

## APPENDIX 4E

### Preliminary final report

**1. Name of entity**

<b>SCHAFFER CORPORATION LIMITED</b>
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ABN <b>008 675 689</b>
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Financial year ended ('current period') <b>30 JUNE 2017</b>
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Previous corresponding period <b>30 JUNE 2016</b>
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**2. For announcement to the market**

*Results for announcement to the market:*

					\$'000
<b>2.1</b>	<b>Revenues from ordinary activities</b>	up	1%	to	214,974
<b>2.2</b>	<b>Net profit for the period attributable to members</b>	up	3%	to	5,856
<b>2.3</b>	<b>Dividends (see section 6)</b>				
	Final – Ordinary Dividend	up	8%	to	<b>14¢</b>
	Interim – Ordinary Dividend	up	0%	to	<b>12¢</b>
	Total	up	4%	to	<b>26¢</b>
					Amount per security
					Franked amount per security
<b>2.4</b>	<b>Record date for determining entitlements to the dividend</b>				<b>1 September 2017</b>

### 3. Consolidated Statement of Comprehensive Income for the year ended 30 June 2017

	Notes	2017 \$'000	2016 \$'000
<b>Revenue</b>			
Sale of goods		193,392	185,915
Construction services		16,251	21,924
Rental income	1(a)	5,275	5,685
Finance income	1(b)	56	73
Revenue		<u>214,974</u>	213,597
Cost of sales and services rendered		<u>(178,532)</u>	(186,926)
Gross profit		36,442	26,671
Impairment of property, plant & equipment		(2,327)	-
Other income/(losses)	1(c)	(971)	3,089
Marketing expenses		(5,814)	(6,016)
Administrative expenses		<u>(14,404)</u>	(12,457)
<b>Profit before tax and finance costs</b>		12,926	11,287
Finance costs	1(b)	<u>(2,869)</u>	(3,745)
<b>Profit before income tax</b>		10,057	7,542
Income tax expense		<u>(2,511)</u>	(1,720)
<b>Profit after income tax</b>		<u>7,546</u>	5,822
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Net fair value gains on available-for-sale financial assets		2,152	141
Income tax on items of other comprehensive income		<u>(732)</u>	(48)
		1,420	93
Foreign currency translation (loss)/gain		<u>(98)</u>	264
		1,322	357
<i>Items that may not be reclassified subsequently to profit or loss:</i>			
Net fair value gains on available-for-sale financial assets attributable to non-controlling interest		288	19
Foreign currency translation (loss)/gain attributable to non-controlling interest		<u>(21)</u>	53
<b>Other comprehensive income for the period, net of tax</b>		<u>1,589</u>	429
<b>Total comprehensive income for the period</b>		<u>9,135</u>	6,251
<b>Profit for the period is attributable to:</b>			
Non-controlling interest		1,690	139
Owners of the parent		<u>5,856</u>	5,683
		7,546	5,822
<b>Total comprehensive income for the period is attributable to:</b>			
Non-controlling interest		1,957	211
Owners of the parent		<u>7,178</u>	6,040
		9,135	6,251
<b>Earnings per share (EPS)</b>			
Basic EPS attributable to owners of the parent	13.1	41.8¢	40.6¢
Diluted EPS attributable to owners of the parent	13.1	40.6¢	40.6¢
Dividends paid and payable per share		26.0¢	25.0¢

