



SCHAFFER CORPORATION LIMITED

ACN 008 675 689

CONDENSED FINANCIAL REPORT

FOR THE HALF-YEAR ENDED

31 DECEMBER 2011

FINANCIAL REPORT

For the half-year ended 31 December 2011

Directors' Report.....	4
Consolidated Statement of Comprehensive Income	6
Consolidated Statement of Financial Position.....	7
Consolidated Statement of Changes in Equity	8
Consolidated Statement of Cash Flows	9
Notes to the Half-Year Financial Report.....	10
Directors' Declaration.....	17
Auditor's Independence Declaration	18
Independent Review Report.....	19

SCHAFFER CORPORATION LIMITED HALF-YEAR FINANCIAL REPORT

DIRECTORS' REPORT

Your directors submit their report for the half-year ended 31 December 2011 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 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.

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 40 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 is the chairman of ADG Global Supply Limited. He has over 30 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 Ltd

01/10/1999 - current

ADG Global Supply Ltd

01/05/2008 - current

M D PERROTT AM

Non-executive Director

Appointed 23/02/2005

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

12/05/1998 - 23/04/2009

GME Resources Ltd

21/11/1996 - current

Portman Ltd

30/06/1997 - 31/12/2008

VDM Group Ltd

02/07/2009 - 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 from continuing operations increased by 23% from \$65,619,000 for the comparative period to \$80,951,000 this half-year.

The net after tax consolidated profit attributable to members of the parent entity increased by 118% from \$2,033,000 for the comparative period to \$4,440,000.

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 18 of this half-year financial report.

Signed in accordance with a resolution of the directors.


John Schaffer
Managing Director

Perth, 22 February 2012

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011**

	Note	Dec 2011 \$'000	Dec 2010 \$'000
Revenue			
Sale of goods		66,258	51,856
Construction services		11,973	10,723
Rental income		2,639	2,895
Finance income	4(a)	80	144
Dividends		1	1
Total revenue		80,951	65,619
Cost of sales and services rendered		(62,518)	(50,575)
Gross profit		18,433	15,044
Other income/(losses)	4(b)	882	2,355
Marketing expenses		(5,007)	(4,726)
Administrative expenses		(5,739)	(4,947)
Profit from continuing operations before tax and finance costs		8,569	7,726
Finance costs	4(c)	(1,834)	(2,539)
Profit before income tax from continuing operations		6,735	5,187
Income tax expense	10	(1,781)	(1,545)
Net profit for the period from continuing operations after income tax		4,954	3,642
Discontinued operations			
Loss from discontinued operation after income tax	14	-	(1,451)
Net profit for the period		4,954	2,191
Other comprehensive income:			
Net fair value gains/(losses) on available-for-sale financial assets		(2)	1
Foreign currency translation gain/(loss)		67	(1,461)
Income tax on items of other comprehensive income		-	-
Other comprehensive income for the period net of tax:		65	(1,460)
Total comprehensive income for the period		5,019	731
Profit for the period is attributable to:			
Non-controlling interest		514	158
Owners of the parent		4,440	2,033
		4,954	2,191
Total comprehensive income for the period is attributable to:			
Non-controlling interest		525	(118)
Owners of the parent		4,494	849
		5,019	731
Earnings per share (EPS)			
Basic EPS	12	31.5¢	14.4¢
Diluted EPS	12	31.5¢	14.4¢
Basic EPS from continuing operation	12	31.5¢	24.7¢
Diluted EPS from continuing operation	12	31.5¢	24.7¢

