

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 2022

Previous corresponding period

31 DECEMBER 2021

For announcement to the market

Revenues from ordinary activities	Up	14%	to	\$'000 83,454
Net profit for the period attributable to members (statutory profit)	Down	36%	to	5,134
DIVIDENDS		Amount per security		Franked amount per security
Final dividend		-		-
Interim period		45¢		45¢
Date the dividend is payable		17 March 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)		10 March 2023		

NET TANGIBLE ASSET BACKING		
Consolidated Entity	2022	2021 *
Net tangible assets ¹ \$'000	206,191	195,778
Fully paid ordinary shares on issue at balance date	13,621,027	13,729,075
Net tangible asset backing per issued ordinary share as at balance date	\$15.14	\$14.26

¹ Net 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.

* The comparative year end has been restated because of the change in accounting policy to value investment property to fair value. Refer to note 2(c) for more information.

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 2022

FINANCIAL REPORT

For the Half-Year Ended 31 December 2022

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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 2022 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 ordinary activities increased by 14% to \$83,454,000 compared to \$73,166,000 for the comparative half-year period. The consolidated net profit after tax attributable to members of the parent entity decreased from \$7,981,000 for the comparative period to \$5,134,000.

The result reflects a difficult first half for the Automotive Leather division whose profit margins were impacted by various challenges. These included the continued global semiconductor chip shortage, the delayed launch of a major renewed program in Europe, extreme currency movements and higher energy costs in Europe. Delta returned to profitability, as revenues increased from the increased quantity of civil infrastructure projects in Western Australia and progress on a major project that was delayed in the first half of the previous financial year.

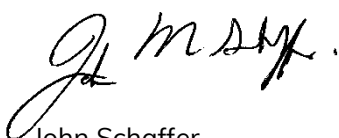
ROUNDING

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, 22 February 2023

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

		Consolidated Dec 22 \$'000	Restated Dec 21* \$'000
	Note		
Revenue			
Revenue from contracts with customers	3	78,657	68,659
Rental income	4(a)	3,222	2,757
Dividends and distributions		1,158	1,561
Interest income	4(b)	417	189
Total revenue		83,454	73,166
 Cost of sales and services rendered		 (63,409)	 (49,396)
Rental property expenses*	4(a)	(1,609)	(1,412)
Gross profit		18,436	22,358
 Share of profit of equity accounted investments*		 298	 1,699
Other income	4(c)	(2,033)	(1,638)
Marketing expenses		(334)	(301)
Administrative expenses		(6,223)	(8,098)
Profit before tax and finance costs		10,144	14,020
Finance costs	4(b)	(1,214)	(514)
Profit before income tax		8,930	13,506
Income tax expense	9	(2,564)	(3,765)
Net profit for the period		6,366	9,741
 Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation loss attributable to parent		585	462
		585	462
 Items that may not be reclassified subsequently to profit or loss			
non-controlling interest		83	34
Other comprehensive income/(loss) for the period, net of tax		668	496
Total comprehensive income for the period		7,034	10,237
 Profit for the period is attributable to:			
Non-controlling interest		1,232	1,760
Owners of the parent		5,134	7,981
		6,366	9,741
 Total comprehensive income for the period is attributable to:			
Non-controlling interest		1,315	1,793
Owners of the parent		5,719	8,444
		7,034	10,237
 Earnings per share (EPS)			
Basic EPS	16	37.7¢	58.2¢
Diluted EPS	16	37.6¢	58.0¢

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

* Due to the nature of rental expenses, they have been presented separately and the comparative period has been restated because of the change in accounting policy to measure investment property at fair value. Refer to note 2(c).

