

## 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 2014**

Previous corresponding period

**31 DECEMBER 2013**

### For announcement to the market

Revenues from ordinary activities	Down	12%	to	\$'000 75,732
Net profit for the period attributable to members	Down	57%	to	2,087
<b>DIVIDENDS</b>	Amount per security		Franked amount per security	
Final dividend				
Interim period	12¢		12¢	
Date the dividend is payable	20 March 2015			
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)	13 March 2015			

<b>NET TANGIBLE ASSET BACKING</b>		
<b>Consolidated Entity</b>	<b>2014</b>	<b>2013</b>
Net tangible assets \$'000	<b>66,739</b>	66,695
Fully paid ordinary shares on issue at balance date	<b>14,005,373</b>	14,011,927
Net tangible asset backing per issued ordinary share as at balance date	<b>\$4.77</b>	\$4.76

<b>STATUS OF AUDIT</b>
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 2014**

## FINANCIAL REPORT

For the Half-Year Ended 31 December 2014

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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 2014 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 45 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 - current
ADG Global Supply Ltd	01/05/2008 - current

**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 five 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	5	5
D E Blain	5	5
D J Schwartz	5	4
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 decreased by 12% from \$86,210,000 for the comparative period to \$75,732,000 this half-year.

The net after tax consolidated profit attributable to members of the parent entity decreased by 57% from \$4,909,000 for the comparative period to \$2,087,000.

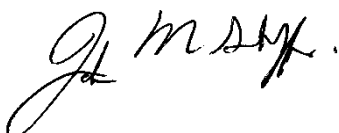
## **ROUNDING**

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 20 of this half-year financial report.

Signed in accordance with a resolution of the Directors.



John Schaffer  
Managing Director

Perth, 18 February 2015

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014**

	Note	Dec 2014 \$'000	Dec 2013 \$'000
<b>Revenue</b>			
Sale of goods		62,359	69,045
Construction services		10,328	14,394
Rental income	3(a)	2,969	2,639
Finance income	3(b)	74	132
Dividends		2	-
Total revenue		<u>75,732</u>	<u>86,210</u>
Cost of sales and services rendered		<u>(61,168)</u>	<u>(62,379)</u>
Gross profit		14,564	23,831
Impairment of goodwill		-	(3,696)
Other (losses)/income	3(c)	(897)	2,383
Marketing expenses		(3,369)	(4,013)
Administrative expenses		(5,685)	(6,816)
<b>Profit before tax and finance costs</b>		<u>4,613</u>	<u>11,689</u>
Finance costs	3(b)	(1,883)	(1,789)
<b>Profit before income tax</b>		<u>2,730</u>	<u>9,900</u>
Income tax expense	5	(258)	(3,593)
<b>Profit after income tax</b>		<u>2,472</u>	<u>6,307</u>
<b>Other comprehensive income:</b>			
<b>Items that may be reclassified subsequently to profit or loss</b>			
Net fair value (losses)/gains on available-for-sale financial assets		(18)	26
Income tax on items of other comprehensive income		(5)	(3)
		<u>(23)</u>	<u>23</u>
Foreign currency translation gain attributable to parent		726	475
		<u>703</u>	<u>498</u>
<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		1	3
Foreign currency translation gain attributable to non-controlling interest		146	96
		<u>850</u>	<u>597</u>
<b>Other comprehensive income for the period net of tax</b>		<u>850</u>	<u>597</u>
<b>Total comprehensive income for the period</b>		<u>3,322</u>	<u>6,904</u>
<b>Profit for the period is attributable to:</b>			
Non-controlling interest		385	1,398
Owners of the parent		2,087	4,909
		<u>2,472</u>	<u>6,307</u>
<b>Total comprehensive income for the period is attributable to:</b>			
Non-controlling interest		532	1,497
Owners of the parent		2,790	5,407
		<u>3,322</u>	<u>6,904</u>
<b>Earnings per share (EPS)</b>			
Basic EPS	12	14.9¢	35.0¢
Diluted EPS	12	14.9¢	35.0¢