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2011**

	Note	Dec 2011 \$'000	Jun 2011 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents	11	12,995	7,961
Trade and other receivables		23,585	27,553
Inventories		42,799	45,089
Prepayments and deposits		2,153	1,005
Derivative financial instruments		386	151
Available-for-sale financial assets		28	32
		<u>81,946</u>	<u>81,790</u>
Non-current assets classified as held for sale		-	717
Total Current Assets		<u>81,946</u>	<u>82,507</u>
NON CURRENT ASSETS			
Property, plant and equipment		47,231	48,571
Investment properties		14,074	14,132
Deferred income tax asset		1,297	1,802
Goodwill		4,995	4,995
Total Non-Current Assets		<u>67,597</u>	<u>69,500</u>
TOTAL ASSETS		<u>149,543</u>	<u>152,007</u>
LIABILITIES			
Current Liabilities			
Trade and other payables		21,543	26,191
Interest bearing loans and borrowings		42,141	43,184
Income tax payable		731	1,716
Provisions		5,060	4,249
Derivative financial instruments		57	307
		<u>69,532</u>	<u>75,647</u>
Liabilities classified as held for sale		-	560
Total Current Liabilities		<u>69,532</u>	<u>76,207</u>
Non Current Liabilities			
Interest bearing loans and borrowings		16,293	15,690
Provisions		1,557	1,483
Total Non Current Liabilities		<u>17,850</u>	<u>17,173</u>
TOTAL LIABILITIES		<u>87,382</u>	<u>93,380</u>
NET ASSETS		<u>62,161</u>	<u>58,627</u>
EQUITY			
Parent entity interest			
Issued capital	7	16,946	17,034
Reserves		1,166	1,081
Retained earnings	8	39,312	36,283
Total parent entity interest in equity		<u>57,424</u>	<u>54,398</u>
Non-controlling interests		4,737	4,229
TOTAL EQUITY		<u>62,161</u>	<u>58,627</u>

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 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 2010	17,034	35,701	2,585	406	115	1	(1,415)	54,427	58,745
Profit for the half-year	-	2,033	-	-	-	-	-	2,033	2,191
Other comprehensive income	-	-	-	-	-	1	(1,185)	(1,184)	(1,460)
Total comprehensive income for the half-year	-	2,033	-	-	-	1	(1,185)	849	731
Transactions with owners in their capacity as owners:									
Share-based payments	-	-	-	33	-	-	-	33	33
Equity dividends	-	(2,823)	-	-	-	-	-	(2,823)	(2,823)
At 31 December 2010	17,034	34,911	2,585	439	115	2	(2,600)	52,486	56,686
At 1 July 2011	17,034	36,283	2,585	472	115	2	(2,093)	54,398	58,627
Profit for the half-year	-	4,440	-	-	-	-	-	4,440	4,954
Other comprehensive income	-	-	-	-	-	(2)	56	54	65
Total comprehensive income for the half-year	-	4,440	-	-	-	(2)	56	4,494	5,019
Transactions with owners in their capacity as owners:									
Shares acquired under share buy-back scheme	(88)	-	-	-	-	-	-	(88)	(88)
Share-based payments	-	-	-	31	-	-	-	31	31
Equity dividends	-	(1,411)	-	-	-	-	-	(1,411)	(1,428)
At 31 December 2011	16,946	39,312	2,585	503	115	-	(2,037)	57,424	62,161

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 2011

	Note	Dec 2011 \$'000	Dec 2010 \$'000
Cash Flows from Operating Activities			
Receipts from customers		87,498	69,206
Payments to suppliers and employees		(75,461)	(65,146)
Other revenue		47	39
Borrowing costs paid		(1,834)	(2,539)
Income taxes paid		(2,261)	(1,169)
Goods and services tax paid		(627)	(441)
Net Cash Flows From/(Used In) Operating Activities		<u>7,362</u>	<u>(50)</u>
Cash Flows From Investing Activities			
Dividends received		1	1
Interest income		80	144
Acquisition of property, plant and equipment		(1,070)	(2,612)
Additions to investment properties		(165)	(649)
Proceeds on sale of property, plant and equipment		-	123
Proceeds on disposal of jointly held investment properties		1,147	520
Deposits repaid		126	-
Proceeds on disposal of available-for-sale financial assets		2	-
Net Cash Flows From/(Used In) Investing Activities		<u>121</u>	<u>(2,473)</u>
Cash Flows From Financing Activities			
Dividends paid	3(a)	(1,428)	(2,823)
Proceeds from borrowings		1,000	5,969
Repayment of borrowings		(2,006)	(1,791)
Shares acquired under share buy-back scheme		(88)	-
Net Cash Flows From/(Used In) Financing Activities		<u>(2,522)</u>	<u>1,355</u>
Net Increase/(Decrease) In Cash and Cash Equivalents		4,961	(1,168)
Net foreign exchange differences		67	(1,461)
Cash and cash equivalents at the beginning of the period		7,961	15,510
Cash and Cash Equivalents at the End of the Period	11(a)	<u><u>12,989</u></u>	<u><u>12,881</u></u>