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

## Notes to the Consolidated Statement of Comprehensive Income

<b>Note 1</b>	<b>2017</b>	<b>2016</b>
<b>Revenues and Expenses</b>	<b>\$'000</b>	<b>\$'000</b>
Revenue and expenses from continuing operations		
<b>(a) Net rental income</b>		
Rental property income	5,275	5,685
	<u>5,275</u>	<u>5,685</u>
Rental property expenses	(2,841)	(2,934)
Net rental income	<u>2,434</u>	<u>2,751</u>
<b>(b) Finance (costs)/income</b>		
Bank and other loans and overdrafts – interest	(2,670)	(3,596)
Finance charges payable under finance leases and hire purchase	(199)	(149)
Total finance costs	<u>(2,869)</u>	<u>(3,745)</u>
Bank interest received	56	73
Total finance income	<u>56</u>	<u>73</u>
<b>(c) Other income/(losses)</b>		
Profit on disposal of investment property	-	5,733
Loss on disposal of property, plant and equipment	(330)	(268)
Net loss on derivatives	(622)	(669)
Net foreign currency loss	(144)	(1,970)
Realised gains on available-for-sale investments	110	242
Other	15	21
	<u>(971)</u>	<u>3,089</u>
<b>(d) Depreciation and amortisation included in Statement of Comprehensive Income</b>		
Depreciation and amortisation included in:		
Cost of sales	4,506	4,374
Rental property expenses	591	602
Marketing and administrative expenses	209	276
	<u>5,306</u>	<u>5,252</u>
<b>(e) Lease payments included in Statement of Comprehensive Income</b>		
Included in cost of sales:		
Minimum lease payments – operating lease	3,376	2,946
Included in marketing and administrative expenses:		
Minimum lease payments – operating lease	1,428	1,346
	<u>4,804</u>	<u>4,292</u>
<b>(f) Employee benefit expense</b>		
Wages and salaries	39,106	47,692
Post employment benefit provision	9	17
Long service leave provisions	27	128
Worker's compensation costs	413	1,013
Superannuation costs	1,469	2,137
Expense of share-based payments	62	62
	<u>41,086</u>	<u>51,049</u>
<b>(g) Other expenses loss/(gain)</b>		
Increase/(decrease) of allowance for doubtful debts	190	(177)
	<u>190</u>	<u>(177)</u>

#### 4. Consolidated Statement of Financial Position as at 30 June 2017

	Note	2017 \$'000	2016 \$'000
<b>Assets</b>			
<b>Current Assets</b>			
Cash and short term deposits		11,417	7,068
Trade and other receivables		43,663	39,858
Inventories		50,382	59,754
Prepayments and deposits		2,127	1,713
		<u>107,589</u>	108,393
Non current assets classified as held for sale	14	4,254	-
<b>Total Current Assets</b>		<u><b>111,843</b></u>	<u>108,393</u>
<b>Non Current Assets</b>			
Receivables		216	-
Property, plant and equipment		37,290	46,138
Investment properties		25,406	25,177
Deferred income tax asset		2,284	1,983
Goodwill		1,299	1,299
Other financial assets		6,620	4,384
<b>Total Non Current Assets</b>		<u>73,115</u>	78,981
<b>Total Assets</b>		<u><b>184,958</b></u>	<u>187,374</u>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables		32,435	29,534
Interest bearing loans and borrowings		15,355	16,661
Income tax payable		1,361	2,762
Provisions		7,892	7,284
Derivative financial instruments		895	530
		<u>57,938</u>	56,771
Non-current liabilities classified as held for sale	14	5	-
<b>Total Current Liabilities</b>		<u><b>57,943</b></u>	<u>56,771</u>
<b>Non Current Liabilities</b>			
Interest bearing loans and borrowings		39,859	48,646
Deferred income tax liabilities		2,186	1,445
Provisions		1,265	1,325
<b>Total Non Current Liabilities</b>		<u>43,310</u>	51,416
<b>Total Liabilities</b>		<u><b>101,253</b></u>	<u>108,187</u>
<b>Net Assets</b>		<u><b>83,705</b></u>	<u>79,187</u>
<b>Equity</b>			
Equity attributable to equity holders of the parent			
Issued Capital		16,583	16,583
Reserves		4,935	3,551
Retained earnings	8	52,867	50,512
Total parent entity interest in equity		<u>74,385</u>	70,646
Minority interests		9,320	8,541
<b>Total Equity</b>		<u><b>83,705</b></u>	<u>79,187</u>

