

APPENDIX 4E

Preliminary final report

1. Name of entity

SCHAFFER CORPORATION LIMITED	
ACN	Financial year ended ('current period')
008 675 689	30 JUNE 2021
	Previous corresponding period
	30 JUNE 2020

2. Results for announcement to the market

2.1	Revenues from continuing operations	up 26% to	<i>\$'000</i> 196,334
2.2	Net profit for the period attributable to members	up 65% to	38,834
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	3 September 2021	

3. Consolidated Statement of Comprehensive Income for the year ended 30 June 2021

		Consolidated	
		2021	2020
	Note	\$'000	\$'000
Revenue			
Revenue from contracts with customers	3.1	188,879	148,703
Rental income	3.2(a)	5,433	5,422
Finance income	3.2(b)	358	513
Distribution revenue		1,664	935
Total revenue		196,334	155,573
Cost of sales and services rendered		(130,255)	(111,679)
Gross profit		66,079	43,894
Impairment reversal - investment property		-	1,221
Impairment loss - property, plant and equipment		-	(1,448)
Share of profit of equity accounted investments		56	61
Other income	3.2(c)	19,307	9,672
Marketing expenses		(605)	(623)
Administrative expenses		(20,088)	(11,607)
Profit before tax and finance costs		64,749	41,170
Finance costs	3.2(b)	(1,872)	(2,640)
Profit before income tax		62,877	38,530
Income tax expense		(18,483)	(11,377)
Net profit for the period		44,394	27,153
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation loss attributable to parent		(1,443)	420
		(1,443)	420
<i>Items that may not be reclassified subsequently to profit or loss</i>			
Foreign currency translation loss attributable to non-controlling interest		(173)	58
Other comprehensive income for the period, net of tax		(1,616)	478
Total comprehensive income for the period		42,778	27,631
Profit for the period is attributable to:			
Non-controlling interest		5,560	3,603
Owners of the parent		38,834	23,550
		44,394	27,153
Total comprehensive income for the period is attributable to:			
Non-controlling interest		5,387	3,661
Owners of the parent		37,391	23,970
		42,778	27,631
Earnings per share (EPS)			
Basic EPS	9	284.9¢	171.9¢
Diluted EPS	9	282.2¢	170.6¢
Dividends paid per share		90.0¢	80.0¢

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

3.1 Revenue from Contracts with Customers

	Consolidated	
	2021	2020
	\$'000	\$'000
Revenue from contracts with customers	188,879	148,703
Total revenue from contracts with customers	188,879	148,703

For the year ended 30 June 2021

Segments	Automotive Leather	Group Investments	Building Materials	Total
Type of goods or service	\$'000	\$'000	\$'000	\$'000
Sale of automotive leather components	165,214	-	-	165,214
Sale of land	-	6,151	-	6,151
Construction services	-	-	14,030	14,030
Transport services	-	-	2,458	2,458
Sale of goods - hospitality business	-	1,026	-	1,026
Total revenue from contracts with customers	165,214	7,177	16,488	188,879
Geographical Markets				
Europe	119,416	-	-	119,416
Asia	45,798	-	-	45,798
Australia	-	7,177	16,488	23,665
Total revenue from contracts with customers	165,214	7,177	16,488	188,879
Timing of revenue recognition				
Goods transferred at a point in time	165,214	7,177	-	172,391
Services transferred over time	-	-	16,488	16,488
Total revenue from contracts with customers	165,214	7,177	16,488	188,879

For the year ended 30 June 2020

Segments	Automotive Leather	Group Investments	Building Materials	Total
Type of goods or service	\$'000	\$'000	\$'000	\$'000
Sale of automotive leather components	130,141	-	-	130,141
Construction services	-	-	13,675	13,675
Transport services	-	-	4,083	4,083
Sale of goods - hospitality business	-	804	-	804
Total revenue from contracts with customers	130,141	804	17,758	148,703
Geographical Markets				
Europe	98,445	-	-	98,445
Asia	31,696	-	-	31,696
Australia	-	804	17,758	18,562
Total revenue from contracts with customers	130,141	804	17,758	148,703
Timing of revenue recognition				
Goods transferred at a point in time	130,141	804	-	130,945
Services transferred over time	-	-	17,758	17,758
Total revenue from contracts with customers	130,141	804	17,758	148,703

