

## APPENDIX 4D

**This Half-Year Report is provided to the  
Australian Stock Exchange (ASX)  
Under ASX Listing Rule 4.2A.3**

Name of entity

**SCHAFFER CORPORATION LIMITED**

ACN

**008 675 689**

Financial year ended ('current period')

**31 DECEMBER 2016**

Previous corresponding period

**31 DECEMBER 2015**

### For announcement to the market

				<i>\$'000</i>
Revenues from ordinary activities	Down	1%	to	102,305
Net profit for the period attributable to members (statutory profit)	Down	65%	to	2,372
Underlying profit for the period attributable to members <sup>1</sup>	Up	21%	to	2,965

<sup>1</sup> Underlying profit is profit after tax before significant items attributable to members. Underlying profit is non-IFRS financial information. Refer to page 20 of the December 2016 Investor Presentation for a reconciliation of Statutory Profit to Underlying Profit.

<b>DIVIDENDS</b>	Amount per security	Franked amount per security
Final dividend	-	-
Interim period	12¢	12¢
Date the dividend is payable	17 March 2017	
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)	10 March 2017	

<b>NET TANGIBLE ASSET BACKING</b>		
<b>Consolidated Entity</b>	<b>2016</b>	<b>2015</b>
Net tangible assets \$'000	<b>70,139</b>	72,076
Fully paid ordinary shares on issue at balance date	<b>14,005,373</b>	14,005,373
Net tangible asset backing per issued ordinary share as at balance date	<b>\$5.01</b>	\$5.15

### STATUS OF AUDIT

The Half-Year Report is based on accounts that have been reviewed.



ACN 008 675 689

**FINANCIAL REPORT**  
**FOR THE HALF-YEAR ENDED**  
**31 DECEMBER 2016**

## FINANCIAL REPORT

For the Half-Year Ended 31 December 2016

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## **SCHAFFER CORPORATION LIMITED HALF-YEAR FINANCIAL REPORT**

### **DIRECTORS' REPORT**

Your Directors submit their report for the half-year ended 31 December 2016 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 06/09/1972

Mr John Schaffer joined the company in 1972. Mr Schaffer has held the position of Managing Director since 1987 and Chairman since 1988.

**D E BLAIN, BA**

Non-executive Director  
Appointed 05/06/1987

Mrs Danielle Blain joined the company in 1987. Mrs Blain served as Managing Director of Gosh Leather Pty. Ltd. from 1993 to 2001. Mrs Blain has diverse experience serving on a number of government and not-for-profit boards and is also a past Pro Chancellor of Edith Cowan University.

**A K MAYER**

Executive Director  
Appointed 21/11/2001

Mr Anton Mayer is the Executive Director of Howe Automotive Leather Limited. Mr Mayer has over 50 years of international leather experience, broad business skills and a global business perspective.

**D J SCHWARTZ**

Non-executive Director  
Appointed 29/06/1999

Mr David Schwartz joined the Board as an independent Director in June 1999. He has over 30 years' experience in manufacturing and distribution businesses. During the past three years Mr Schwartz has served as a Director of the following listed companies:

Clime Investment Management Ltd 01/10/1999 – 28/02/2015  
ADG Global Supply Ltd 01/05/2008 – 07/01/2015

**M D PERROTT AM**

**BCom, FAIM, FAICD**  
Non-executive Director  
Appointed 23/02/2005

Mr Michael Perrott AM joined the Board as an independent 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:

GME Resources Ltd 21/11/1996 - current  
VDM Group Ltd 02/07/2009 – 07/08/2014

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

## **ATTENDANCE AT BOARD MEETINGS**

During the half-year four Directors' meetings were held. The number of meetings attended by each Director is as follows:

	<b>Meetings eligible to attend</b>	<b>Meetings attended</b>
J M Schaffer	4	4
D E Blain	4	4
D J Schwartz	4	4
A K Mayer	4	4
M D Perrott	4	4

## **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 1% from \$103,468,000 for the comparative period to \$102,305,000 this half-year.