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

5. Consolidated Statement of Changes in Equity for the year ended 30 June 2017

	Attributable to Equity Holders of the Parent							Total \$'000	Non- controlling Interest \$'000	Total Equity \$'000
	Issued Capital \$'000	Retained Earnings \$'000	Asset Re- valuation \$'000	Reserves			Foreign Currency translation \$'000			
				Share Based Payment EPU's \$'000	Share Based Payment SFC Options \$'000	Net unrealised gains/ (losses) \$'000				
<b>At 1 July 2015</b>	16,583	48,330	2,585	648	115	18	(233)	68,046	8,330	76,376
Profit for the year	-	5,683	-	-	-	-	-	5,683	139	5,822
Other comprehensive income	-	-	-	-	-	93	264	357	72	429
Total comprehensive income for the year	-	5,683	-	-	-	93	264	6,040	211	6,251
<b>Transactions with owners in their capacity as owners:</b>										
Share-based payments	-	-	-	61	-	-	-	61	-	61
Equity dividends	-	(3,501)	-	-	-	-	-	(3,501)	-	(3,501)
<b>At 30 June 2016</b>	16,583	50,512	2,585	709	115	111	31	70,646	8,541	79,187
<b>At 1 July 2016</b>	16,583	50,512	2,585	709	115	111	31	70,646	8,541	79,187
Profit for the year	-	5,856	-	-	-	-	-	5,856	1,690	7,546
Other comprehensive income	-	-	-	-	-	1,420	(98)	1,322	267	1,589
Total comprehensive income for the year	-	5,856	-	-	-	1,420	(98)	7,178	1,957	9,135
<b>Transactions with owners in their capacity as owners:</b>										
Share-based payments	-	-	-	62	-	-	-	62	-	62
Equity dividends	-	(3,501)	-	-	-	-	-	(3,501)	(1,178)	(4,679)
<b>At 30 June 2017</b>	16,583	52,867	2,585	771	115	1,531	(67)	74,385	9,320	83,705

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

## 6. Consolidated Statement of Cash Flows for the year ended 30 June 2017

	Notes	2017 \$'000	2016 \$'000
<b>Cash Flows from Operating Activities</b>			
Receipts from customers		215,292	209,903
Payments to suppliers and employees		(184,674)	(197,584)
Other revenue		15	21
Interest paid		(2,869)	(2,413)
Income taxes paid		(4,204)	(49)
Goods and services tax paid		(1,316)	(1,924)
<b>Net Cash Flows From Operating Activities</b>	6.1	<b>22,244</b>	<b>7,954</b>
<b>Cash Flows from Investing Activities</b>			
Interest income		56	73
Acquisition of property, plant and equipment		(3,430)	(9,487)
Proceeds on sale of investment property		-	9,624
Proceeds on sale of property, plant and equipment		590	-
Acquisition and improvement of investment properties		(820)	(728)
Acquisition of available-for-sale investments		(250)	(1,500)
Distribution from realised gain on available-for-sale investments		302	1,050
Capital distribution from available-for-sale investment		260	-
<b>Net Cash Flows Used in Investing Activities</b>		<b>(3,292)</b>	<b>(968)</b>
<b>Cash Flows from Financing Activities</b>			
Finance lease principal payments		(2,134)	(1,640)
Dividends paid		(4,679)	(3,501)
Proceeds from borrowings		5,049	14,223
Repayment of borrowings		(13,008)	(13,528)
<b>Net Cash Flows Used in Financing Activities</b>		<b>(14,772)</b>	<b>(4,446)</b>
<b>Net Increase In Cash and Cash Equivalents</b>		<b>4,180</b>	<b>2,540</b>
Net foreign exchange differences		169	336
Cash and cash equivalents at the beginning of the period		7,068	4,192
<b>Cash and Cash Equivalents at the End of the Period</b>	6.2	<b>11,417</b>	<b>7,068</b>

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

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

	2017 \$'000	2016 \$'000
Net profit	7,546	5,822
Adjustment for:		
Depreciation and amortisation	5,306	5,252
Impairment of property, plant and equipment	2,327	-
Interest received	(56)	(73)
Share based payments expense	62	61
Profit on sale of investment properties	-	(5,733)
Loss/(profit) on disposal of property, plant & equipment	338	268
Realised gains on available-for-sale investments	(110)	(242)
Net loss/(gain) on foreign exchange	(65)	193
Changes in assets and liabilities:		
(Increase)/decrease in trade and other receivables	(4,021)	(9,629)
(Increase)/decrease in inventories	9,372	10,084
Increase/(decrease) in trade and other payables	2,734	(1,791)
Increase/(decrease) in employee entitlement provisions	553	446
Increase/(decrease) in income tax payable	(1,401)	2,746
Increase/(decrease) in deferred tax liability	9	(23)
(Increase)/decrease in deferred tax asset	(301)	(1,205)
(Increase)/decrease in prepayments	(414)	(75)
(Increase)/decrease in derivatives	365	1,853
<b>Net cash flows from operating activities</b>	<b>22,244</b>	<b>7,954</b>

## 6.2 Reconciliation of cash

Reconciliation of cash at the end of the period (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

Cash on hand and at bank	11,417	7,068
<b>Total cash at end of period</b>	<b>11,417</b>	<b>7,068</b>

### **6.3 Non-cash financing and investing activities**

Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows are as follows.