The consolidated financial statements include a controlled Fund. Refer to note 13.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

	Note	Consolidated	
		Dec 22 \$'000	Jun 22 \$'000
Assets			
Current assets			
Cash and cash equivalents	5(a)	32,683	37,885
Cash and cash equivalents – controlled Fund [#]	5(a)	13,055	-
Restricted cash	5(a)	-	6,100
Trade and other receivables	12	22,402	31,508
Inventories	6	72,959	51,594
Contract assets		5,005	3,585
Prepayments and deposits		3,579	3,512
Financial assets at fair value through profit or loss	12	9,719	1,194
Other financial assets	12	220	584
Total current assets		159,622	135,962
Non-current assets			
Property, plant and equipment		16,803	17,783
Inventories	6	774	1,300
Contract assets		2,787	3,061
Investment properties	11	133,762	128,371
Right-of-use assets		32,294	28,020
Equity accounted investments		9,041	8,968
Deferred income tax asset		4,260	4,084
Goodwill		1,299	1,299
Financial assets at fair value through profit or loss	12	41,499	43,983
Other financial assets	12	3,318	3,027
Total non-current assets		245,837	239,896
Total assets		405,459	375,858
Liabilities			
Current liabilities			
Trade and other payables	12	27,884	37,225
Contract liabilities		1,400	444
Interest bearing loans and borrowings	7,12	2,003	6,560
Lease liabilities		6,485	5,541
Financial liabilities at fair value through profit or loss	12	10,290	-
Income tax payable		105	1,655
Provisions	8	8,625	9,488
Total current liabilities		56,792	60,913
Non-current liabilities			
Interest bearing loans and borrowings	7,12	66,168	33,412
Lease liabilities		20,647	18,482
Deferred income tax liabilities		29,342	29,619
Provisions	8	11,834	12,447
Total non-current liabilities		127,991	93,960
Total liabilities		184,783	154,873
Net assets		220,676	220,985
Equity			
Equity attributable to equity holders of the parent			
Issued capital	14	10,616	10,590
Reserves		4,003	3,395
Retained earnings	15	192,871	193,867
Total parent entity interest in equity		207,490	207,852
Non-controlling interests		13,186	13,133
Total equity		220,676	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 13.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2022**

	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 half-year	-	5,134	-	-	-	5,134	6,366
Other comprehensive income	-	-	-	-	585	585	668
Total comprehensive income for the half-year	-	5,134	-	-	585	5,719	7,034
Transactions with owners in their capacity as owners:							
Employee share options exercised	26	-	-	-	-	26	26
Share-based payments	-	-	-	23	-	23	23
Equity dividends	-	(6,130)	-	-	-	(6,130)	(7,392)
At 31 December 2022	10,616	192,871	2,585	(613)	2,031	207,490	220,676
At 1 July 2021 *							
Previously reported	11,622	128,445	2,585	(674)	252	142,230	152,476
Restatement	-	51,586	-	-	-	51,586	51,982
Restated	11,622	180,031	2,585	(674)	252	193,816	204,458
Profit for the half-year *	-	7,981	-	-	-	7,981	9,741
Other comprehensive income	-	-	-	-	462	462	496
Total comprehensive income for the half-year	-	7,981	-	-	462	8,443	10,237
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	181,834	2,585	(615)	714	197,077	209,513

* The comparative period has been restated because of the change in accounting policy to measure investment property at fair value. Refer to note 2(c).
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 2022

