

## 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 2020**

Previous corresponding period

**31 DECEMBER 2019**

### For announcement to the market

				<i>\$'000</i>
Revenues from continuing operations	Up	10%	to	102,099
Net profit for the period attributable to members (statutory profit)	Up	66%	to	23,083
<b>DIVIDENDS</b>	Amount per security		Franked amount per security	
Final dividend	-		-	
Interim period	45¢		45¢	
Date the dividend is payable	12 March 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 CHES approved)	5 March 2021			

<b>NET TANGIBLE ASSET BACKING</b>		
<b>Consolidated Entity</b>	<b>2020</b>	2019
Net tangible assets <sup>1</sup> \$'000	<b>130,660</b>	110,583
Fully paid ordinary shares on issue at balance date	<b>13,620,325</b>	13,673,310
Net tangible asset backing per issued ordinary share as at balance date	<b>\$9.59</b>	\$8.09

<sup>1</sup>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

#### 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 2020**

## FINANCIAL REPORT

For the Half-Year Ended 31 December 2020

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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 2020 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 five Directors' meetings were held. The number of meetings attended by each Director is as follows:

	<b>Meetings eligible to attend</b>	<b>Meetings attended</b>
J M Schaffer	5	5
D E Blain	5	5
D J Schwartz	5	5
A K Mayer	5	3
M D Perrott	5	5

## **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 increased by 10% from \$92,711,000 for the comparative period to \$102,099,000 this half-year.

The net after tax consolidated profit attributable to members of the parent entity increased from \$13,942,000 for the comparative period to \$23,083,000.

Covid-19 continued to impact the consolidated entity's manufacturing businesses during the first half of the 2021 financial year. While international sales volumes for the Automotive Leather division recovered strongly by the end of the half-year, the division was impacted by Covid-19, with lockdowns implemented by the government in Victoria, Australia. In addition, supply chains continue to be impacted by Covid-19 with delivery times being extended and necessary actions taken to mitigate these impacts. For Delta, the construction industry is recovering from initial project delays. However, due to Covid-19 and the related hard border closures in Western Australia, labour shortages of skilled employees and increased labour costs have been challenging.

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.

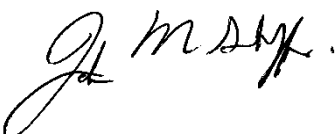
## **ROUNDING**

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, 17 February 2021

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2020**

		<b>Consolidated</b>	
	Note	<b>Dec 2020</b>	Dec 2019
		<b>\$'000</b>	<b>\$'000</b>
<b>Revenue</b>			
Revenue from contracts with customers	3	98,221	89,029
Rental income	4(a)	2,675	2,832
Finance income	4(b)	194	293
Dividends and distributions		1,009	557
<b>Total revenue</b>		<b>102,099</b>	92,711
Cost of sales and services rendered		(67,092)	(64,309)
<b>Gross profit</b>		<b>35,007</b>	28,402
Share of profit/(loss) of associates		26	(7)
Other income	4(c)	14,954	4,946
Marketing expenses		(293)	(315)
Administrative expenses		(12,394)	(9,199)
<b>Profit before tax and finance costs</b>		<b>37,300</b>	23,827
Finance costs	4(b)	(1,097)	(1,166)
<b>Profit before income tax</b>		<b>36,203</b>	22,661
Income tax expense	10	(10,440)	(6,496)
<b>Net profit for the period</b>		<b>25,763</b>	16,165
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation loss attributable to parent		(1,693)	(94)
		<b>(1,693)</b>	(94)
<i>Items that may not be reclassified subsequently to profit or loss</i>			
Foreign currency translation loss attributable to non-controlling interest		(187)	(20)
		<b>(187)</b>	(20)
<b>Other comprehensive income for the period, net of tax</b>		<b>(1,880)</b>	(114)
<b>Total comprehensive income for the period</b>		<b>23,883</b>	16,051
<b>Profit for the period is attributable to:</b>			
Non-controlling interest		2,680	2,223
Owners of the parent		23,083	13,942
		<b>25,763</b>	16,165
<b>Total comprehensive income for the period is attributable to:</b>			
Non-controlling interest		2,493	2,203
Owners of the parent		21,390	13,848
		<b>23,883</b>	16,051
<b>Earnings per share (EPS)</b>			
Basic EPS		169.5¢	101.6¢
Diluted EPS		167.8¢	100.8¢

