

## APPENDIX 4E

### Preliminary final report

#### 1. Name of entity

<b>SCHAFFER CORPORATION LIMITED</b>
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ABN
<b>008 675 689</b>

Financial year ended ('current period')
<b>30 JUNE 2012</b>
Previous corresponding period
<b>30 JUNE 2011</b>

#### 2. For announcement to the market

*Results for announcement to the market:*

				\$'000
<b>2.1</b>	<b>Revenues from ordinary activities</b>	up	17%	to 152,567
<b>2.2</b>	<b>Net profit for the period attributable to members</b>	up	56%	to 7,517
<b>2.3</b>	<b>Dividends (see section 6)</b>		Amount per security	Franked amount per security
	Final – Ordinary Dividend		11¢	11¢
	Interim – Ordinary Dividend		10¢	10¢
<b>2.4</b>	<b>Record date for determining entitlements to the dividend</b>		7 SEPTEMBER 2012	

### 3. Consolidated Statement of Comprehensive Income

	Notes	2012 \$'000	2011 \$'000
<b>Continuing Operations</b>			
<b>Revenue</b>			
Sale of goods		121,648	104,604
Construction services		25,564	20,395
Rental income	1(a)	5,178	5,563
Finance income	1(b)	176	246
Dividends		1	1
Revenue		<u>152,567</u>	130,809
Cost of sales and services rendered		<u>(118,389)</u>	(101,697)
Gross profit		34,178	29,112
Other income/(losses)	1(c)	1,916	6,551
Marketing expenses		(9,575)	(9,424)
Administrative expenses		<u>(11,453)</u>	(9,808)
<b>Profit from continuing operations before tax and finance costs</b>		15,066	16,431
Finance costs	1(b)	<u>(3,830)</u>	(4,783)
<b>Profit from continuing operations before income tax</b>		11,236	11,648
Income tax expense		<u>(2,809)</u>	(3,647)
<b>Profit from continuing operations after income tax</b>		<u>8,427</u>	8,001
<b>Discontinued operations</b>			
Loss from discontinued operations after income tax	14	-	(3,051)
<b>Net profit for the period</b>		<u>8,427</u>	4,950
<b>Other comprehensive income</b>			
Net fair value gains/(losses) on available-for-sale financial assets		2	1
Foreign currency translation profit/(loss)		34	(1,680)
Transfer realised foreign currency translation loss to discontinued operations		-	829
Income tax on items of other comprehensive income		-	-
<b>Other comprehensive income for the period, net of tax</b>		<u>36</u>	(850)
<b>Total comprehensive income for the period</b>		<u>8,463</u>	4,100

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

### 3. Consolidated Statement of Comprehensive Income (Continued)

	Note	2012 \$'000	2011 \$'000
<b>Profit for the period is attributable to:</b>			
Non-controlling interest		910	134
Owners of the parent		7,517	4,816
		<b>8,427</b>	4,950
<b>Total comprehensive income for the period is attributable to:</b>			
Non-controlling interest		915	(39)
Owners of the parent		7,548	4,139
		<b>8,463</b>	4,100
<b>Earnings per share (EPS)</b>			
Basic EPS		53.4¢	34.1¢
Diluted EPS		53.4¢	34.1¢
Dividends paid per share		21.0¢	20.0¢