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 2011

1. CORPORATE INFORMATION

The condensed consolidated financial report of Schaffer Corporation Limited and its controlled entities ("the Group") for the half-year ended 31 December 2011 was authorised for issue in accordance with a resolution of the directors on 22 February 2012. 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

The condensed consolidated financial report for the half-year ended 31 December 2011 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The condensed consolidated 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 condensed consolidated financial report be read in conjunction with the annual report for the year ended 30 June 2011 and considered together with any public announcements made by Schaffer Corporation Limited during the half-year ended 31 December 2011 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 periods beginning on 1 July 2011. The adoption of these new and revised Standards and Interpretations has not resulted in any changes to the Group's accounting policies.

3. DIVIDENDS PAID OR PROPOSED

	CONSOLIDATED	
	Dec 2011	Dec 2010
	\$'000	\$'000
(a) Dividends declared and paid during the half-year on ordinary shares.		
Final franked dividend for the financial year 30 June 2011:		
10¢ (2010: 20¢)	1,411	2,823
Dividend paid by controlled entity to minority shareholder	17	-
	1,428	2,823
(b) Dividends proposed and not yet recognised as a liability		
Interim franked dividend for the half-year 31 December 2011:		
10¢ (2010: 10¢)	1,407	1,411

The amount payable for the proposed interim dividend may reduce dependant on further shares purchased under the current share buy-back scheme prior to the dividend record date.

4. 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 entity:

	CONSOLIDATED Dec 2011 \$'000	Dec 2010 \$'000
(a) Finance income		
Bank interest received	<u>80</u>	<u>144</u>
(b) Other income/(losses)		
Profit on sale of property, plant and equipment	-	978
Net foreign currency gain/(loss)	(255)	565
Profit on disposal of jointly held investment properties	659	-
Net gain on derivatives	431	776
Other	<u>47</u>	<u>36</u>
	<u>882</u>	<u>2,355</u>
(c) Finance Costs		
Bank loans and overdraft interest	1,672	2,407
Finance charges payable under finance leases	80	60
Other	<u>82</u>	<u>72</u>
	<u>1,834</u>	<u>2,539</u>
(d) Expenses		
Depreciation and amortisation of property, plant and equipment	2,634	2,270
Employee benefits	19,123	17,497
Expense of share based payments	63	33

5. SUBSEQUENT EVENTS

Subsequent to the end of the half-year the company declared a dividend of 10¢ per share totalling \$1,407,000 payable on 23 March 2012.

On 1 February 2012, Howe Automotive Ltd and Howe & Company Pty Ltd (together "Howe") repaid \$30,654,000 plus interest outstanding for expiring loans with the Government of Australia. Simultaneously, Howe received a drawdown of \$25,000,000 under a new 10 year Loan Agreement with the Government of Australia. Further details on the terms of the new loan are disclosed in the 2011 Annual Report for the Group.

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 to commitments or contingent liabilities from that disclosed in the last annual report.

7. CONTRIBUTED EQUITY

	CONSOLIDATED Dec 2011 \$'000	Dec 2010 \$'000
Ordinary Shares	<u>16,946</u>	<u>17,034</u>

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		
1 July 2011	14,113,251	14,113,251
Shares acquired under share buy-back scheme	<u>(24,800)</u>	<u>-</u>
At 31 December 2011	<u>14,088,451</u>	<u>14,113,251</u>

8. CONSOLIDATED RETAINED PROFITS

Retained profits at the beginning of the financial period	36,283	35,701
Net profit attributable to members	4,440	2,033
Dividends and other equity distributions paid or payable	(1,411)	(2,823)
Retained profits at end of financial period	<u>39,312</u>	<u>34,911</u>

