

SCHAFFER CORPORATION LIMITED

ACN 008 675 689



CONDENSED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED

31 DECEMBER 2009

FINANCIAL REPORT

For the half-year ended 31 December 2009

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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 2009 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 Clime Investment Management 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
ADG 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 – 23/04/09
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
VDM Group Ltd	02/07/09 – current

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	5
D J Schwartz	5	5
A K Mayer	5	5
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 12% from \$85,532,000 to \$74,955,000 this half year.

The net after tax consolidated profit attributable to members of the parent entity increased by 7% from \$3,382,000 to \$3,619,000.

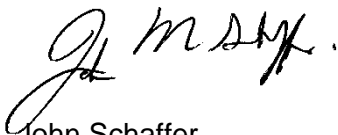
ROUNDING

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, 17 February 2010

**SCHAFFER CORPORATION LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2009**

	Note	Dec 2009 \$'000	Dec 2008 \$'000
Revenue			
Sale of goods		62,389	61,699
Construction services		9,391	20,894
Rental income		2,971	2,612
Finance Income	4(a)	204	327
Total revenue		74,955	85,532
Cost of sales and services rendered		(58,247)	(59,052)
Gross profit		16,708	26,480
Rental property expenses		(1,196)	(1,167)
Other income/(loss)	4(b)	515	(7,084)
Marketing expenses		(3,898)	(4,722)
Administrative expenses		(4,917)	(5,583)
Profit from continuing operations before tax and finance costs		7,212	7,924
Finance costs	4(c)	(2,207)	(3,168)
Profit before income tax		5,005	4,756
Income tax expense	10	(1,409)	(1,322)
Net profit for the period		3,596	3,434
Other comprehensive income:			
Net fair value gains/(losses) on available-for-sale financial assets		10	(20)
Foreign currency translation gain/(loss)		(873)	1,147
Income tax on items of comprehensive income		(3)	6
Other comprehensive income for the period net of tax:		(866)	1,133
Total comprehensive income for the period		2,730	4,567

**SCHAFFER CORPORATION LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)
FOR THE HALF YEAR ENDED 31 DECEMBER 2009**

	Note	Dec 2009 \$'000	Dec 2008 \$'000
Profit for the period is attributable to:			
Non-controlling interest		(23)	52
Owners of the parent		<u>3,619</u>	<u>3,382</u>
 Total comprehensive income for the period is attributable to:			
Non-controlling interest		(170)	174
Owners of the parent		<u>2,900</u>	<u>4,393</u>
		<u>2,730</u>	<u>4,567</u>
 Earnings per share (EPS)			
Basic EPS		25.6¢	24.0¢
Diluted EPS		25.6¢	24.0¢
Dividends paid per share		20¢	25¢

**SCHAFFER CORPORATION LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2009**

	Note	Dec 2009 \$'000	Jun 2009 \$'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		21,097	14,404
Trade and other receivables		17,389	20,894
Inventories		39,785	49,246
Prepayments and deposits		1,408	630
Derivative financial instruments		101	31
Available-for-sale financial assets		49	39
		79,829	85,244
Non current assets classified as held for sale		-	2,658
TOTAL CURRENT ASSETS		79,829	87,902
NON CURRENT ASSETS			
Property, plant and equipment		59,314	60,129
Investment properties		18,075	17,951
Deferred income tax asset		835	1,224
Goodwill		4,995	4,995
Derivative financial instruments		406	370
TOTAL NON CURRENT ASSETS		83,625	84,669
TOTAL ASSETS		163,454	172,571
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		20,810	17,404
Interest bearing loans and borrowings		14,598	10,078
Income tax payable		1,010	3,312
Provisions		4,960	6,334
TOTAL CURRENT LIABILITIES		41,378	37,128
NON CURRENT LIABILITIES			
Interest bearing loans and borrowings		60,997	73,948
Deferred income tax liabilities		148	-
Provisions		383	383
TOTAL NON CURRENT LIABILITIES		61,528	74,331
TOTAL LIABILITIES		102,906	111,459
NET ASSETS		60,548	61,112
EQUITY			
Parent entity interest			
Issued capital	7	17,034	17,034
Reserves		1,461	2,146
Retained earnings	8	37,641	36,845
Total parent entity interest in equity		56,136	56,025
Non-controlling interests		4,412	5,087
TOTAL EQUITY		60,548	61,112

