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 2018**
	Previous corresponding period
	31 DECEMBER 2017

For announcement to the market

				$'000
Revenues from continuing operations	Down	8%	to	106,447
Net profit for the period attributable to members (statutory profit)	Up	13%	to	12,674
Underlying profit for the period attributable to members[1]	Up	26%	to	12,765

[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 2018 Investor Presentation for a reconciliation of Statutory Profit to Underlying Profit.

DIVIDENDS	Amount per security	Franked amount per security
Final dividend	-	-
Interim period	30¢	30¢
Date the dividend is payable	15 March 2019	
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)	8 March 2019	

NET TANGIBLE ASSET BACKING		
Consolidated Entity	**2018**	**2017**
Net tangible assets $'000	**98,556**	81,311
Fully paid ordinary shares on issue at balance date	**13,835,596**	14,005,373
Net tangible asset backing per issued ordinary share as at balance date	**$7.12**	$5.81

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 2018

FINANCIAL REPORT

For the Half-Year Ended 31 December 2018

SCHAFFER CORPORATION LIMITED HALF-YEAR FINANCIAL REPORT

DIRECTORS' REPORT

Your Directors submit their report for the half-year ended 31 December 2018 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 AM **BA** Non-executive Director Appointed 05/06/1987	Mrs Danielle Blain AM 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 several 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 25 years' experience negotiating acquisitions and overseeing the development of property. Over the past 40 years, Mr Schwartz has been involved in many different businesses including retail, manufacturing and distribution.
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 has over 35 years' experience in the construction and contracting industry. During the past 3 years, Mr Perrott has also served as a Director of the following other listed company: 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 decreased by 8% from $116,290,000 for the comparative period to $106,447,000 this half-year.

The net after tax consolidated profit attributable to members of the parent entity increased by 13% from $11,249,000 for the comparative period to $12,674,000.

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 25 of this half-year financial report.

Signed in accordance with a resolution of the Directors.

John Schaffer
Managing Director

Perth, 20 February 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	Note	**Dec 2018 $'000**	Dec 2017 $'000
Revenue from continuing operations			
Revenue from contracts with customers	3	**103,039**	113,625
Rental income	4(a)	**2,825**	2,484
Finance income	4(b)	**311**	56
Distribution from managed funds		**132**	-
Distribution from property trusts		**140**	125
Total revenue		**106,447**	116,290
Cost of sales and services rendered		**(75,202)**	(85,939)
Gross profit		**31,245**	30,351
Impairment of property, plant & equipment		**-**	(4,500)
Other income/(losses)	4(c)	**578**	(548)
Marketing expenses		**(307)**	(303)
Administrative expenses		**(9,654)**	(10,545)
Profit before tax and finance costs		**21,862**	14,455
Finance costs	4(b)	**(1,092)**	(1,172)
Profit before income tax from continuing operations		**20,770**	13,283
Income tax expense		**(5,523)**	(4,048)
Profit after income tax from continuing operations		**15,247**	9,235
Profit after tax from discontinued operations		**-**	4,255
Net profit for the period		**15,247**	13,490
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
Income tax on items of other comprehensive income		**-**	(384)
		-	748
Foreign currency translation gain attributable to parent		**608**	42
		608	790
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
Foreign currency translation gain attributable to non-controlling interest		**95**	8
Other comprehensive income for the period net of tax		**703**	950
Total comprehensive income for the period		**15,950**	14,440
Profit for the period is attributable to:			
Non-controlling interest		**2,573**	2,241
Owners of the parent		**12,674**	11,249
		15,247	13,490
Total comprehensive income for the period is attributable to:			
Non-controlling interest		**2,668**	2,401
Owners of the parent		**13,282**	12,039
		15,950	14,440
Earnings per share (EPS)			
Basic EPS		**91.6¢**	80.3¢
Diluted EPS		**90.8¢**	80.3¢

