23 September 2022

ASX Market Announcements Office
Australian Securities Exchange Limited

Lodged electronically via ASX Online

2022 Annual Report

Please find attached the 2022 Annual Report for Schaffer Corporation Limited (ASX: SFC)

Yours sincerely

Jason Cantwell
Company Secretary

Authorised for release by SFC's Board of Directors

ANNUAL REPORT 22

Schaffer Corporation Limited

About Schaffer Corporation 1
Managing Director's Report 2

Review of Operations:

Automotive Leather


Building Materials


Investments


Financial Statements 17
Independent Auditor's Report 56
Directors' Report 63
Statement of Corporate Governance Practices 72
ASX Additional Information 77
Shareholder Information 78

ABOUT SCHAFFER CORPORATION

A DIVERSIFIED AUSTRALIAN INDUSTRIAL AND INVESTMENT COMPANY

Schaffer Corporation Limited (SFC) is a diversified industrial and investment company with core operating divisions in Manufacturing (Automotive Leather and Building Materials) and Investments. Originally incorporated in 1955, the company was first listed on the Australian Securities Exchange (ASX) in 1963 and currently employs around 900 employees in three countries.

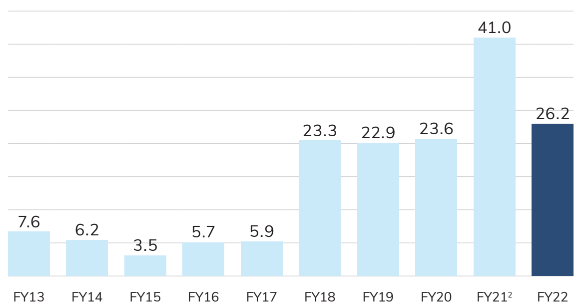
The Automotive Leather division is a world-class, globally competitive automotive leather producer, supplying quality interior leather products to such household brands as Land Rover, Audi, Mercedes, Porsche, Nissan and Ford. The division operates leather processing and finishing operations in Slovakia and Australia. Component cutting plants are located in Slovakia and China. Exports account for virtually all sales.

The Building Materials division comprises Delta Corporation which manufactures a range of custom made precast and prestressed concrete floor, beam and wall products, including TeeRoff beams, for major infrastructure, building and resources projects in Australia.

The Group's Investments division comprises a portfolio of various property and equity investment interests, with the largest asset, Jandakot, located in Western Australia. Other property investments include a bulky goods property at Rockingham, Western Australia, and various syndicated interests in commercial, industrial, hotel, retail and residential properties across Australia and the United States.

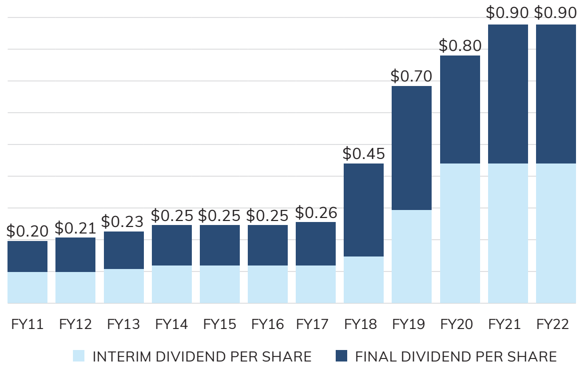
Schaffer Corporation has a proud history of paying a dividend in every one of the past 59 years since it was originally listed as Calsil Limited in 1963. Over the past 5 years, the company has paid approximately $51 million in fully franked dividends to shareholders.

10 YEAR NPAT ($m)[1]



1 Including the discontinued operations of the Building Products division sold in FY18
2 FY21 restated due to change in accounting policy (refer page 22)

SHAREHOLDER DIVIDENDS



Board of directors

JOHN SCHAFFER AM | ANTON MAYER | DANIELLE BLAIN AM | DAVID SCHWARTZ | MICHAEL PERROTT AM

MANAGING DIRECTOR'S REPORT

EXECUTIVE MANAGEMENT TEAM

John Schaffer AM
BCom(Hons), FCPA
Age 71

Mr Schaffer joined the Group in 1972 and has held the positions of Managing Director since 1987 and Chairman since 1988.

Anton Mayer
Age 80

Mr Mayer joined the Group in 1998. In 2001, Mr Mayer joined the Board of Schaffer Corporation Limited and he is currently Executive Chairman of Howe Automotive Limited.

Matt Perrella
NPCAA
Age 73

Mr Perrella joined the Group in 1980. From 1989 until 2009, Mr Perrella was General Manager of Delta Corporation Limited. He retired from the position of Executive Director of Delta Corporation on 30 June 2022.

Ralph Leib
BComm, BAcc
Age 51

Mr Leib joined the Group in 2016 and was promoted to Chief Financial Officer in July 2017.

Jason Cantwell
BBus(Acc), CPA, MBA, GIA(Affiliated)
Age 50

Mr Cantwell joined the Group in 2011 as Group Financial Controller and Company Secretary.

Dan Birks
BAgrSc, MBA
Age 56

Mr Birks joined the Group in 2000 and was promoted to General Manager of Howe Automotive Limited in 2016.

Jason Walsh
B Bus, MBA
Age 52

Mr Walsh joined the Group in 1999 and was promoted to the position of General Manager of Delta Corporation Limited in 2009.

Key Financial Indicators	22	21*	20	19	18	17
Revenue - including discontinued operations ($ millions)	**170.4**	196.3	155.6	203.6	235.7	215.0
Net Profit after tax* ($ millions)	**26.2**	41.0	23.6	22.9	23.3	5.9
Earnings per Share ($)	**$1.91**	$3.01	$1.72	$1.66	$1.67	$0.42
Return on Average Capital Employed (ROACE*)	**21%**	39%	26%	29%	38%	12%
Ordinary Dividend per Share	**$0.90**	$0.90	$0.80	$0.70	$0.45	$0.26

* FY21 restated due to an accounting policy change outlined in note 2(b) to the financial statements

MAINTAINING FOCUS

Schaffer Corporation's primary focus is on creating long-term shareholder value.

Financial Performance

The 2022 financial year was another good year for Schaffer Corporation Limited (SFC).

Our investment operations continue to grow in importance to the Group. As such, the Board decided to change the accounting policy used to value our investment property. The move to fair value (and away from depreciated cost) is consistent with the valuation of the Group's other investments, which are already carried at fair value. It should also make it simpler for shareholders and market participants to assess the value of the company's investments. The change required the 2021 financial year results to be restated.

Net profit (NPAT[1]) excluding specific fair value revaluations[3] (specified below) was $26.4 million (FY21: $29.6 million). This reflects a good result from Automotive Leather and most of our investments, despite a demanding environment. The pre-tax net equity value of the Group's investments was $187.7 million (FY21: $191.7 million) or $13.78 per share (FY21: $14.04 per share).

Statutory net profit (NPAT[1]) was $26.2 million (FY21: $41.0 million[2]). The prior year – which was a record – included a $7.6 million after tax, non-cash, unrealised increase in fair value relating to our investment in Harvest Technologies Limited (ASX:HTG). That compared with a $13.2 million non-cash, unrealised decrease in the 2022 financial year. The overall swing of -$20.8 million in two years reflects the recent volatility in global equity markets and particularly listed technology companies. Importantly, the HTG investment remains above our investment cost price.

Statutory profit includes specific non-cash, unrealised, fair value revaluations of a net -$0.2 million after tax. These comprise:

- An increase of $15.2 million in the valuation of investment property with the transition to fair value accounting. This includes an $11.0 million increase in the valuation of the Jandakot site (now branded as South Connect, Jandakot Logistics Estate) and a $4.2 million increase in the valuation of other investment property. Those revaluations are now included in NPAT in accordance with the change in accounting policy.
- A decrease of $13.2 million in the carrying value of SFC's investment in HTG.
- A decrease of $2.2 million in the carrying value of SFC's investment in Updater Inc (UPD).

Full-Year ($m)	FY22	FY21	$ change
Revenue	**$170.4**	$196.3	($28.9)
NPAT[1] from:			
Automotive Leather	**$18.1**	$24.4	($6.3)
Delta	**($0.6)**	$1.0	($1.6)
Manufacturing NPAT[1]	**$17.5**	$25.4	($7.9)
Group Investments (excluding fair value revaluations below)	**$11.7**	$6.8	$4.9
Corporate	**($2.8)**	($2.6)	($0.2)
NPAT[1,3] excluding fair value revaluations below	**$26.4**	$29.6	($3.2)
Jandakot revaluation	**$11.0**	-	$11.0
Other Investment Property revaluations[2]	**$4.2**	$2.1[2]	$2.1
HTG revaluation	**($13.2)**	$7.6	($20.8)
Updater revaluation	**($2.2)**	$1.7	($3.9)
Statutory NPAT[1]	**$26.2**	$41.0	($14.8)
EPS	**$1.91**	$3.01	
Ordinary Dividend (fully franked)	**$0.90**	$0.90	-

1. Net Profit after tax and minority interests.
2. FY21 results restated due to change in policy to recognise Investment Property at fair value
3. FY22 excluding revaluations associated with Jandakot, Other Investment Property, HTG and Updater

Automotive Leather

The Automotive Leather division performed well in an environment with many challenges. While revenues fell to $136 million (FY21: $165 million), the second half saw a recovery as the global semiconductor chip shortage started to ease. The global chip shortage resulted in OEMs producing fewer vehicles and running down inventories. Further improvement in this regard is expected over the next financial year. Profitability improved in the second half, with full year profit of $18.1 million (FY21: $24.4 million).

The second half saw new challenges, including:

- The war in Ukraine
- Negative currency movements
- A two-month Covid lockdown in Shanghai
- The delayed start of a major program despite its predecessor program finishing on time
- Continued inflationary pressures
- Supply chain challenges.

While currency movements contributed overall to profit for the financial year, large, unfavourable currency movements in the second half negatively impacted our earnings. During the second half the Australian dollar strengthened versus the Euro and weakened against the US dollar, both these movements were overall unfavourable for Automotive Leather:

- the Australian dollar (AUD) strengthen against the Euro which is negative for translations of our Euro revenues (around 75% of total revenues) into AUD.
- the Australian dollar (AUD) weakened against the US Dollar (US$) which is negative for the cost of various raw materials including hides and chemicals.

On a positive note, our Original Equipment Manufacturers (OEMs) have recently reported their quarterly results. All expect further improvement in the global semiconductor chip shortage. Demand for new vehicles remains strong, particularly in the higher-end luxury segment. As an example, Jaguar Land Rover recently announced a record order book of 200,000 vehicles, which was 19% higher than their order book reported 3 months ago.

As mentioned previously, our European operations successfully renewed key programs with Jaguar Land Rover and won new programs with Mercedes and Audi. These programs should result in higher volumes from the 2023 financial year onwards. In anticipation, management increased capacity to meet higher volumes. Those initiatives included:

- Purchasing and installing additional CNC cutting machines
- Increasing hide inventory levels to meet increased sales expectations for the 2023 financial year
- Using that increase to also maintain Covid-19 buffer inventory to mitigate the impacts from elongated supply chains
- Maintaining key skilled staff to ensure that we retain core skills.

Group Investments

Group Investments represents a growing proportion of the Group's underlying assets and valuation.

We continue to grow the division opportunistically with the objective of maximising shareholder value over the medium and long-term. The pre-tax net equity value of Group Investments ended the financial year at $187.7 million (FY21: $191.7 million) or $13.78 per share (FY21: $14.04 per share). Over 5 years, this represents an annual compounded increase of 14.5% per year. Over the same 5-year period, pre-tax net equity value of Group Investments has increased by $92 million, after having paid out $51 million of fully franked dividends and having bought back around $8 million in shares.

	$m		$ per share	
Pre-Tax Net Equity Value	**June 2022**	June 2021	**June 2022**	June 2021
Property including Jandakot (South Connect)[1]	**$138.8**	$114.7	**$10.19**	$8.40
Equity investments at market value (excluding HTG, UPD)	**$9.8**	$18.9	**$0.71**	$1.40
Harvest Technology Group (HTG)	**$8.9**	$26.9	**$0.66**	$1.97
Updater Inc (UPD)	**$6.8**	$10.5	**$0.50**	$0.76
Fixed Income	**$0.6**	$3.2	**$0.04**	$0.24
Cash and term deposits	**$22.8**	$17.5	**$1.68**	$1.27
Overall investment portfolio	**$187.7**	$191.7	**$13.78**	$14.04

1. Group share of fair value less Group share of debt

During the year, the pre-tax value of our Jandakot site (now branded South Connect, Jandakot Logistics Estate) increased by $20.8 million to $66.0 million (FY21: $45.2 million). The land value increased $15.6 million, and we invested $5.2 million in clearing, earthworks and surrounding roadworks. The contract for civil works has commenced and we expect completion in April 2023. We have obtained construction finance of $14.2 million to fund the initial development phase of the site. That finance is secured against 9.3 hectares of the site.

Group Investments NPAT[1] before specific revaluations[3] shown below was $11.6 million (FY21: 6.8 million), an increase of $4.8 million. That reflected a strong performance including:

- The sale of 23 lots at Beachside, North Coogee
- The sale of various syndicated properties managed by Ascot Capital at ~30% IRR
- The sale of Centuria shares (return of 81% over 2 years)
- Our internally managed global equity portfolio (42% gross return over 20 months)
- Unrealised gains across the Group's portfolio of other syndicate property investments.

Full-Year ($m)	FY22	FY21[2]
Revenue	**$17.2**	$14.6
NPAT[1,3] excluding fair value revaluations below	**$11.6**	$6.8
Jandakot revaluation	**$11.0**	-
Other Investment Property revaluation[2]	**$4.2**	$2.1
HTG revaluation	**($13.2)**	$7.6
Updater revaluation	**($2.2)**	$1.6
Segment NPAT[2] ($m)	**$11.4**	$18.1

1. Net Profit after tax and minority interests
2. FY21 results restated due to change in policy to recognise Investment Property at fair value
3. FY22 Excluding revaluations associated with Jandakot, Other Investment Property, HTG and Updater

Delta

Delta produces precast and prestressed concrete products, predominantly for the Western Australian market.

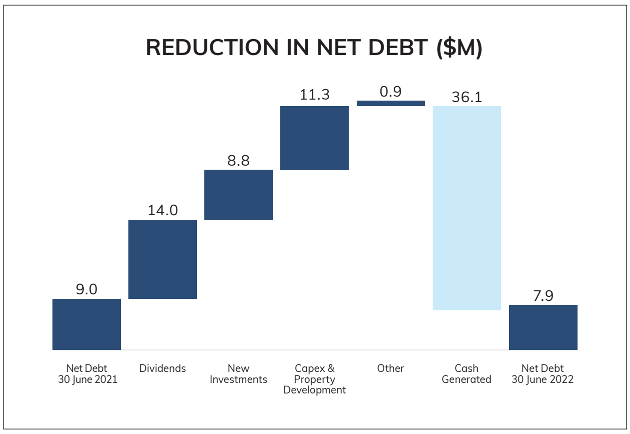
Delta incurred a small loss for the year. The loss resulted from delays, complexity and design changes associated with a major project.

Delta is operating in a challenging environment. While significant government investment has been directed to civil infrastructure projects to stimulate activity and jobs growth, there has been continued program delays, severe labour shortages and rising costs. Cost rise and fall terms are being included in new project contracts and Delta is being selective of projects it will undertake to minimise risk.

Group Cash Flow and Net Debt

Net Debt decreased $1.1 million during the financial year, from $9.0 million to $7.9 million. Cash flow generated from the sale of investments was offset by capital expenditure for SouthConnect, Jandakot and an increase in working capital for the Automotive Leather division which is holding buffer inventory to manage supply chain elongation and increased trade debtors associated with increased sale volumes towards year-end.

Reduction in Net Debt ($m)



Net Debt excludes $18.2m (June 2021: $19.8m) of lease liabilities that would have been classified as operating leases prior to the adoption of AASB 16 on 1 July 2019.

The Group's low overall gearing reflects the financial strength of the Group.

Sustainability

Schaffer Corporation is committed to working sustainably by caring for our people, the environment, and the long-term future of our businesses. The Group has sustainability goals to focus and reinforce our effort in this regard (refer page 15).

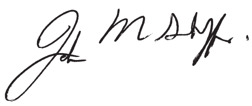
The Group's goals are based on 5 of the United Nations (UN) Sustainable Development Goals being good health and well-being, reducing inequality, responsible consumption and production, climate action, and life on land.

Dividends

Schaffer Corporation's long-standing policy is to pay dividends to its shareholders. On an ongoing basis, the directors manage the proportion of earnings paid out as dividends. The Board has regard to capital expenditure requirements, investment opportunities, liquidity needs and the availability of franking credits. We also reflect on prevailing economic conditions and uncertainty in setting dividends.

For the 2022 financial year, Schaffer Corporation has declared fully franked dividends totalling $0.90 per share, which is the same as the prior year.

This year's Annual General Meeting will be held on Wednesday, 16 November 2022, at which time I will provide a further update on the outlook for the 2023 financial year.



JOHN M SCHAFFER AM
Managing Director

Non-IFRS measures

* Schaffer Corporation results are reported under Australian Accounting Standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board. The Company discloses certain non-IFRS financial measures. The non-IFRS measures should only be considered in addition to, and not as a substitute for, other measures of financial performance prepared in accordance with IFRS.

The following are non-IFRS measures that are important to management as additional means to evaluate the Group's performance:

1. Return on Average Capital Employed (ROACE) is calculated as EBIT (after add back of interest on lease liabilities that would have been classified as operating leases prior to the adoption of AASB 16 on 1 July 2019) divided by the average of total assets (excluding cash and cash equivalents, deferred income tax assets, and right-of-use assets for leases that would have been classified as operating leases prior to the adoption of AASB 16 on 1 July 2019) less trade and other payables, and provisions over the period.

   EBIT (after add back of interest on lease liabilities that would have been classified as operating leases prior to the adoption of AASB 16) is calculated as follows:

	Full-Year Ending	
EBIT Reconciliation	**June 2022**	June 2021*
	$'000	$'000
Profit before income tax	**42,845**	66,106
Finance costs	**1,840**	1,872
EBIT	**44,685**	67,978
less interest on leases previously recognised as operating leases prior to the adoption of AASB 16	**(394)**	(557)
EBIT after interest on lease liabilities previously classified as operating leases prior to the adoption of AASB 16	**44,291**	67,421

* FY21 restated due to an accounting policy change outlined in note 2(b) to the financial statements

2. Net Profit After Tax (NPAT) is profit/(loss) for the period attributable to owners of the parent.
3. Net Debt excluding lease liabilities for leases that would have been classified as operating leases calculated as follows:

Reconciliation of Net Debt excluding lease liabilities for leases previously classified as operating leases		*As at*
	June 2022	June 2021
	$'000	$'000
Interest-bearing loans and borrowings	**39,972**	38,539
Lease liabilities	**24,023**	27,647
less lease liabilities relating to leases previously classified as operating leases	**(18,184)**	(19,801)
Gross Debt excluding lease liabilities relating to leases previously classified as operating leases	**45,811**	46,385
less cash and cash equivalents	**(43,985)**	(37,354)
Add back cash and cash equivalents -restricted	**6,100**	-
Net Debt excluding lease liabilities for leases previously classified as operating leases prior to the adoption of AASB 16	**7,926**	9,031

The directors believe that the presentation of non-IFRS financial information is useful for investors as the measures are utilised by the Group for rewarding performance and they reflect the underlying performance of the businesses.

Net debt excluding lease liabilities for leases that would have been classified as operating leases prior to the adoption of AASB 16 on 1 July 2019 is used to assist the understanding of the composition of Net Debt.

Non-IFRS financial information has been derived from the audited financial statements.

AUTOMOTIVE LEATHER

A GLOBAL BUSINESS IN A GLOBAL INDUSTRY

Supplier of leather to automotive manufacturers in Europe and Asia.

Schaffer Corporation owns 83% of the Automotive Leather division, which produces high-quality leather for the global automotive industry and focuses on supplying premium OEMs such as Jaguar Land Rover, Audi, Mercedes, and Porsche.

Production facilities are located globally to separately service both the European and Asian markets; for Europe, the leather finishing and cutting are located together in Kosice, Slovakia; for Asia, the leather finishing is located at the head office site in Thomastown, Victoria, and the cutting in Shanghai, China.

The division's global footprint provides a local presence in the key European and Asian automotive markets. This allows the Automotive Leather division to be close to its key customers and provides the opportunity to be competitive and responsive in a highly demanding global environment.

The Automotive Leather division performed well in an environment with many challenges. While revenues fell, the second half saw a recovery as the global semiconductor chip shortage started to ease. Profitability improved in the second half.

Further investments in production capacity in the Slovakian finishing and cutting plants were made during the year in preparation for additional volume that should be driven by new program launches with Mercedes and Audi during the next 12-24 months.

All products are sold in foreign currency and translated back to Australian Dollars for financial reporting purposes. Fluctuations in the Euro, US Dollar and Chinese Renminbi against the Australian Dollar can have a significant impact on the financial performance of the Automotive Leather division, and accordingly when appropriate, management utilises hedges to manage these risks.

FEATURE PROJECT

Third Generation Range Rover Sport

The Automotive Leather division is proud to have been nominated to supply leather for the third generation of the Range Rover Sport.

Thierry Bolloré, Chief Executive Officer, Jaguar Land Rover, said: "The exceptional New Range Rover Sport sets new standards as the ultimate sporting luxury SUV, building on seventeen years of unique customer appeal. It is the latest embodiment of our vision to create the world's most desirable modern luxury vehicles, effortlessly blending new levels of sustainability with the signature qualities that have made Range Rover Sport so popular."

DELTA
CORPORATION LIMITED

BUILDING MATERIALS




PROFITABLE NICHE FOCUS

Delta delivers niche products and design solutions for the construction, resource and landscaping markets.

Delta Corporation

www.deltacorp.com.au

Delta delivered a loss for the year which is representative of the ongoing challenging conditions being experienced across the entire construction industry. Delta's project profile has changed from supplying commercial construction to large civil engineering infrastructure projects.

Both the federal and state governments' response in guiding the economy through Covid and into recovery has focused heavily on investment in infrastructure and thus job creation. While there has been a significant increase in the volume of work, the construction industry has experienced several challenges that have limited the sectors capacity to deliver the projects.

Lingering Covid, severe construction labour shortages, ongoing supply chain disruptions, construction program delays and rising costs are putting the entire construction industry under significant stress.

Delta has likewise been impacted by the industry stress, with some challenges on our major projects. This has affected the company's financial performance over the past year and resulted in a review of contract terms and conditions as well as the type of work Delta is looking to pursue.

Prospects for the industry, particularly infrastructure projects, have improved and are underpinned by ongoing government investment in Western Australia's major infrastructure which is expected to carry through to 2025. Subsequently, Delta has invested in the installation of a new multipurpose, high-capacity adjustable stressing bed and production facility which is due for completion and commissioning in the first quarter of FY23.

SCHAFFER CORPORATION'S BUILDING MATERIALS DIVISION CONSISTS OF DELTA CORPORATION WHICH IS WA'S PRE-EMINENT MANUFACTURER OF PRECAST AND PRESTRESSED CONCRETE PRODUCTS.

FEATURE PROJECT

Bayswater Train Station

The Evolve Bayswater project is the most complex precast concrete project Delta Corporation has ever undertaken. The project is an essential part of the State Government's Metronet program with the new Bayswater Station (Biraliny) providing improved connectivity with the Midland Line, Forrestfield – Airport Link and the Morley Ellenbrook Line connections. The project forms the first part of the Morley-Ellenbrook Line and will provide a much-needed upgrade to the public transport service to Perth's north-eastern suburbs.

The elevated platform station is comprised of 22 fluted columns and headstocks supporting 52 bridge beams. The heavily reinforced and complex shapes of the precast elements have proven extremely challenging on a number of levels but the end result after having completed Stage 1 of the project is truly spectacular and one which the entire Delta team are very proud to have been a part of in delivering this essential infrastructure to the people of Perth.

Columns, headstocks and beams installations at Evolve Bayswater Train Station

Artist illustration courtesy of METRONET

GROUP INVESTMENTS

QUALITY INVESTMENTS AND LAND ASSETS WITH DEVELOPMENT POTENTIAL

Group Investments

The objective of Group Investments is to maximise shareholders' value over the medium to long-term through SFC's access to investment opportunities and investing in businesses and people with proven track records. The investment approach remains flexible and opportunistic.

The pre-tax net equity value of Group Investments ended the financial year at $187.7 million (FY21: $191.7 million) or $13.78 per share (FY21: $14.04 per share). Over 5 years, this represents an annual compounded increase of 14.5% per year. Over the same 5-year period, pre-tax net equity value of Group Investments has increased by $92 million, after having paid out $51 million of fully franked dividends and having bought back around $8 million in shares. Figures shown in the Porfolio Summary on page 12 represent fair values.

South Connect – Jandakot Logistics Estate

SFC owns a large strategic property in Jandakot, Western Australia, that is only 15 minutes south of the Perth central business district.

An approved local scheme allows warehouses, showrooms, masonry production and nurseries and the site is well located to benefit from the increased demand for logistic and "last-mile" warehousing driven by the rapid growth in e-commerce.

After subdivision to allow for road development, drainage and buffers, the developable area is approximately 34 hectares of which 6.2 hectares is a production facility currently leased to Austral Masonry Holdings. Clearing, earthworks and surrounding roadworks are now complete and the contract for civil works has commenced and is expected to be complete by April 2023.

The site is currently valued at $66.0 million (FY21; $45.2 million) on an "as is" basis.

Construction finance of $14.2 million is secured against 9.3 hectares.

Portfolio Summary

Pre-Tax Net Equity Value[1,2]

Pre-Tax Net Equity Value[1,2]	FY17 ($m)	FY18 ($m)	FY19 ($m)	FY20 ($m)	FY21 ($m)	FY22 ($m)	FY22 $ Per Share	FY22 % of Portfolio
Property: Used by SFC Operations	19.6	11.4	11.4	9.7	9.7	**9.7**	**0.71**	**5%**
Property: Rental Income	19.9	37.5	39.9	48.9	57.9	**63.7**	**4.68**	**34%**
- Retail / Bulky Goods	13.1	16.2	14.4	16.4	21.4	**25.6**	**1.88**	**14%**
- Industrial (includes Jandakot leased to Brickworks)	0.8	15.3	14.6	17.0	18.1	**19.1**	**1.40**	**10%**
- Office	5.3	5.2	5.6	8.3	10.5	**9.3**	**0.68**	**5%**
- Hotels	0.7	0.8	4.0	5.4	3.8	**4.0**	**0.29**	**2%**
- Residential	0.0	0.0	1.4	1.8	4.2	**5.7**	**0.42**	**3%**
Property: Development Sites	25.2	40.9	42.5	46.2	47.1	**65.4**	**4.80**	**35%**
- Jandakot - Development	10.7	26.4	26.4	33.4	33.4	**49.5**	**3.63**	**26%**
- Residential - Development	11.5	11.5	12.2	10.0	11.0	**10.9**	**0.80**	**6%**
- Industrial - Development	3.0	3.0	3.8	2.8	2.7	**5.0**	**0.37**	**3%**
Sub Total: Property	64.7	89.8	93.8	104.8	114.7	**138.8**	**10.19**	**74%**
Equities: Externally Managed	0.0	5.1	6.2	4.3	6.5	**6.3**	**0.47**	**3%**
Equities: Internally Managed	2.2	2.4	10.5	29.1	49.9	**19.1**	**1.41**	**10%**
- Harvest Technology Group (ASX: HTG)[3]	0.0	0.0	0.0	16.0	26.9	**8.9**	**0.66**	**5%**
- Updater Inc (US – Unlisted)	2.2	2.4	8.9	8.2	10.5	**6.8**	**0.50**	**4%**
- Hastings Technology Metals (ASX: HAS)	0.0	0.0	1.0	0.8	2.0	**2.2**	**0.16**	**1%**
- Global Portfolio	0.0	0.0	0.0	0.0	4.5	**0.0**	**0.00**	**0%**
- Other	0.0	0.0	0.6	4.2	6.0	**1.2**	**0.09**	**1%**
Sub Total: Equities	2.2	7.5	16.7	33.4	56.4	**25.5**	**1.87**	**14%**
Cash, Term Deposits & Fixed Income	28.7	15.9	23.9	24.4	20.6	**23.4**	**1.72**	**12%**
Total Pre-Tax Net Equity	95.5	113.2	134.4	162.6	191.7	**187.7**	**13.78**	**100%**
Pre-Tax Net Equity $ Per Share	6.82	8.18	9.73	11.95	14.04	**13.78**		

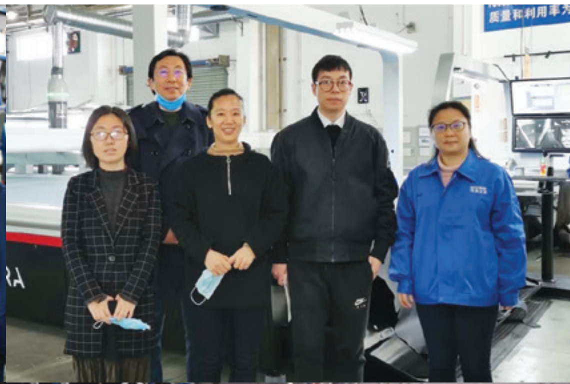
1. Market value less debt
2. All values represent SFC's share, i.e. 83.17% for Gosh Capital and other subsidiary held assets
3. SFC's investment in Harvest Technology Group (ASX:HTG) is valued at $8.9 million at 30 June 2022 (2021: $26.9 million). The share price used is $0.066 (2021: $0.235), which is below the $0.09 closing share price of HTG at 30 June 2022 (2021: $0.32). The discount to the closing price takes into consideration the significant volume of HTG shares held by the Group.

