# Schaffer Corporation Limited

25 September 2024

ASX Market Announcements Office
Australian Securities Exchange Limited

**Lodged electronically via ASX Online**

**2024 Annual Report**

Please find attached the 2024 Annual Report for Schaffer Corporation Limited (ASX: SFC)

Yours sincerely



Jason Cantwell
**Company Secretary**

Authorised for release by SFC's Board of Directors

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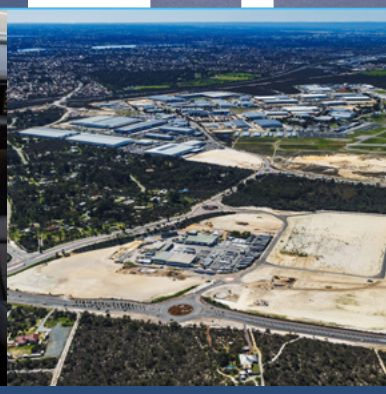
**Head Office**: 1305 Hay Street, West Perth WA 6005 **Postal Address**: PO Box 770, West Perth WA 6872
**Telephone**: +61 8 9483 1222 **Facsimile**: +61 8 9481 0439 **Website**: www.schaffer.com.au
**Schaffer Corporation Limited** **ABN** 73 008 675 689

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# ANNUAL REPORT 24







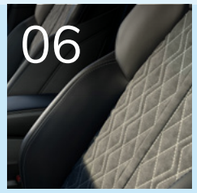
Schaffer Corporation Limited

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## ABOUT SCHAFFER CORPORATION

# A DIVERSIFIED AUSTRALIAN INDUSTRIAL AND INVESTMENT COMPANY

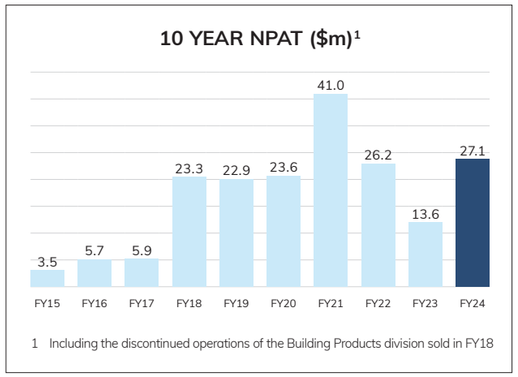
Schaffer Corporation Limited (SFC) is a diversified industrial and investment company with core operating divisions in Manufacturing (Automotive Leather and Building Materials) and Investments. Originally incorporated in 1955, the company was first listed on the Australian Securities Exchange (ASX) in 1963 and currently employs around 900 employees in three countries.

The Automotive Leather division is a world-class, globally competitive automotive leather producer, supplying quality interior leather products to such household brands as Land Rover, Audi, Mercedes, Porsche, Nissan, and Ford. The division operates leather processing and finishing operations in Slovakia and Australia. Component cutting plants are located in Slovakia and China. Exports account for virtually all sales.

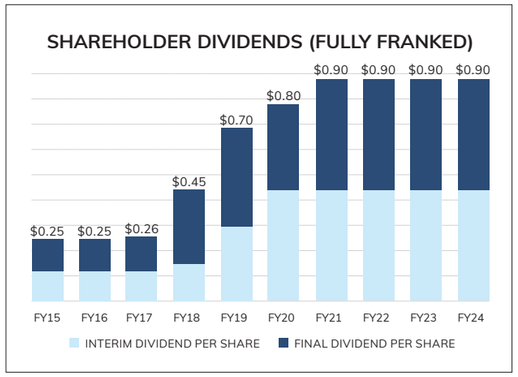
The Building Materials division comprises Delta Corporation which manufactures a range of custom made precast and prestressed concrete floor, beam and wall products, including TeeRoff bridge beams, for major infrastructure, building and resources projects in Australia.

The Group's Investments division comprises a portfolio of various property and equity investment interests, with the largest asset, South Connect Jandakot, located in Western Australia. Other property investments include a bulky goods property at Rockingham, Western Australia, and various syndicated interests in commercial, industrial, hotel, retail and residential properties across Australia and the United States.

Schaffer Corporation has a proud history of paying a dividend in every one of the past 61 years since it was originally listed as Calsil Ltd in 1963. Over the past 5 years, the company has paid approximately $60 million in fully franked dividends to shareholders.




1 Including the discontinued operations of the Building Products division sold in FY18




## Board of directors



JOHN SCHAFFER AM | ANTON MAYER | DANIELLE BLAIN AM | DAVID SCHWARTZ | MICHAEL PERROTT AM







| Key Financial Indicators | 24 | 23 | 22 | 21 | 20 | 19 |
|---|---|---|---|---|---|---|
| Revenue ($ millions) | **226.2** | 183.6 | 170.4 | 196.3 | 155.6 | 203.6 |
| Net Profit after tax and minority interests ($ millions) | **27.1** | 13.6 | 26.2 | 41.0 | 23.6 | 22.9 |
| Earnings per Share ($) | **1.99** | 1.00 | 1.91 | 3.01 | 1.72 | 1.66 |
| Ordinary Dividend per Share ($) | **0.90** | 0.90 | 0.90 | 0.90 | 0.80 | 0.70 |

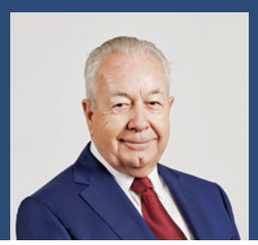
# MANAGING DIRECTOR'S REPORT

## EXECUTIVE MANAGEMENT TEAM



**John Schaffer AM**
BCom(Hons), FCPA
Age 73

*Mr Schaffer joined the Group in 1972 and has held the positions of Managing Director since 1987 and Chairman since 1988.*



**Anton Mayer**
Age 82

*Mr Mayer joined the Group in 1998. In 2001, Mr Mayer joined the Board of Schaffer Corporation Limited and he is currently Executive Chairman of Howe Automotive Limited.*



**Ralph Leib**
BComm, BAcc
Age 53

*Mr Leib joined the Group in 2016 and was promoted to Chief Financial Officer in July 2017.*



**Dan Birks**
BAgrSc, MBA
Age 58

*Mr Birks joined the Group in 2000 and was promoted to General Manager of Howe Automotive Limited in 2016.*



**Jason Walsh**
B Bus, MBA
Age 54

*Mr Walsh joined the Group in 1999 and was promoted to the position of General Manager of Delta Corporation Limited in 2009.*



**Jason Cantwell**
BBus(Acc), CPA, MBA, GIA(Affiliated)
Age 52

*Mr Cantwell joined the Group in 2011 as Group Financial Controller and Company Secretary.*

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# MAINTAINING FOCUS

Schaffer Corporation's primary focus is on creating long-term shareholder value.

## Financial Performance

Schaffer Corporation Limited (SFC) reported statutory net profit after tax (NPAT[1]) for the 2024 financial year of $27.1 million (FY23: $13.6 million). SFC's strong results reflects a good year from both the Automotive Leather Division and Delta.

Automotive Leather generated profits[1] of $15.3 million (FY23: $11.1 million), up 39% as sales volumes improved. The prior year was impacted by the delayed launch of a major renewed supply program in Europe, high energy costs and volatile adverse currency movements.

Delta's profitability was strong at $4.5 million (FY23: $2.0 million) due to improved operational efficiencies. Prior year margins and cashflows were impacted by design and engineering complexity on a large project.

SFC's largest investment, South Connect Jandakot, increased its pre-debt value to $94.3 million from $77.5 million. The increase comprises $5.2 million continued investment in civil works which are complete plus an unrealised pre-tax gain on revaluation of $11.6 million.

Group Investments contributed NPAT[1] of $10.5 million (FY23: $3.2 million) including $8.1 million after-tax for the unrealised revaluation gain relating to South Connect Jandakot.

At 30 June 2024, the pre-tax net equity value of the Group's investments was $210.9 million or $15.53 per share. This compares to the 2023 value of $186.5 million or $13.73 per share.

SFC bought back $0.3 million of shares during the financial year.

| Full-Year ($ million) | FY24 | FY23 | % change |
|---|---|---|---|
| Revenue | **226.2** | 183.6 | 23.2 |
| NPAT[1] from: | | | |
| Automotive Leather | **15.3** | 11.1 | 38.7 |
| Delta | **4.5** | 2.0 | 122.3 |
| Manufacturing NPAT[1] | **19.8** | 13.1 | 51.6 |
| Group Investments | **10.5** | 3.2 | 226.4 |
| Corporate | **(3.2)** | (2.7) | (20.2) |
| Statutory NPAT[1] | **27.1** | 13.6 | 99.0 |
| EPS ($) | **1.99** | 1.00 | |
| Ordinary Dividends (fully franked) ($) | **0.90** | 0.90 | |

1. Net Profit after tax and minority interests.



## Automotive Leather

Automotive Leather had a good year as sales volumes improved due to the launch of a new Mercedes program and a renewed Land Rover program reaching 'normal' volumes.

Revenues increased 27% to $182 million (FY23: $143 million) with profits increasing 39% to $15.3 million (FY23: $11.1 million). While margins improved compared to the prior year, they were negatively impacted by design complexity and lower tolerances on new program launches. This is normal when launching new programs but is currently taking longer than expected to optimise production processes. We remain confident this should improve during FY25.