		Consolidated	
	Note	Dec 22 \$'000	Dec 21 \$'000
Cash flows from operating activities			
Receipts from customers		89,925	76,280
Payments to suppliers - land development		(28)	(963)
Payments to suppliers and employees - other		(96,251)	(73,303)
Acquisition of current financial assets at fair value through profit or loss		-	(3,331)
Proceeds on disposal of current financial assets at fair value through profit or loss		-	4,356
Interest received		333	323
Dividends and distributions		1,007	1,318
Rental income		3,222	2,757
Government subsidies		284	567
Interest paid		(1,169)	(459)
Income taxes paid		(4,605)	(4,709)
Goods and services tax paid		(439)	(481)
Net cash flows (used in)/ from operating activities		(7,721)	2,355
Cash flows from investing activities			
Acquisition of property, plant and equipment		(3,965)	(2,128)
Proceeds on sale of property, plant and equipment		342	-
Improvements to investment properties		(4,209)	(3,930)
Acquisition of non-current financial assets at fair value through profit or loss		(2,235)	(3,438)
Proceeds on disposal of non-current financial assets at fair value		1,720	5,430
Capital distributions from financial assets at fair value through profit or loss		1,068	8,017
Acquisition of financial assets at amortised cost – loans receivable		(203)	(3,609)
Disposal of financial assets at amortised cost – loans receivable		500	-
Distributions from equity accounted investments		192	-
Acquisition of other financial assets at amortised cost		(175)	-
Acquisition of current financial assets at fair value through profit or loss – controlled Fund		(14,205)	-
Proceeds on disposal of current financial assets at fair value – controlled Fund		7,958	-
Net cash flows (used in)/ from investing activities		(13,212)	342
Cash flows from financing activities			
Proceeds from borrowings		28,199	3,407
Repayment of borrowings		-	(2,416)
Lease principal payments		(3,024)	(2,798)
Lease principal receipts		3,101	203
Application funds received from external Fund investors		2,050	-
Dividends paid		(7,389)	(6,178)
Proceeds from exercise of employee share options		26	937
Net cash flows from/(used in) financing activities		22,963	(6,845)
Net increase in cash and cash equivalents		2,030	(4,148)
Net foreign exchange differences		(277)	471
Cash and cash equivalents at the beginning of the period		43,985	37,354
Cash and cash equivalents at the end of the period	5(a)	45,738	33,677
Comprising:			
Cash and cash equivalents		32,683	33,677
Cash and cash equivalents – controlled Fund		13,055	-
Total cash and cash equivalents at the end of the period		45,738	33,677

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 2022**

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 2022 was authorised for issue in accordance with a resolution of the Directors on 21 February 2023. 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 2022 is a 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 2022 and considered together with any public announcements made by Schaffer Corporation Limited during the half-year ended 31 December 2022 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 2022.

The Group adopted all the new and revised standards and interpretations that were effective 1 July 2022 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.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

(c) Changes in Accounting Policy – Investment Property

The Group has historically measured its investment property at cost less accumulated depreciation rather than fair value as permitted by AASB 140 - *Investment Property*.

The Group has elected to change the accounting policy to measure its investment property at fair value so that users of the Group's financial statements receive reliable and more relevant information about the financial position and performance of the Group. The change in policy also provides consistency with the valuation of the Group's other investments and financial instruments including units and equity shares that are measured at fair value. Equity accounted investments that hold investment property have also been restated to fair value for consistency in application of the Group's accounting policy.

This change in policy is required to be applied retrospectively under AASB 108 – *Accounting Policies, Change in Accounting Estimates and Errors*. Historical financial information has been restated to account for the impact of the change in accounting policy in relation to investment property as follows:

Consolidated Statement of Comprehensive Income

	Balance at 31 December 2021		
	Previously reported \$'000	Adjustment \$'000	Adjusted \$'000
Rental property expenses - depreciation	(415)	415	-
Gross profit	21,943	415	22,358
Share of profit of equity accounted investments	(88)	1,787	1,699
Profit before tax and finance costs	11,818	2,202	14,020
Profit before income tax	11,304	2,202	13,506
Income tax expense	(3,104)	(661)	(3,765)
Net profit for the period	8,200	1,541	9,741
Profit for the period is attributable to:			
Non-controlling interest	1,737	23	1,760
Owners of the parent	6,463	1,518	7,981
	8,200	1,541	9,741
Total comprehensive income for the period attributable to:			
Non-controlling interest	1,770	23	1,793
Owners of the parent	6,926	1,518	8,444
	8,696	1,541	10,237
Earnings per share (EPS)			
Basic EPS	47.1¢	11.1¢	58.2¢
Diluted EPS	47.0¢	11.0¢	58.0¢

