

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 2012

Previous corresponding period

31 DECEMBER 2011

For announcement to the market

Revenues from ordinary activities	-11%	to	\$'000 72,331
Net profit for the period attributable to members	19%	to	5,287
DIVIDENDS	Amount per security		Franked amount per security
Final dividend			
Interim period	11¢		11¢
Date the dividend is payable	22 March 2013		
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)	15 March 2013		

NET TANGIBLE ASSET BACKING		
Consolidated Entity	2012	2011
Net tangible assets \$'000	57,729	52,429
Fully paid ordinary shares on issue at balance date	14,052,652	14,088,451
Net tangible asset backing per issued ordinary share as at balance date	\$4.11	\$3.72

STATUS OF AUDIT
The Half-year Report is based on accounts that have been reviewed.



ACN 008 675 689

CONDENSED FINANCIAL REPORT
FOR THE HALF-YEAR ENDED
31 DECEMBER 2012

FINANCIAL REPORT

For the half-year ended 31 December 2012

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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 2012 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.

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 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 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:

GME Resources Ltd 21/11/1996 - current

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	4
D J Schwartz	5	5
A K Mayer	5	4
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 and Mr M D Perrott.

REVIEW OF OPERATIONS

The consolidated entity's revenue from continuing operations decreased by 11% from \$80,951,000 for the comparative period to \$72,331,000 this half-year.

The net after tax consolidated profit attributable to members of the parent entity increased by 19% from \$4,440,000 for the comparative period to \$5,287,000.

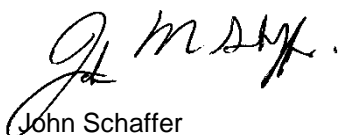
ROUNDING

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 17 of this half-year financial report.

Signed in accordance with a resolution of the directors.



John Schaffer
Managing Director

Perth, 20 February 2013

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012**

	Note	Dec 2012 \$'000	Dec 2011 \$'000
Revenue			
Sale of goods		52,947	66,258
Construction services		16,508	11,973
Rental income	4(a)	2,685	2,639
Finance income	4(b)	190	80
Dividends		1	1
Total revenue		<u>72,331</u>	<u>80,951</u>
Cost of sales and services rendered		<u>(55,540)</u>	<u>(62,518)</u>
Gross profit		16,791	18,433
Other income/(losses)	4(c)	3,820	882
Marketing expenses		(4,814)	(5,007)
Administrative expenses		(6,106)	(5,739)
Profit from continuing operations before tax and finance costs		<u>9,691</u>	<u>8,569</u>
Finance costs	4(b)	(1,845)	(1,834)
Profit before income tax from continuing operations		<u>7,846</u>	<u>6,735</u>
Income tax expense	10	(1,960)	(1,781)
Net profit for the period from continuing operations after income tax		<u>5,886</u>	<u>4,954</u>
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Net fair value gains/(losses) on available-for-sale financial assets		10	(2)
Income tax effect		(3)	-
		<u>7</u>	<u>(2)</u>
Foreign currency translation gain/(loss)		(14)	67
Other comprehensive income for the period net of tax:		<u>(7)</u>	<u>65</u>
Total comprehensive income for the period		<u>5,879</u>	<u>5,019</u>
Profit for the period is attributable to:			
Non-controlling interest		599	514
Owners of the parent		5,287	4,440
		<u>5,886</u>	<u>4,954</u>
Total comprehensive income for the period is attributable to:			
Non-controlling interest		597	525
Owners of the parent		5,282	4,494
		<u>5,879</u>	<u>5,019</u>
Earnings per share (EPS)			
Basic EPS	12	37.6¢	31.5¢
Diluted EPS	12	37.6¢	31.5¢
Dividends payable per share		11.0¢	10.0¢