Cash flow generation from operations of $42.7 million exceeded profits, driven by a $16.2 million reduction in working capital – mainly hide inventory.

Our four main luxury automotive customers in Europe have recently reported their quarterly results which were mixed. Jaguar Land Rover reported strong, record results, while both Audi and Mercedes reported an environment which is subdued and showing early signs of slowing.

Risks for Automotive Leather include:

- Delayed new program launches.
- Global economic uncertainties, including a global economic slowdown.
- Adverse currency volatility.
- Geopolitical risks may cause elongated supply chains.

## Delta

Delta reported a strong profit of $4.5 million (FY23: $2.0 million) on higher revenue of $31.1 million (FY23: $28.7 million) and improved operational efficiencies. Prior year margins and cash flows were impacted by design and engineering complexity on a large project.

Delta continues to operate in a positive but challenging environment. Government's continued investment in large-scale civil infrastructure projects has stimulated activity.

While Delta remains selective of projects it undertakes, key risks to performance include:

- Project delays.
- Skilled labour shortages and supply disruptions.
- Inflationary cost pressures.
- Increased industry production capacity.

## Group Investments

| Full-Year ($m) | FY24 | FY23 |
|---|---|---|
| Revenue | **13.2** | 12.1 |
| Segment NPAT[1] | **10.5** | 3.2 |

1. Net Profit after tax and minority interests.

Group Investments represents a growing proportion of the Group's underlying assets and valuation. We continue to grow the division opportunistically with the objective of maximising shareholder value over the medium and long-term.

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Revenue was $13.2 million (FY23: $12.1 million) with NPAT of $10.5 million (FY23: $3.2 million). Included in NPAT is an $8.1 million unrealised revaluation gain relating to South Connect Jandakot.

The pre-tax net equity value[2] of Group Investments ended the full year up $24.4 million at $210.9 million (June 30: $186.5 million) or $15.53 per share (June 30: $13.73 per share).

Approximately 74% of SFC's Group Investments assets are property, the largest portion being South Connect Jandakot. Most of the property assets are value-add, focusing on potential medium to long-term capital gains. A further 18% of SFC's Group Investments assets are invested in cash deposits and highly liquid equities with a bias towards quality and value, through the internally managed SFC Global equity funds and other externally managed equity funds.

| | $m | | $ per share | |
|---|---|---|---|---|
| Pre-Tax Net Equity Value[2] | **June 2024** | June 2023 | **June 2024** | June 2023 |
| South Connect Jandakot | **82.1** | 65.3 | **6.06** | 4.81 |
| Other Property Investments | **73.6** | 76.1 | **5.41** | 5.60 |
| Equity investments at market value[3] | **36.3** | 36.4 | **2.67** | 2.68 |
| Cash, term deposits and fixed income | **18.9** | 8.7 | **1.39** | 0.64 |
| **Overall investment portfolio** | **210.9** | 186.5 | **15.53** | 13.73 |

2. Group share of fair value less Group share of debt.
3. SFC's investment in Harvest Technology Group (ASX: HTG) is included using a value per share of $0.0066, which is below the $0.019 closing share price of HTG at 30 June 2024. The discount to the closing price takes into consideration the significant volume of HTG shares held by the Group.

## Group Cash Flow and Net Debt

Net debt* decreased $17.5 million during the financial year, from $51.1 million to $33.6 million.

Cash generation of $49 million contributed to the reduction in net debt. Automotive Leather's working capital decreased by $16.2 million due to the reduction of inventory as a major delayed program launched and reached 'normal' sales levels.

The Group invested $5.2 million during the year towards the completion of civil works at South Connect Jandakot, invested $5.6 million in property and equity investments, and invested $3.5 million on manufacturing capital expenditures.

## Group Net Debt ($ millions)

| Net (Debt)/Cash* | Automotive Leather | SFC Investments | South Connect Jandakot | Syndicated Investment Properties | Gosh Capital | Total |
|---|---|---|---|---|---|---|
| June 2024 | (9.9) | 15.2 | (12.2) | (20.9) | (5.8) | **(33.6)** |
| June 2023 | (17.4) | 6.2 | (12.2) | (20.9) | (6.8) | **(51.1)** |
| **Decrease in Net Debt** | **7.5** | **9.0** | **-** | **-** | **1.0** | **17.5** |

* Net Debt presented excludes (1) $20.2m (Jun 23: $18.7m) of lease liabilities previously classified as operating leases prior to the adoption of AASB 16 on 1 July 2019; and (2) cash held by the SFC Global equity funds..

## Sustainability

Schaffer Corporation is committed to working sustainably by caring for our people, the environment, and the long-term future of our businesses. The Group has sustainability goals to focus and reinforce our effort in this regard (refer page 15).

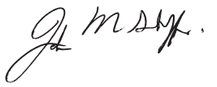
The Group's goals are based on 5 of the United Nations (UN) Sustainable Development Goals being good health and well-being, reducing inequality, responsible consumption and production, climate action, and life on land.

## Dividends

Schaffer Corporation's long-standing policy is to pay dividends to its shareholders. On an ongoing basis, the directors manage the proportion of earnings paid out as dividends. The Board has regard to capital expenditure requirements, investment opportunities, liquidity needs and the availability of franking credits. We also reflect on prevailing economic conditions and uncertainty in setting dividends.

For the 2024 financial year, Schaffer Corporation has declared fully franked dividends totalling $0.90 per share, which is the same as the prior year.

This year's Annual General Meeting will be held on Wednesday, 13 November 2024, at which time I will provide a further update on the outlook for the 2025 financial year.



**JOHN M SCHAFFER AM**
Managing Director

Schaffer Corporation results are reported under Australian Accounting Standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board. The Company discloses certain non-IFRS financial measures. The non-IFRS measures should only be considered in addition to, and not as a substitute for, other measures of financial performance prepared in accordance with IFRS.

## Non-IFRS measures

The following are non-IFRS measures that are important to management as additional means to evaluate the Group's performance:

Net Debt excluding lease liabilities for leases that would have been classified as operating leases calculated as follows:

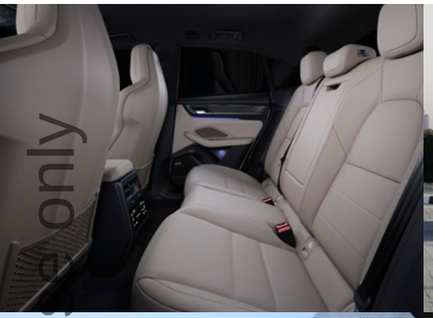
| Net Debt excluding lease liabilities for leases previously classified as operating leases ($000's) | As at | |
|---|---|---|
| | **Jun 2024** | Jun 2023 |
| | $'000 | $'000 |
| Interest-bearing loans and borrowings (IFRS) | **59,487** | 71,398 |
| Lease liabilities (IFRS) | **25,707** | 26,748 |
| Less lease liabilities relating to leases previously classified as operating leases | **(20,219)** | (18,718) |
| **Gross Debt excluding lease liabilities relating to leases previously classified as operating leases** | **64,975** | 79,428 |
| Less cash and cash equivalents (IFRS) | **(37,604)** | (39,126) |
| Less other financial assets – term deposits over 90 days | **(180)** | - |
| Add back cash and cash equivalents – controlled funds | **6,421** | 10,802 |
| **Net Debt excluding lease liabilities for leases previously classified as operating leases prior to the adoption of AASB 16** | **33,612** | 51,104 |

The directors believe that the presentation of non-IFRS financial information is useful for investors as the measures are utilised by the Group for rewarding performance and they reflect the underlying performance of the businesses.

Net debt excluding lease liabilities for leases that would have been classified as operating leases prior to the adoption of AASB 16 on 1 July 2019 is used to assist the understanding of the composition of Net Debt.

Non-IFRS financial information has been derived from the audited financial statements.

# AUTOMOTIVE LEATHER









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## A GLOBAL BUSINESS IN A GLOBAL INDUSTRY

Supplier of leather to automotive manufacturers in Europe and Asia.

Schaffer Corporation owns 83% of the Automotive Leather division, which produces high-quality leather for the global automotive industry.

Production facilities are located globally to separately service both the European and Asian markets; for Europe, the leather finishing and cutting are located together in Kosice, Slovakia; for Asia, the leather finishing is located at the head office site in Thomastown, Victoria, and the cutting in Shanghai, China.

The division's global footprint provides a local presence in the key European and Asian automotive markets. This allows the Automotive Leather division to be close to its key customers and provides the opportunity to be competitive and responsive in a highly demanding global environment.

Our European operations over the past few years have successfully launched new programs in Europe with Mercedes, Audi, Porsche and Jaguar Land Rover, which should lead to stable volumes into the foreseeable future. The Asia region which is dominated by China represents a significant opportunity for Howe to supply a highly competitive electric vehicle industry that will service both the China local market and global demands.

All products are sold in foreign currency and translated back to Australian Dollars for financial reporting purposes. Fluctuations in the Euro, US Dollar and Chinese Renminbi against the Australian Dollar can have a significant impact on the financial performance of the Automotive Leather division, and accordingly when appropriate, management utilises hedges to manage these risks.

