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 2017**
	Previous corresponding period
	31 DECEMBER 2016

For announcement to the market

				$'000
Revenues from continuing operations	Up	33%	to	116,290
Net profit for the period attributable to members (statutory profit)	Up	374%	to	11,249
Underlying profit for the period attributable to members[1]	Up	242%	to	10,150

[1] Underlying profit is profit after tax before significant items attributable to members. Underlying profit is non-IFRS financial information. Refer to page 19 of the December 2017 Investor Presentation for a reconciliation of Statutory Profit to Underlying Profit.

DIVIDENDS	Amount per security	Franked amount per security
Final dividend	-	-
Interim period	15¢	15¢
Date the dividend is payable	16 March 2018	
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)	9 March 2018	

NET TANGIBLE ASSET BACKING		
Consolidated Entity	**2017**	**2016**
Net tangible assets $'000	**81,311**	70,139
Fully paid ordinary shares on issue at balance date	**14,005,373**	14,005,373
Net tangible asset backing per issued ordinary share as at balance date	**$5.81**	$5.01

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 2017

FINANCIAL REPORT

For the Half-Year Ended 31 December 2017

SCHAFFER CORPORATION LIMITED HALF-YEAR FINANCIAL REPORT

DIRECTORS' REPORT

Your Directors submit their report for the half-year ended 31 December 2017 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 AM **B. Com (Hons.) FCPA** Managing Director Executive Director since 06/09/1972	Mr John Schaffer AM 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 50 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 – 28/02/2015
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 – 17/03/2017

Directors were in office for the entire period unless otherwise stated.

ATTENDANCE AT BOARD MEETINGS

During the half-year four Directors' meetings were held. The number of meetings attended by each Director is as follows:

	Meetings eligible to attend	Meetings attended
J M Schaffer	4	4
D E Blain	4	4
D J Schwartz	4	4
A K Mayer	4	4
M D Perrott	4	4

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 from continuing operations increased by 33% from $87,404,000 for the comparative period to $116,290,000 this half-year.

The net after tax consolidated profit attributable to members of the parent entity increased by 374% from $2,372,000 for the comparative period to $11,249,000.

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 Corporations (Rounding in Financial/Directors' Report) Instrument 2016/191. The company is an entity to which this Legislative Instrument applies.

AUDITOR'S INDEPENDENCE DECLARATION

We have obtained an independence declaration from our auditors, Ernst & Young, as presented on page 23 of this half-year financial report.

Signed in accordance with a resolution of the Directors.

John Schaffer
Managing Director

Perth, 21 February 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	Note	**Dec 2017 $'000**	Dec 2016 $'000
Revenue from continuing operations			
Sale of goods		**105,385**	74,915
Construction services		**8,240**	9,833
Rental income	3(a)	**2,609**	2,631
Finance income	3(b)	**56**	25
Total revenue		**116,290**	87,404
Cost of sales and services rendered		**(85,939)**	(76,132)
Gross profit		**30,351**	11,272
Impairment of property, plant & equipment	9	**(4,500)**	-
Other losses	3(c)	**(548)**	(671)
Marketing expenses		**(303)**	(290)
Administrative expenses		**(10,545)**	(6,493)
Profit before tax and finance costs		**14,455**	3,818
Finance costs	3(b)	**(1,172)**	(1,475)
Profit before income tax from continuing operations		**13,283**	2,343
Income tax expense	10	**(4,048)**	(181)
Profit after income tax from continuing operations		**9,235**	2,162
Profit after tax from discontinued operations	8(c)	**4,255**	564
Net profit for the period		**13,490**	2,726
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Net fair value gains on available-for-sale financial assets		**1,132**	275
Income tax on items of other comprehensive income		**(384)**	(93)
		748	182
Foreign currency translation gain attributable to parent		**42**	28
		790	210
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		**152**	37
Foreign currency translation gain attributable to non-controlling interest		**8**	6
Other comprehensive income for the period net of tax		**950**	253
Total comprehensive income for the period		**14,440**	2,979
Profit for the period is attributable to:			
Non-controlling interest		**2,241**	354
Owners of the parent		**11,249**	2,372
		13,490	2,726
Total comprehensive income for the period is attributable to:			
Non-controlling interest		**2,401**	396
Owners of the parent		**12,039**	2,583
		14,440	2,979
Earnings per share (EPS)			
Basic EPS	17	**80.3¢**	16.9¢
Diluted EPS	17	**80.3¢**	16.9¢