3.2 Significant Other Income and Expenses

	Consolidated	
	2021	2020
	\$'000	\$'000
(a) Net rental income		
Rental property income	5,433	5,422
Rental property expenses	(3,633)	(3,260)
Net rental income	<u>1,800</u>	<u>2,162</u>
(b) Finance (costs)/income		
Interest on loans	(1,196)	(1,820)
Interest on leases	(676)	(820)
Total finance costs	<u>(1,872)</u>	<u>(2,640)</u>
Bank interest received	<u>358</u>	513
Total finance income	<u>358</u>	<u>513</u>
(c) Other income/(losses)		
Net gain/(loss) on other financial assets at fair value through profit of loss - current	1,027	(50)
Net gain on other financial assets at fair value through profit or loss – non-current	16,790	10,465
Gain on disposal of property, plant and equipment	183	192
Government subsidies	1,348	956
Net loss on derivatives	(89)	(1,460)
Foreign currency losses	(3,366)	(2,900)
Foreign currency gains	3,414	2,469
	<u>19,307</u>	<u>9,672</u>
(d) Depreciation, amortisation and impairment included in statement of comprehensive Income		
<i>Depreciation included in:</i>		
Cost of sales	6,829	7,013
Rental property expenses	695	717
Marketing and administrative expenses	45	63
Total depreciation	<u>7,569</u>	<u>7,793</u>
<i>Impairment included in:</i>		
Impairment loss - property, plant and equipment	-	1,448
Impairment reversal - investment property	-	(1,221)
	<u>-</u>	<u>227</u>
(e) Employee benefit expense		
Wages, salaries and bonuses	33,749	34,515
Post-employment benefit provisions	5,568	(1,091)
Long service leave provisions	111	160
Worker's compensation costs	433	287
Superannuation costs	1,025	1,021
Expense of share-based payments	118	89
	<u>41,004</u>	<u>34,981</u>

4. Consolidated Statement of Financial Position as at 30 June 2021

		Consolidated	
		2021	2020
	Note	\$'000	\$'000
Assets			
Current assets			
Cash and cash equivalents	6.2	37,354	35,016
Trade and other receivables		28,292	17,496
Inventories		37,986	40,909
Contract assets		1,720	2,589
Prepayments and deposits		1,884	2,075
Derivative financial instruments		163	166
Other financial assets		6,260	-
Total current assets		113,659	98,251
Non-current assets			
Property, plant and equipment		13,781	13,637
Inventories		1,828	-
Contract assets		2,854	-
Investment properties		30,858	31,794
Right-of-use assets		32,702	37,834
Equity accounted investments		4,051	3,590
Deferred income tax asset		4,323	5,075
Goodwill		1,299	1,299
Other financial assets		73,612	51,678
Total non-current assets		165,308	144,907
Total assets		278,967	243,158
Liabilities			
Current liabilities			
Trade and other payables		28,481	12,485
Contract liabilities		1,696	277
Interest-bearing loans and borrowings		9,288	13,499
Lease liabilities		5,970	5,438
Income tax payable		1,326	-
Provisions		9,016	6,804
Derivative financial instruments		402	1,762
Total current liabilities		56,179	40,265
Non-current liabilities			
Interest-bearing loans and borrowings		29,251	39,834
Lease liabilities		21,677	28,186
Deferred income tax liabilities		6,286	2,235
Provisions		13,098	8,839
Total non-current liabilities		70,312	79,094
Total liabilities		126,491	119,359
Net assets		152,476	123,799
Equity			
Equity attributable to equity holders of the parent			
Issued Capital		11,622	11,227
Reserves		2,163	3,488
Retained earnings		128,445	100,522
Total parent entity interest in equity		142,230	115,237
Non-controlling interests		10,246	8,562
Total equity		152,476	123,799