The net after tax consolidated profit attributable to members of the parent entity decreased by 65% from \$6,692,000 for the comparative period to \$2,372,000.

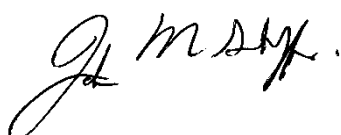
## **ROUNDING**

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 Corporations (Rounding in Financial/Directors' Report) Instrument 2016/191. The company is an entity to which this Legislative Instrument 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, 22 February 2017

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**

	Note	Dec 2016 \$'000	Dec 2015 \$'000
<b>Revenue</b>			
Sale of goods		89,812	87,194
Construction services		9,833	13,072
Rental income	3(a)	2,631	3,163
Finance income	3(b)	29	39
Total revenue		<b>102,305</b>	103,468
Cost of sales and services rendered		<b>(86,275)</b>	(87,475)
Gross profit		<b>16,030</b>	15,993
Other (losses)/income	3(c)	<b>(650)</b>	4,190
Marketing expenses		<b>(2,926)</b>	(2,996)
Administrative expenses		<b>(7,824)</b>	(5,707)
<b>Profit before tax and finance costs</b>		<b>4,630</b>	11,480
Finance costs	3(b)	<b>(1,480)</b>	(1,865)
<b>Profit before income tax</b>		<b>3,150</b>	9,615
Income tax expense	5	<b>(424)</b>	(2,675)
<b>Profit after income tax</b>		<b>2,726</b>	6,940
<b>Other comprehensive income:</b>			
<b>Items that may be reclassified subsequently to profit or loss</b>			
Net fair value gains on available-for-sale financial assets		<b>275</b>	111
Income tax on items of other comprehensive income		<b>(93)</b>	(38)
		<b>182</b>	73
Foreign currency translation gain attributable to parent		<b>28</b>	354
		<b>210</b>	427
<b>Items that may not be reclassified subsequently to profit or loss</b>			
Net fair value gains on available-for-sale financial assets attributable to non-controlling interest		<b>37</b>	15
Foreign currency translation gain attributable to non-controlling interest		<b>6</b>	71
		<b>253</b>	513
<b>Other comprehensive income for the period net of tax</b>		<b>253</b>	513
<b>Total comprehensive income for the period</b>		<b>2,979</b>	7,453
<b>Profit for the period is attributable to:</b>			
Non-controlling interest		<b>354</b>	248
Owners of the parent		<b>2,372</b>	6,692
		<b>2,726</b>	6,940
<b>Total comprehensive income for the period is attributable to:</b>			
Non-controlling interest		<b>396</b>	334
Owners of the parent		<b>2,583</b>	7,119
		<b>2,979</b>	7,453
<b>Earnings per share (EPS)</b>			
Basic EPS	12	<b>16.9¢</b>	47.8¢
Diluted EPS	12	<b>16.9¢</b>	47.8¢

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2016**

	Note	Dec 2016 \$'000	Jun 2016 \$'000
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	4	19,418	7,068
Trade and other receivables		31,405	39,858
Inventories		55,644	59,754
Prepayments and deposits		3,109	1,713
Derivative financial instruments	9	296	-
<b>Total Current Assets</b>		<b>109,872</b>	108,393
<b>Non Current Assets</b>			
Property, plant and equipment		45,682	46,138
Investment properties	7	25,238	25,177
Deferred income tax asset		1,179	1,983
Goodwill	8	1,299	1,299
Other financial assets	9	4,520	4,384
<b>Total Non-Current Assets</b>		<b>77,918</b>	78,981
<b>Total Assets</b>		<b>187,790</b>	187,374
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables		31,701	29,534
Interest bearing loans and borrowings		8,449	16,661
Income tax payable		131	2,762
Provisions		6,383	7,284
Derivative financial instruments	9	209	530
<b>Total Current Liabilities</b>		<b>46,873</b>	56,771
<b>Non Current Liabilities</b>			
Interest bearing loans and borrowings		57,657	48,646
Deferred income tax liabilities		1,559	1,445
Provisions		1,325	1,325
<b>Total Non Current Liabilities</b>		<b>60,541</b>	51,416
<b>Total Liabilities</b>		<b>107,414</b>	108,187
<b>Net Assets</b>		<b>80,376</b>	79,187
<b>Equity</b>			
Equity attributable to equity holders of the parent			
Issued capital	10	16,583	16,583
Reserves		3,792	3,551
Retained earnings	11	51,063	50,512
Total parent entity interest in equity		71,438	70,646
Non-controlling interests		8,938	8,541
<b>Total Equity</b>		<b>80,376</b>	79,187