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012**

	Note	Dec 2012 \$'000	Jun 2012 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents	11	19,714	12,956
Trade and other receivables		20,601	22,088
Inventories		42,209	39,458
Prepayments and deposits		2,498	1,630
Other financial assets		44	1,033
Total Current Assets		85,066	77,165
NON CURRENT ASSETS			
Property, plant and equipment		45,510	45,985
Investment properties		14,322	13,952
Deferred income tax asset		-	456
Goodwill		4,995	4,995
Total Non-Current Assets		64,827	65,388
TOTAL ASSETS		149,893	142,553
LIABILITIES			
Current Liabilities			
Trade and other payables		20,208	18,491
Interest bearing loans and borrowings		11,274	10,459
Income tax payable		1,238	44
Provisions		4,579	4,859
Derivative financial instruments		195	203
Total Current Liabilities		37,494	34,056
Non Current Liabilities			
Interest bearing loans and borrowings		42,068	42,936
Deferred income tax liabilities		80	-
Provisions		2,173	1,454
Total Non Current Liabilities		44,321	44,390
TOTAL LIABILITIES		81,815	78,446
NET ASSETS		68,078	64,107
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	7	16,824	16,853
Reserves		1,177	1,162
Retained earnings	8	44,723	40,982
Total parent entity interest in equity		62,724	58,997
Non-controlling interests		5,354	5,110
TOTAL EQUITY		68,078	64,107

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 2012**

	Attributable to Equity Holders of the Parent									
	Issued Capital	Retained Earnings	Asset Re- valuation \$'000	Reserves			Foreign Currency translation \$'000	Total \$'000	Non- controlling Interest \$'000	Total Equity \$'000
				Share Based Payment EPU's \$'000	Share Based Payment SFC Options \$'000	Net unrealised gains/ (losses) \$'000				
At 1 July 2011	17,034	36,283	2,585	472	115	2	(2,093)	54,398	4,229	58,627
Profit for the half-year	-	4,440	-	-	-	-	-	4,440	514	4,954
Other comprehensive income	-	-	-	-	-	(2)	56	54	11	65
Total comprehensive income for the half-year	-	4,440	-	-	-	(2)	56	4,494	525	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)	(17)	(1,428)
At 31 December 2011	16,946	39,312	2,585	503	115	-	(2,037)	57,424	4,737	62,161
At 1 July 2012	16,853	40,982	2,585	522	115	4	(2,064)	58,997	5,110	64,107
Profit for the half-year	-	5,287	-	-	-	-	-	5,287	599	5,886
Other comprehensive income	-	-	-	-	-	7	(12)	(5)	(2)	(7)
Total comprehensive income for the half-year	-	5,287	-	-	-	7	(12)	5,282	597	5,879
Transactions with owners in their capacity as owners:										
Shares acquired under share buy-back scheme	(29)	-	-	-	-	-	-	(29)	-	(29)
Share-based payments	-	-	-	20	-	-	-	20	-	20
Equity dividends	-	(1,546)	-	-	-	-	-	(1,546)	(353)	(1,899)
At 31 December 2012	16,824	44,723	2,585	542	115	11	(2,076)	62,724	5,354	68,078

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 2012**

	Note	Dec 2012 \$'000	Dec 2011 \$'000
Cash Flows from Operating Activities			
Receipts from customers		77,406	87,498
Payments to suppliers and employees		(67,574)	(75,461)
Other revenue received		47	47
Interest paid		(1,845)	(1,834)
Income taxes paid		(251)	(2,261)
Goods and services tax paid		(1,346)	(627)
Net Cash Flows From Operating Activities		<u>6,437</u>	<u>7,362</u>
Cash Flows From Investing Activities			
Interest income		190	80
Acquisition of property, plant and equipment		(1,611)	(1,070)
Proceeds on sale of investment property		-	1,147
Insurance proceeds on loss of property		3,500	-
Proceeds on sale of property, plant and equipment		34	-
Improvements to investment properties		(588)	(165)
Proceeds on maturity of term deposits		1,000	-
Proceeds on disposal of available-for-sale investments		-	2
Deposits acquired/(repaid)		-	126
Dividends received		1	1
Net Cash Flows From Investing Activities		<u>2,526</u>	<u>121</u>
Cash Flows From Financing Activities			
Finance lease principal payments		(294)	(277)
Dividends paid	3(a)	(1,899)	(1,428)
Proceeds from borrowings		1,064	1,000
Repayment of borrowings		(1,033)	(1,729)
Shares acquired under share buy-back scheme		(29)	(88)
Net Cash Flows From Financing Activities		<u>(2,191)</u>	<u>(2,522)</u>
Net Increase/(Decrease) In Cash and Cash Equivalents		6,772	4,961
Net foreign exchange differences		(14)	67
Cash and cash equivalents at the beginning of the period		<u>12,956</u>	<u>7,961</u>
Cash and Cash Equivalents at the End of the Period	11(a)	<u>19,714</u>	<u>12,989</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 2012**

