

APPENDIX 4E

Preliminary final report

1. Name of entity

SCHAFFER CORPORATION LIMITED

ABN 008 675 689

Financial year ended ('current period') 30 JUNE 2014
--

Previous corresponding period 30 JUNE 2013
--

2. For announcement to the market

Results for announcement to the market:

					\$'000
2.1	Revenues from ordinary activities	up	18%	to	163,697
2.2	Net profit for the period attributable to members (Statutory Profit)	down	18%	to	6,188
	Underlying profit for the period attributable to members¹	up	80%	to	9,211
	¹ Underlying profit is profit after tax before significant items attributable to members. Underlying profit is non-IFRS financial information. Refer to section 18 for a reconciliation of Statutory Profit to Underlying Profit.				
2.3	Dividends (see section 6)				
	Final – Ordinary Dividend	up	8%	to	Amount per security 13¢
	Interim – Ordinary Dividend	up	9%	to	Franked amount per security 12¢
	Total	up	9%	to	25¢
2.4	Record date for determining entitlements to the dividend				5 September 2014

3. Consolidated Statement of Comprehensive Income for the year ended 30 June 2014

	Notes	2014 \$'000	2013 \$'000
Continuing Operations			
Revenue			
Sale of goods		134,367	103,518
Construction services		23,648	29,160
Rental income	1(a)	5,479	5,389
Finance income	1(b)	202	374
Dividends		1	3
Revenue		<u>163,697</u>	138,444
Cost of sales and services rendered		<u>(124,361)</u>	(107,356)
Gross profit		39,336	31,088
Impairment of goodwill		(3,696)	-
Other income/(losses)	1(c)	1,239	4,660
Marketing expenses		(7,688)	(7,538)
Administrative expenses		(13,411)	(13,073)
Profit before tax and finance costs		<u>15,780</u>	15,137
Finance costs	1(b)	(3,632)	(3,615)
Profit before income tax		<u>12,148</u>	11,522
Income tax expense		(4,172)	(2,952)
Profit after income tax		<u>7,976</u>	8,570
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Net fair value gains/(losses) on available-for-sale financial assets		31	19
Income tax on items of other comprehensive income		(10)	(6)
		<u>21</u>	13
Foreign currency translation gain/(loss)		(51)	947
		<u>(30)</u>	960
<i>Items that may not be reclassified subsequently to profit or loss:</i>			
Net fair value gains on available-for-sale financial assets attributable to non-controlling interest		2	-
Foreign currency translation gain/(loss)		(10)	192
Other comprehensive income for the period, net of tax		<u>(38)</u>	1,152
Total comprehensive income for the period		<u>7,938</u>	9,722
Profit for the period is attributable to:			
Non-controlling interest		1,788	982
Owners of the parent		6,188	7,588
		<u>7,976</u>	8,570
Total comprehensive income for the period is attributable to:			
Non-controlling interest		1,780	1,174
Owners of the parent		6,158	8,548
		<u>7,938</u>	9,722
Earnings per share (EPS)			
Basic EPS attributable to owners of the parent		44.1¢	54.0¢
Diluted EPS attributable to owners of the parent		44.1¢	54.0¢
Dividends paid and payable per share		25.0¢	23.0¢

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Notes to the Consolidated Statement of Comprehensive Income

Note 1	2014	2013
Revenues and Expenses	\$'000	\$'000
Revenue and expenses from continuing operations		
(a) Net rental income		
Rental property income	5,479	5,389
	<u>5,479</u>	<u>5,389</u>
Rental property expenses	(2,978)	(2,872)
Net rental income	<u>2,501</u>	<u>2,517</u>
(b) Finance (costs)/income		
Bank and other loans and overdrafts – interest	(3,557)	(3,514)
Finance charges payable under finance leases and hire purchase	(75)	(101)
Total finance costs	<u>(3,632)</u>	<u>(3,615)</u>
Bank interest received	202	374
Total finance income	<u>202</u>	<u>374</u>
(c) Other income/(losses)		
Insurance proceeds on loss of property	1,157	4,000
(Loss)/profit on disposal of property, plant and equipment	(494)	(58)
Net (loss)/gain on derivatives	(62)	73
Net foreign currency (loss)/gain	524	545
Other	114	100
	<u>1,239</u>	<u>4,660</u>
(d) Depreciation, amortisation and impairment included in Statement of Comprehensive Income		
Depreciation and amortisation included in:		
Cost of sales	4,141	4,216
Rental property expenses	590	508
Marketing and administrative expenses	326	533
	<u>5,057</u>	<u>5,257</u>
(e) Lease payments included in Statement of Comprehensive Income		
Included in cost of sales:		
Minimum lease payments – operating lease	1,540	1,080
Included in marketing and administrative expenses:		
Minimum lease payments – operating lease	1,733	1,835
	<u>3,273</u>	<u>2,915</u>
(f) Employee benefit expense		
Wages and salaries	38,401	34,307
Post employment benefit provision	25	840
Long service leave provisions	204	308
Worker's compensation costs	667	661
Superannuation costs	2,145	2,075
Expense of share-based payments	33	71
	<u>41,475</u>	<u>38,262</u>
(g) Other expenses loss/(gain)		
Additional/(write-back of) allowance for doubtful debts	57	(52)
	<u>57</u>	<u>(52)</u>

