

APPENDIX 4D

**This Half-Year Report is provided to the
Australian Stock Exchange (ASX)
Under ASX Listing Rule 4.2A.3**

Name of entity

SCHAFFER CORPORATION LIMITED

ACN

008 675 689

Financial period ended ('current period')

31 DECEMBER 2019

Previous corresponding period

31 DECEMBER 2018

For announcement to the market

or announcement to the market

Revenues from continuing operations	Down	13%	to	\$'000 92,711
Net profit for the period attributable to members (statutory profit)	Up	10%	to	13,942
DIVIDENDS	Amount per security		Franked amount per security	
Final dividend	-		-	
Interim period	45¢		45¢	
Date the dividend is payable	13 March 2020			
Record date to determine entitlements to the dividend (i.e. on the basis of security holding balances established by 5:00pm or such later time permitted by SCH Business Rules – securities are CHESS approved)	6 March 2020			

NET TANGIBLE ASSET BACKING

Consolidated Entity	2019	2018
Net tangible assets ¹ \$'000 (book value)	110,583	98,556
Fully paid ordinary shares on issue at balance date	13,673,310	13,835,596
Net tangible asset backing per issued ordinary share as at balance date (book value)	\$8.09	\$7.12

¹Net tangible assets include right-of-use assets and the corresponding lease liabilities arising from application of AASB 16 from 1 July 2019 for leases previously classified as operating leases

STATUS OF AUDIT

The Half-Year Report is based on accounts that have been reviewed.



ACN 008 675 689

FINANCIAL REPORT
FOR THE HALF-YEAR ENDED
31 DECEMBER 2019

FINANCIAL REPORT

For the Half-Year Ended 31 December 2019

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SCHAFFER CORPORATION LIMITED HALF-YEAR FINANCIAL REPORT

DIRECTORS' REPORT

Your Directors submit their report for the half-year ended 31 December 2019 made in accordance with a resolution of the Directors.

DIRECTORS

Details of the Directors of the company during the financial half-year and at the date of this report are:

J M SCHAFFER AM
B. Com (Hons.) FCPA

Managing Director

Executive Director since 06/09/1972

Mr John Schaffer AM joined the company in 1972. Mr Schaffer has held the position of Managing Director since 1987 and Chairman since 1988.

D E BLAIN AM

BA

Non-executive Director

Appointed 05/06/1987

Mrs Danielle Blain AM joined the company in 1987. Mrs Blain served as Managing Director of Gosh Leather Pty. Ltd. from 1993 to 2001. Mrs Blain has diverse experience serving on several government and not-for-profit boards and is also a past Pro Chancellor of Edith Cowan University.

A K MAYER

Executive Director

Appointed 21/11/2001

Mr Anton Mayer is the Executive Director of Howe Automotive Leather Limited. Mr Mayer has over 50 years of international leather experience, broad business skills and a global business perspective.

D J SCHWARTZ

Non-executive Director

Appointed 29/06/1999

Mr David Schwartz joined the Board as an independent Director in June 1999. He has over 25 years' experience negotiating acquisitions and overseeing the development of property. Mr Schwartz also has many years' experience in different businesses including retail, manufacturing and distribution. Mr Schwartz also serves as Director of the following listed company:

Primewest Group Ltd

8/11/2019 - current

M D PERROTT AM

BCom, FAIM, FAICD

Non-executive Director

Appointed 23/02/2005

Mr Michael Perrott AM joined the Board as an independent Director in February 2005. Mr Perrott has been involved in the construction, contracting, mining and developments industries since 1969. During the past 3 years, Mr Perrott has also served as a Director of the following other listed company:

GME Resources Ltd

21/11/1996 – 17/03/2017

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

ATTENDANCE AT BOARD MEETINGS

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

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

AUDIT COMMITTEE

The consolidated entity has an Audit Committee, which operates to oversee the external audit functions of the consolidated entity. During the half-year, one audit committee meeting was held which all members of the audit committee were eligible to attend. The meeting was attended by Mr D J Schwartz, Mr M D Perrott AM and Mrs D E Blain AM.

REVIEW OF OPERATIONS

The consolidated entity's revenue from continuing operations decreased by 13% from \$106,447,000 for the comparative period to \$92,711,000 this half-year.

The net after tax consolidated profit attributable to members of the parent entity increased by 10% from \$12,674,000 for the comparative period to \$13,942,000. The Group has applied AASB 16 using the modified retrospective approach (refer note 2(b)). Under this method, comparative information has not been restated for adoption of AASB 16.

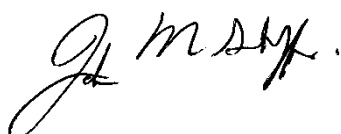
ROUNDING

The amounts contained in this report and in the half-year financial statements have been rounded to the nearest \$1,000 (where rounding is applicable) under the option available to the company under ASIC Corporations (Rounding in Financial/Directors' Report) Instrument 2016/191. The company is an entity to which this Legislative Instrument applies.

