

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 2023

Previous corresponding period

31 DECEMBER 2022

For announcement to the market

Revenues from ordinary activities	Up	35%	to	\$'000 112,894
Net profit for the period attributable to members (statutory profit)	Up	72%	to	8,835
DIVIDENDS		Amount per security		Franked amount per security
Final dividend		-		-
Interim period		45¢		45¢
Date the dividend is payable		15 March 2024		
Record date to determine entitlements to the dividend (i.e. based on security holding balances established by 5:00pm or such later time permitted by SCH Business Rules – securities are CHESS approved)		8 March 2024		

NET TANGIBLE ASSET BACKING		
Consolidated Entity	Dec 2023	Dec 2022
Net tangible assets ¹ \$'000	\$200,900	\$206,191
Fully paid ordinary shares on issue at balance date	13,569,557	13,621,027
Net tangible asset backing per issued ordinary share as at balance date	\$14.81	\$15.14

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.

STATUS OF AUDIT
The Half-Year Report is based on accounts that have been reviewed.



Schaffer Corporation Limited

ACN 008 675 689

FINANCIAL REPORT
FOR THE HALF-YEAR ENDED
31 DECEMBER 2023

FINANCIAL REPORT

For the Half-Year Ended 31 December 2023

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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 2023 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 35% to \$112,894,000 compared to \$83,454,000 for the comparative half-year period. The consolidated net profit after tax attributable to members of the parent entity increased 72% from \$5,134,000 for the comparative period to \$8,835,000.

The result reflects an improved first half for the Automotive Leather division as a delayed major leather supply program finally launched. The increase in supply during the half has decreased inventory levels, that were built up in anticipation of the delayed program, thereby increasing cash flow from operations and decreasing net debt.

Delta's profit improved due to the increased quantity of civil infrastructure projects in Western Australia and operational efficiencies. The comparative period profit for Delta was negatively affected by the design and engineering complexity on a large project.

Group Investments' profit reduced compared to the comparative half-year due to larger aggregate unrealised losses on equity investments and no sales of land at Beachside, North Coogee during the half-year.

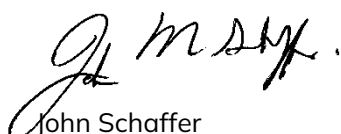
ROUNDING

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 25 of this half-year financial report.

Signed in accordance with a resolution of the Directors.



John Schaffer
Managing Director
Perth, 21 February 2024

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2023**

		Dec 2023 \$'000	Dec 2022 \$'000
	Note		
Revenue			
Revenue from contracts with customers	3	108,002	78,657
Rental income	4(a)	3,485	3,222
Dividends and distributions		806	1,158
Finance income	4(b)	601	417
Total revenue		112,894	83,454
Cost of sales and services rendered		(84,130)	(63,409)
Rental property expenses		(1,746)	(1,609)
Gross profit		27,018	18,436
Share of profit in equity accounted investments		65	298
Other income	4(c)	(2,173)	(2,033)
Marketing expenses		(269)	(334)
Administrative expenses		(8,656)	(6,223)
Profit before tax and finance costs		15,985	10,144
Finance costs	4(b)	(1,784)	(1,214)
Profit before income tax		14,201	8,930
Income tax expense	9	(3,794)	(2,564)
Net profit for the period		10,407	6,366
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation (loss)/gain attributable to parent		(686)	585
		(686)	585
Items that may not be reclassified subsequently to profit or loss			
Foreign currency translation (loss)/gain attributable to non-controlling interest		(58)	83
Other comprehensive income for the period, net of tax		(744)	668
Total comprehensive income for the period		9,663	7,034
Profit for the period is attributable to:			
Non-controlling interest		1,572	1,232
Owners of the parent		8,835	5,134
		10,407	6,366
Total comprehensive income for the period attributable to:			
Non-controlling interest		1,514	1,315
Owners of the parent		8,149	5,719
		9,663	7,034
Earnings per share (EPS)			
Basic EPS	16	65.1 ¢	37.7 ¢
Diluted EPS	16	65.0 ¢	37.6 ¢