3. REVENUE

Revenue from contracts with customers

For the half-year ended 31 December 2022

Segments	Automotive Leather	Group Investments	Building Materials	Total
Type of goods or service	\$'000	\$'000	\$'000	\$'000
Sale of automotive leather components	62,793	-	-	62,793
Sale of land	-	1,363	-	1,363
Construction services	-	-	12,512	12,512
Transport services	-	-	1,476	1,476
Sale of goods - hospitality business	-	513	-	513
Total revenue from contracts with customers	62,793	1,876	13,988	78,657
Geographical Markets				
Europe	42,839	-	-	42,839
Asia	19,954	-	-	19,954
Australia	-	1,876	13,988	15,864
Total revenue from contracts with customers	62,793	1,876	13,988	78,657
Timing of revenue recognition				
Goods transferred at a point in time	62,793	1,876	-	64,669
Services transferred over time	-	-	13,988	13,988
Total revenue from contracts with customers	62,793	1,876	13,988	78,657

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

Impairment losses recognised on receivables and contract assets arising from contracts with customers, included in the Consolidated Statement of Comprehensive Income amount to \$nil for the half-year ended 31 December 2022 (31 December 2021: \$nil).

4. SIGNIFICANT OTHER INCOME AND EXPENSES

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

	Consolidated	
	Dec 22	Restated Dec 21*
	\$'000	\$'000
(a) Net rental income		
Rental property income	3,222	2,757
Rental property expenses	(1,609)	(1,412)
Net rental income	<u>1,613</u>	<u>1,345</u>
(b) Finance (costs)/income		
Interest on loans	(1,022)	(267)
Interest on leases	(192)	(247)
Total finance costs	<u>(1,214)</u>	<u>(514)</u>
Interest income	<u>417</u>	189
Total finance income	<u>417</u>	<u>189</u>
(c) Other income/(losses)		
Fair value gains on investment property	600	-
Net gains/(losses) on current financial assets at fair value through profit or loss	58	(177)
Net losses on non-current financial assets at fair value through profit or loss	(2,003)	(2,868)
Net gain on financial liabilities at fair value through profit or loss	3	-
Gain on disposal of property, plant and equipment	10	-
Government subsidies	284	567
Net gain on derivatives	317	815
Foreign currency losses	(1,390)	(1,107)
Foreign currency gains	88	1,132
	<u>(2,033)</u>	<u>(1,638)</u>
(d) Depreciation, amortisation and impairment included in statement of comprehensive Income		
Depreciation included in:		
Cost of sales	3,687	3,490
Marketing and administrative expenses	35	28
Total depreciation	<u>3,722</u>	<u>3,518</u>
(e) Employee benefit expense		
Wages, salaries and bonuses	22,044	15,781
Post-employment benefit provisions	(612)	738
Long service leave provisions	(90)	(49)
Worker's compensation costs	202	160
Superannuation costs	577	551
Expense of share-based payments	23	59
	<u>22,144</u>	<u>17,240</u>

* The comparative year end has been restated because of the change in accounting policy to value investment property to fair value. Refer to note 2(c) for more information.

5. CASH AND CASH EQUIVALENTS

(a) Reconciliation of cash and cash equivalents

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

	Consolidated	
	Dec 22	Jun 22
	\$'000	\$'000
Cash on hand and at call	32,683	37,885
Cash on hand and at call – controlled Fund	13,055	-
Cash and cash equivalents - restricted	-	6,100
Total cash at end of period	45,738	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 half-year ended 31 December 2022.

(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 had bank facilities available to the extent of \$92,560,000, (June 2022: \$86,010,000). The value of unutilised facilities for the Group at balance date was \$11,796,000 (June 2022: \$36,474,000).