The following table represents the property holdings of the Group:

Address	Description	Ownership Structure	Land Size (sqm)	Current Lettable Area (sqm)	SFC Ownership %	SFC Share of Market Value ($m)	SFC Share of Debt ($m)	Notional Tax on Capital Gain ($m)	Net Equity Value After Tax ($m)
Property used by SFC Operations									
218 Campersic Road, Herne Hill, WA	Delta	SFC Direct	134,305	-	100%	8.0	-	(0.6)	7.4
1305 Hay Street, West Perth, WA	Head Office	SFC Direct	413	-	100%	1.7	-	(0.3)	1.4
						9.7	**-**	**(0.9)**	**8.8**
Rental Properties									
Hometown, 1480 Albany Hwy, Cannington, WA	Bulky Goods	Syndicate	59,319	20,637	25%	18.4	(9.7)	(4.0)	4.7
39 Dixon Rd, Rockingham, WA	Bulky Goods	Gosh Direct	12,047	5,434	83%	11.3	(5.5)	(1.8)	4.1
Tamworth Homespace, Tamworth, NSW	Bulky Goods	Syndicate	31,160	13,050	25%	5.7	-	(1.0)	4.7
Auburn Megamall, 265 Parramatta Road, NSW	Bulky Goods	Gosh Syndicate	24,690	32,348	2%	1.5	-	(0.3)	1.2
Pacific Brisbane Hotel, Brisbane, QLD	Hotel	Syndicate	2,899	7,759	4%	1.0	-	0.1	1.1
Pacific Suites, Canberra, ACT	Hotel	Gosh Syndicate		16,045	2%	-	-	0.3	0.3
Marriott Hotel, Yonkers, New York, USA	Hotel	SFC US Syndicate		17,100	4%	0.8	-	0.1	0.9

Address	Description	Ownership Structure	Land Size (sqm)	Current Lettable Area (sqm)	SFC Ownership %	SFC Share of Market Value ($m)	SFC Share of Debt ($m)	Notional Tax on Capital Gain ($m)	Net Equity Value After Tax ($m)
Seasons Hotel, Newman, WA	Hotel	Syndicate	29,000	82 rooms	5%	0.3	-	-	0.3
Burlington Hotel, Vermont, USA	Hotel	SFC US Syndicate	64,600	309 rooms	6%	0.9	-	0.1	1.0
Coral Cat Resort, Mackay, QLD	Hotel	Syndicate	9,148	82 rooms	5%	0.2	-	-	0.3
Embassy Suites, Portland, Maine, USA	Hotel	SFC US Syndicate	11,250	11,250	7%	0.7	-	-	0.7
Lot 705 Jandakot Road, Jandakot, WA	Industrial	SFC Direct	62,097		100%	15.5	-	(4.4)	11.1
Willung Rd, Rosedale, Victoria	Industrial	Howe Direct	510,530	9,854	83%	2.9	-	(0.7)	2.2
Torrens Rd, St Clair, SA	Industrial	Syndicate	29,707	15,011	8%	0.7	-	-	0.7
IBM Centre, 1060 Hay Street, West Perth, WA	Office	Syndicate	1,607	1,065	22%	13.8	(7.6)	(3.5)	2.6
6 Centro Avenue, Subiaco, WA	Office	Syndicate	3,488	1,098	50%	1.5	-	(0.1)	1.4
7 Turner Avenue, Bentley, WA	Office	Syndicate	3,600	4,198	35%	0.8	-	(0.1)	0.7
Albany Road Real Estate Partners Fund III	Office	SFC US Syndicate			1%	0.7	-	-	0.6
Albany Road Solana, Westlake, Texas, USA	Office	SFC US Syndicate	82,677	33,527	0%	0.1	-	-	0.1
Albany Road Breck Exchange, Georgia, Atlanta, USA	Office	SFC US Syndicate	235,284	51,824	0%	0.1	-	-	0.1
The Residences at Lakeview, Tennessee, USA	Residential	SFC US Syndicate	13,400	833 units	6%	2.8	-	(0.2)	2.6
The Residences at Bella Vista, St Louis, Missouri, USA	Residential	SFC US Syndicate	15,400	756 units	4%	1.5	-	-	1.4
Pier 5350 Apartments, Jacksonville, Florida, USA	Residential	SFC US Syndicate	89,000	43,200	7%	1.6	-	(0.1)	1.5
33 Glendale Crescent, Jandakot, WA	Residential	SFC Direct	10,000		100%	1.2	(1.4)	-	(0.2)
Parks Shopping Centre, Bunbury, WA	Retail	Syndicate	30,804	10,622	17%	7.7	(3.8)	-	3.9
						91.7	**(28.0)**	**(15.7)**	**48.0**
Development Sites									
Lot 706 Jandakot Road, Jandakot, WA	Industrial	SFC Direct	449,639		100%	40.0	(1.0)	(9.9)	29.1
Lot 704 Jandakot Road, Jandakot, WA	Industrial	SFC Direct	32,442		100%	10.5	-	(3.0)	7.5
170 Flynn Drive, Neerabup, WA	Industrial	Syndicate	260,000		20%	3.4	(1.0)	-	2.4
Belmore Rd, Punchbowl, NSW	Industrial	Syndicate	11,552		11.1%	1.4		(0.1)	1.3
Lot 561 Paris Road, Australind, WA	Industrial	Gosh Syndicate	12,000		4%	0.3	-	-	0.4
61 Ashford Avenue, Milperra NSW	Industrial	SFC Direct	20,000		2.6%	5.2	-	-	5.2
Bennett Avenue, North Coogee, WA	Residential	Gosh Direct	21,035		83%	0.6	-	(0.1)	0.5
South Ocean Real Estate Fund III	Residential	SFC US Syndicate			0.9%	0.4		-	0.4
South Ocean Real Estate Fund V	Residential	SFC US Syndicate			0.8%	0.2	-	0.1	0.3
Part Lot 602 Yanchep Beach Road, Yanchep, WA	Residential	Gosh Syndicate	42,600		3%	1.6	-	-	1.6
Lot 39A Kenmure Avenue, Bayswater, WA	Residential	Syndicate	5,653		50%	1.8	-	-	1.8
40-250 Railway Parade, West Leederville, WA	Residential	Syndicate	1,970		26.7%	0.1	-	-	0.1
370 -374 Oxford St, Mount Hawthorn, WA	Residential	Syndicate	7,498		26.7%	0.8		(0.2)	0.6
35 Glendale Crescent, Jandakot, WA	Residential	SFC Direct	6,504		100%	0.9	-	-	0.9
						67.5	**(2.0)**	**(13.4)**	**52.1**
Total SFC Property Value						**168.8**	**(30.0)**	**(29.9)**	**108.9**

All values represent SFC's share, i.e. 83.17% for Gosh Capital and other subsidiary held assets.
Included in SFC's share of debt is $22.1m relating to jointly held properties



SUSTAINABILITY

Schaffer Corporation is committed to working sustainably.

Schaffer Corporation is committed to working sustainably by fair work practices, community support, good environmental practices, and economic values that contribute to the long-term future of our businesses.

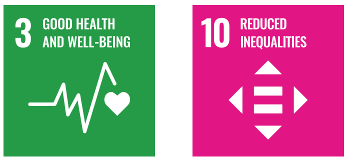
The Group is developing a Corporate Social Responsibility (CSR) program aligned with the three pillars of sustainable development—social, economic, and environmental sustainability. Schaffer Corporation is identifying and prioritising the most relevant areas that the Group can positively impact. Five key areas currently identified are:

- Sound business practices
- Responsible sourcing
- Staff wellbeing
- Health and safety
- Resource efficiency and carbon footprint

The Group is constantly striving to cultivate change to support society. As an organisation, our greatest challenge is to create products and processes that minimise their negative impact on our planet and protect our people. We remain profitable through investing in our people, products, and planet.

For example, the Automotive Leather division provides its customers with unsurpassed experience of luxury, elegance, and comfort - but beyond its statement, we contribute to ethical business practices, supplier development, sustainable growth and value creation supported by our investment strategies.

The Group's sustainability strategy focuses on the following United Nations (UN) Sustainable Development Goals:



Engaging an all-inclusive and safe workplace (UN Sustainable Development Goals 3 and 10)

Schaffer Corporation is committed to providing all our employees with a safe and healthy working environment. The Group continues to review and improve occupational health and safety management to improve outcomes. Measures and reporting to the Board includes Lost Time Injury Frequency Rate (LTIFR) and worker's compensation days. Management incentives include successful achievement of targets.

The Group supports diversity initiatives including multiculturalism. The Automotive Leather division has a multicultural workplace enhanced by the need to operate collaboratively over three very different countries – Australia, Slovakia, and China. Delta Corporation works with Nudge, a for-purpose charity that focuses on getting young, disadvantaged people into jobs and training opportunities in various industries in Western Australia. Delta has employed the services of the Nudge Trainee Programme to offer Aboriginal youth training and employment opportunities.

Gender diversity is important to the Group. At 30 June 2022, women represented 48% of the Group's workforce, 24% of senior executive positions, and 20% of the Board.

The Group is committed to the eradication of Modern Slavery practices, which includes forced and child labour. Sustainable Supplier Policies have been developed for issue to suppliers and the Group will continue to review and update risk analysis on areas where potential risk has been identified.

These sustainability goals are supported by Group policies such as the Code of Ethics, and staff education is used to reinforce the values associated with these goals into the various workplaces.

Responsible Consumption and Production (UN Sustainable Development Goal 12)

The Group seeks, evaluates, and implements initiatives that minimise water and energy use. For example, solar energy solutions have been implemented at our Australian manufacturing operations. We have also developed purpose-built energy reduction solutions to reduce our energy consumption requirements for our Automotive Leather operations in Europe during winter.

The Automotive Leather division manages waste by investing in new technologies and using machines and processes that help minimise raw material and chemical usage and waste. Delta Corporation recycles concrete product waste through crushing for use in other applications such as road base.

The Automotive Leather division is actively working with trusted suppliers on tanning processes and chemical manufacturing to develop products that are safer, biodegradable and have less impact on the environment when finishing leather.

Climate Action (UN Sustainable Development Goal 13)

The Automotive Leather division is currently in the process of implementing further strategies to align with OEM's ambition for suppliers to be CO_2-neutral by 2039. This initiative covers all stages of value creation, including the upstream supply chain that Automotive Leather relies on.

Our decarbonisation journey started in 2019 as our baseline, setting in place the medium-term goal to achieve a 25% reduction in our total CO_2 emissions by 2025.

Life on Land (UN Sustainable Development Goal 15)

Our Automotive Leather division has trusted partnerships with hide suppliers around the world and animal welfare is one of the main criteria in selecting our leather suppliers. We oppose animal cruelty, and the Group works with suppliers that adhere to various certifications and meet the requirements of various welfare regulations such as SENASA directive, FSIS Directive 9200, and regulation 1099/2009 for animal protection. The division sources a portion of its hides from New Zealand which is rated at "A", the highest rating on the Animal Protection Index.

Supply Chain transparency from farm to automotive cut parts is important for maintaining brand reputation but also for avoidance of animal welfare issues, forced or child labour issues, and to demonstrate a best practice supply chain to our customers. Our Automotive Leather division has established 100% traceability of each batch of hides back to farming level.

Automotive Leather has also conducted comprehensive Life Cycle Assessment (LCA) on our products to assess the potential for environmental impacts associated with the production of our leather throughout the entire production life cycle. This has allowed the identification of factors that can contribute to lowering our carbon footprint. This includes factors influenced by the tannery and chemical suppliers, and our own leather finishing methods including energy consumption and waste treatment, and transport factors such as fuel consumption and packaging. Environmental considerations play an integral role in the way we source our materials, manufacture our products, and deliver to customers.

The Automotive Leather division continues to explore opportunities for sustainable chemical management by focusing on Restricted Substance Management. Our goal is to implement safer chemical alternatives through our supply chain. Suppliers and sub suppliers are required to provide MRSL ZDHC declarations of compliance. The ZDHC Gateway harnesses the power of transparency and collaboration to eliminate harmful substances from global value chains. The responsibility remains with us to strive for ZDHC Zero Discharge of Hazardous Chemicals.

SCHAFFER CORPORATION LIMITED ABN 73 008 675 689

FINANCIAL REPORT 22

for the year ended 30 June 2022

Consolidated Statement of Comprehensive Income	18
Consolidated Statement of Financial Position	19
Consolidated Statement of Changes in Equity	20
Consolidated Statement of Cash Flows	21
Notes to the Consolidated Financial Statements	22
Directors' Declaration	55
Independent Auditor's Report	56
Directors' Report	63
Statement of Corporate Governance Practices	72
ASX Additional Information	77
Shareholder Information	78

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2022

	Note	CONSOLIDATED 2022 $'000	RESTATED 2021* $'000
Revenue			
Revenue from contracts with customers	3	**162,412**	188,879
Rental income	4(a)	**5,469**	5,433
Finance income	4(b)	**433**	358
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 investees*		**3,363**	1,749
Other income*	4(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	4(b)	**(1,840)**	(1,872)
Profit before income tax		**42,845**	66,106
Income tax expense*	5	**(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*	26	**4,107**	5,675
Owners of the parent*	25	**26,191**	40,974
		30,298	46,649
Total comprehensive income for the period attributable to:			
Non-controlling interest*		**4,173**	5,503
Owners of the parent*		**27,385**	39,530
		31,558	45,033
Earnings per share (EPS)			
Basic EPS*	7	**191.0¢**	300.6¢
Diluted EPS*	7	**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 outlined in note 2(b).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 June 2022

		CONSOLIDATED		
			RESTATED	RESTATED
		2022	2021*	2020*
	Note	$'000	$'000	$'000
ASSETS				
Current assets				
Cash and cash equivalents	8	**37,885**	37,354	35,016
Cash – restricted	8	**6,100**	–	–
Trade and other receivables	9	**31,508**	28,292	17,496
Inventories	11	**51,594**	37,986	40,909
Contract assets	10	**3,585**	1,720	2,589
Prepayments and deposits	12	**3,512**	1,884	2,075
Derivative financial instruments	14	**1,194**	163	166
Other financial assets	14	**584**	6,260	–
		135,962	113,659	98,251
Non-current assets				
Property, plant and equipment	19	**17,783**	13,781	13,637
Inventories	11	**1,300**	1,828	–
Contract assets	10	**3,061**	2,854	–
Investment properties*	20	**128,371**	103,121	102,639
Right-of-use assets	21	**28,020**	32,702	37,834
Equity accounted investments*	13	**8,968**	6,048	3,782
Deferred income tax asset*	5	**4,084**	3,940	5,075
Goodwill		**1,299**	1,299	1,299
Other financial assets	14	**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	15	**37,225**	28,481	12,485
Contract liabilities	10	**444**	1,696	277
Interest bearing loans and borrowings	16	**6,560**	9,288	13,499
Lease liabilities	21	**5,541**	5,970	5,438
Income tax payable		**1,655**	1,326	–
Provisions	18	**9,488**	9,016	6,804
Derivative financial instruments	14	**–**	402	1,762
Total current liabilities		**60,913**	56,179	40,265
Non-current liabilities				
Interest bearing loans and borrowings	16	**33,412**	29,251	39,834
Lease liabilities	21	**18,482**	21,677	28,186
Deferred income tax liabilities*	5	**29,619**	28,181	23,545
Provisions	18	**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	24	**10,590**	11,622	11,227
Reserves	25	**3,395**	2,163	3,488
Retained earnings*	25	**193,867**	180,031	149,968
Total parent entity interest in equity		**207,852**	193,816	164,683
Non-controlling interests*	26	**13,133**	10,642	8,843
Total equity		**220,985**	204,458	173,526

The above 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 outlined in note 2(b).

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2022

	Attributable to Equity Holders of the Parent							
			Reserves					
	Issued Capital	Retained Earnings *	Asset revaluation	Share-based payments	Foreign currency translation	Total	Non-controlling Interest *	Total equity *
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 1 July 2021								
Previously reported	**11,622**	**128,445**	**2,585**	**(674)**	**252**	**142,230**	**10,246**	**152,479**
Restatement	**–**	**51,586**	**–**	**–**	**–**	**51,586**	**396**	**51,979**
Restated	**11,622**	**180,031**	**2,585**	**(674)**	**252**	**193,816**	**10,642**	**204,458**
Profit for the year	**–**	**26,191**	**–**	**–**	**–**	**26,191**	**4,107**	**30,298**
Other comprehensive income	**–**	**–**	**–**	**–**	**1,194**	**1,194**	**66**	**1,260**
Total comprehensive income for the year	**–**	**26,191**	**–**	**–**	**1,194**	**27,385**	**4,173**	**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)**	**(1,682)**	**(14,037)**
At 30 June 2022	**10,590**	**193,867**	**2,585**	**(636)**	**1,446**	**207,852**	**13,133**	**220,985**
At 1 July 2020								
Previously reported	11,227	100,522	2,585	(792)	1,695	115,237	8,562	123,799
Restatement	–	49,446	–	–	–	49,446	281	49,727
Restated	11,227	149,968	2,585	(792)	1,695	164,683	8,843	173,526
Profit for the year – restated	–	40,974	–	–	–	40,974	5,675	46,649
Other comprehensive income	–	–	–	–	(1,443)	(1,443)	(173)	(1,616)
Total comprehensive income for the year	–	40,974	–	–	(1,443)	39,531	5,502	45,033
Transactions with owners in their capacity as owners:								
Employee share options exercised	395	–	–	–	–	395	–	395
Share-based payments	–	–	–	118	–	118	–	118
Equity dividends	–	(10,911)	–	–	–	(10,911)	(3,703)	(14,614)
At 30 June 2021	11,622	180,031	2,585	(674)	252	193,816	10,642	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 outlined in note 2(b).

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 30 June 2022

		CONSOLIDATED	
		2022	2021
	Note	$'000	$'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 received		**1,844**	1,537
Other revenue received		**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	8	**20,643**	47,505
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		**(5,922)**	(5,542)
Acquisition of investment property		**(1,293)**	–
Proceeds on sale of property, plant and equipment		**136**	461
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 through profit or loss		**9,280**	2,144
Capital returns from financial assets at fair value through profit or loss		**10,545**	464
Application funds received from SFC Global Equity Fund investors	8	**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 receipts		**1,166**	2,905
Lease principal repayments		**(5,638)**	(5,738)
Dividends paid	6(a)	**(14,037)**	(14,614)
Shares acquired under share buy-back scheme		**(1,969)**	–
Proceeds from exercise of employee share options		**937**	395
Net cash flows used in financing activities		**(18,108)**	(31,846)
NET INCREASE/(DECREASE) 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	8	**43,985**	37,354

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

year ended 30 June 2022

Note 1: Corporate Information

The consolidated financial report of Schaffer Corporation Limited and its controlled entities (the Group or Consolidated Entity) for the year ended 30 June 2022 was authorised for issue in accordance with a resolution of the Directors on 23 September 2022.

Schaffer Corporation Limited (SFC, the Parent or the Company) is a for-profit company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange. The Company is domiciled in Australia.

The nature of the operations and principal activities of the Group are described in note 23.

Note 2: Summary of Significant Accounting Policies

(a) Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards. The financial report has been prepared on a historical cost basis, except for financial instruments held at fair value through profit or loss and investment property held at fair value through profit or loss.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated under the option available to the Company under ASIC Instrument 2016/191 Corporations (Rounding in Financial/Directors Report). The Company is an entity to which the instrument applies.

The financial report also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

(b) Changes in Accounting Policies and Disclosures

Revaluation of Investment Properties

The Group has historically measured its investment property at cost less accumulated depreciation 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 receive reliable and more relevant information 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. Equity accounted investments that hold investment property have also been restated to fair value for consistency in accounting policy.

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
As at 30 June 2021

	Previously reported	Adjustment	Restated
	$'000	$'000	$'000
ASSETS			
Non-current assets			
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			
Non-current 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			
Equity attributable to equity holders of the parent			
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
As at 1 July 2020

	Previously reported	Adjustment	Restated
	$'000	$'000	$'000
ASSETS			
Non-current assets			
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			
Non-current 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			
Equity attributable to equity holders of the parent			
Retained earnings	100,522	49,446	149,968
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
For the year ended 30 June 2021

	Previously reported	Adjustment	Restated
	$'000	$'000	$'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 investees	(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**
Other comprehensive income			
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 interest	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¢

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
year ended 30 June 2022

Note 2: Summary of Significant Accounting Policies (continued)

(c) New accounting standards and interpretations

Adoption of New Accounting Standards

Several amendments and interpretations apply for the first time at 1 July 2021, but do not have a significant impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

New Accounting Standards and Interpretations not yet applicable

Applicable Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ended 30 June 2022. New Standards which are not yet effective, and which may have a material impact on the Group are included in the following table. The Group is currently assessing the potential impact of the standards.

Pronouncement	Title	Summary	Application date of standard	Application date for Group
AASB 2020-1	*Amendments to AASs – Classification of Liabilities as Current or Non-current*	A liability is classified as current if the entity has no right at the end of the reporting period to defer settlement for at least 12 months after the reporting period. The AASB recently issued amendments to AASB 101 *Presentation of Financial Statements* to clarify the requirements for classifying liabilities as current or non-current. Specifically: • The amendments specify that the conditions which exist at the end of the reporting period are those which will be used to determine if a right to defer settlement of a liability exists. • Management intention or expectation does not affect classification of liabilities. • In cases where an instrument with a conversion option is classified as a liability, the transfer of equity instruments would constitute settlement of the liability for the purpose of classifying it as current or non-current. A consequence of the first amendment is that a liability would be classified as current if its repayment conditions failed their test at reporting date, despite those conditions only becoming effective in the 12 months after the end of the reporting period. In response to this possible outcome, the AASB has proposed further amendments: • Specifying that conditions with which an entity must comply after the reporting period do not affect the classification at the reporting date • Adding presentation and disclosure requirements for non-current liabilities subject to conditions in the next 12 months • Clarifying specific situations in which an entity does not have a right to defer settlement for at least 12 months after the reporting date • Deferring the effective date of the original amendments to no earlier than 1 January 2024. These amendments are applied retrospectively.	1 January 2023	1 July 2023
AASB 2021-2	*Amendments to AASB 108 – Definition of Accounting Estimates*	An accounting policy may require items in the financial statements to be measured using information that is either directly observable or estimated. Accounting estimates use inputs and measurement techniques that require judgements and assumptions based on the latest available, reliable information. The amendments to AASB 108 clarify the definition of an accounting estimate, making it easier to differentiate it from an accounting policy. The distinction is necessary as their treatment and disclosure requirements are different. Critically, a change in an accounting estimate is applied prospectively whereas a change in an accounting policy is generally applied retrospectively. The new definition provides that 'Accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty.' The amendments explain that a change in an input or a measurement technique used to develop an accounting estimate is considered a change in an accounting estimate unless it is correcting a prior period error. • For example, a change in a valuation technique used to measure the fair value of an investment property from market approach to income approach would be treated as a change in estimate rather than a change in accounting policy. • In contrast, a change in an underlying measurement objective, such as changing the measurement basis of investment property from cost to fair value, would be treated as a change in accounting policy. The amendments did not change the existing treatment for a situation where it is difficult to distinguish a change in an accounting policy from a change in an accounting estimate. In such a case, the change is accounted for as a change in an accounting estimate. The amendments are applied prospectively.	1 January 2023	1 July 2023

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
year ended 30 June 2022

Note 2: Summary of Significant Accounting Policies (continued)

(c) New accounting standards and interpretations (continued)

Pronouncement	Title	Summary	Application date of standard	Application date for Group
AASB 2021-5	*Amendments to AASs – Deferred Tax related to Assets and Liabilities arising from a Single Transaction*	AASB 112 *Income Taxes* requires entities to account for income tax consequences when economic transactions take place, rather than when income tax payments or recoveries are made. Accounting for such tax consequences, means entities need to consider the differences between tax rules and accounting standards. These differences could either be: • Permanent – e.g., when tax rules do not allow a certain expense to ever be deducted; or • Temporary – e.g., when tax rules treat an item of income as taxable in a period later than when included in the accounting profit. Deferred taxes representing amounts of income tax payable or recoverable in the future must be recognised on temporary differences unless specifically prohibited by AASB 112. One of these circumstances, known as the initial recognition exception, applies when a transaction affects neither accounting profit nor taxable profit, and is not a business combination. Views differ about applying this exception to transactions that, on initial recognition, create both an asset and liability (and could give rise to equal amounts of taxable and deductible temporary differences) such as: • Recognising a right-of-use asset and a lease liability when commencing a lease. • Recognising decommissioning, restoration and similar liabilities with corresponding amounts included in the cost of the related asset. Some entities have previously recognised deferred tax consequences for these types of transactions, having concluded that they did not qualify for the initial recognition exception. The amendments to AASB 112 clarify that the exception would not normally apply. That is, the scope of this exception has been narrowed such that it no longer applies to transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The amendments apply from the beginning of the earliest comparative period presented to: • All transactions occurring on or after that date • Deferred tax balances, arising from leases and decommissioning, restoration and similar liabilities, existing at that date The cumulative effect of initial application is recognised as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate.	1 January 2023	1 July 2023
AASB 2021-2	*Amendments to AASB 7, AASB 101, AASB 134 Interim Financial Reporting and AASB Practice Statement 2 Making Materiality Judgements – Disclosure of Accounting Policies*	The amendments to AASB 101 require disclosure of material accounting policy information, instead of significant accounting policies. Unlike 'material', 'significant' was not defined in Australian Accounting Standards. Leveraging the existing definition of material with additional guidance is expected to help preparers make more effective accounting policy disclosures. The guidance illustrates circumstances where an entity is likely to consider accounting policy information to be material. Entity-specific accounting policy information is emphasised as being more useful than generic information or summaries of the requirements of Australian Accounting Standards. The amendments to AASB Practice Statement 2 supplement the amendments to AASB 101 by illustrating how the four-step materiality process can identify material accounting policy information.	1 January 2023	1 July 2023
AASB 2014-10	*Amendments to AASs – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	The amendments to AASB 10 *Consolidated Financial Statements* and AASB 128 *Investments in Associates and Joint Ventures* clarify that a full gain or loss is recognised when a transfer to an associate or joint venture involves a business as defined in AASB 3 *Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. These amendments are applied prospectively.	1 January 2025	1 July 2025

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
year ended 30 June 2022

Note 2: Summary of Significant Accounting Policies (continued)

(d) Basis of consolidation

The consolidated financial statements comprise the financial statements of Schaffer Corporation Limited and its subsidiaries (the Group) as at 30 June of each year. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with an investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:
(i) power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
(ii) exposure, or rights, to variable returns from its involvement with the investee; and
(iii) the ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:
(i) the contractual arrangement with the other vote holders of the investee;
(ii) rights arising from other contractual arrangements; and
(iii) the Group's voting rights and potential voting right.

The Group re-assesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the Consolidated Statement of Comprehensive Income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. For foreign currency denominated intercompany receivables and payables which do not form part of a net investment in foreign operations, although intercompany balances are eliminated in the consolidated statement of financial position, the effect on profit or loss of their revaluation is not fully eliminated.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

Non-controlling interests represent the portion of profit or loss and net assets in Howe Automotive Limited and Gosh Holdings Pty Ltd not held by the Group and are presented separately in the Consolidated Statement of Comprehensive Income and within equity in the Consolidated Statement of Financial Position.

(e) Significant accounting judgments, estimates and assumptions

(i) Significant accounting judgments

In applying the Group's accounting policies, management continually evaluates judgments, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Group. All judgments, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the judgments, estimates and assumptions. Significant judgments, estimates and assumptions made by management in the preparation of these financial statements are outlined below:

Operating lease commitments – Group as Lessor

The Group has entered into commercial property leases on its Investment Property portfolio. The Group has determined that it retains all the significant risks and rewards of ownership of these properties and has thus classified the leases as operating leases.

Determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional terms of three to five years. The Group applies judgment in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

(ii) Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Employee participation units

The Group measures the cost of cash-settled EPU termination payments in accordance with a valuation formula based on the future three-year average of 5.5 times Automotive Leather's estimated earnings before interest and tax minus the future three-year average estimated debt, discounted based on the estimated period until payment using a risk-free rate of return. The impact of Covid-19 was considered when assessing the future earnings input used in these estimations. Future earnings estimates have been decreased from prior year to reflect the ongoing economic volatility from the impacts of Covid-19, supply chain elongation and the Ukraine war. The valuation has sensitivity to the estimate of future earnings. A 10% reduction in the estimate of future earnings would reduce the provision by $1,316,000 (2021: $1,384,000) and vice versa. Refer note 28(c).

Construction contracts

Refer note 2(n).

Impairment of non-financial assets other than goodwill

The Group assesses impairment of all assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. These include product and manufacturing performance, technology, economic and political environments and future product expectations. If an impairment trigger exists, the recoverable amount of the asset is determined.

Variable consideration

The Group estimates variable consideration to be included in the transaction price for the sale of automotive leather components with rights to claim a refund.

At each reporting date, the Group estimates forecast claims as the larger value of the 12-month historical claims as a percentage of revenue from sales of automotive leather components applied to the current trade receivables balance, or the value of identified return materials authorities (RMAs) that have not yet been credited.

The Group estimates variable consideration to be included in the transaction price for the construction of precast concrete elements with rights for liquidated damages. The Group has no history of liquidated damages and accordingly has estimated forecasted liquidated damages to be nil.

Estimates of expected variable consideration are sensitive to changes in circumstances and the Group's past experience may not be representative of actual customer claims and liquidated damages in the future. Any significant change in experience as compared to history will impact the expected variable consideration in the future.

Provision for expected credit losses of trade receivables and contract assets

The provision for expected credit losses of trade receivables and contract assets is based on the historical default rates experienced by the Group, forecast economic conditions, financial strength of ongoing customers and the Group's credit

Note 2: Summary of Significant Accounting Policies (continued)

policies, adjusted for forward looking factors specific to the debtors and the economic environment. The Group has suffered negligible default rates in recent years however the Group's credit loss experience may not be representative of actual customer defaults in the future, particularly due to Covid-19. Management has provided for an amount of expected credit loss with consideration of Covid-19, based on the overall strength of the sectors to which the Group supplies.

Measurement of fair value

The Group's accounting policies and disclosures may require the measurement of fair values for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Group owns investment property and certain financial instruments that are not valued using quoted market prices. The fair value of each these financial instruments is based on available information including guidance provided by investment managers, external valuations by independent third-party valuers, and market research. The varied impacts of Covid-19 on the market sectors to which the individual investments pertained were considered in the assessments of fair value. Refer notes 17(c) and 20.

(f) Foreign currency translation

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Both the functional and presentation currency of Schaffer Corporation Limited and its Australian subsidiaries is Australian dollars.

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All exchange differences arising from the above procedures are taken to the Consolidated Statement of Comprehensive Income.

As at the reporting date, the assets and liabilities of overseas subsidiaries (refer note 32) are translated into the presentation currency of Schaffer Corporation Limited at the rate of exchange ruling at the balance date and the Consolidated Statement of Comprehensive Income is translated at the average exchange rates for the year.

The exchange differences arising on the translation are taken directly to other comprehensive income.

On disposal of a foreign entity, the deferred cumulative amount recognised in the component of other comprehensive income relating to that particular foreign operation and attributable to the parent entity is recognised in the Consolidated Statement of Comprehensive Income.

(g) Investment properties

Investment properties are land and/or buildings held by the Group to earn rental income and/or for capital appreciation and exclude property used in production of goods or services or for administrative purposes.

Investment properties are initially measured at cost and subsequently at fair value with any change therein recognised in profit or loss. Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

Rental income from investment property is recognised as other revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

(h) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

- land – not depreciated
- buildings – over 40 years
- leasehold improvements – the shorter of the lease term and the asset's useful life
- plant and equipment – over 5 to 15 years

(i) Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination shall be measured at fair value, which shall be calculated as the sum of the acquisition date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquire, the equity issued by the acquirer, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured at fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with AASB 9 through profit or loss. If the contingent consideration is classified as equity, it shall not be remeasured.

The excess of the cost of the business combination over the net fair value of the Group's share of the identifiable net assets acquired is recognised as goodwill. If the cost of acquisition is less than the Group's share of the net fair value of the identifiable net assets of the subsidiary, the difference is recognised as a gain in the Consolidated Statement of Comprehensive Income, but only after a reassessment of the identification and measurement of the net assets acquired.

(j) Impairment of non-financial assets other than goodwill

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs of disposal and its value-in-use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value-in-use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

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. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

Note 2: Summary of Significant Accounting Policies (continued)

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount.

That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future period to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(k) Investments and other financial assets

Debt instruments at amortised cost

The Group's debt financial assets included in other financial assets are classified as debt instruments at amortised cost where they are held with the objective of holding the financial asset to collect contractual cash flows and the cash flows are solely payments of principal and interest.