**SCHAFFER CORPORATION LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2009**

	Attributable to Equity Holders of the Parent							Non-controlling Interest	Total Equity	
	Issued Capital	Retained Earnings	Reserves				Total			
			Asset Re-valuation	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 half-year	-	3,382	-	-	-	-	-	3,382	52	3,434
Other comprehensive income	-	-	-	-	-	(14)	1,025	1,011	122	1,133
Total comprehensive income for the half-year	-	3,382	-	-	-	(14)	1,025	4,393	174	4,567
Transactions with owners in their capacity as owners:										
Share-based payments	-	-	-	44	-	-	-	44	-	44
Equity dividends	-	(3,528)	-	-	-	-	-	(3,528)	-	(3,528)
At 31 December 2008	17,034	33,292	2,585	288	115	(16)	305	53,603	4,430	58,033
At 1 July 2009	17,034	36,845	2,585	333	115	(10)	(877)	56,025	5,087	61,112
Profit for the half-year	-	3,619	-	-	-	-	-	3,619	(23)	3,596
Other comprehensive income	-	-	-	-	-	7	(726)	(719)	(147)	(866)
Total comprehensive income for the half-year	-	3,619	-	-	-	7	(726)	2,900	(170)	2,730
Transactions with owners in their capacity as owners:										
Share-based payments	-	-	-	34	-	-	-	34	-	34
Equity dividends	-	(2,823)	-	-	-	-	-	(2,823)	(505)	(3,328)
At 31 December 2009	17,034	37,641	2,585	367	115	(3)	(1,603)	56,136	4,412	60,548

SCHAFFER CORPORATION LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2009

	Note	Dec 2009 \$'000	Dec 2008 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		82,117	95,884
Payments to suppliers and employees		(57,749)	(101,052)
Other revenue		206	5
Borrowing costs paid		(2,207)	(3,168)
Income taxes paid		(3,875)	(1,135)
Goods and services tax paid		(897)	(770)
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		17,595	(10,236)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income		204	327
Acquisition of property, plant and equipment		(1,712)	(3,461)
Acquisition of investment properties		(346)	(452)
Proceeds on sale of property, plant and equipment		2,711	87
NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		857	(3,499)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	3(a)	(3,328)	(3,528)
Proceeds from borrowings		-	2,500
Repayment of borrowings		(8,431)	(1,592)
NET CASH FLOWS USED IN FINANCING ACTIVITIES		(11,759)	(2,620)
NET INCREASE/(DECREASE) IN CASH & CASH EQUIVALENTS			
		6,693	(16,355)
Cash and cash equivalents at the beginning of the period		14,404	21,734
CASH & CASH EQUIVALENTS AT THE END OF THE PERIOD	11	21,097	5,379

**NOTES TO THE HALF YEAR FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2009**

1. CORPORATE INFORMATION

The financial report of Schaffer Corporation Limited (the Company) for the half-year ended 31 December 2009 was authorised for issue in accordance with a resolution of the directors on 17 February 2010. 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 2009 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 2009 and considered together with any public announcements made by Schaffer Corporation Limited during the half-year ended 31 December 2009 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) Adoption of new and revised accounting standards and interpretations

In the current period, the Group has adopted all new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for reporting period beginning on or after 1 July 2009. The adoption of these new and revised Standards and Interpretations has not resulted in any changes to the Group's accounting policies other than:

Reference	Title	Summary and impact on Group financial report
AASB 8	Operating Segments and consequential amendments to other International Accounting Standards	AASB 8 replaced AASB 14 Segment Reporting upon its effective date. AASB 8 disclosures are shown in note 14, including the related comparative information.
AASB 23 (Revised)	Borrowing Costs and consequential amendments to other International Accounting Standards	The revised AASB 23 requires capitalisation of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. The Group's previous policy was to expense borrowing costs as they were incurred. In accordance with the transitional provision of the amended AASB 23, the Group has adopted the standard on a prospective basis. Therefore, borrowing costs are capitalised on qualifying assets with a commencement date on or after 1 July 2009.
AASB 7	Financial Instruments: Disclosure	The amended standard requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition, a reconciliation between the beginning and ending balance for level 3 fair value measurements is now required, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management.
AASB 1 (Revised)	Presentation of Financial Statements and consequential amendments to other International Accounting Standards	The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group has elected to present one statement.

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 2009 \$'000	Dec 2008 \$'000
(a) Dividends declared and paid during the half year on ordinary shares.		
Final franked dividend for the financial year 30 June 2009: 20¢ (2008 – 25¢)	2,823	3,528
Dividend paid by controlled entity to minority shareholder	505	-
	<u>3,328</u>	<u>3,528</u>
(b) Dividends proposed and not yet recognised as a liability		
Interim franked dividend for the half year 31 December 2009 – 20¢ (2008 – 25¢)	2,823	3,528
	<u>2,823</u>	<u>3,528</u>

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 2009 \$'000	Dec 2008 \$'000
(a) Finance income		
Bank interest received	<u>204</u>	<u>327</u>
(b) Other income/(losses)		
Gain on sale of property, plant & equipment	(49)	11
Net foreign currency loss	(31)	(2,202)
Net gain/(loss) on derivatives	389	(4,898)
Other	206	5
	<u>515</u>	<u>(7,084)</u>
(c) Finance Costs		
Bank loans and overdraft interest	2,018	2,983
Finance charges payable under finance leases	63	61
Other	126	124
	<u>2,207</u>	<u>3,168</u>
(d) Expenses		
Depreciation and amortisation of property, plant and equipment	2,299	2,843
Employee benefits	17,781	20,641
Expense of share based payments	34	80

5. SUBSEQUENT EVENTS

Subsequent to the end of the half year the company declared a dividend of 20¢ per share totalling \$2,823,000 payable on 26 March 2010.

