

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 year ended ('current period')

31 DECEMBER 2021

Previous corresponding period

31 DECEMBER 2020

For announcement to the market

Revenues from continuing operations	Down	28%	to	\$'000 73,166
Net profit for the period attributable to members (statutory profit)	Down	72%	to	6,463
DIVIDENDS	Amount per security		Franked amount per security	
Final dividend	-		-	
Interim period	45¢		45¢	
Date the dividend is payable	11 March 2022			
Record date to determine entitlements to the dividend (i.e. on the basis of security holding balances established by 5:00pm or such later time permitted by SCH Business Rules – securities are CHESS approved)	4 March 2022			

NET TANGIBLE ASSET BACKING		
Consolidated Entity	2021	2020
Net tangible assets ¹ \$'000	142,674	130,660
Fully paid ordinary shares on issue at balance date	13,729,075	13,620,325
Net tangible asset backing per issued ordinary share as at balance date	\$10.39	\$9.59

¹Net tangible assets include right-of-use assets and the corresponding lease liabilities

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 2021

FINANCIAL REPORT

For the Half-Year Ended 31 December 2021

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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 2021 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' international leather experience, broad business skills and a global business perspective.
D J SCHWARTZ Non-executive Director Appointed 29/06/1999	Mr David Schwartz joined the Board as an independent Director in June 1999. He has over 25 years' experience negotiating acquisitions and overseeing the development of property. Over the past 40 years, Mr Schwartz has been involved in many different businesses including property, retail, manufacturing and distribution.
M D PERROTT AM BCom, FAIM, FAICD Non-executive Director Appointed 23/02/2005	Mr Michael Perrott AM joined the Board as an independent Director in February 2005. Mr Perrott has over 35 years' experience in the construction and contracting industry.

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

ATTENDANCE AT BOARD MEETINGS

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

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

AUDIT COMMITTEE

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

REVIEW OF OPERATIONS

The consolidated entity's revenue from continuing operations decreased by 28% from \$102,099,000 for the comparative period to \$73,166,000 this half-year.

The decrease in revenues relates primarily to the automotive leather division, which for the first half of the 2022 financial year was negatively impacted by the global semiconductor chip shortage. While demand for new vehicles was strong for our automotive manufacturers, they were unable to produce vehicles to meet this demand. Since the start of November 2021, we started to see an improvement in volumes.

The net after tax consolidated profit attributable to members of the parent entity decreased from \$23,083,000 for the comparative period to \$6,463,000. The majority of the decrease relates to the non-cash, mark-to-market revaluation of our investment in Harvest Technology Group (ASX: HTG) whose share price fell from \$0.32/share (30 June 2021) to \$0.21/share (31 December 2021).

We expect ongoing Covid-19 risks to continue, including disruptions to the automotive industry supply chains, currency volatility, labour market challenges and overall economic uncertainty.

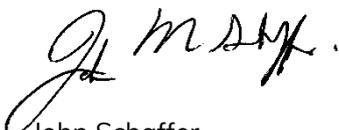
ROUNDING

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 24 of this half-year financial report.

Signed in accordance with a resolution of the Directors.



John Schaffer
Managing Director

Perth, 23 February 2022

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2021**

		Consolidated	
	Note	Dec 21	Dec 20
		\$'000	\$'000
Revenue			
Revenue from contracts with customers	3	68,659	98,221
Rental income	4(a)	2,757	2,675
Finance income	4(b)	189	194
Dividends and distribution revenue		1,561	1,009
Total revenue		73,166	102,099
Cost of sales and services rendered		(51,223)	(67,092)
Gross profit		21,943	35,007
Share of (loss)/profit of equity accounted investments		(88)	26
Other income	4(c)	(1,638)	14,954
Marketing expenses		(301)	(293)
Administrative expenses		(8,098)	(12,394)
Profit before tax and finance costs		11,818	37,300
Finance costs	4(b)	(514)	(1,097)
Profit before income tax		11,304	36,203
Income tax expense	10	(3,104)	(10,440)
Net profit for the period		8,200	25,763
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation loss attributable to parent		462	(1,693)
		462	(1,693)
Items that may not be reclassified subsequently to profit or loss			
Foreign currency translation loss attributable to non-controlling interest		34	(187)
		34	(187)
Other comprehensive income/(loss) for the period, net of tax		496	(1,880)
Total comprehensive income for the period		8,696	23,883
Profit for the period is attributable to:			
Non-controlling interest		1,737	2,680
Owners of the parent		6,463	23,083
		8,200	25,763
Total comprehensive income for the period is attributable to:			
Non-controlling interest		1,771	2,493
Owners of the parent		6,925	21,390
		8,696	23,883
Earnings per share (EPS)			
Basic EPS	9	47.1¢	169.5¢
Diluted EPS	9	47.0¢	167.8¢