Financial assets at fair value through profit or loss

The Group's other financial assets excluding debt instruments at amortised cost 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.

(l) Inventories

Inventories include raw materials, work-in-progress (excluding contract work in progress), finished goods and land held for sale. Inventories are valued at the lower of cost and net realisable value. .

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- Raw materials – purchase cost on a first-in, first-out basis.
- Finished goods and work-in-progress – cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs. Costs are assigned on the first-in first-out basis.
- Land held for sale – land acquisition costs and costs attributable to bringing the land to a saleable condition.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(m) Trade and other receivables

Trade and other receivables are classified as debt instruments at amortised cost. An allowance is recognised for expected credit loss based on the Group's historical 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 30 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.

(n) Contract assets and liabilities

Contract work in progress

Contract work in progress is classified as contract assets or contract liabilities in accordance with AASB 15 *Revenue from Contracts with Customers.*

Contract work in progress is stated at cost plus profit recognised to date calculated in accordance with the percentage of completion method, less an allowance for expected credit loss and progress payments received to date. Percentage completion is calculated on the actual costs to date as a percentage of the estimated total costs for each project.

An allowance for expected credit loss is based on the Group's historical loss experience, adjusted for forward looking factors specific to the debtors and the economic environment.

The gross amount due from customers for contract work for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceeded progress billings, is presented in contract assets.

The gross amount due to customers for contract work for all contracts in progress for which progress billings exceeded costs incurred plus recognised profits (less recognised losses) is presented in contract liabilities.

Costs to obtain or fulfil a contract

The Group may incur incremental upfront costs associated with obtaining Long-term Agreements (LTAs) with customers that would otherwise not be incurred if the contract had not been obtained. Where such costs are expected to be recovered over the contract period, the Group recognises a contract asset on its Statement of Financial Position.

Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained are recognised as an expense in the Statement of Comprehensive Income when incurred, unless explicitly recoverable from the customer regardless of whether the contract is obtained.

Contract assets are amortised on a straight-line basis over the estimated duration of the contract with the customer.

Use of judgement

The Group exercises judgement in determining the estimated duration of the contract based on information available at contract inception. Significant changes to the expected duration of the contract are accounted for prospectively as a change in accounting estimate in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors.*

The Group does not consider the identification and quantification of contract costs that can be capitalised an area of significant judgement due to low uncertainty regarding the recoverability and amount of contract costs associated with LTAs at inception.

(o) Cash and short-term deposits

Cash and short-term deposits in the Consolidated Statement of Financial Position comprise cash at banks and on hand and short-term deposits with a maturity of 90 days or less.

Restricted cash comprises cash at banks received from external parties and subject to restrictions on its use or transfer.

For the purpose of the Consolidated Statement of Cash Flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

(p) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in profit or loss when the liabilities are derecognised.

Note 2: Summary of Significant Accounting Policies (continued)

(q) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Consolidated Statement of Comprehensive Income net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Restructure provisions

Provisions relating to restructures are recognised when:

- the Group has a detailed formal plan for the restructuring; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement it or by announcing its main features to those affected.

(r) Employee entitlements

Provision is made for employee entitlement benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave and long service leave, and associated taxes and on-costs. Liabilities arising in respect of employee entitlements expected to be settled within twelve months of the reporting date are measured at the amounts expected to be settled. All other employee entitlement liabilities are measured at the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the interest rates attaching to national high quality corporate bonds which have terms to maturity approximating the terms of the related liability are used.

Employee entitlements, expenses and revenues arising in respect of the following categories:

- wages and salaries, non-monetary benefits, annual leave, long service leave and other leave entitlements; and
- other types of employee entitlements;

are charged against profit or loss on a net basis in their respective categories.

Contributions to defined contribution superannuation plans are expensed when incurred.

(s) Executive share option arrangement

The Directors of Schaffer Corporation Limited may grant in their absolute discretion, without payment, share options to employees under an employee share scheme approved by shareholders at the Annual General Meeting in November 1999. Each option is convertible into one ordinary share of Schaffer Corporation Limited on payment of the exercise price, after a vesting period, but prior to the expiry date.

The exercise price is determined at the grant date at the absolute discretion of the Directors but not less than the greater of:

- the weighted average of the last sale price on the Australian Stock Exchange Limited of the shares in the Company for each of the five trading days on which a sale of the Company's shares was effected immediately preceding the date on which any options are issued to any participant; and
- 20 cents.

The options hold no voting or dividend rights and are not transferable. Schaffer Corporation Limited does not provide guarantees to enable executives to finance the exercise of their options. When an executive ceases to be employed by the entity, any unexercised options automatically lapse and are forfeited.

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined using a Black-Scholes model.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Schaffer Corporation Limited (market conditions). There are no non-vesting conditions attached to the employee share scheme.

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

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (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 is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

The Consolidated Statement of Comprehensive Income charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share (refer note 7).

(t) Employee participation units

A controlled entity, Howe Automotive Limited (Howe), may grant employee participation units (EPUs) in accordance with its Employee Incentive Plan adopted by Howe shareholders on 20 December 2001. For conditions refer to note 28(c).

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 has the option to compel the employee to use the whole or part of that cash payment to subscribe for Schaffer Corporation Limited shares.

The Group records a provision for EPU termination 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 on termination 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.

EPUs are cancelled once they are paid out. EPUs are also cancelled if the employee ceases to be an employee prior to the third anniversary of the grant date for any reason other than death or permanent disablement, if the employee acts in competition with Howe after the third anniversary but prior to pay out, is disparaging to Howe or any of its businesses, does anything which is illegal, fraudulent, dishonest or serious misconduct, discloses confidential information, or if the employee is a director or general manager and does not provide a minimum of 90 days' notice of intention to terminate employment.

Howe may at any time amend this plan, but amendments cannot prejudice the accrued rights of an employee without consent of not less than 75% in the number of employees who hold EPUs at the time of the amendment.

Note 2: Summary of Significant Accounting Policies (continued)

(u) Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- buildings – 6 to 12 years
- plant and equipment – 5 to 15 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment assessments. Refer to note 2(j).

ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the lessee company's incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

iii) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of plant and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of plant and equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

(v) Revenue recognition

Sale of Goods

Automotive leather components – Revenue is recognised at the point in time when control of the goods is transferred to the customer, generally on collection by the customer. The contracts for the sale of automotive leather components provide customers with the right to claim a credit or refund for components that do not 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 and is recognised to the extent that it is highly probable that a significant reversal of revenue will not occur. Payment terms are generally 30 to 90 days.

Hospitality sales

Revenue is recognised at the point in time when control of the goods is transferred to the customer.

Construction contracts

The Group recognises construction services revenue and expenses on an individual contract basis using the percentage of completion method based on cost inputs which align 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. Payment terms are generally 30 to 45 days. The Group generally warrants that it will rectify construction works deemed defective for between 5 and 10 years from completion of the works.

Transport

The Group recognises transport revenue on an individual contract basis over the period the service is completed. Payment terms are generally 30 to 45 days.

Interest income

Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

Dividends and distributions

Revenue is recognised when the shareholders' or unitholders' right to receive the payment is established, excluding dividends received from equity accounted investments, in which the dividends are recognised as a reduction in the equity accounted investment.

Rental income

Rental income arising on investment properties is accounted for on a straight-line basis over the lease term. Contingent rental income is recognised as income in the periods in which it is earned.

Note 2: Summary of Significant Accounting Policies (continued)

(w) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance date.

Deferred income tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, except as described below.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- where taxable temporary differences associated with investments in subsidiaries, associates and undivided interests, and the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred income tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- where the deductible temporary difference is associated with investments in subsidiaries, or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised, or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

The Company and all its wholly owned Australian resident subsidiaries are part of a tax consolidated group. The Company, being the head entity in a tax consolidated group, assumes the current tax liability and any deferred tax assets arising from tax losses and other unused tax credits of the subsidiaries in the tax consolidated group. Deferred tax balances of the subsidiaries in the tax consolidated group are not assumed by the Parent entity.

The Group allocates the tax balances for the period using the Group allocation approach, and a tax funding arrangement is in place to reimburse the parent entity for any liabilities of the subsidiaries it assumes and conversely, for the parent entity to reimburse the subsidiaries for any recognised tax losses it assumes.

(x) Other taxes

Revenues, expenses and assets are recognised net of the amount of goods and services tax ('GST') except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Consolidated Statement of Financial Position.

Cash flows are included in the Consolidated Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Consolidated Statement of Financial Position.

Cash flows are included in the Consolidated Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(y) Derivative financial instruments

The Group uses derivative financial instruments such as forward currency contracts and interest rate swaps to manage its risks associated with foreign currency and interest rate fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

The Group has determined that these derivatives do not qualify for hedge accounting and as such, any gains or losses arising from changes in fair value are taken directly to the Consolidated Statement of Comprehensive Income.

Forward exchange contracts

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

Interest rate swaps

The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

(z) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(aa) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the Parent adjusted to exclude costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares outstanding during the period, adjusted for any bonus element.

Diluted earnings per share, is calculated as net profit attributable to members adjusted for:

- costs of servicing equity (other than dividends); and
- the after-tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses;

divided by the weighted average number of ordinary shares outstanding during the period and dilutive potential ordinary shares, adjusted for any bonus element.

(ab) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (i.e. an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) are capitalised as part of the cost of that asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(ac) Trade and other payables

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group become obliged to make future payments in respect of the purchase of these goods and services. The carrying amount approximates fair value.

(ad) Research costs

Research costs are expensed as incurred.

(ae) Government subsidies

Government subsidies are recognised when there is reasonable assurance that the subsidy will be received, and all attached conditions are complied with. When the subsidy relates to an expense item, it is recognised as income on a systemic basis over the periods that the related costs, for which it is intended to compensate, are expensed.

Note 3: Revenue from Contracts with Customers

	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 income	**–**	**–**	**2,035**	**2,035**
Sale of goods and services – hospitality business	**–**	**1,001**	**–**	**1,001**
Total revenue from contracts with customers	**135,966**	**9,160**	**17,286**	**162,412**
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**
Relating to current period performance	**135,966**	**9,160**	**17,286**	**162,412**
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 income	–	–	2,458	2,458
Sale of goods and services – 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
Relating to current period performance	165,214	7,177	16,488	188,879
Total revenue from contracts with customers	165,214	7,177	16,488	188,879

At 30 June 2022 and 30 June 2021, the Group had no portion of transaction price allocated to remaining unfulfilled performance obligations for contracts with a duration of over 12 months.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
year ended 30 June 2022

Note 4: Significant Other Income and Expenses

	CONSOLIDATED 2022 $'000	RESTATED 2021* $'000
(a) Net rental income		
Rental property income	**5,469**	5,433
Rental property expenses	**(2,633)**	(2,808)
Net rental income	**2,836**	2,625
(b) Finance (costs)/income		
Interest on loans	**(1,370)**	(1,196)
Interest on leases	**(470)**	(676)
Total finance costs	**(1,840)**	(1,872)
Interest income	**433**	358
Total finance income	**433**	358
(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
	5,160	20,526
(d) Depreciation included in the consolidated statement of comprehensive income		
Depreciation included in:		
Cost of sales*	**7,241**	6,699
Marketing and administrative expenses	**58**	45
Total depreciation	**7,299**	6,744
(e) Employee benefit expense		
Wages, salaries and bonuses	**34,001**	34,369
Post-employment benefits provisions (reversal)/increase	**(650)**	5,568
Long service leave provision	**33**	111
Worker's compensation costs	**354**	433
Superannuation costs	**1,094**	1,025
Share-based payments expense	**38**	118
	34,870	41,624

* The comparative period has been restated because of an accounting policy change outlined in note 2(b).

Note 5: Income Tax

	CONSOLIDATED 2022 $'000	RESTATED 2021* $'000
The major components of income tax expense are:		
Consolidated statement of comprehensive income		
Current income tax		
Current income tax charge	**10,979**	13,908
Adjustment in respect of current income tax of previous years	**274**	(228)
Deferred income tax		
Origination and reversal of temporary differences*	**1,294**	5,775
Income tax expense reported in the consolidated statement of comprehensive income	**12,547**	19,455
A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:		
Accounting profit before tax	**42,845**	66,105
At the Group's statutory income tax rate of 30% (2021 – 30%)	**12,854**	19,835
– foreign currency translation adjustment	**40**	(165)
– expenses not allowable for income tax purposes	**103**	114
– other items	**(574)**	(179)
– effect of lower tax rates in the United States	**(150)**	78
– over-provision of current income tax of previous years	**274**	(228)
Income tax expense reported in the consolidated statement of comprehensive income at the effective tax rate of 30% (2021 – 30%)	**12,547**	19,455

* The comparative period has been restated because of an accounting policy change outlined in note 2(b).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
year ended 30 June 2022

Note 5: Income Tax (continued)

	Note	CONSOLIDATED STATEMENT OF FINANCIAL POSITION 2022 $'000	CONSOLIDATED STATEMENT OF FINANCIAL POSITION RESTATED 2021* $'000	CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME 2022 $'000	CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME RESTATED 2021* $'000
Deferred income tax					
Deferred income tax at 30 June relates to the following:					
Consolidated					
Deferred tax liabilities					
Accelerated depreciation for tax purposes*		**1,277**	1,271	**(6)**	(213)
Expenses deducted for income tax purposes but deferred for accounting purposes		**161**	155	**(6)**	30
Expenses deferred for accounting purposes not currently deductible for income tax purposes		**88**	47	**(41)**	19
Income taken up for accounting purposes currently not assessable for income tax purposes		**197**	187	**(10)**	(55)
Unrealised gain on investment property assets to fair value*		**28,474**	22,205	**(6,269)**	(895)
Unrealised gain on other financial assets to fair value		**3,351**	9,402	**6,051**	(4,870)
Share of net profit of investments accounted for using the equity method		**78**	30	**(48)**	(27)
Depreciation right-of-use assets not deductible for tax purposes	(i)	**4,834**	5,693	**859**	1,731
Prepaid lease expenses deducted for tax purposes		**289**	332	**43**	28
Interest rate swap contracts deferred gain		**343**	–	**(343)**	–
Deferred capital gain for income tax purposes on script for script rollover		**70**	565	**495**	(565)
Deferred interest income on debt instruments at amortised cost		**31**	–	**(31)**	–
Deferred gain for income tax purposes on rollover of freehold property		**1,265**	1,265	**–**	–
Gross deferred income tax liabilities		**40,458**	41,152		
Offset		**(10,839)**	(12,971)		
		29,619	28,181		
Deferred tax assets					
Employee entitlements		**5,675**	5,179	**496**	1,323
Accelerated depreciation for accounting purposes		**977**	1,174	**(197)**	(525)
Deferred gains and losses on foreign exchange contracts and translations		**234**	292	**(58)**	(539)
Unrealised gain on other financial assets to fair value		**191**	–	**191**	–
Expenses not immediately deductible for income tax purposes		**378**	800	**(422)**	282
Lease payments deductible for tax purposes	(ii)	**5,166**	5,941	**(775)**	(1,761)
Deferred losses on interest rate swap contracts		**–**	86	**(86)**	(115)
Foreign tax credits deductible in a future period		**–**	–	**–**	(88)
Income taken up for tax purposes but not for accounting purposes		**64**	(5)	**69**	(40)
Unrealised loss on other financial assets to fair value		**–**	233	**(233)**	155
Losses carried forward		**2,238**	3,211	**(973)**	427
Gross deferred income tax assets		**14,923**	16,911		
Offset		**(10,839)**	(12,971)		
		4,084	3,940		
Deferred tax expense				**(1,294)**	(5,698)

* The comparative period has been restated because of an accounting policy change outlined in note 2(b).

(i) Depreciation is not deductible for tax purposes for right-of-use assets relating to leases recognised as operating leases prior to the adoption of AASB 16. Depreciation is deductible for right-of-use assets relating to leases recognised as finance leases prior to the adoption of AASB16.

(ii) Lease payments are deductible for tax purposes for lease liabilities relating to leases recognised as operating leases prior to the adoption of AASB 16. Lease payments are not deductible for lease liabilities relating to leases recognised as finance leases prior to the adoption of AASB16.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

year ended 30 June 2022

Note 6: Dividends Provided For or Paid

	Note	CONSOLIDATED 2022 $'000	2021 $'000
(a) Dividends paid			
Final 2021 – 45¢ per share paid in September 2021 (2020 – 35¢)		**6,177**	4,765
Interim 2022 – 45¢ per share paid in March 2022 (2021 – 45¢)		**6,178**	6,146
Fully franked dividends paid by the parent		**12,355**	10,911
Dividend paid by controlled entity to minority shareholder fully franked	26	**1,682**	3,703
Total fully franked dividends paid		**14,037**	14,614
(b) Not recognised as a liability as at 30 June 2022			
Dividends on ordinary shares			
Final franked dividend for 2022 – 45¢ (2021 – 45¢)	33	**6,128**	6,177
The dividends were declared subsequent to 30 June 2022 (refer note 33).			
(c) Franking account			
The tax rate at which dividends have or will be ranked is interim 30% (2021 – 30%), final 30% (2021 – 30%)			
Franking account balance			
The amount of franking credits available for the subsequent financial year are detailed below:			
The franking account balance disclosures have been calculated using the franking rate at 30 June 2022			
Franking account balance brought forward		**27,538**	24,284
Fully franked dividends paid in 2022 – 90c (2021 – 80c)		**(5,296)**	(4,676)
Tax (refunded)/paid		**–**	–
Franked dividends received from other corporations		**3,623**	7,930
Franking account balance at the end of the financial year		**25,865**	27,538
Franking credits that will (reduce)/arise from the (refund)/payment of income tax (refundable)/payable as at the end of the financial year by the parent		**–**	–
Franking credits that will be available on (refund)/payment of income tax (refundable)/payable as at the end of the financial year by the parent		**25,865**	27,538
The above franking account is expressed on a tax paid basis			
Fully franked dividends which can be paid from the above franking credits available amount		**60,352**	64,255

Note 7: Earnings Per Share

	CONSOLIDATED 2022	RESTATED 2021*
Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year (in cents)*	**191.0¢**	300.6¢
Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares (in cents)*	**190.5¢**	297.8¢

	CONSOLIDATED 2022 $'000	RESTATED 2021* $'000
The following reflects the income and share data used in the calculation of basic and diluted earnings per share:		
Net profit attributable to ordinary equity holders of the parent from continuing operations*	**26,191**	40,974

	NUMBER OF SHARES 2022	2021
Weighted average number of ordinary shares for basic earnings per share	**13,709,057**	13,631,935
Weighted average number of ordinary shares adjusted for the effect of dilution	**13,750,409**	13,760,325

* The comparative period has been restated because of an accounting policy change outlined in note 2(b).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
year ended 30 June 2022

Note 8: Cash and Short-Term Deposits

	CONSOLIDATED	
		RESTATED
	2022	2021*
	$'000	$'000
(a) Reconciliation of cash		
Cash balance comprises:		
Cash at bank and on hand	**37,485**	33,603
Cash equivalents – held at broker	**400**	3,751
Cash and cash equivalents	**37,885**	37,354
Cash – restricted	**6,100**	–
Closing cash balance per consolidated statement of cash flows	**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.

	2022 $'000	2021* $'000
(b) Reconciliation of operating profit after income tax to the net cash flows from operations		
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 gains on valuing other financial assets to fair value through profit or loss*	**16,156**	(16,790)
Depreciation and amortisation*	**7,299**	6,739
Share-based payments expense	**38**	118
Allowance for expected credit losses	**165**	58
Profits of equity accounted investments*	**(3,363)**	(1,749)
Profit on disposal of property, plant and equipment	**(4)**	(183)
Unrealised foreign currency translation loss/(gain)	**133**	(549)
Distributions reinvested	**(271)**	(125)
Amortisation of loans receivable	**(102)**	-
Changes in assets and liabilities:		
Increase in trade and other receivables	**(3,051)**	(10,796)
Decrease/(increase) in interest-bearing loan receivable	**90**	(82)
(Increase)/decrease in inventories	**(13,080)**	3,165
Decrease/(increase) in current financial assets at fair value through profit and loss	**5,676**	(6,260)
Increase in contract assets	**(1,835)**	(1,985)
(Increase)/decrease in prepayments	**(1,865)**	869
(Increase)/decrease in deferred income tax asset*	**(144)**	1,135
Increase in trade and other payables	**2,644**	15,995
(Decrease)/(increase) in contract liabilities	**(1,252)**	1,419
(Decrease)/increase in employee entitlement provisions	**(179)**	6,471
Increase in income tax payable	**329**	1,326
Increase in deferred tax liability	**1,438**	4,636
Increase in derivatives	**(4)**	(1,357)
	20,378	48,105
Effect of movements in foreign exchange rates	**265**	(600)
Net cash flows from operating activities	**20,643**	47,505

(c) Bank facilities (refer note 16)

*The comparative period has been restated because of an accounting policy change outlined in note 2(b).

Note 9: Trade and Other Receivables

		CONSOLIDATED	
		2022	2021
	Note	$'000	$'000
Trade debtors	(i)	**28,281**	24,376
Allowance for expected credit loss	(ii)	**(333)**	(168)
		27,948	24,208
Sundry debtors	(iii)	**3,560**	4,084
		31,508	28,292

Terms and conditions relating to the above financial instruments:

Collectability of trade receivables is reviewed on an ongoing basis at an operating unit level. Individual debts that are known to be uncollectible are written off when identified.

(i) Trade debtors are non-interest bearing and generally on 30 to 90-day terms.

(ii) An allowance is recognised for expected credit loss based on the Group's historical loss experience, adjusted for forward looking factors specific to the debtors and the economic environment. Refer note 17(e) for credit risk disclosures.

	CONSOLIDATED	
	2022	2021
	$'000	$'000
Movement in allowance for expected credit loss		
At beginning of financial year	**168**	110
Provided during the year	**165**	58
At 30 June	**333**	168

(iii) Sundry debtors and other receivables are non-interest bearing and have repayment terms between 30 and 90 days.

The carrying amount of trade and other receivables is at amortised cost and approximates fair value.

Note 10: Contract Assets and Liabilities

		CONSOLIDATED	
		2022	2021
	Note	$'000	$'000
(a) Contract assets			
Current			
Contract work in progress	(c)	**3,035**	1,500
Long-term agreement (LTA) payments		**550**	220
Contract assets – current		**3,585**	1,720
Non-current			
Long-term agreement (LTA) payments		**3,061**	2,854
Total contract assets		**6,646**	4,574
(b) Contract liabilities			
Contract work in progress	(c)	**87**	1,150
Provision for refunds – customer claims		**357**	546
Total contract liabilities		**444**	1,696
(c) Contract work in progress			
Construction costs incurred to date:			
Gross cost plus profit recognised to date		**14,769**	13,715
Less: Progress billings		**(11,821)**	(13,365)
Net construction work in progress		**2,948**	350
Represented by:			
Amounts due from customers (contract assets)		**3,035**	1,500
Amounts due to customers (contract liabilities)		**(87)**	(1,150)
		2,948	350

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
year ended 30 June 2022

Note 10: Contract Assets and Liabilities (continued)

Contract work in progress is classified as contract assets or contract liabilities in accordance with AASB 15. Contract work in progress is stated at cost plus profit recognised to date calculated in accordance with the percentage of completion method, less an allowance for expected credit loss and progress payments received to date.

Contracts for the construction of precast concrete elements generally require customer certification of work completed, generally within 10 business days of a submitting a monthly claim to the customer. An invoice is then raised for the completed work and is payable by the customer generally between 30 to 60 days.

The gross amount due from customers for contract work for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceeded progress billings, is presented in contract assets. Contract assets are subject to credit risk which is managed by the Group's credit policy (refer note 17(e)).

The gross amount due to customers for contract work for all contracts in progress for which progress billings exceeded costs incurred plus recognised profits (less recognised losses) is presented in contract liabilities.

	CONSOLIDATED			
	Work in progress	Customer claims	LTA payments	Total
	$'000	$'000	$'000	$'000
Movement in contract assets				
At 1 July 2021	**1,500**	**–**	**3,074**	**4,574**
Movement in contract work in progress	**1,535**	**–**	**–**	**1,535**
Movement in contract advance payment	**–**	**–**	**537**	**537**
At 30 June 2022	**3,035**	**–**	**3,611**	**6,646**
At 1 July 2020	2,589	–	–	2,589
Movement in contract work in progress	(1,089)	–	–	(1,089)
Movement in contract advance payment	–	–	3,074	3,074
At 30 June 2021	1,500	–	3,074	4,574
Movement in contract liabilities				
At 1 July 2021	**1,150**	**546**	**–**	**1,696**
Movement in provision for refunds – customer claims	**–**	**(189)**	**–**	**(189)**
Movement in contract work in progress	**(1,063)**	**–**	**–**	**(1,063)**
At 30 June 2022	**87**	**357**	**–**	**444**
At 1 July 2020	146	131	–	277
Movement in provision for refunds – customer claims	–	415	–	415
Movement in contract work in progress	1,004	–	–	1,004
At 30 June 2021	1,150	546	–	1,696

Note 11: Inventories

	CONSOLIDATED	
	2022	2021
	$'000	$'000
Current		
Raw materials – at cost	**29,396**	16,851
Work in progress – at cost	**14,196**	13,755
Finished goods – at cost	**7,234**	4,729
Land held for sale – at cost	**768**	2,651
	51,594	37,986
Non-current		
Land held for sale – at cost	**1,300**	1,828
Total inventory	**52,894**	39,814
Inventory recognised as an expense comprises:		
Land	**3,844**	3,493
Automotive leather	**98,513**	108,740
	102,357	112,233
Inventory write downs recognised as an expense included in the above.	**364**	391

Note 12: Prepayments and Deposits

	CONSOLIDATED	
	2022	2021
	$'000	$'000
Prepayments	**3,512**	1,884
	3,512	1,884

Prepayments relate to lease incentives to lessees, insurance, plant and equipment, raw materials and borrowing costs.

Note 13: Equity Accounted Investments

The Group has the following interests in associates and joint ventures which are accounted for using the equity method in the consolidated financial statements.

			Percentage Held	
	Nature of investment	**Country of incorporation**	**2022** %	2021 %
TJS Advisory Pty Ltd – unlisted company	Associate	Australia	**30**	30
Primewest Tamworth Trust – unlisted unit trust	Associate	Australia	**25**	25
7 Turner Ave Unit Trust – unlisted unit trust	Associate	Australia	**35**	35
6 Centro Ave Unit Trust – unlisted unit trust	Joint Venture	Australia	**50**	50
WASO Club Pty Ltd – unlisted company	Joint Venture	Australia	**27**	–
Parcel Bayswater Pty Ltd – unlisted company	Joint Venture	Australia	**50**	–

	Activity	**Principal place of business**
TJS Advisory Pty Ltd	Property asset management and consultancy services	Australia
Primewest Tamworth Trust	Bulky goods property investment	Australia
6 Centro Ave Unit Trust	Office property investment	Australia
7 Turner Ave Unit Trust	Office property investment	Australia
WASO Club Pty Ltd	Property development	Australia
Parcel Bayswater Pty Ltd	Property development	Australia

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
year ended 30 June 2022

Note 13: Equity Accounted Investments (continued)

The following table illustrates the aggregated and summarised financial information of the Group's investment in the above entities.

	CONSOLIDATED	
		RESTATED
	2022	2021*
	$'000	$'000
Summary Statement of Financial Position		
Current assets	**2,282**	2,448
Non-current assets*	**41,592**	31,650
Current liabilities	**(8,518)**	(179)
Non-current liabilities	**(6,936)**	(13,058)
Equity	**28,420**	20,861
Group's share in equity*	**8,077**	5,838
Goodwill	**210**	210
Group's share of net assets of the investments	**8,287**	6,048
Initial investment	**4,046**	4,046
Capital returns and profit distributions	**(1,306)**	(183)
New investments	**681**	–
Revaluation of investment property to fair value*	**5,135**	1,997
Profit to date equity accounted*	**412**	188
Group's carrying amount of the investments	**8,968**	6,048
Summary Statement of Comprehensive Income		
Revenue from contracts with customers	**663**	567
Rental income	**3,073**	1,987
Finance income	**1**	3
Total revenue	**3,737**	2,557
Cost of sales and services rendered	**(1,575)**	(1,199)
Administration expenses	**(792)**	(483)
Finance costs	**(570)**	(111)
Profit before tax	**800**	764
Income tax expense*	**12**	(29)
Profit for the year	**812**	735
Total comprehensive income for the year	**812**	735
Group's share of profit for the year	**226**	(56)
Revaluation of investment property to fair value*#	**3,137**	1,805
Total equity accounted profit recognised	**3,363**	1,749

The unlisted unit trusts had capital commitments of $Nil for property fit-outs as at 30 June 2022 (2021 – $518,000).

* The comparative period has been restated because of an accounting policy change outlined in note 2(b).

The total comprehensive income of equity accounted investees has been adjusted to conform to the accounting policies of the Group.

Note 14: Financial Assets and Liabilities

		CONSOLIDATED	
		2022	2021
	Note	$'000	$'000
Financial assets by nature:			
Financial assets at amortised cost			
Cash and cash equivalents	8	**43,985**	37,354
Trade and other receivables	9	**31,508**	28,292
Interest-bearing loans receivable – current		**584**	674
Interest-bearing loans receivable – non-current		**3,039**	2,037
Financial assets at fair value through profit or loss			
Unlisted investments in property unit trusts and LLCs		**18,145**	18,546
Units in managed equity funds		**5,867**	6,493
Listed equity shares – current – held for trading		**–**	5,586
Listed equity shares – non-current		**5,026**	12,975
Unlisted equity shares		**7,541**	11,808
Convertible notes		**7,392**	21,753
Derivatives not recognised as hedging instruments			
Forward exchange contracts		**53**	163
Interest rate swaps		**1,141**	–
Total		**124,281**	145,681
Financial assets by classification in the statement of financial position:			
Current			
Cash and cash equivalents	8	**43,985**	37,354
Trade and other receivables	9	**31,508**	28,292
Derivative financial instruments		**1,194**	163
Other financial assets		**584**	6,260
Total current assets		**77,271**	72,069
Non-current			
Other financial assets		**47,010**	73,612
Total non-current assets		**47,010**	73,612
Total assets		**124,281**	145,681
Financial liabilities by nature:			
Financial liabilities at amortised cost			
Trade and other payables	15	**37,225**	28,481
Borrowings	16	**39,972**	38,539
Lease liabilities	21	**24,023**	27,647
Financial liabilities at fair value through profit or loss			
Derivatives not recognised as hedging instruments			
Forward exchange contracts		**–**	114
Interest rate swaps		**–**	288
Total liabilities		**101,220**	95,069
Financial liabilities classification in the statement of financial position:			
Current			
Trade and other payables		**37,225**	28,481
Borrowings	16	**6,560**	9,288
Lease liabilities	21	**5,541**	5,970
Derivative financial instruments		**–**	402
Total current liabilities		**49,326**	44,141
Non-current			
Interest bearing loans and borrowings	16	**33,412**	29,251
Lease liabilities	21	**18,482**	21,677
Total non-current liabilities		**51,894**	50,928
Total liabilities		**101,220**	95,069

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
year ended 30 June 2022

Note 14: Financial Assets and Liabilities (continued)

Derivative financial instruments are used by the Group in the normal course of business to protect against exposure to fluctuations in interest and foreign exchange rates.