## Notes to the Consolidated Statement of Comprehensive Income

<b>Note 1</b>	<b>2012</b>	<b>2011</b>
<b>Revenues and Expenses</b>	<b>\$'000</b>	<b>\$'000</b>
Revenue and expenses from continuing operations		
<b>(a) Net rental income</b>		
Rental property income	5,178	5,563
	<u>5,178</u>	<u>5,563</u>
Rental property expenses	(2,818)	(3,012)
Net rental income	<u>2,360</u>	<u>2,551</u>
<b>(b) Finance (costs)/income</b>		
Bank and other loans and overdrafts – interest	(3,691)	(4,638)
Finance charges payable under finance leases and hire purchase	(139)	(145)
Total finance costs	<u>(3,830)</u>	<u>(4,783)</u>
Bank interest received	176	246
Total finance income	<u>176</u>	<u>246</u>
<b>(c) Other income/(losses)</b>		
Insurance proceeds on loss of property	1,500	-
(Loss)/profit on disposal of property, plant and equipment	(10)	947
Net gain on derivatives	369	384
Net foreign currency (loss)/gain	(530)	859
Profit on disposal of investment property	431	4,296
Other	156	65
	<u>1,916</u>	<u>6,551</u>
<b>(d) Depreciation, amortisation and impairment included in Statement of Comprehensive Income</b>		
Depreciation and amortisation included in:		
Cost of sales	3,918	3,951
Rental property expenses	535	572
Marketing and administrative expenses	571	356
	<u>5,024</u>	<u>4,879</u>
<b>(e) Lease payments included in Statement of Comprehensive Income</b>		
Included in cost of sales:		
Minimum lease payments – operating lease	667	1,260
Included in marketing and administrative expenses:		
Minimum lease payments – operating lease	1,843	1,309
	<u>2,510</u>	<u>2,569</u>

<b>Note 1</b>	<b>2012</b>	2011
<b>Revenues and Expenses (Continued)</b>	<b>\$'000</b>	<b>\$'000</b>
<b>(f) Employee benefit expense</b>		
Wages and salaries	34,491	32,491
Long service leave provisions	334	350
Worker's compensation costs	832	608
Superannuation costs	2,083	1,958
Expense of share-based payments	83	66
	<b>37,823</b>	35,473
<b>(g) Other expenses loss/(gain)</b>		
Provision for/(write-back) of allowance for doubtful debts	33	(3)

#### 4. Consolidated Statement of Financial Position

	Note	2012 \$'000	2011 \$'000
<b>Assets</b>			
<b>Current Assets</b>			
Cash and short term deposits		12,956	7,961
Trade and other receivables		22,088	27,553
Inventories		39,458	45,089
Prepayments		1,630	1,004
Derivative financial instruments		-	151
Other financial assets		1,033	32
		<u>77,165</u>	<u>81,790</u>
Non current assets classified as held for sale		-	717
<b>Total Current Assets</b>		<u><u>77,165</u></u>	<u><u>82,507</u></u>
<b>Non Current Assets</b>			
Property, plant and equipment		45,985	48,571
Investment properties		13,952	14,132
Deferred income tax asset		456	1,802
Goodwill		4,995	4,995
		<u>65,388</u>	<u>69,500</u>
<b>Total Non Current Assets</b>		<u><u>65,388</u></u>	<u><u>69,500</u></u>
<b>Total Assets</b>		<u><u>142,553</u></u>	<u><u>152,007</u></u>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables		18,491	26,191
Interest bearing loans and borrowings		10,459	43,184
Income tax payable		44	1,716
Provisions		4,859	4,249
Derivative financial instruments		203	307
		<u>34,056</u>	<u>75,647</u>
Liabilities classified as held for sale		-	560
<b>Total Current Liabilities</b>		<u><u>34,056</u></u>	<u><u>76,207</u></u>
<b>Non Current Liabilities</b>			
Interest bearing loans and borrowings		42,936	15,690
Provisions		1,454	1,483
		<u>44,390</u>	<u>17,173</u>
<b>Total Non Current Liabilities</b>		<u><u>44,390</u></u>	<u><u>17,173</u></u>
<b>Total Liabilities</b>		<u><u>78,446</u></u>	<u><u>93,380</u></u>
<b>Net Assets</b>		<u><u>64,107</u></u>	<u><u>58,627</u></u>

**4. Consolidated Statement of Financial Position (continued)**

	Note	2012 \$'000	2011 \$'000
<b>Equity</b>			
Equity attributable to equity holders of the parent			
Issued Capital		16,853	17,034
Reserves		1,162	1,081
Retained earnings	8	40,982	36,283
Total parent entity interest in equity		58,997	54,398
Minority interests		5,110	4,229
<b>Total Equity</b>		<b>64,107</b>	<b>58,627</b>