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2014**

	Note	Dec 2014 \$'000	Jun 2014 \$'000
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	4	9,507	14,583
Trade and other receivables		23,947	22,588
Inventories		52,299	47,425
Prepayments and deposits		2,271	1,730
Derivative financial instruments	9	276	-
Other financial assets	9	-	60
<b>Total Current Assets</b>		<b>88,300</b>	<b>86,386</b>
<b>Non Current Assets</b>			
Property, plant and equipment		41,255	40,831
Investment properties	7	28,922	28,685
Deferred income tax asset		1,333	1,063
Goodwill	8	1,299	1,299
Other financial assets	9	3,205	2,020
<b>Total Non-Current Assets</b>		<b>76,014</b>	<b>73,898</b>
<b>Total Assets</b>		<b>164,314</b>	<b>160,284</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables		21,049	21,235
Interest bearing loans and borrowings		21,253	21,307
Income tax payable		479	2,995
Provisions		5,238	5,014
Derivative financial instruments	9	322	192
<b>Total Current Liabilities</b>		<b>48,341</b>	<b>50,743</b>
<b>Non Current Liabilities</b>			
Interest bearing loans and borrowings		35,779	30,783
Deferred income tax liabilities		1,321	1,379
Provisions		2,798	2,826
<b>Total Non Current Liabilities</b>		<b>39,898</b>	<b>34,988</b>
<b>Total Liabilities</b>		<b>88,239</b>	<b>85,731</b>
<b>Net Assets</b>		<b>76,075</b>	<b>74,553</b>
<b>Equity</b>			
Equity attributable to equity holders of the parent			
Issued capital	10	16,583	16,593
Reserves		2,889	2,155
Retained earnings	11	48,566	48,300
Total parent entity interest in equity		<b>68,038</b>	<b>67,048</b>
Non-controlling interests		8,037	7,505
<b>Total Equity</b>		<b>76,075</b>	<b>74,553</b>

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 2014**

	Attributable to Equity Holders of the Parent									
	Issued Capital	Retained Earnings	Reserves				Total	Non- controlling interest	Total equity	
			Asset re- valuation	Share based payment EPU's	Share based payment SFC options	Net unrealised gains/ (losses)				Foreign currency translation
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
<b>At 1 July 2013</b>	16,824	45,478	2,585	552	115	17	(1,117)	64,454	5,931	70,385
Profit for the half-year	-	4,909	-	-	-	-	-	4,909	1,398	6,307
Other comprehensive income	-	-	-	-	-	23	475	498	99	597
Total comprehensive income for the half-year	-	4,909	-	-	-	23	475	5,407	1,497	6,904
<b>Transactions with owners in their capacity as owners:</b>										
Shares acquired under share buy-back scheme	(202)	-	-	-	-	-	-	(202)	-	(202)
Share-based payments	-	-	-	20	-	-	-	20	-	20
Equity dividends	-	(1,685)	-	-	-	-	-	(1,685)	(206)	(1,891)
<b>At 31 December 2013</b>	16,622	48,702	2,585	572	115	40	(642)	67,994	7,222	75,216
<b>At 1 July 2014</b>	16,593	48,300	2,585	585	115	38	(1,168)	67,048	7,505	74,553
Profit for the half-year	-	2,087	-	-	-	-	-	2,087	385	2,472
Other comprehensive income	-	-	-	-	-	(23)	726	703	147	850
Total comprehensive income for the half-year	-	2,087	-	-	-	(23)	726	2,790	532	3,322
<b>Transactions with owners in their capacity as owners:</b>										
Shares acquired under share buy-back scheme	(10)	-	-	-	-	-	-	(10)	-	(10)
Share-based payments	-	-	-	31	-	-	-	31	-	31
Equity dividends	-	(1,821)	-	-	-	-	-	(1,821)	-	(1,821)
<b>At 31 December 2014</b>	16,583	48,566	2,585	616	115	15	(442)	68,038	8,037	76,075

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 2014**

	Note	Dec 2014 \$'000	Dec 2013 \$'000
<b>Cash Flows From Operating Activities</b>			
Receipts from customers		77,779	89,497
Payments to suppliers and employees		(76,574)	(74,351)
Other revenue received		24	63
Interest paid		(1,883)	(1,789)
Income taxes paid		(3,616)	(1,846)
Goods and services tax paid		(701)	(1,239)
<b>Net Cash Flows (Used In)/From Operating Activities</b>		<b>(4,971)</b>	<b>10,335</b>
<b>Cash Flows From Investing Activities</b>			
Interest income		74	132
Acquisition of property, plant and equipment		(1,645)	(1,588)
Insurance proceeds on loss of property		-	1,157
Proceeds on sale of property, plant and equipment		29	127
Acquisition/improvements to investment properties		(560)	(8,700)
Purchase of available-for-sale investments		(1,123)	(445)
Deposits acquired		90	45
Dividends received		2	-
<b>Net Cash Flows Used In Investing Activities</b>		<b>(3,133)</b>	<b>(9,272)</b>
<b>Cash Flows From Financing Activities</b>			
Finance lease principal payments		(345)	(746)
Dividends paid	6(a)	(1,821)	(1,891)
Proceeds from borrowings		10,045	10,650
Repayment of borrowings		(5,714)	(7,464)
Shares acquired under share buy-back scheme		(10)	(202)
<b>Net Cash Flows From Financing Activities</b>		<b>2,155</b>	<b>347</b>
<b>Net (Decrease)/Increase In Cash and Cash Equivalents</b>		<b>(5,949)</b>	<b>1,410</b>
Net foreign exchange differences		873	574
Cash and cash equivalents at the beginning of the period		14,583	12,662
<b>Cash and Cash Equivalents at the End of the Period</b>	4(a)	<b>9,507</b>	<b>14,646</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 2014**