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note	Dec 2018 $'000	Jun 2018 $'000
Assets			
Current Assets			
Cash and cash equivalents	5	**24,477**	25,938
Trade and other receivables		**37,258**	42,762
Inventories		**38,906**	39,604
Contract assets		**1,300**	-
Prepayments and deposits		**4,083**	2,065
Derivative financial instruments		**427**	1,413
Other financial assets	6	**10,515**	6,000
Total Current Assets		**116,966**	117,782
Non-Current Assets			
Property, plant and equipment		**28,951**	27,645
Investment properties	11	**28,454**	28,678
Deferred income tax asset		**6,854**	6,076
Goodwill	12	**1,299**	1,299
Other financial assets	13	**24,952**	13,733
Total Non-Current Assets		**90,510**	77,431
Total Assets		**207,476**	195,213
Liabilities			
Current Liabilities			
Trade and other payables		**24,608**	28,894
Contract liabilities		**49**	-
Interest bearing loans and borrowings	7	**10,644**	2,356
Income tax payable		**4,609**	9,992
Provisions	8	**7,485**	10,600
Derivative financial instruments	13	**98**	46
Total Current Liabilities		**47,493**	51,888
Non-Current Liabilities			
Interest bearing loans and borrowings	7	**38,555**	30,894
Deferred income tax liabilities		**2,452**	2,390
Provisions	8	**9,278**	7,455
Total Non-Current Liabilities		**50,285**	40,739
Total Liabilities		**97,778**	92,627
Net Assets		**109,698**	102,586
Equity			
Equity attributable to equity holders of the parent			
Issued capital	14	**14,370**	14,540
Reserves		**2,919**	4,221
Retained earnings	15	**82,566**	72,101
Total parent entity interest in equity		**99,855**	90,862
Non-controlling interests		**9,843**	11,724
Total Equity		**109,698**	102,586

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 2018

	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 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	-	-	-	(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
At 1 July 2018	**14,540**	**72,101**	**2,585**	**(1,082)**	**132**	**1,942**	**644**	**90,862**	**11,724**	**102,586**
Reclassification on adoption of AASB 9	-	**1,942**	**-**	**-**	**-**	**(1,942)**	**-**	**-**	**-**	**-**
As at 1 July 2018 (restated)	**14,540**	**74,043**	**2,585**	**(1,082)**	**132**	**-**	**644**	**90,862**	**11,724**	**102,586**
Profit for the half-year	**-**	**12,674**	**-**	**-**	**-**	**-**	**-**	**12,674**	**2,573**	**15,247**
Other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**608**	**608**	**95**	**703**
Total comprehensive income for the half-year	**-**	**12,674**	**-**	**-**	**-**	**-**	**608**	**13,282**	**2,668**	**15,950**
Transactions with owners in their capacity as owners:										
Shares acquired under buy-back scheme	**(302)**	**-**	**-**	**-**	**-**	**-**	**-**	**(302)**	**-**	**(302)**
Employee share options exercised	**132**	**-**	**-**	**-**	**-**	**-**	**-**	**132**	-	**132**
Share-based payments	**-**	**-**	**-**	**-**	**32**	**-**	**-**	**32**	**-**	**32**
Equity dividends	**-**	**(4,151)**	**-**	**-**	**-**	**-**	**-**	**(4,151)**	**(4,549)**	**(8,700)**
At 31 December 2018	**14,370**	**82,566**	**2,585**	**(1,082)**	**164**	**-**	**1,252**	**99,855**	**9,843**	**109,698**

