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	Financial year ended ('current period')
008 675 689	**31 DECEMBER 2013**
	Previous corresponding period
	31 DECEMBER 2012

For announcement to the market

				$'000
Revenues from ordinary activities	up	19%	to	86,210
Net profit for the period attributable to members (after $3.7 million impairment of goodwill)	down	7%	to	4,909

DIVIDENDS	Amount per security	Franked amount per security
Final dividend		
Interim period	12¢	12¢
Date the dividend is payable	21 March 2014	
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)	14 March 2014	

NET TANGIBLE ASSET BACKING		
Consolidated Entity	**2013**	2012
Net tangible assets $'000	**66,695**	57,729
Fully paid ordinary shares on issue at balance date	**14,011,927**	14,052,652
Net tangible asset backing per issued ordinary share as at balance date	**$4.76**	$4.11

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

Schaffer Corporation Limited

ACN 008 675 689

FINANCIAL REPORT

FOR THE HALF-YEAR ENDED

31 DECEMBER 2013

FINANCIAL REPORT

For the half-year ended 31 December 2013

SCHAFFER CORPORATION LIMITED HALF-YEAR FINANCIAL REPORT

DIRECTORS' REPORT

Your directors submit their report for the half-year ended 31 December 2013 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. 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 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	4
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 increased by 19% from $72,331,000 for the comparative period to $86,210,000 this half-year.

The net after tax consolidated profit attributable to members of the parent entity decreased by 7% from $5,287,000 for the comparative period to $4,909,000.

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, 19 February 2014

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

	Note	**Dec 2013 $'000**	Dec 2012 $'000
Revenue			
Sale of goods		**69,045**	52,947
Construction services		**14,394**	16,508
Rental income	4(a)	**2,639**	2,685
Finance income	4(b)	**132**	190
Dividends		**-**	1
Total revenue		**86,210**	72,331
Cost of sales and services rendered		**(62,379)**	(55,540)
Gross profit		**23,831**	16,791
Impairment of goodwill		**(3,696)**	-
Other income/(losses)	4(c)	**2,383**	3,820
Marketing expenses		**(4,013)**	(3,973)
Administrative expenses		**(6,816)**	(6,947)
Profit before tax and finance costs		**11,689**	9,691
Finance costs	4(b)	**(1,789)**	(1,845)
Profit before income tax		**9,900**	7,846
Income tax expense	13	**(3,593)**	(1,960)
Profit after income tax		**6,307**	5,886
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Net fair value gains on available-for-sale financial assets		**26**	10
Income tax on items of other comprehensive income		**(3)**	(3)
		23	7
Foreign currency translation gain/(loss) attributable to parent		**475**	(12)
		498	(5)
Items that may not be reclassified subsequently to profit or loss			
Net fair value gains on available-for-sale financial assets attributable to non-controlling interest		**3**	-
Foreign currency translation gain/(loss) attributable to non-controlling interest		**96**	(2)
Other comprehensive income for the period net of tax		**597**	(7)
Total comprehensive income for the period		**6,904**	**5,879**
Profit for the period is attributable to:			
Non-controlling interest		**1,398**	599
Owners of the parent		**4,909**	5,287
		6,307	5,886
Total comprehensive income for the period is attributable to:			
Non-controlling interest		**1,497**	597
Owners of the parent		**5,407**	5,282
		6,904	5,879
Earnings per share (EPS)			
Basic EPS		**35.0¢**	37.6¢
Diluted EPS		**35.0¢**	37.6¢
Dividends payable per share		**12.0¢**	11.0¢