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Note	**Dec 2017 $'000**	Jun 2017 $'000
Assets			
Current Assets			
Cash and cash equivalents	4	**28,602**	11,417
Trade and other receivables		**36,971**	43,663
Inventories		**42,650**	50,382
Other financial assets	5	**8,515**	-
Prepayments and deposits		**2,703**	2,127
		119,441	107,589
Non-current assets classed as held for sale		**-**	4,254
Total Current Assets		**119,441**	111,843
Non Current Assets			
Receivables		**108**	216
Property, plant and equipment	8	**28,793**	37,290
Investment properties	12	**25,513**	25,406
Deferred income tax asset		**5,816**	2,284
Goodwill	13	**1,299**	1,299
Other financial assets	14	**8,997**	6,620
Total Non-Current Assets		**70,526**	73,115
Total Assets		**189,967**	184,958
Liabilities			
Current Liabilities			
Trade and other payables		**28,664**	32,435
Interest bearing loans and borrowings	6	**10,133**	15,355
Income tax payable		**5,646**	1,361
Provisions	7	**9,518**	7,892
Derivative financial instruments	14	**805**	895
		54,766	57,938
Non-current liabilities classified as held for sale		**-**	5
Total Current Liabilities		**54,766**	57,943
Non Current Liabilities			
Interest bearing loans and borrowings	6	**34,374**	39,859
Deferred income tax liabilities		**2,586**	2,186
Provisions	7	**4,760**	1,265
Total Non Current Liabilities		**41,720**	43,310
Total Liabilities		**96,486**	101,253
Net Assets		**93,481**	83,705
Equity			
Equity attributable to equity holders of the parent			
Issued capital	15	**16,583**	16,583
Reserves		**3,872**	4,935
Retained earnings	16	**62,155**	52,867
Total parent entity interest in equity		**82,610**	74,385
Non-controlling interests		**10,871**	9,320
Total Equity		**93,481**	83,705

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 2017

	Attributable to Equity Holders of the Parent									
	Issued Capital	Retained Earnings	Reserves					Total		
	$'000	$'000	Asset re-valuation $'000	Share based payment EPU's $'000	Share based payment SFC options $'000	Net unrealised gains/ (losses) $'000	Foreign currency translation $'000	$'000	Non-controlling interest $'000	Total equity $'000
At 1 July 2016	16,583	50,512	2,585	709	115	111	31	70,646	8,541	79,187
Profit for the half-year	-	2,372	-	-	-	-	-	2,372	354	2,726
Other comprehensive income	-	-	-	-	-	182	28	210	43	253
Total comprehensive income for the half-year	-	2,372	-	-	-	182	28	2,582	397	2,979
Transactions with owners in their capacity as owners:										
Share-based payments	-	-	-	31	-	-	-	31	-	31
Equity dividends	-	(1,821)	-	-	-	-	-	(1,821)	-	(1,821)
At 31 December 2016	16,583	51,063	2,585	740	115	293	59	71,438	8,938	80,376
At 1 July 2017	**16,583**	**52,867**	**2,585**	**771**	**115**	**1,531**	**(67)**	**74,385**	**9,320**	**83,705**
Profit for the half-year	**-**	**11,249**	**-**	**-**	**-**	**-**	**-**	**11,249**	**2,241**	**13,490**
Other comprehensive income	**-**	**-**	**-**	**-**	**-**	**748**	**42**	**790**	**160**	**950**
Total comprehensive income for the half-year	**-**	**11,249**	**-**	**-**	**-**	**748**	**42**	**12,039**	**2,401**	**14,440**
Transactions with owners in their capacity as owners:										
Share-based payments	**-**	**-**	**-**	**23**	**-**	**-**	**-**	**23**	**-**	**23**
Change in estimated settlement of EPUs (note 7)	**-**	**-**	**-**	**(1,876)**	**-**	**-**	**-**	**(1,876)**	**(194)**	**(2,070)**
Equity dividends	**-**	**(1,961)**	**-**	**-**	**-**	**-**	**-**	**(1,961)**	**(656)**	**(2,617)**
At 31 December 2017	**16,583**	**62,155**	**2,585**	**(1,082)**	**115**	**2,279**	**(25)**	**82,610**	**10,871**	**93,481**