(i) *Forward currency contracts*

The Group has the following contracts outstanding at balance date:

	2022	2021	2022	2021
	$'000	$'000	Average Exchange Rate	Average Exchange Rate
Sell Euro € / Buy US $				
Maturity 0-12 months	–	18,165	–	1.1989
Sell Euro € / Buy Australian $				
Maturity 0-12 months	**754**	2,801	**1.5913**	1.5674
Sell Australian $ / Buy Euro €				
Maturity 0-12 months	–	–	–	–

Such contracts are fair valued by comparing the contracted rate to the market rates for contracts with the same length of maturity. All movements in fair value are recognised in the Consolidated Statement of Comprehensive Income in the period they occur. The net fair value movement on the Group's forward currency contracts during the year was $1,100,000 profit (2021: $89,000 loss).

(ii) *Interest Rate Swaps*

Interest-bearing loans of the Group currently bear an average variable interest rate of 2.86% (2021 – 1.92%). To protect against rising interest rates the Group has entered into interest rate swap contracts under which it has a right to receive interest at variable rates and to pay interest at fixed rates on syndicate bank loans (refer note 16(i)). Swaps in place cover approximately 78% (2021 – 95%) of the principal outstanding on syndicate bank loans.

At 30 June 2022, the notional principal amounts and period of expiry of the interest rate swap contracts are as follows:

	CONSOLIDATED 2022	CONSOLIDATED 2021
	$'000	$'000
0 – 1 years	–	3,536
1 – 2 years	**7,414**	–
2 – 3 years	**6,083**	7,414
3 – 4 years	**3,713**	9,619
	17,210	20,569

The maturity profiles of the underlying interest-bearing loans are included in note 16(i).

The Group has entered into interest rate swaps that do not satisfy the requirements for hedge accounting.

The fair value of interest rate swaps at 30 June 2022 is an asset of $1,141,000 (2021 – $288,000 liability) which is recorded on the Consolidated Statement of Financial Position.

Note 15: Trade and Other Payables

	CONSOLIDATED 2022	CONSOLIDATED 2021
	$'000	$'000
Trade creditors	**30,575**	28,020
Liability to SFC Global Equity Fund investors	**6,100**	–
Goods and services tax (net)	**104**	79
Other creditors	**446**	382
	37,225	28,481

The carrying value of trade and other payables is at amortised cost and approximates fair value.

All trade and other payables are non-interest bearing and are normally settled on 30-day terms.

Investor applications to the SFC Global Equity Fund, a new investment fund to be managed by the Group, were received prior to 30 June 2022 for subsequent payment into the fund for the issue of units to investors after 30 June 2022. A corresponding liability has been recorded in trade and other payables for $6,100,000 at 30 June 2022.

Note 16: Interest-Bearing Loans and Borrowings

	Note	CONSOLIDATED 2022 $'000	CONSOLIDATED 2021 $'000
Current			
Syndicate bank loans – secured	(i)	–	8,241
Other bank loans – secured	(ii)	**6,560**	–
Broker loan to offset foreign currency exposure	(iv)	–	1,047
Total interest-bearing loans and borrowings (current)		**6,560**	9,288
Non-current			
Syndicate bank loans – secured	(i)	**22,125**	13,496
Other bank loans – secured	(ii)	**2,425**	6,560
Revolving loan facility	(iii)	**8,862**	9,195
Total interest-bearing loans and borrowings (non-current)		**33,412**	29,251
Total interest-bearing loans and borrowings		**39,972**	38,539

(i) Syndicate bank loans

The syndicate bank loans are secured by a first registered mortgage over all the assets and undertakings of undivided interests in property syndicates which include investment property and working capital. Included in syndicate bank loans is the consolidated entity's direct share of syndicate borrowings.

GROUP'S SHARE OF LOANS AT 30 JUNE 2022

Maturity Date	Interest Rate		Current	Non-current	Carrying Value of Pledged Assets
			$'000	$'000	$'000
Dec 2023	**4.00%**	**Fixed**	–	**3,841**	**8,203**
Apr 2024	**3.64%**	**Variable**	–	**3,890**	
Apr 2024	**2.24%**	**Fixed**	–	**3,713**	**14,458**
May 2024	**2.64%**	**Fixed**	–	**9,655**	**19,096**
Jun 2024	**4.85%**	**Variable**	–	**1,027**	**3,475**
			–	**22,126**	**45,232**

GROUP'S SHARE OF LOANS AT 30 JUNE 2021

Maturity Date	Interest Rate		Current	Non-current	Carrying Value of Pledged Assets
			$'000	$'000	$'000
Aug 2021	4.57%	Variable	1,036	–	3,447
Apr 2022	1.93%	Variable	133	–	
Apr 2022	3.27%	Fixed	7,072	–	13,621
Dec 2023	4.00%	Fixed	–	3,841	8,227
May 2024	2.64%	Fixed	–	9,655	17,369
			8,241	13,496	42,664

Fixed Interest Rate loans are variable interest rate loans economically hedged with a corresponding interest rate swap at a fixed interest rate for the term of the loan. Note hedge accounting is not applied.

(ii) Other bank loans

A bank loan for $6,560,000 is secured by the property at 39 Dixon Road, Rockingham. The interest rate on the bank loan is BBSY plus a margin. The facility expires on 8 January 2023.

A bank loan for $1,425,000 was established during the financial year and is secured by 33 and 35 Glendale Crescent, Jandakot. The interest rate on the bank loan is BBSY plus a margin. The facility expires 30 May 2025.

A bank facility for $14,200,000 was established during the financial year and is secured by 7 and 27 Jandakot Road, Jandakot. The amount drawn down at 30 June 2022 was $1,000,000 (FY21: nil). The interest rate on the bank loan is BBSY plus a margin. The facility expires 22 June 2025.

Note 16: Interest-Bearing Loans and Borrowings (continued)

(iii) Revolving loan

During the financial year, the Automotive Leather division extended its Revolving Loan facility to a maturity date of 31 March 2025, to be available for working capital requirements. The facility limit at 30 June 2022 was €20,000,000 ($30,354,000) and the interest rate is EURIBOR plus a margin. The amount available to draw down is limited to the lesser of:

- €20,000,000 ($30,354,000) and
- the Principal Outstanding under the Revolving Loan Facility less the balance of cash deposits in accounts held with HSBC Bank Australia Limited supported by 90% of total net working capital of all Howe Automotive subsidiaries, excluding Howe Shanghai, and also excluding all receivables past 30 days overdue, uninsured receivables, and obsolete inventory. At 30 June 2022, drawings from this facility amounted to €5,833,000 ($8,862,000) (2021 – €5,833,000 ($9,108,000)).

(iv) Broker loan to offset foreign currency exposure

The Group has an account with a broker that allows debt to fund the purchase of listed financial assets. The Group uses this facility predominantly to purchase listed financial assets denominated in foreign currencies to mitigate the risks of foreign currency movements. The broker has the absolute discretion at any time to offset the loan with any of the financial assets held, either cash or shares, held in the Group's account with the broker. The interest rate is set by the broker and varies based on amount borrowed. Broker loans at 30 June 2022 were $nil (2021 – $1,047,000).

		CONSOLIDATED	
		2022	2021
	Note	$'000	$'000
Financing facilities available			
Financing facilities used and available			
At reporting date, the following financing facilities had been negotiated and were available:			
Total facilities			
– Bankers undertaking	(a)	**5,507**	5,378
– Asset finance	(b)	**5,839**	7,846
– Bank loans		**44,310**	28,297
– Broker loans		**–**	1,047
– Revolving loan facility		**30,354**	31,526
		86,010	74,094
Facilities used at reporting date			
– Bankers undertaking		**3,725**	3,525
– Asset finance		**5,839**	7,846
– Bank loans		**31,110**	28,297
– Broker loans		**–**	1,047
– Revolving loan facility		**8,862**	9,195
		49,536	49,910

	2022		2021	
	$'000	Expiry	$'000	Expiry
Facilities unused at reporting date				
– Bankers undertaking	**1,782**	**2022**	1,853	2021
– Bank loans	**13,200**	**2025**	–	–
– Revolving loan facility	**21,492**	**2025**	22,331	2022
	36,474		24,184	

Note 16: Interest-Bearing Loans and Borrowings (continued)

(a) The Group has three Bankers Undertaking facilities. A $3,850,000 (2021: $3,850,000) facility with an Australian bank is rolled annually. Guarantees issued under this facility have an all-in interest rate of 1.2% (2021: 1.2%). A $425,000 (2021: $425,000) facility with a global bank expires in March 2025. Guarantees issued under this facility have has an all-in interest rate of 1.40% (2021: 1.75%). A €812,000 (2021: €700,000) facility with a global bank expires in March 2025. Guarantees issued under this facility have an all-in interest rate of 1.40%.

(b) Asset finance sale and leaseback agreements have an average term of 5 years. The average discount implicit in the agreements is 1.16% per annum (2021: 1.27% per annum). The lease liabilities relating to these asset finance sales and leaseback agreements are secured by charges over the leased-back assets.

The Group has complied with all covenants in relation to the above facilities at all times during the year.

Note 17: Financial Instruments

Financial risk management, objectives and policies

The Group's financial instruments comprise bank loans, leases, foreign exchange contracts, interest rate swaps, cash and short-term deposits, trade receivables, trade payables, equities and financial assets held at fair value through profit or loss.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability instrument are disclosed in note 2 to the financial statements.

The Group manages its exposure to key financial risks, including interest rate and currency risk in accordance with the Group's financial risk policy. The objective of the policy is to support the delivery of the Group's financial targets while protecting future financial security.

The Group enters into derivative transactions, principally interest rate swaps, and forward currency contracts. The purpose is to manage the interest rate and currency risks arising from the Group's operations and its sources of finance. Trading in derivatives has also been undertaken, specifically in forward currency contracts. These derivatives do not qualify for hedge accounting and are based on limits set by the Board. The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, market risk and liquidity risk. The Group uses different methods to measure and manage different types of risks to which it is exposed.

These include monitoring by the Board of levels of exposure to interest rate and foreign exchange risk and assessments of market forecasts for interest rate, foreign exchange and commodity prices. Ageing analyses and monitoring of specific credit allowances are undertaken to manage credit risk. Liquidity risk is monitored through the development of future rolling cash flow forecasts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
year ended 30 June 2022

Note 17: Financial Instruments (continued)

(a) Interest rate risk

Interest rate risk is the risk that the Group's financial position will fluctuate due to changes in market interest rates. The Group's exposure to the risk of market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

In respect of the Group's syndicated property borrowings, the funding and interest rate decision are managed externally by unanimous consent amongst the joint operators, including the use of interest rate swaps (refer note 14(ii)).

At balance date the Group had the following mix of financial assets and liabilities exposed to variable interest rate risk that are not designated in cash flow hedges:

	CONSOLIDATED	
	2022	2021
	$'000	$'000
Financial assets		
Cash and short-term deposits	**37,885**	37,354
Cash – restricted	**6,100**	–
	43,985	37,354
Financial liabilities		
Net bank loans subject to variable rates (refer note 16(i) and (ii))	**(13,901)**	(7,730)
Broker loan	**–**	(1,047)
Revolving loan	**(8,862)**	(9,195)
	(22,763)	(17,972)
Net exposure	**21,222**	19,382

The Group's manages its interest rate risk on borrowings by using a mix of fixed rate debt, variable rate debt and interest rate swaps. At 30 June 2022, approximately 50.3% of the Group's borrowings are at a fixed rate of interest after applying interest rate swaps. (2021 – 61.3%).

The following sensitivity analysis is based on the interest rate risk exposures in existence at 30 June 2022. If interest rates had moved, as illustrated in the table below, with all other variables held constant, after tax profit and equity would have been affected as follows:

	CONSOLIDATED	
	2022	2021
	$'000	$'000
Judgements of reasonably possible movements**:		
+0.25 (25 basis points)	**26**	34
-0.25 (25 basis points)	**(26)**	(34)

**Restricted cash is excluded.

There is immaterial exposure to any change in interest rates.

(b) Assets pledged as security

The carrying amount of assets pledged as security for current and non-current interest-bearing liabilities are:

	CONSOLIDATED	
	2022	2021
	$'000	$'000
Current		
Floating charges		
Cash and cash equivalents*	**24,917**	19,683
Receivables	**29,433**	24,085
Inventories	**50,308**	36,909
Other financial assets	**–**	1,047
Total current assets pledged as security	**104,658**	81,724

*Cash and cash equivalents pledged as security may be subject to offsetting by lenders against the secured liabilities.

	CONSOLIDATED	
		RESTATED
	2022	2021*
	$'000	$'000
Non-current		
Floating charges		
Plant and equipment	**7,482**	6,012
Other financial assets	**544**	823
First mortgages		
Investment properties*	**88,371**	57,250
	96,397	64,085
Leases		
Plant and equipment	**10,876**	13,725
Total non-current assets pledged as security	**107,273**	77,810

* The comparative period has been restated because of an accounting policy change outlined in note 2(b).

The terms and conditions relating to the pledged assets are as follows:

Cash and cash equivalents, inventories, receivables, freehold land and buildings, other financial assets and plant and equipment are pledged against the banker's undertaking facilities and revolving loan facility on an ongoing floating basis (refer note 16 for more details).

Investment properties are pledged as security for syndicate bank loans and other bank loans (refer note 16(i) and 16(ii)).

(c) Fair values

Financial assets at fair value through profit or loss and derivatives held for trading are carried on the balance sheet at fair value.

The carrying values of all other financial assets and liabilities have been recognised at the balance date at amounts which approximate fair value.

	Quoted market price (Level 1)	Valuation technique market observable inputs (Level 2)	Valuation technique non – market observable inputs (Level 3)	Total
	$'000	$'000	$'000	$'000
Year ended 30 June 2022				
Consolidated				
Financial assets				
Financial assets at fair value				
Listed investments	**5,026**	**–**	**–**	**5,026**
Unlisted convertible notes		**7,113**	**–**	**7,113**
Other unlisted investments	**–**	**5,867**	**25,965**	**31,832**
Foreign exchange contracts	**–**	**53**	**–**	**53**
Interest rate swaps	**–**	**1,141**	**–**	**1,141**
	5,026	**14,174**	**25,965**	**45,165**
Year ended 30 June 2021				
Consolidated				
Financial assets				
Financial assets at fair value				
Listed investments	18,561	–	–	18,561
Unlisted convertible notes	–	28,246	30,354	58,600
Foreign exchange contracts	–	163	–	–
	18,561	28,409	30,354	77,324
Financial liabilities				
Derivative instruments				
Foreign exchange contracts	–	114	–	114
Interest rate swaps	–	288	–	288
	–	402	–	402

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
year ended 30 June 2022

Note 17: Financial Instruments (continued)

Level 1 assets' fair value is determined based on quoted prices on active markets as at the reporting date without any deduction for transaction costs or tax. The fair value of the listed equity investments is based on quoted market prices at the reporting date.

Level 2 assets include the fair value as of 30 June 2022 of the Group's original $2,000,000 investment in convertible notes in Harvest Technology Group ("HTG") and the Group's investments in unlisted managed equity funds.

The notes are convertible at $0.022 cents with an expiry date of 28 November 2024. The financial instruments are classified as fair value through profit or loss. The convertible notes comprise two components, a debt component and an equity option component. The equity option component of the convertible notes has been valued using Black Scholes.

The share price used in the valuation is $0.066 (2021: $0.235), which is below the $0.09 closing share price of HTG at 30 June 2022 (2021: $0.32). The discount to the closing price takes into consideration the significant volume of HTG shares held by the Group and the Stout Restricted Stock methodology that quantifies marketable discounts for lack of marketability.

At 30 June 2022, the convertible notes have been recognised at $7,113,000 (2021: $21,753,000) comprising the option valuation of $5,041,280 (2021: $19,409,000) and a debt component of $2,072,170 (2021: $2,344,000). The profit and loss for the year ending 30 June 2022 includes an unrealised loss on the convertible notes of $14,368,000 (2021: $8,733,000 gain) and interest received of $180,000 (2021: $180,000).

Level 3 assets include unlisted equity investments, unlisted property trust investments and unlisted loan trust investments.

Fair value for the unlisted property trust investments and unlisted loan trust investments is determined by the calculation of the Group's percentage ownership in the investment entity multiplied by the total fair value of the investment entity. Fair value of the net assets of the investment entity is determined by available information including independent external valuations, guidance from the investment managers, and industry market research.

A reasonably possible movement of 10% in the value of the net assets of the unlisted property and loan trust investments would result in a further movement of $2,248,000 to unrealised gains/(losses) on financial assets at fair value before tax (2021: $1,522,000).

Unlisted equity investments include the Group's investment in Updater Incorporated. The Group has estimated the fair value of the investment using the market comparison approach. The fair valuation of the investment is based on multiples derived from market information of comparable investments. A weighted average revenue multiple of 4.4 times (2021: 11.2 times) which is comparable to other technology and high-growth companies.

The current economic volatility may have an impact on revenue multiples and a reasonably possible movement of 10% on revenue multiple would result in a further movement of $485,906 to unrealised gains/(losses) on financial assets at fair value before tax (2021: $1,147,000).

Reconciliation of the fair value measurement of Level 3 unlisted investments

	CONSOLIDATED	
	2022	2021
	$'000	$'000
Balance the start of the financial year	**30,354**	24,734
Purchase of units in unlisted unit trusts and LLC's	**2,203**	5,829
Purchase of convertible notes	**2,084**	–
Purchase of unlisted shares	**549**	–
Proceeds from divestments	**(2,416)**	(1,000)
Capital distributions	**(6,702)**	(464)
Foreign currency translation adjustment	**842**	(591)
Fair value remeasurement recognised in profit and loss	**(949)**	1,846
Balance at the end of the financial period.	**25,965**	30,354

The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Interest rate swaps and foreign exchange forward contracts are valued using valuation techniques, which employ the use of market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models using present value calculations. The models incorporate various inputs including foreign exchange spot and forward rates, yield curves of the respective currencies, currency basis spreads between the respective currencies and interest rate curves.

(d) Market price risk

Market price risk is the risk that changes in market prices will affect the fair value of a financial instrument.

The Group is an investor in companies and trusts and is therefore exposed to market risk through the movement of the share/unit prices of the companies and trusts in which it is invested.

The fair value of these investments changes continuously because the equity price of individual listed companies within the portfolio fluctuates throughout the day. The change in the fair value of the portfolio is recognised through the profit or loss. Listed investments and investments with value that is derived from listed company share prices represent 53% (2021: 61%) of total financial assets at fair value.

At 30 June 2022, a 10% movement in the market value of these assets would have resulted in a movement of $2,571,000 to unrealised gains/(losses) on financial assets at fair value before tax (2021: $4,637,000).

The performance of the companies within the portfolio, both individually and as a whole, is monitored by management and the Board.

The Group seeks to reduce market price risk at the investment portfolio level by ensuring that it is not, in the opinion of management, overly exposed to one economic sector or region.

(e) Credit risk exposures

Credit risk is the risk that a customer or counterparty to a financial instrument will fail to perform or fail to pay amounts due causing financial loss to the Group and arises from cash and cash equivalents, derivative financial instruments, loans receivable, convertible notes, deposits with financial institutions and particularly from credit exposures to customers relating to outstanding receivables.

The consolidated entity's maximum exposure to credit risk at balance date in relation to each class of recognised financial assets, is the carrying amount of those assets as indicated in the Consolidated Statement of Financial Position.

Cash and cash equivalents

Credit risk from cash and cash equivalent balances with banks is managed by placing short-term deposits with reputable financial institutions with strong investment grade credit ratings.

The consolidated entity minimises concentration of credit risk in relation to cash by investing only in reputable banking facilities.

Trade Receivables

The consolidated entity minimises concentrations of credit risk in relation to trade receivables by undertaking transactions with a large number of customers within the specified industries both within Australia and overseas.

Concentration of credit risk on trade receivables arises in the following industries:

	Maximum credit risk exposure			
	CONSOLIDATED			
	Trade debtors – gross carrying amount			
	2022	2021	**2022**	2021
	%	%	$'000	$'000
Industry				
Automotive leather	**94**	86	**26,659**	21,017
Building materials	**6**	14	**1,622**	3,359
Total	**100**	100	**28,281**	24,376

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

year ended 30 June 2022

Note 17: Financial Instruments (continued)

There are no trade debtors held in the parent entity.

The Group has a credit policy that is designed to implement consistent processes throughout the Group to measure and manage credit risk. Credit risk is considered as part of the risk-reward balance of doing business. On entering into any business contract, the extent to which the arrangement exposes the Group to credit risk is considered. Key requirements of the policy are formal delegated authorities to the divisional accountant to incur credit risk to a specialised credit function to set counterparty limits; the establishment of credit systems and processes to ensure that counterparties are rated and limits set; and systems to monitor exposure against limited and report regularly on those exposures, and immediately on any excesses, and to track and report credit losses.

Before trading with a new counterparty can start, its creditworthiness is assessed by referring to a credit reporting agency. The assessment process takes into account all available qualitative and quantitative information about the counterparty and the Group, if any, to which the counterparty belongs. The counterparty's business activities, financial resources and business risk management processes are taken into account in the assessment, to the extent that this information is publicly available or otherwise disclosed to the Group by the counterparty, together with external credit ratings, if any. Creditworthiness continues to be evaluated after transactions have been initiated and a watch list of higher-risk counterparties is maintained. Once assessment is complete, each counterparty is allocated a maximum exposure limit.

A balance is maintained of providing sufficient credit so as not to jeopardise potential sales but at the same time not put the company under undue risk. In addition, the Leather division where possible, purchases insurance to cover the estimated credit risk exposure of the division's individual debtors.

The maximum credit risk exposure for the Group does not take into account the value of any insurances, collateral or other security held, in the event other entities/parties fail to perform their obligations under the financial instruments in question. The only security provided is in the form of director's personal guarantees from debtors, which cannot be quantified due to the continual changing circumstances of the guarantee provider.

At 30 June, the ageing analysis of trade receivables is as follows:

	CONSOLIDATED	
	2022	2021
	$'000	$'000
Trade receivables at 30 June		
Not impaired or past due in the following periods		
Trade receivables not past due	**27,948**	23,363
Debtors past due in the following periods		
31 to 60 days	**27**	417
61 to 90 days	**72**	329
Over 90 days	**234**	267
Total trade receivables	**28,281**	24,376

An impairment analysis is performed at each reporting date. The trade receivables are grouped by product type and the analysis considers supportable information regarding historical default rates experienced by the Group, forecast economic conditions, financial strength of ongoing customers and the Group's credit policies.

Given the significant macro-economic impact and uncertainty created by Covid-19, credit risk for the Group has increased. The Group has recognised a provision for expected credit loss of $333,000 on trade receivables at 30 June 2022 (2021: $168,000). This assessment was based on default rates of corporate bond and loans in relevant geographical regions where our businesses operate, adjusted for a judgment on probability related to the credit strength of the industry.

Trade receivables are written off if they have been past due for over a year and are not subject to enforcement activity. No trade receivables have been written off during the year ending 30 June 2022 (2021: nil).

Financial assets

The Group's Investments division holds debt instruments in the form of convertible notes and loans receivable.

The convertible notes are secured over assets of the counterparty and all its subsidiaries. It is however expected that the convertible notes investment would not have significant value in the event that the counter party was liquidated or defaulted. The risk of this investment is limited by the initial amount invested and the interest rate payable.

One loan receivable is secured by a second mortgage on a residential development property. The first mortgage is limited to a 50% loan-to-valuation ratio (LVR), therefore requiring approximately 50% of the residential units developed to be sold for the second mortgage holders to be covered in the event of a default. The contractual cash flows of the interest-bearing loans receivable represent only payments of principal and interest so meet the SPPI test to be measured at amortised cost.

The Group holds "interest-free", non-derivative debt instruments receivable from equity accounted investees. Due to the nature of the relationship between the Group and the counterparties, the investments exhibit properties of both debt instruments and equity instruments. The Group has therefore recognised the debt and equity components of the loans separately, with the latter recognised as a further equity investment in the equity accounted investees.

At initial recognition, the Group has recognised the debt component of the "interest-free" loans at fair value. The contractual cash flows associated with the debt component represent only payments of principal and interest, therefore the Group has adopted the amortised cost method for subsequent measurement in accordance with AASB 9 *Financial instruments*.

	CONSOLIDATED	
	2022	2021
	$'000	$'000
Interest-bearing loans receivable (at amortised cost)	**3,623**	2,711
Convertible notes – debt component (at fair value through profit and loss)	**2,072**	2,344

(f) Capital management

Capital management is undertaken to ensure that a secure, cost-effective and flexible supply of capital is available to meet the Group's operating, investing and capital expenditure requirements. A stable capital base is maintained from which the Group can pursue its operating, growth and investment objectives, while maintaining a flexible capital structure that allows access to a range of debt and equity markets to both draw upon and repay capital. The Group does not have a target debt/equity ratio.

The Group's total capital (non-IFRS) is defined as Schaffer Corporation Limited's shareholders' funds plus amounts attributable to non-controlling shareholders plus net debt (excluding liabilities arising under AASB 16 Leases adopted on 1 July 2019). This amounted to $222,740,000 at 30 June 2022 (2021 – $161,507,000). Leases previously classified as finance leases prior to 1 July 2019 are included in total capital and are thought of differently to other leases because they are finite (< 5 years), don't require judgments on length of term, don't have the ability to be subleased to mitigate liabilities, and title to the financed asset is transferred to the Group at the end of the term.

The Group currently maintains back up liquidity by way of a revolving loan facility and banker's undertaking facilities. Facilities undrawn at 30 June 2022 amounted to $36,474,000 (2021 – $24,834,000). The Group's committed and standby credit facilities contain financial undertakings relating to interest cover and borrowing base ratios. A compliance certificate must be produced quarterly attesting to compliance with the covenants.

During the financial year, Schaffer Corporation Limited paid dividends of $12,355,000 (2021 – $10,911,000) to the owners of the parent (refer to note 6).

Note 17: Financial Instruments (continued)

The Board assesses its payout ratio policy of balancing returns to shareholders with the need to fund growth in both manufacturing and investment divisions, and to maintain financial strength and capacity during uncertain and volatile economic conditions. In line with that policy, subsequent to 30 June 2022, the Company declared a final dividend of $0.45 per share (fully franked) payable to shareholders on record at 9 September 2022. Dividends relating to the 2022 financial year totalled $0.90 per share (fully franked).

Management monitors capital through the non-IFRS gearing ratio (net debt/total capital). The gearing ratios based on continuing operations at 30 June 2022 and 2021 were as follows:

	CONSOLIDATED	
		RESTATED
	2022	2021*
Non-IFRS information	$'000	$'000
Total interest-bearing loans and borrowings	**39,972**	38,539
Total leases (excluding liabilities arising under AASB 16 Leases)	**5,839**	7,846
Less cash and cash equivalents (excluding restricted cash)	**(37,885)**	(37,354)
Net debt	**7,926**	9,031
Total equity*	**220,985**	204,458
Total capital	**228,911**	213,489
Gearing ratio	**3%**	4%

* The comparative period has been restated because of an accounting policy change outlined in note 2(b).

(g) Liquidity risk

Liquidity risk arises from the financial liabilities of the Group and the Group's subsequent ability to meet its obligations to repay financial liabilities as and when they fall due. The liquidity position of the Group is managed to ensure sufficient liquid funds are available to meet its financial commitments in a timely and cost-effective manner.

The Group's liquidity is continually reviewed, including cash flow forecasts to determine the forecast liquidity position and maintain appropriate liquidity levels.

The table below shows the timing of cash outflows relating to trade and other payables. The amounts shown for bank loans in the table below include interest payments resulting from recognised financial liabilities over the term of the loan and the future expected lease payments with respect to leases. Derivative financial instruments consist of interest rate swaps (refer note 14(iii)) and forward currency contracts (refer note 14(i)).

Bank loans and commercial bills are shown in the period when the facility expires.

Cash flows for financial liabilities without fixed amount or timing are based on the conditions existing at balance date.

	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
	$'000	$'000	$'000	$'000	$'000	$'000
2022						
Trade and other payables	**31,125**	–	–	–	–	–
Liability to SFC Global Equity Fund investors	**6,100**	–	–	–	–	–
Leases	**4,776**	**4,711**	**4,724**	**3,168**	**2,664**	**4,085**
Bank loans	**7,396**	**22,893**	**2,507**	–	–	–
Revolving loan	**137**	**137**	**8,965**	–	–	–
	49,534	**27,741**	**16,196**	**3,168**	**2,664**	**4,085**
2021						
Trade and other payables	28,481	–	–	–	–	–
Leases	6,013	5,073	4,848	4,571	2,497	4,739
Bank loans	9,035	7,035	13,808	–	–	–
Revolving loan	156	9,234	–	–	–	–
Derivative financial instruments	322	133	95	15	–	–
	44,007	21,475	18,751	4,586	2,497	4,739

Debt associated with the Automotive Leather and Group Investments segments represents 100% (2021 – 100%) of Group borrowings. At 30 June 2022, 94% (2021 – 95%) of Group debt was non-recourse to the Parent as the Parent has not guaranteed those debts that are entirely secured by the Automotive Leather subsidiaries or by specific investment property assets.

Debt associated with syndicate investment property totals $22,125,000 at 30 June 2022 (2021 – $21,737,000). SFC's minority property interests are managed externally to the Group. Accordingly, SFC does not control the funding structure. SFC, and other joint operators to an investment, have the discretion to approve finance facility agreements when presented by the investment manager.

SFC's objective is for property borrowing to be predominantly non-recourse to the Parent. At 30 June 2022, 88% (2021 – 92%) of the property borrowings were non-recourse to the Parent.

(h) Changes in liabilities arising from financing activities

	1 July 2021	Cash Payments	Cash Receipts	Non-cash modifications and additions	Changes in fair value	Foreign exchange adjustments	30 June 2022
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Interest-bearing loans and borrowings	**38,539**	**(4,460)**	**5,893**	–	–	–	**39,972**
Lease liabilities	**27,647**	**(5,638)**	**1,166**	**2,097**	–	**(1,249)**	**24,023**
Derivative liabilities	**402**	**(260)**	–	–	**(142)**	–	–
Total liabilities from financing activities	**66,588**	**(10,358)**	**7,059**	**2,097**	**(142)**	**(1,249)**	**63,995**

	1 July 2020	Cash Payments	Cash Receipts	Non-cash modifications and additions	Changes in fair value	Foreign exchange adjustments	30 June 2021
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Interest-bearing loans and borrowings	53,333	(19,443)	4,649	–	–	–	38,539
Lease liabilities	33,624	(5,738)	2,905	(2,092)	–	(1,052)	27,647
Derivative liabilities	1,762	(230)	–	–	(1,130)	–	402
Total liabilities from financing activities	88,719	(25,411)	7,554	(2,092)	(1,130)	(1,052)	66,588

Note 17: Financial Instruments (continued)

(i) Foreign exchange risk

The consolidated entity operates globally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Euro (EUR), US Dollar (USD) and Chinese Renminbi (RMB). Foreign exchange risk arises from the translation of the Group's balance sheet into AUD as well as from the commercial transactions for the purchase of raw materials including hides and chemicals, and the processing, finishing and cutting of these hides, as well as foreign exchange risk from the sale of leather products in EUR, USD and RMB.