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021**

	Note	Consolidated	
		Dec 21 \$'000	Jun 21 \$'000
Assets			
Current assets			
Cash and cash equivalents	5	33,677	37,354
Trade and other receivables		22,538	28,292
Inventories	7	50,995	37,986
Contract assets		2,216	1,720
Prepayments and deposits		3,134	1,884
Derivative financial instruments		571	163
Other financial assets	6	6,478	6,260
Total current assets		119,609	113,659
Non-current assets			
Property, plant and equipment		15,908	13,781
Inventories	7	736	1,828
Investment properties	12	34,373	30,858
Right-of-use assets		29,023	32,702
Equity accounted investments		3,963	4,051
Contract assets		2,744	2,854
Deferred income tax asset		4,852	4,323
Goodwill	13	1,299	1,299
Other financial assets	14	63,326	73,612
Total non-current assets		156,224	165,308
Total assets		275,833	278,967
Liabilities			
Current liabilities			
Trade and other payables		25,846	28,481
Contract liabilities		729	1,696
Interest-bearing loans and borrowings	8	19,474	9,288
Lease liabilities		5,573	5,970
Income tax payable		1,622	1,326
Provisions	9	8,876	9,016
Derivative financial instruments	14	115	402
Total current liabilities		62,235	56,179
Non-current liabilities			
Interest-bearing loans and borrowings	8	20,056	29,251
Lease liabilities		18,900	21,677
Deferred income tax liabilities		4,823	6,286
Provisions	9	13,829	13,098
Total non-current liabilities		57,608	70,312
Total liabilities		119,843	126,491
Net assets		155,990	152,476
Equity			
Equity attributable to equity holders of the parent			
Issued capital	15	12,559	11,622
Reserves		2,684	2,163
Retained earnings	16	128,730	128,445
Total parent entity interest in equity		143,974	142,230
Non-controlling interests		12,017	10,246
Total equity		155,990	152,476

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 2021**

	Attributable to Equity Holders of the Parent							Non-controlling interest \$'000	Total equity \$'000
	Issued capital \$'000	Retained earnings \$'000	Reserves			Total \$'000			
			Asset re-valuation \$'000	Share-based payments \$'000	Foreign currency translation \$'000				
At 1 July 2021	11,622	128,445	2,585	(674)	252	142,230	10,246	152,476	
Profit for the half-year	-	6,463	-	-	-	6,463	1,737	8,200	
Other comprehensive income	-	-	-	-	462	462	34	496	
Total comprehensive income for the year	-	6,463	-	-	462	6,925	1,771	8,696	
Transactions with owners in their capacity as owners:									
Employee share options exercised	937	-	-	-	-	937	-	937	
Share-based payments	-	-	-	59	-	59	-	59	
Equity dividends	-	(6,178)	-	-	-	(6,178)	-	(6,178)	
At 31 December 2021	12,559	128,730	2,585	(615)	714	143,973	12,017	155,990	
At 1 July 2020	11,227	100,522	2,585	(792)	1,695	115,237	8,562	123,799	
Profit for the half-year	-	23,083	-	-	-	23,083	2,680	25,763	
Other comprehensive income	-	-	-	-	(1,693)	(1,693)	(187)	(1,880)	
Total comprehensive income for the year	-	23,083	-	-	(1,693)	21,390	2,493	23,883	
Transactions with owners in their capacity as owners:									
Employee share options exercised	38	-	-	-	-	38	-	38	
Share-based payments	-	-	-	59	-	59	-	59	
Equity dividends	-	(4,765)	-	-	-	(4,765)	(2,440)	(7,205)	
At 31 December 2020	11,265	118,840	2,585	(733)	2	131,959	8,615	140,574	

