

## APPENDIX 4E

### Preliminary final report

#### 1. Name of entity

<b>SCHAFFER CORPORATION LIMITED</b>	
ACN	Financial year ended ('current period')
<b>008 675 689</b>	<b>30 JUNE 2019</b>
	Previous corresponding period
	<b>30 JUNE 2018</b>

#### 2. Results for announcement to the market

					\$'000
<b>2.1</b>	<b>Revenues from continuing operations</b>	down	10%	to	203,623
<b>2.2</b>	<b>Net profit for the period attributable to members</b>	down	2%	to	22,899
<b>2.3</b>	<b>Dividends (see note 7)</b>				
	Final – Ordinary Dividend	up	33%	to	
	Interim – Ordinary Dividend	up	100%	to	
	Total	up	56%	to	
				Amount per security	Franked amount per security
				<b>40¢</b>	<b>40¢</b>
				<b>30¢</b>	<b>30¢</b>
				<b>70¢</b>	<b>70¢</b>
<b>2.4</b>	<b>Record date for determining entitlements to the dividend</b>				<b>6 September 2019</b>

### 3. Consolidated Statement of Comprehensive Income for the year ended 30 June 2019

	Note	2019 \$'000	2018 \$'000
<b>Revenue</b>			
Revenue from contracts with customers	3.1	196,586	221,168
Rental income	3.2(a)	5,875	5,285
Finance income	3.2(b)	681	272
Distribution revenue		481	311
<b>Total revenue</b>		<b>203,623</b>	<b>227,036</b>
Cost of sales and services rendered		(143,701)	(164,413)
<b>Gross profit</b>		<b>59,922</b>	<b>62,623</b>
Impairment of property, plant & equipment		-	(4,500)
Impairment of investment property		(1,221)	-
Other income/(losses)	3.2(c)	2,126	240
Marketing expenses		(628)	(613)
Administrative expenses		(19,198)	(21,374)
<b>Profit before tax and finance costs</b>		<b>41,001</b>	<b>36,376</b>
Finance costs	3.2(b)	(2,433)	(2,112)
<b>Profit before income tax</b>		<b>38,568</b>	<b>34,264</b>
Income tax expense		(10,868)	(10,349)
<b>Profit after income tax from continuing operations</b>		<b>27,700</b>	<b>23,915</b>
Profit after tax from discontinued operations		-	4,245
<b>Net profit for the period</b>		<b>27,700</b>	<b>28,160</b>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Net fair value gains on available-for-sale financial assets		-	620
Income tax on items of other comprehensive income		-	(209)
		-	411
Foreign currency translation gains attributable to parent		631	711
		631	1,122
<i>Items that may not be reclassified subsequently to profit or loss</i>			
Net fair value gains on available-for-sale financial assets attributable to non-controlling interest		-	78
Foreign currency translation gains attributable to non-controlling interest		92	144
<b>Other comprehensive income for the period, net of tax</b>		<b>723</b>	<b>1,344</b>
<b>Total comprehensive income for the period</b>		<b>28,423</b>	<b>29,504</b>
<b>Profit for the period is attributable to:</b>			
Non-controlling interest		4,801	4,868
Owners of the parent		22,899	23,292
		27,700	28,160
<b>Total comprehensive income for the period attributable to:</b>			
Non-controlling interest		4,893	5,089
Owners of the parent		23,530	24,415
		28,423	29,504
<b>Earnings per share (EPS)</b>			
Basic EPS	9	165.6¢	166.7¢
Diluted EPS	9	164.2¢	166.5¢
Dividends paid per share		70.0¢	45.0¢

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

### 3.1 Revenue from Contracts with Customers

	Consolidated	
	2019	2018
	\$'000	\$'000
Revenue from contracts with customers	196,586	-
Sale of goods	-	204,135
Construction services	-	17,033
<b>Total revenue from contracts with customers</b>	<b>196,586</b>	<b>221,168</b>