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2020**

		Consolidated	
	Note	Dec 2020 \$'000	Jun 2020 \$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	5	40,781	35,016
Trade and other receivables		32,852	17,496
Inventories	7	28,705	40,909
Contract assets		1,891	2,589
Prepayments and deposits		3,501	2,075
Derivative financial instruments		77	166
Other financial assets	6	4,364	-
<b>Total current assets</b>		<b>112,171</b>	<b>98,251</b>
<b>Non-current assets</b>			
Property, plant and equipment		13,109	13,637
Inventories	7	1,756	-
Investment properties	12	30,784	31,794
Right-of-use assets		36,042	37,834
Investment in associates		4,084	3,732
Deferred income tax asset		4,319	5,075
Goodwill	13	1,299	1,299
Other financial assets	14	65,848	51,536
<b>Total non-current assets</b>		<b>157,241</b>	<b>144,907</b>
<b>Total assets</b>		<b>269,412</b>	<b>243,158</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables		25,022	12,485
Contract liabilities		631	277
Interest-bearing loans and borrowings	8	11,200	13,499
Lease liabilities		6,481	5,438
Income tax payable		90	-
Provisions	9	8,103	6,804
Derivative financial instruments	14	986	1,762
<b>Total current liabilities</b>		<b>52,513</b>	<b>40,265</b>
<b>Non-current liabilities</b>			
Interest-bearing loans and borrowings	8	33,382	39,834
Lease liabilities		25,418	28,186
Deferred income tax liabilities		5,109	2,235
Provisions	9	12,416	8,839
<b>Total non-current liabilities</b>		<b>76,325</b>	<b>79,094</b>
<b>Total liabilities</b>		<b>128,838</b>	<b>119,359</b>
<b>Net assets</b>		<b>140,574</b>	<b>123,799</b>
<b>Equity</b>			
Equity attributable to equity holders of the parent			
Issued capital	15	11,265	11,227
Reserves		1,854	3,488
Retained earnings	16	118,840	100,522
Total parent entity interest in equity		131,959	115,237
Non-controlling interests		8,615	8,562
<b>Total equity</b>		<b>140,574</b>	<b>123,799</b>

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 2020**

	<b>Attributable to Equity Holders of the Parent</b>							
	<b>Issued Capital</b>	<b>Retained Earnings</b>	<b>Reserves</b>			<b>Total</b>	<b>Non- controlling interest</b>	<b>Total equity</b>
	\$'000	\$'000	Asset re- valuation \$'000	Share based payments \$'000	Foreign currency translation \$'000	\$'000		
<b>At 1 July 2020</b>	11,227	100,522	2,585	(792)	1,695	115,237		
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
<b>Transactions with owners in their capacity as owners:</b>								
Employee share options exercised	38	-	-	-	-	38	-	38
Share-based payments	-	-	-	59	-	59	-	59
Equity dividends	-	(4,765)	-	-	-	(4,765)	(2,440)	(7,205)
<b>At 31 December 2020</b>	<b>11,265</b>	<b>118,840</b>	<b>2,585</b>	<b>(733)</b>	<b>2</b>	<b>131,959</b>	<b>8,615</b>	<b>140,574</b>
<b>At 1 July 2019</b>	13,991	88,643	2,585	(882)	1,275	105,612	10,432	116,044
Profit for the half-year	-	13,942	-	-	-	13,942	2,223	16,165
Other comprehensive income	-	-	-	-	(94)	(94)	(20)	(114)
Total comprehensive income for the year	-	13,942	-	-	(94)	13,848	2,203	16,051
<b>Transactions with owners in their capacity as owners:</b>								
Shares acquired under buy-back scheme	(2,333)	-	-	-	-	(2,333)	-	(2,333)
Employee share options exercised	226	-	-	-	-	226	-	226
Share-based payments	-	-	-	44	-	44	-	44
Equity dividends	-	(5,515)	-	-	-	(5,515)	(3,410)	(8,925)
<b>At 31 December 2019</b>	<b>11,884</b>	<b>97,070</b>	<b>2,585</b>	<b>(838)</b>	<b>1,181</b>	<b>111,882</b>	<b>9,225</b>	<b>121,107</b>