4. Consolidated Statement of Financial Position as at 30 June 2014

	Note	2014 \$'000	2013 \$'000
Assets			
Current Assets			
Cash and short term deposits		14,583	12,662
Trade and other receivables		22,588	25,693
Inventories		47,425	42,910
Prepayments and deposits		1,730	1,874
Other financial assets		60	52
Total Current Assets		86,386	83,191
Non Current Assets			
Property, plant and equipment		40,831	40,143
Investment properties		28,685	19,123
Deferred income tax asset		1,063	713
Goodwill		1,299	4,995
Other financial assets		2,020	1,050
Total Non Current Assets		73,898	66,024
Total Assets		160,284	149,215
Liabilities			
Current Liabilities			
Trade and other payables		21,235	20,804
Interest bearing loans and borrowings		21,307	10,110
Income tax payable		2,995	1,832
Provisions		5,014	4,785
Derivative financial instruments		192	130
Total Current Liabilities		50,743	37,661
Non Current Liabilities			
Interest bearing loans and borrowings		30,783	38,008
Deferred income tax liabilities		1,379	918
Provisions		2,826	2,243
Total Non Current Liabilities		34,988	41,169
Total Liabilities		85,731	78,830
Net Assets		74,553	70,385
Equity			
Equity attributable to equity holders of the parent			
Issued Capital		16,593	16,824
Reserves		2,155	2,152
Retained earnings	8	48,300	45,478
Total parent entity interest in equity		67,048	64,454
Minority interests		7,505	5,931
Total Equity		74,553	70,385

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

5.1 Consolidated Statement of Cash Flows for the year ended 30 June 2014

	Notes	2014 \$'000	2013 \$'000
Cash Flows from Operating Activities			
Receipts from customers		173,232	141,506
Payments to suppliers and employees		(147,615)	(127,949)
Other revenue		114	100
Interest paid		(3,632)	(3,615)
Income taxes paid		(2,908)	(509)
Goods and services tax paid		(2,147)	(2,320)
Net Cash Flows From Operating Activities	5.3	17,044	7,213
Cash Flows from Investing Activities			
Interest income		202	374
Acquisition of property, plant and equipment		(4,743)	(2,866)
Insurance proceeds on loss of property		1,157	4,000
Proceeds on sale of property, plant and equipment		190	68
Acquisition and improvement of investment properties		(10,115)	(846)
Withdrawal of/(investments) in term deposits		-	1,000
(Acquisition of)/proceeds on disposal of available-for-sale investments		(944)	(1,050)
Deposits (acquired)/repaid		59	(123)
Dividends received		1	3
Net Cash Flows (Used in)/From Investing Activities		(14,193)	560
Cash Flows from Financing Activities			
Finance lease principal payments		(1,227)	(713)
Dividends paid		(3,572)	(3,445)
Proceeds from borrowings		11,650	1,750
Repayment of borrowings		(7,491)	(6,769)
Shares acquired under buy-back scheme		(231)	(29)
Net Cash Flows Used In Financing Activities		(871)	(9,206)
Net (Decrease)/Increase In Cash and Cash Equivalents		1,980	(1,433)
Net foreign exchange differences		(59)	1,139
Cash and cash equivalents at the beginning of the period		12,662	12,956
Cash and Cash Equivalents at the End of the Period	5.4	14,583	12,662

