

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

Revenues from continuing operations	Up	10%	to	\$'000 102,099
Net profit for the period attributable to members (statutory profit)	Up	66%	to	23,083
DIVIDENDS	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 CHESS approved)	5 March 2021			

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

¹Net 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:

	Meetings eligible to attend	Meetings attended
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.

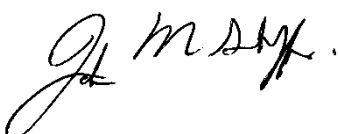
ROUNDING

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**

		Consolidated	
	Note	Dec 2020 \$'000	Dec 2019 \$'000
Revenue			
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
Total revenue		102,099	92,711
Cost of sales and services rendered		(67,092)	(64,309)
Gross profit		35,007	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)
Profit before tax and finance costs		37,300	23,827
Finance costs	4(b)	(1,097)	(1,166)
Profit before income tax		36,203	22,661
Income tax expense	10	(10,440)	(6,496)
Net profit for the period		25,763	16,165
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation loss attributable to parent		(1,693)	(94)
		(1,693)	(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)
Other comprehensive income for the period, net of tax		(1,880)	(114)
Total comprehensive income for the period		23,883	16,051
Profit for the period is attributable to:			
Non-controlling interest		2,680	2,223
Owners of the parent		23,083	13,942
		25,763	16,165
Total comprehensive income for the period is attributable to:			
Non-controlling interest		2,493	2,203
Owners of the parent		21,390	13,848
		23,883	16,051
Earnings per share (EPS)			
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
Assets			
Current assets			
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	-
Total current assets		112,171	98,251
Non-current assets			
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
Total non-current assets		157,241	144,907
Total assets		269,412	243,158
Liabilities			
Current liabilities			
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
Total current liabilities		52,513	40,265
Non-current liabilities			
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
Total non-current liabilities		76,325	79,094
Total liabilities		128,838	119,359
Net assets		140,574	123,799
Equity			
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
Total equity		140,574	123,799

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**

At 1 July 2020

Profit for the half-year

Other comprehensive income

Total comprehensive income for the year

Transactions with owners in their capacity as owners:

Employee share options exercised

Share-based payments

Equity dividends

At 31 December 2020

At 1 July 2019

Profit for the half-year

Other comprehensive income

Total comprehensive income for the year

Transactions with owners in their capacity as owners:

Shares acquired under buy-back scheme

Employee share options exercised

Share-based payments

Equity dividends

At 31 December 2019

Attributable to Equity Holders of the Parent							
Issued Capital	Retained Earnings	Reserves			Total		
\$'000	\$'000	Asset re-valuation \$'000	Share based payments \$'000	Foreign currency translation \$'000	\$'000	Non-controlling interest \$'000	Total equity \$'000
11,227	100,522	2,585	(792)	1,695	115,237	8,562	123,799
-	23,083	-	-	-	23,083	2,680	25,763
-	-	-	-	(1,693)	(1,693)	(187)	(1,880)
-	23,083	-	-	(1,693)	21,390	2,493	23,883
38	-	-	-	-	38	-	38
-	-	-	59	-	59	-	59
-	(4,765)	-	-	-	(4,765)	(2,440)	(7,205)
11,265	118,840	2,585	(733)	2	131,959	8,615	140,574
13,991	88,643	2,585	(882)	1,275	105,612	10,432	116,044
-	13,942	-	-	-	13,942	2,223	16,165
-	-	-	-	(94)	(94)	(20)	(114)
-	13,942	-	-	(94)	13,848	2,203	16,051
(2,333)	-	-	-	-	(2,333)	-	(2,333)
226	-	-	-	-	226	-	226
-	-	-	44	-	44	-	44
-	(5,515)	-	-	-	(5,515)	(3,410)	(8,925)
11,884	97,070	2,585	(838)	1,181	111,882	9,225	121,107

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

		Consolidated	
	Note	Dec 2020 \$'000	Dec 2019 \$'000
Cash flows from operating activities			
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
Net cash flows from operating activities		29,552	10,203
Cash flows from investing activities			
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)
Net cash flows used in investing activities		(5,740)	(4,409)
Cash flows from financing activities			
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)
Net cash flows (used in)/from financing activities		(18,360)	526
Net increase in cash and cash equivalents		5,452	6,320
Net foreign exchange differences		313	(114)
Cash and cash equivalents at the beginning of the period		35,016	17,371
Cash and cash equivalents at the end of the period	5(a)	40,781	23,577

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

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

For the half-year ended 31 December 2020

Segments	Automotive	Group	Building	
Type of goods or service	Leather	Investments	Materials	Total
	\$'000	\$'000	\$'000	\$'000
Sale of automotive leather components	88,780	-	-	88,780
Construction services	-	-	7,722	7,722
Transport services	-	-	1,199	1,199
Sale of goods - hospitality business	-	520	-	520
Total revenue from contracts with customers	88,780	520	8,921	98,221

Geographical Markets

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

Timing of revenue recognition

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

For the half-year ended 31 December 2019

Segments	Automotive	Group	Building	
Type of goods or service	Leather	Investments	Materials	Total
	\$'000	\$'000	\$'000	\$'000
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
Total revenue from contracts with customers	78,482	429	10,118	89,029

Geographical Markets

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

Timing of revenue recognition

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

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:

	Consolidated	
	Dec 2020	Dec 2019
	\$'000	\$'000
(a) Net rental income		
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) Finance (costs)/income		
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	<u>194</u>	<u>293</u>
Total finance income	<u>194</u>	<u>293</u>
(c) Other income/(losses)		
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>
(d) Depreciation, amortisation and impairment included in statement of comprehensive income		
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>
(e) Employee benefit expense		
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:

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

(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

	Consolidated	
	Dec 2020	Jun 2020
	\$'000	\$'000
<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	-
	4,364	-

7. INVENTORIES

Inventories at cost

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

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
	44,582	53,333

9. PROVISIONS

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

10. INCOME TAX

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

	Consolidated	
	Dec 2020	Dec 2019
	\$'000	\$'000
Consolidated Statement of Comprehensive Income		
<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>	3,630	849
Total income tax expense for continuing operations	10,440	6,496
Income tax on items of other comprehensive income	-	-
<i>Income tax expense reported in the statement of comprehensive income</i>	10,440	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)

Fully franked dividends paid by the parent

Dividend paid by controlling entity to minority shareholder

Total fully franked dividend paid

Fully franked dividend payable to minority shareholder at period end

Total fully franked dividends declared and paid

	4,765	5,515
	4,765	5,515
	2,440	2,216
	7,205	7,731
	-	1,194
	7,205	8,925

Dividends proposed but not yet recognised as a liability:

Interim franked dividend for the half-year 31 December 2020 45c (2019 – 45c)

	6,129	6,153
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12. INVESTMENT PROPERTIES

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

13. GOODWILL

	Consolidated Dec 2020 \$'000	Jun 2020 \$'000
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Goodwill at cost	1,299	1,299
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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:

	Consolidated Dec 2020 \$'000	Jun 2020 \$'000
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Financial assets at amortised cost

Short-term deposits (terms over 90 days)	650	-
Trade and other receivables	32,852	17,496
Interest-bearing loans receivable	2,617	1,791

Financial assets at fair value through profit or loss

Unlisted investments in property unit trusts and LLCs	14,614	15,348
Unlisted units in managed equity funds	5,478	4,418
Listed equity shares	14,126	7,714
Unlisted equity shares	10,973	9,244
Convertible notes	21,754	13,021
Derivatives not designated as hedging instruments		
Forward exchange contracts	77	166

Total	103,141	69,198
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Total current	37,293	17,662
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Total non-current	65,848	51,536
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	103,141	69,198
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Set out below, is an overview of financial liabilities held by the Group at 31 December 2020 and 30 June 2020:

	Consolidated	
	Dec 2020	Jun 2020
	\$'000	\$'000
Financial liabilities at amortised cost		
Trade and other payables	25,022	12,485
Current interest-bearing loans and borrowings		
Bank loans - Property	10,671	13,499
Margin lending loan - Investments	529	-
Non-current interest-bearing loans and borrowings		
Revolving loan facility – Automotive Leather	15,776	25,079
Bank loans - Property	17,606	14,755
Current lease liabilities	6,481	5,438
Non-current lease liabilities	25,418	28,186
Financial liabilities at fair value through profit or loss		
Derivatives not designated as hedging instruments		
Forward exchange contracts	359	1,091
Interest rate swaps	627	671
Total	102,489	101,204
Total current	43,689	31,422
Total non-current	58,800	69,782
	102,489	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
At 31 December 2020				
Consolidated				
Financial Assets at fair value				
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>
Financial Liabilities at fair value				
<i>Derivative instruments</i>				
Foreign exchange contracts	-	359	-	359
Interest rate swaps	-	627	-	627
	<u>-</u>	<u>986</u>	<u>-</u>	<u>986</u>
At 30 June 2020				
Consolidated				
Financial Assets at fair value				
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>
Financial Liabilities at fair value				
<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

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

15. CONTRIBUTED EQUITY

	Consolidated	
	Dec 2019	Jun 2020
	\$'000	\$'000
Ordinary shares		
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)
	11,265	11,227

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

Movement in ordinary shares on issue

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

16. CONSOLIDATED RETAINED PROFITS

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

17. EARNINGS PER SHARE (EPS)

Details of basic and diluted EPS reported separately are as follows:

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

	Consolidated	
	Dec 2020	Dec 2019
	\$'000	\$'000
Basic Earnings	23,083	13,942
Diluted Earnings	23,083	13,942
	Number	Number
Weighted average number of ordinary shares used in the calculation of basic EPS	13,616,657	13,718,012
Weighted average number of ordinary shares used in the calculation of diluted EPS	13,760,325	13,830,295
Basic EPS	169.5¢	101.6¢
Diluted EPS	167.8¢	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
Revenue								
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
Total Revenue							102,099	92,711
Results								
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)
Profit attributable to owners of the parent	12,587	10,997	10,690	4,443	997	(165)	24,274	15,275
Unallocated items:								
Finance costs							10	(23)
Corporate overheads							(1,877)	(2,027)
Share of profit/(loss) of associates							11	(8)
Income tax benefit							665	725
Net Profit for the period							23,083	13,942
Segment Assets	Dec 2020 \$'000	Jun 2020 \$'000	Dec 2020 \$'000	Jun 2020 \$'000	Dec 2020 \$'000	Jun 2020 \$'000	Dec 2020 \$'000	Jun 2020 \$'000
	124,363	118,292	126,035	109,828	13,964	12,541	264,362	240,661
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
Total segment assets							269,412	243,158

(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.

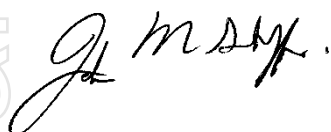
DIRECTORS' DECLARATION

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.

Ernst & Young

Ernst & Young

Philip Teale
Partner
Perth
17 February 2021