

APPENDIX 4E

Preliminary final report

1. Name of entity

SCHAFFER CORPORATION LIMITED

ACN

008 675 689

Financial year ended ('current period')

30 JUNE 2023

Previous corresponding period

30 JUNE 2022

2. Results for announcement to the market

2.1	Revenues from continuing operations	up	8%	to	\$'000 183,638
2.2	Net profit for the period attributable to members	down	48%	to	13,593
2.3	Dividends (see note 7)	Amount per security		Franked amount per security	
	Final – Ordinary Dividend	45¢		45¢	
	Interim – Ordinary Dividend	45¢		45¢	
	Total	90¢		90¢	
2.4	Record date for determining entitlements to the dividend	8 September 2023			

3. Consolidated Statement of Comprehensive Income for the year ended 30 June 2023

		Consolidated	
	Note	2023 \$'000	2022 \$'000
Revenue			
Revenue from contracts with customers	3.1	173,990	162,412
Rental income	3.2(a)	6,748	5,469
Dividends and distributions		1,745	2,115
Interest income	3.2(b)	1,155	433
Total revenue		183,638	170,429
Cost of sales and services rendered		(138,802)	(119,197)
Rental property expenses	3.2(a)	(3,684)	(2,633)
Gross profit		41,152	48,599
Share of profit of equity accounted investments		(805)	3,363
Other income	3.2(c)	(492)	5,160
Marketing expenses		(612)	(598)
Administrative expenses		(13,270)	(11,839)
Profit before tax and finance costs		25,973	44,685
Finance costs	3.2(b)	(3,100)	(1,840)
Profit before income tax		22,873	42,845
Income tax expense		(6,481)	(12,547)
Net profit for the period		16,392	30,298
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation gain attributable to parent		1,484	1,194
		1,484	1,194
Items that may not be reclassified subsequently to profit or loss			
Foreign currency translation gain attributable to non-controlling interest		214	66
Other comprehensive income for the period, net of tax		1,698	1,260
Total comprehensive income for the period		18,090	31,558
Profit for the period is attributable to:			
Non-controlling interest		2,799	4,107
Owners of the parent		13,593	26,191
		16,392	30,298
Total comprehensive income for the period is attributable to:			
Non-controlling interest		3,013	4,173
Owners of the parent		15,077	27,385
		18,090	31,558
Earnings per share (EPS)			
Basic EPS	9	99.8¢	191.0¢
Diluted EPS	9	99.6¢	190.5¢
Dividends paid per share		90.0¢	90.0¢

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

3.1 Revenue from Contracts with Customers

For the year ended 30 June 2023

Segments	Automotive Leather \$'000	Group Investments \$'000	Building Materials \$'000	Total \$'000
Type of goods or service				
Sale of automotive leather components	142,738	-	-	142,738
Sale of land	-	1,363	-	1,363
Construction services	-	-	26,470	26,470
Transport services	-	-	2,228	2,228
Sale of goods and services - other	-	1,191	-	1,191
Total revenue from contracts with customers	142,738	2,554	28,698	173,990
Geographical Markets				
Europe	111,824	-	-	111,824
Asia	30,914	-	-	30,914
Australia	-	2,554	28,698	31,252
Total revenue from contracts with customers	142,738	2,554	28,698	173,990
Timing of revenue recognition				
Goods transferred at a point in time	142,738	2,554	-	145,292
Services transferred over time	-	-	28,698	28,698
Total revenue from contracts with customers	142,738	2,554	28,698	173,990

For the year ended 30 June 2022

Segments	Automotive Leather \$'000	Group Investments \$'000	Building Materials \$'000	Total \$'000
Type of goods or service				
Sale of automotive leather components	135,966	-	-	135,966
Sale of land	-	8,159	-	8,159
Construction services	-	-	15,251	15,251
Transport services	-	-	2,035	2,035
Sale of goods and services - other	-	1,001	-	1,001
Total revenue from contracts with customers	135,966	9,160	17,286	162,412
Geographical Markets				
Europe	99,710	-	-	99,710
Asia	36,256	-	-	36,256
Australia	-	9,160	17,286	26,446
Total revenue from contracts with customers	135,966	9,160	17,286	162,412
Timing of revenue recognition				
Goods transferred at a point in time	135,966	9,160	-	145,126
Services transferred over time	-	-	17,286	17,286
Total revenue from contracts with customers	135,966	9,160	17,286	162,412