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 2018

	Note	**Dec 2018 $'000**	Dec 2017 $'000
Cash Flows From Operating Activities			
Receipts from customers		**111,618**	134,208
Payments to suppliers and employees		**(91,202)**	(104,902)
Other revenue received		**18**	2
Distributions from property trusts		**140**	125
Interest paid		**(1,091)**	(718)
Income taxes paid		**(11,622)**	(2,978)
Goods and services tax paid		**(153)**	(1,054)
Net Cash Flows From Operating Activities		**7,708**	24,683
Cash Flows From Investing Activities			
Interest income		**313**	72
Net proceeds on sale of building materials businesses and assets		**-**	17,377
Investment in term deposits		**(2,515)**	(8,515)
Acquisition of property, plant and equipment		**(2,924)**	(1,833)
Proceeds on sale of property, plant and equipment		**258**	5
Acquisition/improvements to investment properties		**(129)**	(388)
Acquisition of unlisted loan trust investments		**(2,690)**	-
Acquisition of available-for-sale investments		**-**	(1,094)
Acquisition of financial assets at fair value through profit or loss		**(11,044)**	-
Distribution from realised gain on fair value through profit or loss investments		**1,300**	-
Net Cash Flows (Used In)/From Investing Activities		**(17,431)**	5,624
Cash Flows From Financing Activities			
Finance lease principal payments		**(1,135)**	(877)
Dividends paid	10(a)	**(8,220)**	(2,617)
Proceeds from borrowings		**17,698**	5,373
Repayment of borrowings		**(614)**	(15,203)
Proceeds from exercise of employee share options		**132**	-
Shares acquired under share buy-back scheme		**(302)**	-
Net Cash Flows From/(Used In) Financing Activities		**7,559**	(13,324)
Net (Decrease)/Increase In Cash and Cash Equivalents		**(2,164)**	16,983
Net foreign exchange differences		**703**	202
Cash and cash equivalents at the beginning of the period		**25,938**	11,417
Cash and Cash Equivalents at the End of the Period	5(a)	**24,477**	28,602

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 2018

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 2018 was authorised for issue in accordance with a resolution of the Directors on 19 February 2019. 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 2018 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 2018 and considered together with any public announcements made by Schaffer Corporation Limited during the half-year ended 31 December 2018 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 2018, except as noted below.

The Group adopted all the new standards and interpretations that were effective 1 July 2018 and they did not have an impact or amend the accounting policies of the Group except for AASB 15 and AASB 9.

AASB 15 *Revenue from Contracts with Customers* ("AASB 15")

AASB 15 supersedes AASB 111 Construction Contracts, AASB 118 *Revenue* and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under AASB 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgment, taking into consideration all the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

Impact of Adoption

The Group adopted AASB 15 using the modified retrospective method of adoption so transitional adjustments are recognised in retained earnings at the date of initial application. No adjustments have been made to the comparative period or for completed contracts, as allowed under the practical expedient in the standard. The Group has not applied any other practical expedience available under the standard. The adoption of AASB 15 has not resulted in any material transitional adjustments and therefore no change has been made to retained earnings as at 1 July 2018.

This effect of adopting AASB 15 on the Group's accounting policies is as follows:

Under the old standard, revenue was recognised and measured at the fair value of the consideration received or receivable to the extent it was probable that the economic benefits would flow to the Group and the revenue could be reliably measured. Under the new standard revenue is recognised when it is highly probable that a significant reversal of revenue will not occur.

(a) Sale of goods

The Group's contracts with customers for the sale of automotive leather components by the Automotive Leather segment generally include one performance obligation. The Group has concluded that revenue from the sale of automotive leather components should be recognised at the point in time when control of the goods is transferred to the customer, generally on collection by the customer. Therefore, the adoption of AASB 15 did not have an impact on the timing of revenue recognition.

The contracts for the sale of automotive leather components provide customers with the right to claim a credit or refund for components that don't satisfy agreed quality standards. The customer's right to claim is a variable consideration that is estimated at contract inception and constrained until the associated uncertainty is resolved. The estimate of constrained revenue is based on all available information including historic performance. At 30 June 2018, the application of the constraint on variable consideration had no impact on the amount of revenue that would be deferred because the Group had previously provided for estimated claims as an offset to recognised revenue.

The Group also recognises its share of food and drink sales from a syndicated property investment that includes a hospitality business. Revenue from these sales is recognised at the point in times when control of the goods is transferred to the customer. The adoption of AASB 15 did not have an impact on the timing of revenue recognition.

(b) Construction services

The Group's Building Materials segment constructs and delivers precast concrete components to customers. The Group transfers control of goods and services over time because the assets constructed are specific to a customer's requirements, do not have an alternative use, and the customers have an enforceable obligation to pay for the percentage of the contract completed to date. The Group recognises construction services revenue and expenses on an individual contract basis using the percentage of completion method based on cost inputs which aligns with the calculation of the contractually enforceable obligation a customer must pay for work completed to date.