AUDITOR'S INDEPENDENCE DECLARATION

We have obtained an independence declaration from our auditors, Ernst & Young, as presented on page 27 of this half-year financial report.

Signed in accordance with a resolution of the Directors.



John Schaffer
Managing Director

Perth, 14 February 2020

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019**

	Note	Dec 2019 \$'000	Dec 2018 \$'000
Revenue from continuing operations			
Revenue from contracts with customers	3	89,029	103,039
Rental income	4(a)	2,832	2,825
Finance income	4(b)	293	311
Distribution revenue		557	272
Total revenue		92,711	106,447
Cost of sales and services rendered		(64,309)	(75,202)
Gross profit		28,402	31,245
Other income	4(c)	4,939	578
Marketing expenses		(315)	(307)
Administrative expenses		(9,199)	(9,654)
Profit before tax and finance costs		23,827	21,862
Finance costs	4(b)	(1,166)	(1,092)
Profit before income tax from continuing operations		22,661	20,770
Income tax expense	10	(6,496)	(5,523)
Net profit for the period		16,165	15,247
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation gain/(loss) attributable to parent		(94)	608
		(94)	608
Items that may not be reclassified subsequently to profit or loss			
Foreign currency translation (loss)/gain attributable to non-controlling interest		(20)	95
Other comprehensive income for the period net of tax		(114)	703
Total comprehensive income for the period		16,051	15,950
Profit for the period is attributable to:			
Non-controlling interest		2,223	2,573
Owners of the parent		13,942	12,674
		16,165	15,247
Total comprehensive income for the period is attributable to:			
Non-controlling interest		2,203	2,668
Owners of the parent		13,848	13,282
		16,051	15,950
Earnings per share (EPS)			
Basic EPS		101.6¢	91.6¢
Diluted EPS		100.8¢	90.8¢

The Group has applied AASB 16 using the modified retrospective approach (refer note 2(b)). Under this method, comparative information has not been restated for adoption of AASB 16.

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019**

	Note	Dec 2019 \$'000	Jun 2019 \$'000
Assets			
Current Assets			
Cash and cash equivalents	5	23,577	17,371
Trade and other receivables		30,127	29,310
Inventories		39,652	40,062
Contract assets		2,533	3,553
Prepayments and deposits		4,904	4,976
Derivative financial instruments		369	131
Other financial assets	6	4,515	19,336
Total Current Assets		105,677	114,739
Non-Current Assets			
Property, plant and equipment		15,480	26,766
Investment properties	12	30,413	29,576
Right-of-use assets	7	39,035	-
Deferred income tax asset		6,683	7,552
Goodwill	13	1,299	1,299
Other financial assets	14	48,474	28,278
Total Non-Current Assets		141,384	93,471
Total Assets		247,061	208,210
Liabilities			
Current Liabilities			
Trade and other payables		23,947	27,000
Contract liabilities		577	415
Interest-bearing loans and borrowings	8	19,373	18,330
Income tax payable		1,564	4,827
Provisions	9	7,953	8,895
Derivative financial instruments	14	454	711
Total Current Liabilities		53,868	60,178
Non-Current Liabilities			
Interest-bearing loans and borrowings	8	58,653	19,912
Deferred income tax liabilities		2,087	2,107
Provisions	9	11,346	9,969
Total Non-Current Liabilities		72,086	31,988
Total Liabilities		125,954	92,166
Net Assets		121,107	116,044
Equity			
Equity attributable to equity holders of the parent			
Issued capital	15	11,884	13,991
Reserves		2,928	2,978
Retained earnings	16	97,070	88,643
Total parent entity interest in equity		111,882	105,612
Non-controlling interests		9,225	10,432
Total Equity		121,107	116,044

The Group has applied AASB 16 using the modified retrospective approach (refer note 2(b)). Under this method, comparative information has not been restated for adoption of AASB 16.

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

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019**

	Attributable to Equity Holders of the Parent						Non-controlling interest \$'000	Total equity \$'000
	Issued Capital	Retained Earnings	Reserves			Total		
	\$'000	\$'000	Asset re-valuation \$'000	Share based payments \$'000	Net unrealised gains/(losses) \$'000	Foreign currency translation \$'000	\$'000	\$'000
As at 1 July 2019	13,991	88,643	2,585	(882)	-	1,275	105,612	116,044
Profit for the half-year	-	13,942	-	-	-	-	13,942	16,165
Other comprehensive income	-	-	-	-	-	(94)	(94)	(114)
Total comprehensive income for the half-year	-	13,942	-	-	-	(94)	13,848	16,051
Transactions with owners in their capacity as owners:								
Shares acquired under buy-back scheme	(2,333)	-	-	-	-	-	(2,333)	(2,333)
Employee share options exercised	226	-	-	-	-	-	226	226
Share-based payments	-	-	-	44	-	-	44	44
Equity dividends	-	(5,515)	-	-	-	-	(5,515)	(8,925)
At 31 December 2019	11,884	97,070	2,585	(838)	-	1,181	111,882	121,107
At 1 July 2018	14,540	72,101	2,585	(950)	1,942	644	90,862	102,586
Reclassification on adoption of AASB 9	-	1,942	-	-	(1,942)	-	-	-
As at 1 July 2018 (restated)	14,540	74,043	2,585	(950)	-	644	90,862	102,586
Profit for the half-year	-	12,674	-	-	-	-	12,674	15,247
Other comprehensive income	-	-	-	-	-	608	608	703
Total comprehensive income for the half-year	-	12,674	-	-	-	608	13,282	15,950
Transactions with owners in their capacity as owners:								
Share-based payments	(302)	-	-	-	-	-	(302)	(302)
Change in estimated settlement of EPU's	132	-	-	-	-	-	132	132
Equity dividends	-	-	-	32	-	-	32	32
At 31 December 2018	14,370	82,566	2,585	(918)	-	1,252	99,855	109,698