Segments	For the year ended 30 June 2019			
	Automotive Leather	Building Materials	SFC Investments	Total
Type of goods or service	\$000's	\$000's	\$000's	\$000's
Sale of automotive leather components	176,251	-	-	176,251
Construction services	-	15,542	-	15,542
Transport services	-	3,985	-	3,985
Sale of goods - hospitality business	-	-	808	808
<b>Total revenue from contracts with customers</b>	<b>176,251</b>	<b>19,527</b>	<b>808</b>	<b>196,586</b>
<b>Geographical Markets</b>				
Europe	136,802	-	-	136,802
Asia	39,449	-	-	39,449
Australia	-	19,527	808	20,335
<b>Total revenue from contracts with customers</b>	<b>176,251</b>	<b>19,527</b>	<b>808</b>	<b>196,586</b>
<b>Timing of revenue recognition</b>				
Goods and services transferred at a point in time	176,251	3,985	808	181,044
Services transferred over time	-	15,542	-	15,542
<b>Total revenue from contracts with customers</b>	<b>176,251</b>	<b>19,527</b>	<b>808</b>	<b>196,586</b>

### 3.2 Significant Other Income and Expenses

	Consolidated	
	2019	2018
	\$'000	\$'000
<b>(a) Net rental income</b>		
Rental property income	5,875	5,559
	<u>5,875</u>	<u>5,559</u>
Rental property expenses	(2,751)	(2,828)
Net rental income	<u>3,124</u>	<u>2,731</u>
<b>(b) Finance (costs)/income</b>		
Interest on loans	(2,277)	(1,954)
Interest on finance leases	(156)	(158)
Total finance costs	<u>(2,433)</u>	<u>(2,112)</u>
Interest on cash and term deposits	681	272
Total finance income	<u>681</u>	<u>272</u>
<b>(c) Other income/(losses)</b>		
Gain on disposal of property, plant and equipment	5	-
Net gain/(loss) on derivatives	1,111	(153)
Net foreign currency (loss)/gain	(236)	393
Realised gains on other financial assets at fair value through profit or loss	261	-
Unrealised gains on other financial assets at fair value through profit or loss	985	-
	<u>2,126</u>	<u>240</u>
<b>(d) Depreciation, amortisation and impairment included in the consolidated statement of comprehensive income</b>		
Depreciation and amortisation included in:		
Cost of sales	3,793	3,973
Rental property expenses	587	559
Marketing and administrative expenses	290	278
	<u>4,670</u>	<u>4,810</u>
<b>(e) Lease payments included in Statement of Comprehensive Income</b>		
Included in cost of sales:		
Operating lease expense	3,713	3,651
Included in marketing and administrative expenses:		
Operating lease expense	-	575
	<u>3,713</u>	<u>4,226</u>
<b>(f) Employee benefit expense</b>		
Wages, salaries and bonuses	40,494	43,606
Post-employment benefit provision	3,614	5,627
Long service leave provision	75	(65)
Worker's compensation costs	296	343
Superannuation costs	994	1,004
Share-based payments expense	68	40
	<u>45,541</u>	<u>50,555</u>

#### 4. Consolidated Statement of Financial Position as at 30 June 2019

<b>ASSETS</b>	Note	<b>2019</b>	2018
		<b>\$'000</b>	\$'000
<b>Current assets</b>			
Cash and cash equivalents	6.2	17,371	25,938
Trade and other receivables		29,310	42,762
Inventories		40,062	39,604
Contract assets		3,553	-
Prepayments and deposits		4,976	2,065
Derivative financial instruments		131	1,413
Other financial assets		19,336	6,000
<b>Total current assets</b>		<b>114,739</b>	<b>117,782</b>
<b>Non-current assets</b>			
Property, plant and equipment		26,766	27,645
Investment properties		29,576	28,678
Deferred income tax asset		7,552	6,076
Goodwill		1,299	1,299
Other financial assets		28,278	13,733
<b>Total non-current assets</b>		<b>93,471</b>	<b>77,431</b>
<b>Total assets</b>		<b>208,210</b>	<b>195,213</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables		27,000	28,894
Contract liabilities		415	-
Interest-bearing loans and borrowings		18,330	2,356
Income tax payable		4,827	9,992
Provisions		8,895	10,600
Derivative financial instruments		711	46
<b>Total current liabilities</b>		<b>60,178</b>	<b>51,888</b>
<b>Non-current liabilities</b>			
Interest-bearing loans and borrowings		19,912	30,894
Deferred income tax liabilities		2,107	2,390
Provisions		9,969	7,455
<b>Total non-current liabilities</b>		<b>31,988</b>	<b>40,739</b>
<b>Total liabilities</b>		<b>92,166</b>	<b>92,627</b>
<b>Net assets</b>		<b>116,044</b>	<b>102,586</b>
<b>Equity</b>			
Equity attributable to equity holders of the parent			
Issued capital		13,991	14,540
Reserves		2,978	4,221
Retained earnings	8	88,643	72,101
Total parent entity interest in equity		105,612	90,862
Non-controlling interests		10,432	11,724
<b>Total equity</b>		<b>116,044</b>	<b>102,586</b>