\$Nil (2016 - \$94,000) for plant acquired under finance lease.

### **6.4 Financing facilities available**

The consolidated entity had financing facilities available at balance date to the extent of \$78,239,000 (2016 - \$82,886,000). The unutilised facility for the consolidated entity at balance date was \$15,363,000 (2016 - \$11,205,000).

### **6.5 Controlled gained/lost over entities having material effect**

N/A

## **7. Dividends**

Date the dividend is payable

**15 September 2017**

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 CHESSE approved).

**1 September 2017**

If it is a final dividend, has it been declared?

**YES**

## 7.1 Amount per security

	Amount per security	Franked amount per security at 30% tax
<b>Final dividend:</b>		
Current year	14¢	14¢
Previous year	13¢	13¢
<b>Final special dividend:</b>		
Current year	-	-
Previous year	-	-
<b>Interim dividend:</b>		
Current year	12¢	12¢
Previous year	12¢	12¢
<b>Interim special dividend:</b>		
Current year	-	-
Previous year	-	-

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

	Current year	Previous year
Ordinary securities	26¢	25¢
Preference securities	-	-

## 7.3 Preliminary final report – dividend on all securities

	Current period \$'000	Previous corresponding period \$'000
Ordinary securities - Final	1,961	1,821
- Interim	1,680	1,680
Preference securities	-	-
Other equity instruments	-	-
<b>Total</b>	<b>3,641</b>	<b>3,501</b>

## 8. Dividend plan

The company does not have a dividend reinvestment plan.

## 9. Consolidated retained profits

	Current period \$'000	Previous corresponding period \$'000
Retained profits at the beginning of the financial period	50,512	48,330
Net profit attributable to members	5,856	5,683
Dividends and other equity distributions paid or payable	(3,501)	(3,501)
<b>Retained profits at end of financial period</b>	<b>52,867</b>	50,512

## 10. NTA backing

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	\$5.22	\$4.95

## 11. Other significant information

All other significant information is disclosed in this Appendix 4E, the attached press release and letter to shareholders.

## 12. Foreign entities

For foreign entities, which set of accounting standards is used in compiling the report (e.g. International Accounting Standards).

International Financial Reporting Standards (IFRS).
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### 13. Commentary on results

For a commentary on the results see the attached press release.

#### 13.1 Earnings per security (EPS)

Details of basic and diluted EPS reported separately in accordance with AASB 133: <i>Earnings Per Share</i> are as follows.	Current year	Previous corresponding year
	\$'000	\$'000
The following reflects the income and share data used in the calculation of basic and diluted EPS:		
Basic Earnings from continuing operations	5,856	5,683
Diluted Earnings from continuing operations	5,856	5,683
	<u>Number</u>	<u>Number</u>
Weighted average number of ordinary shares used in the calculation of basic EPS	14,005,373	14,005,373
Weighted average number of ordinary shares used in the calculation of diluted EPS	14,427,617	14,005,373
Basic EPS	41.8¢	40.6¢
Diluted EPS	40.6¢	40.6¢

#### 14.2 Segment Reporting

See attached.

### 14. Non current assets/liabilities held for sale

	Consolidated	
	2017	2016
	\$'000	\$'000
Assets		
Property, plant and equipment	4,254	-
Liabilities		
Provisions	5	-

Refer to note 15.

## 15. Significant events after balance date

On 15 August 2017, the Group completed the sale of its limestone quarry tenements and the property, plant, equipment and inventory associated with the production of the Group's limestone products for \$5 million. This sale supported a non-cash pre-tax impairment of the combined value of these assets at 30 June 2017 of approximately \$2.3 million.