The Group has applied AASB using the modified retrospective approach (refer note 2(b)). Under this method comparative information has not been restated for adoption of AASB 16. The Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	Note	Dec 2019 \$'000	Dec 2018 \$'000
Cash Flows From Operating Activities			
Receipts from customers		89,717	108,793
Payments to suppliers and employees		(72,785)	(91,202)
Interest received		293	313
Distributions received		279	140
Rental income		2,832	2,825
Other revenue		-	18
Interest paid		(1,166)	(1,091)
Income taxes paid		(8,910)	(11,622)
Goods and services tax paid		(283)	(153)
Proceeds from exercise of employee share options		226	132
Net Cash Flows From Operating Activities		10,203	8,153
Cash Flows From Investing Activities			
Investment in term deposits		(6,000)	(8,515)
Proceeds on maturity of term deposits		19,000	6,000
Acquisition of property, plant and equipment		(4,297)	(2,924)
Proceeds on sale of property, plant and equipment		226	258
Acquisition/improvements to investment properties		(1,250)	(129)
Acquisition of financial assets at fair value through profit or loss		(15,071)	(13,734)
Proceeds from disposal of financial assets at fair value		2,030	1,300
Capital distribution from financial assets at fair value through profit or loss		113	-
Net Cash Flows Used In Investing Activities		(5,249)	(17,744)
Cash Flows From Financing Activities			
Lease principal payments		(3,417)	(1,135)
Lease principal receipts		840	866
Dividends paid	11(a)	(7,731)	(8,220)
Proceeds from borrowings		21,194	16,832
Repayment of borrowings		(7,187)	(614)
Shares acquired under share buy-back scheme		(2,333)	(302)
Net Cash Flows From Financing Activities		1,366	7,427
Net Increase/(Decrease) In Cash and Cash Equivalents		6,320	(2,164)
Net foreign exchange differences		(114)	703
Cash and cash equivalents at the beginning of the period		17,371	25,938
Cash and Cash Equivalents at the End of the Period	5(a)	23,577	24,477

The Group has applied AASB 16 using the modified retrospective approach (refer note 2(b)). Under this method, comparative information has not been restated for adoption of AASB 16.

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

**NOTES TO THE HALF-YEAR FINANCIAL REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019**

1. CORPORATE INFORMATION

The financial report of Schaffer Corporation Limited and its controlled entities ("the Group or Consolidated Entity") for the half-year ended 31 December 2019 was authorised for issue in accordance with a resolution of the Directors on 14 February 2020. Schaffer Corporation Limited ("the Company") is a for profit company incorporated in Australia and limited by shares, which are publicly traded on the Australian Stock Exchange.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

(a) Basis of preparation

The financial report for the half-year ended 31 December 2019 is a condensed general purpose financial report which has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is recommended that the half-year financial report be read in conjunction with the annual report for the year ended 30 June 2019 and considered together with any public announcements made by Schaffer Corporation Limited during the half-year ended 31 December 2019 in accordance with the continuous disclosure obligations of the ASX listing rules.

Except as disclosed below, the accounting policies are the same as those adopted in the most recent annual financial report.

(b) Adoption of new and revised accounting standards and interpretations

The accounting policies adopted in the preparation of the half-year report are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 30 June 2019, except as noted below.

The Group adopted all the new standards and interpretations that were effective 1 July 2019 and they did not have an impact or amend the accounting policies of the Group except for AASB 16.

AASB 16 Leases

AASB 16 supersedes AASB 117 *Leases*, AASB Interpretation 4 *Determining whether an Arrangement contains a Lease*, UIG Interpretation 115 *Operating Leases-Incentives* and UIG Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

Lessor accounting under AASB 16 is substantially unchanged under AASB 117. Lessors will continue to classify leases as either operating or finance leases using similar principles as in AASB 117. Therefore, AASB 16 did not have an impact for leases where the Group is the lessor.

The Group adopted AASB 16 using the modified retrospective method of adoption with the date of initial application of 1 July 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application and the comparative information has therefore not been restated for adoption of AASB 16.