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

5.2 Consolidated Statement of Changes in Equity for the year ended 30 June 2014

	Attributable to Equity Holders of the Parent							Total \$'000	Non- controlling Interest \$'000	Total Equity \$'000
	Issued Capital \$'000	Retained Earnings \$'000	Asset Re- valuation \$'000	Share Based Payment EPU's \$'000	Share Based Payment SFC Options \$'000	Net unrealised gains/ (losses) \$'000	Foreign Currency translation \$'000			
At 1 July 2012	16,853	40,982	2,585	522	115	4	(2,064)	58,997	5,110	64,107
Profit for the year	-	7,588	-	-	-	-	-	7,588	982	8,570
Other comprehensive income	-	-	-	-	-	13	947	960	192	1,152
Total comprehensive income for the year	-	7,588	-	-	-	13	947	8,548	1,174	9,722
Transactions with owners in their capacity as owners:										
Shares acquired under buy-back scheme	(29)	-	-	-	-	-	-	(29)	-	(29)
Share-based payments	-	-	-	30	-	-	-	30	-	30
Equity dividends	-	(3,092)	-	-	-	-	-	(3,092)	(353)	(3,445)
At 30 June 2013	16,824	45,478	2,585	552	115	17	(1,117)	64,454	5,931	70,385
At 1 July 2013	16,824	45,478	2,585	552	115	17	(1,117)	64,454	5,931	70,385
Profit for the year	-	6,188	-	-	-	-	-	6,188	1,788	7,976
Other comprehensive income	-	-	-	-	-	21	(51)	(30)	(8)	(38)
Total comprehensive income for the year	-	6,188	-	-	-	21	(51)	6,158	1,780	7,938
Transactions with owners in their capacity as owners:										
Shares acquired under buy-back scheme	(231)	-	-	-	-	-	-	(231)	-	(231)
Share-based payments	-	-	-	33	-	-	-	33	-	33
Equity dividends	-	(3,366)	-	-	-	-	-	(3,366)	(206)	(3,572)
At 30 June 2014	16,593	48,300	2,585	585	115	38	(1,168)	67,048	7,505	74,553

The above Consolidated 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

	2014 \$'000	2013 \$'000
Net profit	7,976	8,570
Adjustment for:		
Depreciation and amortisation	5,057	5,257
Impairment of goodwill	3,696	-
Interest received	(202)	(374)
Dividends received	(1)	(3)
Proceeds on disposal of equity securities	(6)	-
Share-based payments expense	33	30
Insurance proceeds on loss of property	(1,157)	(4,000)
Loss on disposal of property, plant & equipment	494	58
Net gain on foreign exchange	(152)	(545)
Changes in assets and liabilities:		
(Increase)/decrease in trade and other receivables	3,105	(3,605)
(Increase)/decrease in inventories	(4,515)	(3,452)
Increase/(decrease) in trade and other payables	491	2,313
Increase/(decrease) in employee entitlement provisions	812	715
Increase/(decrease) in income tax payable	1,163	1,788
Increase/(decrease) in deferred tax liability	461	918
(Increase)/decrease in deferred income tax asset	(350)	(257)
(Increase)/decrease in prepayments	85	(121)
Increase/(decrease) in derivatives	62	(73)
(Increase)/decrease in available-for-sale investments	(8)	(6)
Net cash flows from operating activities	17,044	7,213

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	14,583	9,097
Short term deposits	-	3,565
Total cash at end of period	14,583	12,662

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.

\$1,040,000 (2013 - \$455,000) for plant acquired under finance lease.
--

5.6 Financing facilities available

The consolidated entity had financing facilities available at balance date to the extent of \$72,169,000 (June 2013 - \$69,738,000). The unutilised facility for the consolidated entity at balance date was \$16,528,000 (June 2013 - \$18,742,000).

5.7 Controlled gained/lost over entities having material effect

N/A

6.1 Dividends

Date the dividend is payable

19 September 2014

Record date to determine entitlements to the dividend (i.e. on the basis of security holding balances established by 5:00pm or such later time permitted by SCH Business Rules - securities are CHESSE approved).