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

## 5.1 Consolidated Statement of Cash Flows

	Notes	2012 \$'000	2011 \$'000
<b>Cash Flows from Operating Activities</b>			
Receipts from customers		164,258	136,260
Payments to suppliers and employees		(141,045)	(127,300)
Other revenue		143	68
Interest paid		(3,830)	(4,783)
Income taxes paid		(3,135)	(2,059)
Goods and services tax paid		(1,827)	(1,103)
<b>Net Cash Flows from Operating Activities</b>	5.3	<b>14,564</b>	<b>1,083</b>
<b>Cash Flows from Investing Activities</b>			
Interest income		176	246
Acquisition of property, plant and equipment		(2,163)	(3,631)
Proceeds on sale of investment property		1,147	8,047
Insurance proceeds on loss of property		1,500	-
Proceeds on sale of property, plant and equipment		15	11,416
Improvements to investment properties		(249)	(1,254)
Investments in term deposits		(1,000)	-
Proceeds on disposal of available-for-sale investments		1	-
Deposits acquired/(repaid)		100	(126)
Dividends received		1	1
<b>Net Cash Flows (used in)/from Investing Activities</b>		<b>(472)</b>	<b>14,699</b>
<b>Cash Flows from Financing Activities</b>			
Finance lease principal payments		(659)	(710)
Dividends paid		(2,852)	(4,284)
Proceeds from borrowings		2,700	6,469
Repayment of borrowings		(8,139)	(23,126)
Shares acquired under buy-back scheme		(181)	-
<b>Net Cash Flows Used In Financing Activities</b>		<b>(9,131)</b>	<b>(21,651)</b>
<b>Net (Decrease)/Increase In Cash and Cash Equivalents</b>		<b>4,961</b>	<b>(5,869)</b>
Net foreign exchange differences		34	(1,680)
Cash and cash equivalents at the beginning of the period		7,961	15,510
<b>Cash and Cash Equivalents at the End of the Period</b>	5.4	<b>12,956</b>	<b>7,961</b>

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 2012

	Attributable to Equity Holders of the Parent									
	Issued Capital	Retained Earnings	Reserves				Foreign Currency translation	Total	Non- controlling Interest	Total Equity
			Asset Re- valuation	Share Based Payment EPU's	Share Based Payment SFC Options	Net unrealised gains/ (losses)				
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
<b>At 1 July 2010</b>	17,034	35,701	2,585	406	115	1	(1,415)	54,427	4,318	58,745
Profit for the year	-	4,816	-	-	-	-	-	4,816	134	4,950
Other comprehensive income	-	-	-	-	-	1	(678)	(677)	(173)	(850)
Total comprehensive income for the year	-	4,816	-	-	-	1	(678)	4,139	(39)	4,100
<b>Transactions with owners in their capacity as owners:</b>										
Share-based payments	-	-	-	66	-	-	-	66	-	66
Equity dividends	-	(4,234)	-	-	-	-	-	(4,234)	(50)	(4,284)
<b>At 30 June 2011</b>	17,034	36,283	2,585	472	115	2	(2,093)	54,398	4,229	58,627
<b>At 1 July 2011</b>	17,034	36,283	2,585	472	115	2	(2,093)	54,398	4,229	58,627
Profit for the year	-	7,517	-	-	-	-	-	7,517	910	8,427
Other comprehensive income	-	-	-	-	-	2	29	31	5	36
Total comprehensive income for the year	-	7,517	-	-	-	2	29	7,548	915	8,463
<b>Transactions with owners in their capacity as owners:</b>										
Shares acquired under buy-back scheme	(181)	-	-	-	-	-	-	(181)	-	(181)
Share-based payments	-	-	-	50	-	-	-	50	-	50
Equity dividends	-	(2,818)	-	-	-	-	-	(2,818)	(34)	(2,852)
<b>At 30 June 2012</b>	16,853	40,982	2,585	522	115	4	(2,064)	58,997	5,110	64,107