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 2017

	Note	Dec 2017 $'000	Dec 2016 $'000
Cash Flows From Operating Activities			
Receipts from customers		**134,333**	112,429
Payments to suppliers and employees		**(104,902)**	(93,080)
Other revenue received		**2**	22
Interest paid		**(718)**	(1,480)
Income taxes paid		**(2,978)**	(1,514)
Goods and services tax paid		**(1,054)**	(787)
Net Cash Flows From Operating Activities		**24,683**	15,590
Cash Flows From Investing Activities			
Interest income		**72**	28
Net proceeds on sale of building materials businesses and assets	8(a)	**17,377**	-
Investment in term deposits		**(8,515)**	-
Acquisition of property, plant and equipment		**(1,833)**	(2,307)
Proceeds on sale of property, plant and equipment		**5**	74
Acquisition/improvements to investment properties		**(388)**	(353)
Acquisition of available-for-sale investments		**(1,094)**	-
Distribution from realised gain on available-for-sale investments		**-**	270
Net Cash Flows Used In Investing Activities		**5,624**	(2,288)
Cash Flows From Financing Activities			
Finance lease principal payments		**(877)**	(1,049)
Dividends paid	11(a)	**(2,617)**	(1,821)
Proceeds from borrowings		**5,373**	6,397
Repayment of borrowings		**(15,203)**	(4,549)
Net Cash Flows Used In Financing Activities		**(13,324)**	(1,022)
Net Increase In Cash and Cash Equivalents		**16,983**	12,280
Net foreign exchange differences		**202**	70
Cash and cash equivalents at the beginning of the period		**11,417**	7,068
Cash and Cash Equivalents at the End of the Period	4(a)	**28,602**	19,418

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 2017

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 2017 was authorised for issue in accordance with a resolution of the Directors on 21 February 2018. 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 2017 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 2017 and considered together with any public announcements made by Schaffer Corporation Limited during the half-year ended 31 December 2017 in accordance with the continuous disclosure obligations of the ASX listing rules.

Except as disclosed below, the accounting policies 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 2017. In addition the Group adopted all new and revised accounting standards and interpretations that were effective 1 July 2017.

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 from continuing operations includes the following revenues and expenses where disclosure is relevant in explaining the performance of the Group:

	CONSOLIDATED	
	Dec 2017 $'000	Dec 2016 $'000
(a) Net rental income		
Rental property income	**2,609**	2,631
Rental property expenses	**(1,319)**	(1,333)
Net rental income	**1,290**	1,298
(b) Finance costs		
Bank and other loans and overdrafts - interest	**(1,093)**	(1,407)
	(79)	(73)
Total finance costs	**(1,172)**	(1,480)
Bank interest received	**56**	25
Total finance income	**56**	25
(c) Other (losses)/income		
Gain on sale of property, plant & equipment	**2**	46
Net (loss)/gain on derivatives	**(1,361)**	317
Net foreign currency gain/(loss)	**811**	(1,130)
Realised gains on available-for-sale investments	**-**	95
Other	**-**	22
	(548)	(650)
(d) Depreciation and amortisation included in Statement of Comprehensive Income		
Depreciation and amortisation included in:		
Cost of sales	**2,254**	2,220
Rental property expenses	**281**	295
Marketing and administrative expenses	**45**	111
	2,580	2,626
(e) Lease payments included in Statement of Comprehensive Income		
Minimum lease payments – operating lease included in:		
Cost of sales	**1,792**	1,569
Marketing and administrative expenses	**587**	713
	2,379	2,282

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

	CONSOLIDATED	
	Dec 2017	Dec 2016
	$'000	$'000
(f) Employee benefit expense		
Wages, salaries and bonuses	**22,756**	18,092
Post-employment benefit provision	**2,618**	9
Long service leave provisions	**(169)**	(156)
Worker's compensation costs	**175**	168
Superannuation costs	**524**	624
Expense of share-based payments	**23**	31
	25,927	18,768

	Dec 2017	Dec 2016
(g) Other expenses		
Allowance for doubtful debts	**275**	110

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 2017	Dec 2016
	$'000	$'000
Cash at bank and in hand	**24,602**	19,418
Short term deposits (under 3 months to maturity)	**4,000**	-
	28,602	19,418

(b) Non-cash financing and investing activities

There were no non-cash financing or investing activities in the current or prior period.