FEATURE PROJECT

### Porsche Macan

*The Automotive Leather division is proud to have been nominated as a supplier of leather for the all-new electric Porsche Macan.*

*Ten years after its launch, the Porsche Macan is heading into a bold new direction, now in all-electric form. Through its progressive, timeless design, characteristic Porsche performance, range suitable for everyday use and high level of practicality, the new Macan 4 and Macan Turbo aim to completely fulfill the requirements of Porsche customers choosing an SUV. "Our aim is to offer the sportiest model in its segment with the all-electric Macan. In many ways, we are taking a very successful SUV to a new level," says Jörg Kerner, Vice President Product Line Macan.*

*Sporty proportions and coupé-like lines "With the all-electric Macan, we are presenting the first Porsche that we are taking electric from an established product identity," says Michael Mauer, Vice President Style Porsche. "The new Macan is clearly recognizable by its brand identity as part of the Porsche product family. The classic Porsche proportions have been further developed and optimally adapted to the challenges of an electric vehicle. This has further heightened its sporty, modern and dynamic appearance. The design makes it clear: The Macan remains the sports car in its segment, even in electric form."*



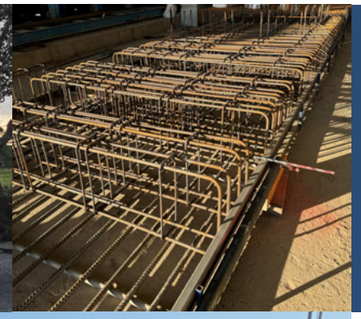


DELTA
CORPORATION LIMITED

# BUILDING MATERIALS








# PROFITABLE NICHE FOCUS

Delta delivers niche products and design solutions for the construction, resource and landscaping markets.

## Delta Corporation

**www.deltacorp.com.au**

The past financial year has seen Delta deliver a diverse range of precast concrete products across numerous private and public projects predominately throughout Western Australia and South Australia. The West Australian State Government's infrastructure delivery program has continued during the financial year.

The significant and unique nature of major infrastructure projects demands an increased level of coordination between a diverse group of multi-disciplinary stakeholders. This has resulted in a substantial increase in project delivery complexity due to the additional technical requirements, an escalation in assurance activities, and reporting and communication requirements.

The increased project complexity combined with capacity constraints across the entire materials and skilled labour supply chain has likewise led to major cost increases. Delta's professional team have adapted and performed well in managing these challenges, improving on the previous year's performance in terms of higher throughput, productivity improvements, increased revenue and stronger profitability results.

Delta's strong results are reflective of how the company has positioned itself in the market as demonstrated by the successful installation and commissioning of the new multipurpose, high-capacity adjustable stressing bed at the end of the first quarter of the prior financial year. The new production facility has enabled the company to service several key infrastructure projects like the beams required for the Albany Ring Road weighing in at 190t - the largest beams Delta has ever produced.



**SCHAFFER CORPORATION'S BUILDING MATERIALS DIVISION CONSISTS OF DELTA CORPORATION, A PRE-EMINENT MANUFACTURER OF PRECAST AND PRESTRESSED CONCRETE PRODUCTS.**

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FEATURE PROJECT

## Albany Ring Road

*Delta was awarded the supply contract to manufacture the 12 beams for Bridge 1871 over the railway on Frenchman Bay Road and the 5 beams for Bridge 1873 over South Coast Highway of the Albany Ring Road project. The largest beam measured over 41m in length, 4.5m wide and 2.15m high. We are proud of our production team's capabilities in managing the sheer size and scale of such beams.*

*The team managed to complete the manufacture of the beams for Bridge 1871 in early August followed by Bridge 1873 in mid-September 2023.*




Installation of beams for Bridge 1871 of the Albany Ring Road



Albany Ring Road Bridge Beams

# GROUP INVESTMENTS

# QUALITY INVESTMENTS AND LAND ASSETS WITH DEVELOPMENT POTENTIAL

## Group Investments

The objective of Group Investments is to maximise shareholders' value over the medium to long-term through SFC's access to investment opportunities and investing in businesses and people with proven track records. The investment approach remains flexible and opportunistic.

The pre-tax net equity value of Group Investments ended the financial year at $210.9 million (FY23: $186.5 million) or $15.53 per share (FY23: $13.73 per share). Over 7 years, the pre-tax net equity value of Group Investments has increased by $115 million, an annual compounded increase of 11.9% per year. This increase was achieved after having paid out $76 million of fully franked dividends and having bought back around $9 million in shares. Figures on pages 12 and 13 represent fair values.



South Connect - Jandakot Logistics Estate

## South Connect – Jandakot Logistics Estate

SFC owns a large strategic property in Jandakot, Western Australia, which is only 15 minutes south of the Perth central business district.

An approved local scheme allows warehouses, showrooms, masonry production and nurseries and the site is well located to benefit from the increased demand for logistic and "last-mile" warehousing driven by the rapid growth in e-commerce.

After subdivision to allow for road development, drainage and buffers, the developable area is approximately 34 hectares of which 6.2 hectares is a production facility currently leased to Austral Masonry Holdings. Civil works are now complete, and the site is ready for construction of buildings for lease. A Development Application (DA) has been granted for the first phase of up to 36,000 m² of tenantable buildings.

South Connect Jandakot's current "as is" pre-debt valuation is $94.3 million (FY23: $77.5m). A large portion of the civil works has been funded by debt, totalling $12.2 million.

The pre-tax net equity value of $82.1 million reflects an increase from the prior year of $16.8 million, comprising $5.2 million continued investment in civil works which are complete, plus an unrealised gain on revaluation of $11.6 million.

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## Portfolio Summary

| Pre-Tax Net Equity Value[1,2] | FY18 ($m) | FY19 ($m) | FY20 ($m) | FY21 ($m) | FY22 ($m) | FY23 ($m) | FY24 ($m) | FY24 Per Share | FY24 % of Portfolio |
|---|---|---|---|---|---|---|---|---|---|
| Property: Used by SFC Operations | 11.4 | 11.4 | 9.7 | 9.7 | 9.7 | 10.1 | **10.1** | **0.74** | **5%** |
| Jandakot – South Connect | 37.2 | 37.2 | 45.2 | 45.2 | 65.0 | 65.3 | **82.1** | **6.05** | **39%** |
| - Jandakot leased to Brickworks | 11.2 | 11.2 | 12.2 | 12.2 | 15.5 | 15.5 | **19.8** | **1.46** | **9%** |
| - Jandakot - Development[4] | 26.0 | 26.0 | 33.0 | 33.0 | 49.5 | 49.8 | **62.3** | **4.59** | **30%** |
| Property: Rental Income | 26.3 | 28.8 | 36.7 | 45.7 | 48.2 | 51.1 | **51.9** | **3.82** | **25%** |
| - Retail / Bulky Goods | 16.2 | 14.4 | 16.4 | 21.4 | 25.6 | 25.8 | **27.4** | **2.02** | **13%** |
| - Industrial | 4.1 | 3.4 | 4.8 | 5.9 | 3.6 | 3.7 | **3.8** | **0.28** | **2%** |
| - Office | 5.2 | 5.6 | 8.3 | 10.5 | 9.3 | 9.7 | **9.7** | **0.71** | **5%** |
| - Hotels | 0.8 | 4.0 | 5.4 | 3.8 | 4.0 | 6.1 | **5.3** | **0.39** | **3%** |
| - Residential | 0.0 | 1.4 | 1.8 | 4.2 | 5.7 | 5.8 | **5.7** | **0.42** | **3%** |
| Property: Development Sites | 14.9 | 16.4 | 13.2 | 14.1 | 15.9 | 15.0 | **11.6** | **0.85** | **6%** |
| - Residential - Development | 11.5 | 12.2 | 10.0 | 11.0 | 10.9 | 11.0 | **7.5** | **0.55** | **4%** |
| - Industrial - Development | 3.4 | 4.2 | 3.2 | 3.1 | 5.0 | 4.0 | **4.1** | **0.30** | **2%** |
| Sub Total: Property | 89.8 | 93.8 | 104.8 | 114.7 | 138.8 | 141.4 | **155.7** | **11.47** | **74%** |
| Equities: Externally Managed – Value Bias | 5.1 | 6.2 | 4.3 | 6.5 | 6.3 | 7.9 | **8.4** | **0.62** | **4%** |
| Equities: Internally Managed | 2.4 | 10.5 | 29.1 | 49.9 | 19.1 | 28.5 | **27.9** | **2.05** | **13%** |
| - Harvest Technology Group (ASX: HTG)[3] | 0.0 | 0.0 | 16.0 | 26.9 | 8.9 | 4.4 | **2.2** | **0.16** | **1%** |
| - Updater Inc (US – Unlisted) | 2.4 | 8.9 | 8.2 | 10.5 | 6.8 | 12.1 | **11.8** | **0.87** | **6%** |
| - Hastings Technology Metals (ASX: HAS) | 0.0 | 1.0 | 0.8 | 2.0 | 2.2 | 1.0 | **0.2** | **0.01** | **0%** |
| - Internal Global Portfolio | 0.0 | 0.0 | 0.0 | 4.5 | 0.0 | 0.0 | **0.0** | **0.00** | **0%** |
| - SFC Global Equity Fund – Quality Bias | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 9.7 | **10.3** | **0.76** | **5%** |
| - SFC Global Fallen Angels Fund – Quality Bias | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | **1.0** | **0.07** | **0%** |
| - Other | 0.0 | 0.6 | 4.1 | 6.0 | 1.2 | 1.3 | **2.4** | **0.18** | **1%** |
| Sub Total: Equities | 7.5 | 16.7 | 33.4 | 56.4 | 25.5 | 36.4 | **36.3** | **2.67** | **17%** |
| Cash, Term Deposits & Fixed Income | 15.9 | 23.9 | 24.4 | 20.6 | 23.4 | 8.7 | **18.9** | **1.39** | **9%** |
| Total Pre-Tax Net Equity | 113.2 | 134.4 | 162.6 | 191.7 | 187.7 | 186.5 | **210.9** | **15.53** | **100%** |
| Pre-Tax Net Equity Per Share | 8.18 | 9.73 | 11.95 | 14.04 | 13.79 | 13.73 | **15.53** | | |