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

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**

	Attributable to Equity Holders of the Parent									
	Issued Capital	Retained Earnings	Reserves				Total	Non- controlling interest	Total equity	
			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	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
<b>At 1 July 2015</b>	16,583	48,330	2,585	648	115	18	(233)	68,046	8,330	76,376
Profit for the half-year	-	6,692	-	-	-	-	-	6,692	248	6,940
Other comprehensive income	-	-	-	-	-	73	354	427	86	513
Total comprehensive income for the half-year	-	6,692	-	-	-	73	354	7,119	334	7,453
<b>Transactions with owners in their capacity as owners:</b>										
Share-based payments	-	-	-	31	-	-	-	31	-	31
Equity dividends	-	(1,821)	-	-	-	-	-	(1,821)	-	(1,821)
<b>At 31 December 2015</b>	16,583	53,201	2,585	679	115	91	121	73,375	8,664	82,039
<b>At 1 July 2016</b>	16,583	50,512	2,585	709	115	111	31	70,646	8,541	79,187
Profit for the half-year	-	2,372	-	-	-	-	-	2,372	354	2,726
Other comprehensive income	-	-	-	-	-	182	28	210	43	253
Total comprehensive income for the half-year	-	2,372	-	-	-	182	28	2,582	397	2,979
<b>Transactions with owners in their capacity as owners:</b>										
Share-based payments	-	-	-	31	-	-	-	31	-	31
Equity dividends	-	(1,821)	-	-	-	-	-	(1,821)	-	(1,821)
<b>At 31 December 2016</b>	16,583	51,063	2,585	740	115	293	59	71,438	8,938	80,376

The Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.



**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**

	Note	Dec 2016 \$'000	Dec 2015 \$'000
<b>Cash Flows From Operating Activities</b>			
Receipts from customers		112,429	103,767
Payments to suppliers and employees		(93,080)	(97,152)
Other revenue received		22	48
Interest paid		(1,480)	(1,865)
Income taxes (paid)/refunded		(1,514)	308
Goods and services tax paid		(787)	(1,183)
<b>Net Cash Flows From Operating Activities</b>		<b>15,590</b>	<b>3,923</b>
<b>Cash Flows From Investing Activities</b>			
Interest income		28	39
Acquisition of property, plant and equipment		(2,307)	(5,593)
Proceeds from sale of investment property		-	9,624
Proceeds on sale of property, plant and equipment		74	-
Acquisition/improvements to investment properties		(353)	(367)
Purchase of available-for-sale investments		-	(500)
Distributions received from disposal of trust assets		270	1,050
<b>Net Cash Flows (Used In)/From Investing Activities</b>		<b>(2,288)</b>	<b>4,253</b>
<b>Cash Flows From Financing Activities</b>			
Finance lease principal payments		(1,049)	(224)
Dividends paid	6(a)	(1,821)	(1,821)
Proceeds from borrowings		6,397	10,860
Repayment of borrowings		(4,549)	(11,490)
<b>Net Cash Flows Used In Financing Activities</b>		<b>(1,022)</b>	<b>(2,675)</b>
<b>Net Increase In Cash and Cash Equivalents</b>		<b>12,280</b>	<b>5,501</b>
Net foreign exchange differences		70	440
Cash and cash equivalents at the beginning of the period		7,068	4,192
<b>Cash and Cash Equivalents at the End of the Period</b>	4(a)	<b>19,418</b>	<b>10,133</b>

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

**NOTES TO THE HALF-YEAR FINANCIAL REPORT  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**

**1. CORPORATE INFORMATION**

The financial report of Schaffer Corporation Limited and its controlled entities (“the Group or Consolidated Entity”) for the half-year ended 31 December 2016 was authorised for issue in accordance with a resolution of the Directors on 21 February 2017. Schaffer Corporation Limited (“the Company”) is a for profit 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**

The financial report for the half-year ended 31 December 2016 is a condensed general purpose financial report which 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 2016 and considered together with any public announcements made by Schaffer Corporation Limited during the half-year ended 31 December 2016 in accordance with the continuous disclosure obligations of the ASX listing rules.