Once the financial outcome of a construction contract can be estimated reliably, contract revenues and expenses are recognised in the Consolidated Statement of Comprehensive Income in proportion to the stage of completion of the contract. Where modifications in design or contract requirements are entered into, the transaction price is updated to reflect these. Where the price of a modification has not been confirmed, an estimate is made of the amount of revenue to recognise whilst also considering any constrained revenue requirement.

There is no impact on the recognition of Construction Services revenue on the adoption of AASB 15.

(c) Other revenue

The accounting policies for rental income, bank interest, dividends and distributions from managed funds are not impacted by AASB 15 and are disclosed in the most recent annual report.

AASB 9 *Financial Instruments* (“AASB 9”)

AASB 9 *Financial Instruments* replaces AASB 139 *Financial Instruments: Recognition and Measurement*, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group has applied the standard retrospectively without the restatement of comparatives as permitted by the standard. The cumulative effect on initial application of IFRS 9 is an increase to opening retained profits of $1,942,000 and a corresponding decrease to the net unrealised gains/losses reserve within the Consolidated Statement of Changes in Equity.

(a) Classification and measurement

Except for certain trade receivables which are recognised at amortised cost, under AASB 9, the Group initially measures a financial asset at its fair value.

Under AASB 9, debt financial instruments are subsequently measured at fair value through profit or loss (FVTPL), amortised costs, or fair value through other comprehensive income (FVOCI).

The classification is based on two criteria: The Group’s business model for managing the assets; and whether the instruments’ contractual cash flows represent ‘solely payments of principal and interest’ on the principal amount outstanding (the ‘SPPI criterion’).

The Group’s debt financial assets are classified as debt instruments at amortised cost as they are held with the objective of holding the financial asset to collect contractual cash flows and meet the SPPI criterion. This category includes the Group’s trade and other receivables, and loans included under other financial assets.

The Group’s other financial assets are classified as financial assets at FVTPL and comprise derivative instruments, plus quoted and unquoted equity instruments which the Group has not irrevocably elected, at initial recognition or transition, to classify at FVOCI. Under AASB 139, the Group’s quoted and unquoted equity securities were classified as available-for-sale financial assets. Upon transition the reserve relating to the Group’s quoted and unquoted equity securities, which had been previously recognised under net unrealised gains/losses in the Consolidated Statement of Changes in Equity, was reclassified as retained earnings. The value of this reclassification was an increase of $1,942,000 to retained earnings.

The accounting for the Group’s financial liabilities remains largely the same as it was under AASB 139.

The Group has therefore determined that the adoption of AASB 9 has only impacted the classification of financial instruments at 1 July 2018 as follows:

Class of financial instruments presented in the consolidated statement of financial position	Original measurement under AASB 139 (prior to 1 July 2018)	New measurement under AASB 9 (from to 1 July 2018)
Cash and cash equivalents	Loans and receivables	Financial asset at amortised cost
Trade and other receivables	Loans and receivables	Financial asset at amortised cost
Derivative financial instruments	Fair value through profit or loss	Financial assets through profit or loss
Other financial assets	Available for sale financial assets	Financial assets through profit or loss
Trade and other payables	Financial liability at amortised cost	Financial liability at amortised cost
Interest bearing loans and borrowings	Loans and receivables	Financial liability at amortised cost

(b) Impairment

Under AASB 9, the Group’s accounting for impairment losses for financial assets is fundamentally changed, by replacing AASB 139’s incurred loss approach with a forward-looking expected credit loss (ECL) approach.

AASB 9 requires the Group to record an allowance for ECL's for all loans and other debt financial assets not held at FVTPL.

For contract assets and trade and other receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group establishes an estimate based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before considering any credit enhancements held by the Group.

The Group's has not historically had any significant credit loss. Therefore, the incorporation of the forward-looking allowance on transition has not had a significant impact on the Group's consolidated financial statements on the adoption of AASB 9.