**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 2014 was authorised for issue in accordance with a resolution of the Directors on 17 February 2015. 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 2014 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 2014 and considered together with any public announcements made by Schaffer Corporation Limited during the half-year ended 31 December 2014 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 2014, except for the adoption of new standards and interpretations mandatory for annual periods beginning on or before 1 July 2014, as noted below:

*AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities*

AASB 2012-3 includes guidance to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of “currently has a legally enforceable right of set-off” and that some gross settlement systems may be considered equivalent to net settlement.

The adoption of AASB 2012-3 had no effect on the financial position or performance of the Consolidated Entity.

*AASB 2014-1 Amendments to Australian Accounting Standards – Part A Annual Improvements to IFRSs 2010-2012 Cycle*

AASB 2014-1 – AASB 2 includes clarification of the definition of 'vesting conditions' and 'market condition' and introduces the definition of 'performance condition' and 'service condition'.

AASB 2014-1 – AASB 116 & 138 includes clarification that the determination of accumulated depreciation does not depend on the selection of the valuation technique and that it is calculated as the difference between the gross and net carrying amounts.

**2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)**

The adoption of Annual Improvements to IFRSs 2010-2012 Cycle will not have an effect on the disclosures included in the financial statements of the Consolidated Entity.

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 2014	Dec 2013
	\$'000	\$'000
<b>(a) Net rental income</b>		
Rental property income	2,969	2,639
Rental property expenses	(1,707)	(1,525)
Net rental income	1,262	1,114
<b>(b) Finance (costs)/income</b>		
Bank and other loans and overdrafts - interest	(1,855)	(1,737)
Finance charges payable under finance leases and hire purchase	(28)	(52)
Total finance costs	(1,883)	(1,789)
Bank interest received	74	132
Total finance income	74	132
<b>(c) Other (losses)/income</b>		
Insurance proceeds on loss of property	-	1,157
Loss on sale of property, plant and equipment	(35)	(81)
Net gain on derivatives	276	78
Net foreign currency (loss)/gain	(1,197)	1,166
Realised gains on available-for-sale investments	35	-
Other	24	63
	(897)	2,383
<b>(d) Depreciation, amortisation and impairment included in Statement of Comprehensive Income</b>		
Depreciation and amortisation included in:		
Cost of sales	2,064	2,131
Rental property expenses	323	326
Marketing and administrative expenses	188	317
	2,575	2,774

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

	CONSOLIDATED	
	Dec 2014 \$'000	Dec 2013 \$'000
<b>(e) Lease payments included in Statement of Comprehensive Income</b>		
Included in cost of sales:		
Minimum lease payments – operating lease	456	448
Included in marketing and administrative expenses:		
Minimum lease payments – operating lease	778	875
	<b>1,234</b>	<b>1,323</b>
<b>(f) Employee benefit expense</b>		
Wages and salaries	19,173	21,154
Post employment benefit provision	13	13
Long service leave provisions	204	175
Worker's compensation costs	362	358
Superannuation costs	1,121	1,098
Expense of share-based payments	31	20
	<b>20,904</b>	<b>22,818</b>
<b>(g) Other expenses loss/(gain)</b>		
Allowance for doubtful debts	<b>20</b>	<b>3</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 2014 \$'000	Dec 2013 \$'000
Cash at bank and in hand	<b>9,507</b>	14,646
	<b>9,507</b>	14,646

**(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 \$956,000 (2013: \$504,000). These transactions comprise chattel mortgages and finance leases of plant and equipment.

**(c) Financing facilities available**

At balance date the Group has bank facilities available to the extent of \$71,180,000, (June 2014: \$72,169,000). The value of unutilised facilities for the Group at balance date was \$11,397,000 (June 2014: \$16,528,000).