The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying AASB 117 and AASB Interpretation 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

The effect of adopting AASB 16 as at 1 July 2019 (increase/(decrease)) is as follows:

	<u>\$'000</u>
Assets	
Right-of-use assets	41,041
Property, plant and equipment	(13,374)
Prepayments	(393)
Total assets	<u>27,274</u>
Liabilities	
Interest-bearing loans and borrowings	28,354
Trade and other payables	(1,080)
Total liabilities	<u>27,274</u>

(a) Nature of the effect of adoption of AASB 16

The Group has lease contracts for factory and office buildings and various items of plant, machinery, vehicles and other equipment. Before the adoption of AASB 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognised as finance costs) and reduction of the lease liability.

In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under Prepayments and Trade and other payables, respectively.

Upon adoption of AASB 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

- *Leases previously classified as finance leases*

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under AASB 117). The requirements of AASB 16 were applied on these leases from 1 July 2019.

- *Leases previously accounted for as operating leases*

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Applied the short-term leases exemptions to leases with a lease term that ends within 12 months at the date of initial application
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Elected not to apply the requirements of the standard for leases of low value.
- Elected not to reassess whether existing contracts contain a lease as defined at the date of initial application.

Based on the foregoing, as at 1 July 2019:

- Right-of-use assets of \$41,041,000 were recognised and presented separately in the statement of financial position. This includes the lease assets recognised previously under finance leases of \$13,374,000 that were reclassified from Property, plant and equipment.
- Additional lease liabilities of \$28,354,000 (included in Interest bearing loans and borrowings) were recognised.
- Prepayments of \$393,000 and trade and other payables of \$1,080,000 related to previous operating leases were derecognised.

The lease liabilities as at 1 July 2019 can be reconciled to the operating lease commitments as of 30 June 2019 as follows:

	<u>\$'000</u>
Operating lease commitments as at 30 June 2019	18,272
Weighted average incremental borrowing rate as at 1 July 2019	2.62%
Discounted operating lease commitments at 1 July 2019	17,086
Less:	
Commitments relating to short-term leases	(124)
Commitments relating to leases of low-value assets	(8)
Add:	
Commitments relating to leases previously classified as finance leases	8,991
Optional extension periods not recognised as at 30 June 2019	11,400
Lease liabilities as at 1 July 2019	<u>37,345</u>

(b) Summary of new accounting policies

Set out below are the new accounting policies of the Group upon adoption of AASB 16, which have been applied from the date of initial application:

- *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. The cost of the right-of-use asset also includes an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

- *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 a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if 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 in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

- *Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases of machinery 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 office equipment that are considered of 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.

- *Significant judgement in 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 judgement 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).

The Group included the renewal period as part of the lease term for specific factory and office leases due to the significance of these assets to its operations. Any renewal options for plant, equipment and motor vehicles were not included as part of the lease term because these assets are not significant to the operations.

(c) *Amounts recognised in the statement of financial position and profit or loss*

Set out below, are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the period:

	Right-of-use Assets			
	Buildings	Plant & Equipment	Total	Lease Liabilities
	\$'000	\$'000	\$'000	\$'000
As at 1 July 2019	27,250	418	27,668	37,345
Re-allocated from property, plant and equipment 1 July 2019	-	13,374	13,374	-
Transfers to property, plant and equipment during the period	-	(32)	(32)	-
Additions	-	933	933	840
Lease modifications	(34)	-	(34)	(34)
Depreciation expense	(1,435)	(950)	(2,385)	-
Interest expense	-	-	-	470
Payments	-	-	-	(3,417)
FX translation	(300)	(189)	(489)	(436)
As at 31 December 2019	25,481	13,554	39,035	34,768

The Group recognised rent expense from short-term leases of \$103,000 and leases of low-value assets of \$3,000 for the six months ended 31 December 2019.

AASB Interpretation 23 *Uncertainty over Income Tax Treatment*

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 *Income Taxes*. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately;
- The assumptions an entity makes about the examination of tax treatments by taxation authorities;
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates;

How an entity considers changes in facts and circumstances.

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty needs to be followed.

The Group applies significant judgement in identifying uncertainties over income tax treatments. Since the Group operates in a complex multinational environment, it assessed whether the Interpretation had an impact on its consolidated financial statements.

Upon adoption of the Interpretation, the Group considered whether it had any uncertain tax positions, particularly those relating to transfer pricing. The Company's and the subsidiaries' tax filings in different jurisdictions include deductions related to transfer pricing and the taxation authorities may challenge those tax treatments. The Group determined, based on its tax compliance and transfer pricing study, that it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. The interpretation did not have an impact on the consolidated financial statements of the Group.