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 2020**

	Note	Consolidated	
		Dec 2020 \$'000	Dec 2019 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		80,678	89,717
Payments to suppliers – land development		(1,269)	-
Payments to suppliers and employees - other		(45,868)	(72,785)
Acquisition of current financial assets at fair value through profit or loss		(2,917)	-
Proceeds on disposal of current financial assets at fair value through profit or loss		324	-
Interest received		138	293
Dividends and distributions received		814	279
Rental income		2,675	2,832
Government subsidies		1,346	-
Interest paid		(1,097)	(1,166)
Income taxes paid		(4,967)	(8,910)
Goods and services tax paid		(343)	(283)
Proceeds from exercise of employee share options		38	226
<b>Net cash flows from operating activities</b>		<b>29,552</b>	<b>10,203</b>
<b>Cash flows from investing activities</b>			
Investment in term deposits		(650)	(6,000)
Proceeds on maturity of term deposits		-	19,000
Acquisition of property, plant and equipment		(2,691)	(4,297)
Proceeds on sale and leaseback of property, plant and equipment		1,841	840
Proceeds on sale of property, plant and equipment		-	226
Improvements to investment properties		(1,479)	(1,250)
Acquisition of non-current financial assets at fair value through profit or loss		(3,867)	(12,542)
Proceeds on disposal of non-current financial assets at fair value through profit or loss		1,232	2,030
Capital distributions from financial assets at fair value through profit or loss		392	113
Investments in associates		(518)	(2,529)
<b>Net cash flows used in investing activities</b>		<b>(5,740)</b>	<b>(4,409)</b>
<b>Cash flows from financing activities</b>			
Lease principal payments		(2,404)	(3,417)
Dividends paid	11	(7,205)	(7,731)
Proceeds from borrowings		552	21,194
Repayment of borrowings		(9,303)	(7,187)
Shares acquired under share buy-back scheme		-	(2,333)
<b>Net cash flows (used in)/from financing activities</b>		<b>(18,360)</b>	<b>526</b>
<b>Net increase in cash and cash equivalents</b>		<b>5,452</b>	<b>6,320</b>
Net foreign exchange differences		313	(114)
Cash and cash equivalents at the beginning of the period		35,016	17,371
<b>Cash and cash equivalents at the end of the period</b>	5(a)	<b>40,781</b>	<b>23,577</b>

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

**NOTES TO THE HALF-YEAR FINANCIAL REPORT  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020**

**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 2020 was authorised for issue in accordance with a resolution of the Directors on 16 February 2021. 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 2020 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 2020 and considered together with any public announcements made by Schaffer Corporation Limited during the half-year ended 31 December 2020 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 2020,

The Group adopted all the new and revised standards and interpretations that were effective 1 July 2020 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**

	<b>Consolidated</b>	
	<b>Dec 2020</b>	<b>Dec 2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Revenue from contracts with customers	<b>98,221</b>	89,029
<b>Total revenue from contracts with customers</b>	<b>98,221</b>	89,029

**For the half-year ended 31 December 2020**

	<b>Automotive Leather</b>	<b>Group Investments</b>	<b>Building Materials</b>	<b>Total</b>
<b>Segments</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Type of goods or service</b>				
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
<b>Total revenue from contracts with customers</b>	<b>88,780</b>	<b>520</b>	<b>8,921</b>	<b>98,221</b>

**Geographical Markets**

Europe	62,509	-	-	62,509
Asia	26,271	-	-	26,271
Australia	-	520	8,921	9,441
<b>Total revenue from contracts with customers</b>	<b>88,780</b>	<b>520</b>	<b>8,921</b>	<b>98,221</b>

**Timing of revenue recognition**

Goods transferred at a point in time	88,780	520	-	89,300
Services transferred over time	-	-	8,921	8,921
<b>Total revenue from contracts with customers</b>	<b>88,780</b>	<b>520</b>	<b>8,921</b>	<b>98,221</b>

**For the half-year ended 31 December 2019**

	<b>Automotive Leather</b>	<b>Group Investments</b>	<b>Building Materials</b>	<b>Total</b>
<b>Segments</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Type of goods or service</b>				
Sale of automotive leather components	78,482	-	-	78,482
Construction services	-	-	7,612	7,612
Transport services	-	-	2,506	2,506
Sale of goods - hospitality business	-	429	-	429
<b>Total revenue from contracts with customers</b>	<b>78,482</b>	<b>429</b>	<b>10,118</b>	<b>89,029</b>