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023**

		Dec 2023 \$'000	Jun 2023 \$'000
ASSETS	Note		
Current assets			
Cash and cash equivalents	5	30,675	28,324
Cash and cash equivalents - controlled fund	5	8,313	10,802
Restricted cash	5	1,050	-
Trade and other receivables		28,663	35,808
Inventories	6	50,208	58,715
Contract assets		1,274	1,737
Prepayments and deposits		5,966	4,296
Financial assets at fair value through profit or loss	12	13,774	11,535
Other financial assets		3,083	1,966
Total current assets		143,006	153,183
Non-current assets			
Inventories	6	873	781
Contract assets		2,477	2,220
Financial assets at fair value through profit or loss	12	47,419	48,803
Other financial assets	12	1,992	1,749
Property, plant and equipment		18,118	17,535
Investment properties	11	143,982	140,458
Right-of-use assets		29,251	32,512
Equity accounted investments		7,743	7,834
Deferred income tax asset		5,538	5,251
Goodwill		1,299	1,299
Total non-current assets		258,692	258,442
Total assets		401,698	411,625
LIABILITIES			
Current liabilities			
Trade and other payables		23,787	21,333
Contract liabilities		1,152	1,348
Interest-bearing loans and borrowings	7	21,071	21,101
Lease liabilities		6,427	6,701
Financial liabilities at fair value through profit or loss		9,683	12,157
Income tax payable		31	1,625
Provisions		9,540	9,742
Total current liabilities		71,691	74,007
Non-current liabilities			
Interest-bearing loans and borrowings	7	43,389	50,297
Lease liabilities		17,764	20,047
Deferred income tax liabilities		29,303	29,647
Provisions	8	13,806	12,695
Total non-current liabilities		104,262	112,686
Total liabilities		175,953	186,693
Net assets		225,745	224,932
Equity			
Equity attributable to equity holders of the parent			
Issued capital	14	9,702	9,921
Reserves		4,240	4,926
Retained earnings	15	197,923	195,201
Total parent entity interest in equity		211,865	210,048
Non-controlling interests		13,880	14,884
Total equity		225,745	224,932

The above 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 2023

	Attributable to Equity Holders of the Parent						Non- controlling interests	Total equity
	Issued capital	Retained earnings	Reserves					
			Asset revaluation reserve	Share based payments - EPU's	Foreign currency translation reserve	Total		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 July 2023	9,921	195,201	2,585	(589)	2,930	210,048	14,884	224,932
Profit for the year	-	8,835	-	-	-	8,835	1,572	10,407
Other comprehensive income	-	-	-	-	(686)	(686)	(58)	(744)
Total comprehensive income for the year	-	8,835	-	-	(686)	8,149	1,514	9,663
Transactions with owners in their capacity as owners:								-
Shares acquired under buy-back scheme	(316)	-	-	-	-	(316)	-	(316)
Employee share options exercised	97	-	-	-	-	97	-	97
Equity dividends	-	(6,113)	-	-	-	(6,113)	(2,518)	(8,631)
At 31 December 2023	9,702	197,923	2,585	(589)	2,244	211,865	13,880	225,745
At 1 July 2022	10,590	193,867	2,585	(636)	1,446	207,852	13,133	220,985
Profit for the year	-	5,134	-	-	-	5,134	1,232	6,366
Other comprehensive income	-	-	-	-	585	585	83	668
Total comprehensive income for the year	-	5,134	-	-	585	5,719	1,315	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)	(1,262)	(7,392)
At 31 December 2022	10,616	192,871	2,585	(613)	2,031	207,490	13,186	220,676