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

5. Consolidated Statement of Changes in Equity for the year ended 30 June 2019

	Attributable to Equity Holders of the Parent								
	Issued Capital	Retained Earnings	Asset Revaluation	Reserves			Total	Non-controlling Interest	Total Equity
				Share Based Payments	Net unrealised gains/(losses)	Foreign Currency translation			
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 July 2017	16,583	52,867	2,585	886	1,531	(67)	74,385	9,320	83,705
Profit for the year	-	23,292	-	-	-	-	23,292	4,868	28,160
Other comprehensive income	-	-	-	-	411	711	1,122	221	1,343
Total comprehensive income for the year	-	23,292	-	-	411	711	24,414	5,089	29,503
<b>Transactions with owners in their capacity as owners:</b>									
Shares acquired under buy-back scheme	(2,043)	-	-	-	-	-	(2,043)	-	(2,043)
Share-based payments	-	-	-	40	-	-	40	-	40
Changes in estimated settlement of EPU's	-	-	-	(1,876)	-	-	(1,876)	(194)	(2,070)
Equity dividends	-	(4,058)	-	-	-	-	(4,058)	(2,491)	(6,549)
<b>At 30 June 2018</b>	<b>14,540</b>	<b>72,101</b>	<b>2,585</b>	<b>(950)</b>	<b>1,942</b>	<b>644</b>	<b>90,862</b>	<b>11,724</b>	<b>102,586</b>
<b>At 1 July 2018</b>	<b>14,540</b>	<b>72,101</b>	<b>2,585</b>	<b>(950)</b>	<b>1,942</b>	<b>644</b>	<b>90,862</b>	<b>11,724</b>	<b>102,586</b>
Reclassification on adoption of AASB 9	-	1,942	-	-	(1,942)	-	-	-	-
<b>At 1 July 2018 (restated)</b>	<b>14,540</b>	<b>74,043</b>	<b>2,585</b>	<b>(950)</b>	<b>-</b>	<b>644</b>	<b>90,862</b>	<b>11,724</b>	<b>102,586</b>
Profit for the year	-	22,899	-	-	-	-	22,899	4,801	27,700
Other comprehensive income	-	-	-	-	-	631	631	92	723
Total comprehensive income for the year	-	22,899	-	-	-	631	23,530	4,893	28,423
<b>Transactions with owners in their capacity as owners:</b>									
Shares acquired under buy-back scheme	(719)	-	-	-	-	-	(719)	-	(719)
Employee share options exercised	170	-	-	-	-	-	170	-	170
Share-based payments	-	-	-	68	-	-	68	-	68
Equity dividends	-	(8,299)	-	-	-	-	(8,299)	(6,185)	(14,484)
<b>At 30 June 2019</b>	<b>13,991</b>	<b>88,643</b>	<b>2,585</b>	<b>(882)</b>	<b>-</b>	<b>1,275</b>	<b>105,612</b>	<b>10,432</b>	<b>116,044</b>