Except as disclosed below, 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**

The accounting policies adopted in the preparation of the half year report are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 30 June 2016. In addition the Group adopted all new and revised accounting standards and interpretations that were effective 1 July 2016.

The Consolidated Entity has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

**3. SIGNIFICANT REVENUE, OTHER INCOME AND EXPENSES**

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

	CONSOLIDATED	
	Dec 2016 \$'000	Dec 2015 \$'000
<b>(a) Net rental income</b>		
Rental property income	2,631	3,163
Rental property expenses	<u>(1,333)</u>	<u>(1,632)</u>
Net rental income	<u>1,298</u>	<u>1,531</u>
<b>(b) Finance (costs)/income</b>		
Bank and other loans and overdrafts - interest	(1,407)	(1,823)
Finance charges payable under finance leases and hire purchase	<u>(73)</u>	<u>(42)</u>
Total finance costs	<u>(1,480)</u>	<u>(1,865)</u>
Bank interest received	<u>29</u>	<u>39</u>
Total finance income	<u>29</u>	<u>39</u>
<b>(c) Other (losses)/income</b>		
Profit on disposal of investment property	-	5,733
Loss on sale of property, plant and equipment	46	-
Net gain/(loss) on derivatives	317	(445)
Net foreign currency loss	(1,130)	(1,474)
Realised gains on available-for-sale investments	95	328
Other	22	48
	<u>(650)</u>	<u>4,190</u>
	Note	
	(i)	
<b>(d) Depreciation, amortisation and impairment included in Statement of Comprehensive Income</b>		
Depreciation and amortisation included in:		
Cost of sales	2,220	2,201
Rental property expenses	295	317
Marketing and administrative expenses	<u>111</u>	<u>182</u>
	<u>2,626</u>	<u>2,700</u>
<b>(e) Lease payments included in Statement of Comprehensive Income</b>		
Included in cost of sales:		
Minimum lease payments – operating lease	1,569	467
Included in marketing and administrative expenses:		
Minimum lease payments – operating lease	<u>713</u>	<u>721</u>
	<u>2,282</u>	<u>1,188</u>

(i) The \$95,000 realised gain on the sale of available for sale investment is calculated as the \$270,000 proceeds received for the sale, offset by the \$175,000 reduction in carrying value of the assets. This balance accurately reflects the remaining value of the property trust's assets.

**3. SIGNIFICANT REVENUE, OTHER INCOME AND EXPENSES (continued)**

	CONSOLIDATED	
	Dec 2016 \$'000	Dec 2015 \$'000
<b>(f) Employee benefit expense</b>		
Wages and salaries	21,715	23,926
Post employment benefit provision	9	-
Long service leave provisions	(114)	14
Worker's compensation costs	280	603
Superannuation costs	928	1,071
Expense of share-based payments	31	31
	<b>22,849</b>	<b>25,645</b>
 <b>(g) Other expenses/gain</b>		
Allowance for/(write back of) doubtful debts	<b>110</b>	<b>(104)</b>

**4. 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:

	CONSOLIDATED	
	Dec 2016 \$'000	Dec 2015 \$'000
Cash at bank and in hand	<b>19,418</b>	10,133
	<b>19,418</b>	10,133

**(b) Non-cash financing and investing activities**

In the half year ending 31 December 2015, \$70,000 chattel mortgages and finance leases of plant and equipment had a material effect on consolidated assets and liabilities but did not involve cash flows. This did not occur in the half year ending 31 December 2016

**(c) Financing facilities available**

At balance date the Group has bank facilities available to the extent of \$80,892,000, (June 2016: \$82,886,000). The value of unutilised facilities for the Group at balance date was \$7,329,000 (June 2016: \$11,205,000).

