

APPENDIX 4E

Preliminary final report

1. Name of entity

SCHAFFER CORPORATION LIMITED

ABN

008 675 689

Financial year ended ('current period')

30 JUNE 2011

Previous corresponding period

30 JUNE 2010

2. For announcement to the market

Results for announcement to the market:

				\$'000
2.1	Revenues from ordinary activities	up	1%	to 138,056
2.2	Net profit for the period attributable to members	up	7%	to 4,816
2.3	Net profit for the period from ordinary activities attributable to members	up	34%	to 6,034
2.4	Dividends (see section 6)		Amount per security	Franked amount per security
	Final – Ordinary Dividend		10¢	10¢
	Interim – Ordinary Dividend		10¢	10¢
2.5	Record date for determining entitlements to the dividend		09 SEPTEMBER 2011	

3. Consolidated Statement of Comprehensive Income

	Notes	2011 \$'000	2010 \$'000
Continuing Operations			
Revenue			
Sale of goods		104,604	100,598
Construction services		20,395	14,997
Rental income	1(a)	5,563	5,825
Finance income	1(b)	246	381
Dividends		1	1
Revenue		<u>130,809</u>	121,802
Cost of sales and services rendered		<u>(98,685)</u>	(88,867)
Gross profit		32,124	32,935
Rental property expenses	1(a)	(3,012)	(2,573)
Other income/(losses)	1(c)	6,551	1,365
Marketing expenses		(9,424)	(6,775)
Administrative expenses		<u>(9,808)</u>	(10,689)
Profit from continuing operations before tax and finance costs		16,431	14,263
Finance costs	1(b)	<u>(4,783)</u>	(4,528)
Profit from continuing operations before income tax		11,648	9,735
Income tax expense		<u>(3,647)</u>	(2,850)
Profit from continuing operations after income tax		<u>8,001</u>	6,885
Discontinued operations			
Loss from discontinued operations after income tax	14	<u>(3,051)</u>	(2,558)
Net profit for the period		<u>4,950</u>	4,327
Other comprehensive income			
Net fair value gains/(losses) on available-for-sale financial assets		1	15
Foreign currency translation loss		(1,680)	(611)
Transfer realised foreign currency translation loss to discontinued operations		829	-
Income tax on items of other comprehensive income		-	(4)
Other comprehensive income for the period, net of tax		<u>(850)</u>	(600)
Total comprehensive income for the period		<u>4,100</u>	3,727

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

**SCHAFFER CORPORATION LIMITED
CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2011**

	Note	2011 \$'000	2010 \$'000
Profit for the period is attributable to:			
Non-controlling interest		134	(174)
Owners of the parent		4,816	4,501
		4,950	4,327
Total comprehensive income for the period is attributable to:			
Non-controlling interest		(39)	(247)
Owners of the parent		4,139	3,974
		4,100	3,727
Earnings per share (EPS)			
Basic EPS		34.1¢	31.9¢
Diluted EPS		34.1¢	31.9¢
Dividends paid per share		20.0¢	40.0¢

Notes to the Consolidated Statement of Comprehensive Income

NOTE 1	2011	2010
REVENUES AND EXPENSES	\$'000	\$'000
Revenue and expenses from continuing operations		
(a) Net rental income		
Rental property income	5,563	5,825
	<u>5,563</u>	<u>5,825</u>
Rental property expenses	(3,012)	(2,573)
Net rental income	<u>2,551</u>	<u>3,252</u>
(b) Finance (costs)/income		
Bank and other loans and overdrafts – interest	(4,638)	(4,416)
Finance charges payable under finance leases and hire purchase	(145)	(112)
Total finance costs	<u>(4,783)</u>	<u>(4,528)</u>
Bank interest received	246	381
Total finance income	<u>246</u>	<u>381</u>
(c) Other income/(losses)		
Gain on sale of property, plant and equipment	947	152
Loss on sale of available-for-sale financial assets	-	(10)
Net gain/(loss) on derivatives	384	400
Net foreign currency gain/(loss)	859	(469)
Profit on disposal of investment property	4,296	946
Other	65	346
	<u>6,551</u>	<u>1,365</u>
(d) Depreciation, amortisation and impairment included in Statement of Comprehensive Income		
Depreciation and amortisation included in:		
Cost of sales	3,951	3,566
Rental property expenses	572	569
Marketing and administrative expenses	356	698
	<u>4,879</u>	<u>4,833</u>
(e) Lease payments included in Statement of Comprehensive Income		
Included in cost of sales:		
Minimum lease payments – operating lease	1,260	1,168
Included in marketing and administrative expenses:		
Minimum lease payments – operating lease	1,309	1,013
	<u>2,569</u>	<u>2,181</u>