(c) Financing facilities available

At balance date the Group has bank facilities available to the extent of $60,671,000, (June 2017: $78,239,000). The value of unutilised facilities for the Group at balance date was $9,635,000 (June 2017: $15,363,000).

5. OTHER FINANCIAL ASSETS - CURRENT

	CONSOLIDATED	
	Dec 2017	Jun 2017
	$'000	$'000
Held-to-maturity investments at fair value		
Investments in term deposits - current	**8,515**	-
	8,515	-

6. INTEREST BEARING LOANS AND BORROWINGS

	CONSOLIDATED	
	Dec 2017	Jun 2017
	$'000	$'000
Interest bearing loans and borrowings - current	**10,133**	15,355
Interest bearing loans and borrowings - non-current	**34,374**	39,859
	44,507	55,214

During the half-year to 31 December 2017, the Group paid the remaining $10,000,000 principal balance outstanding on the loan agreement between the Government of Australia, Howe Automotive Limited and Howe & Company Pty Ltd. The loan was subject to an interest rate 425 basis points above the indicator rate for 10-year Commonwealth bonds. The last $2,500,000 annual instalment was due 1 February 2022.

7. PROVISIONS

	CONSOLIDATED	
	Dec 2017	Jun 17
	$'000	$'000
Provisions - current	**9,518**	7,812
Provisions - non-current	**4,760**	1,265
	14,278	9,077

During the half-year the Company changed its accounting for employee participation units (EPUs).

A controlled entity, Howe Automotive Limited (Howe), may grant EPUs in accordance with its Employee Incentive Plan adopted by Howe shareholders on 20 December 2001.

An EPU provides an employee with a right on termination of employment under certain conditions and in certain other circumstances to receive a cash payment from Howe. Schaffer Corporation Limited (SFC) has the option to compel the employee to use the whole or part of that cash payment to subscribe for SFC shares.

Prior to the change, the cost of these SFC equity-settled transactions with employees was measured by reference to the fair value at the date at which they are granted. The fair value was determined using a binominal model. In valuing the equity-settled transactions, no account was taken of any performance conditions, other than conditions linked to the price of the SFC shares (market conditions).

The cost of equity-settled transactions was recognised, together with a corresponding increase in equity, over the period in which the performance conditions were fulfilled, ending on the date on which the relevant employees become fully entitled to the award (vesting date).

The cumulative expense recognised for SFC equity-settled transactions at each reporting date until vesting date reflected (i) the extent to which the vesting period has expired and (ii) the Group's best estimate of the number of equity instruments that will ultimately vest. No adjustment was made for the likelihood of market performance conditions being met as the effect of these conditions was included in the determination of fair value at grant date. The Consolidated Statement of Comprehensive Income charge or credit for a period represented the movement in cumulative expense recognised as at the beginning and end of that period.

On 1 November 2017, a change in accounting was implemented based on the higher probability that in the future SFC would not equity settle these transactions by compelling employees to use the whole or part of the cash payment received on termination to subscribe for SFC shares. However, this accounting judgment does not limit the existing option for SFC to compel employees in the future to use the whole or part of the cash payment to subscribe for SFC shares.

7. PROVISIONS (continued)

Immediately following the accounting change, the Consolidated Entity recorded a provision for EPU entitlements calculated using estimates of the probable future EPU cash payments for issued EPUs discounted based on the estimated period until payment using a risk-free rate of return. The amount estimated for EPU cash payments is calculated in accordance with an equity valuation formula based on the three-year average, including one full year following termination, of 5.5 times Howe Automotive Limited's estimated earnings before interest and tax minus debt.

The change in accounting is applied prospectively. On the date SFC changed its estimated settlement method for these EPU's, the provision for employee entitlement was recorded and equity attributable to the holders of the parent was decreased through the share-based payments reserve.

After initial recognition, changes in the valuation of the provision for EPU entitlements are recorded in the profit or loss for the period. The increase to the provision from 1 November 2017 to 31 December 2017 was $2,600,000.