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 2023**

	Dec 2023 \$'000	Dec 2022 \$'000
Note		
Cash flows from operating activities		
Receipts from customers	117,349	89,925
Payments to suppliers and employees	(83,866)	(96,279)
Interest received	528	333
Dividends and distributions received	576	1,007
Other revenue received	3,296	3,222
Government subsidies	40	284
Interest paid	(1,744)	(1,169)
Income taxes paid	(5,997)	(4,605)
Goods and services tax paid	(200)	(439)
Net cash flows from/(used in) operating activities	29,982	(7,721)
Cash flows from investing activities		
Investments in term deposits	(10,147)	(175)
Proceeds on maturity of term deposits	9,642	-
Acquisition of property, plant and equipment	(1,067)	(3,965)
Proceeds on sale of property, plant and equipment	-	342
Improvements to investment properties	(3,150)	(4,209)
Acquisition of non-current financial assets at fair value through profit or loss	(2,113)	(2,235)
Proceeds on disposal of non-current financial assets at fair value through profit or loss	323	1,720
Capital distributions from financial assets at fair value through profit or loss	181	1,068
Acquisition of non-current financial assets at amortised cost	(78)	(203)
Proceeds from repayment of loans receivable	-	500
Distributions from equity accounted investments	162	192
Acquisition of current financial assets at fair value through profit or loss - controlled fund	(11,558)	(14,205)
Proceeds on disposal of current financial assets at fair value - controlled fund	6,813	7,958
Net cash flows used in investing activities	(10,992)	(13,212)
Cash flows from financing activities		
Proceeds from borrowings	-	28,199
Repayment of borrowings	(7,010)	-
Lease principal repayments	(3,270)	(3,024)
Lease principal receipts	144	3,101
Dividends paid	(8,622)	(7,389)
Shares acquired under share buy-back scheme	(316)	-
Proceeds from exercise of employee share options	97	26
Application funds received from investors in controlled equity funds	1,450	2,050
Net cash flows (used in)/from financing activities	(17,527)	22,963
Net increase in cash and cash equivalents	1,463	2,030
Net foreign exchange differences	(551)	(277)
Cash and cash equivalents at the beginning of the period	39,126	43,985
Cash and cash equivalents at the end of the period	40,038	45,738

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 2023

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 2023 was authorised for issue in accordance with a resolution of the Directors on 20 February 2024. 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 2023 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 2023 and considered together with any public announcements made by Schaffer Corporation Limited during the half-year ended 31 December 2023 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 2023.

The Group adopted all the new and revised standards and interpretations that were effective 1 July 2023, 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

For the half-year ended 31 December 2023				
Segments	Automotive Leather	Group Investments	Building Materials	Total
Type of goods or service	\$000's	\$000's	\$000's	\$000's
Sale of automotive leather components	92,767	-	-	92,767
Construction services	-	-	10,614	10,614
Transport income	-	-	4,025	4,025
Sale of goods - hospitality business	-	596	-	596
Total revenue from contracts with customers	92,767	596	14,639	108,002
Geographical Markets				
Europe	76,877	-	-	76,877
Asia	15,890	-	-	15,890
Australia	-	596	14,639	15,235
Total revenue from contracts with customers	92,767	596	14,639	108,002
Timing of revenue recognition				
Goods transferred at a point in time	92,767	596	-	93,363
Services transferred over time	-	-	14,639	14,639
Total revenue from contracts with customers	92,767	596	14,639	108,002
Relating to prior period performance	-	-	-	-
Relating to current period performance	92,767	596	14,639	108,002
Total revenue from contracts with customers	92,767	596	14,639	108,002
For the half-year ended 31 December 2022				
Segments	Automotive Leather	Group Investments	Building Materials	Total
Type of goods or service	\$000's	\$000's	\$000's	\$000's
Sale of automotive leather components	62,793	-	-	62,793
Sale of land	-	1,363	-	1,363
Construction services	-	-	12,512	12,512
Transport income	-	-	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
Relating to prior period performance	-	-	-	-
Relating to current period performance	62,793	1,876	13,988	78,657
Total revenue from contracts with customers	62,793	1,876	13,988	78,657