The above 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 2021**

	Note	Consolidated	
		Dec 21 \$'000	Dec 20 \$'000
Cash flows from operating activities			
Receipts from customers		76,280	80,678
Payments to suppliers - land development		(963)	(1,269)
Payments to suppliers and employees - other		(73,303)	(45,868)
Acquisition of current financial assets at fair value through profit or loss		(3,331)	(2,917)
Proceeds on disposal of current financial assets at fair value through profit or loss		4,356	324
Interest received		323	138
Dividends and distributions received		1,318	814
Rental income received		2,757	2,675
Government subsidies		567	1,346
Interest paid		(459)	(1,097)
Income taxes paid		(4,709)	(4,967)
Goods and services tax paid		(481)	(343)
Proceeds from exercise of employee share options		937	38
Net cash flows from operating activities		3,292	29,552
Cash flows from investing activities			
Investment in term deposits		-	(650)
Acquisition of property, plant and equipment		(2,128)	(2,691)
Improvements to investment properties		(3,930)	(1,479)
Acquisition of non-current financial assets at fair value through profit or loss		(3,439)	(3,867)
Loan investment		(3,608)	-
Proceeds on disposal of non-current financial assets at fair value		5,431	1,232
Capital distributions from financial assets at fair value through profit or loss		8,017	392
Purchase of equity accounted investments		(1)	(518)
Net cash flows from/(used in) investing activities		342	(7,581)
Cash flows from financing activities			
Proceeds from borrowings		3,407	552
Repayment of borrowings		(2,416)	(9,303)
Lease principal payments		(2,798)	(2,404)
Lease principal receipts		203	1,841
Dividends paid	11	(6,178)	(7,205)
Net cash flows used in financing activities		(7,782)	(16,519)
Net (decrease)/increase in cash and cash equivalents		(4,148)	5,452
Net foreign exchange differences		471	313
Cash and cash equivalents at the beginning of the period		37,354	35,016
Cash and cash equivalents at the end of the period	5(a)	33,677	40,781

The above 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 2021**

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 2021 was authorised for issue in accordance with a resolution of the Directors on 22 February 2022. 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 2021 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 2021 and considered together with any public announcements made by Schaffer Corporation Limited during the half-year ended 31 December 2021 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 2021.

The Group adopted all the new and revised standards and interpretations that were effective 1 July 2021 and they did not impact or amend the accounting policies of the Group.

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

3. REVENUE FROM CONTRACTS WITH CUSTOMERS

	Consolidated	
	Dec 21 \$'000	Dec 20 \$'000
Revenue from contracts with customers	68,659	98,221
Total revenue from contracts with customers	68,659	98,221

For the half-year ended 31 December 2021

Segments	Automotive Leather	Group Investments	Building Materials	Total
Type of goods or service	\$'000	\$'000	\$'000	\$'000
Sale of automotive leather components	56,091	-	-	56,091
Sale of land	-	3,665	-	3,665
Construction services	-	-	6,999	6,999
Transport services	-	-	1,370	1,370
Sale of goods - hospitality business	-	534	-	534
Total revenue from contracts with customers	56,091	4,199	8,369	68,659
Geographical markets				
Europe	37,173	-	-	37,173
Asia	18,918	-	-	18,918
Australia	-	4,199	8,369	12,568
Total revenue from contracts with customers	56,091	4,199	8,369	68,659
Timing of revenue recognition				
Goods transferred at a point in time	56,091	4,199	-	60,290
Services transferred over time	-	-	8,369	8,369
Total revenue from contracts with customers	56,091	4,199	8,369	68,659

