of Shares	\$'000
Movements in ordinary shares on issue		
1 July 2008	14,113,251	17,034
Total capital issued during the period	-	-
At 31 December 2008	14,113,251	17,034

8. CONSOLIDATED RETAINED PROFITS

Retained profits at the beginning of the financial period	33,438	29,583
Net profit attributable to members	3,382	5,790
Dividends and other equity distributions paid or payable	(3,528)	(3,528)
Retained profits at end of financial period	33,292	31,845

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
<u>Joint Ventures</u>		
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	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	416	2,388
Income tax on ordinary activities	125	716
Profit from ordinary activities after tax	291	1,672
Share of net profit of jointly controlled assets	291	1,672

10. INCOME TAX

The major components of income tax expense for the half year ended 31 December 2008 and 31 December 2007 are:

	CONSOLIDATED	
	Dec 2008 \$'000	Dec 2007 \$'000
Consolidated Income Statement		
<i>Current income tax</i>		
Current income tax charge	3,033	2,366
Adjustments in respect of current income tax of previous years	(143)	270
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences	(1,568)	(136)
Income tax expense reported in the consolidated income statement	1,322	2,500

11. CASH AND CASH EQUIVALENTS

(a) Reconciliation of cash

For the purpose of the half year cash flow statement, cash and cash equivalents are comprised of the following:

Cash at bank and in hand	5,379	19,895
Bank overdrafts	-	(29)
	5,379	19,866

(b) 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:

During the financial period the consolidated entity acquired plant and equipment with a fair value of \$Nil (2007 - \$Nil) by means of finance lease.

(c) Financing facilities available

The consolidated entity has bank facilities available to the extent of \$114,267,000 (June 2008 - \$109,696,000). The unutilised facility for the consolidated entity at balance date was \$25,324,000 (June 2008 - \$21,398,000)

12. BUSINESS COMBINATIONS / ACQUISITION OF CONTROLLED ENTITY

No business combination occurred nor were any controlled entities acquired or disposed of during the financial period.

13. EARNINGS PER SECURITY (EPS)

Details of basic and diluted EPS reported separately in accordance with AASB 134: *Earnings Per Share* are as follows

	Dec 2008 \$'000	Dec 2007 \$'000
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The following reflects the income and share data used in the calculation of basic and diluted EPS:

Basic Earnings	3,382	5,790
Diluted Earnings	3,382	5,790
	<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
Diluted effect of employee options on issue	-	-
Weighted average number of ordinary shares used in the calculation of diluted EPS	14,113,251	14,113,251

14. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified and restated to conform with the current year's presentation.

Specifically, the construction services revenue of \$12,467,000 calculated on a percentage completion basis was included in sale of goods revenue in 2007. In 2008, this comparative amount has been separately presented in the income statement as construction services revenue for the purpose of consistent presentation of revenue.

This reinstatement has no effect on either total revenue or net profit in 2007 and 2008.

15. SEGMENT INFORMATION

The Group comprise the following segments:

The leather segment is a manufacturer and supplier of leather in the automotive industries.

The building materials segment comprises Delta Corporation Limited, Urbanstone Pty. Ltd., Archistone Pty. Ltd. and Limestone Resources Australia Pty. Ltd. which produces and sells concrete paving, pre-cast and pre-stressed concrete elements and natural and reconstituted limestone products.

The property investments segment leases offices and retail premises and represents the Group's share of jointly controlled operations. The segment also includes the Mindarie Keys and Neerabup joint venture land subdivisions.

15. SEGMENT INFORMATION continued

The following table presents revenue and profit information regarding business segments for the half year periods ended 31 December 2008 and 31 December 2007

	LEATHER		BUILDING MATERIALS		PROPERTY		CONSOLIDATED	
	Dec 2008 \$'000	Dec 2007 \$'000	Dec 2008 \$'000	Dec 2007 \$'000	Dec 2008 \$'000	Dec 2007 \$'000	Dec 2008 \$'000	Dec 2007 \$'000
Total Revenue from Ordinary Activities	44,176	54,337	37,913	32,951	3,084	3,461	85,173	90,749
Unallocated Revenue							359	334
Total Revenue							85,532	91,083
Segment Earnings	1,133	3,848	5,700	5,138	1,548	3,103	8,381	12,089
Interest and Corporate Overheads							(3,625)	(3,509)
Operating Profit Before Income Tax							4,756	8,580
Income Tax Expense							(1,322)	(2,500)
Net Profit After Tax							3,434	6,080

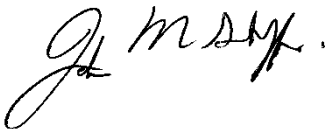
DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Schaffer Corporation Limited, I state that:

In the opinion of the directors:

- (a) The financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
 - (i) Give a true and fair view of the financial position as at 31 December 2008 and the performance for the half year ended on that date of the consolidated entity; and
 - (ii) Comply with Accounting Standard AASB 134: *Interim Financial Reporting* and the Corporations Regulations 2001; and
- (b) There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



John Schaffer
Managing Director

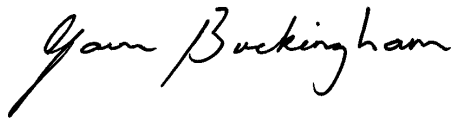
Perth, 18 February 2009

Auditor's independence declaration to the Directors of Schaffer Corporation Limited

In relation to our review of the financial report of Schaffer Corporation Limited for the half year ended 31 December 2008, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

A handwritten signature in black ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink that reads 'Gavin Buckingham'.

Gavin A. Buckingham
Partner
Perth
18 February 2009

To the members of Schaffer Corporation Limited

Report on the condensed half-year financial report

We have reviewed the accompanying half year financial report of Schaffer Corporation Limited, which comprises the balance sheet as at 31 December 2008 and the income statement, statement of changes in equity and cash flow statement for the half year ended on that date, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half year end or from time to time during the half year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation and fair presentation of the half year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express a conclusion on the 31 December 2008 half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of an Interim Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Schaffer Corporation Limited and the entities it controlled during the half year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

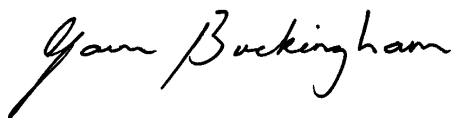
Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half year financial report of Schaffer Corporation Limited is not in accordance with the Corporations Act 2001, including:

- (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance for the half year ended on that date; and
- (ii) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

A handwritten signature in black ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink that reads 'Gavin Buckingham'.

Gavin A Buckingham
Partner
Perth

18 February 2009