To manage the foreign exchange risk arising from future commercial transactions the Group regularly considers the use of forward foreign exchange contracts with reference to existing and future currency exposure levels, sensitivity, and financial capacity to tolerate currency rate fluctuations. The foreign exchange risk management policy allows up to 100% of future foreign exchange exposure from the Group's balance sheet as well as from the Group's commercial transactions to the EUR, USD and RMB to be managed using foreign currency forward exchange contracts, for a maximum tenure of 24 months.

At 30 June 2022, the Group had the following exposure to USD foreign currency that is not designated in cash flow hedges:

	CONSOLIDATED (AUD)	
	2022	2021
	$'000	$'000
Financial assets		
Cash and cash equivalents	**4,603**	5,791
Trade and other receivables	**3,862**	1,733
Other financial assets	**18,228**	18,910
Derivatives	**–**	18,252
	26,693	44,686
Financial liabilities		
Trade and other payables	**(15,491)**	(13,641)
Margin loan	**–**	(1,047)
	(15,491)	(14,688)
Net exposure	**11,202**	29,998

At 30 June 2022, the Group had the following exposure to EUR foreign currency that is not designated in cash flow hedges:

	CONSOLIDATED (AUD)	
	2022	2021
	$'000	$'000
Financial assets		
Cash and cash equivalents	**10,262**	10,741
Trade and other receivables	**23,115**	14,967
	33,377	25,708
Financial liabilities		
Trade and other payables	**(12,675)**	(9,511)
Leases	**(19,456)**	(22,178)
Revolving loan	**(8,881)**	(9,195)
Forward rate agreements	**(1,148)**	(20,966)
	(42,160)	(61,850)
Net exposure	**(8,783)**	(36,142)

At 30 June 2022, the Group had the following exposure to RMB foreign currency that is not designated in cash flow hedges:

	CONSOLIDATED (AUD)	
	2022	2021
	$'000	$'000
Financial assets		
Cash and cash equivalents	**2,028**	1,858
Trade and other receivables	**10,526**	9,392
	12,554	11,250
Financial liabilities		
Trade and other payables	**(7,721)**	(6,249)
Leases	**(1,351)**	(1,169)
	(9,072)	(7,418)
Net exposure	**3,482**	3,832

A reasonably possible strengthening (weakening) of the US dollar, Euro or Chinese RMB against the Australian dollar at 30 June 2022 would have affected the measurement of assets and liabilities denominated in a foreign currency and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

Sensitivity to reasonably possible currency movements

		Change in foreign exchange rate		Effect on profit after tax	
		2022	2021	**2022**	2021
				$'000	$'000
Consolidated					
AUD/USD	USD Weakening	**10%**	10%	**1,617**	515
AUD/USD	USD Strengthening	**10%**	10%	**(1,977)**	(630)

Sensitivity has increased relative to the comparative period due to a reduction in Forward Exchange Contracts entered into to partially offset the impact of future foreign exchange movements on the AUD value of our net USD imports.

AUD/EUR	EUR Weakening	**10%**	10%	**(3,650)**	(5,373)
AUD/EUR	EUR Strengthening	**10%**	10%	**4,461**	6,568

Sensitivity has decreased due to the effect of lower EUR revenues relative to the comparative period outweighing the reduction in Forward Exchange Contracts entered into to partially offset the impact of future foreign exchange movements.

AUD/RMB	RMB Weakening	**10%**	10%	**995**	1,308
AUD/RMB	RMB Strengthening	**10%**	10%	**(725)**	(972)

Sensitivity has decreased due to lower RMB denominated working capital.

Currency movements used above are representative of a likely movement in the next 12 months based on historical movements, economic forecasters' expectations and increased currency volatility.

Note 18: Provisions

		CONSOLIDATED	
		2022	2021
	Note	$'000	$'000
Provision for employee entitlements			
Current	28	**9,488**	9,016
Non-current	28	**12,447**	13,098
Total		**21,935**	22,114

Note 19: Property, Plant and Equipment

	CONSOLIDATED	
	2022	2021
	$'000	$'000
Freehold land		
At cost	**1,145**	1,145
Buildings on freehold land		
At cost	**8,319**	8,032
Accumulated depreciation	**(3,085)**	(2,937)
	5,234	5,095
Net carrying amount of land and buildings	**6,379**	6,240
Plant and equipment		
At cost	**48,801**	41,329
Accumulated depreciation and impairment	**(37,397)**	(33,788)
Net carrying amount of plant and equipment	**11,404**	7,541
Total property, plant and equipment		
At cost	**58,265**	50,506
Accumulated depreciation, amortisation and impairment	**(40,482)**	(36,725)
Total net carrying amount of property, plant and equipment	**17,783**	13,781

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
year ended 30 June 2022

Note 19: Property, Plant and Equipment (continued)

Assets pledged as security

Included in the balances of property, plant and equipment are assets over which charges have been granted as security over bank facilities (refer note 17(b)). The terms of the charges preclude the assets being sold or being used as security for further charges without the permission of the charge holders. The charges also require buildings that form part of the security to be fully insured at all times. Assets under lease are pledged as security for the associated lease liabilities (refer note 17(b)).

	CONSOLIDATED	
	2022	2021
	$'000	$'000
The carrying value of assets pledged as security are:		
Property, plant and equipment	**7,503**	6,039
Reconciliations of the carrying amounts		
Freehold land		
Carrying amount at beginning	**1,145**	1,145
Buildings on freehold land		
Carrying amount at beginning	**5,095**	5,241
Additions	**287**	–
Depreciation expense	**(148)**	(146)
Net carrying amount of land and buildings	**6,379**	6,240
Plant and equipment		
Carrying amount at beginning	**7,541**	7,251
Additions	**5,635**	5,542
Transfers to right-of-use assets (sale and lease back)	**(1,422)**	(3,170)
Transfers from right-of-use assets	**2,226**	85
Depreciation expense	**(2,424)**	(1,590)
Foreign currency translation adjustment	**(20)**	(298)
Disposals	**(132)**	(279)
	11,404	7,541
Total carrying amount of plant and equipment	**17,783**	13,781

Impairment

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 an impairment trigger and that the carrying value may be impaired.

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 indicator of impairment for the Delta cash generating unit was a loss incurred for the second half of the financial year to 30 June 2022, due mainly to project delays and complexity, that triggered the requirement to test the CGU.

An impairment exists when the carrying value of an asset or cash-generating units exceeds its estimated recoverable amount. The outcome of the Delta impairment assessment was that the pre-impairment carrying value of the Delta precast cash generating unit assets of $14,147,000 (2021: $12,095,000) is lower than their recoverable value of $14,431,000 (2021: $12,524,000). There was no impairment of the Delta cash generating unit property, plant and equipment at 30 June 2022 (2021: $nil impairment). The future economic uncertainty created by Covid-19 had a minor impact on management's assumptions for the impairment assessment.

Note 20: Investment Property

	CONSOLIDATED	
		RESTATED
	2022	2021*
	$'000	$'000
Opening balance *	**103,121**	102,631
Reclassification of wholly owned property to inventory	–	(2,070)
Additions and improvements	**6,512**	1,961
Net gain from fair value measurement*	**18,738**	599
Closing balance 30 June	**128,371**	103,121

* The comparative period has been restated because of an accounting policy change outlined in note 2(b).

Investment properties are measured at fair value. The fair value of the investment property at 30 June 2022 as estimated by Directors is based on valuations by certified independent valuers who hold recognised and relevant professional qualifications and licenses, and who specialise in valuing these types of investment properties. Valuers have carried out inspections of the properties and undertaken market research with respect to available sales and rental evidence. 81% of the fair value of investment property was independently valued within the six months to 30 June 2022.

		CONSOLIDATED	
		2022	2021
	Note	$'000	$'000
Rental income derived from investment properties		**5,469**	5,433
Direct operating expenses (including repairs and maintenance) generating rental income (included in cost of sales)		**(2,556)**	(2,725)
Direct operating expenses (including repairs and maintenance) that did not generate rental income (included in cost of sales)		**(77)**	(83)
Profit arising from investment properties carried at fair value	4(a)	**2,836**	2,625

Reconciliation of fair value

	INVESTMENT PROPERTIES					
	Office properties	Retail properties	Factory premises	Vacant land	Residential property	Total
	$'000	$'000	$'000	$'000	$'000	$'000
At 1 July 2020*	12,909	35,033	15,700	38,318	671	102,631
Reclassification to inventory	–	–	–	(2,070)	–	(2,070)
Remeasurement recognised in profit or loss*	290	976	–	(640)	(27)	599
Improvements to investment property	61	1,124	–	749	27	1,961
At 30 June 2021	13,260	37,133	15,700	36,357	671	103,121
Remeasurement recognised in profit or loss	**497**	**2,372**	**3,300**	**12,498**	**71**	**18,738**
Acquisitions	**–**	**–**		**–**	**1,293**	**1,293**
Improvements to investment property	**–**	**154**		**5,065**	**–**	**5,219**
At 30 June 2022	**13,757**	**39,659**	**19,000**	**53,920**	**2,035**	**128,371**

* The comparative period has been restated because of an accounting policy change outlined in note 2(b).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
year ended 30 June 2022

Note 20: Investment Property (continued)

Valuers used the following approaches when assessing properties in accordance with the specific characteristics of the property and availability of market evidence:

Description of valuation techniques and key valuation inputs

Investment property	Valuation technique	Significant unobservable inputs	Range (weighted average) 2022	2021
Office properties	Capitalisation and DCF	• Capitalisation rate • Risk adjusted discount rate • Terminal yield • Market rental escalation	**6.25%** **6.75%** **6.5%** **2.34%-3.17%**	6.5% 6.75% 6.75% 2%-2.95%
Retail properties	Capitalisation and DCF	• Capitalisation rate • Terminal yield • Risk adjusted discount rate • Market rental escalation	**6%-6.75%** **7%-7.5%** **7.25%** **2%-3.2%**	6% 7%-7.5% 7.25% 1.7%-2.3%
Factory premises	Capitalisation and DCF	• Capitalisation rate • Risk adjusted discount rate • Terminal yield • Market rental escalation	**5%** **6.25%** **5.75%** **2.29%-3.09%**	5%-5.5% 5% 5.75% 1.6%-2.5%
Vacant land	Market comparison	Rate per land square metre	**$82-$479 / m^2**	$81-$365
Residential property – leased	Market comparison	• Rental assessment per week (per property) • Rate per living m^2	**$700** **$4,000-$7,000**	N/A

The capitalisation approach capitalises the assessed net market income at an appropriate market yield to establish the fully leased value of the property. Appropriate adjustments are then made to reflect the specific cash flow profile and the general characteristics of the property.

The DCF approach involves the discounting of the net cash flows over an assumed cash flow period of 10 years at an appropriate rate to reflect risk to derive a market value.

Where relevant, valuers have used a combination of the capitalisation and discounted cash flow approach when assessing the Group's investment properties.

The market comparison approach involves the analysis of the comparable sales evidence on a rate per square metre of land area, adjusting for any varying points of difference in order to assess an appropriate market value. The valuation considers current zoning, approved uses and the potential for a higher use/zoning.

The approaches for the valuation of the Group's investment properties are classified as Level 3 as the fair value is estimated using inputs that are not based on observable market data.

Valuation approach	Valuation technique non-market observable inputs (Level 3) $'000
Capitalisation and discounted cash flow	**67,916**
Market comparison	**60,455**
	128,371

Assets pledged as security

Included in the balances of investment properties are assets over which first mortgages have been granted as security over bank loans (refer note 16). The terms of the first mortgages preclude the assets being sold or being used as security for further mortgages without the permission of the first mortgage holder. The mortgage also requires investment properties that form part of the security to be fully insured always.

The carrying value of assets pledged as security are:

	CONSOLIDATED 2022 $'000	RESTATED 2021* $'000
Investment properties	**88,371**	57,250

* The comparative period has been restated because of an accounting policy change outlined in note 2(b).

Note 21: Leases

The Group has lease contracts for various items of property, plant and equipment used in its operations. Leases of property generally have lease terms between 3 and 10 years. Plant and equipment generally have lease terms between 1 and 5 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets and some contracts require the Group to maintain certain financial ratios. There are several lease contracts that include extension and termination options and variable lease payments. These options are negotiated by management to provide flexibility in managing the leased property and align with the Group's business needs. Management exercises significant judgment in determining whether these extension options that are not included in the lease term. Extension options not included in the lease term are too distant in the future for management to judge that exercising the option is reasonably certain.

The Group also has certain leases of machinery with lease terms of 12 months or less and leases of office equipment with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

	Factory premises $'000	Plant and machinery $'000	Total $'000
As at 1 July 2021	**18,773**	**13,929**	**32,702**
Transfers to property, plant and equipment	**–**	**(2,226)**	**(2,226)**
Additions	**87**	**1,422**	**1,509**
Modifications	**2,341**	**(204)**	**2,137**
Depreciation expense	**(3,074)**	**(1,653)**	**(4,727)**
Foreign currency translation adjustment	**(983)**	**(392)**	**(1,375)**
As at 30 June 2022	**17,144**	**10,876**	**28,020**
As at 1 July 2020	24,511	13,323	37,834
Transfers to property, plant and equipment	–	(85)	(85)
Additions	–	3,198	3,198
Modifications	(2,130)	48	(2,082)
Depreciation expense	(2,843)	(2,153)	(4,996)
Foreign currency translation adjustment	(765)	(402)	(1,167)
As at 30 June 2021	18,773	13,929	32,702

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
year ended 30 June 2022

Note 21: Leases (continued)

Set out below are the carrying amounts of lease liabilities recognised and the movements during the period:

	Factory premises $'000	Plant and machinery $'000	Total $'000
As at 1 July 2021	**19,660**	**7,987**	**27,647**
Additions	**–**	**1,253**	**1,253**
Modifications	**2,147**	**(50)**	**2,097**
Interest expense	**391**	**79**	**470**
Payments	**(3,401)**	**(3,066)**	**(6,467)**
Foreign currency translation adjustment	**(754)**	**(223)**	**(977)**
As at 30 June 2022	**18,043**	**5,980**	**24,023**
Current	3,180	2,361	**5,541**
Non-current	14,863	3,619	**18,482**
	18,043	**5,980**	**24,023**
As at 1 July 2020	25,404	8,220	33,624
Additions	–	2,905	2,905
Modifications	(2,142)	50	(2,092)
Interest expense	553	123	676
Payments	(3,401)	(3,013)	(6,414)
Foreign currency translation adjustment	(754)	(298)	(1,052)
As at 30 June 2021	19,660	7,987	27,647
Current	3,051	2,919	5,970
Non-current	16,609	5,068	21,677
	19,660	7,987	27,647

The following are the amounts recognised in profit or loss:

	Factory premises $'000	Plant and machinery $'000	Total $'000
For the year ended 30 June 2022			
Depreciation expense of right-of-use assets	**3,074**	**1,653**	**4,727**
Interest expense on lease liabilities	**391**	**79**	**470**
Expenses relating to short-term leases (included in cost of sales)	**–**	**101**	**101**
Expenses relating to low-value assets (included in cost of sales)	**–**	**7**	**7**
Total amount recognised in profit or loss	**3,465**	**1,840**	**5,305**
For the year ended 30 June 2021			
Depreciation expense of right-of-use assets	2,843	2,153	4,996
Interest expense on lease liabilities	553	123	676
Expenses relating to short-term leases (included in cost of sales)	–	85	85
Expenses relating to low-value assets (included in cost of sales)	–	6	6
Total amount recognised in profit or loss	3,396	2,367	5,763

Set out below are the undiscounted potential future rental payments relating to periods following the exercise date of extension options that are not included in the lease term:

	Within five years $'000	More than five years $'000	Total $'000
Extension options not included in lease term	11,628	32,281	43,909

Note 22: Auditors Remuneration

Amounts received or due and receivable by Ernst & Young for any audit or review of the financial report of the parent and any other entity in the consolidated group.

	CONSOLIDATED 2022 $	2021 $
Fees to Ernst & Young (Australia)		
Fees for auditing the statutory financial report of the parent covering		
the group and auditing the statutory financial reports of any controlled entities.	**198,950**	205,200
Fees for other services		
– Tax compliance & other services	**67,150**	62,000
– Research and development claims	**19,940**	15,106
Total fees to Ernst & Young (Australia) (A)	**286,040**	282,306
Fees to other overseas member firms of Ernst & Young (Australia)		
Fees for auditing the financial report of any controlled entities	**35,000**	40,000
Total fees to overseas member firms of Ernst & Young (Australia) (B)	**35,000**	40,000
Total auditor's remuneration (A + B)	**321,040**	322,306
Amounts received or due and receivable by non-Ernst & Young audit firms for audit services	**13,849**	16,942

Note 23: Segment Information

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 in determining the allocations 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. Discreet financial information about each of these operating businesses is reported to the executive management team monthly.

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 global manufacturer and supplier of leather to the automotive industry.

The Building Materials segment comprises Delta Corporation Limited and sells concrete paving, precast and prestressed concrete elements.

The Group Investments segment includes the Group's share of syndicated property, 100% owned investment property, investments in managed equity funds and direct investment in global equity instruments. The activities of the segment include the leasing of office, industrial, residential and retail properties, and the development and sale of property assets, and general investing.

Major customers

The Group has several major clients to which it provided both products and services. There were two customers within the Automotive Leather segment which individually accounted for more than 10% of Group revenue (2021 – two customers).

	2022 $'000	2022 % of total revenue	2021 $'000	2021 % of total revenue
Customer 1	**20,653**	**12%**	37,450	19%
Customer 2	**20,023**	**12%**	20,630	11%
Sales to major customers	**40,676**	**24%**	58,080	30%
Revenue from continuing operations	**170,612**		196,334	

The accounting policies used by the Group in reporting segments internally are the same as those contained in note 2. There are no inter-segment transactions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
year ended 30 June 2022

Note 23: Segment Information (continued)

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.

Operating segments

The following table presents revenue and profit information and certain asset and liability information regarding operating segments for the years ended 30 June 2022 and 30 June 2021.

	Automotive Leather		Group Investments		Building Materials		Consolidated	
	2022	2021	**2022**	2021*	**2022**	2021	**2022**	2021*
Business segment information	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'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								
Net profit/(loss) 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)
Profit/(loss) attributable to owners of the parent	**18,149**	24,351	**11,523**	18,220	**(623)**	967	**29,049**	43,538
Unallocated items								
Profit of equity accounted investment							**5**	19
Corporate overheads							**(4,066)**	(3,768)
Income tax benefit							**1,203**	1,185
Profit after tax							**26,191**	40,974
Assets								
Total segment non-current assets	**43,883**	46,900	**185,296**	184,214	**9,236**	6,995	**238,415**	238,109
Unallocated							**1,379**	1,076
Total non-current assets							**239,794**	239,185
Total segment assets	**139,356**	125,016	**212,566**	211,568	**16,241**	15,114	**368,163**	351,698
Unallocated							**7,695**	1,146
Total assets							**375,858**	352,844
Liabilities								
Segment liabilities	**80,649**	83,299	**47,111**	54,437	**1,330**	3,260	**129,090**	140,996
Unallocated							**25,783**	7,390
Total liabilities							**154,873**	148,386
Other segment information								
Segment capital expenditure	**2,513**	3,925	**6,510**	1,962	**3,067**	1,578	**12,090**	7,465
Unallocated							**344**	35
Total capital expenditure							**12,434**	7,500
Segment depreciation and amortisation*	**6,428**	6,526	**–**	708	**825**	300	**7,253**	7,534
Unallocated							**46**	35
Total depreciation and amortisation							**7,299**	7,569
Other non-cash expenses/(revenues)	**972**	5,702	**(2,701)**	(18,275)	**(291)**	294	**(2,020)**	(12,279)

* The comparative period has been restated because of an accounting policy change outlined in note 2(b).

Unallocated assets and liabilities including the following material items:

	CONSOLIDATED	
	2022	2021
	$'000	$'000
Non-current assets		
Property plant and equipment	**1,044**	748
Cash – restricted	**6,100**	–
Other financial assets	**335**	330
Current assets		
Prepayments	**100**	49
Receivables	**116**	19
	7,695	1,146
Liabilities		
Trade creditors	**688**	630
Liability to SFC Global Equity Fund investors	**6,100**	–
Deferred tax liability	**16,700**	4,655
Provision for employee entitlements	**2,295**	2,105
	25,783	7,390

Revenue from external customers by geographical locations is detailed below.

Revenue is attributed to geographic location based on the location of the customers.

	2022	2021
	$'000	$'000
Australia	**34,463**	31,120
Asia	**36,256**	45,798
Europe	**99,710**	119,416
Total revenue	**170,429**	196,334

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
year ended 30 June 2022

Note 23: Segment Information (continued)

Non-current assets (excluding deferred tax assets and financial instruments) by geographic location comprise:

	Australia $'000	Asia $'000	Europe $'000	Total $'000
2022				
Property, plant and equipment	**12,012**	**1,418**	**4,353**	**17,783**
Right of use assets	**2,939**	**922**	**24,159**	**28,020**
Inventory	**1,300**	**–**	**–**	**1,300**
Investment properties	**128,371**	**–**	**–**	**128,371**
Goodwill	**1,299**	**–**	**–**	**1,299**
	145,921	**2,340**	**28,512**	**176,773**
2021*				
Property, plant and equipment	10,055	1,483	2,243	13,781
Right of use assets	4,025	1,021	27,656	32,702
Inventory	1,828	–	–	1,828
Investment properties*	103,121	–	–	103,121
Goodwill	1,299	–	–	1,299
	120,328	2,504	29,899	152,731

* The comparative period has been restated because of an accounting policy change outlined in note 2(b).

Note 24: Contributed Equity

a) Issued and paid up capital

	2022	2021
As at 30 June 2022	$'000	$'000
13,618,527 ordinary fully paid shares (2021 – 13,657,825)	**10,590**	11,622

b) Movement in ordinary shares on issue

	2022 Number of shares	2022 $'000	2021 Number of shares	2021 $'000
At the beginning of the financial year	**13,657,825**	**11,622**	13,615,325	11,622
Options exercised under an employee share scheme	**71,250**	**937**	42,500	–
Shares acquired under a share buy-back scheme	**(110,548)**	**(1,969)**	–	–
At the end of the financial year	**13,618,527**	**10,590**	13,657,825	11,622

For details of movement in options and details of employee share options plan refer to notes 28 and 29.

c) Terms and conditions of contributed equity

Ordinary shares

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the company.

Share options

The Company has a share-based payment option scheme under which options to subscribe for the company's shares can be granted to certain executives and other employees (refer note 28).

The share option holders carry no rights to dividends and no voting rights.

Note 25: Reserves and Retained Profits

	CONSOLIDATED 2022 $'000	2021 $'000
Reserves		
Asset revaluation	**2,585**	2,585
Share-based payment – EPU's	**(1,082)**	(1,082)
Share-based payment – SFC options	**446**	408
Foreign currency translation reserve	**1,446**	252
	3,395	2,163

Nature and purpose of reserve

Asset revaluation

The asset revaluation reserve was used to record increases and decreases in the value of non-current assets prior to the adoption of Australian Equivalents to International Reporting Standards with effect from 1 July 2005. The reserve can be used to pay dividends in limited circumstances.

Share-based payment – EPUs

This reserve was previously used to record the value of EPUs provided to employees and directors as part of their remuneration prior to a change in payout practice to cash as payment instead of SFC shares. Refer to note 28(c) for further details of this plan.

Share-based payment – SFC options

This reserve represents the amount expensed for the value of options issued. Refer to note 28(b) for further details of this plan.

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

	CONSOLIDATED 2022 $'000	RESTATED 2021* $'000
Retained profits		
Opening Balance	**180,031**	149,968
Net profit attributable to members of the parent entity*	**26,191**	40,974
Dividends provided for or paid	**(12,355)**	(10,911)
Balance at 30 June	**193,867**	180,031

* The comparative period has been restated because of an accounting policy change outlined in note 2(b).

Note 26: Non-Controlling Interest

Reconciliation of non-controlling interest in controlled entities:

	2022 $'000	RESTATED 2021* $'000
Opening Balance	**10,642**	8,843
– Add share of operating profit	**4,107**	5,675
– Share of foreign currency translation reserve movement	**66**	(173)
– Dividends paid	**(1,682)**	(3,703)
Balance at 30 June	**13,133**	10,642

* The comparative period has been restated because of an accounting policy change outlined in note 2(b).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
year ended 30 June 2022

Note 27: Contingent Liabilities and Expenditure Commitments

	CONSOLIDATED 2022 $'000	CONSOLIDATED 2021 $'000
(a) Expenditure commitments		
At 30 June 2022, the Group had commitments of $2,494,000 relating to the acquisition of plant and equipment for the Automotive Leather and Building Materials divisions. The group has also committed $6,600,000 to investments that will be drawn down by external managers over approximately the next two years.	**9,094**	8,834
(b) Banker's undertakings		
First mortgages have been registered over the assets and undertakings of controlled entities by banks which have issued performance guarantees to third parties on behalf of the consolidated entity.		
The aggregate of the performance guarantees issued by the banks amount to:	**3,725**	3,525

Note 28: Employee Benefits and Superannuation Commitments

(a) Superannuation commitments

The consolidated entity contributes to superannuation plans elected by individual employees, generally at the rate of 10% of gross salaries and wages. The company complies with the Superannuation Guarantee Charge obligations legislated in the *Superannuation Guarantee (Administration) Act 1992*. The amount of superannuation expense for the year ended 30 June 2022 is $1,094,000 (2021 – $1,025,000).

(b) Employee share option plan

An employee share option plan has been established. The plan was approved by shareholders at the Annual General Meeting in November 1999. The plan permits the granting of options (at the absolute discretion of the Board) to Group employees to acquire ordinary shares in Schaffer Corporation Limited. The options issued for nil consideration, are issued in accordance with performance guidelines established by the Directors of Schaffer Corporation Limited. Once issued, the options cannot be transferred and will not be quoted on the ASX. At any time, the number of unexercised options issued is limited to 5% of the number of shares on issue. The Directors have discretion over the vesting of the options.

Options issued over ordinary shares as part of an employee share scheme are as follows:

Date issued	No. on issue 30 June 2021	Issued during the year	Forfeited during the year	Exercised during the year	No. on issue 30 June 2022	Exercise price	First exercise date	Last exercise date
12 Aug 2018	57,500	–	–	(52,500)	5,000	$14.10	2 Aug 2018	02 Aug 2023
15 May 2020	45,000	–	–	(18,750)	26,250	$10.50	15 May 2020	15 May 2025
Total	**102,500**	–	–	**(71,250)**	**31,250**			

The Company has calculated the value at the respective issue dates of all options issued to employees pursuant to the Employee Share Option Plan (ESOP) pursuant to the methodology set out in AASB 2 *Share-based Payments*. To do this the Company has used the Black-Scholes options valuation method. Inputs into the Black-Scholes model applied include:

(i) the Schaffer Corporation Limited share price on issue date;
(ii) the exercise price;
(iii) the volatility of Schaffer Corporation Limited shares over the 12 months ended immediately prior to the issue date;
(iv) the expiry date;
(v) dividend yield for the financial year ended immediately prior to the issue date;
(vi) the risk-free rate over the life of the option, estimated from the yield of 5-year Commonwealth Government Bonds on the grant date, and extrapolating to a 5-year term.

The table below summarises, for each issue not expired, the inputs into the model used this year to assess the options' values:

Date issued	Expiry Date	Current price	Exercise Price	Volatility	Risk-free rate (estimated)	Dividends per annum	Valuation
2 Aug 2018	2 Aug 2023	$14.75	$14.10	28%	2.34%	$0.64	$2.53
15 May 2020	15 May 2025	$10.52	$10.50	36%	0.39%	$0.53	$2.01

(c) Employee participation units

A controlled entity, Howe Automotive Limited, has established a Howe Automotive Limited shareholder approved employee incentives plan which permits the granting of employee participation units (EPUs) at the discretion of its shareholders up to an EPU limit. The EPU limit is 10% of the total combined number of shares plus EPUs issued by Howe Automotive Limited.

An EPU provides an employee with a right to receive a cash payment from Howe Automotive Limited in the following circumstances:

(i) If an employee dies or becomes permanently disabled at any time after the grant date.
(ii) If an employee ceases employment after the three-year initial vesting period.
(iii) Upon a liquidity event (trade sale or listing on an Australian or overseas stock exchange).
(iv) On issue of a compulsory payment notice by Schaffer Corporation Limited.

For cash payments, other than upon a liquidity event, the amount is dependent on vesting and the financial performance of Howe Automotive Limited (refer to remuneration report for details). The vesting requirements are:

(i) up to 3 years – nil
(ii) 3 years to 4 years – 33.3%
(iii) 4 years to 5 years – 66.7%
(iv) over 5 years – 100%

Note: Employees are ineligible to receive any payment in the following circumstances:

(i) termination due to misconduct;
(ii) failure to provide 90 days' written notice of intention to terminate employment;
(iii) acting in competition prior to the payment date (payment date is at least 12 months after termination).

The amount of payment, other than for a liquidity event, is calculated in accordance with a valuation formula based on 5.5 times Howe Automotive Limited's earnings before interest and tax minus net debt. The formula uses a three-year average including one full year following termination.

For a liquidity event, the amount of payment is calculated in accordance with a valuation based on the consideration to be paid for ownership of Howe Automotive Limited less associated costs.

Schaffer Corporation Limited has the option to compel the employee to use the whole or part of that cash payment in subscribing for Schaffer Corporation Limited shares based on the average Schaffer Corporation Limited share price for the same three-year period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
year ended 30 June 2022

Note 28: Employee Benefits and Superannuation Commitments (continued)

The provision for EPU termination payments is included in provision for employee entitlements – non-current (refer note 18).