For the half-year ended 31 December 2020

Segments	Automotive Leather	Group Investments	Building Materials	Total
Type of goods or service	\$'000	\$'000	\$'000	\$'000
Sale of automotive leather components	88,780	-	-	88,780
Construction services	-	-	7,722	7,722
Transport services	-	-	1,199	1,199
Sale of goods - hospitality business	-	520	-	520
Total revenue from contracts with customers	88,780	520	8,921	98,221
Geographical markets				
Europe	62,509	-	-	62,509
Asia	26,271	-	-	26,271
Australia	-	520	8,921	9,441
Total revenue from contracts with customers	88,780	520	8,921	98,221
Timing of revenue recognition				
Goods transferred at a point in time	88,780	520	-	89,300
Services transferred over time	-	-	8,921	8,921
Total revenue from contracts with customers	88,780	520	8,921	98,221

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 2021 (31 December 2020: \$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 21	Dec 20
	\$'000	\$'000
(a) Net rental income		
Rental property income	2,757	2,675
Rental property expenses	(1,827)	(1,730)
Net rental income	<u>930</u>	<u>945</u>
(b) Finance (costs)/income		
Interest on loans	(267)	(749)
Interest on leases	(247)	(348)
Total finance costs	<u>(514)</u>	<u>(1,097)</u>
Bank interest received	<u>189</u>	194
Total finance income	<u>189</u>	<u>194</u>
(c) Other income/(losses)		
Net (loss)/gain on other financial assets at fair value through profit or loss - current	(177)	241
Net (loss)/gain on other financial assets at fair value through profit or loss - non-current	(2,868)	13,647
Loss on disposal of property, plant and equipment	-	(99)
Government subsidies	567	1,346
Net gain/(loss) on derivatives	815	(478)
Foreign currency losses	(1,107)	(1,453)
Foreign currency gains	1,132	1,750
	<u>(1,638)</u>	<u>14,954</u>
(d) Depreciation included in statement of comprehensive income		
<i>Depreciation included in:</i>		
Cost of sales	3,556	3,481
Rental property expenses	349	355
Marketing and administrative expenses	28	21
Total depreciation	<u>3,933</u>	<u>3,857</u>
(e) Employee benefit expense		
Wages, salaries and bonuses	15,781	16,850
Post-employment benefit provisions	738	4,850
Long service leave provisions	(49)	71
Worker's compensation costs	160	213
Superannuation costs	551	517
Expense of share-based payments	59	59
	<u>17,240</u>	<u>22,560</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 as follows:

	Consolidated	
	Dec 21 \$'000	Dec 20 \$'000
Cash on hand and at bank	33,677	40,781
Total cash at end of period	33,677	40,781

(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 \$73,282,000 (June 2021: \$74,094,000). The value of unutilised facilities for the Group at balance date was \$23,941,000 (June 2021: \$24,184,000).

6. OTHER FINANCIAL ASSETS - CURRENT

	Consolidated	
	Dec 21 \$'000	Jun 21 \$'000
Interest-bearing loans receivable	1,739	674
Financial assets at fair value through profit or loss		
Listed shares held for trading	4,739	5,586
	6,478	6,260

7. INVENTORIES

<i>Inventories at cost</i>		
Inventories - manufacturing - current	48,017	35,335
Inventories - land - current	2,978	2,651
Inventories -land - non-current	736	1,828
	51,731	39,814

8. BORROWINGS

	Consolidated	
	Dec 21 \$'000	Jun 21 \$'000
Borrowings - current	19,474	9,288
Borrowings - non-current	20,056	29,251
	39,530	38,539

The Revolving Loan facility for the Automotive Leather division has an expiry date of 30 September 2022 and was reallocated from non-current borrowings to current borrowings during the half-year.

9. PROVISIONS

	Consolidated	
	Dec 21 \$'000	Jun 21 \$'000
Provisions current	8,876	9,016
Provisions non-current	13,829	13,098
	<u>22,705</u>	<u>22,114</u>

10. INCOME TAX

The major components of income tax expense for the half-year ended 31 December 2021 and 31 December 2020 are:

	Consolidated	
	Dec 21 \$'000	Dec 20 \$'000
Consolidated Statement of Comprehensive Income		
<i>Current income tax</i>		
Current income tax charge	5,440	7,013
Adjustments in respect of current income tax of previous years	(344)	(203)
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences	(1,992)	3,630
Total income tax expense for continuing operations	3,104	10,440
Income tax on items of other comprehensive income	-	-
<i>Income tax expense reported in the statement of comprehensive income</i>	<u>3,104</u>	<u>10,440</u>