1. Market value less debt
2. All values represent SFC's share, i.e. 83.17% for Gosh Capital and other subsidiary held assets.
3. SFC's investment in Harvest Technology Group (ASX:HTG) is valued at $2.2 million at 30 June 2024 (2023: $4.4 million). The share price used is $0.006 (2023: $0.030), which is below the $0.019 closing share price of HTG at 30 June 2024 (2023: $0.042). The discount to the closing price takes into consideration the significant volume of HTG shares held by the Group.
4. Jandakot valuation is net of $12.2 million of debt.

The following table represents the property holdings of the Group:

| Address | Description | Ownership Structure | Year Acquired | Land Size (sqm) | Current Lettable Area (sqm) | SFC Ownership % | SFC Share of Market Value ($m) | SFC Share of Debt ($m) | Notional Tax on Capital Gain ($m) | Post-Tax Net Equity Value ($m) |
|---|---|---|---|---|---|---|---|---|---|---|
| **Property used by SFC Operations** | | | | | | | | | | |
| 218 Campersic Road, Herne Hill, WA | Delta | SFC Direct | | 134,305 | - | 100% | 8.1 | - | (0.6) | 7.5 |
| 1305 Hay Street, West Perth, WA | Head Office | SFC Direct | | 413 | - | 100% | 2.0 | - | (0.4) | 1.6 |
| | | | | | | | **10.1** | - | **(1.0)** | **9.1** |
| **Rental Properties** | | | | | | | | | | |
| Hometown, 1480 Albany Hwy, Cannington, WA | Bulky Goods | Syndicate | 1998 | 59,319 | 20,637 | 25% | 19.6 | (9.7) | (4.4) | 5.5 |
| 39 Dixon Rd, Rockingham, Western Australia | Bulky Goods | Gosh Direct | 2001 | 12,047 | 5,434 | 83% | 11.8 | (6.5) | (2.0) | 3.3 |
| Tamworth Homespace, Tamworth, NSW | Bulky Goods | Syndicate | 2019 | 31,160 | 13,050 | 25% | 5.1 | - | (0.9) | 4.2 |
| Auburn Megamall, 265 Parramatta Road, NSW | Bulky Goods | Gosh Syndicate | 2013 | 24,690 | 32,348 | 1% | 1.6 | - | (0.4) | 1.2 |



| Address | Description | Ownership Structure | Year Acquired | Land Size (sqm) | Current Lettable Area (sqm) | SFC Ownership % | SFC Share of Market Value ($m) | SFC Share of Debt ($m) | Notional Tax on Capital Gain ($m) | Post-Tax Net Equity Value ($m) |
|---|---|---|---|---|---|---|---|---|---|---|
| Marriott Hotel, Yonkers, New York, USA | Hotel | SFC US Syndicate | 2019 | | 17,100 | 4% | 1.1 | - | 0.1 | 1.2 |
| Burlington Hotel, Vermont, USA | Hotel | SFC US Syndicate | 2018 | 64,600 | 309 rooms | 6% | 3.3 | - | (0.4) | 2.9 |
| Embassy Suites, Portland, Maine, USA | Hotel | SFC US Syndicate | 2019 | 11,250 | 11,250 | 7% | 0.9 | - | (0.1) | 0.8 |
| Lot 705 Jandakot Road, Jandakot, WA | Industrial | SFC Direct | 1989 | 62,097 | | 100% | 19.8 | - | (5.5) | 14.3 |
| Willung Rd, Rosedale, Victoria | Industrial | Howe Direct | 1995 | 510,530 | 9,854 | 83% | 3.1 | - | (0.5) | 2.6 |
| Torrens Rd, St Clair, SA | Industrial | Syndicate | 2020 | 29,707 | 15,011 | 8% | 0.7 | - | 0.0 | 0.7 |
| IBM Centre, 1060 Hay Street, West Perth, WA | Office | Syndicate | 1995 | 5,797 | 8,466 | 22% | 13.7 | (7.6) | (3.5) | 2.6 |
| 6 Centro Avenue, Subiaco, WA | Office | Syndicate | 2020 | 1,607 | 1,065 | 50% | 1.4 | - | (0.3) | 1.1 |
| 7 Turner Avenue, Bentley, WA | Office | Syndicate | 2020 | 3,488 | 1,098 | 35% | 0.8 | - | (0.1) | 0.7 |
| Albany Road Real Estate Partners Fund III | Office | SFC US Syndicate | 2020 | | | 1% | 1.2 | - | 0.0 | 1.2 |
| Albany Road Solana, Westlake, Texas, USA | Office | SFC US Syndicate | 2021 | 82,677 | 33,527 | <1% | 0.1 | - | 0.0 | 0.1 |
| Albany Road Breck Exchange, Georgia, Atlanta, USA | Office | SFC US Syndicate | 2021 | 235,284 | 51,824 | <1% | 0.1 | - | (0.0) | 0.1 |
| The Residences at Lakeview, Tennessee, USA | Residential | SFC US Syndicate | 2020 | 13,400 | 833 units | 6% | 1.5 | - | (0.1) | 1.4 |
| The Residences at Bella Vista, St Louis, Missouri, USA | Residential | SFC US Syndicate | 2021 | 15,400 | 756 units | 4% | 2.2 | - | (0.1) | 2.1 |
| Pier 5350 Apartments, Jacksonville, Florida, USA | Residential | SFC US Syndicate | 2018 | 89,000 | 43,200 | 7% | 1.4 | - | 0.1 | 1.5 |
| 33 Glendale Crescent, Jandakot, WA | Residential | SFC Direct | 2021 | 10,000 | 344 | 100% | 1.2 | (0.9) | - | 0.3 |
| 35 Glendale Crescent, Jandakot, WA | Residential | SFC Direct | 2021 | 6,504 | 442 | 100% | 0.8 | (0.6) | (0.2) | 0.0 |
| Parks Shopping Centre, Bunbury, WA | Retail | Syndicate | 1999 | 30,804 | 10,622 | 17% | 8.4 | (3.8) | (1.9) | 2.7 |
| 1263 Hay Street, West Perth, WA | Retail | Syndicate | 2023 | 966 | 966 | 17% | 0.6 | - | - | 0.6 |
| 1269 Hay Street, West Perth, WA | Retail | Syndicate | 2024 | 432 | 432 | 17% | 0.3 | - | - | 0.3 |
| | | | | | | | **100.7** | **(29.0)** | **(20.2)** | **51.5** |
| **Development Sites** | | | | | | | | | | |
| Lot 706 Jandakot Road, Jandakot, WA | Industrial | SFC Direct | 1989 | 449,639 | N/A | 100% | 64.0 | (12.2) | (13.9) | 37.9 |
| Lot 704 Jandakot Road, Jandakot, WA | Industrial | SFC Direct | 1989 | 32,442 | N/A | 100% | 10.5 | - | (2.9) | 7.6 |
| 170 Flynn Drive, Neerabup, WA | Industrial | Syndicate | 2007 | 260,000 | N/A | 20% | 4.6 | (1.1) | (0.9) | 2.6 |
| Lot 561 Paris Road, Australind, WA | Industrial | Gosh - Unit Trust | 2014 | 12,000 | N/A | 4% | 0.6 | - | (0.1) | 0.5 |
| Bennett Avenue, North Coogee, WA | Residential | Gosh Direct | 2001 | 21,035 | N/A | 83% | 2.4 | - | (0.5) | 1.9 |
| South Ocean Real Estate Fund III | Residential | SFC US Syndicate | 2018 | | N/A | 1% | 0.3 | - | (0.1) | 0.2 |
| South Ocean Real Estate Fund V | Residential | SFC US Syndicate | 2021 | | N/A | 1% | 1.1 | - | (0.0) | 1.1 |
| Part Lot 602 Yanchep Beach Road, WA | Residential | Gosh - Unit Trust | 2014 | 42,600 | N/A | 3% | 0.5 | - | (0.0) | 0.5 |
| Lot 39A Kenmure Avenue, Bayswater, WA | Residential | Syndicate | 2021 | 5,653 | N/A | 50% | 0.8 | - | 0.3 | 1.1 |
| 40-250 Railway Parade, West Leederville, WA | Residential | Syndicate | 2021 | 1,970 | N/A | 27% | 1.6 | - | 0.1 | 1.7 |
| 370 -374 Oxford St, Mount Hawthorn, WA | Residential | Syndicate | 2021 | 7,498 | N/A | 27% | 0.8 | - | (0.2) | 0.6 |
| | | | | | | | **87.2** | **(13.3)** | **(18.2)** | **55.7** |
| **Total SFC Property Value** | | | | | | | **198.0** | **(42.3)** | **(39.4)** | **116.3** |

All values represent SFC's share, i.e. 83.17% for Gosh Capital and other subsidiary held assets.
Included in SFC's share of debt is $22.2m relating to jointly held properties.









