

APPENDIX 4E

Preliminary final report

1. Name of entity

SCHAFFER CORPORATION LIMITED

ACN

008 675 689

Financial year ended ('current period')

30 JUNE 2022

Previous corresponding period

30 JUNE 2021

2. Results for announcement to the market

2.1	Revenues from continuing operations	down 13% to	\$'000 170,429
2.2	Net profit for the period attributable to members	down 36% to	26,191
2.3	Dividends (see note 8)	Amount per security	Franked amount per security
	Final – Ordinary Dividend	45¢	45¢
	Interim – Ordinary Dividend	45¢	45¢
	Total	90¢	90¢
2.4	Record date for determining entitlements to the dividend	9 September 2022	

3. Consolidated Statement of Comprehensive Income for the year ended 30 June 2022

		Consolidated	
		2022	Restated 2021*
	Note	\$'000	\$'000
Revenue			
Revenue from contracts with customers	3.1	162,412	188,879
Rental income	3.2(a)	5,469	5,433
Finance income	3.2(b)	433	358
Revenue from dividends and distributions		2,115	1,664
Total revenue		170,429	196,334
Cost of sales and services rendered*		(121,830)	(130,050)
Gross profit		48,599	66,284
Share of profit of equity accounted investments*		3,363	1,749
Other income*	3.2(c)	5,160	20,526
Marketing expenses		(598)	(605)
Administrative expenses		(11,839)	(19,976)
Profit before tax and finance costs		44,685	67,978
Finance costs	3.2(b)	(1,840)	(1,872)
Profit before income tax		42,845	66,106
Income tax expense*		(12,547)	(19,457)
Net profit for the period		30,298	46,649
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation gain/(loss) attributable to parent		1,194	(1,443)
		1,194	(1,443)
Items that may not be reclassified subsequently to profit or loss			
Foreign currency translation gain/(loss) attributable to non-controlling interest		66	(173)
Other comprehensive income/(loss) for the period, net of tax		1,260	(1,616)
Total comprehensive income for the period		31,558	45,033
Profit for the period is attributable to:			
Non-controlling interest*		4,107	5,675
Owners of the parent*		26,191	40,974
		30,298	46,649
Total comprehensive income for the period is attributable to:			
Non-controlling interest*		4,173	5,502
Owners of the parent*		27,385	39,531
		31,558	45,033
Earnings per share (EPS)			
Basic EPS*	10	191.0¢	300.6¢
Diluted EPS*	10	190.5¢	297.8¢
Dividends paid per share		90.0¢	90.0¢

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

* The comparative period has been restated because of an accounting policy change. Refer to note 7 for more information.

3.1 Revenue from Contracts with Customers

	Consolidated	
	2022	2021
	\$'000	\$'000
Revenue from contracts with customers	162,412	188,879
Total revenue from contracts with customers	162,412	188,879

For the year ended 30 June 2022

Segments	Automotive Leather	Group Investments	Building Materials	Total
Type of goods or service	\$'000	\$'000	\$'000	\$'000
Sale of automotive leather components	135,966	-	-	135,966
Sale of land	-	8,159	-	8,159
Construction services	-	-	15,251	15,251
Transport services	-	-	2,035	2,035
Sale of goods - hospitality business	-	1,001	-	1,001
Total revenue from contracts with customers	135,966	9,160	17,286	162,412

Geographical Markets

Europe	99,710	-	-	99,710
Asia	36,256	-	-	36,256
Australia	-	9,160	17,286	26,446
Total revenue from contracts with customers	135,966	9,160	17,286	162,412

Timing of revenue recognition

Goods transferred at a point in time	135,966	9,160	-	145,126
Services transferred over time	-	-	17,286	17,286
Total revenue from contracts with customers	135,966	9,160	17,286	162,412