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

5. Consolidated Statement of Changes in Equity for the year ended 30 June 2021

	Attributable to Equity Holders of the Parent							Total equity \$'000
	Issued Capital	Retained Earnings	Reserves			Total	Non- controlling Interest	
			Asset Re- valuation	Share- based payments	Foreign currency translation			
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
At 1 July 2020	11,227	100,522	2,585	(792)	1,695	115,237	8,562	123,799
Profit for the year	-	38,834	-	-	-	38,834	5,560	44,394
Other comprehensive income	-	-	-	-	(1,443)	(1,443)	(173)	(1,616)
Total comprehensive income for the year	-	38,834	-	-	(1,443)	37,391	5,387	42,778
Transactions with owners in their capacity as owners:								
Employee share options exercised	395	-	-	-	-	395	-	395
Share-based payments	-	-	-	118	-	118	-	118
Equity dividends	-	(10,911)	-	-	-	(10,911)	(3,703)	(14,614)
At 30 June 2021	11,622	128,445	2,585	(674)	252	142,230	10,246	152,476
At 1 July 2019	13,991	88,643	2,585	(882)	1,275	105,612	10,432	116,044
Profit for the year	-	23,550	-	-	-	23,550	3,603	27,153
Other comprehensive income	-	-	-	-	420	420	58	478
Total comprehensive income for the year	-	23,550	-	-	420	23,970	3,661	27,631
Transactions with owners in their capacity as owners:								
Shares acquired under buy-back scheme	(3,166)	-	-	-	-	(3,166)	-	(3,166)
Employee share options exercised	402	-	-	-	-	402	-	402
Share-based payments	-	-	-	90	-	90	-	90
Equity dividends	-	(11,671)	-	-	-	(11,671)	(5,531)	(17,202)
At 30 June 2020	11,227	100,522	2,585	(792)	1,695	115,237	8,562	123,799

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 2021

		Consolidated	
	Note	2021 \$'000	2020 \$'000
Cash flows from operating activities			
Receipts from customers		176,956	164,701
Payments to suppliers - land development		(4,765)	-
Payments to suppliers and employees - other		(116,036)	(133,128)
Acquisition of current financial assets at fair value through profit or loss		(6,812)	-
Proceeds on disposal of current financial assets at fair value through profit or loss		2,254	-
Interest received		276	422
Dividends and distributions received		1,537	624
Rental income		5,433	5,040
Government subsidies		1,348	956
Interest paid		(1,872)	(2,640)
Income taxes paid		(10,623)	(15,374)
Goods and services tax paid		(191)	(191)
Proceeds from exercise of employee share options		395	402
Net cash flows from operating activities	6.1	47,900	20,812
Cash flows from investing activities			
Investment in term deposits		-	(6,000)
Proceeds on maturity of term deposits		-	22,515
Acquisition of property, plant and equipment		(5,542)	(5,494)
Proceeds on sale of property, plant and equipment		461	413
Improvements to investment properties		(1,959)	(1,841)
Acquisition of non-current financial assets at fair value through profit or loss		(8,757)	(14,029)
Proceeds on disposal of non-current financial assets at fair value through profit or loss		2,144	4,400
Capital distributions from financial assets at fair value through profit or loss		464	469
Purchase of equity accounted investments		(518)	(3,529)
Net cash flows used in investing activities		(13,707)	(3,096)
Cash flows from financing activities			
Proceeds from borrowings		4,649	31,273
Repayment of borrowings		(19,443)	(7,191)
Lease principal payments		(5,738)	(5,182)
Lease principal receipts		2,905	1,450
Dividends paid		(14,614)	(17,202)
Shares acquired under share buy-back scheme		-	(3,166)
Net cash flows used in financing activities		(32,241)	(18)
Net increase in cash and cash equivalents		1,952	17,698
Net foreign exchange differences		386	(53)
Cash and cash equivalents at the beginning of the period		35,016	17,371
Cash and cash equivalents at the end of the period	6.2	37,354	35,016