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 2023 (31 December 2022: \$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 2023 \$'000	Dec 2022 \$'000
(a) Net rental income		
Rental property income	3,485	3,222
Rental property expenses	(1,746)	(1,609)
Net rental income	1,739	1,613
(b) Finance (costs)/income		
Interest on loans	(1,567)	(1,022)
Interest on leases	(217)	(192)
Total finance costs	(1,784)	(1,214)
Interest on cash and term deposits	601	417
Total finance income	601	417
(c) Other income/(losses)		
Net gain on investment property at fair value through profit or loss	379	600
Net losses on financial assets at fair value through profit or loss	(2,345)	(1,945)
Net (loss)/gain on financial liabilities at fair value through profit or loss	(91)	3
(Loss)/gain on disposal of property, plant and equipment	(51)	10
Government subsidies	27	284
Net (loss)/gain on derivatives	(172)	317
Foreign currency losses	(1,403)	(1,390)
Foreign currency gains	1,483	88
	(2,173)	(2,033)
(d) Depreciation, amortisation and impairment included in the consolidated statement of comprehensive income		
Depreciation included in:		
Cost of sales	4,255	3,687
Marketing and administrative expenses	66	35
Total depreciation	4,321	3,722
(e) Employee benefit expense		
Wages, salaries and bonuses	21,672	22,044
Post-employment benefits provisions increase/(decrease)	1,229	(612)
Long service leave provision increase/(decrease)	191	(90)
Worker's compensation costs	163	202
Superannuation costs	578	577
Share-based payments expense	-	23
	23,833	22,144

5. CASH AND CASH EQUIVALENTS

(a) Reconciliation of cash and cash equivalents

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

	Consolidated	
	Dec 2023 \$'000	Jun 2023 \$'000
Cash balance comprises:		
Cash at bank and on hand	30,675	28,324
Cash at bank and on hand - controlled fund	8,313	10,802
Cash and cash equivalents	38,988	39,126
Restricted cash	1,050	-
Closing cash balance per consolidated statement of cash flows	40,038	39,126

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.

The Group is established a second fund from 1 January 2024.

Restricted cash relates to cash received for investor applications to these funds which was paid into the funds during January 2024.

(b) Non-cash financing and investing activities

	Consolidated	
	Dec 2023 \$'000	Dec 2022 \$'000
Reinvestment of distributions from managed invest funds	239	115

(c) Financing facilities available

At balance date, the Group had bank facilities available to the extent of \$91,376,000, (June 2023: \$92,105,000).

The value of unutilised facilities for the Group at balance date was \$14,807,000 (June 2023: \$7,733,000).

6. INVENTORIES

	Consolidated	
	Dec 2023 \$'000	Jun 2023 \$'000
Current		
Raw materials – at cost	21,276	28,903
Work in progress – at cost	17,220	17,109
Finished goods – at cost	10,660	11,806
Land held for sale - at cost	1,052	897
	50,208	58,715
Non-current		
Land held for sale - at cost	873	781
Total inventory	51,081	59,496

7. BORROWINGS

	Consolidated	
	Dec 2023 \$'000	Jun 2023 \$'000
Current		
Syndicate bank loans - secured	21,071	21,101
Non- current		
Syndicate bank loans - secured	1,080	1,140
Other bank loan – secured	21,469	21,435
Revolving loan facility	20,840	27,722
Total interest- bearing loans and borrowings (non- current)	43,389	50,297
Total interest- bearing loans and borrowings	64,460	71,398

8. PROVISIONS

	Consolidated	
	Dec 2023 \$'000	Jun 2023 \$'000
Provision for employee entitlements		
Current	9,540	9,742
Non-current	13,806	12,695
Total	23,346	22,437