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

## 6. Consolidated Statement of Cash Flows for the year ended 30 June 2019

	Note	Consolidated	
		2019 \$'000	2018 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		208,962	235,869
Interest received		681	282
Distributions received		224	-
Rental income		5,875	5,559
Payments to suppliers and employees		(162,570)	(188,024)
Interest paid		(2,433)	(2,113)
Income taxes paid		(17,791)	(5,204)
Goods and services tax paid		(81)	(1,066)
Proceeds from exercise of employee share options		170	-
<b>Net cash flows from operating activities</b>	6.1	<b>33,037</b>	<b>45,303</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Net proceeds on sale of building materials business and assets		-	17,377
Investment in term deposits		(42,515)	(6,000)
Proceeds on maturity of term deposits		32,000	-
Acquisition of property, plant and equipment		(4,898)	(5,575)
Proceeds on sale of property, plant and equipment		425	5
Acquisition/improvements to investment properties		(394)	(549)
Acquisition of available-for-sale investments		-	(6,416)
Acquisition of financial assets at fair value through profit or loss		(17,158)	-
Deposit paid on acquisition of financial asset at fair value through profit or loss		(425)	-
Distributions from disposal of financial assets at fair value		1,360	-
<b>Net cash flows used in investing activities</b>		<b>(31,605)</b>	<b>(1,158)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from borrowings		19,267	4,980
Repayment of borrowings		(15,143)	(28,143)
Finance lease principal receipts		3,347	2,940
Finance lease principal repayments		(2,990)	(1,741)
Dividends paid		(14,484)	(6,549)
Shares acquired under share buy-back scheme		(719)	(2,043)
<b>Net cash flows used in financing activities</b>		<b>(10,722)</b>	<b>(30,556)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>			
Net foreign exchange differences		723	932
Cash and cash equivalents at the beginning of the period		25,938	11,417
<b>Cash and cash equivalents at the end of the period</b>	6.2	<b>17,371</b>	<b>25,938</b>

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

## 6.1 Reconciliation of the net profit after tax to the net cash flows from operations

	Consolidated	
	2019 \$'000	2018 \$'000
Net profit	27,700	28,160
Adjustment for:		
Depreciation, amortisation and impairment	4,670	4,810
Unrealised gains on valuing other financial assets to fair value through profit or loss	(985)	-
Profit on sale of building materials business	-	(5,037)
Share-based payments expense	68	40
Profit on disposal of property, plant and equipment	(5)	-
Net (gain)/loss on foreign exchange	(656)	119
Distributions reinvested	(193)	-
Realised gains on other financial assets at fair value through profit or loss	(261)	-
Impairment of assets	1,221	4,500
Proceeds for exercise of employee share options	170	-
Changes in assets and liabilities:		
Decrease in trade and other receivables	13,452	1,825
(Increase)/decrease in inventories	(458)	4,241
Increase in contract assets	(3,553)	-
Increase in prepayments	(2,486)	(24)
Increase in deferred income tax asset	(1,476)	(3,792)
Decrease in trade and other payables	(1,894)	(3,884)
Increase in contract liabilities	415	-
Increase in employee entitlement provisions	809	7,096
(Decrease)/increase in income tax payable	(5,165)	8,630
(Decrease)/Increase in deferred tax liability	(283)	881
Increase/(decrease) in derivatives	1,947	(2,262)
<b>Net cash flows from operating activities</b>	<b>33,037</b>	<b>45,303</b>

## 6.2 Reconciliation of cash

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	17,371	16,423
Short-term deposits (term 90 days or less)	-	9,515
<b>Total cash at end of period</b>	<b>17,371</b>	<b>25,938</b>



### 6.3 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.

\$Nil (2018 - \$Nil)
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### 6.4 Financing facilities available

The consolidated entity had financing facilities available at balance date to the extent of \$67,045,000 (2018 - \$61,961,000). The unutilised facility for the consolidated entity at balance date was \$23,672,000 (2018 - \$21,542,000).
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## 7. Dividends

Date the dividend is payable

<b>20 September 2019</b>
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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 CHESS approved).

<b>6 September 2019</b>
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If it is a final dividend, has it been declared?

<b>YES</b>
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### 7.1 Amount per security

	Amount per security	Franked amount per security at 30% tax
<b>Final dividend:</b>		
Current year	40¢	40¢
Previous year	30¢	30¢
<b>Final special dividend:</b>		
Current year	-	-
Previous year	-	-
<b>Interim dividend:</b>		
Current year	30¢	30¢
Previous year	15¢	15¢
<b>Interim special dividend:</b>		
Current year	-	-
Previous year	-	-

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

	Current year	Previous year
Ordinary securities	70¢	45¢
Preference securities	-	-

### 7.3 Preliminary final report – dividend on all securities

	Current period \$'000	Previous corresponding period \$'000
Ordinary securities - Final	5,518	4,152
- Interim	4,148	2,097
Preference securities	-	-
Other equity instruments	-	-
<b>Total</b>	<b>9,666</b>	<b>6,249</b>