For the year ended 30 June 2021

Segments	Automotive Leather	Group Investments	Building Materials	Total
Type of goods or service	\$'000	\$'000	\$'000	\$'000
Sale of automotive leather components	165,214	-	-	165,214
Sale of land	-	6,151	-	6,151
Construction services	-	-	14,030	14,030
Transport services	-	-	2,458	2,458
Sale of goods - hospitality business	-	1,026	-	1,026
Total revenue from contracts with customers	165,214	7,177	16,488	188,879

Geographical Markets

Europe	119,416	-	-	119,416
Asia	45,798	-	-	45,798
Australia	-	7,177	16,488	23,665
Total revenue from contracts with customers	165,214	7,177	16,488	188,879

Timing of revenue recognition

Goods transferred at a point in time	165,214	7,177	-	172,391
Services transferred over time	-	-	16,488	16,488
Total revenue from contracts with customers	165,214	7,177	16,488	188,879

3.2 Significant Other Income and Expenses

	Consolidated	
	2022	Restated 2021*
	\$'000	\$'000
(a) Net rental income		
Rental property income	5,469	5,433
Rental property expenses	(2,633)	(2,808)
Net rental income	<u>2,836</u>	<u>2,625</u>
(b) Finance (costs)/income		
Interest on loans	(1,370)	(1,196)
Interest on leases	(470)	(676)
Total finance costs	<u>(1,840)</u>	<u>(1,872)</u>
Interest income	443	358
Total finance income	<u>443</u>	<u>358</u>
(c) Other income/(losses)		
Net gain on other financial assets at fair value through profit or loss - current	323	1,027
Net (loss)/gain on other financial assets at fair value through profit or loss - non-current	(16,156)	16,790
Net gain on investment property at fair value through profit or loss*	18,738	599
Gain on disposal of property, plant and equipment	4	183
Government subsidies	606	1,968
Net gain/(loss) on derivatives	2,529	(89)
Foreign currency losses	(1,518)	(3,366)
Foreign currency gains	634	3,414
	<u>5,160</u>	<u>20,526</u>
(d) Depreciation included in statement of comprehensive income		
Depreciation included in:		
Cost of sales	7,241	6,699
Marketing and administrative expenses	58	45
Total depreciation	<u>7,299</u>	<u>6,744</u>
(e) Employee benefit expense		
Wages, salaries and bonuses	34,001	34,369
Post-employment benefit provisions	(650)	5,568
Long service leave provisions	33	111
Worker's compensation costs	354	433
Superannuation costs	1,094	1,025
Expense of share-based payments	38	118
	<u>34,870</u>	<u>41,624</u>

* The comparative period has been restated because of an accounting policy change. Refer to note 7 for more information.

4. Consolidated Statement of Financial Position as at 30 June 2022

	Note	Consolidated		
		2022	Restated 2021*	Restated 2020*
		\$'000	\$'000	\$'000
Assets				
Current assets				
Cash and cash equivalents	6.2	37,885	37,354	35,016
Cash and cash equivalents - restricted	6.2	6,100	-	-
Trade and other receivables		31,508	28,292	17,496
Inventories		51,594	37,986	40,909
Contract assets		3,585	1,720	2,589
Prepayments and deposits		3,512	1,884	2,075
Derivative financial instruments		1,194	163	166
Other financial assets		584	6,260	-
Total current assets		135,962	113,659	98,251
Non-current assets				
Property, plant and equipment		17,783	13,781	13,637
Inventories		1,300	1,828	-
Contract assets		3,061	2,854	-
Investment properties*	7	128,371	103,121	102,639
Right-of-use assets		28,020	32,702	37,834
Equity accounted investments*		8,968	6,048	3,782
Deferred income tax asset*		4,084	3,940	5,075
Goodwill		1,299	1,299	1,299
Other financial assets		47,010	73,612	51,678
Total non-current assets		239,896	239,185	215,944
Total assets		375,858	352,844	314,195
Liabilities				
Current liabilities				
Trade and other payables		37,225	28,481	12,485
Contract liabilities		444	1,696	277
Interest bearing loans and borrowings		6,560	9,288	13,499
Lease liabilities		5,541	5,970	5,438
Income tax payable		1,655	1,326	-
Provisions		9,488	9,016	6,804
Derivative financial instruments		-	402	1,762
Total current liabilities		60,913	56,179	40,265
Non-current liabilities				
Interest bearing loans and borrowings		33,412	29,251	39,834
Lease liabilities		18,482	21,677	28,186
Deferred income tax liabilities*		29,619	28,181	23,545
Provisions		12,447	13,098	8,839
Total non-current liabilities		93,960	92,207	100,404
Total liabilities		154,873	148,386	140,669
Net assets		220,985	204,458	173,526
Equity				
Equity attributable to equity holders of the parent				
Issued Capital		10,590	11,622	11,227
Reserves		3,395	2,163	3,488
Retained earnings*	9	193,867	180,031	149,968
Total parent entity interest in equity		207,852	193,816	164,683
Non-controlling interests*		13,133	10,642	8,843
Total equity		220,985	204,458	173,526