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2013

	Note	**Dec 2013 $'000**	Jun 2013 $'000
Assets			
Current Assets			
Cash and cash equivalents	14	**14,646**	12,662
Trade and other receivables		**25,964**	25,693
Inventories		**47,341**	42,910
Prepayments and deposits		**3,067**	1,874
Other financial assets		**55**	52
		91,073	83,191
Assets classified as held for sale	8	**668**	-
Total Current Assets		**91,741**	83,191
Non Current Assets			
Property, plant and equipment		**39,418**	40,143
Investment properties	6	**27,522**	19,123
Deferred income tax asset		**940**	713
Goodwill	5	**1,299**	4,995
Other financial assets		**1,520**	1,050
Total Non-Current Assets		**70,699**	66,024
Total Assets		**162,440**	149,215
Liabilities			
Current Liabilities			
Trade and other payables		**23,194**	20,804
Interest bearing loans and borrowings		**6,331**	10,110
Income tax payable		**3,346**	1,832
Provisions		**5,434**	4,785
Derivative financial instruments		**52**	130
		38,357	37,661
Liabilities classified as held for sale	8	**147**	-
Total Current Liabilities		**38,504**	37,661
Non Current Liabilities			
Interest bearing loans and borrowings		**44,731**	38,008
Deferred income tax liabilities		**1,381**	918
Provisions		**2,608**	2,243
Total Non Current Liabilities		**48,720**	41,169
Total Liabilities		**87,224**	78,830
Net Assets		**75,216**	70,385
Equity			
Equity attributable to equity holders of the parent			
Issued capital	10	**16,622**	16,824
Reserves		**2,670**	2,152
Retained earnings	11	**48,702**	45,478
Total parent entity interest in equity		**67,994**	64,454
Non-controlling interests		**7,222**	5,931
Total Equity		**75,216**	70,385

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 2013

	Attributable to Equity Holders of the Parent									
	Issued Capital	Retained Earnings	Reserves					Total		
			Asset re-valuation	Share based payment EPU's	Share based payment SFC options	Net unrealised gains/(losses)	Foreign currency translation		Non-controlling interest	Total equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
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
At 1 July 2013	**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**
Transactions with owners in their capacity as owners:										
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)**
At 31 December 2013	**16,622**	**48,702**	**2,585**	**572**	**115**	**40**	**(642)**	**67,994**	**7,222**	**75,216**

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 2013

	Note	Dec 2013 $'000	Dec 2012 $'000
Cash Flows From Operating Activities			
Receipts from customers		**89,497**	77,406
Payments to suppliers and employees		**(74,351)**	(67,574)
Other revenue received		**63**	47
Interest paid		**(1,789)**	(1,845)
Income taxes paid		**(1,846)**	(251)
Goods and services tax paid		**(1,239)**	(1,346)
Net Cash Flows From Operating Activities		**10,335**	6,437
Cash Flows From Investing Activities			
Interest income		**132**	190
Acquisition of property, plant and equipment		**(1,588)**	(1,611)
Insurance proceeds on loss of property		**1,157**	3,500
Proceeds on sale of property, plant and equipment		**127**	34
Acquisition/improvements to investment properties		**(8,700)**	(588)
Proceeds on maturity of term deposits		**-**	1,000
(Purchase of)/proceeds on disposal of available-for-sale investments		**(445)**	-
Deposits acquired/(repaid)		**45**	-
Dividends received		**-**	1
Net Cash Flows (Used In)/From Investing Activities		**(9,272)**	2,526
Cash Flows From Financing Activities			
Finance lease principal payments		**(746)**	(294)
Dividends paid	3(a)	**(1,891)**	(1,899)
Proceeds from borrowings		**10,650**	1,064
Repayment of borrowings		**(7,464)**	(1,033)
Shares acquired under share buy-back scheme		**(202)**	(29)
Net Cash Flows From/(Used in) Financing Activities		**347**	(2,191)
Net Increase In Cash and Cash Equivalents		**1,410**	6,772
Net foreign exchange differences		**574**	(14)
Cash and cash equivalents at the beginning of the period		**12,662**	12,956
Cash and Cash Equivalents at the End of the Period	14(a)	**14,646**	19,714

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 2013

1. CORPORATE INFORMATION

The financial report of Schaffer Corporation Limited and its controlled entities ("the Group") for the half-year ended 31 December 2013 was authorised for issue in accordance with a resolution of the directors on 18 February 2014. 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 financial report for the half-year ended 31 December 2013 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 2013 and considered together with any public announcements made by Schaffer Corporation Limited during the half-year ended 31 December 2013 in accordance with the continuous disclosure obligations of the ASX listing rules.

Costs in the comparative figures of the Consolidated Statement of Comprehensive income have been re-allocated so that they are consistent with the current period allocation and better represent the nature of the costs incurred. Expenses totalling $841,000 have been reallocated in the comparative period from Marketing Expenses to Administrative Expenses because it was identified that the nature of the expenses were divisional administration costs that were recharged to sales and marketing business units for management reporting purposes. Additionally, on the Consolidated Statement of Financial Position, an amount of $4,772,000 has been retrospectively reallocated from Property Plant and Equipment to Investment Properties due to the incorrect classification based on the assets nature of being land held for leasing and/or future development rather than utilised by the manufacturing operations of the Group in the comparative period.