9. DETAILS OF AGGREGATE SHARE OF PROFITS (LOSSES) OF JOINTLY CONTROLLED ASSETS

(a) Name of jointly controlled assets	Current period Percentage Interest	Previous corresponding period 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%
Mindarie Keys Joint Venture	15.00%	15.00%
Vulcan Road Joint Venture	-	20.00%
Neerabup Joint Venture	20.00%	20.00%
1500 Albany Highway Joint Venture	-	25.00%
(b) Group's share of income and expenses relating to its interests in jointly controlled assets	\$'000	\$'000
Profit from ordinary activities before tax	1,184	331
Income tax on ordinary activities	<u>355</u>	<u>99</u>
Profit from ordinary activities after tax	<u>829</u>	<u>232</u>
Share of net profit of jointly controlled assets	<u>829</u>	<u>232</u>

10. INCOME TAX

The major components of income tax expense for the half-year ended 31 December 2011 and 31 December 2010 are:

	CONSOLIDATED	
	Dec 2011 \$'000	Dec 2010 \$'000
Consolidated Income Statement		
<i>Current income tax</i>		
Current income tax charge	1,296	874
Adjustments in respect of current income tax of previous years	(20)	(69)
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences	505	117
Total income tax expense	<u>1,781</u>	<u>922</u>
Income tax expense reported in the Consolidated Income Statement	1,781	1,545
Income tax attributable to discontinued operations	-	(623)
Total income tax expense	<u>1,781</u>	<u>922</u>

11. CASH AND CASH EQUIVALENTS

	CONSOLIDATED	
	Dec 2011 \$'000	Dec 2010 \$'000

(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	12,995	12,881
Bank overdrafts	(6)	-
	<u>12,989</u>	<u>12,881</u>

(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 (2010: \$Nil).

(c) Financing facilities available

At balance date the consolidated entity has bank facilities available to the extent of \$69,268,000 (June 2011: \$78,685,000). The unutilised facilities for the consolidated entity at balance date was \$8,616,000 (June 2011: \$17,045,000).

12. EARNINGS PER SHARE (EPS)

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

	Dec 2011 \$'000	Dec 2010 \$'000
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The following reflects the income and share data used in the calculation of basic and diluted EPS:

Basic Earnings	4,440	2,033
Diluted Earnings	4,440	2,033
Basic Earnings from continuing operations	4,440	3,484
Diluted Earnings from continuing operations	4,440	3,484

	<u>Number</u>	<u>Number</u>
Weighted average number of ordinary shares used in the calculation of basic EPS	14,108,289	14,113,251
Weighted average number of ordinary shares used in the calculation of diluted EPS	14,108,289	14,113,251

13. 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 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.

(b) Accounting policies and inter-segment transactions

The accounting policies used by the Group in reporting segments internally is the same as those contained 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.

13. SEGMENT INFORMATION continued

The following table presents assets, revenue and profit information regarding business segments for the half-year periods ended 31 December 2011 and 31 December 2010.

	LEATHER		BUILDING MATERIALS		PROPERTY		CONSOLIDATED	
	Dec 2011 \$'000	Dec 2010 \$'000	Dec 2011 \$'000	Dec 2010 \$'000	Dec 2011 \$'000	Dec 2010 \$'000	Dec 2011 \$'000	Dec 2010 \$'000
Revenue from external customers	48,679	34,402	28,936	27,767	3,331	3,441	80,946	65,610
Unallocated interest and dividend revenue							5	9
Total revenue							80,951	65,619
Segment Earnings	4,683	4,224	2,857	2,924	1,893	1,471	9,433	8,619
Unallocated items:							5	9
Finance income and dividends							(1,834)	(2,539)
Finance costs							(869)	(902)
Corporate overheads							6,735	5,187
Operating profit before income tax from continuing operations							(1,781)	(1,545)
Income tax expense							4,954	3,642
Net profit after tax from continuing operations								
	Dec 2011 \$'000	Jun 2011 \$'000	Dec 2011 \$'000	Jun 2011 \$'000	Dec 2011 \$'000	Jun 2011 \$'000	Dec 2011 \$'000	Jun 2011 \$'000
Segment Assets	75,135	76,112	51,085	52,165	21,366	22,120	147,586	150,397
Unallocated items:							28	32
Available-for-sale financial assets							269	81
Cash							772	779
Property, plant and equipment							70	27
Prepayments							173	120
Receivables							645	571
Deferred income tax assets								
Total segment assets							149,543	152,007