(c) Hedge Accounting

As the Group did not have any hedge relationships that are designated as effective hedges in place as at 30 June 2018, there is no impact from the application of hedging requirement on the financial statements.

The Consolidated Entity has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

3. REVENUE FROM CONTRACTS WITH CUSTOMERS

	CONSOLIDATED	
	Dec 2018	Dec 2017
	$'000	$'000
Revenue from contracts with customers	**103,039**	-
Sale of goods	**-**	105,385
Construction services	**-**	8,240
Total revenue from contracts with customers	**103,039**	113,625

For the half-year ended 31 December 2018

Segments	**Auto. Leather**	**Building Materials**	**SFC Investments**	**Total**
Type of goods or service	**$'000**	**$'000**	**$'000**	**$'000**
Sale of automotive leather components	**91,024**	**-**	**-**	**91,024**
Construction services	**-**	**11,609**	**-**	**11,609**
Sales of goods - hospitality business	**-**	**-**	**406**	**406**
Total revenue from contracts with customers	**91,024**	**11,609**	**406**	**103,039**
Geographical Markets				
Europe	**68,393**	**-**	**-**	**68,393**
Asia	**22,631**	**-**	**-**	**22,631**
Australia	**-**	**11,609**	**406**	**12,015**
Total revenue from contracts with customers	**91,024**	**11,609**	**406**	**103,039**
Timing of revenue recognition				
Goods transferred at a point in time	**91,024**	**-**	**406**	**91.430**
Services transferred over time	**-**	**11,609**	**-**	**11,609**
Total revenue from contracts with customers	**91,024**	**11,609**	**406**	**103,039**

3. REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)

The Group recognised impairment losses on receivables and contract assets arising from contracts with customers, included under Administrative expenses in the Consolidated Statement of Comprehensive Income amounting to $nil for the half-year ended 31 December 2018.

4. SIGNIFICANT 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 2018 $'000	Dec 2017 $'000
(a) Net rental income		
Rental property income	**2,825**	2,484
Rental property expenses	**(1,388)**	(1,319)
Net rental income	**1,437**	1,165
(b) Finance costs		
Bank and other loans and overdrafts - interest	**(1,014)**	(1,093)
Finance charges payable under finance leases and hire purchase	**(78)**	(79)
Total finance costs	**(1,092)**	(1,172)
Bank interest received	**311**	56
Total finance income	**311**	56
(c) Other income/(losses)		
Gain on sale of property, plant & equipment	**53**	2
Net gain/(loss) on derivatives	**507**	(1,361)
Net foreign currency (loss)/gain	**(555)**	811
Realised gains on other financial assets at fair value through profit or loss	**201**	-
Unrealised gains on other financial assets at fair value through profit or loss	**354**	-
Other	**18**	-
	578	(548)
(d) Depreciation and amortisation included in Statement of Comprehensive Income		
Depreciation and amortisation included in:		
Cost of sales	**1,901**	2,254
Rental property expenses	**290**	281
Marketing and administrative expenses	**44**	45
	2,235	2,580
(e) Lease payments included in Statement of Comprehensive Income		
Minimum lease payments – operating lease included in:		
Cost of sales	**1,803**	1,792
Marketing and administrative expenses	**-**	587
	1,803	2,379

4. SIGNIFICANT OTHER INCOME AND EXPENSES (continued)

	CONSOLIDATED	
	Dec 2018	Dec 2017
	$'000	$'000
(f) Employee benefit expense		
Wages, salaries and bonuses	**20,157**	22,756
Post-employment benefit provision	**1,737**	2,618
Long service leave provisions	**8**	(169)
Worker's compensation costs	**147**	175
Superannuation costs	**500**	524
Expense of share-based payments	**32**	23
	22,581	25,927

5. 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 2018	Dec 2017
	$'000	$'000
Cash at bank and in hand	**17,477**	24,602
Short term deposits (under 3 months to maturity)	**7,000**	4,000
	24,477	28,602

(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 $65,793,000, (June 2018: $61,961,000). The value of unutilised facilities for the Group at balance date was 11,218,000 (June 2018: $21,542,000).