**5. INCOME TAX**

The major components of income tax expense for the half-year ended 31 December 2014 and 31 December 2013 are:

	CONSOLIDATED	
	Dec 2014	Dec 2013
<b>Consolidated Income Statement</b>	<b>\$'000</b>	<b>\$'000</b>
<i>Current income tax</i>		
Current income tax charge	1,118	4,043
Adjustments in respect of current income tax of previous years	(541)	(686)
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences	(319)	236
Total income tax expense	<u>258</u>	<u>3,593</u>
Income tax expense reported in the Consolidated Income Statement	<u>258</u>	<u>3,593</u>
Total income tax expense	<u>258</u>	<u>3,593</u>

**6. DIVIDENDS PAID OR PROPOSED**

(a)	Dividends declared and paid during the half-year on ordinary shares:		
	Final franked dividend for the financial year 30 June 2014: 13¢ (2013: 12¢)	1,821	1,685
	Dividend paid by controlled entity to minority shareholder	-	206
		<u>1,821</u>	<u>1,891</u>
(b)	Dividends proposed and not yet recognised as a liability:		
	Interim franked dividend for the half-year 31 December 2014: 12¢ (2013: 12¢)	<u>1,681</u>	<u>1,681</u>

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 of 20 March 2015.

**7. INVESTMENT PROPERTIES**

	CONSOLIDATED	
	Dec 2014	Jun 2014
	<b>\$'000</b>	<b>\$'000</b>
Investment Properties at cost	<u>28,922</u>	<u>28,685</u>
<b>(a) Movement of Investment Properties</b>		
Balance at the beginning of the financial period	28,685	19,123
Acquisition of wholly owned property	-	9,349
Improvements to wholly owned property	387	333
Improvements to property in which the Group is a tenant in common	173	433
Depreciation	(323)	(553)
<b>Balance at end of the financial period</b>	<u>28,922</u>	<u>28,685</u>

**8. GOODWILL**

	CONSOLIDATED	
	Dec 2014 \$'000	Jun 2014 \$'000
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 cash flow projections based on financial budgets approved by senior management. In the opinion of management, the goodwill typically is supported by less than one year's trading at current levels hence discounting is not necessary. The recoverable amount was in excess of the carrying amount, and therefore no impairment was recognised during the half-year ending 31 December 2014.

**9. FINANCIAL INSTRUMENTS**

Foreign exchange contracts, available for sale investments, and interest rate swaps are carried on the balance sheet at net 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) \$'000	(Level 2) \$'000	(Level 3) \$'000	Total \$'000
<b>Year ended 31 December 2014</b>				
<b>Consolidated</b>				
<b>Financial Assets</b>				
Derivative financial instruments				
Foreign exchange contracts	-	276	-	276
Available-for-sale Investments				
Unlisted investments	-	-	3,205	3,205
	-	276	3,205	3,481
<b>Financial Liabilities</b>				
Derivative instruments				
Interest rate swaps	-	322	-	322
<b>Year ended 30 June 2014</b>				
<b>Consolidated</b>				
<b>Financial Assets</b>				
Available-for-sale Investments				
Listed investments	60	-	-	60
Unlisted investments	-	-	2,020	2,020
	60	-	2,020	2,080
<b>Financial liabilities</b>				
Derivative instruments				
Interest rate swaps	-	192	-	192

**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 re-assessments of fair value on other comprehensive income for the period is an increase of \$6K.

**10. CONTRIBUTED EQUITY**

	CONSOLIDATED	
	Dec 2014 \$'000	Jun 2014 \$'000
Ordinary Shares	<b>16,583</b>	16,593
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>14,007,050</b>	14,052,652
Shares acquired under share buy-back scheme	<b>(1,677)</b>	(45,602)
<b>Ordinary shares on issue at the end of the financial period</b>	<b>14,005,373</b>	14,007,050

**11. CONSOLIDATED RETAINED PROFITS**

	CONSOLIDATED	
	Dec 2014 \$'000	Jun 2014 \$'000
Retained profits at the beginning of the financial period	<b>48,300</b>	45,478
Net profit attributable to members	<b>2,087</b>	6,188
Dividends and other equity distributions paid or payable	<b>(1,821)</b>	(3,366)
<b>Retained profits at end of financial period</b>	<b>48,566</b>	48,300

**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 2014 \$'000	Dec 2013 \$'000
	Basic Earnings	<b>2,087</b>
Diluted Earnings	<b>2,087</b>	4,909
	Number	Number
Weighted average number of ordinary shares used in the calculation of basic EPS	<b>14,005,847</b>	14,017,159
Weighted average number of ordinary shares used in the calculation of diluted EPS	<b>14,005,847</b>	14,017,159

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

At 31 December 2014 the Group has a commitment to pay the \$322,000 balance of an unlisted investment totalling \$500,000. This balance is expected to be requested by 30 June 2015. The investment provides the Group 3.1% equity in a company with the objective to develop 42.6 hectares into residential lots within the coastal suburb of Yanchep, Western Australia.