**Geographical Markets**

Europe	60,246	-	-	60,246
Asia	18,236	-	-	18,236
Australia	-	429	10,118	10,547
<b>Total revenue from contracts with customers</b>	<b>78,482</b>	<b>429</b>	<b>10,118</b>	<b>89,029</b>

**Timing of revenue recognition**

Goods transferred at a point in time	78,482	429	-	78,911
Services transferred over time	-	-	10,118	10,118
<b>Total revenue from contracts with customers</b>	<b>78,482</b>	<b>429</b>	<b>10,118</b>	<b>89,029</b>

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 2020.

#### 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:

	<b>Consolidated</b>	
	<b>Dec 2020</b>	<b>Dec 2019</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>(a) Net rental income</b>		
Rental property income	2,675	2,832
Rental property expenses	(1,730)	(1,629)
Net rental income	<u>945</u>	<u>1,203</u>
<b>(b) Finance (costs)/income</b>		
Interest on loans	(749)	(744)
Interest on leases	(348)	(422)
Total finance costs	<u>(1,097)</u>	<u>(1,166)</u>
Interest on cash and term deposits	194	293
Total finance income	<u>194</u>	<u>293</u>
<b>(c) Other income/(losses)</b>		
Unrealised gains on other financial assets at fair value through profit or loss	13,528	4,652
Realised gains on other financial assets at fair value through profit or loss	360	6
(Loss)/gain on disposal of property, plant and equipment	(99)	46
Government subsidies	1,346	-
Net (loss)/gain on derivatives	(478)	605
Foreign currency losses	(1,453)	(1,091)
Foreign currency gains	1,750	728
	<u>14,954</u>	<u>4,946</u>
<b>(d) Depreciation, amortisation and impairment included in statement of comprehensive income</b>		
Depreciation and amortisation included in:		
Cost of sales	3,481	3,501
Rental property expenses	355	347
Marketing and administrative expenses	21	31
	<u>3,857</u>	<u>3,879</u>
<b>(e) Employee benefit expense</b>		
Wages, salaries and bonuses	16,850	18,651
Post-employment benefit provisions	4,850	1,423
Long service leave provisions	71	93
Worker's compensation costs	213	166
Superannuation costs	517	507
Expense of share-based payments	59	44
	<u>22,560</u>	<u>20,884</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:

	<b>Consolidated</b>	
	<b>Dec 2020</b>	<b>Dec 2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Cash on hand and at bank	40,781	23,577
<b>Total cash at end of period</b>	<b>40,781</b>	<b>23,577</b>

### (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 \$78,718,000, (June 2020: \$77,416,000). The value of unutilised facilities for the Group at balance date was \$20,950,000 (June 2020: \$12,219,000).

## 6. OTHER FINANCIAL ASSETS - CURRENT

	<b>Consolidated</b>	
	<b>Dec 2020</b>	<b>Jun 2020</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Financial assets at amortised cost</i>		
Investments in term deposits (term 90 days or greater)	650	-
Interest-bearing loan receivable	647	-
<i>Financial assets at fair value through profit or loss</i>		
Listed equity shares held for trading	2,834	-
Unlisted investment in property unit trust	233	-
	<b>4,364</b>	<b>-</b>

## 7. INVENTORIES

### *Inventories at cost*

Inventories – manufacturing -current	27,122	40,909
Inventories – land - current	1,583	-
Inventories – land – non-current	1,756	-
	<b>30,461</b>	<b>40,909</b>

During the half-year the Group commenced the development of land at North Coogee, Western Australia, with the intention of selling titled residential lots. The cost of the land and development to 31 December 2020 has been reclassified from investment property to inventory.