3. REVENUE FROM CONTRACTS WITH CUSTOMERS

	CONSOLIDATED	
	Dec 2019 \$'000	Dec 2018 \$'000
Revenue from contracts with customers	<u>89,029</u>	103,039
Total revenue from contracts with customers	<u>89,029</u>	<u>103,039</u>

For the half-year ended 31 December 2019

Segments	Automotive Leather	Building Materials	SFC Investments	Total
Type of goods or service	\$'000	\$'000	\$'000	\$'000
Sale of automotive leather components	78,482	-	-	78,482
Construction services	-	7,612	-	7,612
Transport services	-	2,506	-	2,506
Sales of goods - hospitality business	-	-	429	429
Total revenue from contracts with customers	<u>78,482</u>	<u>10,118</u>	<u>429</u>	<u>89,029</u>
Geographical Markets				
Europe	60,246	-	-	60,246
Asia	18,236	-	-	18,236
Australia	-	10,118	429	10,547
Total revenue from contracts with customers	<u>78,482</u>	<u>10,118</u>	<u>429</u>	<u>89,029</u>
Timing of revenue recognition				
Goods transferred at a point in time	78,482	2,506	429	81,417
Services transferred over time	-	7,612	-	7,612
Total revenue from contracts with customers	<u>78,482</u>	<u>10,118</u>	<u>429</u>	<u>89,029</u>

For the half-year ended 31 December 2018

Segments	Automotive Leather	Building Materials	SFC Investments	Total
Type of goods or service	\$'000	\$'000	\$'000	\$'000
Sale of automotive leather components	91,024	-	-	91,024
Construction services	-	9,350	-	9,350
Transport services	-	2,259	-	2,259
Sales of goods - hospitality business	-	-	406	406
Total revenue from contracts with customers	<u>91,024</u>	<u>11,609</u>	<u>406</u>	<u>103,039</u>
Geographical Markets				
Europe	68,393	-	-	68,393
Asia	22,631	-	-	22,631
Australia	-	11,609	406	12,015
Total revenue from contracts with customers	<u>91,024</u>	<u>11,609</u>	<u>406</u>	<u>103,039</u>
Timing of revenue recognition				
Goods transferred at a point in time	91,024	2,259	406	93,689
Services transferred over time	-	9,350	-	9,350
Total revenue from contracts with customers	<u>91,024</u>	<u>11,609</u>	<u>406</u>	<u>103,039</u>

3. REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)

The Group recognised impairment losses on receivables and contract assets arising from contracts with customers, included under Administrative expenses in the Consolidated Statement of Comprehensive Income amounting to \$nil for the half-year ended 31 December 2019 (31 December 2018: \$nil).

4. SIGNIFICANT OTHER INCOME AND EXPENSES

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

	CONSOLIDATED	
	Dec 2019 \$'000	Dec 2018 \$'000
(a) Net rental income		
Rental property income	2,832	2,825
Rental property expenses	(1,629)	(1,388)
Net rental income	<u>1,203</u>	<u>1,437</u>
(b) Finance (costs)/income		
Bank and other loans and overdrafts - interest	(744)	(1,014)
Finance charges payable under lease agreements	(422)	(78)
Total finance costs	<u>(1,166)</u>	<u>(1,092)</u>
Bank interest received	293	311
Total finance income	<u>293</u>	<u>311</u>
(c) Other income/(losses)		
Gain on sale of property, plant & equipment	46	53
Net gain on derivatives	605	507
Foreign currency losses	(1,091)	(1,776)
Foreign currency gains	728	1,221
Realised gains on other financial assets at fair value through profit or loss	6	201
Unrealised gains on other financial assets at fair value through profit or loss	4,652	354
Share of net loss of associates accounted for using the equity method	(7)	-
Other	-	18
	<u>4,939</u>	<u>578</u>
(d) Depreciation, amortisation and impairment included in Statement of Comprehensive Income		
Depreciation and amortisation included in:		
Cost of sales	1,963	1,901
Rental property expenses	290	290
Marketing and administrative expenses	1,626	44
	<u>3,879</u>	<u>2,235</u>

4. SIGNIFICANT OTHER INCOME AND EXPENSES (continued)

	CONSOLIDATED	
	Dec 2019	Dec 2018
	\$'000	\$'000
(e) Employee benefit expense		
Wages, salaries and bonuses	18,651	20,157
Post-employment benefit provision	1,423	1,737
Long service leave provisions	93	8
Worker's compensation costs	166	147
Superannuation costs	507	500
Expense of share-based payments	44	32
	<u>20,884</u>	<u>22,581</u>

5. CASH AND CASH EQUIVALENTS

(a) Reconciliation of cash

For the purpose of the half-year cash flow statement, cash and cash equivalents are comprised of the following:

	CONSOLIDATED	
	Dec 2019	Dec 2018
	\$'000	\$'000
Cash at bank and in hand	23,577	17,477
Short term deposits (term 90 days or less)	-	7,000
	<u>23,577</u>	<u>24,477</u>

(b) Non-cash financing and investing activities

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

(c) Financing facilities available

At balance date the Group has bank facilities available to the extent of \$76,198,000, (June 2019: \$67,045,000). The value of unutilised facilities for the Group at balance date was \$19,573,000 (June 2019: \$23,672,000).