EPU Tranche	Issue number	Grant date	Number issued	Number redeemed	Number cancelled	Balance outstanding	Balance as a % of Howe's capital	Number vested
Series 1		04-October-2000	3,383,634	2,289,591	1,026,370	67,673	0.1%	67,673
Series 2	Issue 1	21-December-2001	2,884,434	931,733	1,861,553	91,148	0.1%	91,148
	Issue 2	01-July-2002	120,000	20,000	70,000	30,000	0.0%	30,000
	Issue 3	01-July-2003	245,000	31,667	188,333	25,000	0.0%	25,000
	Issue 4	01-July-2004	57,672	–	32,672	25,000	0.0%	25,000
	Issue 5	16-May-2005	150,000	–	150,000	–	0.0%	–
	Issue 6	01-July-2005	1,350,000	350,000	750,000	250,000	0.4%	250,000
	Issue 7	21-August-2006	500,000	–	–	500,000	0.8%	500,000
	Issue 8	01-July-2007	200,000	200,000	–	–	0.0%	–
	Issue 9	01-July-2017	1,450,000	–	100,000	1,350,000	2.1%	900,000
Series 3	Issue 1	01-January-2008	1,150,000	433,333	416,667	300,000	0.5%	300,000
	Issue 2	01-July-2009	100,000	100,000	–	–	0.0%	–
	Issue 3	01-January-2011	250,000	–	–	250,000	0.4%	250,000
	Issue 4	01-July-2013	1,075,000	150,000	375,000	550,000	0.9%	550,000
	Issue 5	01-July-2014	200,000	66,667	133,333	–	0.0%	–
	Issue 6	01-July-2016	330,000	–	30,000	300,000	0.5%	300,000
Series 4	Issue 1	01-July-2018	1,275,000	–	100,000	1,175,000	1.9%	391,667
	Issue 2	01-July-2019	275,000	–	–	275,000	0.4%	–
	Issue 3	01-July-2020	450,000	–	50,000	400,000	0.6%	–
	Issue 4	01-July-2021	75,000	–	–	75,000	0.1%	
			15,520,740	4,572,991	5,283,928	5,663,821	8.9%	3,680,488

Note 29: Directors and Executives Disclosures

(a) Details of Key Management Personnel (KMP)

(i) *Remuneration of Key Management Personnel*
Refer to Remuneration Report in the Directors' Report

(ii) *Remuneration by category: Key Management Personnel*

	CONSOLIDATED	
	2022	2021
	$'000	$'000
Short term	**5,264**	5,247
Long term incentives	**58**	24
Share-based payments	**38**	119
Post-employment	**(305)**	1,909
	5,055	7,299

(b) Option holdings of Key Management Personnel

30 June 2022

Executives	Balance at 30 June 2021	Granted as remuneration during the period	Options exercised during the period	Balance at end of period	Vested as at 30 June 2022 Vested	Vested as at 30 June 2022 Not vested
R Leib	62,500	–	(38,750)	23,750	11,250	12,500
J Cantwell	40,000	–	(32,500)	7,500	2,500	5,000
Total	**102,500**	**–**	**(71,250)**	**31,250**	**13,750**	**17,500**

30 June 2021

Executives	Balance at 30 June 2020	Granted as remuneration during the period	Options exercised during the period	Balance at end of period	Vested as at 30 June 2021 Vested	Vested as at 30 June 2021 Not vested
R Leib	100,000	–	(37,500)	62,500	31,250	31,250
J Cantwell	45,000	–	(5,000)	40,000	26,250	13,750
Total	145,000	–	(42,500)	102,500	57,500	45,000

There have been no other transactions concerning shares between entities in the reporting entity and directors of the reporting entity or their related entities.

(c) EPU holdings of Key Management Personnel

30 June 2022

Executives	Balance at 30 June 2021	Granted as remuneration during the period	Redeemed during the period	Cancelled during the period	Balance at 30 June 2022	Vesting status as at 30 June 2022 Vested	Vesting status as at 30 June 2022 Not vested
D Birks	1,200,000	–	–	–	1,200,000	1,133,333	66,667
R Leib	550,000	–	–	–	550,000	200,000	350,000
	1,750,000	**–**	**–**	**–**	**1,750,000**	**1,333,333**	**416,667**

30 June 2021

Executives	Balance at 30 June 2020	Granted as remuneration during the period	Redeemed during the period	Cancelled during the period	Balance at 30 June 2021	Vesting status as at 30 June 2021 Vested	Vesting status as at 30 June 2021 Not vested
D Birks	1,200,000	–	–	–	1,200,000	1,066,667	133,333
R Leib	500,000	50,000	–	–	550,000	100,000	450,000
Total	1,700,000	50,000	–	–	1,750,000	1,166,667	583,333

For details of terms and conditions for each grant refer to note 28.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
year ended 30 June 2022

Note 30: Related Party Disclosures

The following related party transactions occurred during the financial year within the consolidated entity.

Schaffer Corporation Limited holds 83.17% (2021: 83.17%) of the share capital of both Howe Automotive Limited and Gosh Holdings Pty Ltd of which Mr J M Schaffer AM and Mr A K Mayer are Directors. Dividends from Howe Automotive Limited and Gosh Holdings Pty Ltd were received by Schaffer Corporation Limited during the year amounting to $8,317,016 (2021: $18,297,471).

The Group has a 30% interest in a property asset management company controlled by Mr T J Schaffer, son of Mr J M Schaffer AM. The Group paid for property asset management services from the same company amounting to $345,000 (2021: $467,000) and sales commission of $176,600 (2021: 133,300).

All transactions with related parties are conducted at "arm's length".

Note 31: Parent Entity Information

Information relating to Schaffer Corporation Limited:

	2022	RESTATED 2021*
	$'000	$'000
Current assets	**12,022**	22,265
*Total assets**	**182,483**	182,248
Current liabilities	**3,055**	4,874
Total liabilities	**51,060**	48,397
Issued capital	**9,854**	10,886
Retained earnings*	**118,844**	120,277
Share-based payments reserve – SFC options	**446**	408
Asset revaluation reserve	**2,283**	2,283
Total shareholders' equity	**131,427**	133,854
Profit of the parent entity*	**10,923**	30,082
Total other comprehensive income of the parent entity	**–**	–

* The comparative period has been restated because of an accounting policy change outlined in note 2(b).

The parent entity has entered into Deeds of Cross Guarantee with controlled entities as disclosed in note 32.

Tax consolidation

The Company and its wholly owned Australian resident subsidiaries have formed a tax-consolidated group with effect from 1 July 2003 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is Schaffer Corporation Limited.

Members of the Group have entered into a tax sharing agreement that provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement on the basis that the possibility of default is remote.

Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the individual financial statements of the members of the tax-consolidated group using the group allocation approach. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax-consolidated group are recognised by the Company (as head entity in the tax-consolidated group).

Due to the existence of a tax funding arrangement between the entities in the tax-consolidated group, amounts are recognised as payable to or receivable by the Company and each member of the Group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax-consolidated group in accordance with the arrangement.

Tax consolidation contributions by (or distributions to) equity participants

The net amount recognised for the period under tax consolidation contributions by (or distributions to) equity participants, its major components and the accounts affected are as follows:

Major components of tax consolidation contributions by (or distributions to) equity participants

	2022	2021
	$'000	$'000
Net assumptions of tax liabilities of members of the tax-consolidated group	**(343)**	(44)
Tax funding contribution receivable from controlled entities	**343**	44
Excess of tax funding contributions over tax liabilities assumed	–	–

Note 32: Controlled Entities

Controlled entity	Beneficial percentage held by the Group 2022	2021	Place of incorporation
	%	%	
Schaffer Properties Pty Ltd*	**100**	100	Australia
Delta Corporation Limited*	**100**	100	Australia
Garden Holdings Pty Ltd*	**100**	100	Australia
SFC No.7 Pty Ltd	**100**	100	Australia
SFC Management Pty Ltd	**100**	–	Australia
JDK Land Pty Ltd	**100**	–	Australia
Jandakot No.1 Pty Ltd	**100**	–	Australia
SFC Global Pty Ltd	**100**	–	Australia
SFC US Limited	**100**	100	United States of America
SFC US1 LLC	**100**	100	United States of America
Gosh Holdings Pty Ltd***	**83.17**	83.17	Australia
Gosh Capital Pty Ltd ***	**83.17**	83.17	Australia
Howe Automotive Limited**	**83.17**	83.17	Australia
Rosedale Leather Pty Ltd**	**83.17**	83.17	Australia
Australian Leather Upholstery Pty Ltd**	**83.17**	83.17	Australia
Howe & Co Pty Ltd**	**83.17**	83.17	Australia
Howe Slovensko S.R.O.	**83.17**	83.17	Slovakia
Howe Leather (Shanghai) Co. Ltd. ****	**83.17**	83.17	People's Republic of China
Howe Hong Kong Pty Limited	**83.17**	83.17	Hong Kong

* Pursuant to the ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 relief has been granted to various controlled entities from the Corporations Act 2001 requirements for preparation, audit and lodgement of their financial reports. As a condition of the Instrument, Schaffer Corporation Limited and the controlled entities subject to the Instrument (the Schaffer 'Closed Group') entered into Deeds of Cross Guarantee at various dates. The effect of the deeds is that Schaffer Corporation Limited has guaranteed to pay any deficiency in the event of winding up of the controlled entities. The controlled entities have also given a similar guarantee in the event that Schaffer Corporation Limited is wound up.

** Pursuant to the ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 relief has been granted to various controlled entities from the Corporations Act 2001 requirements for preparation, audit and lodgement of their financial reports. As a condition of the Instrument, Howe Automotive Limited and the controlled entities subject to the Instrument (the Howe Automotive 'Closed Group') entered into Deeds of Cross Guarantee at various dates. The effect of the deeds is that Howe Automotive Limited has guaranteed to pay any deficiency in the event of winding up of the controlled entities. The controlled entities have also given a similar guarantee in the event that Howe Automotive Limited is wound up.

*** Pursuant to the ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 relief has been granted to various controlled entities from the Corporations Act 2001 requirements for preparation, audit and lodgement of their financial reports. As a condition of the Instrument, Howe Automotive Limited and the controlled entities subject to the Instrument (the Gosh Holdings 'Closed Group') entered into Deeds of Cross Guarantee at various dates. The effect of the deeds is that Howe Automotive Limited has guaranteed to pay any deficiency in the event of winding up of the controlled entities. The controlled entities have also given a similar guarantee in the event that Howe Automotive Limited is wound up.

**** Howe Leather (Shanghai) Co. Ltd has a 1 January to 31 December financial year to coincide with local tax and statutory reporting requirements. Financial statements for this subsidiary are prepared and audited for the year to 30 June for the purposes of Group consolidation. All other entities have 1 July to 30 June financial years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
year ended 30 June 2022

Note 32: Controlled Entities (continued)

The Consolidated Statement of Financial Performance and Consolidated Statement of Financial Position of the entities which are members of the Schaffer 'Closed Group' are as follows:

	Schaffer Closed Group 2022 $'000	RESTATED 2021* $'000
CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE AND RETAINED EARNINGS RECONCILIATION		
Profit from continuing operations before income tax*	**12,930**	37,589
Income tax expense*	**(1,266)**	(5,666)
Net profit for the year	**11,664**	31,923
Other comprehensive income	**–**	–
Total comprehensive income	**11,630**	31,923
Retained earnings at the beginning of the year*	**143,284**	122,272
Total profit for the year*	**11,664**	31,923
Dividends provided for or paid	**(12,356)**	(10,911)
Retained earnings at the end of the year	**142,592**	143,284
CONSOLIDATED STATEMENT OF FINANCIAL POSITION		
ASSETS		
Current assets		
Cash and short-term deposits	**12,726**	18,321
Trade and other receivables	**1,849**	3,503
Inventories	**1,343**	1,138
Derivative financial instruments	**1,141**	–
Contract assets	**3,035**	1,500
Other financial assets	**584**	6,260
Prepayments and deposits	**626**	478
Total current assets	**21,304**	31,200
Non-current assets		
Other financial assets	**54,430**	74,205
Investment in associates*	**8,305**	6,048
Receivables	**8,417**	6,104
Property, plant and equipment	**10,280**	7,742
Investment properties*	**110,034**	86,993
Goodwill	**84**	84
Total non-current assets	**191,550**	181,176
Total assets	**212,852**	212,376
LIABILITIES		
Current liabilities		
Trade and other payables	**2,384**	3,121
Interest bearing loans and borrowings	**–**	9,288
Derivative financial instruments	**–**	288
Provisions	**3,524**	3,369
Total current liabilities	**5,908**	16,066
Non-current liabilities		
Interest bearing loans and borrowings	**24,550**	13,496
Deferred income tax liability*	**25,898**	24,650
Provisions	**71**	52
Total non-current liabilities	**50,519**	38,198
Total liabilities	**56,427**	54,265
Net assets	**156,425**	158,111
EQUITY		
Issued capital	**10,802**	11,834
Reserves	**3,031**	2,993
Retained profits	**142,592**	143,284
Total equity	**156,425**	158,111

	Howe Automotive Limited $'000	Gosh Holdings Pty Ltd $'000
Accumulated balances of material non-controlling interest		
2022	**10,726**	**2,407**
2021 Restated*	7,865	2,777
Profit allocated to material non-controlling interest		
2022	**3,635**	**472**
2021 Restated*	5,002	673
Summarised statement of profit or loss for 2022		
Revenue	**135,974**	**5,557**
Profit before tax and finance costs	**31,856**	**4,292**
Finance costs	**(1,000)**	**(163)**
Profit before tax	**30,856**	**4,129**
Income tax*	**(9,259)**	**(1,320)**
Profit for the year	**21,597**	**2,809**
Other comprehensive income	**394**	**-**
Total comprehensive income	**21,991**	**2,809**
Attributable to non-controlling interests	**3,701**	**473**
Dividends paid to non-controlling interests	**842**	**842**
Summarised statement of profit or loss for 2021 Restated*		
Revenue	165,234	3,957
Profit before tax and finance costs*	43,368	5,980
Finance costs	(1,382)	(271)
Profit before tax	41,986	5,709
Income tax*	(12,266)	(1,708)
Profit for the year	29,720	4,001
Other comprehensive income	(1,615)	–
Total comprehensive income	28,105	4,001
Attributable to non-controlling interests	4,830	673
Dividends paid to non-controlling interests	3,703	–
Summarised statement of financial position at 2022		
Current assets	**95,473**	**2,957**
Non-current assets	**48,895**	**22,599**
Current liabilities	**(40,929)**	**(7,968)**
Non-current liabilities	**(39,720)**	**(3,273)**
Total equity	**63,719**	**14,315**
Attributable to:		
Equity holders of parent	**52,993**	**11,908**
Non-controlling interest	**10,726**	**2,407**
Summarised statement of financial position at 2021 Restated*		
Current assets	80,970	4,257
Non-current assets*	49,439	23,253
Current liabilities	(39,381)	(739)
Non-current liabilities*	(44,301)	(10,266)
Total equity	46,727	16,505
Attributable to:		
Equity holders of parent*	38,862	13,728
Non-controlling interest*	7,865	2,777
Summarised cash flow information for year ended 30 June 2022		
Operating	**7,740**	**6,812**
Investing	**(2,700)**	**2,028**
Financing	**(10,061)**	**(7,680)**
Net foreign exchange difference	**(61)**	–
Net (decrease)/increase in cash and cash equivalents	**(5,082)**	**1,160**
Summarised cash flow information for year ended 30 June 2021		
Operating	51,148	(272)
Investing	(3,659)	(1,051)
Financing	(40,711)	1,654
Net foreign exchange difference	429	–
Net increase in cash and cash equivalents	7,207	331

* The comparative period has been restated because of an accounting policy change outlined in note 2(b).

Note 33: Significant Events after Balance Date

Following the end of the reporting period, a final fully franked dividend of 45¢ per share to shareholders on record at 9 September 2022 has been declared and is payable on 23 September 2022.

No other matter or circumstance has arisen since the end of the financial year which materially 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

year ended 30 June 2022

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Schaffer Corporation Limited, we state that:

1. In the opinion of the Directors:
   a) the financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:
      i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2022 and of its performance for the year ended on that date; and
      ii. complying with Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;
   b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2; and
   c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

1. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial period ended 30 June 2022.

2. As at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in note 32 will be able to meet any obligation or liabilities to which they are or may become subject to, by virtue of the Deed of Cross Guarantee.

On behalf of the Board

J M Schaffer AM
Chairman and Managing Director

Perth, 23 September 2022

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF SCHAFFER CORPORATION LIMITED
year ended 30 June 2022

Building a better working world

Ernst & Young
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
ey.com/au

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

Report on the audit of the financial report

Opinion

We have audited the financial report of Schaffer Corporation Limited ("the Company") and its subsidiaries (collectively "the Group"), which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors declaration.

In our opinion, the accompanying financial report of the Group is 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 30 June 2022 and of its consolidated financial performance for the year ended on that date; and

b. Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF SCHAFFER CORPORATION LIMITED
year ended 30 June 2022

Building a better working world

Construction services revenue

Why significant	How our audit addressed the key audit matter

As disclosed in note 3 to the financial report, for the year ended 30 June 2022, the Building Materials segment of the Group recognised $17.3 million in revenue from construction and transportation services.
 	
Revenue from construction and transportation services is recognised over time by reference to its percentage of completion.
 	
The measurement of revenue from construction and transportation services was considered a key audit matter due to the judgement required to be exercised by the Group in relation to the estimation of the transaction price, total contract costs and the stage of completion of the contract.
	Our audit procedures included the following:
	
	► We evaluated the Group's process to recognise construction and transportation revenues
	► We assessed the operating effectiveness of management's controls over the revenue process including management's periodic assessment of the percentage of completion, actual contract costs incurred to date and estimated total contract costs
	► We assessed the qualifications, competence and objectivity of management's expert used in the calculation of revenue to be recognised.
	► For a sample of contracts, we performed the following procedures:
	    ► We agreed total contract revenue to the original contract and approved variations or claims
	    ► We agreed actual contract costs incurred to date to source documentation, such as timesheets and vendor invoices
	    ► We considered the Groups' historic ability to accurately forecast project gross margin and total contract costs by comparing the accuracy of prior period forecasts to actual outcomes across the year ended 30 June 2022
	    ► We enquired of management's experts, with direct oversight over the contract portfolio, to understand the performance and status of the contracts at 30 June 2022.
	► We assessed the adequacy of the disclosures in relation to construction and transportation services revenue in Note 3 to the financial report.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF SCHAFFER CORPORATION LIMITED

year ended 30 June 2022

Building a better working world

Fair value of financial instruments

Why significant	How our audit addressed the key audit matter
As detailed in Note 14 to the financial report, at 30 June 2022, the Group had $45.2 million in financial assets recognised at fair value through the profit or loss. These financial assets include unlisted investments in property unit trusts and LLCs, units in managed funds, listed equity shares, unlisted equity shares, convertible notes, units in unlisted loan trusts and derivatives not designated as hedging instruments. Depending on the underlying nature of the financial instrument, the valuations may be classified as level 1, 2 or 3 in the Group's fair value hierarchy. This was considered a key audit matter as the valuations can be complex and involve a combination of market, non-market and judgemental assumptions.	Our audit procedures included the following: ► We verified the existence of financial instruments through supporting documentation including third-party confirmations and inspection of share certificates ► We agreed listed equity valuations to the closing share price as at 30 June 2022 ► For valuations which depend on observable and unobservable inputs, we evaluated the assumptions, methodologies and models used by management ► We tested the clerical accuracy of valuation models ► For unlisted property unit trusts we re-performed the calculations of unit price and total holding including agreeing material assets and liabilities to source documentation, such as external valuation reports prepared by accredited, independent real estate valuation specialists and loan statements ► For a sample of financial instruments, we utilised EY Valuation, Modelling and Economics specialists to review the methodology and assumptions applied in the valuation models. ► We assessed the adequacy of the disclosures in relation to financial instruments in Note 14 to the financial report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SCHAFFER CORPORATION LIMITED

year ended 30 June 2022

Building a better working world

Change in accounting policy for investment properties

Why significant	How our audit addressed the key audit matter

As detailed in Note 2 to the financial report, at 30 June 2022, the Group voluntarily elected to change their accounting policy to carry its investment properties at fair value, from the previous policy to carry its investment properties at amortised cost.
 	
The impact of the change in accounting policy on the carrying value of investment properties at 30 June 2022 was an increase of $90.9 million (2021: $72.2 million increase). The change in accounting policy resulted in a net gain on fair value through profit or loss of $18.7 million for the year ended 30 June 2022 (2021: $0.6 million gain).
 	
This was considered a key audit matter due to the financial impact of the change in accounting policy on the carrying value of investment properties, the reported profit result for the year and the additional audit procedures required over the restated amounts and related disclosures in the financial report
	Our audit procedures included the following:
	
	► We assessed the appropriateness of management's election to change their accounting policy based on the requirements of the applicable standard
	
	► We obtained external valuation reports for all investment properties for the years ended 30 June 2020, 30 June 2021 and 30 June 2022
	
	► We evaluated the qualifications of the external valuers engaged by management, as well as the assumptions, methodologies and models used by the valuers
	
	► We agreed the allocation of values between the 3 years presented in the financial report and the related impacts to profit and loss
	
	► For a sample of valuations, we utilised EY Real Estate Advisory Services specialists to perform the following procedures:
	
	    ► Consider the appropriateness of the valuation methodology and assumptions adopted to determine the valuation having regard to the requirements of accounting standard AASB 13 Fair Value Measurement
	
	    ► Assessed the qualifications, experience, and reputation of the independent valuer
	
	► We assessed the adequacy and accuracy of the disclosures in relation to the change in accounting policy provided in Note 2 to the financial report.

Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2022 annual report but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SCHAFFER CORPORATION LIMITED

year ended 30 June 2022

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF SCHAFFER CORPORATION LIMITED
year ended 30 June 2022

Building a better working world

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SCHAFFER CORPORATION LIMITED

year ended 30 June 2022

Building a better working world

Report on the audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of Schaffer Corporation Limited for the year ended 30 June 2022, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst & Young

Ernst & Young

Timothy G Dachs
Partner
Perth
23 September 2022

DIRECTORS' REPORT
year ended 30 June 2022

Your directors submit their report for the year ended 30 June 2022 made in accordance with a resolution of the Directors.

Directors

Details of the Directors of the company during the financial year and up to the date of this report are:

J M SCHAFFER AM BCom(Hons) FCPA Managing Director Executive Director since 6/9/1972	Mr John Schaffer AM joined the company in 1972. Mr Schaffer has held the position of Managing Director since 1987.
D E BLAIN AM BA Non-executive Director Appointed 5/6/1987	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 a number of NGO 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 Chairman of Howe Automotive Limited. Mr Mayer has over 50 years of international leather experience, broad business skills and a global business perspective.
M D PERROTT AM BCom FAIM FAICD Independent Director Appointed 23/2/2005	Mr Michael Perrott AM joined the Board as an independent director in February 2005. Mr Perrott AM has over 40 years' experience in the construction and contracting industry.
D J SCHWARTZ Independent Director Appointed 29/6/1999	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, David has been involved in many different businesses including retail, manufacturing and distribution. During the past three years Mr Schwartz has also served as a director of the following listed company: Primewest Management Ltd 8 November 2019 – 30 June 2021

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

Company Secretary

J M CANTWELL BBus(Acc) CPA MBA GIA(Affiliate)

Mr Jason Cantwell joined the company in 2011 and has over 25 years' experience in senior financial management roles within both private and publicly listed companies. Mr Cantwell is a Member of CPA Australia and an Affiliated Member of the Governance Institute of Australia.

Attendance at Board and Committee Meetings

The number of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director were as follows:

	Directors' Board Meetings	Meetings of Committees	
		Audit	Nomination & Remuneration
Number of meetings held:	9	2	1
J M Schaffer AM	9	–	–
D E Blain AM	9	2	1
A K Mayer	9	–	–
M D Perrott AM	9	2	1
D J Schwartz	9	2	1

Committee Membership

The Company has an audit committee and a nomination & remuneration committee. The members of both committees are Mr D J Schwartz (Chairperson), Mrs D E Blain AM, and Mr M D Perrott AM.

Rotation of Directors

In accordance with the Articles of Association, at the SFC Annual General Meeting scheduled for 16 November 2022, Mr D J Schwartz will retire by rotation and being eligible, will offer himself for re-election.

Interests in the Shares of the Company and Related Bodies Corporate

On 1 September 2022, the economic interest of the Directors, including their related parties, in the shares of the Company were:

	SCHAFFER CORPORATION LIMITED	
	Ordinary shares	Options over ordinary shares
J M Schaffer AM	2,769,430	–
D E Blain AM	1,562,360	–
D J Schwartz	668,214	–
A K Mayer	354,263	–
M D Perrott AM	8,500	–

Principal Activities

The principal activities of the entities within the consolidated entity, over the financial year were automotive leather manufacture, concrete product manufacture, property and equity investing, and property leasing.

Results

The consolidated entity's operating profit after tax for the financial year was a profit of $30,298,000 (2021 – $46,649,000).

Operating and Financial Review

Please refer to Managing Director's report for details.

Significant Changes in the State of Affairs

The 2022 financial performance of the Group decreased compared to prior year but was a good result taking into consideration the ongoing impacts of the Covid-19 pandemic and the Ukraine war on the global economy during the 2022 financial year. The Covid-19 pandemic, supply chain elongation and the Ukraine war continue to make the business operating environment volatile. The global semi-conductor chip shortage that stemmed from Covid-19 related demand and is causing production issues for the global automotive industry is easing and should continue to improve over the 2023 financial year.

In the opinion of the Directors of the consolidated entity there has not arisen any other matter or circumstance that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in subsequent financial years.

DIRECTORS' REPORT
year ended 30 June 2022

Dividends

The following dividends have been paid or declared by the company since the commencement of the financial year.

	$'000
Dividends paid in the year ended 30 June 2022	
On ordinary shares	
– 45¢ per share final, paid on 17 September 2021	**6,178**
– 45¢ per share interim, paid on 11 March 2022	**6,177**
	12,355
Dividends paid in the year ended 30 June 2021	
On ordinary shares	
– 35¢ per share final, paid on 20 September 2020	4,765
– 45¢ per share interim, paid on 13 March 2021	6,146
	10,911
Not recognised as a liability as at 30 June 2022	
Final franked dividend for 2022 – 45¢ (2021 – 45¢)	6,128

Review of Operations

The consolidated entity's revenue from continuing operations decreased by 13% to $170,429,000 from $196,334,000 this year. The pre-tax operating profit of $42,845,000 was an increase compared to $66,106,000 for last year. The consolidated entity's net profit after tax, excluding non-controlling interests, decreased by 36% to $26,191,000 from $40,974,000.

Likely Developments and Expected Results

Other than the discussion of the Company's operations and outlook already set out from pages 1-16 of this Annual Report, the Directors have no further comment to make on likely developments in the operations of the consolidated entity and the expected results of those operations in subsequent financial years.

Environmental Regulation and Performance

Schaffer Corporation Limited is subject to a range of environmental regulations. During the financial year, Schaffer Corporation Limited met all reporting requirements under any relevant legislation. There were no incidents which required reporting. The Company aims to continually improve its environmental performance.

Significant Events After Balance Date

Following the end of the reporting period, a final fully franked dividend of 45¢ per share has been declared payable on 23 September 2022.

No other matter or circumstance has arisen since the end of the financial year which materially 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.

Indemnification and Insurance of Directors

During or since the financial year, the company has agreed to indemnify directors against a liability for costs and expenses incurred in defending proceedings brought against them for a liability incurred in their role as directors of the company other than in respect of any wilful misconduct. The total amount of insurance contract premiums paid is not disclosed due to a confidentiality clause within the insurance policy.

Indemnification of Auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

Remuneration Report (Audited)

This remuneration report outlines the director and executive remuneration arrangements of the Company and the Group in accordance with the requirements of the Corporations Act 2001 and its Regulations. For the purposes of this report, Key Management Personnel (KMP) of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent company.

Details of Key Management Personnel

Directors	
J M Schaffer AM	Managing Director
D E Blain AM	Director (non-executive)
A K Mayer	Director (executive)
M D Perrott AM	Director (non-executive/independent)
D J Schwartz	Director (non-executive/independent)
Executives	
D Birks	General Manager, Howe Automotive Limited
R Leib	Chief Financial Officer
M Perrella	Executive Director, Delta Corporation Limited – retired 30 June 2022
J Walsh	General Manager, Delta Corporation Limited
J Cantwell	Group Financial Controller and Company Secretary

This report outlines the remuneration arrangements in place for directors and executives of the Schaffer Corporation Limited Group of companies.

Remuneration philosophy

SFC's remuneration policy is directed at attracting, motivating and retaining quality directors and executives. SFC's key internal performance measures at the business unit and consolidated levels are earnings before interest and tax (EBIT) and return on average capital employed (ROACE). EBIT and ROACE have been chosen by the Group as measures of executive performance because they align the interests of management with those of all SFC shareholders.

Remuneration Committee

The SFC Board operates a Nomination and Remuneration Sub-Committee to support and advise the SFC Board in fulfilling its responsibility to shareholders to ensure that the company has remuneration policies and practices which enable it to attract and retain directors and executives who will best contribute towards achieving positive outcomes for shareholders. The committee determines the remuneration and other conditions of service of the chief executive officer and executive directors, if any. The committee makes recommendations to the Board on the remuneration of non-executive directors within the aggregate approved by shareholders in general meetings from time to time. The committee considers individual performance, company performance, internal relativity, and fairness in setting levels of remuneration and may seek appropriate independent external advice to assist in its decision making. The structure of non-executive director and executive remuneration are separate and distinct.

DIRECTORS' REPORT
year ended 30 June 2022

Senior Manager and Executive Director Remuneration

Objective

SFC's remuneration policy aims to remunerate executives with a level and mix of remuneration commensurate with their position and responsibilities within the Group.

Structure

The remuneration of SFC's senior executive consists of fixed remuneration and variable remuneration (annual and long-term incentives). The company aims to reward executives for Company, business unit and individual performance, align executive remuneration with the interests of shareholders, link rewards with the strategic goals such as profitability or return on capital employed and ensure that total remuneration is effective in retaining and motivating senior executives and executive directors.

Fixed remuneration

This includes base salary and the statutory Superannuation Guarantee Contribution (SGC) which comprises the cash component. The Schaffer Corporation Limited Superannuation Fund is available to executives for superannuation contributions and life insurance. Premiums for life insurance are deducted from member accounts. Executives can elect to have the company contribute superannuation beyond the statutory SGC level by way of a salary sacrifice in lieu of cash salary. Fixed remuneration is reviewed annually by the Nomination and Remuneration Committee in respect of each executive director. The fixed remuneration of executives is reviewed annually by the SFC Managing Director in the case of the Building Materials and Corporate divisions and by the Howe Automotive Limited General Manager in the case of the Automotive Leather division. The review process considers company-wide, business unit and individual performance in the context of any annual change during the preceding 12-month period to the consumer price index and wages cost index as published by the Australian Bureau of Statistics. For the year beginning 1 July 2021, a 2% increase was applied for Senior Executives.

Variable remuneration – Short-Term Incentive

The Group has performance-based incentive plans in place at each of its operations in which management and the labour force participate. The level of remuneration payable to participating executives is linked to the financial performance of their business. Executives are provided with cash incentives provided profitability thresholds are met. A summary of the annual incentive schemes for the Automotive Leather, Building Materials and Corporate divisions is provided below:

Automotive Leather Division – Profit Participation Scheme

Howe Automotive Limited operates a profit participation scheme for the staff and management of the Automotive Leather division. Prior to the commencement of each financial year, the division management submits an annual budget for consideration and approval by the Howe Automotive Limited Executive Director and the SFC Board. The scheme provides for a bonus pool of 5% of actual EBIT, which becomes payable when a 15% return on capital employed (ROACE) has been achieved as at 30 June balance date.

The profit participation bonus is subject to approval by the shareholders of Howe Automotive Limited. A full year 2022 bonus was approved (2021 – approved). ROACE has been chosen as the relevant performance conditions as this performance measure is readily monitored and available. ROACE performance aligns the interest of management with those of shareholders. The scheme has been designed to incentivise a wide range of the Automotive Leather division workforce from top executive management to factory floor personnel.

Delta – Management Bonus Incentive Scheme

The Company operates a Management Bonus Incentive Scheme (MBIS) for the management group of Delta Corporation. Prior to the commencement of each financial year Delta Corporation management submits an annual budget for consideration by SFC's Managing Director and the SFC Board. Upon approval of the budget by the Board, a cash bonus (as a percentage of each participants fixed remuneration) is payable on a tiered basis provided actual EBIT profitability thresholds are met/exceeded as at 31 December and 30 June balance dates. The MBIS payment for EBIT performance is subject to reviewed/audited financial statements of each business unit and is payable at the discretion of the Managing Director in the following period. Neither a half-year nor full-year MBIS bonus was approved for the year ended 30 June 2022 (2021 – no bonuses approved). A bonus is forfeited for a financial year where an employee has ceased employment prior to the end of that financial year.