## 8. INTEREST-BEARING LOANS AND BORROWINGS

Interest-bearing loans and borrowings - current	11,200	13,499
Interest-bearing loans and borrowings - non-current	33,382	39,834
	<b>44,582</b>	<b>53,333</b>

## 9. PROVISIONS

Provisions - current	8,103	6,804
Provisions - non-current	12,416	8,839
	<b>20,519</b>	<b>15,643</b>

## 10. INCOME TAX

The major components of income tax expense for the half-year ended 31 December 2020 and 31 December 2019 are:

	<b>Consolidated</b>	
	<b>Dec 2020</b>	Dec 2019
	<b>\$'000</b>	\$'000
<b>Consolidated Statement of Comprehensive Income</b>		
<i>Current income tax</i>		
Current income tax charge	7,013	5,697
Adjustments in respect of current income tax of previous years	(203)	(50)
<i>Deferred income tax</i>		
<i>Relating to origination and reversal of temporary differences</i>	<b>3,630</b>	849
Total income tax expense for continuing operations	<b>10,440</b>	6,496
Income tax on items of other comprehensive income	-	-
<i>Income tax expense reported in the statement of comprehensive income</i>	<b>10,440</b>	6,496

## 11. DIVIDENDS PAID OR PROPOSED

Dividend declared and paid during the half-year on ordinary shares:

Final franked dividend for financial year 30 June 2020 35c (2019 - 40c)	<b>4,765</b>	5,515
Fully franked dividends paid by the parent	<b>4,765</b>	5,515
Dividend paid by controlling entity to minority shareholder	<b>2,440</b>	2,216
Total fully franked dividend paid	<b>7,205</b>	7,731
Fully franked dividend payable to minority shareholder at period end	-	1,194
Total fully franked dividends declared and paid	<b>7,205</b>	8,925

Dividends proposed but not yet recognised as a liability:

Interim franked dividend for the half-year 31 December 2020 45c (2019 – 45c)	<b>6,129</b>	6,153
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## 12. INVESTMENT PROPERTIES

	<b>Consolidated</b>	
	<b>Dec 2020</b>	Jun 2020
	<b>\$'000</b>	\$'000
Investment Properties at cost	<b>30,784</b>	31,794
<b>(a) Movement of Investment Properties</b>		
Carrying amount at the beginning of the financial period	<b>31,794</b>	29,576
Improvements to wholly owned property	<b>1,303</b>	991
Reclassification of wholly owned property to inventory	<b>(2,070)</b>	-
Improvements to property in which the Group is a tenant in common	<b>176</b>	850
Depreciation expense	<b>(419)</b>	(845)
Impairment reversal	-	1,222
Balance at the end of the financial period	<b>30,784</b>	31,794

**13. GOODWILL**

	<b>Consolidated</b>	
	<b>Dec 2020</b>	<b>Jun 2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Goodwill at cost	<b>1,299</b>	<b>1,299</b>

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.

No indicators of impairment were identified for the half-year ended 31 December 2020.

**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 2020 and 30 June 2020:

	<b>Consolidated</b>	
	<b>Dec 2020</b>	<b>Jun 2020</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Financial assets at amortised cost</b>		
Short-term deposits (terms over 90 days)	<b>650</b>	-
Trade and other receivables	<b>32,852</b>	17,496
Interest-bearing loans receivable	<b>2,617</b>	1,791
<b>Financial assets at fair value through profit or loss</b>		
Unlisted investments in property unit trusts and LLCs	<b>14,614</b>	15,348
Unlisted units in managed equity funds	<b>5,478</b>	4,418
Listed equity shares	<b>14,126</b>	7,714
Unlisted equity shares	<b>10,973</b>	9,244
Convertible notes	<b>21,754</b>	13,021
Derivatives not designated as hedging instruments		
Forward exchange contracts	<b>77</b>	166
<b>Total</b>	<b>103,141</b>	<b>69,198</b>
<b>Total current</b>	<b>37,293</b>	17,662
<b>Total non-current</b>	<b>65,848</b>	51,536
	<b>103,141</b>	<b>69,198</b>

Set out below, is an overview of financial liabilities held by the Group at 31 December 2020 and 30 June 2020:

	<b>Consolidated</b>	
	<b>Dec 2020</b>	Jun 2020
	<b>\$'000</b>	\$'000
<b>Financial liabilities at amortised cost</b>		
Trade and other payables	<b>25,022</b>	12,485
Current interest-bearing loans and borrowings		
Bank loans - Property	<b>10,671</b>	13,499
Margin lending loan - Investments	<b>529</b>	-
Non-current interest-bearing loans and borrowings		
Revolving loan facility – Automotive Leather	<b>15,776</b>	25,079
Bank loans - Property	<b>17,606</b>	14,755
Current lease liabilities	<b>6,481</b>	5,438
Non-current lease liabilities	<b>25,418</b>	28,186
<b>Financial liabilities at fair value through profit or loss</b>		
Derivatives not designated as hedging instruments		
Forward exchange contracts	<b>359</b>	1,091
Interest rate swaps	<b>627</b>	671
<b>Total</b>	<b>102,489</b>	101,204
Total current	<b>43,689</b>	31,422
Total non-current	<b>58,800</b>	69,782
	<b>102,489</b>	101,204