**5. INCOME TAX**

The major components of income tax expense for the half-year ended 31 December 2016 and 31 December 2015 are:

<b>Consolidated Income Statement</b>	CONSOLIDATED	
	Dec 2016 \$'000	Dec 2015 \$'000
<i>Current income tax</i>		
Current income tax charge	144	3,820
Adjustments in respect of current income tax of previous years	(545)	(502)
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences	825	(643)
Total income tax expense	424	2,675
Income tax expense reported in the Consolidated Income Statement	424	2,675
Total income tax expense	424	2,675

**6. DIVIDENDS PAID OR PROPOSED**

	CONSOLIDATED	
	Dec 2016 \$'000	Dec 2015 \$'000
(a) Dividends declared and paid during the half-year on ordinary shares: Final franked dividend for the financial year 30 June 2016: 13¢ (2015: 13¢)	1,821	1,821
(b) Dividends proposed and not yet recognised as a liability: Interim franked dividend for the half-year 31 December 2016: 12¢ (2015: 12¢)	1,681	1,681

**7. INVESTMENT PROPERTIES**

	CONSOLIDATED	
	Dec 2016 \$'000	Jun 2016 \$'000
Investment Properties at cost	25,238	25,177
<b>(a) Movement of Investment Properties</b>		
Balance at the beginning of the financial period	25,177	28,903
Improvements to wholly owned property	-	162
Disposal of interest in joint operations	-	(3,852)
Improvements to property in which the Group is a tenant in common	356	566
Depreciation	(295)	(602)
<b>Balance at end of the financial period</b>	<b>25,238</b>	<b>25,177</b>

**8. GOODWILL**

	<b>Dec 2016</b>	<b>Jun 2016</b>
	<b>\$'000</b>	<b>\$'000</b>
Goodwill at cost	<b>1,299</b>	1,299

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. The majority of the goodwill relates to the Automotive Leather division.

The recoverable amount of the Automotive Leather division has been determined based on a value in use calculation using historical performance and cash flow projections based on financial budgets approved by senior management.

**9. FINANCIAL INSTRUMENTS**

Foreign exchange contracts, available for sale investments, and interest rate swaps are carried on the balance sheet at fair value.

The Group uses various methods in estimating the fair value of a financial instrument. The methods comprise:

- Level 1 – the fair value is calculated using quoted prices in active markets.
- Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
- Level 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

The fair value of the financial instruments carried at fair value, as well as the methods used to estimate the fair value, are summarised in the table below:

	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
<b>Year ended 31 December 2016</b>				
<b>Consolidated</b>				
<b>Financial Assets</b>				
Available-for-sale Investments:				
Listed investments	1,125	-	-	1,125
Unlisted investments	-	-	3,395	3,395
Foreign exchange contracts	-	296	-	296
	<b>1,125</b>	<b>296</b>	<b>3,395</b>	<b>4,816</b>
<b>Financial Liabilities</b>				
Derivative instruments				
Interest rate swaps	-	209	-	209
	-	<b>209</b>	-	<b>209</b>
<b>Year ended 30 June 2016</b>				
<b>Consolidated</b>				
<b>Financial Assets</b>				
Derivative financial instruments				
Available-for-sale Investments				
Listed investments	650	-	-	650
Unlisted investments	-	-	3,734	3,734
	<b>650</b>	-	<b>3,734</b>	<b>4,384</b>
<b>Financial liabilities</b>				
Derivative instruments				
Foreign exchange contracts	-	241	-	241
Interest rate swaps	-	289	-	289
	-	<b>530</b>	-	<b>530</b>

**9. FINANCIAL INSTRUMENTS (continued)**

Quoted market price represents the fair value determined based on quoted prices on active markets as at the reporting date without any deduction for transaction costs. The fair value of the listed equity investments are based on quoted market prices.