9. INCOME TAX

Amounts recognised in profit or loss

	Consolidated	
	Dec 2023 \$'000	Dec 2022 \$'000
Current tax expense		
Current year	4,507	3,180
Changes in estimates related to prior years	(324)	(163)
	4,183	3,017
Deferred tax expense		
Origination and reversal of temporary differences	(389)	(453)
Income tax expense recognised in profit or loss	3,794	2,564

10. DIVIDENDS PAID

	Consolidated	
	Dec 2023 \$'000	Dec 2022 \$'000
Dividends paid		
Dividends declared and paid during the half-year on ordinary shares:		
Fully franked dividends paid by the parent	6,113	6,130
Fully franked dividend paid by controlled entities to minority shareholders	2,518	-
Total fully franked dividends paid	8,631	6,130

11. INVESTMENT PROPERTIES

	Consolidated	
	Dec 2023 \$'000	Jun 2023 \$'000
Opening balance	140,458	128,371
Additions and improvements	3,150	11,972
Net gain from fair value measurement	374	115
Closing balance	143,982	140,458

12. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Set out below, is an overview of financial assets held by the Group at 31 December 2023 and 30 June 2023:

	Consolidated	
	Dec 2023 \$'000	Jun 2023 \$'000
Financial assets by nature:		
Financial assets at amortised cost		
<u>Current</u>		
Cash and cash equivalents	30,675	28,324
Cash and cash equivalents - controlled fund	8,313	10,802
Restricted cash	1,050	-
Trade and other receivables	28,663	35,808
Other financial assets at amortised cost	3,083	1,966
	71,784	76,900
<u>Non-current</u>		
Interest-bearing loans receivable	1,992	1,749
	73,776	78,649
Financial assets at fair value through profit or loss		
<u>Current</u>		
Listed equity shares and options held by controlled fund	13,144	11,175
<i>Derivatives not recognised as hedging instruments</i>		
Forward exchange contracts	382	239
Interest rate swaps	248	121
	13,774	11,535
<u>Non-current</u>		
Listed equity shares	1,489	2,746
Unlisted investments in property unit trusts and LLCs	20,951	18,428
Unlisted units in managed equity funds	7,959	7,976
Unlisted equity shares	13,466	14,920
Convertible notes	3,104	3,817
<i>Derivatives not recognised as hedging instruments</i>		
Interest rate swaps	450	917
Total	47,419	48,804
Total financial assets at fair value through profit or loss	61,193	60,339
Total financial assets	134,969	138,988

12. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

Set out below, is an overview of financial liabilities held by the Group at 31 December 2023 and 30 June 2023:

	Note	Consolidated	
		Dec 2023 \$'000	Jun 2023 \$'000
Financial liabilities by nature:			
Financial liabilities at amortised cost			
<u>Current</u>			
Trade and other payables		23,787	21,333
<i>Interest-bearing loans and borrowings</i>			
Bank loans - property		21,071	21,101
Lease liabilities		6,427	6,701
		51,285	49,135
<u>Non-current</u>			
<i>Interest-bearing loans and borrowings</i>			
Bank loans		22,549	22,575
Revolving loan facility		20,840	27,722
Lease liabilities		17,764	20,047
		61,153	70,344
Total financial liabilities at amortised cost		112,438	119,479
Financial liabilities at fair value through profit or loss			
<u>Current</u>			
Short equity positions held by controlled fund		183	3,090
Forward exchange contracts		-	57
Net assets attributable to external investors in controlled fund	13	9,500	9,010
Total financial liabilities at fair value through profit or loss		9,683	12,157
Total financial liabilities		122,121	131,636

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 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:

	Quoted market price Level 1 \$'000	Valuation technique market observable inputs Level 2 \$'000	Valuation technique non- market observable inputs Level 3 \$'000	Total \$'000
Period ended 31 December 2023				
Consolidated				
Financial assets				
<i>Financial assets at fair value</i>				
Listed investments	14,470	163	-	14,633
Unlisted investments	-	9,047	36,433	45,480
Derivative financial assets	-	1,080	-	1,080
	14,470	10,290	36,433	61,193
Financial liabilities				
<i>Financial liabilities at fair value</i>				
Listed financial instruments	183	-	-	183
Net assets attributable to external investors in controlled fund	-	9,500	-	9,500
	183	9,500	-	9,683
Year ended 30 June 2023				
Consolidated				
Financial assets				
<i>Financial assets at fair value</i>				
Listed investments	13,092	829	-	13,921
Unlisted investments	-	10,367	34,773	45,140
Derivative financial assets	-	1,277	-	1,277
	13,092	12,473	34,773	60,338
Financial liabilities				
<i>Financial liabilities at fair value</i>				
Listed financial instruments	3,090	-	-	3,090
Derivative financial liabilities	-	57	-	57
Net assets attributable to external investors in controlled fund	-	9,010	-	9,010
	3,090	9,067	-	12,157

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.

12. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

Level 2 assets include:

- i. The fair value as of 31 December 2023 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 2023 of the Group's net liability to external investors in a controlled fund.

The HTG notes are convertible at \$0.022 cents with an expiry date of 28 November 2024. The financial instruments are 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 notes has been valued using Black Scholes.

The share price used in the valuation is \$0.006 (30 June 2023: \$0.030), which is below the \$0.015 (30 June 2023: \$0.042) closing share price of HTG at 31 December 2023. 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 2023, the convertible notes have been recognised at \$2,098,000 (30 June 2023: \$3,469,000) comprising the option valuation of \$60,000 (30 June 2023: \$1,453,000) and a debt component of \$2,038,000 (30 June 2023: \$2,016,000). The profit and loss for the half-year ending 31 December 2023 includes a non-cash, unrealised pre-tax loss on the investments of \$2,133,000 (31 December 2022: \$2,344,000 pre-tax loss) and interest received of \$91,000 (31 December 2022: \$91,000).

Level 3 assets include unlisted equity investments and unlisted property investments.

- (a) Fair value for the unlisted property 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, or industry market research.
- (b) Unlisted equity investments include the Group's investment in Updater Incorporated. 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 2023 \$'000	Jun 2023 \$'000
Balance as at the start of the financial period	34,773	25,965
Purchases:		
Convertible notes	500	530
Managed equity funds	-	460
Unlisted shares	-	3,760
Unlisted property unit trusts and LLCs	1,613	922
Proceeds from divestments	(323)	(1,833)
Capital distributions	(182)	(1,185)
Reinvested distributions	10	-
Foreign currency translation adjustment	(459)	361
Remeasurement recognised in profit and loss	501	5,793
Balance at the end of the financial period	36,433	34,773

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 2023, the Group held 51% 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 2023.

	Dec 2023 \$'000	Jun 2023 \$'000
Reconciliation of net assets of controlled fund		
Net assets in controlled fund attributable to shareholders of the Group	9,773	9,683
Net assets in controlled fund attributable to external investors	9,500	9,010
Net assets held in controlled Fund	19,273	18,693
Comprising:		
Current assets		
Cash and cash equivalents - controlled fund	8,313	10,802
Financial assets at fair value through profit or loss	13,144	11,175
Other financial assets	77	75
Total current assets	21,534	22,052
Current liabilities		
Trade and other payables	2,078	269
Financial liabilities at fair value through profit or loss	183	3,090
Total current liabilities	2,261	3,359
Net assets held in controlled fund	19,273	18,693

13. NET ASSETS HELD IN CONTROLLED FUND (continued)

At 31 December 2023, external investors held 49% (June 2023: 48%) 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:

Comprising:

Current assets

Cash and cash equivalents - controlled fund
Other financial assets
Financial assets at fair value through profit or loss