NOTE 1	2011	2010
REVENUES AND EXPENSES (continued)	\$'000	\$'000
(f) Employee benefit expense		
Wages and salaries	32,491	30,186
Long service leave provisions	350	205
Worker's compensation costs	608	842
Superannuation costs	1,958	1,923
Expense of share-based payments	66	89
	35,473	33,245
(g) Other expenses loss/(gain)		
Write-back of allowance for doubtful debts	(3)	(77)

4. Consolidated Statement of Financial Position

	Note	2011 \$'000	2010 \$'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		7,961	15,510
Trade and other receivables		27,553	20,710
Inventories		45,089	43,908
Prepayments		1,004	913
Derivative financial instruments		151	206
Available-for-sale financial assets		32	31
		81,790	81,278
Non current assets classified as held for sale		717	-
TOTAL CURRENT ASSETS		82,507	81,278
NON CURRENT ASSETS			
Property, plant and equipment		48,571	59,653
Investment properties		14,132	16,731
Deferred income tax asset		1,802	1,534
Goodwill		4,995	4,995
TOTAL NON CURRENT ASSETS		69,500	82,913
TOTAL ASSETS		152,007	164,191
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		26,191	22,176
Interest bearing loans and borrowings		43,184	15,328
Income tax payable		1,716	811
Provisions		4,249	4,300
Derivative financial instruments		307	107
		75,647	42,722
Liabilities classified as held for sale		560	-
TOTAL CURRENT LIABILITIES		76,207	42,722
NON CURRENT LIABILITIES			
Interest bearing loans and borrowings		15,690	61,303
Provisions		1,483	1,421
TOTAL NON CURRENT LIABILITIES		17,173	62,724
TOTAL LIABILITIES		93,380	105,446
NET ASSETS		58,627	58,745

4. Consolidated Statement of Financial Position (continued)

	Note	2011 \$'000	2010 \$'000
EQUITY			
Equity attributable to equity holders of the parent			
Issued Capital		17,034	17,034
Reserves		1,081	1,692
Retained earnings	8	36,283	35,701
Total parent entity interest in equity		<u>54,398</u>	<u>54,427</u>
Minority interests		4,229	4,318
TOTAL EQUITY		<u>58,627</u>	<u>58,745</u>

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

5.1 Consolidated Statement of Cash Flows

	2011	2010
Notes	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	136,260	143,673
Payments to suppliers and employees	(127,300)	(117,125)
Other revenue	68	346
Interest paid	(4,783)	(4,528)
Income taxes paid	(2,059)	(4,569)
Goods and services tax paid	(1,103)	(1,776)
NET CASH FLOWS (USED IN)/FROM OPERATING ACTIVITIES	1,083	16,021
5.3		
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	246	381
Acquisition of property, plant and equipment	(3,631)	(4,398)
Proceeds on sale of investment property	8,047	1,260
Proceeds on sale of property, plant and equipment	11,416	2,777
Improvements to investment properties	(1,254)	(606)
Proceeds on disposal of available-for-sale investments	-	14
Deposits acquired	(126)	-
Dividends received	1	1
NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES	14,699	(571)
CASH FLOWS FROM FINANCING ACTIVITIES		
Finance lease principal payments	(710)	(606)
Dividends paid	(4,284)	(6,167)
Proceeds from borrowings	6,469	2,030
Repayment of borrowings	(23,126)	(8,990)
NET CASH FLOWS USED IN FINANCING ACTIVITIES	(21,651)	(13,733)
NET (DECREASE)/INCREASE IN CASH & CASH EQUIVALENTS		
Net foreign exchange differences	(5,869)	1,717
Cash and cash equivalents at the beginning of the period	(1,680)	(611)
	15,510	14,404
CASH & CASH EQUIVALENTS AT THE END OF THE PERIOD	7,961	15,510
5.4		