6. OTHER FINANCIAL ASSETS - CURRENT

	CONSOLIDATED	
	Dec 2018	Jun 2018
	$'000	$'000
Held-to-maturity investments at amortised cost		
Short-term deposits (over 3 months)	**8,515**	6,000
Held-to-maturity investments at fair value		
Units in unlisted loan trust	**2,000**	-
	10,515	6,000

7. INTEREST BEARING LOANS AND BORROWINGS

	CONSOLIDATED	
	Dec 2018	Jun 2018
	$'000	$'000
Interest bearing loans and borrowings – current	**10,644**	2,356
Interest bearing loans and borrowings - non-current	**38,555**	30,894
	49,199	33,250

8. PROVISIONS

	CONSOLIDATED	
	Dec 2018	Jun 18
	$'000	$'000
Provisions - current	**7,485**	10,600
Provisions - non-current	**9,278**	7,455
	16,763	18,055

9. INCOME TAX

The major components of income tax expense for the half-year ended 31 December 2018 and 31 December 2017 are:

	CONSOLIDATED	
	Dec 2018	Dec 2017
Consolidated Statement of Comprehensive Income	**$'000**	$'000
Current income tax		
Current income tax charge	**6,611**	6,776
Adjustments in respect of current income tax of previous years	**(372)**	486
Deferred income tax		
Relating to origination and reversal of temporary differences	**(716)**	(3,214)
Total income tax expense for continuing operations	**5,523**	4,048
Tax expense applicable to discontinued operations	**-**	585
Total income tax expense applicable to net profit for the period	**5,523**	4,633
Income tax on items of other comprehensive income	**-**	384
Income tax expense reported in the Statement of Comprehensive Income	**5,523**	5,017

10. DIVIDENDS PAID OR PROPOSED

		CONSOLIDATED	
		Dec 2018	Dec 2017
		$'000	$'000
(a)	Dividends declared and paid during the half-year on ordinary shares:		
	Final franked dividend for the financial year 30 June 2018: 30¢ (2017: 14¢)	**4,151**	1,961
	Fully franked dividends paid by the parent	**4,151**	1,961
	Dividend paid by controlling entity to minority shareholder fully franked	**4,069**	656
	Total fully franked dividends paid	**8,220**	2,617
	Fully franked dividend payable to minority shareholder at period end	**479**	-
	Total fully franked dividends declared and paid	**8,699**	2,617
(b)	Dividends proposed and not yet recognised as a liability:		
	Interim franked dividend for the half-year 31 December 2018: 30¢ (2017: 15¢)	**4,151**	2,101

11. INVESTMENT PROPERTIES

	CONSOLIDATED	
	Dec 2018	Jun 2018
	$'000	$'000
Investment Properties at cost	**28,454**	28,678

(a) Movement of Investment Properties

Balance at the beginning of the financial period	**28,678**	25,406
Reclassification to investment property	**-**	3,411
Improvements to wholly owned property	**77**	137
Improvements to property in which the Group is a tenant in common	**52**	410
Depreciation	**(353)**	(686)
Balance at end of the financial period	**28,454**	28,678

12. GOODWILL

	Dec 2018	Jun 2018
	$'000	$'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.

13. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Set out below, is an overview of financial assets, other than cash and short-term deposits, held by the Group at 31 December 2018 and 30 June 2018:

	CONSOLIDATED	
	Dec 2018	Jun 2018
	$'000	$'000
Debt instruments at amortised cost		
Trade and other receivables	**38,558**	42,762
Financial assets at fair value through profit or loss		
Listed equity shares	**-**	2,850
Unlisted equity shares	**9,656**	-
Unlisted investments in property unit trusts and LLCs	**9,203**	5,635
Unlisted units in loan unit trusts	**2,690**	-
Unlisted units in managed equity funds	**5,403**	5,248
Derivatives not designated as hedging instruments		
Forward exchange contracts	**427**	1,413
Total	**65,937**	57,908
Total current	**40,985**	44,175
Total non-current	**24,952**	13,733
	65,937	57,908

13. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

Set out below, is an overview of financial liabilities held by the Group at 31 December 2018 and 30 June 2018:

	CONSOLIDATED	
	Dec 2018 $'000	Jun 2018 $'000
Financial liabilities at amortised cost		
Trade and other payables	**24,657**	28,894
Current interest-bearing loans and borrowings		
Finance leases	**2,564**	2,356
Bank loans	**8,080**	-
Non-current interest-bearing loans and borrowings		
Finance leases	**5,290**	5,767
Commercial bills	**6,060**	6,060
Revolving loan facility	**16,186**	-
Bank loans	**11,019**	19,067
Financial liabilities at fair value through profit or loss		
Derivatives not designated as hedging instruments		
Interest rate swaps	**98**	46
Total	**73,954**	62,190
Total current	**38,399**	31,296
Total non-current	**38,555**	30,894
	73,954	62,190

Fair value hierarchy

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole, as follows:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Valuation processes

The fair value of the listed equity investments is based on quoted market prices. 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.

For unlisted unit in managed equity funds the fair value is determined based on published unit prices provided by investment managers.

For unlisted equity share investments the valuation is based on the most recent observable transaction price.

13. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

For unquoted unit investments the fair value is determined by the calculation of the Group's percentage ownership in unquoted 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 2017 – decrease of $164,000).

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
At 31 December 2018				
Consolidated				
Financial Assets at fair value				
Unlisted investments	**5,403**	**-**	**21,549**	**26,952**
Derivative instruments				
Foreign exchange contracts	**-**	**427**	**-**	**427**
	5,403	**427**	**21,549**	**27,379**
Financial Liabilities at fair value				
Derivative instruments				
Interest rate swaps	**-**	**98**	**-**	**98**
	-	**98**	**-**	**98**
At 30 June 2018				
Consolidated				
Financial Assets at fair value				
Listed investments	2,850	-	-	2,850
Unlisted investments	5,248	-	5,635	10,883
Derivative instruments				
Foreign exchange contracts	-	1,413	-	1,413
	8,098	1,413	5,635	15,146
Financial liabilities at fair value				
Derivative instruments				
Interest rate swaps	-	45	-	45
	-	45	-	45

Reconciliation of the fair value measurement of Level 3 unlisted investments

	CONSOLIDATED	
	Dec 2018 $'000	Jun 2018 $'000
Balance at the beginning of the financial period	**5,635**	3,995
Delisting of investment in equity shares	**2,850**	-
Purchase of units in unlisted unit trusts	**13,235**	1,629
Profit received from disposal of trust assets	**201**	-
Proceeds from disposal of trust assets	**(1,300)**	-
Foreign currency translation adjustment	**98**	-
Remeasurement recognised in other comprehensive income	**-**	11
Remeasurement recognised in profit or loss	**830**	-
Balance at the end of the financial period	**21,549**	5,635

14. CONTRIBUTED EQUITY

	CONSOLIDATED	
	Dec 2018	Jun 2018
	$'000	$'000
Ordinary Shares		
Ordinary Shares at the beginning of the financial period	**14,540**	16,583
Employee share options exercised	**132**	-
Shares acquired under a share buy-back scheme	**(302)**	(2,043)
Balance at the end of the financial period	**14,370**	14,540

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	**13,840,878**	14,005,373
Employee share options exercised	**17,500**	-
Shares acquired under a share buy-back scheme	**(22,782)**	(164,495)
Ordinary shares on issue at the end of the financial period	**13,835,596**	13,840,878

15. CONSOLIDATED RETAINED PROFITS

	CONSOLIDATED	
	Dec 2018	Jun 2018
	$'000	$'000
Retained profits at the beginning of the financial period	**72,101**	52,867
Net unrealised gains reserve transferred to retained profits due to change in accounting policy	**1,942**	-
Net profit attributable to members of the parent entity	**12,674**	23,292
Dividends and other equity distributions paid or payable	**(4,151)**	(4,058)
Retained profits at end of financial period	**82,566**	72,101

16. 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 2018	Dec 2017
	$'000	$'000
Basic Earnings	**12,674**	11,249
Diluted Earnings	**12,674**	11,249
	Number	Number
Weighted average number of ordinary shares used in the calculation of basic EPS	**13,831,584**	14,005,373
Weighted average number of ordinary shares used in the calculation of diluted EPS	**13,954,084**	14,005,373

17. 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 **SFC Investments** segment includes the Group's share of syndicated property, 100% owned investment property, investments in managed equity funds and direct investment in equity instruments, excluding those investments and property owned by Gosh Capital. The activities of the segment include the leasing of office and retail properties, the development and sale of property assets, and general investing.