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# SUSTAINABILITY

## Schaffer Corporation is committed to working sustainably.

Schaffer Corporation is committed to working sustainably by fair work practices, community support, good environmental practices, and economic values that contribute to the long-term future of our businesses.

The Group is developing a Corporate Social Responsibility (CSR) program aligned with the three pillars of sustainable development—social, economic, and environmental sustainability. Schaffer Corporation is identifying and prioritising the most relevant areas that the Group can positively impact. Five key areas currently identified are:

- Sound business practices
- Responsible sourcing
- Staff wellbeing
- Health and safety
- Resource efficiency and carbon footprint

The Group is constantly striving to cultivate change to support society. As an organisation, our greatest challenge is to create products and processes that minimise their negative impact on our planet and protect our people. We remain profitable through investing in our people, products, and planet.

For example, the Automotive Leather division provides its customers with unsurpassed experience of luxury, elegance, and comfort - but beyond its statement, we contribute to ethical business practices, supplier development, sustainable growth and value creation supported by our investment strategies.

The Group's sustainability strategy focuses on the following United Nations (UN) Sustainable Development Goals:







### Engaging an all-inclusive and safe workplace (UN Sustainable Development Goals 3 and 10)

Schaffer Corporation is committed to providing all our employees with a safe and healthy working environment. The Group continues to review and improve occupational health and safety management to improve outcomes. Measures and reporting to the Board includes Lost Time Injury Frequency Rate (LTIFR) and worker's compensation days. On a combined Group level, both these measures improved during the 2024 financial year compared to previous year. Management incentives include successful achievement of targets.

The Group supports diversity initiatives including multiculturalism. The Automotive Leather division has a multicultural workplace enhanced by the need to operate collaboratively over three very different countries – Australia, Slovakia, and China.

Gender diversity is important to the Group. At 30 June 2024, women represented 41% of the Group's workforce, 22% of senior executive positions, and 20% of the Board.

The Group is committed to the eradication of Modern Slavery practices, which includes forced and child labour. The development of our supplier's code of conduct is through the enforcement our Sustainable Supplier Policy. The Group continues to identify, assess and mitigate all potential risk, in line with its strategies and shareholder interest.

These sustainability goals are supported by Group policies such as the Code of Ethics, and staff education is used to reinforce the values associated with these goals into the various workplaces.




## Responsible Consumption and Production (UN Sustainable Development Goal 12)

The Group seeks, evaluates, and implements initiatives that minimise water and energy use. For example, solar energy solutions have been implemented across the Automotive Leather and Delta businesses at our Australian and Slovakian manufacturing operations. We have also developed purpose-built energy reduction solutions to reduce our energy consumption requirements for our Automotive Leather operations in Europe during winter. Automotive Leather energy consumption has reduced by approximately 6% per square metre of leather produced compared to previous year's performance.

The Automotive Leather division manages waste by investing in new technologies and using machines and processes that help minimise raw material and chemical usage and waste. Delta Corporation recycles concrete product waste through crushing for use in other applications such as road base.

The Automotive Leather division is actively auditing and working with trusted suppliers on tanning processes and chemical manufacturing to develop products that are safer, biodegradable and have less impact on the environment when finishing leather. Supplier collaboration ensures they understand and comply with ZDHC standards (zero discharge of hazardous chemicals).




## Climate Action (UN Sustainable Development Goal 13)

The Automotive Leather division is currently in the process of implementing further strategies to align with OEM's ambition for suppliers to be $CO_2$-neutral by 2039. This initiative covers all stages of value creation, including the upstream supply chain that Automotive Leather relies on.

Our decarbonisation journey started in 2019 as our baseline, setting in place the medium-term goal to achieve a 25% total reduction in our total $CO_2$ emissions from 2017 to 2025.

The Automotive Leather division is tracking Scope 1 and 2 greenhouse gas emissions that covers all greenhouse gases emitted from sources owned and controlled plus indirect emissions that result from the purchase of energy. These emissions have reduced by approximately 35% since 2017.

In that same time period, the division has also significantly reduced manufacturing and general waste and has a mid-term target to turn all leather offcuts into alternative uses or products by 2025.




## Life on Land (UN Sustainable Development Goal 15)

Our Automotive Leather division has trusted partnerships with hide suppliers around the world and animal welfare is one of the main criteria in selecting our leather suppliers. We oppose animal cruelty, and the Group works with suppliers that adhere to various certifications and meet the requirements of various welfare regulations such as SENASA directive, FSIS Directive 9200, and regulation 1099/2009 for animal protection. The division sources a portion of its hides from New Zealand which is rated at "A", the highest rating on the Animal Protection Index.

Supply Chain transparency from farm to automotive cut parts is important for maintaining brand reputation but also for avoidance of animal welfare issues, forced or child labour issues, and to demonstrate a best practice supply chain to our customers. Our Automotive Leather division has established 100% traceability of each batch of hides back to farming level.

Automotive Leather has also conducted comprehensive Life Cycle Assessment (LCA) on our products to assess the potential for environmental impacts associated with the production of our leather throughout the entire production life cycle. This has allowed the identification of factors that can contribute to lowering our carbon footprint. This includes factors influenced by the tannery and chemical suppliers, and our own leather finishing methods including energy consumption and waste treatment, and transport factors such as fuel consumption and packaging. Environmental considerations play an integral role in the way we source our materials, manufacture our products, and deliver to customers.

The Automotive Leather division continues to explore opportunities for sustainable chemical management by focusing on Restricted Substance Management. Our goal is to implement safer chemical alternatives through our supply chain. Suppliers and sub suppliers are required to provide MRSL ZDHC declarations of compliance. The ZDHC Gateway harnesses the power of transparency and collaboration to eliminate harmful substances from global value chains. The responsibility remains with us to strive for ZDHC Zero Discharge of Hazardous Chemicals.

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SCHAFFER CORPORATION LIMITED ABN 73 008 675 689

# FINANCIAL REPORT 24

*for the year ended 30 June 2024*


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## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
*for the year ended 30 June 2024*

| | Note | CONSOLIDATED June 2024 $'000 | June 2023 $'000 |
|---|---|---|---|
| **Revenue** | | | |
| Revenue from contracts with customers | 3 | **216,158** | 173,990 |
| Rental income | 4(a) | **7,045** | 6,748 |
| Dividends and distributions | | **1,698** | 1,745 |
| Finance income | 4(b) | **1,326** | 1,155 |
| **Total revenue** | | **226,227** | 183,638 |
| Cost of sales and services rendered | | **(170,173)** | (138,802) |
| Rental property expenses | 4(a) | **(3,664)** | (3,684) |
| **Gross profit** | | **52,390** | 41,152 |
| Share of profit in equity accounted investments | | **383** | (805) |
| Other income | 4(c) | **8,752** | (492) |
| Marketing expenses | | **(541)** | (612) |
| Administrative expenses | | **(14,475)** | (13,270) |
| **Profit before tax and finance costs** | | **46,509** | 25,973 |
| Finance costs | 4(b) | **(3,669)** | (3,100) |
| **Profit before income tax** | | **42,840** | 22,873 |
| Income tax expense | 5 | **(12,470)** | (6,481) |
| **Net profit for the period** | | **30,370** | 16,392 |
| **Other comprehensive income** | | | |
| *Items that may be reclassified subsequently to profit or loss* | | | |
| Foreign currency translation (loss)/gain attributable to parent | | **(133)** | 1,484 |
| *Items that may not be reclassified subsequently to profit or loss* | | | |
| Foreign currency translation (loss)/gain attributable to non-controlling interest | | **(33)** | 214 |
| **Other comprehensive income for the period, net of tax** | | **(166)** | 1,698 |
| **Total comprehensive income for the period** | | **30,204** | 18,090 |
| **Profit for the period is attributable to:** | | | |
| Non-controlling interest | 27 | **3,319** | 2,798 |
| Owners of the parent | 26 | **27,051** | 13,594 |
| | | **30,370** | 16,392 |
| **Total comprehensive income for the period attributable to:** | | | |
| Non-controlling interest | | **3,286** | 3,012 |
| Owners of the parent | | **26,918** | 15,078 |
| | | **30,204** | 18,090 |
| **Earnings per share (EPS)** | | | |
| Basic EPS | 7 | **198.7¢** | 99.8¢ |
| Diluted EPS | 7 | **198.5¢** | 99.6¢ |
| Dividends paid per share | | **90.0¢** | 90.0¢ |