3.2 Significant Other Income and Expenses

	Consolidated	
	2023	2022
	\$'000	\$'000
(a) Net rental income		
Rental property income	6,748	5,469
Rental property expenses	(3,684)	(2,633)
Net rental income	<u>3,064</u>	<u>2,836</u>
(b) Finance (costs)/income		
Interest on loans	(2,678)	(1,370)
Interest on leases	(422)	(470)
Total finance costs	<u>(3,100)</u>	<u>(1,840)</u>
Interest income	1,155	433
Total finance income	<u>1,155</u>	<u>433</u>
(c) Other income/(losses)		
Net gain/(loss) on financial assets at fair value through profit or loss	356	(15,833)
Net gain on investment property at fair value through profit or loss	115	18,738
Net loss on financial liabilities at fair value through profit or loss	(610)	-
Gain on disposal of property, plant and equipment	16	4
Government subsidies	268	606
Net gain on derivatives	318	2,529
Foreign currency losses	(4,441)	(1,518)
Foreign currency gains	3,486	634
	<u>(492)</u>	<u>5,160</u>
(d) Depreciation, amortisation and impairment included in statement of comprehensive income		
Depreciation included in:		
Cost of sales	7,913	7,241
Marketing and administrative expenses	72	58
Total depreciation	<u>7,985</u>	<u>7,299</u>
(e) Employee benefit expense		
Wages, salaries and bonuses	37,328	34,001
Post-employment benefit provisions increase/(reversal)	281	(650)
Long service leave provisions	(33)	33
Worker's compensation costs	299	354
Superannuation costs	1,133	1,094
Expense of share-based payments	47	38
	<u>39,055</u>	<u>34,870</u>

4. Consolidated Statement of Financial Position as at 30 June 2023

		Consolidated	
	Note	2023 \$'000	2022 \$'000
Assets			
Current assets			
Cash and cash equivalents	6.1	28,324	37,885
Cash and cash equivalents – controlled Fund*	15	10,802	-
Restricted cash		-	6,100
Trade and other receivables		35,808	31,508
Inventories		58,715	51,594
Contract assets		1,737	3,585
Prepayments and deposits		4,296	3,512
Financial assets at fair value through profit or loss		12,452	1,194
Other financial assets		1,966	584
Total current assets		154,100	135,962
Non-current assets			
Property, plant and equipment		17,535	17,783
Inventories		781	1,300
Contract assets		2,220	3,061
Investment properties		140,458	128,371
Right-of-use assets		32,512	28,020
Equity accounted investments		7,834	8,968
Deferred income tax asset		5,251	4,084
Goodwill		1,299	1,299
Financial assets at fair value through profit or loss		47,886	43,983
Other financial assets		1,749	3,027
Total non-current assets		257,525	239,896
Total assets		411,626	375,858
Liabilities			
Current liabilities			
Trade and other payables		21,334	37,225
Contract liabilities		1,348	444
Interest bearing loans and borrowings		21,101	6,560
Lease liabilities		6,701	5,541
Financial liabilities at fair value through profit or loss		12,157	-
Income tax payable		1,625	1,655
Provisions		9,742	9,488
Total current liabilities		74,008	60,913
Non-current liabilities			
Interest bearing loans and borrowings		50,297	33,412
Lease liabilities		20,047	18,482
Deferred income tax liabilities		29,647	29,619
Provisions		12,695	12,447
Total non-current liabilities		112,686	93,960
Total liabilities		186,694	154,873
Net assets		224,932	220,985
Equity			
Equity attributable to equity holders of the parent			
Issued capital		9,921	10,590
Reserves		4,926	3,395
Retained earnings		195,201	193,867
Total parent entity interest in equity		210,048	207,852
Non-controlling interests		14,884	13,133
Total equity		224,932	220,985

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

* The consolidated financial statements include a controlled fund. Refer to note 15.

5. Consolidated Statement of Changes in Equity for the year ended 30 June 2023

	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	Foreign currency translation \$'000	\$'000	\$'000
At 1 July 2022	10,590	193,867	2,585	(636)	1,446	207,852	220,985
Profit for the year	-	13,593	-	-	-	13,593	16,392
Other comprehensive income	-	-	-	-	1,484	1,484	1,698
Total comprehensive income for the year	-	13,593	-	-	1,484	15,077	18,090
Transactions with owners in their capacity as owners:							
Shares acquired under buy-back scheme	(695)	-	-	-	-	(695)	(695)
Employee share options exercised	26	-	-	-	-	26	26
Share-based payments	-	-	-	47	-	47	47
Equity dividends	-	(12,259)	-	-	-	(12,259)	(13,521)
At 30 June 2023	9,921	195,201	2,585	(589)	2,930	210,048	224,932
At 1 July 2021	11,622	180,031	2,585	(674)	252	193,816	204,458
Profit for the year	-	26,191	-	-	-	26,191	30,298
Other comprehensive income	-	-	-	-	1,194	1,194	1,260
Total comprehensive income for the year	-	26,191	-	-	1,194	27,385	31,558
Transactions with owners in their capacity as owners:							
Shares acquired under buy-back scheme	(1,969)	-	-	-	-	(1,969)	(1,969)
Employee share options exercised	937	-	-	-	-	937	937
Share-based payments	-	-	-	38	-	38	38
Equity dividends	-	(12,355)	-	-	-	(12,355)	(14,037)
At 30 June 2022	10,590	193,867	2,585	(636)	1,446	207,852	220,985