14. DISCONTINUED OPERATION

- (a) During March 2011 the Group sold its North American 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 has improved the overall financial performance of the Automotive Leather division.

As noted below the net profit for the half-year to 31 December 2010 included a provision of \$659,000 after tax (\$942,000 before tax) for costs and redundancy payments associated with the closure of the Mexican cutting plant. In accordance with AASB 5 – *Non-current Assets Held for Sale and Discontinued Operations*, the financial results of the Mexican operations were classified as “discontinued operations”.

- (b) Financial performance of operations held for sale

	Consolidated 2011 \$'000	2010 \$'000
Revenue	-	4,548
Expenses	-	(5,680)
Gross profit/(loss)	-	(1,132)
Loss recognised on closure	-	(942)
Loss before tax from discontinued operations		(2,074)
Tax income:		
- related to pre-tax loss	-	340
- related to loss on closure	-	283
Loss for the period from discontinued operations	-	(1,451)

- (c) Nat cash flows of discontinued operations

	Consolidated 2011 \$'000	2010 \$'000
Cash flow from/(used in)		
Operating activities	-	(768)
Investing activities	-	-
Net cash flow from/(used in) discontinued operations	-	(768)

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

	2011 ¢	2010 ¢
Basic earnings per share – discontinued operation	-	(10.3)
Diluted earnings per share – discontinued operation	-	(10.3)

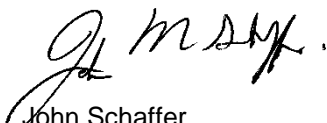
DIRECTORS' DECLARATION

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) Giving a true and fair view of the financial position as at 31 December 2011 and the performance for the half-year ended on that date of the consolidated entity; 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.

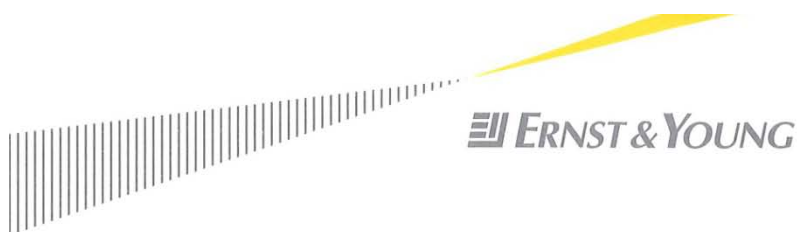
On behalf of the Board



John Schaffer
Managing Director

Perth, 22 February 2012

AUDITORS INDEPENDENCE DECLARATION



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Perth WA 6000 Australia
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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 2011, 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.

Ernst & Young

Darren Lewsen
Partner
22 February 2012

INDEPENDENT REVIEW REPORT



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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 2011 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

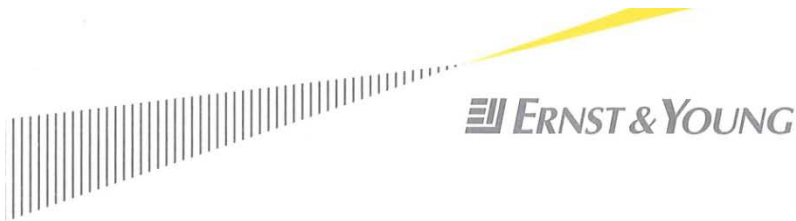
Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, 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 2011 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 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.

INDEPENDENT REVIEW REPORT (continued)



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 2011 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*.

A handwritten signature in cursive script that reads "Ernst & Young".

Ernst & Young

A handwritten signature in cursive script that reads "Darren Lewsen".

Darren Lewsen
Partner
Perth
22 February 2012