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



## CONSOLIDATED STATEMENT OF FINANCIAL POSITION
*as at 30 June 2024*

| | Note | CONSOLIDATED June 2024 $'000 | June 2023 $'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 8 | **31,183** | 28,324 |
| Cash and cash equivalents – controlled equity funds* | 8 | **6,421** | 10,802 |
| Trade and other receivables | 9 | **31,981** | 35,808 |
| Current tax assets | | **381** | – |
| Inventories | 11 | **44,861** | 58,715 |
| Contract assets | 10 | **6,601** | 1,737 |
| Prepayments and deposits | 12 | **4,549** | 4,296 |
| Financial assets at fair value through profit or loss | 14 | **18,741** | 11,535 |
| Other financial assets | 14 | **1,070** | 1,966 |
| **Total current assets** | | **145,788** | 153,183 |
| **Non-current assets** | | | |
| Inventories | 11 | **878** | 781 |
| Contract assets | 10 | **2,389** | 2,220 |
| Financial assets at fair value through profit or loss | 14 | **44,140** | 48,803 |
| Other financial assets | 14 | **1,638** | 1,749 |
| Property, plant and equipment | 20 | **19,162** | 17,535 |
| Investment properties | 21 | **159,027** | 140,458 |
| Right of use assets | 22 | **30,742** | 32,512 |
| Equity accounted investments | 13 | **7,849** | 7,834 |
| Deferred income tax asset | 5 | **5,155** | 5,251 |
| Goodwill | | **1,299** | 1,299 |
| **Total non-current assets** | | **272,279** | 258,442 |
| **Total assets** | | **418,067** | 411,625 |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 16 | **25,329** | 21,333 |
| Contract liabilities | 10 | **1,870** | 1,348 |
| Interest-bearing loans and borrowings | 17 | **14,765** | 21,101 |
| Lease liabilities | 22 | **6,423** | 6,701 |
| Financial liabilities at fair value through profit or loss | 14 | **11,530** | 12,157 |
| Current tax liabilities | | **148** | 1,625 |
| Provisions | 19 | **10,025** | 9,742 |
| **Total current liabilities** | | **70,090** | 74,007 |
| **Non-current liabilities** | | | |
| Interest-bearing loans and borrowings | 17 | **44,722** | 50,297 |
| Lease liabilities | 22 | **19,284** | 20,047 |
| Deferred income tax liabilities | 5 | **33,577** | 29,647 |
| Provisions | 19 | **12,242** | 12,695 |
| **Total non-current liabilities** | | **109,825** | 112,686 |
| **Total liabilities** | | **179,915** | 186,693 |
| **Net assets** | | **238,152** | 224,932 |
| **EQUITY** | | | |
| Equity attributable to equity holders of the parent | | | |
| Issued capital | 25 | **9,781** | 9,921 |
| Reserves | 26 | **4,793** | 4,926 |
| Retained earnings | 26 | **210,036** | 195,201 |
| Total parent entity interest in equity | | **224,610** | 210,048 |
| Non-controlling interests | 33 | **13,542** | 14,884 |
| **Total equity** | | **238,152** | 224,932 |

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

***The consolidated financial statements include equity funds controlled by the Group. Refer to note 15.**

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## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
*for the year ended 30 June 2024*

| | Attributable to equity holders of the parent | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | Reserves | | | | | |
| | Issued capital | Retained earnings | Asset revaluation reserve | Share-based payments | Foreign currency translation reserve | Total | Non-controlling interests | Total equity |
| | $'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 | **–** | **27,051** | **–** | **–** | **–** | **27,051** | **3,319** | **30,370** |
| Other comprehensive income | **–** | **–** | **–** | **–** | **(133)** | **(133)** | **(33)** | **(166)** |
| Total comprehensive income for the year | **–** | **27,051** | **–** | **–** | **(133)** | **26,918** | **3,286** | **30,204** |
| **Transactions with owners in their capacity as owners:** | | | | | | | | |
| Shares acquired under buy-back scheme | **(316)** | **–** | **–** | **–** | **–** | **(316)** | **–** | **(316)** |
| Employee share options exercised | **176** | **–** | **–** | **–** | **–** | **176** | **–** | **176** |
| Equity dividends | **–** | **(12,216)** | **–** | **–** | **–** | **(12,216)** | **(4,628)** | **(16,844)** |
| **At 30 June 2024** | **9,781** | **210,036** | **2,585** | **(589)** | **2,797** | **224,610** | **13,542** | **238,152** |
| | | | | | | | | |
| **At 1 July 2022** | 10,590 | 193,866 | 2,585 | (636) | 1,446 | 207,851 | 13,133 | 220,984 |
| Profit for the year | – | 13,594 | – | – | – | 13,594 | 2,798 | 16,392 |
| Other comprehensive income | – | – | – | – | 1,484 | 1,484 | 214 | 1,698 |
| Total comprehensive income for the year | – | 13,594 | – | – | 1,484 | 15,078 | 3,012 | 18,090 |
| **Transactions with owners in their capacity as owners:** | | | | | | **–** | | **–** |
| Shares acquired under buy-back scheme | (695) | – | – | – | – | (695) | – | (695) |
| Employee share options exercised | 26 | – | – | – | – | 26 | – | 26 |
| Share-based payments | – | – | – | 47 | – | 47 | – | 47 |
| Equity dividends | – | (12,259) | – | – | – | (12,259) | (1,261) | (13,520) |
| **At 30 June 2023** | 9,921 | 195,201 | 2,585 | (589) | 2,930 | 210,048 | 14,884 | 224,932 |

The above Consolidated Statement of Changes in Equity should be read with the accompanying notes.

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## CONSOLIDATED STATEMENT OF CASH FLOWS
*for the year ended 30 June 2024*

| | Note | CONSOLIDATED June 2024 $'000 | CONSOLIDATED June 2023 $'000 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Receipts from customers | | **223,909** | 174,538 |
| Payments to suppliers and employees | | **(171,845)** | (165,842) |
| Interest received | | **1,158** | 1,043 |
| Dividends and distributions received | | **1,554** | 1,625 |
| Other revenue received | | **6,667** | 6,364 |
| Government subsidies | | **65** | 288 |
| Interest paid | | **(3,596)** | (3,564) |
| Income taxes paid | | **(9,690)** | (7,663) |
| Goods and services tax paid | | **(502)** | (848) |
| **Net cash from operating activities** | 8 | **47,720** | 5,941 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Investments in term deposits | | **(180)** | (175) |
| Proceeds on maturity of term deposits | | **175** | – |
| Acquisition of property, plant and equipment | | **(3,499)** | (7,093) |
| Proceeds on sale of property, plant and equipment | | **49** | 348 |
| Improvements to investment properties | | **(5,192)** | (11,968) |
| Acquisition of non-current financial assets at fair value through profit or loss | | **(4,164)** | (6,715) |
| Proceeds on disposal of non-current financial assets at fair value through profit or loss | | **176** | 1,833 |
| Capital returns from financial assets at fair value through profit or loss | | **3,038** | 1,234 |
| Acquisition of non-current financial assets at amortised cost | | **(89)** | (405) |
| Disposal of financial assets at amortised cost – loans receivable | | **–** | 584 |
| Settlement of derivative financial instruments | | **345** | – |
| Acquisition of current financial assets at fair value through profit or loss – controlled equity funds | | **(19,939)** | (41,255) |
| Proceeds on disposal of current financial assets at fair value – controlled equity funds | | **12,648** | 33,793 |
| **Net cash used in investing activities** | | **(16,632)** | (29,819) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Proceeds from borrowings | | **–** | 31,426 |
| Repayment of borrowings | | **(11,911)** | – |
| Lease principal repayments | | **(6,767)** | (6,099) |
| Lease principal receipts | | **476** | 4,508 |
| Dividends paid | 6(a) | **(16,844)** | (13,497) |
| Shares acquired under share buy-back scheme | | **(316)** | (695) |
| Proceeds from exercise of employee share options | | **176** | 26 |
| Application funds received from investors in controlled equity funds | | **1,477** | 2,299 |
| **Net cash (used in)/from financing activities** | | **(33,709)** | 17,968 |
| **NET DECREASE IN CASH AND CASH EQUIVALENTS** | | **(2,621)** | (5,910) |
| Net foreign exchange differences | | **1,099** | 1,051 |
| Cash and cash equivalents at the beginning of the period | | **39,126** | 43,985 |
| **Cash and cash equivalents at the end of the period** | 8 | **37,604** | **39,126** |
| **Comprising** | | | |
| Cash and cash equivalents | | **31,183** | 28,324 |
| Cash and cash equivalents – controlled funds | | **6,421** | 10,802 |
| **Cash and cash equivalents at the end of the period** | | **37,604** | **31,126** |

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
*year ended 30 June 2024*

## Note 1: Corporate Information

The consolidated financial report of Schaffer Corporation Limited and its controlled entities (the Group or Consolidated Entity) for the year ended 30 June 2024 was authorised for issue in accordance with a resolution of the Directors on 20 September 2024.

Schaffer Corporation Limited (SFC, the Parent or the Company) is a for-profit company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange. The Company is domiciled in Australia.