11. DIVIDENDS PAID OR PROPOSED

	Consolidated	
	Dec 21 \$'000	Dec 20 \$'000
Dividend declared and paid during the half-year on ordinary shares:		
Final franked dividend for financial year 30 June 2021 45c (2020 - 35c)	6,178	4,765
Fully franked dividends paid by the parent	6,178	4,765
Dividend paid by controlling entity to minority shareholder	-	2,440
Total fully franked dividends declared and paid	<u>6,178</u>	<u>7,205</u>
Dividends proposed but not yet recognised as a liability:		
Interim franked dividend for the half-year 31 December 2021 45c (2020 - 45c)	6,178	6,129

12. INVESTMENT PROPERTIES

	Consolidated	
	Dec 21	Jun 21
	\$'000	\$'000
Investment Properties at cost	34,373	30,858
(a) Movement of investment properties		
Carrying amount at the beginning of the financial period	30,858	31,794
Improvements to properties	3,930	1,959
Reclassification of wholly owned property to inventory	-	(2,070)
Depreciation expense	(415)	(825)
Balance at the end of the financial period	34,373	30,858

13. GOODWILL

	Consolidated	
	Dec 21	Jun 21
	\$'000	\$'000
Goodwill at cost	1,299	1,299

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. The majority of the goodwill relates to the Automotive Leather division.

Given the reduction in revenue for the Automotive Leather division compared to the prior corresponding period a test for impairment was conducted at 31 December 2021. The recoverable amount of the Automotive Leather unit has been determined based on a value in use calculation using both historical performance and future cash flow projections based on volume forecasts for awarded programs and budget projections approved by senior management related to specific circumstances for this cash generating unit. Future earnings have been increased to reflect the recovery of industries relevant to the cash generating unit from the temporary impacts of the global semiconductor chip shortage. However, the estimates also allows for the risk of volatility due to the ongoing impacts of Covid-19 such as supply chain disruption and temporary plant closures.

Management did not identify an impairment for the Automotive Leather division at 31 December 2021.

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 2021 and 30 June 2021:

	Consolidated	
	Dec 21 \$'000	Jun 21 \$'000
Financial assets at amortised cost		
Trade and other receivables	22,538	28,292
Interest bearing loans receivable - current	1,739	2,711
Non-interest-bearing loans receivable – non-current	3,608	-
Financial assets at fair value through profit or loss		
Unlisted investments in property unit trusts and LLCs	15,459	18,546
Unlisted units in managed equity funds	6,814	6,493
Listed shares	13,389	18,561
Unlisted shares	11,501	11,808
Convertible notes	17,293	21,753
<i>Derivatives not designated as hedging instruments</i>		
Forward exchange contracts	408	163
Interest rate swaps	163	-
Total	92,912	108,327
Total current	29,587	34,715
Total non-current	63,325	73,612
	92,912	108,327

Set out below, is an overview of financial liabilities held by the Group at 31 December 2021 and 30 June 2021:

	Consolidated	
	Dec 21 \$'000	Jun 21 \$'000
Financial liabilities at amortised cost		
Trade and other payables	25,846	28,481
<i>Interest-bearing loans and borrowings - current</i>		
Revolving loan facility – Automotive Leather	9,108	-
Bank loans – Property	8,605	8,241
Margin lending loan - Investments	1,761	1,047
Current lease liabilities	5,573	5,970
<i>Interest-bearing loans and borrowings – non-current</i>		
Revolving loan facility - Automotive Leather	-	9,195
Bank loans – Property	20,056	20,056
Non-current lease liabilities	18,900	21,677
Financial liabilities at fair value through profit or loss		
<i>Derivatives not designated as hedging instruments</i>		
Forward exchange contracts	115	114
Interest rate swaps	-	288
Total	89,964	95,069
Total current	51,008	44,141
Total non-current	38,956	50,928
	89,964	95,069

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.