For unlisted investments, the fair value is determined by the calculation of the Group's percentage ownership in unlisted unit trusts multiplied by the total net assets of the unit trusts at fair value. The effect of these reassessments of fair value on other comprehensive income for the period is a decrease of \$164,000 (December 2015 – increase of \$127,000).

**10. CONTRIBUTED EQUITY**

	CONSOLIDATED	
	Dec 2016 \$'000	Jun 2016 \$'000
Ordinary Shares	<b>16,583</b>	16,583
All ordinary shares are fully paid and carry one vote per share and carry the right to dividends.		
	Number of Shares	Number of Shares
Movements in ordinary shares on issue		
Ordinary shares on issue at the beginning of the financial period	<b>14,005,373</b>	14,005,373
Shares acquired under share buy-back scheme	-	-
<b>Ordinary shares on issue at the end of the financial period</b>	<b>14,005,373</b>	14,005,373

**11. CONSOLIDATED RETAINED PROFITS**

	CONSOLIDATED	
	Dec 2016 \$'000	Jun 2016 \$'000
Retained profits at the beginning of the financial period	<b>50,512</b>	48,330
Net profit attributable to members	<b>2,372</b>	5,683
Dividends and other equity distributions paid or payable	<b>(1,821)</b>	(3,501)
<b>Retained profits at end of financial period</b>	<b>51,063</b>	50,512

**12. EARNINGS PER SHARE (EPS)**

Details of basic and diluted EPS reported separately are as follows:

The following reflects the income and share data used in the calculation of basic and diluted EPS:

	Dec 2016 \$'000	Dec 2015 \$'000
Basic Earnings	2,372	6,692
Diluted Earnings	2,372	6,692
	Number	Number
Weighted average number of ordinary shares used in the calculation of basic EPS	<b>14,005,373</b>	14,005,373
Weighted average number of ordinary shares used in the calculation of diluted EPS	<b>14,005,373</b>	14,005,373

### **13. COMMITMENT AND CONTINGENT LIABILITIES**

There have been no material changes to commitments or contingent liabilities from those disclosed in the last annual report.

### **14. SUBSEQUENT EVENTS**

Subsequent to the end of the half-year the Group declared a dividend of 12¢ per share totalling \$1,681,000 payable on 17 March 2017.

In February 2017, Automotive Leather revised its revolving loan facility from an amortised facility limit of €9,502,500 to €11,000,000. The maturity date of the facility has been extended to 30 September 2018.

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 Group, the results of those operations or the state of affairs of the Group in subsequent financial periods.



## **15. SEGMENT INFORMATION**

### **(a) 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 comprises the following reportable segments:

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

The **Building Materials** segment comprises Delta Corporation Limited and Urbanstone Pty. Ltd. and produces and sells concrete paving, pre-cast and pre-stressed concrete elements and natural and reconstituted limestone products.

The **Investment Property** segment includes the Group's share of syndicated property investments and the 100% owned investment property of the Group, excluding those investments and property owned by Gosh Capital. The activities of the segment include the leasing of office and retail properties, and the development and sale of property assets.

The **Gosh Capital** segment manages the assets of the previously operated Gosh Leather business, and invests profits earned from those assets in investment opportunities.

### **(b) Accounting policies and inter-segment transactions**

The accounting policies used by the Group in reporting segments internally are the same as those discussed in note 2 to the accounts and in the prior period. There are no inter-segment transactions.

### **(c) 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.

### **(d) Basis of segmentation and measurement of segment profit**

There has been no change in the basis of segmentation or in the basis of measurement of segment profit from those used in the last annual financial statements.

**15. SEGMENT INFORMATION (continued)**

The following table presents assets, revenue and profit information regarding segments for the half-year periods ended 31 December 2016 and 31 December 2015.