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 2013, except for the adoption of new standards and interpretations mandatory for annual periods beginning on or before 1 July 2013, as noted below:

AASB 10 *Consolidated Financial Statements*

AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 *Consolidated and Separate Financial Statements* dealing with the accounting for consolidated financial statements and UIG-112 *Consolidation – Special Purpose Entities*.

The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control. The adoption of AASB 10 had no effect on the financial position or performance of the Consolidated Entity.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

The adoption of AASB 10 had no effect on the financial position or performance of the Consolidated Entity.

AASB 11 *Joint Arrangements*

AASB 11 replaces AASB 131 *Interests in Joint Ventures* and UIG-113 *Jointly- controlled Entities – Nonmonetary Contributions by Venturers*.

AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition it removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves is accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets is accounted for using the equity method. All Joint Arrangements held by the Consolidated Entity are classified as joint operations.

The adoption of AASB 11 had no effect on the financial position or performance of the Consolidated Entity.

AASB 12 *Disclosure of Interests in Other Entities*

AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures requirements have been introduced regarding the judgments made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests.

The adoption of AASB 12 had no material impact on the financial statements of the Consolidated Entity.

AASB 13 *Fair value measurement*

AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted. Application of this definition may result in different fair values being determined for the relevant assets.

AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined.

The adoption of AASB 13 had no effect on the financial position or performance of the Consolidated Entity.

AASB 119 *Employee Benefits*

The revised standard changes the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date.

The adoption of AASB 119 did not have material effect on the financial position or performance 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. DIVIDENDS PAID OR PROPOSED

		CONSOLIDATED	
		Dec 2013 $'000	Dec 2012 $'000
(a)	Dividends declared and paid during the half-year on ordinary shares.		
	Final franked dividend for the financial year 30 June 2013: 12¢ (2012: 11¢)	**1,685**	1,546
	Dividend paid by controlled entity to minority shareholder	**206**	353
		1,891	1,899
(b)	Dividends proposed and not yet recognised as a liability		
	Interim franked dividend for the half-year 31 December 2013: 12¢ (2012: 11¢)	**1,681**	1,546

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 2013 $'000	Dec 2012 $'000
(a) Net rental income		
Rental property income	**2,639**	2,685
Rental property expenses	**(1,525)**	(1,563)
Net rental income	**1,114**	1,122
(b) Finance (costs)/income		
Bank and other loans and overdrafts - interest	**(1,737)**	(1,793)
Finance charges payable under finance leases and hire purchase	**(52)**	(52)
Total finance costs	**(1,789)**	(1,845)
Bank interest received	**132**	190
Total finance income	**132**	190
(c) Other income/(losses)		
Insurance proceeds on loss of property	**1,157**	3,500
(Loss) on sale of property, plant and equipment	**(81)**	(5)
Net gain) on derivatives	**78**	8
Net foreign currency gain	**1,166**	270
Other	**63**	47
	2,383	3,820
(d) Depreciation, amortisation and impairment included in Statement of Comprehensive Income		
Depreciation and amortisation included in:		
Cost of sales	**2,131**	1,923
Rental property expenses	**326**	249
Marketing and administrative expenses	**317**	303
	2,774	2,475

4. SIGNIFICANT REVENUE, OTHER INCOME AND EXPENSES (continued)

	CONSOLIDATED	
	Dec 2013 $'000	Dec 2012 $'000
(e) Lease payments included in Statement of Comprehensive Income		
Included in cost of sales:		
Minimum lease payments – operating lease	**448**	495
Included in marketing and administrative expenses:		
Minimum lease payments – operating lease	**875**	889
	1,323	1,384
(f) Employee benefit expense		
Wages and salaries	**21,154**	17,439
Post employment benefit provision	**13**	781
Long service leave provisions	**175**	139
Worker's compensation costs	**358**	359
Superannuation costs	**1,098**	1,085
Expense of share-based payments	**20**	70
	22,818	19,873
(g) Other expenses loss/(gain)		
Allowance/(write-back) for doubtful debts	**3**	(47)

5. GOODWILL

	CONSOLIDATED	
	Dec 2013 $'000	Jun 2013 $'000
Goodwill at cost	**1,299**	4,995
(a) Movement of Goodwill		
Balance at the beginning of the financial period	**4,995**	4,995
Impairment of Building Products goodwill	**(3,696)**	-
Balance at end of the financial period	**1,299**	4,995

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. Due to the continued difficult conditions affecting the Building Products industry, the Group determined a triggering event had occurred as at 31 December 2013.