Trade and other payables

Financial liabilities at fair value through profit or loss

Total liabilities

Net assets held in controlled fund

Dec 2023 \$'000	Jun 2023 \$'000
4,098	5,206
38	36
6,479	5,386
10,615	10,628
1,024	130
91	1,488
1,115	1,618
9,500	9,010

14. CONTRIBUTED EQUITY

Consolidated

Issued and paid-up capital

13,569,557 ordinary fully paid shares (June 2023 – 13,580,852)

Dec 2023 \$'000	Jun 2023 \$'000
9,702	9,921

15. RETAINED PROFITS

Consolidated

Retained earnings

Balance at the beginning of the period
Net profit attributable to members of the parent entity
Dividends provided for or paid
Balance at the end of the period

Dec 2023 \$'000	Jun 2023 \$'000
195,201	193,867
8,835	13,593
(6,113)	(12,259)
197,923	195,201

16. EARNINGS PER SHARE (EPS)

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

Consolidated

Basic earnings per share
Diluted earnings per share

Dec 2023	Dec 2022
65.1 ¢	37.7 ¢
65.0 ¢	37.6 ¢

16. EARNINGS PER SHARE (EPS) (continued)

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

	Consolidated	
	Dec 2023 \$'000	Dec 2022 \$'000
Net profit attributable to ordinary equity holders of the parent from continuing operations	8,835	5,134
Weighted average number of ordinary shares for basic earnings per share	13,574,057	13,621,027
Weighted average number of ordinary shares adjusted for the effect of dilution	13,590,807	13,649,777

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 monthly.

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 2023 and 31 December 2022.

Business segment information	Automotive Leather		Group Investments		Building Materials		Consolidated	
	Dec 2023 \$'000	Dec 2022 \$'000	Dec 2023 \$'000	Dec 2022 \$'000	Dec 2023 \$'000	Dec 2022 \$'000	Dec 2023 \$'000	Dec 2022 \$'000
Revenue								
Revenue from contracts with customers	92,767	62,793	596	1,876	14,640	13,988	108,002	78,657
Other revenue	11	9	4,832	4,773	48	15	4,892	4,797
Total revenue	92,778	62,802	5,428	6,649	14,688	14,003	112,894	83,454
Results								
Profit attributable to owners of the parent	7,830	4,778	477	1,823	2,220	345	10,527	6,946
Unallocated items								
Corporate overheads							(2,418)	(2,597)
Profit of equity accounted investments							1	2
Income tax benefit							725	783
Net profit for the period attributable to owners of the parent							8,835	5,134

The following table presents assets held within the Group's operating segments as at 31 December 2023 and 30 June 2023.

Assets	Automotive Leather		Group Investments		Building Materials		Consolidated	
	Dec 2023	Jun 2023	Dec 2023	Jun 2023	Dec 2023	Jun 2023	Dec 2023	Jun 2023
Total segment assets	141,973	159,143	241,697	234,248	16,076	16,736	399,746	410,127
Unallocated items							1,952	1,498
Total assets							401,698	411,625

18. COMMITMENT AND CONTINGENT LIABILITIES

At 31 December 2023, the Group had capital commitments of \$1,580,000 (31 December 2022: \$1,770,000) in respect of the purchase of plant and equipment. The Group also had capital commitments of \$958,000 (31 December 2022: \$13,446,000) in respect of investment and property development.

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 \$6,106,000 payable on 15 March 2024.

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.

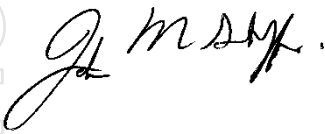
DIRECTORS' DECLARATION

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 2023 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, 21 February 2024



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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 2023, 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

Ernst & Young

Timothy G Dachs
Partner
21 February 2024



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

Conclusion

We have reviewed the accompanying half-year financial report of Schaffer Corporation Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 December 2023, 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 2023 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 2023 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
21 February 2024