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

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

	Consolidated	
	2021	2020
	\$'000	\$'000
Net profit	44,393	27,153
Adjustment for -		
Depreciation and amortisation	7,564	7,793
Net impairment of assets	-	227
Net gains on valuing other financial assets to fair value through profit or loss – non-current	(16,790)	(10,465)
Proceeds from exercise of employee share options	395	402
Share-based payments expense	118	90
Allowance for expected credit losses	58	110
Profit of equity accounted investments	(56)	(11)
Profit on sale of property, plant & equipment	(183)	(192)
Distributions reinvested	(125)	(310)
Unrealised foreign currency translation (gain)loss	(549)	210
Changes in assets and liabilities:		
(Increase)/decrease in trade and other receivables	(11,666)	11,555
Decrease/(increase) in inventories	2,646	(853)
Increase in interest-bearing loan receivable	(82)	(91)
(Increase)/decrease in contract assets	(1,985)	964
Increase/(decrease) in trade and other payables	15,995	(13,873)
Increase/(decrease) in contract liabilities	1,419	(138)
Increase in current financial assets at fair value through profit or loss	(5,586)	-
Increase/(decrease) in employee entitlement provisions	6,550	(2,651)
Increase/(decrease) in income tax payable	1,301	(4,827)
Increase in deferred tax liability	4,051	128
Decrease in deferred income tax asset	787	2,471
Decrease in prepayments	1,002	2,104
(Increase)/decrease in derivatives	(1,357)	1,016
Net cash flows from operating activities	47,900	20,812

6.2 Reconciliation of cash

	Consolidated	
	2021	2020
	\$'000	\$'000
Cash on hand and at bank	37,354	35,016
Total cash at end of period	37,354	35,016

6.3 Non-cash financing and investing activities

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

\$Nil (2020 - \$Nil)

6.4 Financing facilities available

The consolidated entity had financing facilities available at balance date to the extent of \$74,094,000 (2020 - \$77,416,000). The unutilised facility for the consolidated entity at balance date was \$24,834,000 (2020 - \$12,219,000).

7. Dividends

Date the dividend is payable

17 September 2021

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 CHESSE approved).

3 September 2021

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	35¢	35¢
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¢	80¢
Preference securities	-	-

7.3 Preliminary final report – dividend on all securities

	Consolidated	
	2021	2020
	\$'000	\$'000
Ordinary securities - final	6,146	4,765
- interim	6,146	6,153
	12,292	10,918

7.4 Dividend Plans

The company does not have a dividend reinvestment plan.

8. Consolidated retained profits

Retained profits at the beginning of the financial period	100,522	88,643
Net profit attributable to members of the parent entity	38,834	23,550
Dividends and other equity distributions paid or payable	(10,911)	(11,671)
Retained profits at end of financial period	128,445	100,522

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	
	2021	2020
	\$'000	\$'000
Basic Earnings	38,834	23,550
Diluted Earnings	38,834	23,550
	Number	Number
Weighted average number of ordinary shares used in the calculation of basic EPS	13,631,935	13,698,858
Weighted average number of ordinary shares used in the calculation of diluted EPS	13,760,325	13,801,399
Basic EPS	284.9¢	171.9¢
Diluted EPS	282.2¢	170.6¢

10. NTA backing

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	\$10.32	\$8.37

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 17 September 2021.

15. 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.

16. 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.

17. Status of audit or review

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

- The accounts have been audited.
- The accounts have been subject to review.
- The accounts are in the process of being audited or subject to review.
- The accounts have *not* yet been audited or reviewed.

18. 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

19. 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: 18 AUGUST 2021

Company Secretary

Print Name: JASON MARK CANTWELL