The Group used a value-in-use cashflow projection based on forecasts prepared by management. The forecast includes average revenue growth of 4.2% per annum, including 2.5% CPI, for a five year period followed by CPI thereafter. A terminal value of 6 times EBITDA is determined from the final year of cash flows. A discount rate of 14% was used based on the pre-tax weighted average cost of capital for Schaffer Corporation.

The following sensitivities are provided for key model assumptions

	Movement	**Effect on Valuation ($000s)**
Discount Rate	+1%	(1,135)
Average annual revenue growth rate	+0.5%	4,373

6. INVESTMENT PROPERTIES

	CONSOLIDATED	
	Dec 2013 $'000	Jun 2013 $'000
Investment Properties at cost	**27,522**	19,123
(a) Movement of Investment Properties		
Balance at the beginning of the financial period	**19,123**	18,632
Acquisition of wholly owned property	**8,286**	-
Improvements to wholly owned property	**202**	92
Improvements to jointly controlled property	**212**	846
Depreciation	**(301)**	(447)
Balance at end of the financial period	**27,522**	19,123

During the period the Group acquired an investment property at 39 Dixon Road, Rockingham, Western Australia for $7,750,000 plus costs.

7. RELATED PARTY TRANSACTIONS

Mr John Schaffer and Mr David Schwartz are directors of Schaffer Corporation Limited, and Mr Schaffer is also a director of Gosh Capital Pty Ltd, an 83.17% owned subsidiary of Schaffer Corporation Limited.

During the financial period, Gosh Capital Pty Ltd, acquired an investment property at 39 Dixon Road, Rockingham, Western Australia for $7,750,000 (8.75% yield) plus costs from Primewest (39 Dixon Road) Pty Ltd the corporate trustee for the 39 Dixon Road Syndicate. Mr Schaffer and his associates are owners of a company with 15.63% interest in the syndicate. Mr Schwartz and his associates are owners of a company with 16.14% interest in the syndicate. The purchase price paid for the property was based on a valuation dated 28 October 2013 by an independent valuer holding recognised and relevant professional qualifications. The valuer carried out an inspection of the property and undertook market research with respect to available sales and rental evidence.

8. SUBSEQUENT EVENTS

Subsequent to the end of the half-year a contract was signed for the sale of the Mindarie marina by the Mindarie Keys Syndicate of which the Group is a 15% member. At the date of this report, the contract for the sale of the marina is conditional on ministerial approval for the assignment of the Harbour Bed Lease from the Syndicate to the buyer.

Subsequent to the end of the half-year the Group declared a dividend of 12¢ per share totalling $1,681,000 payable on 21 March 2014.

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.

9. COMMITMENT AND CONTINGENT LIABILITIES

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

10. CONTRIBUTED EQUITY

	CONSOLIDATED	
	Dec 2013 $'000	Jun 2013 $'000
Ordinary Shares	**16,622**	16,824

All ordinary shares are fully paid and carry one vote per share and carry the right to dividends.

Movements in ordinary shares on issue	**Number of Shares**	Number of Shares
Ordinary shares on issue at the beginning of the financial period	**14,052,652**	14,060,354
Shares acquired under share buy-back scheme	**(40,725)**	(7,702)
Ordinary shares on issue at the end of the financial period	**14,011,927**	14,052,652

11. CONSOLIDATED RETAINED PROFITS

	CONSOLIDATED	
	Dec 2013 $'000	Dec 2012 $'000
Retained profits at the beginning of the financial period	**45,478**	40,982
Net profit attributable to members	**4,909**	5,287
Dividends and other equity distributions paid or payable	**(1,685)**	(1,546)
Retained profits at end of financial period	**48,702**	44,723

12. DETAILS OF JOINT ARRANGEMENTS

	Current period Percentage Interest	Previous period Percentage Interest
(a) Name of joint operations		
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%

	CONSOLIDATED	
	Dec 2013 $'000	Dec 2012 $'000
(b) Group's share of income and expenses relating to its interests in joint operations assets		
Profit from ordinary activities before tax	**677**	626
Income tax on ordinary activities	**(203)**	(188)
Profit from ordinary activities after tax	**474**	438
Share of net profit of jointly controlled assets	**474**	438