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 2009 \$'000	Dec 2008 \$'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 2009	14,113,251	17,034
Total capital issued during the period	-	-
At 31 December 2009	14,113,251	17,034

8. CONSOLIDATED RETAINED PROFITS

Retained profits at the beginning of the financial period	36,845	33,438
Net profit attributable to members	3,619	3,382
Dividends and other equity distributions paid or payable	(2,823)	(3,528)
Retained profits at end of financial period	37,641	33,292

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 Joint Venture	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	1,035	416
Income tax on ordinary activities	311	125
Profit from ordinary activities after tax	724	291
Share of net profit of jointly controlled assets	724	291

10. INCOME TAX

The major components of income tax expense for the half year ended 31 December 2009 and 31 December 2008 are:

	CONSOLIDATED	
	Dec 2009 \$'000	Dec 2008 \$'000
Consolidated Income Statement		
<i>Current income tax</i>		
Current income tax charge	1,136	3,033
Adjustments in respect of current income tax of previous years	(267)	(143)
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences	540	(1,568)
Income tax expense reported in the consolidated income statement	1,409	1,322

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	21,097	5,379
Bank overdrafts	-	-
	21,097	5,379

(b) Non-cash financing and investing activities

Financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows are \$Nil (2008 - \$Nil)

(c) Financing facilities available

The consolidated entity has bank facilities available to the extent of \$94,870,000 (June 2009 - \$103,639,000). The unutilised facility for the consolidated entity at balance date was \$14,873,000 (June 2009 - \$16,642,000)

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 are as follows:

	Dec 2009 \$'000	Dec 2008 \$'000
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The following reflects the income and share data used in the calculation of basic and diluted EPS:

Basic Earnings	3,619	3,382
Diluted Earnings	3,619	3,382
	<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. SEGMENT INFORMATION

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the executive management team (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

The operating segments are identified by management based on the nature of the product and customer supplied, and services provided and the identity of service line manager. Discrete financial information about each of these operating businesses is reported to the executive management team on a monthly basis.

The reportable segments are based on aggregated operating segments determined by the similarity of economic characteristics, the products produced and sold and/or the services provided, as these are the sources of the Group's major risks and have the most effect on the rates of return.

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

Accounting policies and inter-segment transactions

The accounting policies used by the Group in reporting segments internally are the same as those contained in note 1 to the accounts and in the prior period. There are no inter-segment transactions.

Allocation of Assets

It is the Group's policy that if items of revenue and expense are not allocated to operating segments, then any associated assets are also not allocated to segments. This is to avoid asymmetrical allocations within segments which management believe would be inconsistent.

14. SEGMENT INFORMATION continued

The following table presents revenue and profit information regarding business segments for the half year periods ended 31 December 2009 and 31 December 2008

	LEATHER		BUILDING MATERIALS		PROPERTY		CONSOLIDATED	
	Dec 2009 \$'000	Dec 2008 \$'000	Dec 2009 \$'000	Dec 2008 \$'000	Dec 2009 \$'000	Dec 2008 \$'000	Dec 2009 \$'000	Dec 2008 \$'000
Revenue from External Customers	43,580	44,176	27,714	37,913	3,457	3,116	74,751	85,205
Unallocated interest revenue							204	327
Total Revenue							74,955	85,532
Segment Earnings	434	1,133	5,609	5,700	1,831	1,548	7,874	8,381
Unallocated items:								
Finance income							204	327
Finance costs							(2,207)	(3,168)
Corporate overheads							(902)	(784)
Fair value movement in derivate financial instruments							36	-
Operating Profit Before Income Tax							5,005	4,756
Income Tax Expense							(1,409)	(1,322)
Net Profit After Tax							3,596	3,434
	Dec 2009 \$'000	Jun 2009 \$'000	Dec 2009 \$'000	Jun 2009 \$'000	Dec 2009 \$'000	Jun 2009 \$'000	Dec 2009 \$'000	Jun 2009 \$'000
Segment Assets	74,539	79,251	60,255	64,543	26,114	26,203	160,908	169,997
Unallocated items:								
Available-for-sale financial assets							49	39
Cash							970	892
Property, plant and equipment							793	799
Prepayment							180	110
Receivables							38	98
Deferred income tax assets							516	636
Total segment assets							163,454	172,571

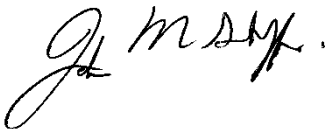
DIRECTORS' DECLARATION

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 2009 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, 17 February 2010

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 2009, 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

17 February 2010

To the members of Schaffer Corporation Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Schaffer Corporation Limited, which comprises the statement of financial position as at 31 December 2009, and the statement of comprehensive income, statement of changes in equity and statement of cash flows 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 half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports 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 2009 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 2009 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.



Ernst & Young



Gavin A. Buckingham
Partner
Perth

17 February 2010