6. OTHER FINANCIAL ASSETS - CURRENT

	CONSOLIDATED	
	Dec 2019	Jun 2019
	\$'000	\$'000
<i>Investments at amortised cost</i>		
Short-term deposits (term 90 days or greater)	3,515	16,515
<i>Investments at fair value</i>		
Units in unlisted loan trusts	1,000	2,821
	<u>4,515</u>	<u>19,336</u>

7. RIGHT-OF-USE ASSETS

	CONSOLIDATED	
	Dec 2019	Jun 2019
	\$'000	\$'000
Right-of-use assets	<u>39,035</u>	<u>-</u>

Upon adoption of AASB 16 at 1 July 2019, right-of-use assets of \$27,668,000 were recognised for leases previously classified as operating leases. \$13,374,000 was transferred to right-of-use assets from property, plant and equipment for assets previously classified as being subject to finance leases. Refer note 2(c).

8. INTEREST BEARING LOANS AND BORROWINGS

	CONSOLIDATED	
	Dec 2019 \$'000	Jun 2019 \$'000
Interest-bearing loans and borrowings – current	19,373	18,330
Interest-bearing loans and borrowings - non-current	58,653	19,912
	<u>78,026</u>	<u>38,242</u>

Upon adoption of AASB 16 at 1 July 2019, interest-bearing loans and borrowings was increased by \$28,354,000 for the initial recognition of liabilities for leases previously classified as operating leases.

9. PROVISIONS

	CONSOLIDATED	
	Dec 2019 \$'000	Jun 19 \$'000
Provisions - current	7,953	8,895
Provisions - non-current	11,346	9,969
	<u>19,299</u>	<u>18,864</u>

10. INCOME TAX

The major components of income tax expense for the half-year ended 31 December 2019 and 31 December 2018 are:

	CONSOLIDATED	
	Dec 2019 \$'000	Dec 2018 \$'000
Consolidated Statement of Comprehensive Income		
<i>Current income tax</i>		
Current income tax charge	5,697	6,611
Adjustments in respect of current income tax of previous years	(50)	(372)
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences	849	(716)
Total income tax expense for continuing operations	<u>6,496</u>	<u>5,523</u>
Income tax on items of other comprehensive income	-	-
Income tax expense reported in the Statement of Comprehensive Income	<u>6,496</u>	<u>5,523</u>

11. DIVIDENDS PAID OR PROPOSED

	CONSOLIDATED	
	Dec 2019 \$'000	Dec 2018 \$'000
(a) Dividends declared and paid during the half-year on ordinary shares:		
Final franked dividend for the financial year 30 June 2019: 40¢ (2018: 30¢)	5,515	4,151
Fully franked dividends paid by the parent	5,515	4,151
Dividend paid by controlling entity to minority shareholder fully franked	2,216	4,069
Total fully franked dividends paid	<u>7,731</u>	<u>8,220</u>
Fully franked dividend payable to minority shareholder at period end	1,194	479
Total fully franked dividends declared and paid	<u>8,925</u>	<u>8,699</u>
(b) Dividends proposed and not yet recognised as a liability:		
Interim franked dividend for the half-year 31 December 2019: 45¢ (2018: 30¢)	<u>6,153</u>	<u>4,151</u>

12. INVESTMENT PROPERTIES

	CONSOLIDATED	
	Dec 2019 \$'000	Jun 2019 \$'000
Investment Properties at cost	<u>30,413</u>	<u>29,576</u>
(a) Movement of Investment Properties		
Carrying amount at the beginning of the financial period	29,576	28,678
Reclassification to investment property	-	2,445
Improvements to wholly owned property	728	212
Improvements to property in which the Group is a tenant in common	522	182
Depreciation expense	(413)	(720)
Impairment write down	-	(1,221)
Balance at end of the financial period	<u>30,413</u>	<u>29,576</u>

13. GOODWILL

Goodwill at cost	<u>1,299</u>	<u>1,299</u>
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The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. The majority of the goodwill relates to the Automotive Leather division.

The recoverable amount of the Automotive Leather division has been determined based on a value in use calculation using historical performance and cash flow projections based on financial budgets.

14. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Set out below, is an overview of financial assets, other than cash and short-term deposits, held by the Group at 31 December 2019 and 30 June 2019:

	CONSOLIDATED	
	Dec 2019 \$'000	Jun 2019 \$'000
Financial assets at amortised cost		
Short-term deposits (terms over 90 days)	3,515	16,515
Trade and other receivables	30,127	29,310
Contract assets	2,533	3,553
Interest-bearing loan receivable	541	-
Financial assets at fair value through profit or loss		
Unlisted investments in property unit trusts and LLCs	18,877	10,443
Unlisted units in managed equity funds	6,492	6,418
Listed equity shares	6,523	1,761
Unlisted equity shares	16,041	9,656
Unlisted units in loan trust	1,000	2,821
Derivatives not designated as hedging instruments		
Forward exchange contracts	369	131
Total	<u>86,018</u>	<u>80,608</u>
Total current	<u>37,544</u>	<u>52,330</u>
Total non-current	<u>48,474</u>	<u>28,278</u>
	<u>86,018</u>	<u>80,608</u>

14. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

Set out below, is an overview of financial liabilities held by the Group at 31 December 2019 and 30 June 2019:

	CONSOLIDATED	
	Dec 2019	Jun 2019
	\$'000	\$'000
Financial liabilities at amortised cost		
Trade and other payables	23,947	27,000
Contract liabilities	577	415
<i>Current interest-bearing loans and borrowings</i>		
Commercial bills	-	6,060
Revolving loan facility	-	1,083
Bank loan	13,265	8,112
<i>Non-current interest-bearing loans and borrowings</i>		
Revolving loan facility	15,750	2,977
Bank loan	14,243	11,019
Financial liabilities at fair value through profit or loss		
Derivatives not designated as hedging instruments		
Forward exchange contracts	-	228
Interest rate swaps	454	483
Total	68,236	57,377
Total current	38,243	43,381
Total non-current	29,993	13,996
	68,236	57,377

Fair value hierarchy

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

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

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

Valuation processes

The fair value of the listed equity investments is based on quoted market prices. Quoted market price represents the fair value determined based on quoted prices on active markets as at the reporting date without any deduction for transaction costs.

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

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

14. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

For unquoted unit investments the fair value is determined by the calculation of the Group's percentage ownership in unquoted unit trusts multiplied by the total net assets of the unit trusts at fair value. The effect of these reassessments of fair value on other comprehensive income for the period is nil (December 2018: nil).

The fair value of the financial instruments carried at fair value, as well as the methods used to estimate the fair value, are summarised in the table below:

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
At 31 December 2019				
Consolidated				
Financial Assets at fair value				
Listed investments	6,523	-	-	6,523
Unlisted investments	6,492	-	35,918	42,410
Derivative instruments				
Foreign exchange contracts	-	369	-	369
	13,015	369	35,918	49,302
Financial Liabilities at fair value				
Derivative instruments				
Interest rate swaps	-	454	-	454
	-	454	-	454
At 30 June 2019				
Consolidated				
Financial Assets at fair value				
Listed investments	1,761	-	-	1,761
Unlisted investments	6,418	-	22,920	29,338
Derivative instruments				
Foreign exchange contracts	-	131	-	131
	8,179	131	22,920	31,230
Financial liabilities at fair value				
Derivative instruments				
Foreign exchange contracts	-	228	-	228
Interest rate swaps	-	483	-	483
	-	711	-	711

Reconciliation of the fair value measurement of Level 3 unlisted investments

	CONSOLIDATED	
	Dec 2019 \$'000	Jun 2019 \$'000
Balance at the beginning of the financial period.	22,920	5,635
Delisting of investment in equity shares	-	2,850
Purchase of units in unlisted unit trusts and LLC's	11,566	14,889
Profit received from disposal of trust assets	-	261
Proceeds from disposal of trust assets	(2,075)	(1,360)
Capital distribution	(114)	-
Foreign currency translation adjustment	53	129
Share of net loss of associates accounted for using the equity method	(7)	-
Remeasurement recognised in profit or loss	3,575	516
Balance at the end of the financial period	35,918	22,920

15. CONTRIBUTED EQUITY

	CONSOLIDATED	
	Dec 2019 \$'000	Jun 2019 \$'000
Ordinary Shares		
Ordinary Shares at the beginning of the financial period	13,991	14,540
Employee share options exercised	226	170
Shares acquired under a share buy-back scheme	(2,333)	(719)
Balance at the end of the financial period	11,884	13,991

All ordinary shares are fully paid and carry one vote per share and carry the right to dividends.

	Number of Shares	Number of Shares
Movements in ordinary shares on issue		
Ordinary shares on issue at the beginning of the financial period	13,809,152	13,840,878
Employee share options exercised	30,000	22,500
Shares acquired under a share buy-back scheme	(165,842)	(54,226)
Ordinary shares on issue at the end of the financial period	13,673,310	13,809,152

16. CONSOLIDATED RETAINED PROFITS

	CONSOLIDATED	
	Dec 2019 \$'000	Jun 2019 \$'000
Retained profits at the beginning of the financial period	88,643	72,101
Reclassification on adoption of AASB 9	-	1,942
Net profit attributable to members of the parent entity	13,942	22,899
Dividends and other equity distributions paid or payable	(5,515)	(8,299)
Retained profits at end of financial period	97,070	88,643

17. EARNINGS PER SHARE (EPS)

Details of basic and diluted EPS reported separately are as follows:

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

	Dec 2019 \$'000	Dec 2018 \$'000
Basic Earnings	13,942	12,674
Diluted Earnings	13,942	12,674
	Number	Number
Weighted average number of ordinary shares used in the calculation of basic EPS	13,718,012	13,831,584
Weighted average number of ordinary shares used in the calculation of diluted EPS	13,830,295	13,954,084

18. SEGMENT INFORMATION

(a) Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the executive management team (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

The operating segments are identified by management based on the nature of the product and customer supplied, and services provided and the identity of service line manager. Discrete financial information about each of these operating businesses is reported to the executive management team on a monthly basis.

The reportable segments are based on aggregated operating segments determined by the similarity of economic characteristics, the products produced and sold and/or the services provided, as these are the sources of the Group's major risks and have the most effect on the rates of return.