The company will pay a fully franked final dividend of 14¢ per share on 15 September 2017.

## 16. Status of audit or review

This report is based on accounts to which one of the following applies.

- |                                     |  |                          |  |
|-------------------------------------|--|--------------------------|--|
| <input type="checkbox"/>            | The accounts have been audited.  | <input type="checkbox"/> | The accounts have been subject to review.                  |
| <input checked="" type="checkbox"/> | The accounts are in the process of being audited or subject to review. | <input type="checkbox"/> | The accounts have <i>not</i> yet been audited or reviewed. |

## 17. Dispute or qualification – accounts not yet audited or subject to review

If the accounts have not yet been audited or subject to review and are likely to be subject to dispute or qualification, a description of the likely dispute or qualification.

N/A

## 18. Dispute or qualification – accounts audited or subject to review

If the accounts have been audited or subject to review and are subject to dispute or qualification, a description of the dispute or qualification.

N/A

**19. Non-IFRS financial information**

<b>Non-recurring items</b>	<b>2017 \$'000</b>	<b>2016 \$'000</b>
Asset impairment – Building Materials	<b>2,327</b>	-
<b>Other non-recurring items</b>		
Redundancy payments – Automotive Leather	<b>826</b>	1,106
New facility start-up costs – Automotive Leather	-	1,084
Asset disposals and write-downs – Automotive Leather	<b>77</b>	268
Redundancy payments – Building Materials	<b>348</b>	238
<b>Total other non-recurring items</b>	<b>1,251</b>	2,696
<b>Total non-recurring items</b>	<b>3,578</b>	2,696

If the accounts have been audited or subject to review and are subject to dispute or qualification, a description of the dispute or qualification.

  
 Sign here: ..... Date: 16 AUGUST 2017  
 Company Secretary

Print Name: JASON MARK CANTWELL

Schedule Accompanying Appendix 4E Preliminary Final Report  
Schaffer Corporation Limited  
(ACN 008 675 689)  
For the Year Ended 30 June 2017

Notes	Automotive Leather		Building Materials		Investment Property		Gosh Capital		Consolidated	
	2017 \$'000	2016 \$'000								
<b>Revenue from external customers</b>	<b>170,906</b>	155,143	<b>37,987</b>	51,822	<b>4,719</b>	5,433	<b>1,352</b>	1,194	<b>214,964</b>	213,592
Unallocated interest and dividend revenue									<b>10</b>	5
<b>Total revenue</b>									<b>214,974</b>	213,597
Earnings before non-recurring items	<b>16,028</b>	4,832	<b>(16)</b>	2,897	<b>1,870</b>	8,050	<b>903</b>	958	<b>18,785</b>	16,737
Asset impairment	19	-	<b>(2,327)</b>	-	-	-	-	-	<b>(2,327)</b>	-
Other non-recurring items	19	<b>(903)</b>	<b>(2,458)</b>	<b>(348)</b>	<b>(238)</b>	-	-	-	<b>(1,251)</b>	<b>(2,696)</b>
Segment Earnings	<b>15,125</b>	2,374	<b>(2,691)</b>	2,659	<b>1,870</b>	8,050	<b>903</b>	958	<b>15,207</b>	14,041
Unallocated items:										
Finance income and dividends									<b>9</b>	5
Finance costs									<b>(2,869)</b>	<b>(3,745)</b>
Corporate overheads									<b>(2,290)</b>	<b>(2,759)</b>
Operating profit before income tax									<b>10,057</b>	7,542
Income tax expense									<b>(2,511)</b>	<b>(1,720)</b>
Net profit after tax									<b>7,546</b>	5,822
	<b>2017 \$'000</b>	2016 \$'000								
Segment Assets	<b>107,227</b>	108,571	<b>41,029</b>	45,729	<b>15,929</b>	15,421	<b>18,839</b>	16,162	<b>183,024</b>	185,883
Unallocated items:										
Cash									<b>27</b>	104
Property, plant and equipment									<b>730</b>	751
Prepayments									<b>10</b>	6
Receivables									<b>499</b>	-
Deferred income tax assets									<b>668</b>	630
Total segment assets									<b>184,958</b>	187,374