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

*The comparative period has been restated because of an accounting policy change. Refer to note 7 for more information.

5. Consolidated Statement of Changes in Equity for the year ended 30 June 2022

	Attributable to Equity Holders of the Parent					Non-controlling Interest \$'000	Total equity \$'000
	Issued Capital	Reserves			Total		
	\$'000	Retained earnings \$'000	Asset re-valuation \$'000	Share-based payments \$'000	Foreign currency translation \$'000	\$'000	\$'000
At 1 July 2021	11,622	180,031	2,585	(674)	252	193,816	204,458
Profit for the year	-	26,191	-	-	-	26,191	30,298
Other comprehensive income	-	-	-	-	1,194	1,194	1,260
Total comprehensive income for the year	-	26,191	-	-	1,194	27,385	31,558
Transactions with owners in their capacity as owners:							
Shares acquired under buy-back scheme	(1,969)	-	-	-	-	(1,969)	(1,969)
Employee share options exercised	937	-	-	-	-	937	937
Share-based payments	-	-	-	38	-	38	38
Equity dividends	-	(12,355)	-	-	-	(12,355)	(14,037)
At 30 June 2022	10,590	193,867	2,585	(636)	1,446	207,852	220,985
At 1 July 2020 – restated*	11,227	149,968	2,585	(792)	1,695	164,683	173,526
Profit for the year - restated	-	40,974	-	-	-	40,974	46,649
Other comprehensive income	-	-	-	-	(1,443)	(1,443)	(1,616)
Total comprehensive income for the year	-	40,974	-	-	(1,443)	39,531	45,033
Transactions with owners in their capacity as owners:							
Shares acquired under buy-back scheme	-	-	-	-	-	-	-
Employee share options exercised	395	-	-	-	-	395	395
Share-based payments	-	-	-	118	-	118	118
Equity dividends	-	(10,911)	-	-	-	(10,911)	(14,614)
At 30 June 2021 – restated*	11,622	180,031	2,585	(674)	252	193,816	204,458

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

* The comparative period has been restated because of an accounting policy change. Refer to note 7 for more information.