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

	2012	2011
	\$'000	\$'000
Net profit	8,427	4,950
Adjustment for:		
Depreciation, amortisation and impairment	5,024	4,879
Interest received	(176)	(246)
Dividends received	(1)	(1)
Share-based payments expense	50	66
Profit on sale of investment properties	(431)	(4,296)
Insurance proceeds on loss of property	(1,500)	-
Loss/(profit) on disposal of property, plant & equipment	10	(947)
Net loss/(gain) on foreign exchange	530	(859)
Transfer of foreign currency translation reserve to net profit	-	829
Changes in assets and liabilities:		
(Increase)/decrease in trade and other receivables	5,465	(7,064)
(Increase)/decrease in inventories	5,631	(1,181)
(Decrease)/increase in trade and other payables	(8,040)	4,015
Increase/(decrease) in employee entitlement provisions	581	11
(Decrease)/increase in income tax payable	(1,672)	905
(Increase)/decrease in deferred income tax asset	1,346	(268)
(Increase)/decrease in prepayments	(726)	35
Decrease in derivatives	47	255
(Increase)/decrease in available-for-sale investments	(1)	-
<b>Net cash flows from operating activities</b>	<b>14,564</b>	<b>1,083</b>

### 5.4 Reconciliation of cash

	2012	2011
	\$'000	\$'000
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	11,456	7,961
Short term deposits	1,500	-
<b>Total cash at end of period</b>	<b>12,956</b>	<b>7,961</b>

### 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.

\$59,000 (2011 - \$170,000) 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 \$71,183,000 (2011: \$78,685,000). The unutilised facility for the consolidated entity at balance date was \$15,049,000 (2011: \$17,045,000).

### 5.7 Controlled gained/lost over entities having material effect

N/A

### 6.1 Dividends

Date the dividend is payable	<b>21 September 2012</b>
Record date to determine entitlements to the dividend (ie. on the basis of security holding balances established by 5:00pm or such later time permitted by SCH Business Rules - securities are CHES approved)	<b>7 September 2012</b>
If it is a final dividend, has it been declared?	<b>YES</b>

## 6.2 Amount per security

	Amount per security	Franked amount per security at 30% tax
<b>Final dividend:</b>		
Current year	11¢	11¢
Previous year	10¢	10¢
<b>Final special dividend:</b>		
Current year	-	-
Previous year	-	-
<b>Interim dividend:</b>		
Current year	10¢	10¢
Previous year	10¢	10¢
<b>Interim special dividend:</b>		
Current year	-	-
Previous year	-	-

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

	Current year	Previous year
Ordinary securities	21¢	20¢
Preference securities	-	-

## 6.4 Preliminary final report – dividend on all securities

	Current period \$'000	Previous corresponding period \$'000
Ordinary securities - Final	1,547	1,411
- Interim	1,407	1,411
Preference securities		
Other equity instruments		
<b>Total</b>	<b>2,954</b>	<b>2,822</b>

## 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	36,283	35,701
Net profit attributable to members	7,517	4,816
Dividends and other equity distributions paid or payable	(2,818)	(4,234)
<b>Retained profits at end of financial period</b>	<b>40,982</b>	<b>36,283</b>

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

	Current period	Previous corresponding period
<b>9.1 Name of jointly controlled assets</b>	Percentage Interest	Percentage Interest
<b><u>Syndicate Investment Properties</u></b>		
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
Vulcan Road Syndicate	-	20.00
Neerabup Syndicate	20.00	20.00
<b>9.2 Group's share of income and expenses relating to its interests in jointly controlled assets</b>	\$'000	\$'000
Profit from ordinary activities before tax	1,334	5,077
Income tax on ordinary activities	(400)	(1,523)
<b>Profit from ordinary activities after tax</b>	<b>934</b>	<b>3,554</b>
<b>Share of net profit of jointly controlled assets</b>	<b>934</b>	<b>3,554</b>