The Group comprises the following reportable segments:

The **Automotive Leather** segment is a manufacturer and supplier of leather in the automotive industries.

The **Building Materials** segment comprises Delta Corporation Limited which produces and sells pre-cast and pre-stressed 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 equity instruments. The activities of the segment include the leasing of office, factory and retail properties, the development and sale of property assets, and general investing.

(b) Accounting policies and inter-segment transactions

The accounting policies used by the Group in reporting segments internally are the same as those discussed in note 2 to the accounts and in the prior period. There are no inter-segment transactions.

(c) Allocation of Assets

It is the Group's policy that if items of revenue and expense are not allocated to operating segments, then any associated assets are also not allocated to segments. This is to avoid asymmetrical allocations within segments which management believe would be inconsistent.

(d) Basis of segmentation and measurement of segment profit

There has been no change in the basis of segmentation or in the basis of measurement of segment profit from those used in the last annual financial statements.

18. SEGMENT INFORMATION (continued)

The following table presents assets, revenue and profit information regarding segments for the half-year periods ended 31 December 2019 and 31 December 2018.

	Automotive Leather		Group Investments		Building Materials		Consolidated	
	Dec 2019 \$'000	Dec 2018 \$'000	Dec 2019 \$'000	Dec 2018 \$'000	Dec 2019 \$'000	Dec 2018 \$'000	Dec 2019 \$'000	Dec 2018 \$'000
Revenue from contracts with customers	78,482	91,024	429	406	10,118	11,609	89,029	103,039
Other revenue	3	-	3,676	3,403	3	5	3,682	3,408
Total revenue							92,711	106,447
Net Profit after tax	13,222	14,700	4,433	1,496	(165)	330	17,490	16,762
Less profit attributable to non-controlling interests	(2,225)	(2,474)	2	(99)	-	-	(2,223)	(2,573)
Profit attributable to owners of the parent	10,997	12,226	4,435	1,397	(165)	330	15,267	13,953
Unallocated items:								
Finance costs							(23)	(128)
Corporate overheads							(2,027)	(1,815)
Share of equity accounted associate							(8)	-
Income tax benefit/(expense)							725	664
Net profit for the period							13,942	12,674
Segment Assets	Dec 2019 \$'000	Jun 2019 \$'000	Dec 2019 \$'000	Jun 2019 \$'000	Dec 2019 \$'000	Jun 2019 \$'000	Dec 2019 \$'000	Jun 2019 \$'000
	130,801	104,219	97,763	83,798	15,707	16,411	244,271	204,428
Unallocated items ⁽ⁱ⁾ :								
Property, plant and equipment							752	752
Other financial assets							293	-
Prepayments							157	452
Receivables							113	88
Deferred income tax assets							1,475	2,490
Total segment assets							247,061	208,210

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

19. COMMITMENT AND CONTINGENT LIABILITIES

At 31 December 2019, the Group had capital commitment of \$1,135,000 (31 December 2018: \$2,506,000) in respect of the purchase of plant and equipment and \$2,873,000 (31 December 2018: \$1,513,000) in respect of investment commitments.

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

20. RELATED PARTY TRANSACTIONS

During the period, the Group invested \$3,000,000 in Primewest Group Limited (ASX:PWG). Mr David Schwartz is a director of Primewest Group Limited.

21. SUBSEQUENT EVENTS

Subsequent to the end of the half-year the Group declared a dividend of 45¢ per share totalling \$6,153,000 payable on 8 March 2020.

On 7 January 2020, the Group refinanced the \$6,060,000 commercial bills facility secured by the property at 39 Dixon Road, Rockingham with a \$6,560,000 commercial advance facility. The new facility has a term of three years with an interest rate of BBSY plus margin.

There has not been any other matter or circumstance in the interval between the end of the half-year and the date of this report that has significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial periods.

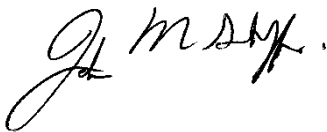
DIRECTORS' DECLARATION

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

In the opinion of the Directors:

- (a) The financial statements and notes of the Group are in accordance with the *Corporations Act 2001*, including:
 - (i) Giving a true and fair view of the financial position as at 31 December 2019 and the performance for the half-year ended on that date of the Group; and
 - (ii) Complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the Corporations Regulations 2001; and
- (b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



John Schaffer AM
Managing Director

Perth, 14 February 2020



**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 review of Schaffer Corporation Limited for the half-year ended 31 December 2019, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

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

Ernst & Young

Philip Teale
Partner
14 February 2020



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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 review report to the members of Schaffer Corporation Limited

Report on the half-year financial report

Conclusion

We have reviewed the accompanying half-year financial report of Schaffer Corporation Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

- a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2019 and of its consolidated financial performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' responsibility for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2019 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.



A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001.

A handwritten signature in dark blue ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in dark blue ink that reads 'Philip Teale'.

Philip Teale
Partner
Perth
14 February 2020