6. INVENTORIES

	Consolidated	
	Dec 22	Jun 22
	\$'000	\$'000
Inventories – manufacturing – current	72,075	50,826
Inventories – land – current	884	768
	72,959	51,594
Inventories – land – non-current	774	1,300
	73,733	52,894

7. BORROWINGS

	Consolidated	
	Dec 22	Jun 22
	\$'000	\$'000
Borrowings – current	2,003	6,560
Borrowings – non-current	66,168	33,412
	68,171	39,972

8. PROVISIONS

	Consolidated	
	Dec 22	Dec 21
	\$'000	\$'000
Provisions current	8,625	9,488
Provisions non-current	11,834	12,447
	<u>20,459</u>	<u>21,935</u>

9. INCOME TAX

The major components of income tax expense for the half-year ended 31 December 2022 and 31 December 2021 are:

	Consolidated	
	Dec 22	Dec 21*
	\$'000	\$'000
Consolidated Statement of Comprehensive Income		
Current income tax		
Current income tax charge	3,180	5,440
Adjustments in respect of current income tax of previous years	(163)	(344)
Deferred income tax		
Relating to origination and reversal of temporary differences	(453)	(1,331)
Total income tax expense for continuing operations	<u>2,564</u>	<u>3,765</u>
Income tax on items of other comprehensive income	-	-
Income tax expense reported in the statement of comprehensive income	<u>2,564</u>	<u>3,765</u>

* The comparative half-year end has been restated because of the change in accounting policy to value investment property to fair value. Refer to note 2(c).

10. DIVIDENDS PAID OR PROPOSED

	Consolidated	
	Dec 22	Dec 21
	\$'000	\$'000
Dividend declared and paid during the half-year on ordinary shares:		
Final franked dividend for financial year 30 June 2022 45c (2021 - 45c)	6,130	6,178
Fully franked dividends paid by the parent	<u>6,130</u>	<u>6,178</u>
Dividend paid by controlling entity to minority shareholder	-	-
Total fully franked dividends declared and paid	<u>6,130</u>	<u>6,178</u>
Dividends proposed but not yet recognised as a liability:		
Interim franked dividend for the half-year 31 December 2022 45c (2021 - 45c)	6,130	6,178

11. INVESTMENT PROPERTIES

	Consolidated	
	Dec 22	Jun 22
	\$'000	\$'000
Investment Properties at fair value	<u>133,762</u>	<u>128,371</u>
(a) Movement of Investment Properties		
Carrying amount at the beginning of the financial period	128,371	103,121
Additions and improvements	4,791	6,512
Net gain from fair value measurement	600	18,738
Balance at the end of the financial period	<u>133,762</u>	<u>128,371</u>

12. 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 2022 and 30 June 2022:

		Consolidated	
	Note	Dec 22 \$'000	Jun 22 \$'000
Financial assets at amortised cost			
<u>Current</u>			
Cash and cash equivalents		32,683	37,885
Cash and cash equivalents - controlled Fund		13,055	-
Restricted cash		-	6,100
Trade and other receivables		22,402	31,508
Other financial assets - current		220	584
Total current financial assets at amortised cost		<u>68,360</u>	<u>76,077</u>
<u>Non-current</u>			
Interest-bearing loans receivable		<u>3,318</u>	<u>3,039</u>
Financial assets at fair value through profit or loss (FVTPL)			
<u>Current</u>			
Listed equity shares and options held by controlled Fund		8,313	-
Derivatives not designated as hedging instruments			
Forward exchange contracts		277	53
Interest rate swaps		1,129	1,141
Total current financial assets at FVTPL		<u>9,719</u>	<u>1,194</u>
<u>Non-current</u>			
Listed equity shares		5,069	5,026
Unlisted investments in property unit trusts and LLCs		16,315	18,145
Unlisted units in managed equity funds		6,453	5,867
Unlisted equity shares		7,978	7,541
Convertible notes		5,684	7,392
Total non-current financial assets at FVTPL		<u>41,499</u>	<u>43,971</u>
Total financial assets		<u>122,896</u>	<u>124,281</u>
Financial assets at amortised cost attributable to shareholders of the Group		65,459	79,116
Financial assets at amortised cost attributable to external investors in the controlled Fund	13	6,219	-
Total financial assets at amortised cost		<u>71,678</u>	<u>79,116</u>
Financial assets at fair value through profit or loss attributable to shareholders of the Group		47,271	45,165
Financial assets at fair value through profit or loss attributable to external investors in the controlled Fund	13	3,947	-
Total financial assets at fair value through profit or loss		<u>51,218</u>	<u>45,165</u>
Total financial assets		<u>122,896</u>	<u>124,281</u>

12. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

Set out below, is an overview of financial liabilities held by the Group at 31 December 2022 and 30 June 2022:

	Note	Consolidated	
		Dec 22 \$'000	Jun 22 \$'000
Financial liabilities at amortised cost			
<u>Current</u>			
Trade and other payables		27,884	37,225
Interest-bearing loans and borrowings:			
Bank loans - Property		-	6,560
Current lease liabilities		6,485	5,541
Margin loans held by controlled Fund		2,003	-
Total current financial liabilities at amortised cost		36,372	49,326
<u>Non-current</u>			
Non-current interest-bearing loans and borrowings			
Revolving loan facility - Automotive Leather		26,492	8,862
Bank loans - Property		39,676	24,550
Non-current lease liabilities		20,647	18,482
Total non-current financial liabilities at amortised cost		86,815	51,894
Financial liabilities at fair value through profit or loss			
<u>Current</u>			
Derivative and short equity positions held by controlled Fund		2,089	-
Net assets attributable to external investors in the controlled Fund (Note 13)		8,201	-
Total current financial liabilities at fair value through profit or loss		10,290	-
Total financial liabilities		133,477	101,220
Financial liabilities at amortised cost attributable to shareholders of the Group		122,214	101,220
Financial liabilities at amortised cost attributable to external investors in the controlled Fund	13	973	-
Total financial liabilities at amortised cost		123,187	101,220
Financial liabilities at fair value through profit or loss attributable to shareholders of the Group		9,298	-
Financial liabilities at fair value through profit or loss attributable to external investors in the controlled Fund	13	992	-
Total financial liabilities at fair value through profit or loss		10,290	-
Total financial liabilities		133,477	101,220

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.

12. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

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 2022				
Consolidated				
Financial assets at fair value				
Listed investments	13,382	-	-	13,382
Unlisted investments	-	11,608	24,822	36,430
<i>Derivative instruments</i>				
Foreign exchange contracts	-	277	-	277
Interest rate swaps	-	1,129	-	1,129
	<u>13,382</u>	<u>13,014</u>	<u>24,822</u>	<u>51,218</u>
Financial liabilities at fair value				
Listed financial instruments	2,089	-	-	2,089
Net assets attributable to external investors in the controlled Fund	-	8,201	-	8,201
	<u>2,089</u>	<u>8,201</u>	<u>-</u>	<u>10,290</u>
At 30 June 2022				
Consolidated				
Financial assets at fair value				
Listed investments	5,026	-	-	5,026
Unlisted investments	-	12,980	25,965	38,945
<i>Derivative instruments</i>				
Foreign exchange contracts	-	53	-	53
Interest rate swaps	-	1,141	-	1,141
	<u>5,026</u>	<u>14,174</u>	<u>25,965</u>	<u>45,165</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 instruments is based on quoted market prices at the reporting date.

Level 2 assets include:

- i. The fair value as of 31 December 2022 of the Group's original \$2,000,000 investment in convertible notes in Harvest Technology Group ("HTG");
- ii. Unlisted managed equity funds which are valued based on quoted market prices of the constituent securities; and
- iii. The fair value as of 31 December 2022 of the Group's net liability to external investors in the controlled Fund.

The HTG 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.

12. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

The share price used in the valuation is \$0.052 (30 June 2022: \$0.066), which is below the \$0.071 (30 June 2022: \$0.09) closing share price of HTG at 31 December 2022. The discount to the closing price takes into consideration the significant volume of HTG shares held by the Group and the Stout Restricted Stock methodology that quantifies marketable discounts for lack of marketability.

At 31 December 2022, the convertible notes have been recognised at \$5,155,000 (30 June 2022: \$7,113,000) comprising the option valuation of \$3,143,000 (30 June 2022: \$5,041,000) and a debt component of \$2,012,000 (30 June 2022: \$2,072,000). The profit and loss for the half-year ending 31 December 2022 includes a non-cash, unrealised pre-tax loss on the investments of \$2,344,000 (31 December 2021: \$7,352,000 pre-tax gain) and interest received of \$91,000 (31 December 2021: \$91,000).

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

- (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 a technology company. The fair valuation of the investment uses a revenue multiple comparable to other technology and high-growth companies.

Reconciliation of the fair value measurement of Level 3 unlisted investments

	Consolidated	
	Dec 22 \$'000	Jun 22 \$'000
Balance at the beginning of the financial period.	25,965	30,354
Purchase of units in unlisted unit trusts and LLC's	797	2,203
Purchase of convertible notes	530	2,084
Purchase of unlisted shares	-	549
Proceeds from divestments	(1,911)	(3,185)
Profit on disposal	433	769
Capital distributions	(1,036)	(10,544)
Foreign currency translation adjustment	121	842
Remeasurement recognised in profit and loss	(77)	2,893
Balance at the end of the financial period	24,822	25,965

For the period to 30 June 2022, capital distributions include \$9,297,000 distributed by investment manager, Ascot Capital, for a property portfolio sale that included several syndicated properties from trusts in which the Group has investments.

13. NET ASSETS HELD IN CONTROLLED FUND

From July 2022, the Group has acted as Trustee and Fund Manager for a controlled Fund. At 31 December 2022, the Group held 53% of the units in the Fund. 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 at 31 December 2022.

	Dec 22 \$'000	Dec 21 \$'000
Net assets attributable to shareholders of the Group	9,073	-
Net assets attributable to External Investors	8,201	-
Net assets held in controlled Fund	17,274	-
Comprising:		
Current assets		
Cash and cash equivalents - controlled Fund	13,055	-
Financial assets at fair value through profit or loss	8,313	-
Other financial assets	45	-
Total current assets	21,413	-
Current liabilities		
Trade and other payables	47	-
Interest-bearing loans and borrowings	2,003	-
Financial liabilities at fair value through profit or loss	2,089	-
Total current liabilities	4,139	-
Net assets held in controlled Fund	17,274	-

At 31 December 2022, external investors held 47% (2021: Nil) of the units in the Fund. While external fund 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

	Note	Dec 22 \$'000	Jun 22 \$'000
Cash and cash equivalents - controlled Fund		6,198	-
Other financial assets		21	-
Financial assets at amortised cost	12	6,219	-
Financial assets at fair value through profit or loss	12	3,947	-
Trade and other payables		(22)	-
Interest-bearing loans and borrowings		(951)	-
Financial liabilities at amortised cost	12	(973)	-
Financial liabilities at fair value through profit or loss	12	(992)	-
Net assets attributable to external investors in the Fund	12	8,201	-

14. CONTRIBUTED EQUITY

	Consolidated	
	Dec 22	Jun 22
	\$'000	\$'000
Ordinary shares		
Ordinary shares at the beginning of the financial period	10,590	11,622
Employee share options exercised	26	937
Shares acquired under a share buy-back scheme	-	(1,969)
	10,616	10,590

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	13,618,527	13,657,825
Employee share options exercised	2,500	71,250
Shares acquired under share buy-back scheme	-	(110,548)
Ordinary shares at the end of the financial period	13,621,027	13,618,527