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 2021				
Consolidated				
Financial Assets at fair value				
Listed investments	13,389	-	-	13,389
Unlisted investments	-	21,215	29,852	51,067
<i>Derivative instruments</i>				
Foreign exchange contracts	-	408	-	408
Interest rate swaps	-	163	-	163
	<u>13,389</u>	<u>21,786</u>	<u>29,852</u>	<u>65,027</u>
Financial Liabilities at fair value				
<i>Derivative instruments</i>				
Foreign exchange contracts	-	115	-	115
	<u>-</u>	<u>115</u>	<u>-</u>	<u>115</u>
At 30 June 2021				
Consolidated				
Financial Assets at fair value				
Listed investments	18,561	-	-	18,561
Unlisted investments	-	28,246	30,354	58,600
<i>Derivative instruments</i>				
Foreign exchange contracts	-	163	-	163
	<u>18,561</u>	<u>28,409</u>	<u>30,354</u>	<u>77,324</u>
Financial Liabilities at fair value				
<i>Derivative instruments</i>				
Foreign exchange contracts	-	114	-	114
Interest rate swaps	-	288	-	288
	<u>-</u>	<u>402</u>	<u>-</u>	<u>402</u>

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. The fair value of the listed equity investments and investments in unlisted managed equity funds are based on quoted market prices at the reporting date.

Level 2 assets include the fair value as of 31 December 2021 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 instrument is 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 note has been valued using Black Scholes.

The share price used in the valuation is \$0.153 (30 June 2021: \$0.235), which is below the \$0.21 (30 June 2021: \$0.32) closing share price of HTG at 31 December 2021. The discount to the closing price takes into consideration the significant volume of HTG shares held by the Group.

At 31 December 2021, the convertible notes have been recognised at \$14,401,000 (30 June 2021: \$21,753,000) comprising the option valuation of \$12,157,000 (30 June 2021: \$19,409,000) and a debt component of \$2,244,000 (30 June 2021: \$2,344,000). The profit and loss for the half-year ending 31 December 2021 includes a non-cash, unrealised pre-tax loss on the investments of \$7,352,000 (31 December 2020: \$10,911,000 pre-tax gain) and interest received of \$91,000 (31 December 2020: \$91,000).

Level 3 assets include unlisted equity investments, unlisted property trust investments, and convertible notes investment in Updater Inc.

- (a) 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 net assets of the investment entity at fair value. 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.
- (b) Unlisted equity investments include the Group's investment in Updater Inc. The fair valuation of the investment uses a revenue multiple comparable to other technology and high-growth companies.
- (c) The Group also holds convertible notes in Updater Inc. 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. As part of the Black Scholes methodology, a key input in determining the value of the option component, is the equity valuation for Updater Inc. derived under (b).

Reconciliation of the fair value measurement of Level 3 unlisted investments

	Consolidated	
	Dec 21	Jun 21
	\$'000	\$'000
Balance at the beginning of the financial period.	30,354	24,734
Purchase of units in unlisted unit trusts and LLC's	564	5,829
Purchase of Updater Inc. convertible notes	2,084	-
Proceeds from divestments	-	(1,456)
Profit on disposal	-	456
Capital distributions received	(8,017)	(464)
Foreign currency translation adjustment	294	(591)
Remeasurement recognised in profit and loss	4,573	1,846
Balance at the end of the financial period	29,852	30,354

Capital distributions includes \$6,926,000 distributed by investment manager, Ascot Capital, for a property portfolio sale that included several syndicated properties from trusts in which the Group has investments.