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 2012 was authorised for issue in accordance with a resolution of the directors on 19 February 2013. 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 2012 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 2012 and considered together with any public announcements made by Schaffer Corporation Limited during the half-year ended 31 December 2012 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 2012. 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 2012 \$'000	Dec 2011 \$'000
(a) Dividends declared and paid during the half-year on ordinary shares.		
Final franked dividend for the financial year 30 June 2012: 11¢ (2011: 10¢)	1,546	1,411
Dividend paid by controlled entity to minority shareholder	353	17
	1,899	1,428
(b) Dividends proposed and not yet recognised as a liability		
Interim franked dividend for the half-year 31 December 2012: 11¢ (2011: 10¢)	1,546	1,407

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 Group:

	CONSOLIDATED	
	Dec 2012 \$'000	Dec 2011 \$'000
(a) Net rental income	<u>2,685</u>	<u>2,639</u>
Rental property income	2,685	2,639
Rental property expenses	<u>(1,563)</u>	<u>(1,270)</u>
Net rental income	<u>1,122</u>	<u>1,369</u>
(b) Finance (costs)/income		
Bank and other loans and overdrafts - interest	(1,793)	(1,754)
Finance charges payable under finance leases and hire purchase	<u>(52)</u>	<u>(80)</u>
Total finance costs	<u>(1,845)</u>	<u>(1,834)</u>
Bank interest received	<u>190</u>	<u>80</u>
Total finance income	<u>190</u>	<u>80</u>
(c) Other income/(losses)		
Insurance proceeds on loss of property	3,500	-
(Loss)/profit on disposal of property, plant and equipment	(5)	-
Net gain on derivatives	8	659
Net foreign currency gain/(loss)	270	(255)
Profit on disposal of investment properties	-	431
Other	<u>47</u>	<u>47</u>
	<u>3,820</u>	<u>882</u>
(d) Depreciation, amortisation and impairment included in Statement of Comprehensive Income		
Depreciation and amortisation included in:		
Cost of sales	1,923	2,151
Rental property expenses	249	276
Marketing and administrative expenses	<u>303</u>	<u>207</u>
	<u>2,475</u>	<u>2,634</u>
(e) Lease payments included in Statement of Comprehensive Income		
Included in cost of sales:		
Minimum lease payments – operating lease	495	331
Included in marketing and administrative expenses:		
Minimum lease payments – operating lease	<u>889</u>	<u>942</u>
	<u>1,384</u>	<u>1,273</u>
(f) Employee benefit expense		
Wages and salaries	17,439	17,273
Post employment benefit provision	781	-
Long service leave provisions	139	276
Worker's compensation costs	359	453
Superannuation costs	1,085	1,121
Expense of share-based payments	<u>70</u>	<u>63</u>
	<u>19,873</u>	<u>19,186</u>
(g) Other expenses loss/(gain)		
(Write-back)/allowance for doubtful debts	<u>(47)</u>	<u>78</u>

5. SUBSEQUENT EVENTS

Subsequent to the end of the half-year the Group declared a dividend of 11¢ per share totalling \$1,546,000 payable on 22 March 2013.

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.

6. COMMITMENT AND CONTINGENT LIABILITIES

At 31 December 2012, a provision for the termination benefits related to the Managing Director's service agreement has been recognised according to the terms of the service agreement. Refer to the Remuneration Report included in the 2012 Annual Report for more details regarding the agreement.

Other than the above, there have been no material changes to commitments or contingent liabilities from those disclosed in the last annual report.

7. CONTRIBUTED EQUITY

	CONSOLIDATED	
	Dec 2012 \$'000	Dec 2011 \$'000
Ordinary Shares	16,824	16,946
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	14,060,354	14,113,251
Shares acquired under share buy-back scheme	(7,702)	(24,800)
Ordinary shares on issue at the end of the financial period	14,052,652	14,088,451

8. CONSOLIDATED RETAINED PROFITS

Retained profits at the beginning of the financial period	40,982	36,283
Net profit attributable to members	5,287	4,440
Dividends and other equity distributions paid or payable	(1,546)	(1,411)
Retained profits at end of financial period	44,723	39,312