	<b>Automotive Leather</b>		<b>Building Materials</b>		<b>Investment Property</b>		<b>Gosh Capital</b>		<b>Consolidated</b>	
	<b>Dec 2016 \$'000</b>	<b>Dec 2015 \$'000</b>	<b>Dec 2016 \$'000</b>	<b>Dec 2015 \$'000</b>	<b>Dec 2016 \$'000</b>	<b>Dec 2015 \$'000</b>	<b>Dec 2016 \$'000</b>	<b>Dec 2015 \$'000</b>	<b>Dec 2016 \$'000</b>	<b>Dec 2015 \$'000</b>
<b>Revenue from external customers</b>	<b>77,531</b>	71,393	<b>21,723</b>	28,412	<b>2,326</b>	3,002	<b>719</b>	657	<b>102,299</b>	103,464
Unallocated interest and dividend revenue									<b>6</b>	4
<b>Total revenue</b>									<b>102,305</b>	103,468
Earnings before Restructuring cost	<b>4,044</b>	2,304	<b>1,194</b>	2,398	<b>1,014</b>	7,017	<b>500</b>	722	<b>6,752</b>	12,441
Restructuring costs	<b>(783)</b>	-	<b>(276)</b>	-	-	-	-	-	<b>(1,059)</b>	-
<b>Segment Profit</b>	<b>3,261</b>	2,304	<b>918</b>	2,398	<b>1,014</b>	7,017	<b>500</b>	722	<b>5,693</b>	12,441
Unallocated items <sup>(i)</sup> :										
Finance income and dividends									<b>4</b>	4
Finance costs									<b>(1,480)</b>	(1,865)
Corporate overheads									<b>(1,067)</b>	(965)
<b>Operating Profit Before Income Tax</b>									<b>3,150</b>	9,615
<b>Income Tax Expense</b>									<b>(424)</b>	(2,675)
<b>Net Profit After Tax</b>									<b>2,726</b>	6,940
	<b>Dec 2016 \$'000</b>	<b>Jun 2016 \$'000</b>	<b>Dec 2016 \$'000</b>	<b>Jun 2016 \$'000</b>	<b>Dec 2016 \$'000</b>	<b>Jun 2016 \$'000</b>	<b>Dec 2016 \$'000</b>	<b>Jun 2016 \$'000</b>	<b>Dec 2016 \$'000</b>	<b>Jun 2016 \$'000</b>
<b>Segment Assets</b>	<b>109,164</b>	108,571	<b>44,815</b>	45,729	<b>15,635</b>	15,421	<b>16,475</b>	16,162	<b>186,089</b>	185,883
Unallocated items <sup>(i)</sup> :										
Cash									<b>199</b>	104
Property, plant and equipment									<b>739</b>	751
Prepayments									<b>125</b>	6
Receivables									<b>(2)</b>	-
Deferred income tax assets									<b>640</b>	630
<b>Total segment assets</b>									<b>187,790</b>	187,374

(i) Unallocated items comprises mainly corporate assets and head office expenses.

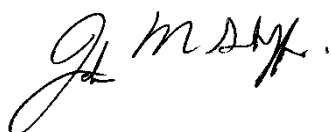
## DIRECTORS' DECLARATION

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 Group are in accordance with the *Corporations Act 2001*, including:
  - (i) Giving a true and fair view of the financial position as at 31 December 2016 and the performance for the half-year ended on that date of the Group; and
  - (ii) Complying 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

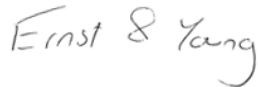
Perth, 22 February 2017

## Auditor's Independence Declaration to the Directors of Schaffer Corporation Limited

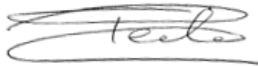
As lead auditor for the review of Schaffer Corporation Limited for the half-year ended 31 December 2016, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Schaffer Corporation Limited and the entities it controlled during the financial period.



Ernst & Young



Philip Teale  
Partner  
22 February 2017

## 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 2016, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, 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 of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express a conclusion on the financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a 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 2016 and its performance for the half-year 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 period, 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.

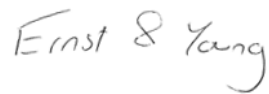
### Independence

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.

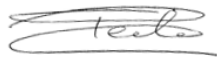
## Conclusion

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:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*.



Ernst & Young



Philip Teale  
Partner  
Perth  
22 February 2017