15. RETAINED PROFITS

	Consolidated	
	Dec 22	Jun 22
Retained profits at the beginning of the financial period	193,867	180,031
Net profit attributable to members of the parent entity	5,134	26,191
Dividends and other equity distributions paid or payable	(6,130)	(12,355)
Retained profits at end of financial period	192,871	193,867

16. 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 22	Dec 21*
	\$'000	\$'000
Basic Earnings	5,134	7,981
Diluted Earnings	5,134	7,981
	Number	Number
Weighted average number of ordinary shares used in the calculation of basic EPS	13,621,027	13,631,935
Weighted average number of ordinary shares used in the calculation of diluted EPS	13,649,777	13,760,325
Basic EPS	37.7¢	58.2¢
Diluted EPS	37.6¢	58.0¢

* The comparative period has been restated because of the change in accounting policy to value investment property to fair value. Refer to note 2(c) for more information.

17. 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, funds management and general investing.

The **Building Materials** segment comprises Delta Corporation Limited which 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.

17. SEGMENT INFORMATION (continued)

The following table presents revenue and profit information regarding segments for the half-year periods ended 31 December 2022 and 31 December 2021.

	Automotive Leather		Group Investments		Building Materials		Consolidated	
	Dec 22 \$'000	Dec 21* \$'000	Dec 22 \$'000	Dec 21* \$'000	Dec 22 \$'000	Dec 21* \$'000	Dec 22 \$'000	Dec 21* \$'000
Revenue								
Revenue from contracts with customers	62,793	56,091	1,876	4,199	13,988	8,369	78,657	68,659
Other revenue	9	4	4,773	4,503	15	-	4,797	4,507
Total Revenue	62,802	56,095	6,649	8,702	14,003	8,369	83,454	73,166
Results								
Profit after tax attributable to owners of the parent	4,778	7,476	1,823	2,275	345	(296)	6,946	9,455
Unallocated items:								
Corporate overheads							(2,597)	(2,364)
Profit of equity accounted investments							2	5
Income tax benefit							783	885
Net Profit for the period attributable to owners of the parent							5,134	7,981

* The comparative period has been restated because of the change in accounting policy to value investment property to fair value. Refer to note 2(c) for more information.

The following table presents assets held within the Group's operating segments as at 31 December 2022 and 30 June 2022.

	Automotive Leather		Group Investments		Building Materials		Consolidated	
	Dec 22 \$'000	Jun 22 \$'000	Dec 22 \$'000	Jun 22 \$'000	Dec 22 \$'000	Jun 22 \$'000	Dec 22 \$'000	Jun 22 \$'000
Segment Assets	152,744	139,356	232,665	212,566	18,440	16,241	403,849	368,163
Unallocated items:								
Cash - restricted							-	6,100
Property, plant and equipment							1,048	1,044
Other financial assets							305	335
Prepayments							195	100
Receivables							62	116
Total segment assets							405,459	375,858

Unallocated items comprise mainly corporate assets and head office expenses.

18. COMMITMENT AND CONTINGENT LIABILITIES

At 31 December 2022, the Group had capital commitments of \$1,770,000 (31 December 2021: \$2,698,000) in respect of the purchase of plant and equipment. The Group also had capital commitments of \$13,446,000 (31 December 2021: \$5,917,000) in respect of investment and property development, of which \$9,000,000 relates to civil infrastructure for the Group's Jandakot property.

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

19. SUBSEQUENT EVENTS

Subsequent to the end of the half-year, the Group declared a dividend of 45¢ per share totalling \$6,129,000 payable on 17 March 2023.

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.

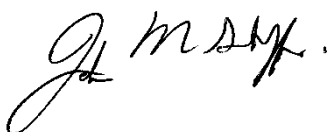
DIRECTORS' DECLARATION

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 2022 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, 22 February 2023

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 2022, I declare to the best of my knowledge and belief, there have been:

- a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the 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 G Dachs
Partner
22 February 2023

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 2022, 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 2022 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 2022 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.



Ernst & Young



Timothy G Dachs
Partner
Perth
22 February 2023