The nature of the operations and principal activities of the Group are described in note 24.

## Note 2: Material Accounting Policies

### (a) Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards. The financial report has been prepared on a historical cost basis, except for financial instruments held at fair value through profit or loss and investment property held at fair value through profit or loss.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated under the option available to the Company under ASIC Instrument 2016/191 Corporations (Rounding in Financial/Directors Report). The Company is an entity to which the instrument applies.

The financial report also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

### (b) New accounting standards and interpretations

***Adoption of New Accounting Standards***

The Group applied certain accounting standards and amendments which are effective for annual periods beginning on or after 1 July 2023 for the first-time on 1 July 2023. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

**Material accounting policy information**

The Group also adopted Disclosure of Accounting Policies (AASB 2021-2 *Amendments to Australian Accounting Standards–Disclosure of Accounting Policies and Definition of Accounting Estimates*) from 1 July 2023. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments have had an impact on the Group's disclosures of accounting policies, but not on the measurement, recognition, or presentation of any items in the Group's financial statements. Management reviewed the accounting policies and made updates to the information disclosed in Note 2: Material accounting policies (2023: Summary of significant accounting policies) in certain instances in line with the amendments.

**International tax reform – Pillar Two model rules – *Amendments to AASB 112***

The amendments to AASB 112 have been introduced in response to the OECD's BEPS Pillar Two rules and include:

- A mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and
- Disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

The mandatory temporary exception – the use of which is required to be disclosed – applies immediately. The remaining disclosure requirements apply to the Group for annual reporting periods beginning on or after 1 July 2023, but not for any interim periods ending on or before 31 December 2023.

The amendments had no impact on the Group's consolidated financial statements as the Group is not in scope of the Pillar Two model rules as its revenue is less that EUR 750 million/year.

**Deferred tax related to assets and liabilities arising from a single transaction – *Amendments to AASB 112***

The amendments to AASB 112 *Income Tax* narrow the scope of the initial recognition exception so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities. The amendments had no impact on the Group's consolidated financial statements.

***New Accounting Standards and Interpretations not yet applicable***

Applicable Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ended 30 June 2024. New Standards which are not yet effective, and which may have a material impact on the Group are included as follows. The Group is currently assessing the potential impact of the standards.

**AASB 2020-1 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current***

A liability is classified as current if the entity has no right at the end of the reporting period to defer settlement for at least 12 months after the reporting period. The AASB recently issued amendments to AASB 101 Presentation of Financial Statements to clarify the requirements for classifying liabilities as current or non-current. Specifically:

- The amendments specify that the conditions which exist at the end of the reporting period are those which will be used to determine if a right to defer settlement of a liability exists.
- Management intention or expectation does not affect classification of liabilities.
- In cases where an instrument with a conversion option is classified as a liability, the transfer of equity instruments would constitute settlement of the liability for the purpose of classifying it as current or non-current.

A consequence of the first amendment is that a liability would be classified as current if its repayment conditions failed their test at reporting date, despite those conditions only becoming effective in the 12 months after the end of the reporting period.

In response to this possible outcome, the AASB has proposed further amendments:

- Specifying that conditions with which an entity must comply after the reporting period do not affect the classification at the reporting date;
- Adding presentation and disclosure requirements for non-current liabilities subject to conditions in the next 12 months;
- Clarifying specific situations in which an entity does not have a right to defer settlement for at least 12 months after the reporting date;
- Deferring the effective date of the original amendments to no earlier than 1 January 2024.

These amendments are applied retrospectively, and early adoption is permitted. The Group has not early adopted these amendments.

**AASB 18 *Presentation and Disclosure in Financial Statements***

How the Group communicates financial performance is changing. AASB 18 *Presentation and Disclosure in Financial Statements* aims to provide greater consistency in the presentation of the income and cash flow statements, and more disaggregated information.

The standard will change how the Group presents its results on the face of the income statement and disclose information in the notes to the financial statements. Certain 'non-IFRS' measures – management performance measures (MPMs) – will now form part of the audited financial statements.

There will be three new categories of income and expenses, two defined income statement subtotals and one single note on management-defined performance measures.

The Standard is effective for financial periods beginning on or after 1 January 2027 with early adoption permitted.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
*year ended 30 June 2024*

## Note 2: Material Accounting Policies (continued)

### (c) Basis of consolidation

The consolidated financial statements comprise the financial statements of Schaffer Corporation Limited and its subsidiaries (the Group) as at 30 June of each year. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with an investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

(i) power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
(ii) exposure, or rights, to variable returns from its involvement with the investee; and
(iii) the ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(i) the contractual arrangement with the other vote holders of the investee;
(ii) rights arising from other contractual arrangements; and
(iii) the Group's voting rights and potential voting right.

The Group re-assesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Assets, liabilities, income, and expenses of a subsidiary acquired or disposed of during the year are included in the Consolidated Statement of Comprehensive Income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses, and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. For foreign currency denominated intercompany receivables and payables which do not form part of a net investment in foreign operations, although intercompany balances are eliminated in the consolidated statement of financial position, the effect on profit or loss of their revaluation is not fully eliminated.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

Non-controlling interests represent the portion of profit or loss and net assets in Howe Automotive Limited and Gosh Holdings Pty Ltd not held by the Group and are presented separately in the Consolidated Statement of Comprehensive Income and within equity in the Consolidated Statement of Financial Position.

### (d) Significant accounting judgments, estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

***Employee participation units***

The Group measures the cost of cash-settled EPU termination payments in accordance with a valuation formula based on the future three-year average of 5.5 times Automotive Leather's estimated earnings before interest and tax minus the future three-year average estimated debt, discounted based on the estimated period until payment using a risk-free rate of return.

Future earnings estimates have been decreased from prior year to reflect the ongoing global economic volatility, supply chain elongation and the global instability. The valuation has sensitivity to the estimate of future earnings. A 10% reduction in the estimate of future earnings would reduce the provision by $1,301,000 (2023: $1,349,000) and vice versa. Refer note 29(c).

***Construction contracts***

Refer note 2(l).

***Provision for expected credit losses of trade receivables and contract assets***

The provision for expected credit losses of trade receivables and contract assets is based on the historical default rates experienced by the Group, forecast economic conditions, financial strength of ongoing customers and the Group's credit policies, adjusted for forward-looking factors specific to the debtors and the economic environment. The Group has suffered negligible default rates in recent years however the Group's credit loss experience may not be representative of actual customer defaults in the future, particularly due to ongoing economic uncertainty. Management has provided for an amount of expected credit loss based on the overall strength of the sectors to which the Group supplies.

***Measurement of fair value***

The Group's accounting policies and disclosures may require the measurement of fair values for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

– Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
– Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
– Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Group owns investment property and certain financial instruments that are not valued using quoted market prices. The fair value of each these financial instruments is based on available information including guidance provided by investment managers, external valuations by independent third-party valuers, or market research. Refer notes 18(c) and 21.

### (e) Foreign currency translation

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Both the functional and presentation currency of Schaffer Corporation Limited and its Australian subsidiaries is Australian dollars.

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All exchange differences arising from the above procedures are taken to the Consolidated Statement of Comprehensive Income.

As at the reporting date, the assets and liabilities of overseas subsidiaries (refer note 33) are translated into the presentation currency of Schaffer Corporation Limited at the rate of exchange ruling at the balance date and the Consolidated Statement of Comprehensive Income is translated at the average exchange rates for the year.

The exchange differences arising on the translation are taken directly to other comprehensive income.

On disposal of a foreign entity, the deferred cumulative amount recognised in the component of other comprehensive income relating to that particular foreign operation and attributable to the parent entity is recognised in the Consolidated Statement of Comprehensive Income.

## Note 2: Material Accounting Policies (continued)

### (f) Investment properties

Investment properties include vacant land intended for development, as well as land and/or buildings held to generate rental income and/or for capital appreciation. Properties used for the production of goods or services, or administrative purposes are excluded.

Investment properties are initially measured at cost and subsequently at fair value with any change therein recognised in profit or loss. Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

Rental income from investment property is recognised as other revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

### (g) Property, plant, and equipment

Property, plant, and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

- land – not depreciated
- buildings – over 40 years
- leasehold improvements – the shorter of the lease term and the asset's useful life
- plant and equipment – over 5 to 15 years

### (h) Impairment of non-financial assets other than goodwill

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs of disposal and its value-in-use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value-in-use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount.

That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future period to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

### (i) Investments and other financial assets

***Debt instruments at amortised cost***

The Group's debt financial assets included in other financial assets are classified as debt instruments at amortised cost where they are held with the objective of holding the financial asset to collect contractual cash flows and the cash flows are solely payments of principal and interest.

***Financial assets at fair value through profit or loss***

The Group's other financial assets excluding debt instruments at amortised cost are classified as financial assets at FVTPL and comprise derivative instruments, plus quoted and unquoted equity instruments which the Group has not irrevocably elected, at initial recognition or transition, to classify at FVOCI.