8. DISCONTINUED OPERATIONS

During the financial period the Building Products division was sold in two transactions. The limestone quarry tenements and production assets on 15 August 2017 and the Urbanstone paving, masonry and natural stone manufacturing and distribution business on 22 November 2017. In accordance with *AASB 5 - Non-current Assets Held for Sale and Discontinued Operations*, the financial results of the Building Products division sold during the half-year have been classified as "discontinued operations".

(a) Proceeds on sale of Building Products division

	Limestone quarry assets	**Urbanstone business**	**Total**
	$000's	$000's	**$000's**
Proceeds on sale	4,883	13,318	**18,201**
Costs incurred	(33)	(791)	**(824)**
Net proceeds on sale	4,850	12,527	**17,377**

(b) Profit on sale of Building Products division

	Limestone quarry assets	**Urbanstone business**	**Total**
Assets sold:			
Leasehold land	875	-	**875**
Leasehold quarries	2,920	-	**2,920**
Leasehold improvements	170	2	**172**
Plant and equipment	397	3,813	**4,210**
Total property, plant and equipment	4,362	3,815	**8,177**
Inventory	644	4,926	**5,570**
Prepayments	24	62	**86**
Sundry debtors (supplier deposits paid)	-	259	**259**
Total assets sold	5,030	9,062	**14,092**
Employee entitlements transferred to purchaser	(167)	(993)	**(1,160)**
Creditors (customer deposits received)	-	(592)	**(592)**
Net assets sold	4,863	7,477	**12,340**
Net proceeds on sale	4,850	12,527	**17,377**
Less net assets sold	(4,863)	(7,477)	**(12,340)**
(Loss)/profit on sale	(13)	5,050	**5,037**
Tax expense			**(644)**
Profit on sale after tax			**4,393**

8. DISCONTINUED OPERATIONS (continued)

(c) Financial performance of the discontinued operations

	CONSOLIDATED	
	Dec 2017	Dec 2016
	$'000	$'000
Revenue	**8,668**	14,901
Expenses	**(8,864)**	(14,089)
Operating (loss)/income	**(196)**	812
Finance costs	**(1)**	(5)
(Loss)/profit before tax from discontinued operations before sale	**(197)**	807
Tax benefit/(expense) related to (loss)/profit before tax from discontinued operations before sale	**59**	(243)
(Loss)/profit after tax from discontinued operations before sale	**(138)**	564
After tax profit on sale (refer note 8(b))	**4,393**	-
Profit after tax from discontinued operations	**4,255**	564

(d) Net cash flows of discontinued operations

Cash flow from/(used in)		
Operating activities	**1,591**	107
Investing activities	**(78)**	(134)
Net proceeds on sale (refer note 8(a))	**17,377**	-
Net cash flow from/(used in) discontinued operations	**18,890**	(27)

(e) Discontinued operations earnings per share information

	Dec 2017	Dec 2016
Basic earnings cents per share - discontinued operations	**30.4**	4.0
Diluted earnings cents per share - discontinued operations	**30.4**	4.0

9. IMPAIRMENT OF ASSETS

The carrying values of cash generating units are reviewed for impairment at each reporting date, with recoverable amount being estimated when events or changes in circumstances indicate the carrying value may be impaired. The Delta precast cash-generating unit, included in the building material segment incurred a loss for the half-year, so an impairment assessment was conducted.

The recoverable amount of a cash generating unit is the greater of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The Delta value in use model is a 5-year model and assumes revenue growth excluding CPI of 1.8%, pre-tax discount rate of 14% (June 2017: 14%) and a termination multiple of 6 times EBITDA. An oversupply created by competitors in the West Australian precast market has intensified competition and eroded margins, so the anticipated gross margin assumption has been reduced.

An impairment exists when the carrying value of an asset or cash-generating units exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount. The outcome of the Delta impairment assessment was that the carrying value of the Delta precast cash generating unit assets exceeded the recoverable value of $11,418,000 by $4,500,000. The Delta cash-generating unit property, plant and equipment were written down by this amount at 31 December 2017.