13. INCOME TAX

The major components of income tax expense for the half-year ended 31 December 2013 and 31 December 2012 are:

	CONSOLIDATED	
Consolidated Income Statement	**Dec 2013 $'000**	Dec 2012 $'000
Current income tax		
Current income tax charge	**4,043**	1,644
Adjustments in respect of current income tax of previous years	**(686)**	(220)
Deferred income tax		
Relating to origination and reversal of temporary differences	**236**	536
Total income tax expense	**3,593**	1,960
Income tax expense reported in the Consolidated Income Statement	**3,593**	1,960
Total income tax expense	**3,593**	1,960

14. 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 2013 $'000	Jun 2013 $'000
Cash at bank and in hand	**14,646**	12,662
	14,646	12,662

(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 $504,000 (2012: $Nil).

(c) Financing facilities available

At balance date the Group has bank facilities available to the extent of $72,080,000 (June 2013: $69,738,000). The value of unutilised facilities for the Group at balance date was $18,564,000 (June 2013: $18,742,000).

15. 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 2013 $'000	Dec 2012 $'000
Basic Earnings	**4,909**	5,287
Diluted Earnings	**4,909**	5,287
	Number	Number
Weighted average number of ordinary shares used in the calculation of basic EPS	**14,017,159**	14,054,875
Weighted average number of ordinary shares used in the calculation of diluted EPS	**14,017,159**	14,054,875

16. 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 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, retail and marina 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.

Gosh Capital is a new segment being reported for the first time in this financial report. The earnings and assets attributable to this segment were previously reported under the Investment Property segment. The material increase in value of assets during the half-year and the separation of these assets under a separate entity with a focus solely on investment are the reasons to report Gosh Capital as a separate segment. The comparative figures for the prior period have been adjusted accordingly.

(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.

16. SEGMENT INFORMATION continued

The following table presents assets, revenue and profit information regarding business segments for the half-year periods ended 31 December 2013 and 31 December 2012.

	Leather		Building Materials		Investment Property		Gosh Capital		Consolidated	
	Dec 2013 $'000	Dec 2012 $'000	**Dec 2013 $'000**	Dec 2012 $'000	**Dec 2013 $'000**	Dec 2012 $'000	**Dec 2013 $'000**	Dec 2012 $'000	**Dec 2013 $'000**	Dec 2012 $'000
Revenue from external customers	**53,028**	35,145	**29,669**	33,698	**3,319**	3,154	**171**	319	**86,187**	72,316
Unallocated interest and dividend revenue									**23**	15
Total revenue									**86,210**	72,331
Impairment of Goodwill	**-**	-	**(3,696)**	-	**-**	-	**-**	-	**(3,696)**	-
Segment Profit	**11,123**	1,746	**(1,151)**	4,668	**1,412**	1,344	**1,250**	3,696	**12,634**	11,454
Unallocated items:										
Finance income and dividends									**23**	15
Finance costs									**(1,789)**	(1,845)
Corporate overheads									**(968)**	(1,778)
Operating profit before income tax from continuing operations									**9,900**	7,846
Income tax expense									**(3,593)**	(1,960)
Net profit after tax from continuing operations									**6,307**	5,886
	Dec 2013 $'000	Jun 2013 $'000	**Dec 2013 $'000**	Jun 2013 $'000	**Dec 2013 $'000**	Jun 2013 $'000	**Dec 2013 $'000**	Jun 2013 $'000	**Dec 2013 $'000**	Jun 2013 $'000
Segment Assets	**79,831**	67,343	**47,690**	52,362	**19,839**	20,457	**13,300**	7,442	**160,660**	147,604
Unallocated items:										
Available-for-sale financial assets									**55**	52
Cash									**291**	205
Property, plant and equipment									**776**	792
Prepayments									**105**	3
Receivables									**-**	9
Deferred income tax assets									**553**	550
Total segment assets									**162,440**	149,215

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 2013 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, 19 February 2014

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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 2013, 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

Ernst & Young

D S Lewsen
Partner
19 February 2014

DL:DR:SCHAFFER:03

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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 2013, 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 2013 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.

DL:DR:SCHAFFER:029

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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 2013 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

Ernst & Young

D S Lewsen
Partner
Perth
19 February 2014

DL:DR:SCHAFFER:029