There have been no other 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 20 March 2015.

Subsequent to the end of the half-year the group entered into a Multiple Advance Facility for a term of two years from 28 February 2015 to be available for working capital requirements. The facility replaces the current Revolving Loan Facility and has a limit of \$12,000,000. The interest rate is the bank bill rate plus a margin, or the Foreign Currency Reference Rate plus a margin if the advance is drawn down in a foreign currency. The Group has also entered into a Guarantee Line for \$4,000,000 for the same two year term expiring 28 February 2017.

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.



**15. SEGMENT INFORMATION (continued)**

**(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 business segments for the half-year periods ended 31 December 2014 and 31 December 2013.

	<b>Automotive Leather</b>		<b>Building Materials</b>		<b>Investment Property</b>		<b>Gosh Capital</b>		<b>Consolidated</b>	
	<b>Dec 2014 \$'000</b>	<b>Dec 2013 \$'000</b>	<b>Dec 2014 \$'000</b>	<b>Dec 2013 \$'000</b>	<b>Dec 2014 \$'000</b>	<b>Dec 2013 \$'000</b>	<b>Dec 2014 \$'000</b>	<b>Dec 2013 \$'000</b>	<b>Dec 2014 \$'000</b>	<b>Dec 2013 \$'000</b>
<b>Revenue from external customers</b>	<b>47,164</b>	53,028	<b>25,051</b>	29,669	<b>3,062</b>	3,319	<b>450</b>	171	<b>75,727</b>	86,187
Unallocated interest and dividend revenue									<b>5</b>	23
<b>Total revenue</b>									<b>75,732</b>	86,210
Earnings before Goodwill Impairment	<b>3,545</b>	11,123	<b>603</b>	2,545	<b>1,246</b>	1,412	<b>185</b>	1,250	<b>5,579</b>	16,330
Impairment of Goodwill	-	-	-	(3,696)	-	-	-	-	-	(3,696)
<b>Segment Profit</b>	<b>3,545</b>	11,123	<b>603</b>	(1,151)	<b>1,246</b>	1,412	<b>185</b>	1,250	<b>5,579</b>	12,634
Unallocated items <sup>(i)</sup> :										
Finance income and dividends									<b>5</b>	23
Finance costs									<b>(1,883)</b>	(1,789)
Corporate overheads									<b>(971)</b>	(968)
<b>Profit before income tax</b>									<b>2,730</b>	9,900
	<b>Dec 2014 \$'000</b>	Jun 2014 \$'000	<b>Dec 2014 \$'000</b>	Jun 2014 \$'000	<b>Dec 2014 \$'000</b>	Jun 2014 \$'000	<b>Dec 2014 \$'000</b>	Jun 2014 \$'000	<b>Dec 2014 \$'000</b>	Jun 2014 \$'000
<b>Segment Assets</b>	<b>80,298</b>	78,677	<b>46,449</b>	47,557	<b>19,149</b>	19,163	<b>15,049</b>	13,530	<b>160,945</b>	158,627
Unallocated items <sup>(i)</sup> :										
Available-for-sale financial assets									-	60
Cash									<b>1,432</b>	257
Property, plant and equipment									<b>772</b>	777
Prepayments									<b>67</b>	13
Receivables									<b>516</b>	-
Deferred income tax assets									<b>582</b>	550
<b>Total segment assets</b>									<b>164,314</b>	160,284

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

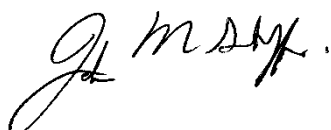
## DIRECTORS' DECLARATION

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 2014 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

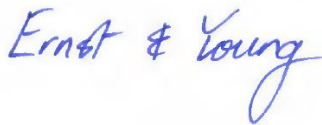


John Schaffer  
Managing Director

Perth, 18 February 2015

## 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 2014, 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



D S Lewsen  
Partner  
18 February 2015

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 2014, 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 2014 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.

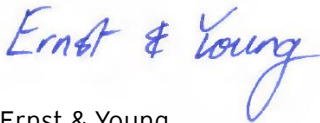
### Independence

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.

## 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 2014, 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



D S Lewsen  
Partner  
Perth  
18 February 2015