### **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
<b>At 31 December 2020</b>				
<b>Consolidated</b>				
<b>Financial Assets at fair value</b>				
Listed investments	14,126	-	-	14,126
Unlisted investments	5,478	21,754	25,587	52,819
<i>Derivative instruments</i>				
Foreign exchange contracts	-	77	-	77
	<u>19,604</u>	<u>21,831</u>	<u>25,587</u>	<u>67,022</u>
<b>Financial Liabilities at fair value</b>				
<i>Derivative instruments</i>				
Foreign exchange contracts	-	359	-	359
Interest rate swaps	-	627	-	627
	<u>-</u>	<u>986</u>	<u>-</u>	<u>986</u>
<b>At 30 June 2020</b>				
<b>Consolidated</b>				
<b>Financial Assets at fair value</b>				
Listed investments	7,714	-	-	7,714
Unlisted investments	4,418	13,021	24,592	42,031
<i>Derivative instruments</i>				
Foreign exchange contracts	-	166	-	166
	<u>12,132</u>	<u>13,187</u>	<u>24,592</u>	<u>49,911</u>
<b>Financial Liabilities at fair value</b>				
<i>Derivative instruments</i>				
Foreign exchange contracts	-	1,091	-	1,091
Interest rate swaps	-	671	-	671
	<u>-</u>	<u>1,762</u>	<u>-</u>	<u>1,762</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 2020 of the Group's original \$2,000,000 investment in convertible notes in Harvest Technology Group ("HTG").

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 \$0.235, which is below the \$0.32 closing share price of HTG at 31 December 2020. The discount to the closing price takes into consideration the significant volume of HTG shares held by the Group and the mid-June 2020 \$10,000,000 capital raise by HTG whereby they raised equity from shareholders at a 25% discount to the 10-day VWAP.

At 31 December 2020, the convertible notes have been recognised at \$21,754,000 comprising the option valuation of \$19,408,000 and a debt component of \$2,345,000. The profit and loss for the half-year ending 31 December 2020 includes an unrealised pre-tax gain on the investments of \$10,911,000 and interest received of \$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**

	<b>Consolidated</b>	
	<b>Dec 2020</b>	Jun 2020
	<b>\$'000</b>	\$'000
Balance at the beginning of the financial period.	<b>24,592</b>	22,920
Purchase of units in unlisted unit trusts and LLC's	<b>2,199</b>	7,548
Proceeds from divestments	<b>(1,232)</b>	(3,169)
Capital distribution	<b>(392)</b>	(136)
Foreign currency translation adjustment	<b>(763)</b>	177
Remeasurement recognised in profit and loss	<b>1,183</b>	(2,748)
<b>Balance at the end of the financial period</b>	<b>25,587</b>	24,592

**15. CONTRIBUTED EQUITY**

	<b>Consolidated</b>	
	<b>Dec 2019</b>	Jun 2020
	<b>\$'000</b>	\$'000
<b>Ordinary shares</b>		
Ordinary shares at the beginning of the financial period	11,227	13,991
Employee share options exercised	38	402
Shares acquired under a share buy-back scheme	-	(3,166)
	<b>11,265</b>	<b>11,227</b>

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

*Movement in ordinary shares on issue*

	<b>Number of</b>	Number of
	<b>Shares</b>	Shares
Ordinary shares at the beginning of the financial period	<b>13,615,325</b>	13,809,152
Employee share options exercised	<b>5,000</b>	42,500
Shares acquired under share buy-back scheme	-	(236,327)
<b>Ordinary shares at the end of the financial period</b>	<b>13,620,325</b>	<b>13,615,325</b>

**16. CONSOLIDATED RETAINED PROFITS**

	<b>Consolidated</b>	
	<b>Dec 2019</b>	Jun 2020
	<b>\$'000</b>	\$'000
Retained profits at the beginning of the financial period	<b>100,522</b>	88,643
Net profit attributable to members of the parent entity	<b>23,083</b>	23,550
Dividends and other equity distributions paid or payable	<b>(4,765)</b>	(11,671)
<b>Retained profits at end of financial period</b>	<b>118,840</b>	<b>100,522</b>