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 2011

	Attributable to Equity Holders of the Parent							Non-controlling Interest	Total Equity	
	Issued Capital	Retained Earnings	Reserves				Total			
	\$'000	\$'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	\$'000	\$'000	
At 1 July 2009	17,034	36,845	2,585	333	115	(10)	(877)	56,025	5,087	61,112
Profit for the year	-	4,501	-	-	-	-	-	4,501	(174)	4,327
Other comprehensive income	-	-	-	-	-	11	(538)	(527)	(73)	(600)
Total comprehensive income for the year	-	4,501	-	-	-	11	(538)	3,974	(247)	3,727
Transactions with owners in their capacity as owners:										
Share-based payments	-	-	-	73	-	-	-	73	-	73
Equity dividends	-	(5,645)	-	-	-	-	-	(5,645)	(522)	(6,167)
At 30 June 2010	17,034	35,701	2,585	406	115	1	(1,415)	54,427	4,318	58,745
At 1 July 2010	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
Transactions with owners in their capacity as owners:										
Share-based payments	-	-	-	66	-	-	-	66	-	66
Equity dividends	-	(4,234)	-	-	-	-	-	(4,234)	(50)	(4,284)
At 30 June 2011	17,034	36,283	2,585	472	115	2	(2,093)	54,398	4,229	58,627

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

	2011 \$'000	2010 \$'000
Net profit	4,950	4,327
Adjustment for -		
Depreciation, amortisation and impairment	4,879	4,833
Interest received	(246)	(381)
Dividends received	(1)	(1)
Share-based payments expense	66	73
Profit on sale of investment properties	(4,296)	(946)
(Profit)/loss on sale of property, plant & equipment	(947)	(152)
Realised loss on available-for-sale investments	-	10
Unrealised foreign currency translation (gain)/loss	(859)	469
Transfer of foreign currency translation reserve to net profit	829	-
Changes in assets and liabilities:		
(Increase)/decrease in trade and other receivables	(7,064)	864
(Increase)/decrease in inventories	(1,181)	5,338
(Decrease)/increase in trade and other payables	4,015	5,375
Increase/(decrease) in employee entitlement provisions	11	(996)
(Decrease)/increase in income tax payable	905	(2,501)
(Increase)/decrease in deferred income tax asset	(268)	(310)
(Increase)/decrease in prepayments	35	(283)
Decrease in derivatives	255	302
Net cash flows from operating activities	1,083	16,021

5.4 Reconciliation of cash

	2011 \$'000	2010 \$'000
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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	7,961	15,510
Total cash at end of period	7,961	15,510

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.

\$170,000 (2010 - \$171,000) 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 \$78,685,000 (2010 - \$92,606,000). The unutilised facility for the consolidated entity at balance date was \$17,045,000 (2010 - \$14,320,000).

From 31 August 2011 the financing facilities available will reduce to \$70,025,000 due to a negotiated reduction in financing facilities agreed on 28 June 2011.

5.7 Controlled gained/lost over entities having material effect

On 31 March 2011 the group sold its interest in its automotive leather subsidy Howe de Mexico SA. Refer Note 14 for further details.

6.1 Dividends

Date the dividend is payable	23 SEPTEMBER 2011
Record date to determine entitlements to the dividend (ie, on the basis of security holding balances established by 5.00 pm or such later time permitted by SCH Business Rules - securities are CHESS approved)	09 SEPTEMBER 2011
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	10¢	10¢
Previous year	20¢	20¢
Final special dividend:		
Current year	-	-
Previous year	-	-
Interim dividend:		
Current year	10¢	10¢
Previous year	20¢	20¢
Interim special dividend:		
Current year	-	-
Previous year	-	-

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

	Current year	Previous year
Ordinary securities	20¢	40¢
Preference securities	-	-

6.4 Preliminary final report – dividend on all securities

	Current period \$'000	Previous corresponding period \$'000
Ordinary securities - Final	1,411	2,823
- Interim	1,411	2,823
Preference securities		
Other equity instruments		
Total	2,822	5,646

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	35,701	36,845
Net profit attributable to members	4,816	4,501
Dividends and other equity distributions paid or payable	(4,234)	(5,645)
Retained profits at end of financial period	36,283	35,701