5 September 2014

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	13¢	13¢
Previous year	12¢	12¢
Final special dividend:		
Current year	-	-
Previous year	-	-
Interim dividend:		
Current year	12¢	12¢
Previous year	11¢	11¢
Interim special dividend:		
Current year	-	-
Previous year	-	-

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

	Current year	Previous year
Ordinary securities	25¢	23¢
Preference securities	-	-

6.4 Preliminary final report – dividend on all securities

	Current period \$'000	Previous corresponding period \$'000
Ordinary securities - Final	1,821	1,686
- Interim	1,685	1,546
Preference securities		
Other equity instruments		
Total	3,506	3,232

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	45,478	40,982
Net profit attributable to members	6,188	7,588
Dividends and other equity distributions paid or payable	(3,366)	(3,092)
Retained profits at end of financial period	48,300	45,478

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>Syndicate Investment Properties</u>		
	IBM Centre Syndicate	22.10	22.10
	St. Kilda Road Syndicate	20.00	20.00
	Hometown Syndicate	25.00	25.00
	Crosslands Shopping Centre Syndicate	16.70	16.70
	Mindarie Keys Syndicate	15.00	15.00
	Neerabup Syndicate	20.00	20.00
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	1,744	1,452
	Income tax on ordinary activities	(523)	(436)
	Profit from ordinary activities after tax	1,221	1,016
	Share of net profit of jointly controlled assets	1,221	1,016

10. NTA backing

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	\$4.69	\$4.23

11. Other significant information

All other significant information is disclosed in this Appendix 4E, the attached press release and letter to shareholders.

12. Foreign entities

For foreign entities, which set of accounting standards is used in compiling the report (e.g. International Accounting Standards).

International Financial Reporting Standards (IFRS).

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	Previous corresponding year
	\$'000	\$'000
The following reflects the income and share data used in the calculation of basic and diluted EPS:		
Basic Earnings from continuing operations	6,188	7,588
Diluted Earnings from continuing operations	6,188	7,588
	<u>Number</u>	<u>Number</u>
Weighted average number of ordinary shares used in the calculation of basic EPS	14,018,074	14,054,875
Weighted average number of ordinary shares used in the calculation of diluted EPS	14,018,074	14,054,875
Basic EPS	44.1¢	54.0¢
Diluted EPS	44.1¢	54.0¢

13.2 Segment Reporting

See attached.

14. Significant events after balance date

The company will pay a fully franked final dividend of 13¢ per share on 19 September 2014

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

18. Non-IFRS financial information

Reconciliation of Statutory Profit to Underlying Profit	Current year	Previous corresponding year
	\$'000	\$'000
Net profit for the period attributable to members (Statutory Profit)	6,188	7,588
Add back impairment of goodwill	3,696	-
Less net insurance proceeds after tax and non-controlling interests	(673)	(2,458)
Underlying Profit for the period attributable to members	9,211	5,130

Underlying Profit is a non-IFRS measure that presents, in the opinion of Directors, the ongoing operating activities of the Group being reflective of the Group's underlying performance.

Sign here:  Date: 20 AUGUST 2014
 Company Secretary

Print Name: JASON MARK CANTWELL

Schedule Accompanying Appendix 4E Preliminary Final Report
Schaffer Corporation Limited
(ACN 008 675 689)
For the Year Ended 30 June 2014

	Leather		Building Materials		Investment Property		Gosh Capital		Consolidated	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Revenue from external customers	103,459	72,871	51,974	58,471	7,692	6,502	542	577	163,667	138,421
Unallocated interest and dividend revenue									30	23
Total revenue									163,697	138,444
Earnings before goodwill impairment	15,208	5,031	1,760	5,484	3,131	2,925	1,407	4,532	21,506	17,972
Goodwill Impairment	-	-	(3,696)	-	-	-	-	-	(3,696)	-
Segment Earnings	15,208	5,031	(1,936)	5,484	3,131	2,925	1,407	4,532	17,810	17,972
Unallocated items:										
Finance income and dividends									29	23
Finance costs									(3,632)	(3,615)
Corporate overheads									(2,059)	(2,858)
Operating profit before income tax									12,148	11,522
Income tax expense									(4,172)	(2,952)
Net profit after tax									7,976	8,570
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Segment Assets	78,377	67,343	47,557	52,362	19,163	20,457	13,530	7,442	158,627	147,604
Unallocated items:										
Available-for-sale financial assets									60	52
Cash									257	205
Property, plant and equipment									777	792
Prepayments									13	3
Receivables									-	9
Deferred income tax assets									550	550
Total segment assets									160,284	149,215