6. Consolidated Statement of Cash Flows for the year ended 30 June 2022

	Note	Consolidated	
		2022 \$'000	2021 \$'000
Cash flows from operating activities			
Receipts from customers		161,867	176,956
Payments to suppliers - land development		(1,983)	(4,765)
Payments to suppliers and employees - other		(141,066)	(116,656)
Acquisition of current financial assets at fair value through profit or loss		(5,348)	(6,812)
Proceeds on disposal of current financial assets at fair value through profit or loss		11,347	2,254
Interest received		422	276
Dividends and distributions		1,844	1,537
Rental income		5,469	5,433
Government subsidies		606	1,968
Interest paid		(1,735)	(1,872)
Income taxes paid		(10,459)	(10,623)
Goods and services tax paid		(321)	(191)
Net cash flows from operating activities	6.1	20,643	47,505
Cash flows from investing activities			
Acquisition of property, plant and equipment		(5,922)	(5,542)
Proceeds on sale of property, plant and equipment		136	461
Purchase of investment property		(1,293)	-
Improvements to investment properties		(5,219)	(1,959)
Acquisition of non-current financial assets at fair value through profit or loss		(5,979)	(8,757)
Acquisition of non-current financial assets at amortised cost		(2,937)	(518)
Proceeds on disposal of non-current financial assets at fair value		9,280	2,144
Capital distributions from financial assets at fair value through profit or loss		10,545	464
Application funds received for SFC Global Equity Fund		6,100	-
Distributions from equity accounted investments		1,125	-
Purchase of equity accounted investments		(681)	-
Net cash flows from/(used) in investing activities		5,155	(13,707)
Cash flows from financing activities			
Proceeds from borrowings		5,893	4,649
Repayment of borrowings		(4,460)	(19,443)
Lease principal payments		(5,638)	(5,738)
Lease principal receipts		1,166	2,905
Dividends paid		(14,037)	(14,614)
Shares acquired under share buy-back scheme		(1,969)	-
Proceeds from exercise of employee share options		937	395
Net cash flow used in financing activities		(18,108)	(31,846)
Net increase in cash and cash equivalents		7,690	1,952
Net foreign exchange differences		(1,059)	386
Cash and cash equivalents at the beginning of the period		37,354	35,016
Cash and cash equivalents at the end of the period	6.2	43,985	37,354

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

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

	Consolidated	
	2022	Restated
	\$'000	2021*
		\$'000
Net profit	30,298	46,649
Adjustment for -		
Unrealised gains on valuing investment property to fair value through profit or loss	(18,738)	(599)
Unrealised losses /(gains) on valuing other financial assets to fair value	16,156	(16,790)
Depreciation and amortisation	7,299	6,739
Allowance for expected credit losses	165	58
Profit of equity accounted investments	(3,363)	(1,749)
Distributions reinvested	(271)	(125)
Net loss/(gain) on foreign exchange	133	(549)
Profit on sale of property, plant & equipment	(4)	(183)
Share-based payment expense	38	118
Amortisation of loans receivable	(102)	-
Changes in assets and liabilities:		
Increase in trade and other receivables	(2,824)	(11,666)
(Increase)/decrease in inventories	(12,660)	2,646
Decrease/(increase) in interest-bearing loan receivable	90	(82)
Increase in contract assets	(2,072)	(1,985)
Increase in trade and other payables	1,909	15,995
(Decrease)/increase in contract liabilities	(1,063)	1,419
Decrease/(increase) of current financial assets at fair value through profit or loss	5,676	(5,586)
(Decrease)/increase in employee entitlement provisions	(153)	6,550
Increase in income tax payable	80	1,301
Increase in deferred tax liability	1,438	4,946
Decrease in deferred income tax asset	135	753
(Increase)/decrease in prepayments	(1,520)	1,002
Increase in derivatives	(4)	(1,357)
Net cash flows from operating activities	20,643	47,505

* The comparative period has been restated because of an accounting policy change. Refer to note 7 for more information

6.2 Reconciliation of cash and cash equivalents

	Consolidated	
	2022	2021
	\$'000	\$'000
Cash on hand and at bank	37,885	37,354
Cash - restricted	6,100	-
Total cash and cash equivalents at end of period	43,985	37,354

Restricted cash relates to cash received for investor applications to the SFC Global Equity Fund (the Fund), a new investment fund to be managed by the Group. The cash was paid into the fund for the issue of units to investors after 30 June 2022. The cash is to be applied by the manager to purchase assets in accordance with the Fund's mandate. A corresponding liability has been recorded in trade and other payables for \$6,100,000 at 30 June 2022.

6.3 Non-cash financing and investing activities

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

\$Nil (2021 - \$Nil)

6.4 Financing facilities available

The consolidated entity had financing facilities available at balance date to the extent of \$86,010,000 (2021 - \$74,094,000). The unutilised facility for the consolidated entity at balance date was \$36,474,000 (2021 - \$24,184,000).