Actual EBIT performance versus Budgeted EBIT performance has been chosen as the relevant performance condition as this performance measure is readily monitored and available, and EBIT performance aligns the interest of management with those of shareholders. The scheme may be discontinued at any time by the SFC Managing Director without prior notice.

Corporate

(a) *Short-Term Incentive Plan*

SFC has implemented a formal Short-Term Incentive (STI) Plan for the Group Managing Director, Chief Financial Officer and Group Financial Controller approved by the Nomination and Remuneration Committee. These executives can earn a cash bonus with a value of up to 30% of their base annual remuneration, based on actual performance against defined objectives. This equates to a maximum of $271,694 for the Group Managing Director, $120,000 for the Chief Financial Officer and $66,844 for the Group Financial Controller, for the year ended 30 June 2022. The minimum possible award for the Group Managing Director, Chief Financial Officer and the Group Financial Controller is nil. 60% of any STI award is based on achievement of 15% Group ROACE. 40% of any STI award is based on performance against pre-agreed KPI's which are critical to the company's future success. The Nominations and Remuneration Committee approved STI awards for the 2022 year on 23 August 2022. The Managing Director received an STI award of 95.0% (2021: 97.5%) of the maximum possible award. The Chief Financial Officer received an STI award of 95.0% (2021: 97.5%). The Group Financial Controller received an STI award of 87.5% (2021: 95.0%) of the maximum possible award.

(b) *Discretionary Bonuses*

The Nominations and Remuneration Committee has the discretion to award additional STI bonus to the participants of the STI plan, capped at 30% of each participant's base annual remuneration. The discretionary bonus is applied in financial years of superior profit earnings, or on extraordinary positive outcomes achieved. The Nominations and Remuneration Committee has approved discretionary STI awards for the 2022 year on 23 August 2022. The Managing Director received a discretionary STI award of $271,694 (2021: $266,000). The Chief Financial Officer received a discretionary STI award of $120,000 (2021: $91,800). The Group Financial Controller received a discretionary STI award of $66,844 (2021: $65,500). The Group achieved extraordinary positive outcomes in managing the complexities experienced in Automotive Leather and superior profits from realised investments during the year to 30 June 2022.

Variable remuneration – Long-Term Incentive

Long-term incentive grants are typically made to executives who can influence the generation of shareholder wealth and thus have a direct impact on the Company's performance. Howe Automotive Limited operates the Employee Participation Unit (EPU) Plan for its executives. SFC's senior executives (other than Mr Schaffer and Mr Mayer) can participate in SFC's Employee Share Option Plan (ESOP). The Howe Automotive Limited EPU and SFC ESOP plans have long-term vesting provisions and are designed to align the interests of the participating executives with those of all SFC shareholders. A summary of the long-term incentive schemes is provided below:

Howe Automotive Limited Employee Participation Units Plan

Howe Automotive Limited operates an employee incentive plan which permits the granting of employee participation units (EPUs) at the discretion of its shareholders up to an EPU limit. The EPU limit is 10% of the total combined number of shares plus EPUs issued by Howe Automotive Limited. Howe Automotive Limited dividends, divided by the total number of shares and EPUs on issue, is applied to reduce a bonus threshold for each EPU until the balance of the bonus threshold is reduced to nil. Once the threshold is nil, each EPU receives a remuneration bonus payment when Howe Automotive Limited makes a dividend payment, calculated based on the total dividends divided by the total number of shares and EPUs on issue.

An EPU provides an employee with a right to receive either, at the discretion of SFC, a cash payment from Howe Automotive Limited or shares in SFC in the following circumstances:

(a) If an employee dies or becomes permanently disabled at any time after the grant date.

(b) If an employee ceases employment after the three-year initial vesting period.

Senior Manager and Executive Director Remuneration (continued)

(c) Upon a liquidity event (trade sale or listing on an Australian or overseas stock exchange).
(d) On issue of a compulsory payment notice by SFC.

The amount of the payment, other than upon a liquidity event, is dependent on vesting and the financial performance of Howe Automotive Limited. The vesting requirements are:
(a) up to 3 years – nil
(b) 3 years to 4 years – 33.3%
(c) 4 years to 5 years – 66.7%
(d) over 5 years – 100%

Note: Employees are ineligible to receive any payment in the following circumstances:
(i) termination due to misconduct.
(ii) failure to provide 90 days' written notice of intention to terminate employment.
(iii) acting in competition prior to the payment date (payment date is at least 12 months after termination).

The performance hurdle to be eligible for a payment is a positive equity valuation for Howe Automotive Limited. The eligibility and amount of payment, other than upon a liquidity event, is calculated in accordance with an equity valuation formula based on 5.5 times Howe Automotive Limited's earnings before interest and tax minus net debt. The formula uses a three-year average including one full year following termination. For a liquidity event, the amount of payment is calculated in accordance with a valuation based on the consideration to be paid for ownership of Howe Automotive Limited. The formulas are designed to incentivise EPU holders in respect of building the long-term value of Howe Automotive Limited and provides a fair and readily calculable means for valuing that long-term interest.

SFC has the option to compel the employee to use the whole or part of that cash payment in subscribing for SFC shares based on the average SFC share price for the same three-year period.

SFC Employee Share Option Plan (ESOP)

An employee share option plan has been established. The plan was approved by shareholders at the Annual General Meeting in November 1999. The plan permits the granting of options (at the absolute discretion of the Board) to Group employees to acquire ordinary shares in SFC. The options issued for nil consideration, are issued in accordance with performance guidelines established by the Directors of SFC. The options cannot be transferred and will not be quoted on the ASX. The number of options which can be issued is limited to 5% of the number of shares on issue. At the date of this report, there were 31,250 options on issue (2021: 102,500).

For issues dated 6 September 2017 and 2 August 2018, options may be exercised as follows:
(i) during the first 12 months of each option period and including each date of issue, no more than 25% of the options issued to that participant on that date of issue;
(ii) during the period of 24 months from and including each date of issue exercise no more than 50% of the options issued to that participant on that date of issue;
(iii) during the period of 36 months from and including each date of issue exercise no more than 75% of the options issued to that participant on that date of issue;
(iv) after 36 months 100% of the options may be exercised.
For issues dated 15 May 2020, options may be exercised as follows:
(i) during the first 12 months of each option period and including each date of issue, no more than 50% of the options issued to that participant on that date of issue;
(ii) during the period of 24 months from and including each date of issue exercise no more than 62.5% of the options issued to that participant on that date of issue;
(iii) during the period of 36 months from and including each date of issue exercise no more than 75% of the options issued to that participant on that date of issue;
(iv) during the period of 48 months from and including each date of issue exercise no more than 87.5% of the options issued to that participant on that date of issue;
(v) after 48 months 100% of the options may be exercised.

While the ESOP contains vesting conditions, the exercising of ESOP options is not dependent on a performance condition because:
(i) ESOP options have been issued with an exercise price at or above the VWAP of the share price on five preceding days that SFC shares traded on the ASX before the issue date;
(ii) ESOP options do not participate in dividends; and
(iii) are not transferable or saleable. Accordingly, ESOP options only provide an economic benefit to the recipient in the event the share price (which adjusts for dividends paid) significantly exceeds the exercise price (which is not adjusted for dividends paid) over the option vesting period thereby aligning the interests of management with those of all shareholders.

No options have been issued since May 2020.

The following table details the proportion of fixed remuneration and variable remuneration paid for the year ended 30 June 2022 as detailed in this report:

2022 Remuneration Structure	% Fixed	% Variable
Specified Directors		
J M Schaffer AM	65	35
D E Blain AM	100	–
A K Mayer	66	34
M D Perrott AM	100	–
D J Schwartz	100	–
Specified Executives		
D Birks	28	72
R Leib	47	53
J Walsh	99	1
M Perrella	99	1
J Cantwell	65	35

Non-executive Director Remuneration

SFC's non-executive directors receive fees for their services (including statutory superannuation) and the reimbursement of reasonable expenses. The Constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. An amount not exceeding that amount is then divided between the non-executive directors as agreed. The latest determination was at the Annual General Meeting held 13 November 2019 when shareholders approved an aggregate remuneration limit of $500,000 per annum. The amount of aggregate remuneration to be approved by shareholders and the manner in which it is to be apportioned amongst the non-executive directors is reviewed annually. This limit is not currently fully utilised. The fee pool is payable only to non-executive directors. The amount payable to non-executive directors is set by the Board after having taken regard to the size of the Company and Board, the responsibilities, demands and accountabilities faced by those directors in discharging their duties and after seeking external advice to ensure the fees are in line with market standards. All three non-executive directors are members of the Audit Committee and the Nomination and Remuneration Committee and the fixed annual fee received by non-executive directors is inclusive of these sub-committee commitments. It is current SFC policy that non-executive directors do not receive shares, options or other securities and are not eligible to participate in SFC's Employee Share Option Plan. Payment of fees (including statutory superannuation) and the reimbursement of reasonable expenses are the only remuneration payable to Mrs Blain AM, Mr Schwartz and Mr Perrott AM.

Non-executive directors appointed prior to July 2003 are entitled to a retirement benefit equivalent to one year's annual director's fees. The retirement benefit was reduced from three years' to one year's annual director's fees in July 2003 (a three-year retirement benefit was in place at the time Mrs Blain AM and Mr Schwartz accepted their appointment to the Board). SFC considers the reduced benefit modest and appropriate given the benefit which historically existed. It is SFC's policy that no retirement benefit apply to new directors appointed after July 2003.

It is not a requirement of the Constitution of the Company that directors hold shares in the Company.

Relationship of Company Performance to Shareholder Wealth

Total Shareholder Return

Total shareholder return (TSR) is an accepted and understood measure of performance. SFC calculates TSR as follows:
- movement in Share Price (including bonus issues)
- plus Dividends Paid
- plus Dividend Imputation Credits

DIRECTORS' REPORT
year ended 30 June 2022

Senior Manager and Executive Director Remuneration (continued)

The chart below itemises the constituents to SFC's TSR by year for each of the past five years. SFC's average TSR for the past five years is 35%.

	1 Sept 2018	1 Sept 2019	1 Sept 2020	1 Sept 2021	1 Sept 2022
Tax Rate	30%	30%	30%	30%	**30%**
Share Price	$17.05	$14.81	$16.25	$22.63	**$18.00**
Ord Dividends	$0.45	$0.70	$0.80	$0.90	**$0.90**
Imputation Credit	$0.19	$0.30	$0.34	$0.39	**$0.39**
TSR	$10.14	($1.24)	$2.58	$7.67	**($3.34)**
TSR	134%	(7%)	17%	47%	**(15%)**

At the date of this report, on an aggregate dollar paid basis, SFC paid to shareholders $12.3 million fully franked dividends in respect of 2022 and a total of $51.0 million was paid in fully franked ordinary dividends over the past 5 years.

Earnings Per Share (EPS)

SFC's average EPS over the past five years has been 199.2¢.

	June 2018	June 2019	June 2020	June 2021	June 2022
EPS	166.7¢	165.6¢	171.9¢	300.6¢	**191.0¢**

Remuneration of Key Management Personnel for the year ended 30 June 2022

	Short-term		Long-term benefits			Post-employment			
	Salary & fees	Cash bonus	Long service leave (2)	Share-based payment (3)	Superannuation	Subtotal	Termination provision	Total	Performance related
30/06/2022	$	$	$	$	$	$	$	$	%
Directors									
J M Schaffer AM	**932,104**	**536,595**	**20,829**	**–**	**27,500**	**1,517,028**	**27,588**	**1,544,616**	**34.74%**
D E Blain AM	**78,504**	**–**	**–**	**–**	**7,850**	**86,354**	**2,591**	**88,945**	**0.00%**
A K Mayer	**658,331**	**343,134**	**–**	**–**	**–**	**1,001,465**	**–**	**1,001,465**	**34.26%**
M D Perrott AM	**86,354**	**–**	**–**	**–**	**–**	**86,354**	**–**	**86,354**	**0.00%**
D J Schwartz	**78,504**	**–**	**–**	**–**	**7,850**	**86,354**	**2,591**	**88,945**	**0.00%**
Executives									
D Birks	**341,828**	**451,180**	**5,574**	**–**	**27,500**	**826,082**	**(516,620)** (1)	**309,462**	**72.08%**
R Leib	**388,906**	**497,789**	**13,912**	**27,005**	**23,568**	**951,180**	**8,314** (1)	**959,494**	**52.75%**
J Walsh	**339,856**	**2,500**	**6,714**	**–**	**27,462**	**376,532**	**–**	**376,532**	**0.66%**
M Perrella(4)	**219,089**	**2,273**	**7,292**	**–**	**27,500**	**256,154**	**–**	**256,154**	**0.89%**
J Cantwell	**211,326**	**131,189**	**3,904**	**10,802**	**21,084**	**378,305**	**–**	**378,305**	**34.68%**
	3,334,802	**1,964,660**	**58,225**	**37,807**	**170,314**	**5,565,808**	**(475,536)**	**5,090,272**	

(1) Termination benefits for Mr Birks and Mr Leib include a provision for EPUs based on projections of future earnings and a vesting profile. This provision can increase or decrease based on vesting and profit expectations of Howe Automotive Limited.
(2) Net of long service leave taken during the period..
(3) Includes the value of options issued under the SFC Employee Share Options Plan (ESOP) using the Black-Scholes model.
(4) Mr Perrella retired on 30 June 2022.

Remuneration of Key Management Personnel for the year ended 30 June 2021

	Short-term		Long-term benefits			Post-employment			
	Salary & fees	Cash bonus	Long service leave (3)	Share-based payment (4)	Superannuation	Subtotal	Termination provision	Total	Performance related
30/06/2021	$	$	$	$	$	$	$	$	%
Directors									
J M Schaffer AM	889,619	525,707	14,437	–	25,000	1,454,763	18,834	1,473,597	35.68%
D E Blain AM	77,316	–	–	–	7,345	84,661	3,353	88,014	0.00%
A K Mayer	638,033	344,237	–	–	–	982,270	–	982,270	35.05%
M D Perrott AM	84,661	–	–	–	–	84,661	–	84,661	0.00%
D J Schwartz	84,661	–	–	–	–	84,661	3,353	88,014	0.00%
Executives									
D Birks	354,723	652,826	(8,696)	–	25,000	1,023,853	1,192,948 (1)	2,216,801	83.26%
R Leib	298,551	481,151	4,713	84,692	21,694	890,801	553,693 (1)	1,444,494	71.64%
J Walsh	332,350	15,000	5,349	–	24,999	377,698	–	377,698	3.97%
M Perrella	164,588	5,000	5,376	–	13,399	188,363	–	188,363	2.65%
J Cantwell	206,413	91,595	3,300	33,877	19,642	354,827	–	354,827	25.81%
		2,115,516	24,479	118,569	137,079	5,526,558	1,772,181	7,298,739	

(1) Termination benefits for Mr Birks and Mr Leib include a provision for EPUs based on projections of future earnings and a vesting profile. This provision can increase or decrease based on vesting and profit expectations of Howe Automotive Limited.
(2) Net of long service leave taken during the period.
(3) Includes the value of options issued under the SFC Employee Share Options Plan (ESOP) using the Black-Scholes model.

DIRECTORS' REPORT
year ended 30 June 2022

The following information is provided in relation to s300A(1)(e)(ii) – (vi) of the Corporations Act:

Shareholding of Key Management Personnel

Economic interests in the shares of Schaffer Corporation Limited held by Directors of the reporting entity and their related parties are as follows:

As at 30 June 2022	Balance at beginning of year	Exercise of employee share options	Net change other	Balance at end of year
Specified directors				
J M Schaffer AM	2,769,430	–	–	2,769,430
D E Blain AM	1,562,360	–	–	1,562,360
D J Schwartz	611,484	–	56,730	668,214
A K Mayer	344,263	–	–	344,263
M D Perrott AM	8,500	–	–	8,500
Specified executives				
M Perrella	59,834	–	–	59,834
R Leib	49,000	38,750	(35,750)	52,000
J Cantwell	20,450	32,500	(24,450)	28,500
J Walsh	2,903	–	–	2,903
Total	**5,428,224**	**71,250**	**(3,470)**	**5,496,004**

Share Options and EPUs

a) Options issued over ordinary shares as part of an employee share scheme are as follows:

Date issued	No. on issue 30 June 2021	Issued during the year	Forfeited during the year	Exercised during the year	No. on issue 30 June 2022	Exercise price	First exercise date	Last exercise date
12 Aug 2018	57,500	–	–	(52,500)	5,000	$14.10	02-Aug-18	02-Aug-23
15 May 2020	45,000	–	–	(18,750)	26,250	$10.50	15-May-20	15-May-25
Total	**102,500**	**–**	**–**	**(71,250)**	**31,250**			

b) Remuneration options: Granted and vested during the year

The table below discloses the number of share options granted, vested or lapsed during the year. Share options do not carry any voting or dividend rights and can only be exercised once the vesting conditions have been met. There were no alterations to the terms and conditions of options awarded as remuneration since their award date.

30 June 2022

									Vested as at 30 June 2022	
Executives	Balance at 30 June 2021	Grant date	Value per option at grant date	Value of options granted during the year ($)	Exercise price per share	No vested during year	No exercised during year	Value of options exercised during the year $	Vested	Not vested
R Leib	25,000	15 May 2020	$2.01	–	$10.50	6,250	6,250	12,563	6,250	12,500
R Leib	37,500	2 Aug 2018	$2.53	–	$14.10	12,500	32,500	82,225	5,000	–
J M Cantwell	20,000	15 May 2020	$2.01	–	$10.50	2,500	12,500	25,125	2,500	5,000
J M Cantwell	20,000	2 Aug 2018	$2.53	–	$14.10	5,000	20,000	50,600	–	–
Total	**102,500**			**–**		**26,250**	**71,250**	**170,513**	**13,750**	**17,500**

30 June 2021

									Vested as at 30 June 2021	
Executives	Balance at 30 June 2020	Grant date	Value per option at grant date	Value of options granted during the year ($)	Exercise price per share	No vested during year	No exercised during year	Value of options exercised during the year $	Vested	Not vested
R Leib	50,000	15 May 2020	$2.01	–	$10.50	6,250	25,000	50,250	6,250	18,750
R Leib	37,500	2 Aug 2018	$2.53	–	$14.10	12,500	–	–	25,000	12,500
R Leib	12,500	6 Sept 2017	$0.86	–	$7.54	12,500	12,500	10,750	–	–
J M Cantwell	20,000	15 May 2020	$2.01	–	$10.50	2,500	–	–	12,500	7,500
J M Cantwell	20,000	2 Aug 2018	$2.53	–	$14.10	5,000	–	–	15,000	5,000
J M Cantwell	5,000	6 Sept 2017	$0.86	–	$7.54	5,000	5,000	4,300	–	–
Total	**145,000**			**–**		**43,750**	**42,500**	**65,300**	**58,750**	**43,750**

DIRECTORS' REPORT
year ended 30 June 2022

Share Options and EPUs (continued)

(c) EPUs held by Key Management Personnel

30 June 2022

Executives	Balance at beginning of period	Granted as remuneration	Redeemed during the period	Cancelled during the period	Balance at end of period	Vested as at 30 June 2022 Vested	Not vested
D Birks	1,200,000	–	–	–	1,200,000	1,133,333	66,667
R Leib	550,000	–	–	–	550,000	200,000	350,000
Total	**1,750,000**	**–**	**–**	**–**	**1,750,000**	**1,333,333**	**416,667**

30 June 2021

Executives	Balance at beginning of period	Granted as remuneration	Redeemed during the period	Cancelled during the period	Balance at end of period	Vested as at 30 June 2021 Vested	Not vested
D Birks	1,200,000	–	–	–	1,200,000	1,066,667	133,333
R Leib	500,000	50,000	–	–	550,000	100,000	450,000
Total	**1,700,000**	**50,000**	**–**	**–**	**1,750,000**	**1,166,667**	**583,333**

(d) Shares issued on exercise of compensation options

71,250 shares were issued during the current year on exercise of compensation options (2021: 42,500)

Employment Contracts

Mr Schaffer, SFC's Managing Director, is employed under a Service Agreement. The service agreement was entered into on 18 July 1984. Mr Schaffer's employment continues until terminated by Mr Schaffer or the Company. Under the terms of the service agreement, the agreement may be terminated by the Company or Mr Schaffer after the expiration of one month's notice in writing given to one of them by the other. Upon termination of this agreement, Mr Schaffer is entitled to receive from the Company a lump sum equal to the annual remuneration paid immediately preceding that termination, except if the termination is for reasons of gross misconduct, fraud or dishonesty resulting in a material loss or injury to the Company or if Mr Schaffer is found guilty of wilful disobedience or any other conduct resulting in a material prejudice to the Company or such as to bring the Company into disrepute.

Mr Mayer provides management services to the Automotive Leather division pursuant to a Consultancy Agreement. The agreement was renewed for the period 1 July 2021 to 30 June 2024. The Consultancy Agreement may be terminated sooner:

- by the consultee without prior notice for cause (i.e. wilful misconduct, wilfully wrongful act, gross negligence, criminal act or a prohibition by law in company management);
- by either party for any reason upon 90 days prior written notice to the other party;
- by the consultee 30 days after giving notice of termination to Mr Mayer for reason of his physical or mental incapacity on a permanent basis;
- on the death of Mr Mayer.

The Consultancy Agreement with Mr Mayer does not provide for a termination payment upon termination of the agreement.

All other senior executives are employed under standard employment contracts that define the role, duties, remuneration and benefits, leave entitlements, dismissal and confidentiality of information conditions of employment. Notice periods are one month unless termination is for serious misconduct in which case no notice period is applicable.

End of remuneration report

Tax Consolidation

Effective 1 July 2003, for purposes of income tax, Schaffer Corporation Limited and its 100% owned subsidiaries have formed a tax consolidated group.

Effective 1 July 2003, for purposes of income tax, Howe Automotive Limited and its 100% owned Australian resident subsidiaries for tax purposes have formed a tax consolidated group.

Rounding

The amount contained in this report and in the financial statements has been rounded to the nearest $1,000 under the option available to the company under ASIC Instrument 2016/191 Corporations (Rounding in Financial/Directors Report).

Corporate Governance

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of Schaffer Corporation Limited support the principles contained in the company's corporate governance statement in the corporate governance section of this annual report.

Auditor's Independence and Non-Audit Services

The directors received the following declaration from the auditor of Schaffer Corporation Limited.

DIRECTORS' REPORT
year ended 30 June 2022

Building a better working world

Ernst & Young
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
ey.com/au

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

As lead auditor for the audit of the financial report of Schaffer Corporation Limited for the financial year ended 30 June 2022, 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 audit;

b. No contraventions of any applicable code of professional conduct in relation to the audit; and

c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the audit.

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

Ernst & Young

Ernst & Young

Timothy G Dachs
Partner
23 September 2022

DIRECTORS' REPORT
year ended 30 June 2022

Non-Audit Services

The following non-audit services were provided by the entity's Auditor, Ernst & Young. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Ernst & Young received, or are due to receive, the following amounts for the provision of non-audit services:

Tax compliance, research and development claims $77,106

Signed in accordance with a resolution of the directors.

J M Schaffer AM
Chairman and Managing Director
Perth, 23 September 2022

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

year ended 30 June 2022

ASX Corporate Governance Council issued its fourth edition of the Corporate Governance Principles and Recommendations on 27 February 2019 with effect from 1 January 2020.

"Corporate Governance is the framework of rules, relationships, systems and processes within and by which authority is exercised and controlled in corporations. It encompasses the mechanisms by which companies, and those in control, are held to account. Different entities may legitimately adopt different governance practices, based on a range of factors, including their size, complexity, history and corporate culture." (ASX Corporate Governance Principles and Recommendations, February 2019).

The Board of SFC is committed to best practice in corporate governance where the Board considers these practices are appropriate and add shareholder value to a company and board of SFC's size and structure.

This Corporate Governance Statement outlines the main corporate governance practices of Schaffer in the context of the Principles adopted by the ASX Corporate Governance Council (Council). Unless otherwise stated below, the Company has complied with the Council's Recommendations.

Lay Solid Foundations for Management and Oversight

The strategic control of the business of the Group is vested with the Board. The Board's objective to create, build and sustain shareholder value is carried out in accordance with their duties and obligations to act honestly, fairly, diligently as are imposed upon them by the Constitution, regulatory authorities and ethical standards. Key matters reserved for the Board include the following:

- Approval of the Strategic Business Plan
- Approval of the Annual Budgets
- Review of the operating results and approval of the financial accounts
- Setting the Corporate Governance practices within the Group
- Determining SFC's dividend policies
- Approval of the Group financial policies
- Approval of the Group risk management strategies
- Review of Board nominations and composition
- Determining the terms and conditions for and evaluate the performance of the Managing Director
- Delegation of authority to the Managing Director and senior management on operational matters, or approval of matters in excess of any discretion which may have been delegated from time to time
- Acquisition, establishment, disposal or cessation of any significant business of SFC
- Approving the issue of any securities in SFC
- Approving the capital management strategy of SFC
- Approving the appointment of SFC's External Auditor

The Board has delegated authority for the management of the Group through the Managing Director to executive management. Accordingly, the Group's executive management team are charged with implementing Board directives and the day-to-day management and reporting of the Group's activities. The Board has a formal Charter setting out the roles of Board and Management. Consistent with Council Principle 1, the Board Charter has been posted to the corporate governance section of the Company's website – www.schaffer.com.au

The Board is primarily responsible for identifying potential new Directors. When a vacancy exists, or where it is considered that the Board would benefit from the services of a new Director with specific skills, candidates with the appropriate experience, expertise and diversity are considered.

The Board undertakes appropriate checks including character, experience, education, criminal record and bankruptcy history, before appointing a person as a Director or putting forward to shareholders a candidate for election as a Director. The Board ensures that shareholders are provided with all material information in the Board's possession relevant to a decision on whether or not to elect or re-elect a Director.

Directors and senior executives have written agreements setting out the terms of their appointment.

The Company Secretary is accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board.

Board and Management Evaluation

Under the Board Charter, the Chairman is responsible for ensuring that board meetings are conducted competently and ethically and that Directors individually and as a group have opportunities to air differences, explore ideas and generate the collective views and wisdom necessary for the proper operation of the Board and Company. In this context, the Chairman undertakes a continuous review of the performance and contribution of individual Directors, whilst the Board as a whole, conducts an ongoing evaluation of its performance and that of its committees. These processes can also identify areas for additional professional development relevant to the role of Director.

The Nomination and Remuneration Committee annually assess the performance of the Managing Director. The Managing Director conducts annual reviews of all Senior Executives. Annual reviews were conducted during the reporting period.

Diversity policy

Schaffer Corporation recognises the benefits to be gained from a variety of skills, backgrounds and experiences being applied to specific work objectives. Therefore, SFC is committed to diversity throughout our workforce.

Schaffer Corporation has established a diversity policy which includes the requirement for the Board to establish measurable objectives for achieving gender diversity and for the Board to assess annually both the objectives and progress in achieving them. The copy of the Company's Diversity Policy can be accessed from the corporate governance section of the Company's website – www.schaffer.com.au

Our commitment to diversity will be supported by:

Communication – Schaffer Corporation will maintain an inclusive workplace culture via the organisation-wide awareness of workplace diversity principles and benefits. Management will ensure ongoing communication of these principles to the workforce.

Human Resource strategies – Schaffer Corporation Human Resource strategies and policies including recruitment, promotion and employee development will incorporate diversity principles to encourage a diverse workforce at all levels of the organisation. Where appropriate opportunities exist, and strong candidates are available for recruitment or promotion, diversity will be a consideration.

Action against inappropriate workplace behaviour – Schaffer Corporation does not tolerate discrimination, harassment, bullying, victimisation and/or vilification in the workplace. Action will be taken against these types of behaviour that do not value diversity.

Flexible work practices – where appropriate, flexible work practices will be accepted to meet the differing needs of a diverse workforce.

The table below outlines the gender diversity objectives established by the Board.

Objectives	Status
Comply with the Workplace Gender Equality Agency Act as determined by the Workplace Gender Equality Agency (WGEA)	The annual compliance reporting was submitted on 1 June 2022 to the WGEA.
Ensure reporting systems satisfy the reporting requirements as stipulated by the WGEA	The monthly Board reporting includes statistics on the numbers of each gender represented in senior executive positions and the total workforce at various business units and locations. Reporting systems are established to collate Group-wide information for reporting on the gender equality indicators stipulated by the WGEA.
Provide ongoing communication, education and updates on issues related to equal opportunity in the workplace.	Staff memorandums have been distributed and displayed at various SFC business unit locations presenting SFC's policy on diversity and encouraging contribution and communication on diversity within the workplace.
Implement and revise Business Unit specific diversity plans.	Business Unit specific plans are being continually developed, reviewed, and revised according to the specific circumstances of each Business Unit.

At 30 June 2022, women represented 48% (2021: 47%) of the Group's workforce, 24% (2021: 24%) of senior executive positions, and 20% (2021: 20%) of the Board.

STATEMENT OF CORPORATE GOVERNANCE PRACTICES
year ended 30 June 2022

Structure the Board to Add Value

The Schaffer Board currently consists of five directors: two independent; one non-executive; and two executive directors namely the Executive Chairman of the Leather division and the Group Managing Director and Chairman. The Board considers that between them, the directors bring the range of skills, knowledge and experience (both local and international) necessary to successfully direct the Group's operations.

The Board of Directors consists of:

John Schaffer AM *Chairman and Managing Director*
(Age 71)

John joined the Company in 1972 and has held the positions of Managing Director since 1987 and Chairman since 1988. John holds a Bachelor of Commerce degree with honours from the University of Western Australia and is an FCPA.

Danielle Blain AM *Non-executive Director*
(Age 78)

Danielle joined the Board in 1987. Mrs Blain served as a director of Howe Automotive Limited from 1993 to 2005 and as Managing Director of Gosh Leather Pty Ltd (the furniture division) from 1993 to 2001. Mrs Blain holds a Bachelor of Arts degree from the University of Western Australia and is a member on several NGO boards. Mrs Blain is a member of the Board's Audit Committee and the Nomination and Remuneration Committee.

Michael Perrott AM *Independent Director*
(Age 76)

Michael joined the Board as an independent director in February 2005 and is a member of the Board's Audit Committee and the Nomination and Remuneration Committee. Mr Perrott AM has been involved in industries associated with construction, contracting, mining and land development since 1969.

Anton Mayer *Executive Director*
(Age 80)

Anton joined the Board in 2001. Anton is the Executive Chairman of Howe Automotive Limited and held the position of Howe Automotive Limited Managing Director from 1998 to June 2007. Anton is also a director of a number of the Howe Automotive Limited Group subsidiaries. Anton has over 50 years of international leather experience, broad business skills and a global business perspective.

David Schwartz *Independent Director*
(Age 68)

David joined the Board in 1999 and is independent Chairman of the Board's Audit Committee and the Nomination and Remuneration Committee. David has many years' experience in successfully managing manufacturing and distribution businesses in Australia and South Africa, and over 25 years' experience negotiating acquisitions and overseeing the development of property.