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.

17. SEGMENT INFORMATION (continued)

The following table presents assets, revenue and profit information regarding segments for the half-year periods ended 31 December 2018 and 31 December 2017.

	Manufacturing Segments				Investment Segments					
	Automotive Leather		Building Materials		SFC Investments		Gosh Capital		Consolidated	
	Dec 2018 $'000	Dec 2017 $'000	**Dec 2018 $'000**	Dec 2017 $'000	**Dec 2018 $'000**	Dec 2017 $'000	**Dec 2018 $'000**	Dec 2017 $'000	**Dec 2018 $'000**	Dec 2017 $'000
Revenue from contacts with customers	**91,024**	104,991	**11,609**	8,240	**406**	394	**-**	-	**103,039**	113,625
Other revenue	**-**	-	**5**	2	**2,693**	1,943	**709**	676	**3,407**	2,621
Unallocated interest and dividend revenue									**1**	44
Total revenue from continuing operations									**106,447**	116,290
Underlying net profit after tax – continuing operations	**14,867**	13,248	**399**	(554)	**789**	460	**707**	217	**16,762**	13,371
Impairment of assets after tax	**-**	-	**-**	(3,150)	**-**	-	**-**	-	**-**	(3,150)
Restructuring costs after tax	**(167)**	(144)	**(69)**	-	**-**	-	**-**	-	**(236)**	(144)
Profit on sale of trust assets after tax	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
Net Profit after tax – continuing operations	**14,700**	13,104	**330**	(3,704)	**789**	460	**707**	217	**16,526**	10,077
Less profit attributable to non-controlling interests	**(2,474)**	(2,205)	**-**	-	**-**	-	**(99)**	(36)	**(2,573)**	(2,241)
Profit attributable to owners of the parent	**12,226**	10,899	**330**	(3,704)	**789**	460	**608**	181	**13,953**	7,836
Unallocated items[(i)]:										
Discontinued operations									**-**	4,255
Finance income and dividends									**-**	44
Finance costs									**(128)**	(32)
Corporate overheads									**(1,815)**	(1,440)
Income tax benefit									**664**	439
Net profit for the period attributable to owners of the parent									**12,674**	11,249
	Dec 2018 $'000	Jun 2018 $'000	**Dec 2018 $'000**	Jun 2018 $'000	**Dec 2018 $'000**	Jun 2018 $'000	**Dec 2018 $'000**	Jun 2018 $'000	**Dec 2018 $'000**	Jun 2018 $'000
Segment Assets	**110,697**	115,080	**15,461**	17,074	**54,442**	24,321	**20,908**	19,920	**201,508**	176,395
Unallocated items[(i)]:										
Cash									**2,686**	9,891
Other financial assets – term deposits									**-**	6,000
Property, plant and equipment									**757**	756
Prepayments									**165**	18
Receivables									**76**	88
Deferred income tax assets									**2,364**	2,065
Total segment assets									**207,476**	195,213

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

18. COMMITMENT AND CONTINGENT LIABILITIES

At 31 December 2018, the Group had capital commitment of $2,506,000 (31 December 2017: $nil) in respect of the purchase of plant and equipment and $1,513,000 (31 December 2017: $nil) in respect of investment commitments.

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

19. SUBSEQUENT EVENTS

Subsequent to the end of the half-year the Group declared a dividend of 30¢ per share totalling $4,151,000 payable on 8 March 2019.

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 2018 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, 20 February 2019

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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 2018, 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
20 February 2019

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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 2018, 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 2018 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 2018 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

Ernst & Young

Philip Teale
Partner
Perth
20 February 2019

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