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

6. Consolidated Statement of Cash Flows for the year ended 30 June 2023

		Consolidated	
	Note	2023 \$'000	2022 \$'000
Cash flows from/(used in) operating activities			
Receipts from customers		174,538	161,867
Payments to suppliers and employees		(165,842)	(143,049)
Acquisition of current financial assets at fair value through profit or loss		-	(5,348)
Proceeds on disposal of current financial assets at fair value through profit or loss		-	11,347
Interest received		1,043	422
Dividends and distributions		1,440	1,844
Rental income		6,364	5,469
Government subsidies		288	606
Interest paid		(3,564)	(1,735)
Income taxes paid		(7,663)	(10,459)
Goods and services tax paid		(848)	(321)
Net cash flows from operating activities		5,756	20,643
Cash flows from/(used in) investing activities			
Acquisition of property, plant and equipment		(7,093)	(5,922)
Acquisition of investment property		-	(1,293)
Proceeds on sale of property, plant and equipment		348	136
Improvements to investment properties		(11,968)	(5,219)
Acquisition of non-current financial assets at fair value through profit or loss		(6,715)	(5,979)
Proceeds on disposal of non-current financial assets at fair value		1,833	9,280
Capital distributions from financial assets at fair value through profit or loss		1,234	10,545
Acquisition of financial assets at amortised cost – loans receivable		(405)	(2,937)
Disposal of financial assets at amortised cost – loans receivable		584	-
Distributions from equity accounted investments		185	1,125
Investment in term deposits		(175)	-
Purchase of equity accounted investments		-	(681)
Acquisition of current financial assets at fair value through profit or loss - controlled Fund		(41,255)	-
Proceeds on disposal of current financial assets at fair value - controlled Fund		33,793	-
Net cash flows used in investing activities		(29,634)	(945)
Cash flows from/(used in) financing activities			
Proceeds from borrowings		31,426	5,893
Repayment of borrowings		-	(4,460)
Lease principal repayments		(6,099)	(5,638)
Lease principal receipts		4,508	1,166
Application funds received from external Fund investors		2,299	6,100
Dividends paid		(13,497)	(14,037)
Shares acquired under share buy-back scheme		(695)	(1,969)
Proceeds from exercise of employee share options		26	937
Net cash flows from/(used in) financing activities		17,968	(12,008)
Net (decrease)/increase in cash and cash equivalents		(5,910)	7,690
Net foreign exchange differences		1,051	(1,059)
Cash and cash equivalents at the beginning of the period		43,985	37,354
Cash and cash equivalents at the end of the period	6.1	39,126	43,985
Comprising:			
Cash and cash equivalents		28,324	37,885
Cash and cash equivalents - controlled Fund		10,802	-
Cash and cash equivalents - restricted		-	6,100
Total cash and cash equivalents at the end of the period		39,126	43,985

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

6.1 Reconciliation of cash

	Consolidated	
	2023	2022
	\$'000	\$'000
Cash on hand and at call	28,324	37,885
Cash on hand and at call - controlled Fund	10,802	-
Cash and cash equivalents - restricted	-	6,100
Total cash at end of period	39,126	43,985

The Group controls and manages an investment fund. Cash held by the Fund is to be applied by the fund manager to purchase assets in accordance with the Fund's mandate.

Restricted cash relates to cash received for investor applications to the controlled Fund which was paid into the Fund during the financial year ended 30 June 2023.

6.2 Non-cash financing and investing activities

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

\$Nil (2022 - \$Nil)

6.3 Financing facilities available

The consolidated entity had financing facilities available at balance date to the extent of \$92,105,000 (2022 - \$86,010,000). The unutilised facility for the consolidated entity at balance date was \$7,733,000 (2022 - \$36,474,000).

7. Dividends

Date the dividend is payable

22 September 2023

Record date to determine entitlements to the dividend (i.e. on the basis of security holding balances established by 5:00pm or such later time permitted by SCH Business Rules - securities are CHESS approved).

8 September 2023

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

YES

7.1 Amount per security

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

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

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

7.3 Preliminary final report – dividend on all securities

	Consolidated	
	2023	2022
	\$'000	\$'000
Ordinary securities - final	6,130	6,128
- interim	6,129	6,178
	<u>12,259</u>	<u>12,306</u>

7.4 Dividend Plans

The company does not have a dividend reinvestment plan.