15. CONTRIBUTED EQUITY

	Consolidated	
	Dec 21 \$'000	Jun 21 \$'000
Ordinary shares		
Ordinary shares at the beginning of the financial period	11,622	11,227
Employee share options exercised	937	395
	12,559	11,622

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

	Number of Shares	Number of Shares
<i>Movement in ordinary shares on issue</i>		
Ordinary shares at the beginning of the financial period	13,657,825	13,615,325
Employee share options exercised	71,250	42,500
Ordinary shares at the end of the financial period	13,729,075	13,657,825

16. CONSOLIDATED RETAINED PROFITS

Retained profits at the beginning of the financial period	128,445	100,522
Net profit attributable to members of the parent entity	6,463	38,834
Dividends and other equity distributions paid or payable	(6,178)	(10,911)
Retained profits at end of financial period	128,730	128,445

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:

	Consolidated	
	Dec 21 \$'000	Dec 20 \$'000
Basic Earnings	6,463	23,083
Diluted Earnings	6,463	23,083
	Number	Number
Weighted average number of ordinary shares used in the calculation of basic EPS	13,718,973	13,616,657
Weighted average number of ordinary shares used in the calculation of diluted EPS	13,760,325	13,760,325
Basic EPS	47.1¢	169.5¢
Diluted EPS	47.0¢	167.8¢

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. Discreet 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 global automotive industry.

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.

The **Building Materials** segment comprises Delta Corporation Limited and produces and sells pre-cast and pre-stressed concrete elements.

(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 2021 and 31 December 2020.

	Automotive Leather		Group Investments		Building Materials		Consolidated	
	Dec 21 \$'000	Dec 20 \$'000	Dec 21 \$'000	Dec 20 \$'000	Dec 21 \$'000	Dec 20 \$'000	Dec 21 \$'000	Dec 20 \$'000
Revenue								
Revenue from contracts with customers	56,091	88,780	4,199	520	8,369	8,921	68,659	98,221
Other revenue	4	7	4,503	3,870	-	1	4,507	3,878
Total revenue	56,095	88,787	8,702	4,390	8,369	8,922	73,166	102,099
Results								
Net profit after tax	8,989	15,134	980	10,822	(296)	997	9,673	26,953
Less profit attributable to non-controlling interests	(1,513)	(2,547)	(223)	(132)	-	-	(1,736)	(2,679)
Profit attributable to owners of the parent	7,476	12,587	757	10,690	(296)	997	7,937	24,274
Unallocated items:								
Finance costs							-	10
Corporate overheads							(2,364)	(1,877)
Profit of equity accounted investments							5	11
Income tax benefit							885	665
Net Profit for the period							6,463	23,083
	Dec 21 \$'000	Jun 21 \$'000	Dec 21 \$'000	Jun 21 \$'000	Dec 21 \$'000	Jun 21 \$'000	Dec 21 \$'000	Jun 21 \$'000
Segment Assets	129,268	125,016	131,363	137,691	13,434	15,114	274,065	277,821
Unallocated items:								
Property, plant and equipment							1,062	748
Other financial assets							335	330
Prepayments							244	49
Receivables							127	19
Total segment assets							275,833	278,967

Unallocated items comprise mainly corporate assets and head office expenses.

19. COMMITMENT AND CONTINGENT LIABILITIES

At 31 December 2021, the Group had capital commitment of \$2,698,000 (31 December 2020: \$2,793,000) in respect of the purchase of plant and equipment and \$5,917,000 (31 December 2020: \$3,891,000) in respect of investment and property development 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. SUBSEQUENT EVENTS

Subsequent to the end of the half-year, the Group declared a dividend of 45¢ per share totalling \$6,178,000 payable on 11 March 2022.

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.

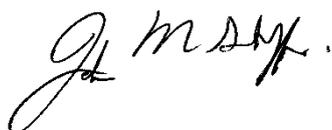
DIRECTORS' DECLARATION

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 2021 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, 23 February 2022



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

As lead auditor for the review of the half-year financial report of Schaffer Corporation Limited for the half-year ended 31 December 2021, 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;
- b. No contraventions of any applicable code of professional conduct in relation to the review; and
- c. No non-audit services provided that contravene 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

Timothy Dachs
Partner
23 February 2022



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Independent auditor's review report to the Members of Schaffer Corporation Limited

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 2021, 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, we have not become aware of any matter that makes us believe that the half-year financial report of the Group does not comply 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 2021 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*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Directors' responsibilities 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us 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 financial position as at 31 December 2021 and its



performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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.

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

Ernst & Young

A handwritten signature in black ink, appearing to be 'Timothy Dachs'.

Timothy Dachs
Partner
Perth
23 February 2022