The names of Schaffer's current directors, their year of appointment, status as non-executive, executive or independent directors, their economic interest in SFC and whether they retire at the next Annual General Meeting is summarised in the table below.

Director	Year appointed	Classification	Audit Committee	Nomination & Remuneration Committee	Economic Interest in SFC	Retiring at next AGM	Seeking Re-election
J M Schaffer AM	1972	Chairman/Executive	–	–	20.3%	No	N/A
D E Blain AM	1987	Non-executive	Member	Member	11.5%	No	No
A K Mayer	2001	Executive	–	–	2.5%	No	No
M D Perrott AM	2005	Independent	Member	Member	0.1%	No	No
D J Schwartz	1999	Independent	Chairman	Chairman	4.9%	Yes	Yes

Board Committees

The Board may from time to time establish committees where the Board is of the belief that the establishment of such a committee will improve the performance of the Board in accomplishing its duties.

The Board operates an Audit Committee and a Nomination and Remuneration Committee. Both committees comply with Council guidelines. The Charter of each committee is summarised later in this section. Full details of SFC Audit Committee and Nomination and Remuneration Committee can be found on the Company's website. The Board does not believe the Board it is of sufficient size to warrant the establishment of additional dedicated Board Committees. The Audit Committee held two meetings during the year and the Nomination and Remuneration Committee held one meeting. All members were in attendance at all committee meetings.

Board Meetings

Management provides the Board with information in a form, timeframe and quality that facilitates the Board in effectively discharging its duties. The Board meets at least 8 times per year. Board papers are, where possible, provided to directors at least four days prior to the relevant meeting. The non-executive Board members are joined at Board meetings by the Group's Managing Director, the Executive Chairman of Howe Automotive Limited and the Company's Company Secretary.

Director Independence

The Board applies the Council's independence criteria in assessing director independence. Mr Schwartz and Mr Perrott are considered by the Board to be independent directors. In analysing Mr Schwartz's independence, the Board considered the materiality of Mr Schwartz's minority interests in the relevant syndicated property interests of the Company. Accordingly, the Board confirms Mr Schwartz's independence on the basis that (i) operating revenue from SFC's property interests represents less than 10% of Group revenue; and (ii) no interest held by Mr Schwartz represents a controlling interest in any single property. While the Board considers Mr Schwartz independent for the above reasons, standard Board meeting procedures and governance principles apply whereby in respect of any property business where Mr Schwartz has an interest, Mr Schwartz does not receive the relevant Board papers and does not attend that part of the Board meeting where the matter is being discussed or considered. In addition, the mere fact that Mr Schwartz and Mr Perrott have served on the Board for a substantial period does not mean that they have become too close to management to not be considered independent. Mr Schwartz and Mr Perrott contribute unbiased and differing ideas and wisdom to the Board generated from their individual and independent experience across numerous other businesses and industries.

Directors classified as not being independent directors are Mrs Blain, Mr Schaffer and Mr Mayer on the basis that:

- Mr Schaffer is an executive director, a substantial shareholder of SFC (with an economic interest of 20.3%) and has served on the Board in since 1972;
- Mrs Blain is a substantial shareholder of SFC (with an economic interest of 11.5%), served as an executive director of Howe from 1993 to 2001 and has served on the SFC Board since 1987; and
- Mr Mayer is an executive director of SFC by virtue of his role as Executive Chairman of Howe Automotive Limited.

The Board does not currently comply with Council guidelines in respect of majority independence, Chairman independence and separation of the Chairman and Managing Director roles. However, the Board is currently of the view that having a competent, cohesive and functioning Board whose members have a balance of practical experience and skills relevant to SFC's business is more beneficial to maximising returns to shareholders than it would be to expand the Board by two additional members simply for the purpose of achieving majority independence pursuant to the Council's definition. Further, the Board is not in entire agreement with the definition of independence as defined by the Council's guidelines. In the Board's view, independence is about having individuals on the Board whose interests are directly aligned with shareholders (i.e. they have a significant stake in the company) and have the capability to question and challenge management's decision making process. On this basis, your Board is independent. Collectively the Board has a financial interest in approximately 39% of SFC's issued capital representing a large proportion of each director's personal asset base. When the shareholders gain, so does the Board; when shareholders lose, the Board loses significantly.

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

year ended 30 June 2022

Similarly, based on the strong alignment of shareholders with the Chairman, it is not considered that having an Independent Chairman and separating the roles of Chairman and Managing Director would add shareholder value at this stage.

As a result of the Company's departure from the Council Recommendations contained in this Principle, governance practices employed by the Board to support its objective and competent operation are:

Disclosure of interests and conflicts

A director is required to disclose to all directors any material personal interest they may have, or may reasonably be perceived to have, in a matter which relates to the affairs of the Company. A director is expected to disclose their interest as soon as practicable after the director becomes aware of that interest.

In the event a potential material conflict of interest arises, the director concerned does not receive the relevant Board papers and leaves the Board meeting while the matter is discussed and considered. Directors must keep the Board advised on an ongoing basis of any interests which could cause, or may reasonably be perceived to cause, a conflict with the interests of the Company.

The minutes of the meeting should record the decision taken by those directors who do not have an interest in the matter.

Independent legal advice

With the consent of the Chairman, individual directors may seek independent professional advice at the Company's expense on any matter connected with the discharge of their responsibilities. The Chairman requires the submission of a cost estimate by a director in order to establish the reasonableness of the projected fee. The Chairman's consent will not be unreasonably withheld.

Period of office

Shareholders are given the opportunity to vote on the composition of the Board such that at each Annual General Meeting, one third of the Directors (excluding the Managing Director) must retire but may stand for re-election. Each director who is required by the Constitution to retire cannot hold office for more than three years without retiring within that time frame and standing for re-election. Any director who is appointed to the Board to fill a casual vacancy during a year may only hold office until the next Annual General Meeting but may stand for re-election at that meeting.

Instil a Culture of Acting Lawfully, Ethically and Responsibly

Values

Schaffer Corporation Limited's core values are:

- **Safety –** we provide safe environments for our valued employees where they can work collaboratively and thrive.
- **Excellence –** we strive for excellence, seeking outcomes aligned to shareholder wealth creation.
- **Quality –** we are committed to the production of high-quality products and service delivery that meets or exceeds our customer's expectations.
- **Relationships –** we focus on developing valuable relationships with our business partners, customers, and employees.
- **Environments –** we support sustainable methods of production that reduce environmental impacts.
- **Adaptable –** we continually respond and adapt to our changing environment through effective decision making and continual improvement of our processes and systems.

Conduct and ethics

The Company operates under a Code of Conduct a copy of which is posted to the corporate governance section of the Company's website – www.schaffer.com.au

The Company's Code of Conduct describes how SFC relates to its employees, customers, suppliers, shareholders and the community. SFC is committed to promoting integrity and maintaining the highest standard of ethical conduct in all of its activities.

Our business success is dependent on the development and maintenance of trusting relationships, underpinned by the continuous demonstration of corporate integrity.

The purpose of this Code of Conduct is to provide a common behavioural framework for all SFC personnel which recognises social responsibility, complies with applicable laws and standards, and is in keeping with the spirit and rules of the Australian and international markets in which SFC operates. This Code of Conduct applies to SFC and its controlled affiliates.

SFC's directors and management team lead by example, always demonstrating their commitment to this Code of Conduct through their personal behaviour and through guidance provided to our personnel.

Securities trading policy

SFC's Securities Trading Policy regulates dealing by SFC Directors and senior executives in SFC securities. Restrictions imposed by law on prohibiting anyone dealing in SFC's securities if in possession of unpublished SFC price-sensitive information have been supplemented by Board imposed restrictions specific to SFC Directors and senior executives. Price sensitive information is information a reasonable person would expect to have a material effect on the price or value of SFC securities.

This policy provides that in addition to Directors and senior executives being prohibited from trading in the Company's securities at any time if they possess any unpublished price sensitive information, Directors and senior executives may buy or sell the Company's securities only within limited trading windows.

The periods within which a Director or senior executive may buy or sell SFC securities is:

- from 24 hours to 4 weeks after the Company has made any Scheduled Announcement. A scheduled announcement refers to the announcement by SFC of its (i) results for the half year, (ii) preliminary final year result, (iii) Chairman's Address to the Annual General Meeting;
- from 24 hours to 4 weeks after the Company has made any Unscheduled Announcement. An unscheduled announcement refers to any other announcement of new information made by SFC pursuant to ASX Listing Rule 3.1; and
- during the period when a prospectus for securities is released by SFC until the last day for acceptance of securities issued pursuant to that prospectus.

SFC Directors and senior executives are prohibited from trading at all other times unless specifically authorised by the Chairman. For the purposes of clarity, any unscheduled ASX Listing Rule 3.1 announcement made within 4 weeks prior to a Scheduled Announcement does not enable SFC Directors and senior executives to trade SFC securities. The senior executives Group to which these restrictive trading periods apply includes all General Manager personnel at Howe & Company Pty Ltd and Delta Corporation Limited, and SFC's Chief Financial Officer, Group Financial Controller & Company Secretary and Group Chief Accountant.

The policy also requires that Directors and senior executives do not buy or sell the Company's securities on a short-term basis.

These rules also apply to trading by a related party of any SFC Director or senior executive. This Policy does not restrict participation by SFC senior executives in SFC's Employee Share Options Plan (ESOP) but applies in respect of the trading of SFC's securities to which plan participants become entitled under the ESOP.

A copy of the Company's Securities Trading Policy can be accessed from the corporate governance section of the Company's website – www.schaffer.com.au

Whistleblower Policy

SFC recognises that any genuine commitment to detecting and preventing illegal and other undesirable conduct must include, as a fundamental cornerstone, a mechanism whereby employees and others can report their concerns freely and without fear of repercussion.

SFC has established a whistleblower policy as the mechanism that encourages the reporting of such conduct. All employees, officers, contractors, partners, and consultants of SFC are encouraged to report on behaviours they honestly believe contravenes SFC's Code of Conduct, the Company's policies, or the law. All reports are investigated appropriately, and when requested, anonymously. The SFC Board is provided with information on whistleblower reports on a regular basis.

STATEMENT OF CORPORATE GOVERNANCE PRACTICES
year ended 30 June 2022

Anti-bribery and corruption policy

SFC is committed to operate within the laws of any jurisdiction in which it does business, and in a way that is consistent with the SFC Code of Conduct.

SFC has established an anti-bribery and corruption policy to deter and prevent bribery and corruption, which is available at the SFC's website. The policy applies to SFC employees, officers, contractors, partners, and consultants who provide services to SFC. Employees are encouraged to report suspected corrupt activities under SFC's whistleblower policy.

Safeguard Integrity in Financial Reporting

Written declaration by management

SFC's Managing Director and CFO report in writing to the Audit Committee that the consolidated financial statements of SFC and its controlled entities for any accounting period are based on a sound system of risk management and present a true and fair view in all material respects of the Group's financial condition and that operational results are in accordance with accounting standards. This statement is in turn supported by written statements provided by the senior management of all subsidiary companies within the Group.

Audit Committee

The SFC Audit Committee was established by the Board in 1996. The Audit Committee has adopted a formal Charter, a copy of which can be accessed from the corporate governance section of the Company's website – www.schaffer.com.au

The Audit Committee's purpose is to provide assistance to the Board in fulfilling its corporate governance and oversight responsibilities in relation to the company's financial reporting, risk management systems and the external audit functions. In doing so, it is the responsibility of the Audit Committee to maintain free and open communication between the Committee, external auditors and management of the Company.

In discharging its oversight role, the Audit Committee is empowered to investigate any matter brought to its attention with full access to all books, records, facilities, and personnel of the Company and the authority to engage independent counsel and other advisers as it determines necessary to carry out its duties.

Council guidelines require the Audit Committee to consist of at least three directors and have an independent Chairperson who is not Chairperson of the Board.

The members of the SFC's Audit Committee are Mr Schwartz (Independent Chairman), Mrs Blain (Non-executive Director) and Mr Perrott (Independent Director). Accordingly, SFC's Audit Committee complies with the Council's Audit Committee structure guidelines.

Where a periodic corporate report is not required to be audited or reviewed by an external auditor, SFC conducts an internal verification process to confirm the integrity of the report, to ensure that the content of the report is materially accurate, and to provide investors with appropriate information to make informed investment decisions.

Make Timely and Balanced Disclosure

Continuous disclosure policy

The Board is committed to ensuring that information that is expected to have a material effect on the price or value of SFC's shares is immediately notified to the ASX for dissemination to the market in accordance with the ASX Listing Rules. The Company's Continuous Disclosure Policy sets out the key obligations of the Board and senior management to ensure that SFC complies with its disclosure obligations pursuant to the ASX Listing Rules and the Corporations Act. In fulfilling its obligations of continuous disclosure SFC has adopted and adheres to the following practices.

- SFC's Managing Director, Chief Financial Officer and Company Secretary constitute the executive team charged with management of all elements of the Company's activities. This team is responsible for assessing the materiality of information and drafting all disclosures. For administrative convenience, SFC's Company Secretary is the nominated officer of the Company responsible for communications with the ASX.
- Information is released firstly via electronic means via the ASX. Further dissemination to analysts and investors does not occur until after ASX confirms the information has been released to the market.
- The information is posted to SFC's website at www.schaffer.com.au in order to make the information accessible to the widest audience. Investor information is posted to an area on SFC's website separate from any promotional material about the Company or its products.
- SFC's Managing Director, Chief Financial Officer and Company Secretary, and Howe Automotive Limited's Executive Directors are the officers authorised to speak on SFC's behalf at investor briefings and to the media. These officers understand that when speaking on behalf of the Company it is in respect of explanation and clarification of information previously released via the ASX. As these officers have knowledge of all information previously released to the ASX (they form part of the executive team responsible for the information disclosures), the risk of inadvertent disclosure of price sensitive information when speaking to investor briefings and the media is minimised. Presentations used in briefings which may have content which would trigger a continuous disclosure obligation are lodged with ASX prior to the briefing. All presentations are posted to SFC's website.
- Comments on analysts' financial projections are confined to errors in factual information and underlying assumptions. The Company will not provide price sensitive information or earnings forecast guidelines to analysts unless it has already done so to the market via the ASX.
- Unless the executive team responsible for information disclosures believes it has an obligation to make a statement on a particular matter, SFC's policy is not to respond to market rumours or speculation.
- Copies of all material market announcements are also required to be circulated to the Board promptly, to ensure the Board has timely oversight of the nature and quality of information being disclosed to the market.

Respect the Rights of Shareholders

Shareholder communications strategy

SFC aims to ensure that investors and the market are kept informed of all major developments affecting the Company.

Information is communicated to investors and the market in accordance with SFC's periodic and continuous disclosure obligations pursuant to the ASX Listing Rules and the Corporations Act. SFC's disclosure practices are aimed at ensuring timely access for all investors to Company information.

To achieve these objectives and to satisfy regulatory requirements, SFC provides information to investors and the market in a number of ways:

- SFC's principal communication with investors is by provision of the Annual Report and financial statements, the Interim Report and the Annual General Meeting.
- Periodic and continuous disclosure announcements are released directly to the market via the ASX using ASX's electronic lodgement service. These announcements are immediately placed on the Company's website, at www.schaffer.com.au and typically mailed to shareholders.
- The release of Interim and Final results is typically followed by investor briefings and road shows. The purpose of the investor briefings/road shows is for explanation and clarification of previously released information and non-material company or industry specific information. Site visits are also arranged to give those who advise investors a better understanding of the Groups operating facilities.
- SFC's website contains further information about the Group and its activities, including copies of recent Annual and Interim Reports, the full text of notices of meetings and explanatory notes and copies of road-show presentations and presentations to brokers/analysts.
- The Annual General Meeting provides an opportunity for the Board to communicate with shareholders and investors through the presentation of the Chairman's Address and shareholders, through the Chairman, are given the opportunity to ask general questions of directors.
- SFC's external auditor attends each Annual General Meeting and is available to answer any questions shareholders may have, that are relevant to the conduct of the audit. The meeting, when possible, is held at the same convenient location on the same weekday and time each year in order to encourage shareholder participation. All substantive resolutions at a meeting of shareholders are decided by a poll, rather than by a show of hands.

SFC's senior management meets regularly to consider its continuous disclosure obligations and assess the appropriateness of its policy in the context of any legislative amendments to the disclosure regime. Unless SFC has an obligation to make a statement on a particular matter, the Company's policy is not to respond to market rumours and media speculation.

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

year ended 30 June 2022

Recognise and Manage Risk

Risk management

The Board has formal written policies on risk oversight and management. SFC's risk management policy provides the framework to manage the risks associated with SFC's business activities.

The purpose of the policy is to identify, assess, monitor and manage risk with the objective of minimising losses and maximising shareholder value.

SFC prepares risk profiles including a description of material risks, both financial and non-financial. SFC reviews and updates its risk profile as required.

SFC implements a systematic process to assist in the identification, assessment, treatment and monitoring of risks.

SFC provides the necessary tools and resources to management and staff to support the effective management of risks.

SFC ensures that the Board is adequately informed of significant risk management issues and the actions undertaken to manage risks in a timely manner.

The Board has considered the need for an internal audit function and concluded that the size and nature of the Group's operations do not warrant such a function at present. Responsibility for implementation and effective conduct of SFC's risk management system rests with the Board, Chief Executive Officer, Chief Financial Officer, Company Secretary, General Managers and all employees. The Managing Director and the Chief Financial Officer are required to state in writing to the Board in respect of any accounting period that:

- The statement given in accordance with the ASX Corporate Governance Council's Best Practice recommendation 4.1 (the integrity of financial statements) is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- SFC's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

The SFC Board can oversee the entity's risk management system efficiently and effectively without establishing a separate risk committee. Executive management report to the Board on the effectiveness of our management of material business risks and they are satisfied that the risk management process enables material risks to be appropriately identified, prioritised, monitored, and managed. Strategic risks are reported to the Board on an ongoing basis.

The Automotive Leather division of SFC is materially exposed to the economic risk of foreign exchange fluctuations. To manage the foreign exchange risk arising from future commercial transactions the entity regularly considers the use of natural hedges and forward foreign exchange contracts, with reference to currency exposure levels, sensitivity, and financial capacity to tolerate rate fluctuations.

SFC does not have any material environmental or social sustainability risks.

Remunerate Fairly and Responsibly

Executive remuneration

SFC's Nomination and Remuneration Committee operates to support and advise the Board in fulfilling its responsibility to shareholders to ensure that the company has remuneration policies and practices which enable it to attract and retain directors and executives who will best contribute towards achieving positive outcomes for shareholders. The committee determines the remuneration and other conditions of service of the chief executive officer and executive directors, if any. The committee makes recommendations to the Board on the remuneration of non-executive directors within the aggregate approved by shareholders in general meeting from time to time. The committee considers individual performance, company performance, internal relativity, and fairness in setting levels of remuneration and may seek appropriate independent external advice to assist in its decision making.

SFC's remuneration policy is directed at attracting, motivating and retaining quality people.

The remuneration of SFC's senior executive consists of fixed remuneration and annual and long-term incentives.

Fixed Remuneration – This includes base salary and the statutory Superannuation Guarantee Contribution (SGC) which comprises the cash component; and other non-cash benefits such as a motor vehicle.

The Schaffer Corporation Limited Superannuation Fund is available to executives for superannuation contributions and life insurance. Premiums for life insurance are deducted from member accounts. Executives can elect to have the company contribute superannuation beyond the statutory SGC level by way of a salary sacrifice in lieu of cash salary.

Annual Incentives – The Company has performance-based incentive plans in place at each of its operations in which management and the labour force participate. The level of remuneration payable to participating executives is linked to the financial performance of their business. Executives are provided with cash incentives provided profitability thresholds are met.

Long-Term Incentives – SFC's senior executives (other than Mr Schaffer and Mr Mayer) participate in SFC's Employee Share Option Plan (ESOP). Howe Automotive Limited operates the Employee Participation Unit (EPU) Plan for its executives. These incentive plans have long-term vesting provisions and are designed to align the interests of the participating executives with those of all SFC shareholders.

Non-executive Director remuneration

SFC's non-executive directors receive fees for their services (including statutory superannuation) and the reimbursement of reasonable expenses. The amount payable to non-executive directors is set by the Board after having taken regard to the size of the Company and Board, the responsibilities, demands, and accountabilities faced by those directors in discharging their duties and after seeking independent advice to ensure the fees are in line with market standards. It is current SFC policy that non-executive directors do not receive shares, options or other securities and are not eligible to participate in SFC's Employee Share Option Plan.

A directors' pool limit of $500,000 per annum was approved by shareholders at SFC's 2019 Annual General Meeting. This limit is not currently fully utilised. The fee pool is payable only to non-executive directors. Non-executive directors were paid annual fees for the 2021 financial year of $86,354 each from the fee pool (inclusive of superannuation). Non-executive directors appointed prior to July 2003 are entitled to a retirement benefit equivalent to one year's annual director's fees. The retirement benefit was reduced from three years' to one year's annual director's fees in July 2003 (a three year retirement benefit was in place at the time Mrs Blain AM and Mr Schwartz accepted their appointment to the Board). SFC considers the reduced benefit modest and appropriate given the benefit which historically existed. It is SFC's policy that no retirement benefit applies to new directors appointed after July 2003.

ASX ADDITIONAL INFORMATION
year ended 30 June 2022

Additional information required by the Australian Securities Exchange is as follows.

Total Share Capital

Issued as at 1 September 2022:

	Holders	Number
Ordinary fully paid shares	1,499	13,621,027
Unlisted options expiring 12 August 2023	1	5,000
Unlisted options expiring 15 May 2025	2	23,750

Share Registry Address

C/o Computershare Investor Services Pty Ltd
Level 11
172 St George's Terrace
Perth WA 6000
Australia

Postal Address:
GPO Box D182
Perth WA 6840
Australia

Securities Exchange Listing

The shares of the Company are listed on the Australian Securities Exchange. The home exchange is Perth.

Voting Rights

Subject to any restrictions from time to time being attached to any class or classes of shares at general meetings of Members or classes of Members:

(1) each Member entitled to vote may vote in person or by proxy, attorney or representative;

(2) on a show of hands, every person present who is a Member or a proxy, attorney or representative of a Member has one vote;

(3) on a poll, every person present who is a Member or a proxy, attorney or representative of a Member shall, in respect of each fully paid share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for the share, but in respect of partly paid shares, shall have a fraction of a vote for each partly paid share. The fraction must be equivalent to the proportion which the amount paid (not credited) is of the total amounts paid and payable (excluding amounts credited). Amounts paid in advance of a call are ignored when calculating the proportion.

Distribution of Holdings as at 1 September 2022

Shareholdings	Shareholders
1 – 1,000	831
1,001 – 5,000	449
5,001 – 10,000	94
10,001 – 100,000	104
100,001 – and over	21

Number of shareholders holding less than a marketable parcel i.e. less than 28 shares: 73.

Substantial Shareholders

As at 1 September 2022 the substantial shareholders of the company summarised below, were:

	Number of shares	Economic interest as a percentage of issued ordinary shares
Mr J M Schaffer AM & Associates	2,116,743	15.54%
50% of interest held by Swan Holdings Pty. Ltd.	652,687	4.79%
	2,769,430	20.33%
Mrs D E Blain AM & Associates	909,673	6.68%
50% of interest held by Swan Holdings Pty. Ltd.	652,687	4.79%
	1,562,360	11.47%
* Combined interest of Mr Schaffer & Mrs Blain	4,331,790	31.80%
Sterling Equity Pty Limited and associates	1,174,454	8.62%

* Pursuant to the Corporation Act (2001), by virtue of the Swan Holdings Pty Ltd Voting Deed conferring on Mr Schaffer the power to vote all Swan Holdings Pty Ltd's interest in Schaffer Corporation Limited's shares, Mr Schaffer is also deemed to have an interest in all the Schaffer Corporation Limited shares held by Mrs Blain and her associates, and vice versa. The consequence of this is that each of the Substantial Shareholder notices lodged with the Regulatory Authorities by Mr Schaffer and Mrs Blain show Mr Schaffer's and Mrs Blain's combined interest at 31.80%, not their individual economic interests of 20.33% and 11.47% respectively.

Twenty Largest Shareholders

As at 1 September 2022	Number of shares	Percentage of issued ordinary shares
SWAN HOLDINGS PTY LTD	1,305,374	9.58
MUTUAL TRUST PTY LTD	1,056,969	7.78
CIMBROOK NOMINEES PTY LTD	980,482	7.20
MRS DANIELLE EVA BLAIN	907,570	6.66
MR JOHN MICHAEL SCHAFFER	799,554	5.87
JOBLING INVESTMENTS PTY LTD	507,812	3.73
CIRCLESTAR PTY LTD <DAVID SCHWARTZ FAMILY A/C>	395,200	2.90
BNP PARIBAS NOMS PTY LTD <DRP>	363,225	2.67
MAITRI PTY LTD <COCI SUPER FUND A/C>	306,620	2.25
MR KENNETH JOHN BEER + MR ALEXANDER CHARLES BEER <BEER SUPER FUND A/C>	295,796	2.17
THE SPORTS CAFE (AUSTRALIA)	226,072	1.66
MR PETER CANAWAY <SUPERANNUATION FUND A/C>	200,000	1.47
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	187.934	1.38
CITICORP NOMINEES PTY LIMITED	162.897	1.20
FREDERICK BRUCE WAREHAM	160,006	1.17
SCE SUPERANNUATION PTY LTD <SCE SUPERANNUATION A/C>	152,500	1.12
GLENNLIN PTY LTD <MARILYN MAY BOOKHAM DISC A/C>	143,252	1.05
SHANN INVESTMENTS PTY LTD <LYNDA MAREE JOBLING DISC A/C>	143,252	1.05
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	129,572	0.95
MR MILTON YANNIS	108,472	0.80
	8,532,559	62.64

Annual General Meeting

The Annual General Meeting of Schaffer Corporation Limited will be held at Perth on Wednesday, 16 November 2022 at 11:30am. Further information regarding the meeting including the business to be dealt with is contained in the separate notice of meeting.

SHAREHOLDER INFORMATION

year ended 30 June 2022

Annual General Meeting

Schaffer Corporation will hold its Annual General Meeting on Wednesday 16 November 2022 at 11:30am at Pagoda Resort and Spa, 112 Melville Parade, Como, Western Australia.

Direct Credit of Dividends

Schaffer Corporation provides shareholders with the option to have dividends paid electronically to a nominated bank, building society or credit union account. Payments are credited electronically on the dividend date and confirmed by a payment advice by mail.

The Company encourages shareholders not already using this facility to contact Computershare Investor Services Pty Limited, who can arrange for an instruction advice to be sent to shareholders for completion.

Change of addresses/provide or update banking details

Shareholders who have changed their address or banking particulars should advise our share registry of their new details:

Computershare Investor Services Pty Limited
GPO Box D182
Perth WA 6840
Australia
Telephone: 1300 557 010 (in Australia)
or +61 8 9323 2000
Facsimile: +61 8 9323 2033
Website: www.computershare.com/au

Corporate Directory

Schaffer Corporation Limited
ABN 73 008 675 689
ASX Code: **SFC**

Head Office and Registered Office

1305 Hay Street
West Perth WA 6005
Australia
Telephone: +61 8 9483 1222
Facsimile: +61 8 9481 0439
Website: www.schaffer.com.au

Board of Directors

Executive Directors

JM Schaffer AM, BCom(Hons), FCPA (Chairman and Managing Director)
AK Mayer (Executive Chairman – Howe Automotive Limited)

Non-executive Directors

DE Blain AM, BA
MD Perrott AM, BCom, FAIM FAICD
DJ Schwartz

Chief Financial Officer

R Leib BComm BAcc

Group Financial Controller and Company Secretary

J Cantwell B Bus(Acc), CPA, MBA, GIA(Affiliated)

Share Registry

Computershare Investor Services Pty Limited
GPO Box D182
Perth WA 6840

Australia
Telephone: 1300 557 010 (in Australia)
or +61 8 9323 2000
Facsimile: +61 8 9323 2033

Website: www.computershare.com/au

Auditors

Ernst & Young
11 Mounts Bay Road
Perth WA 6000
Australia
Telephone: +61 8 9429 2222
Facsimile: +61 8 9429 2436

Solicitors

Ashurst
Brookfield Place Tower II
Levels 10 & 11
123 St Georges Terrace
Perth WA 6000
Australia
Telephone: +61 8 9366 8000
Facsimile: +61 8 9366 8111

This page has been left blank intentionally

This page has been left blank intentionally

Corporate Timetable

Final 2022 dividend record date	9 September 2022
Final 2022 dividend payment date	23 September 2022
Despatch of 2022 Annual Report and notice of AGM	5 October 2022
Annual General Meeting	16 November 2022
2023 half-year earnings release and dividend announcement	February 2023
Interim 2023 dividend payment date	March 2023

SHAREHOLDER INFORMATION

Annual General Meeting

Schaffer Corporation will hold its Annual General Meeting on Wednesday 16 November 2022 at 11:30am at Pagoda Resort and Spa, 112 Melville Parade, Como, Western Australia.

Direct Credit of Dividends

Schaffer Corporation provides shareholders with the option to have dividends paid electronically to a nominated bank, building society or credit union account. Payments are credited electronically on the dividend date and confirmed by a payment advice by mail.

The Company encourages shareholders not already using this facility to contact Computershare Investor Services Pty Limited, who can arrange for an instruction advice to be sent to shareholders for completion.

Change of addresses/provide or update banking details

Shareholders who have changed their address or banking particulars should advise our share registry of their new details:

Computershare Investor Services
Pty Limited
GPO Box D182
Perth WA 6840
Australia
Telephone: 1300 557 010
(in Australia)
or +61 8 9323 2000
Facsimile: +61 8 9323 2033
Website: www.computershare.com/au

Corporate Directory

Schaffer Corporation Limited
ABN 73 008 675 689
ASX Code: **SFC**

Head Office and Registered Office
1305 Hay Street
West Perth WA 6005
Australia
Telephone: +61 8 9483 1222
Facsimile: +61 8 9481 0439
Website: www.schaffer.com.au

Board of Directors

Executive Directors
JM Schaffer AM, BCom(Hons), FCPA
(Chairman and Managing Director)
AK Mayer (Executive Chairman – Howe Automotive Limited)

Non-executive Directors
DE Blain AM, BA
MD Perrott AM, BCom, FAIM FAICD
DJ Schwartz

Chief Financial Officer
R Leib BComm BAcc

Group Financial Controller and Company Secretary
J Cantwell B Bus(Acc), CPA, MBA, GIA(Affiliated)

Share Registry
Computershare Investor Services
Pty Limited
GPO Box D182
Perth WA 6840
Australia
Telephone: 1300 557 010
(in Australia) or
+61 8 9323 2000
Facsimile: +61 8 9323 2033
Website: www.computershare.com/au

Auditors
Ernst & Young
11 Mounts Bay Road
Perth WA 6000
Australia
Telephone: +61 8 9429 2222
Facsimile: +61 8 9429 2436

Solicitors
Ashurst
Brookfield Place Tower II
Levels 10 & 11
123 St Georges Terrace
Perth WA 6000
Australia
Telephone: +61 8 9366 8000
Facsimile: +61 8 9366 8111

brand
ideology