9. DETAILS OF JOINTLY CONTROLLED ASSETS

(a) Name of jointly controlled assets	Current period Percentage Interest	Previous period Percentage Interest
IBM Centre Syndicate	22.1%	22.1%
St. Kilda Road Syndicate	20.0%	20.0%
Hometown Syndicate	25.0%	25.0%
Crosslands Shopping Centre Syndicate	16.7%	16.7%
Mindarie Keys Syndicate	15.0%	15.0%
Neerabup Syndicate	20.0%	20.0%

9. DETAILS OF JOINTLY CONTROLLED ASSETS continued

	CONSOLIDATED	
	Dec 2012 \$'000	Dec 2011 \$'000
(b) Group's share of income and expenses relating to its interests in jointly controlled assets		
Profit from ordinary activities before tax	626	1,184
Income tax on ordinary activities	(188)	355
Profit from ordinary activities after tax	438	829
Share of net profit of jointly controlled assets	438	829

10. INCOME TAX

The major components of income tax expense for the half-year ended 31 December 2012 and 31 December 2011 are:

	CONSOLIDATED	
	Dec 2012 \$'000	Dec 2011 \$'000
Consolidated Income Statement		
<i>Current income tax</i>		
Current income tax charge	1,644	1,296
Adjustments in respect of current income tax of previous years	(220)	(20)
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences	536	505
Total income tax expense	1,960	1,781
Income tax expense reported in the Consolidated Income Statement	1,960	1,781
Total income tax expense	1,960	1,781

11. 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 2012 \$'000	Dec 2011 \$'000
Cash at bank and in hand	19,714	12,995
Bank overdrafts	-	(6)
	19,714	12,989

(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 (2011: \$Nil).

(c) Financing facilities available

At balance date the Group has bank facilities available to the extent of \$71,714,000 (June 2012: \$71,183,000). The value of unutilised facilities for the Group at balance date was \$15,517,000 (June 2012: \$15,049,000).

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 2012	Dec 2011
	\$'000	\$'000
Basic Earnings	5,287	4,440
Diluted Earnings	5,287	4,440
	<u>Number</u>	<u>Number</u>
Weighted average number of ordinary shares used in the calculation of basic EPS	14,054,875	14,108,289
Weighted average number of ordinary shares used in the calculation of diluted EPS	14,054,875	14,108,289

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 syndicate 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 2012 and 31 December 2011.

	LEATHER		BUILDING MATERIALS		PROPERTY		CONSOLIDATED	
	Dec 2012 \$'000	Dec 2011 \$'000	Dec 2012 \$'000	Dec 2011 \$'000	Dec 2012 \$'000	Dec 2011 \$'000	Dec 2012 \$'000	Dec 2011 \$'000
Revenue from external customers	35,145	48,679	33,698	28,936	3,473	3,331	72,316	80,946
Unallocated interest and dividend revenue							15	5
Total revenue							72,331	80,951
Segment Earnings	1,746	4,683	4,668	2,857	5,040	1,893	11,454	9,433
Unallocated items:								
Finance income and dividends							15	5
Finance costs							(1,845)	(1,834)
Corporate overheads							(1,778)	(869)
Operating profit before income tax from continuing operations							7,846	6,735
Income tax expense							(1,960)	(1,781)
Net profit after tax from continuing operations							5,886	4,954
	Dec 2012 \$'000	Jun 2012 \$'000	Dec 2012 \$'000	Jun 2012 \$'000	Dec 2012 \$'000	Jun 2012 \$'000	Dec 2012 \$'000	Jun 2012 \$'000
Segment Assets	64,422	65,503	56,904	52,708	22,125	21,201	143,451	139,412
Unallocated items:								
Available-for-sale financial assets							44	1,033
Cash							5,498	1,948
Property, plant and equipment							803	808
Prepayments							63	21
Receivables							34	(998)
Deferred income tax assets							-	329
Total segment assets							149,893	142,553

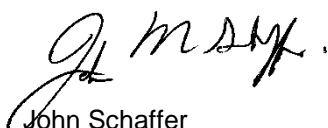
DIRECTORS' DECLARATION

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 2012 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 Group 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, 20 February 2013

AUDITORS INDEPENDENCE DECLARATION



Ernst & Young Building
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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 2012, 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
20 February 2013

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 condensed statement of financial position as at 31 December 2012, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed 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 2012 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 half-year, 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 2012 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
20 February 2013