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

	Current period	Previous corresponding period
9.1 Name of jointly controlled assets	Percentage Interest	Percentage Interest
Joint Ventures		
IBM Centre Joint Venture	22.10	22.10
St. Kilda Road Joint Venture	20.00	20.00
Hometown Joint Venture	25.00	25.00
Crosslands Shopping Centre JV	16.70	16.70
89 St. George's Terrace Joint Venture	-	20.00
Mindarie Keys Joint Venture	15.00	15.00
Vulcan Road Joint Venture	20.00	20.00
Neerabup Joint Venture	20.00	20.00
1500 Albany Highway Joint Venture	-	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	5,077	3,031
Income tax on ordinary activities	(1,523)	(909)
Profit from ordinary activities after tax	3,554	2,122
Share of net profit of jointly controlled assets	3,554	2,122

10. NTA backing

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

11. Other significant information

Howe Automotive Ltd, the 83% owned subsidiary of SFC, has current interest bearing loans and borrowings including a \$30.7 million Australian Government loan facility maturing in February 2012. Discussions with the Government are well advanced regarding refinancing this facility, which is non recourse to SFC.

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).

Australian Accounting Standards

13. Commentary on results

For a commentary on the results see the attached press release.

13.1 Earnings per security (EPS)

Details of basic and diluted EPS reported separately in accordance with AASB 133: <i>Earnings Per Share</i> are as follows.	Current year \$'000	Previous corresponding year \$'000
The following reflects the income and share data used in the calculation of basic and diluted EPS:		
Basic Earnings	4,816	4,501
Diluted Earnings	4,816	4,501
	<u>Number</u>	<u>Number</u>
Weighted average number of ordinary shares used in the calculation of basic EPS	14,113,251	14,113,251
Weighted average number of ordinary shares used in the calculation of diluted EPS	14,113,251	14,113,251
Basic EPS	\$0.34	\$0.32
Diluted EPS	\$0.34	\$0.32

13.2 Segment reporting

See attached.

14. DISCONTINUED OPERATION

- (a) During the 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 has 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 have escalated alarmingly following a government sponsored crack down on drug cartels operating in the area. The sale of this loss making operation is 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 2011 \$'000	2010 \$'000
Revenue	7,247	15,030
Expenses	(9,785)	(18,684)
Gross profit/(loss)	(2,538)	(3,654)
Loss recognised on closure	(636)	-
Less realized foreign currency translation loss	(829)	-
Loss before tax from discontinued operations	(4,003)	(3,654)
Tax income:		
- related to pre-tax loss	761	1,096
- related to loss on closure	191	-
Loss for the year from discontinued operations	(3,051)	(2,558)

(c) Net cash flows of discontinued operations

	Consolidated 2011 \$'000	2010 \$'000
Cash flow from/(used in)		
Operating activities	(3,529)	(3,999)
Investing activities	-	(1)
Net cash flow from/(used in) discontinued operations	(3,529)	(4,000)

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

	2011 ¢	2010 ¢
Basic earnings per share – discontinued operation	(21.6)	(18.1)
Diluted earnings per share – discontinued operation	(21.6)	(18.1)

15. Significant events after balance date

The company will pay a fully franked final dividend of 10¢ per share on 23 September 2011.

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: 24 AUGUST 2011
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 2011

REPORT FOR INDUSTRY SEGMENTS	LEATHER		BUILDING MATERIALS		PROPERTY		CONSOLIDATED	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Revenue from External Customers	71,974	66,434	51,821	47,206	6,767	7,780	130,562	121,420
Unallocated interest and dividend revenue							247	382
Total Revenue							130,809	121,802
Segment Earnings	7,167	3,602	3,900	7,291	7,166	4,752	18,233	15,645
Unallocated items:								
Finance income							247	382
Finance costs							(4,783)	(4,528)
Corporate overheads							(2,049)	(1,764)
Operating Profit Before Income Tax from continuing operations							11,648	9,735
Income Tax Expense							(3,647)	(2,850)
Net Profit After Tax from continuing operations							8,001	6,885
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Segment Assets	76,112	75,441	52,165	60,417	22,120	25,329	150,397	161,187
Unallocated items:								
Available-for-sale financial assets							32	31
Cash							81	1,477
Property, plant and equipment							779	796
Prepayment							27	174
Receivables							120	-
Deferred income tax assets							571	526
Total segment assets							152,007	164,191