**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:

	<b>Consolidated</b>	
	<b>Dec 2020</b>	Dec 2019
	<b>\$'000</b>	\$'000
Basic Earnings	<b>23,083</b>	13,942
Diluted Earnings	<b>23,083</b>	13,942
	<b>Number</b>	Number
Weighted average number of ordinary shares used in the calculation of basic EPS	<b>13,616,657</b>	13,718,012
Weighted average number of ordinary shares used in the calculation of diluted EPS	<b>13,760,325</b>	13,830,295
Basic EPS	<b>169.5¢</b>	101.6¢
Diluted EPS	<b>167.8¢</b>	100.8¢

## **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 2020 and 31 December 2019.

	Automotive Leather		Group Investments		Building Materials		Consolidated	
	Dec 2020 \$'000	Dec 2019 \$'000	Dec 2020 \$'000	Dec 2019 \$'000	Dec 2020 \$'000	Dec 2019 \$'000	Dec 2020 \$'000	Dec 2019 \$'000
<b>Revenue</b>								
Revenue from contracts with customers	88,780	78,482	520	429	8,921	10,118	98,221	89,029
Other revenue	7	3	3,870	3,676	1	3	3,878	3,682
<b>Total Revenue</b>							<b>102,099</b>	<b>92,711</b>
<b>Results</b>								
Net profit after tax	15,134	13,222	10,822	4,441	997	(165)	26,953	17,498
Less profit attributable to non-controlling interests	(2,547)	(2,225)	(132)	2	-	-	(2,679)	(2,223)
<b>Profit attributable to owners of the parent</b>	<b>12,587</b>	<b>10,997</b>	<b>10,690</b>	<b>4,443</b>	<b>997</b>	<b>(165)</b>	<b>24,274</b>	<b>15,275</b>
<b>Unallocated items:</b>								
Finance costs							10	(23)
Corporate overheads							(1,877)	(2,027)
Share of profit/(loss) of associates							11	(8)
Income tax benefit							665	725
<b>Net Profit for the period</b>							<b>23,083</b>	<b>13,942</b>
	<b>Dec 2020</b>	<b>Jun 2020</b>	<b>Dec 2020</b>	<b>Jun 2020</b>	<b>Dec 2020</b>	<b>Jun 2020</b>	<b>Dec 2020</b>	<b>Jun 2020</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Segment Assets</b>	<b>124,363</b>	<b>118,292</b>	<b>126,035</b>	<b>109,828</b>	<b>13,964</b>	<b>12,541</b>	<b>264,362</b>	<b>240,661</b>
Unallocated items:								
Property, plant and equipment							745	738
Other financial assets							4,084	311
Prepayments							149	29
Receivables							72	24
Deferred income tax assets							-	1,395
<b>Total segment assets</b>							<b>269,412</b>	<b>243,158</b>

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

## **19. COMMITMENT AND CONTINGENT LIABILITIES**

At 31 December 2020, the Group had capital commitment of \$2,793,000 (31 December 2019: \$1,135,000) in respect of the purchase of plant and equipment and \$3,891,000 (31 December 2019: \$2,873,000) 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 \$6,129,000 payable on 12 March 2021.

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.

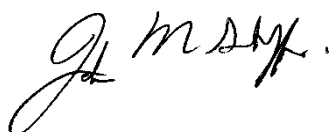
## DIRECTORS' DECLARATION

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 2020 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, 17 February 2021



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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 2020, I declare to the best of my knowledge and belief, there have been:

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

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

*Ernst & Young*

Ernst & Young

Philip Teale  
Partner  
17 February 2021





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## **Independent auditor's review report to the members of Schaffer Corporation Limited**

### **Report on the half-year financial report**

#### **Conclusion**

We have reviewed the accompanying half-year financial report of Schaffer Corporation Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 December 2020, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

- a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2020 and of its consolidated financial performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

#### **Directors' responsibility for the half-year financial report**

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

#### **Auditor's responsibility**

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2020 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.



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

## **Independence**

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

A handwritten signature in cursive script that reads "Ernst &amp; Young".

Ernst & Young

A handwritten signature in cursive script that reads "Philip Teale".

Philip Teale  
Partner  
Perth  
17 February 2021