### 7.4 Dividend Plans

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	72,101	52,867
Reclassification on adoption of AASB 9	1,942	-
Net profit attributable to members of the present entity	22,899	23,292
Dividends and other equity distributions paid or payable	(8,299)	(4,058)
<b>Retained profits at end of financial period</b>	<b>88,643</b>	<b>72,101</b>

## 9. 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.	<b>Current period</b>	Previous corresponding period
	<b>\$'000</b>	\$'000
The following reflects the income and share data used in the calculation of basic and diluted EPS:		
Basic Earnings	22,899	23,292
Diluted Earnings	22,899	23,292
	<u>Number</u>	<u>Number</u>
Weighted average number of ordinary shares used in the calculation of basic EPS	13,826,955	13,971,077
Weighted average number of ordinary shares used in the calculation of diluted EPS	13,946,188	13,988,577
Basic EPS	165.6¢	166.7¢
Diluted EPS	164.2¢	166.5¢

## 10. NTA backing

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	\$7.55	\$6.47

## 11. 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).

## 12. Controlled gained/lost over entities having material effect

N/A

## 13. Significant events after balance date

The company will pay a fully franked final dividend of 40¢ per share on 20 September 2019.

## 14. Segment information

Business segment information	Automotive Leather		Building Materials		SFC Investments		Gosh Capital		Consolidated	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
<b>Revenue</b>										
Revenue from contracts with customers	176,251	203,379	19,527	17,033	808	756	-	-	196,586	221,168
Other revenue	2	3	11	6	5,480	4,256	1,312	1,358	6,805	5,623
Unallocated investment property revenue and interest									232	245
Total revenue									<b>203,623</b>	<b>227,036</b>
<b>Results</b>										
Underlying net profit/(loss) after tax										
- continuing operations	28,398	29,053	61	(982)	1,394	1,073	871	436	30,724	29,580
Impairment of assets after tax	-	-	-	(3,150)	-	-	(855)	-	(855)	(3,150)
Restructuring costs after tax	(215)	(568)	(69)	-	-	-	-	-	(284)	(568)
Net profit/(loss) after tax – continuing operations	28,183	28,485	(8)	(4,132)	1,394	1,073	16	436	29,585	25,862
Less profit/(loss) attributable to non-controlling interests	(4,743)	(4,794)	-	-	-	-	(2)	(74)	(4,745)	(4,868)
Profit/(loss) attributable to owners of the parent	23,440	23,691	(8)	(4,132)	1,394	1,073	14	362	24,840	20,994
<b>Unallocated items:</b>										
Discontinued operations after tax									-	4,245
Finance income and dividends									-	245
Investment income									471	-
Finance costs									(31)	(42)
Corporate overheads									(3,231)	(3,069)
Minority interest									(56)	-
Income tax expense - continuing operations									906	919
Profit after tax from continuing operations									<b>22,899</b>	<b>23,292</b>
<b>Assets</b>										
Total segment non-current assets	23,226	22,489	9,045	9,749	35,413	22,719	19,350	19,651	87,034	74,608
Unallocated									6,437	2,823
Total non-current assets									<b>93,471</b>	<b>77,431</b>
Total segment assets	104,219	115,080	16,411	17,074	57,853	24,321	19,772	19,920	198,255	176,395
<b>Unallocated items:</b>										
Cash									2,978	9,891
Property, plant and equipment									752	756
Investment property									2,445	-
Other financial assets									750	-
Short term deposits									-	6,000
Prepayments									452	18
Receivables									88	88
Deferred income tax assets									2,490	2,065
Total segment assets									<b>208,210</b>	<b>195,213</b>

**15. Other significant information**

All other significant information other than in this Appendix 4E, is disclosed in the press release and letter to shareholders released on the same date as this Appendix 4E.

**16. Commentary on results**

For a commentary on the results see the press release and letter to shareholders released on the same date as this 4E.

**17. 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. |

**18. 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

**19. 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: 20 AUGUST 2019  
Company Secretary

Print Name: JASON MARK CANTWELL