7. Changes in Accounting Policy - Investment Property

The Group has historically valued its investment property at depreciated cost rather than fair value as permitted by AASB 140 - *Investment Property*.

The Group has elected to change the accounting policy to value its investment property at fair value so that users of the Group's financial statements are better informed about the financial position and performance of the Group. The change in policy also provides consistency with the valuation of the Group's other investments and financial instruments including units and equity shares that are valued at fair value.

This change in policy is required to be applied retrospectively under AASB 108 – *Accounting Policies, Change in Accounting Estimates and Errors*. Historical financial information has been restated to account for the impact of the change in accounting policy in relation to investment property as follows:

Consolidated Statement of Financial Position

	Balance at 30 June 2021		
	Previously reported	Adjustment	Restated
Assets	\$'000	\$'000	\$'000
Investment properties	30,858	72,263	103,121
Equity accounted investments	4,051	1,997	6,048
Deferred income tax asset	4,323	(383)	3,940
Total non-current assets	165,308	73,877	239,185
Total assets	278,967	73,877	352,844
Liabilities			
Deferred income tax liabilities	6,286	21,895	28,181
Total non-current liabilities	70,312	21,895	92,207
Total liabilities	126,491	21,895	148,386
Net assets	152,476	51,982	204,458
Equity			
Retained earnings	128,445	51,586	180,031
Total parent entity interest in equity	142,230	51,586	193,816
Non-controlling interests	10,246	396	10,642
Total equity	152,476	51,982	204,458

Consolidated Statement of Financial Position

	Balance at 30 June 2020		
	Previously reported	Adjustment	Restated
Assets	\$'000	\$'000	\$'000
Investment properties	31,794	70,845	102,639
Equity accounted investments	3,590	192	3,782
Total non-current assets	144,907	71,037	215,944
Total assets	243,158	71,037	314,195
Liabilities			
Deferred income tax liabilities	2,235	21,310	23,545
Total non-current liabilities	79,094	21,310	100,404
Total liabilities	119,359	21,310	140,669
Net assets	123,799	49,727	173,526
Equity			
Retained earnings	100,522	49,446	149,963
Total parent entity interest in equity	115,237	49,446	164,683
Non-controlling interests	8,562	281	8,843
Total equity	123,799	49,727	173,526

Consolidated Statement of Comprehensive Income

	Balance at 30 June 2021		
	Previously reported \$'000	Adjustment \$'000	Restated \$'000
Rental expenses - depreciation	(825)	825	-
Cost of sales and services rendered	(130,875)	825	(130,050)
Gross profit	65,459	825	66,284
Share of profit of equity accounted investments	(56)	1,805	1,749
Other income	19,927	599	20,526
Profit before tax and finance costs	64,749	3,229	67,978
Profit before income tax	62,877	3,229	66,106
Income tax expense	(18,483)	(974)	(19,457)
Net profit for the period	44,394	2,255	46,649
Total comprehensive income for the period	42,778	2,255	45,033
Profit for the period is attributable to:			
Non-controlling interest	5,560	115	5,675
Owners of the parent	38,834	2,140	40,974
	44,394	2,255	46,649
Total comprehensive income for the period attributable to:			
Non-controlling interests	5,387	115	5,502
Owners of the parent	37,391	2,140	39,531
	42,778	2,255	45,033
Earnings per share (EPS)			
Basic EPS	284.9¢	15.7¢	300.6¢
Diluted EPS	282.2¢	15.6¢	297.8¢

8. Dividends

Date the dividend is payable

23 September 2022

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 September 2022

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

YES

8.1 Amount per security

	Amount per security	Franked amount per security at 30% tax
Final dividend:		
Current year	45¢	45¢
Previous year	45¢	45¢
Final special dividend:		
Current year	-	-
Previous year	-	-
Interim dividend:		
Current year	45¢	45¢
Previous year	45¢	45¢
Interim special dividend:		
Current year	-	-
Previous year	-	-

8.2 Total dividend per security (interim plus final and special)

	Current year	Previous year
Ordinary securities	90¢	90¢
Preference securities	-	-

8.3 Preliminary final report – dividend on all securities

	Consolidated	
	2022	2021
	\$'000	\$'000
Ordinary securities - final	6,128	6,177
- interim	6,178	6,146
	12,306	12,323

8.4 Dividend Plans

The company does not have a dividend reinvestment plan.