10. INCOME TAX

The major components of income tax expense for the half-year ended 31 December 2017 and 31 December 2016 are:

	CONSOLIDATED	
Consolidated Statement of Comprehensive Income	**Dec 2017 $'000**	Dec 2016 $'000
Current income tax		
Current income tax charge	**6,776**	144
Adjustments in respect of current income tax of previous years	**486**	(545)
Deferred income tax		
Relating to origination and reversal of temporary differences	**(3,214)**	825
Total income tax expense for continuing operations	**4,048**	424
Tax benefit/(expense) applicable to discontinued operations	**585**	(243)
Total income tax expense applicable to net profit for the period	**4,633**	181
Income tax on items of other comprehensive income	**384**	93
Income tax expense reported in the Statement of Comprehensive Income	**5,017**	274

11. DIVIDENDS PAID OR PROPOSED

		CONSOLIDATED	
		Dec 2017 $'000	Dec 2016 $'000
(a)	Dividends declared and paid during the half-year on ordinary shares:		
	Final franked dividend for the financial year 30 June 2017: 14¢ (2016: 13¢)	**1,961**	1,821
	Fully franked dividends paid by the parent	**1,961**	1,821
	Dividend paid by controlling entity to minority shareholder fully franked	**656**	-
	Total fully franked dividends paid	**2,617**	1,821
(b)	Dividends proposed and not yet recognised as a liability:		
	Interim franked dividend for the half-year 31 December 2017: 15¢ (2016: 12¢)	**2,101**	1,681

12. INVESTMENT PROPERTIES

	CONSOLIDATED	
	Dec 2017 $'000	Jun 2017 $'000
Investment Properties at cost	**25,513**	25,406
(a) Movement of Investment Properties		
Balance at the beginning of the financial period	**25,406**	25,177
Improvements to wholly owned property	**33**	594
Improvements to property in which the Group is a tenant in common	**355**	226
Depreciation	**(281)**	(591)
Balance at end of the financial period	**25,513**	25,406

13. GOODWILL

	Dec 2017 $'000	Jun 2017 $'000
Goodwill at cost	**1,299**	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 historical performance and cash flow projections based on financial budgets approved by senior management.

14. FINANCIAL INSTRUMENTS

Foreign exchange contracts, available for sale investments, and interest rate swaps are carried on the balance sheet at 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
Year ended 31 December 2017				
Consolidated				
Financial Assets				
Available-for-sale Investments:				
Listed investments	3,500	-	-	3,500
Unlisted investments	-	908	4,589	5,497
	3,500	**908**	**4,589**	**8,997**
Financial Liabilities				
Derivative instruments				
Interest rate swaps	-	102	-	102
Foreign exchange contracts	-	703	-	703
	-	**805**	**-**	**805**
Year ended 30 June 2017				
Consolidated				
Financial Assets				
Available-for-sale Investments				
Listed investments	2,375	-	-	2,375
Unlisted investments	-	250	3,995	4,245
	2,375	**250**	**3,995**	**6,620**
Financial liabilities				
Derivative instruments				
Foreign exchange contracts	-	730	-	730
Interest rate swaps	-	165	-	165
	-	895	-	895

14. 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 is based on quoted market prices.

For unlisted investments using Level 2 methods of valuation, the fair value is determined based on published unit prices provided by investment managers.

For unlisted investments using Level 3 methods of valuation, 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 reassessments of fair value on other comprehensive income for the period is nil (December 2016 – decrease of $164,000).

Reconciliation of the fair value measurement of Level 3 unlisted investments

	CONSOLIDATED	
	Dec 2017 $'000	Jun 2017 $'000
Balance at the beginning of the financial period	**3,995**	3,734
Purchase of units in unlisted unit trusts	**594**	-
Profit received from disposal of trust asset	**-**	(192)
Re-measurement recognised in other comprehensive income	**-**	714
Capital distribution	**-**	(261)
Balance at the end of the financial period	**4,589**	3,995

15. CONTRIBUTED EQUITY

	CONSOLIDATED	
	Dec 2017 $'000	Jun 2017 $'000
Ordinary Shares	**16,583**	16,583

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	**14,005,373**	14,005,373
Ordinary shares on issue at the end of the financial period	**14,005,373**	14,005,373

16. CONSOLIDATED RETAINED PROFITS

	CONSOLIDATED	
	Dec 2017 $'000	Jun 2017 $'000
Retained profits at the beginning of the financial period	**52,867**	50,512
Net profit attributable to members	**11,249**	5,856
Dividends and other equity distributions paid or payable	**(1,961)**	(3,501)
Retained profits at end of financial period	**62,155**	52,867

17. 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 2017 $'000	Dec 2016 $'000
Basic Earnings	11,249	2,372
Diluted Earnings	11,249	2,372
	Number	Number
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	**14,005,373**	14,005,373

18. 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 produces and sells pre-cast and pre-stressed concrete elements.