## 10. NTA backing

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	\$3.84	\$3.50

## 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	7,517	4,816
Diluted Earnings	7,517	4,816
Basic Earnings from continuing operations	7,517	7,867
Diluted Earnings from continuing operations	7,517	7,867
	<u>Number</u>	<u>Number</u>
Weighted average number of ordinary shares used in the calculation of basic EPS	14,085,617	14,113,251
Weighted average number of ordinary shares used in the calculation of diluted EPS	14,085,617	14,113,251
Basic EPS	53.4¢	34.1¢
Diluted EPS	53.4¢	34.1¢

## 13.2 Segment Reporting

See attached.
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## 14. Discontinued Operation

- (a) During the previous financial period the company sold its automotive leather subsidiary, Howe de Mexico SA, which included a cutting plant located in Juarez, Mexico (part of the leather reporting segment). The financial performance of the Mexican operations had been negatively affected over the past few years by a combination of reduced sales volumes and pricing pressures. In addition crime levels in and around Juarez had escalated alarmingly following a government sponsored crack down on drug cartels operating in the area. The sale of this loss making operation was aimed at improving the overall financial performance of the Automotive Leather division.

In accordance with AASB 5 – *Non-current Assets Held for Sale and Discontinued Operations*, the financial results of the Mexican operations have been classified as “discontinued operations”.

- (b) Financial performance of the discontinued operation

	Consolidated <b>2012</b> \$'000	2011 \$'000
Revenue	-	7,247
Expenses	-	(9,785)
Gross profit/(loss)	-	(2,538)
Loss recognised on closure	-	(636)
Less realised foreign currency translation loss	-	(829)
Loss before tax from discontinued operations	-	(4,003)
Tax income:		
- related to pre-tax loss	-	761
- related to loss on closure	-	191
Loss for the year from discontinued operations	-	(3,051)

- (c) Net cash flows of discontinued operations

	Consolidated <b>2012</b> \$'000	2011 \$'000
Cash flow from/(used in)		
Operating activities	-	(3,529)
Investing activities	-	-
Net cash flow from/(used in) discontinued operations	-	(3,529)

- (d) Discontinued operation earnings per share information (cents per share)

	<b>2012</b> ¢	2011 ¢
Basic earnings per share – discontinued operation	-	(21.6)
Diluted earnings per share – discontinued operation	-	(21.6)

**15. Significant events after balance date**

The company will pay a fully franked final dividend of 11¢ per share on 21 September 2012.

**16. 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. |

**17. 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

**18. 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: 21 AUGUST 2012  
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 2012**

Report for Industry Segments	Leather		Building Materials		Property		Consolidated	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
<b>Revenue from External Customers</b>	<b>89,599</b>	72,098	<b>56,395</b>	51,869	<b>6,564</b>	6,799	<b>152,558</b>	130,766
Unallocated interest and dividend revenue							<b>9</b>	43
<b>Total Revenue</b>							<b>152,567</b>	130,809
Segment Earnings	<b>7,363</b>	7,291	<b>4,965</b>	3,948	<b>4,540</b>	7,198	<b>16,868</b>	18,437
Unallocated items:								
Finance income							<b>9</b>	43
Finance costs							<b>(3,830)</b>	(4,783)
Corporate overheads							<b>(1,811)</b>	(2,049)
Operating Profit Before Income Tax from continuing operations							<b>11,236</b>	11,648
Income Tax Expense							<b>(2,809)</b>	(3,647)
Net Profit After Tax from continuing operations							<b>8,427</b>	8,001
	<b>2012 \$'000</b>	<b>2011 \$'000</b>	<b>2012 \$'000</b>	<b>2011 \$'000</b>	<b>2012 \$'000</b>	<b>2011 \$'000</b>	<b>2012 \$'000</b>	<b>2011 \$'000</b>
Segment Assets	<b>65,503</b>	76,112	<b>52,708</b>	52,165	<b>21,201</b>	22,120	<b>139,412</b>	150,397
Unallocated items:								
Available-for-sale financial assets							<b>33</b>	32
Cash							<b>1,948</b>	81
Property, plant and equipment							<b>808</b>	779
Prepayment							<b>21</b>	27
Receivables							<b>2</b>	120
Deferred income tax assets							<b>329</b>	571
<b>Total segment assets</b>							<b>142,553</b>	152,007