8. Consolidated retained profits

	Consolidated	
	2023	2022
Retained profits at the beginning of the financial period	193,867	180,031
Net profit attributable to members of the parent entity	13,593	26,191
Dividends and other equity distributions paid or payable	(12,259)	(12,355)
Retained profits at end of financial period	<u>195,201</u>	<u>193,867</u>

9. Earnings per security (EPS)

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

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

	Consolidated	
	2023 \$'000	2022 \$'000
Basic Earnings	13,593	26,191
Diluted Earnings	13,593	26,191
	Number	Number
Weighted average number of ordinary shares used in the calculation of basic EPS	13,615,350	13,709,057
Weighted average number of ordinary shares used in the calculation of diluted EPS	13,644,100	13,750,409
Basic EPS	99.8¢	191.0¢
Diluted EPS	99.6¢	190.5¢

10. NTA backing

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	\$15.37	\$15.16

11. Foreign entities

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

International Financial Reporting Standards (IFRS).

12. Controlled gained/lost over entities having material effect

N/A

13. Significant events after balance date

The company will pay a fully franked final dividend of 45¢ per share on 22 September 2023.

14. Segment information

	Automotive Leather		Group Investments		Building Materials		Consolidated	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Revenue								
Revenue from contracts with customers	142,738	135,966	2,554	9,160	28,698	17,286	173,990	162,412
Other revenue	24	8	9,573	8,009	51	-	9,648	8,017
Total revenue	142,762	135,974	12,127	17,169	28,749	17,286	183,638	170,429
Results								
Net profit after tax	13,275	21,822	3,781	11,957	2,008	(623)	19,064	33,156
Less profit attributable to non-controlling interests	(2,234)	(3,673)	(565)	(434)	-	-	(2,799)	(4,107)
Profit attributable to owners of the parent	11,041	18,149	3,216	11,523	2,008	(623)	16,265	29,049
Unallocated items:								
Corporate overheads							(4,173)	(4,066)
(Loss)/profit of equity accounted investments							(7)	5
Income tax benefit							1,508	1,203
Net Profit for the period attributable to owners of the parent							13,593	26,191
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Segment assets	159,143	139,356	234,249	212,566	16,736	16,241	410,128	368,163
Unallocated items:								
Cash - restricted							-	6,100
Property, plant and equipment							1,031	1,044
Other financial assets							296	335
Prepayments							73	100
Receivables							98	116
Total segment assets							411,626	375,858

15. Net assets attributable to external investors in controlled Fund

From July 2022, the Group has acted as Trustee and Fund Manager for a fund under the control of the Group. At 30 June 2023, the Group held 52% of the units in the Fund and external investors held the remaining 48%. Under the Australian Accounting Standards (AASBs), the Group is required to include the Fund in its consolidated financial statements.

The Group has irrevocably designated the net assets attributable to external investors in the Fund as a financial liability at fair value through profit or loss since external investors have the right to withdraw from the Fund on notice. The Group determined that designation of the financial liability at fair value through profit or loss significantly reduces an accounting mismatch that would otherwise arise if the liability and corresponding financial assets in the fund were measured on different bases. As such, movements in net assets attributable to external investors in the Fund are included as fair value adjustments in the Consolidated Statement of Comprehensive Income.

Shown below is the financial position of the controlled Fund.

	2023	2022
	\$'000	\$'000
Net assets in controlled Fund attributable to shareholders of the Group	9,683	-
Net assets in controlled Fund attributable to external investors	9,010	-
Net assets held in controlled Fund	18,693	-
Comprising:		
Current assets		
Cash and cash equivalents - controlled Fund	10,802	-
Financial assets at fair value through profit or loss	11,175	-
Other financial assets	75	-
Total assets	22,052	-
Current liabilities		
Trade and other payables	269	-
Financial liabilities at fair value through profit or loss	3,090	-
Total liabilities	3,359	-
Net assets held in controlled Fund	18,693	-

While external investors possess no direct interest in individual assets and liabilities of the Fund, the balance of net assets attributable to external investors in the Fund has been determined with reference to the following allocation.

Composition of net assets attributable to external investors in the Fund

Current assets		
Cash and cash equivalents - controlled Fund	5,206	-
Other financial assets	36	-
Financial assets at fair value through profit or loss	5,386	-
Total assets	10,628	
Trade and other payables	130	-
Financial liabilities at fair value through profit or loss	1,488	-
Total liabilities	1,618	-
Net assets held in controlled Fund attributable to external investors	9,010	-

16. Other significant information

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

17. Commentary on results

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

18. Status of audit or review

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

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

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

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

N/A

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

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

N/A



Sign here: Date: 23 AUGUST 2023
Company Secretary

Print Name: JASON MARK CANTWELL