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.

(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.

18. SEGMENT INFORMATION (continued)

The following table presents assets, revenue and profit information regarding segments for the half-year periods ended 31 December 2017 and 31 December 2016.

	Manufacturing Segments				Investment Segments					
	Automotive Leather		Building Materials		Investment Property		Gosh Capital		Consolidated	
	Dec 2017 $'000	Dec 2016 $'000	**Dec 2017 $'000**	Dec 2016 $'000	**Dec 2017 $'000**	Dec 2016 $'000	**Dec 2017 $'000**	Dec 2016 $'000	**Dec 2017 $'000**	Dec 2016 $'000
Revenue from external customers	**104,991**	77,531	**8,242**	6,822	**2,337**	2,326	**676**	719	**116,246**	87,398
Unallocated interest and dividend revenue									**44**	6
Total revenue from continuing operations									**116,290**	87,404
Underlying net profit after tax – continuing operations	**13,248**	2,361	**(554)**	232	**460**	481	**217**	219	**13,371**	3,293
Impairment of assets after tax (refer note 9)	**-**	-	**(3,150)**	-	**-**	-	**-**	-	**(3,150)**	-
Restructuring costs after tax	**(144)**	(456)	**-**	(167)	**-**	-	**-**	-	**(144)**	(623)
Profit on sale of trust assets after tax	**-**	-	**-**	-	**-**	-	**-**	56	**-**	56
Net Profit after tax – continuing operations	**13,104**	1,905	**(3,704)**	65	**460**	481	**217**	275	**10,077**	2,726
Less profit attributable to non-controlling interests	**(2,205)**	(308)	**-**	-	**-**	-	**(36)**	(46)	**(2,241)**	(354)
Profit attributable to owners of the parent	**10,899**	1,597	**(3,704)**	65	**460**	481	**181**	229	**7,836**	2,372
Unallocated items[(i)]:										
Discontinued operations (refer note 8)									**4,255**	564
Finance income and dividends									**44**	4
Finance costs									**(33)**	(92)
Corporate overheads									**(1,440)**	(1,067)
Income tax benefit									**587**	591
Net profit for the period attributable to owners of the parent									**11,249**	2,372
	Dec 2017 $'000	Jun 2017 $'000	**Dec 2017 $'000**	Jun 2017 $'000	**Dec 2017 $'000**	Jun 2017 $'000	**Dec 2017 $'000**	Jun 2017 $'000	**Dec 2017 $'000**	Jun 2017 $'000
Segment Assets	**114,602**	107,227	**20,933**	41,029	**15,940**	15,929	**20,532**	18,839	**172,007**	183,024
Unallocated items[(i)]:										
Cash									**6,979**	27
Other financial assets – term deposits									**8,515**	-
Property, plant and equipment									**769**	730
Prepayments									**81**	10
Receivables									**24**	499
Deferred income tax assets									**1,592**	668
Total segment assets									**189,967**	184,958

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

19. COMMITMENT AND CONTINGENT LIABILITIES

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

20. SUBSEQUENT EVENTS

Subsequent to the end of the half-year the Group declared a dividend of 15¢ per share totalling $2,101,000 payable on 16 March 2018.

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.

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 2017 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 AM
Managing Director

Perth, 21 February 2018

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Auditor's independence declaration to the directors of Schaffer Corporation Limited

As lead auditor for the review of Schaffer Corporation Limited for the half-year ended 31 December 2017, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Schaffer Corporation Limited and the entities it controlled during the financial period.

Ernst & Young

Ernst & Young

Teale

Philip Teale
Partner
21 February 2018

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Independent auditor's review report to the members of Schaffer Corporation Limited.

Report on the half-year financial report

Conclusion

We have reviewed the accompanying half-year financial report of Schaffer Corporation Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated 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.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2017 and of its consolidated financial 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*.

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 control as the directors determine is 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, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2017 and its consolidated financial 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 the Group, 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*.

Ernst & Young

Philip Teale
Partner
Perth
21 February 2018