9. Consolidated retained profits

	Consolidated	
	2022	2021*
Retained profits at the beginning of the financial period	180,031	149,967
Net profit attributable to members of the parent entity	26,191	40,975
Dividends and other equity distributions paid or payable	(12,355)	(10,911)
Retained profits at end of financial period	193,867	180,031

* The comparative period has been restated because of an accounting policy change. Refer to note 7 for more information.

10. Earnings per security (EPS)

Details of basic and diluted EPS reported separately in accordance with AASB 133: *Earnings Per Share* are as follows.

The following reflects the income and share data used in the calculation of basic and diluted EPS:

	Consolidated	
	2022	2021*
	\$'000	\$'000
Basic Earnings	26,191	40,974
Diluted Earnings	26,191	40,974
	Number	Number
Weighted average number of ordinary shares used in the calculation of basic EPS	13,709,057	13,631,935
Weighted average number of ordinary shares used in the calculation of diluted EPS	13,750,409	13,760,325
Basic EPS	191.0¢	300.6¢
Diluted EPS	190.5¢	297.8¢

11. NTA backing

	Current period	Previous corresponding period *
Net tangible asset backing per ordinary security	\$15.16	\$14.10

* The comparative period has been restated because of an accounting policy change. Refer to note 7 for more information.

12. Foreign entities

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

International Financial Reporting Standards (IFRS).

13. Controlled gained/lost over entities having material effect

N/A

14. Significant events after balance date

The company will pay a fully franked final dividend of 45¢ per share on 23 September 2022.

15. Segment information

	Automotive Leather		Group Investments		Building Materials		Consolidated	
	2022 \$'000	2021 \$'000	2022 \$'000	2021* \$'000	2022 \$'000	2021 \$'000	2022 \$'000	2021* \$'000
Revenue								
Revenue from contracts with customers	135,966	165,214	9,160	7,177	17,286	16,488	162,412	188,879
Other revenue	8	20	8,009	7,434	-	1	8,017	7,455
Total revenue	135,974	165,234	17,169	14,611	17,286	16,489	170,429	196,334
Results								
Segment net profit after tax	21,822	29,279	11,957	18,967	(623)	967	33,156	49,213
Less profit attributable to non-controlling interests	(3,673)	(4,928)	(434)	(747)	-	-	(4,107)	(5,675)
Segment profit attributable to owners of the parent	18,149	24,351	11,523	18,220	(623)	967	29,049	43,538
Unallocated items:								
Corporate overheads							(4,066)	(3,768)
Profit of equity accounted investments							5	19
Income tax benefit							1,203	1,185
Net profit for the period attributable to owners of the parent							26,191	40,974
	2022 \$'000	2021 \$'000	2022 \$'000	2021* \$'000	2022 \$'000	2021 \$'000	2022 \$'000	2021* \$'000
Segment Assets	139,356	125,016	212,566	211,568	16,241	15,114	368,163	351,698
Unallocated items:								
Cash and cash equivalents - restricted							6,100	-
Property, plant and equipment							1,044	748
Other financial assets							335	330
Prepayments							100	49
Receivables							116	19
Total segment assets							375,858	352,844

* The comparative period has been restated because of an accounting policy change. Refer to note 7 for more information.

16. Other significant information

All other significant information other than in this Appendix 4E, is disclosed in the press release and letter to shareholders released on the same date as this Appendix 4E.

17. Commentary on results

For a commentary on the results see the press release and letter to shareholders released on the same date as this 4E.

18. Status of audit or review

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

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

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

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

N/A

20. Dispute or qualification – accounts audited or subject to review

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

N/A



Sign here: Date: 24 AUGUST 2022

Company Secretary

Print Name: JASON MARK CANTWELL