### (j) Inventories

Inventories include raw materials, work-in-progress (excluding contract work in progress), finished goods and land held for sale. Inventories are valued at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- Raw materials – purchase cost on a first-in, first-out basis.
- Finished goods and work-in-progress – cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs. Costs are assigned on the first-in, first-out basis.
- Land held for sale – land acquisition costs and costs attributable to bringing the land to a saleable condition.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

### (k) Trade and other receivables

Trade and other receivables are classified as debt instruments at amortised cost. An allowance is recognised for expected credit loss based on the Group's historical loss experience, adjusted for forward looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 30 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before considering any credit enhancements held by the Group.

### (l) Contract assets and liabilities

***Contract work in progress***

Contract work in progress is classified as contract assets or contract liabilities under AASB 15 *Revenue from Contracts with Customers*.

Contract work in progress is stated at cost plus profit recognised to date, calculated following the percentage of completion method, less an allowance for expected credit loss and progress payments received to date. Percentage completion is calculated on the actual costs to date as a percentage of the estimated total costs for each project.

An allowance for expected credit loss is based on the Group's historical loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The gross amount due from customers for contract work for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceeded progress billings, is presented in contract assets.

The gross amount due to customers for contract work for all contracts in progress for which progress billings exceeded costs incurred plus recognised profits (less recognised losses) is presented in contract liabilities.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
*year ended 30 June 2024*

## Note 2: Material Accounting Policies (continued)

### (l) Contract assets and liabilities (continued)

***Costs to obtain or fulfil a contract***

The Group may incur incremental upfront costs associated with obtaining Long-term Agreements (LTAs) with customers that would otherwise not be incurred if the contract had not been obtained. Where such costs are expected to be recovered over the contract period, the Group recognises a contract asset on its Statement of Financial Position.

Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained are recognised as an expense in the Statement of Comprehensive Income when incurred, unless explicitly recoverable from the customer regardless of whether the contract is obtained.

Contract assets are amortised on a straight-line basis over the estimated duration of the contract with the customer.

***Use of judgement***

The Group exercises judgement in determining the estimated duration of the contract based on information available at contract inception. Significant changes to the expected duration of the contract are accounted for prospectively as a change in accounting estimate under AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*.

The Group does not consider the identification and quantification of contract costs that can be capitalised as an area of significant judgement due to low uncertainty regarding the recoverability and amount of contract costs associated with LTAs at inception.

### (m) Cash and short-term deposits

Cash and short-term deposits in the Consolidated Statement of Financial Position comprise cash at banks and on hand and short-term deposits with a maturity of 90 days or less.

For the Consolidated Statement of Cash Flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

### (n) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in profit or loss when the liabilities are derecognised.

### (o) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Consolidated Statement of Comprehensive Income net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

### (p) Employee entitlements

Provision is made for employee entitlement benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave and long service leave, and associated taxes and on-costs. Liabilities arising in respect of employee entitlements expected to be settled within twelve months of the reporting date are measured at the amounts expected to be settled. All other employee entitlement liabilities are measured at the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the interest rates attaching to national high quality corporate bonds which have terms to maturity approximating the terms of the related liability are used.

Employee entitlements, expenses and revenues arising in respect of the following categories:

- wages and salaries, non-monetary benefits, annual leave, long service leave and other leave entitlements; and
- other types of employee entitlements;

are charged against profit or loss on a net basis in their respective categories.

Contributions to defined contribution superannuation plans are expensed when incurred.

### (q) Employee participation units

A controlled entity, Howe Automotive Limited (Howe), may grant employee participation units (EPUs) in accordance with its Employee Incentive Plan adopted by Howe shareholders on 20 December 2001. For conditions refer to note 29(c).

An EPU provides an employee with a right on termination of employment under certain conditions and in certain other circumstances to receive a cash payment from Howe. Schaffer Corporation Limited has the option to compel the employee to use the whole or part of that cash payment to subscribe for Schaffer Corporation Limited shares.

The Group records a provision for EPU termination entitlements calculated using estimates of the probable future EPU cash payments for issued EPUs discounted based on the estimated period until payment using a risk-free rate of return. The amount estimated for EPU cash payments on termination is calculated in accordance with a valuation formula based on the three-year average, including one full year following termination, of 5.5 times Howe Automotive Limited's estimated earnings before interest and tax minus debt.

EPUs are cancelled once they are paid out. EPUs are also cancelled if the employee ceases to be an employee prior to the third anniversary of the grant date for any reason other than death or permanent disablement, if the employee acts in competition with Howe after the third anniversary but prior to pay out, is disparaging to Howe or any of its businesses, does anything which is illegal, fraudulent, dishonest or serious misconduct, discloses confidential information, or if the employee is a director or general manager and does not provide a minimum of 90 days' notice of intention to terminate employment.

Howe may at any time amend this plan, but amendments cannot prejudice the accrued rights of an employee without consent of not less than 75% in the number of employees who hold EPUs at the time of the amendment.

## Note 2: Material Accounting Policies (continued)

### (r) Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

***Group as a lessee***

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

*i) Right-of-use assets*

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- buildings – 6 to 12 years
- plant and equipment – 5 to 15 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment assessments. Refer to note 2(h).

*ii) Lease liabilities*

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the lessee company's incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

*iii) Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases of plant and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of plant and equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

***Group as a lessor***

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

### (s) Revenue recognition

***Sale of Goods***

Automotive leather components – Revenue is recognised at the point in time when control of the goods is transferred to the customer, generally on collection by the customer. The contracts for the sale of automotive leather components provide customers with the right to claim a credit or refund for components that do not satisfy agreed quality standards. The customer's right to claim is a variable consideration that is estimated at contract inception and constrained until the associated uncertainty is resolved. The estimate of constrained revenue is based on all available information including historic performance and is recognised to the extent that it is highly probable that a significant reversal of revenue will not occur. Payment terms are generally 30 to 90 days.

***Construction contracts***

The Group recognises construction services revenue and expenses on an individual contract basis using the percentage of completion method based on cost inputs which align with the calculation of the contractually enforceable obligation a customer must pay for work completed to date. Once the financial outcome of a construction contract can be estimated reliably, contract revenues and expenses are recognised in the Consolidated Statement of Comprehensive Income in proportion to the stage of completion of the contract. Where modifications in design or contract requirements are entered into, the transaction price is updated to reflect these. Where the price of a modification has not been confirmed, an estimate is made of the amount of revenue to recognise whilst also considering any constrained revenue requirement. Payment terms are generally 30 to 45 days. The Group generally warrants that it will rectify construction works deemed defective for between 5 and 10 years from the completion of the works.

***Transport***

The Group recognises transport revenue on an individual contract basis over the period the service is completed. Payment terms are generally 30 to 45 days.

***Interest income***

Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

***Dividends and distributions***

Revenue is recognised when the shareholders' or unitholders' right to receive the payment is established, excluding dividends received from equity-accounted investments, in which the dividends are recognised as a reduction in the equity-accounted investment.

***Rental income***

Rental income arising on investment properties is accounted for on a straight-line basis over the lease term. Contingent rental income is recognised as income in the periods in which it is earned.

### (t) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance date.

Deferred income tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, except as described in this note.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
*year ended 30 June 2024*

## Note 2: Material Accounting Policies (continued)

### (t) Income tax (continued)

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences, such as the recognition of Right-of-use assets and lease liabilities in accordance with AASB 16 Leases.
- where taxable temporary differences associated with investments in subsidiaries, associates and undivided interests, and the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised except:
  - where the deferred income tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
  - where the deductible temporary difference is associated with investments in subsidiaries, or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised, or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

The Company and all its wholly owned Australian resident subsidiaries are part of a tax consolidated group. The Company, being the head entity in a tax consolidated group, assumes the current tax liability and any deferred tax assets arising from tax losses and other unused tax credits of the subsidiaries in the tax consolidated group. Deferred tax balances of the subsidiaries in the tax consolidated group are not assumed by the Parent entity.

The Group allocates the tax balances for the period using the Group allocation approach, and a tax funding arrangement is in place to reimburse the parent entity for any liabilities of the subsidiaries it assumes and conversely, for the parent entity to reimburse the subsidiaries for any recognised tax losses it assumes.

### (u) Other taxes

Revenues, expenses and assets are recognised net of the amount of goods and services tax ('GST') except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Consolidated Statement of Financial Position.

Cash flows are included in the Consolidated Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

### (v) Derivative financial instruments

The Group uses derivative financial instruments such as forward currency contracts and interest rate swaps to manage its risks associated with foreign currency and interest rate fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value through profit or loss. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

The Group has determined that these derivatives do not qualify for hedge accounting and as such, any gains or losses arising from changes in fair value are taken directly to the Consolidated Statement of Comprehensive Income.

***Forward exchange contracts***

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

***Interest rate swaps***

The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

### (w) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### (x) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the Parent adjusted to exclude costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares outstanding during the period, adjusted for any bonus element.

Diluted earnings per share, is calculated as net profit attributable to members adjusted for:

- costs of servicing equity (other than dividends); and
- the after-tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses;

divided by the weighted average number of ordinary shares outstanding during the period and dilutive potential ordinary shares, adjusted for any bonus element.

### (y) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction, or production of a qualifying asset (i.e. an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) are capitalised as part of the cost of that asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

### (z) Trade and other payables

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group become obliged to make future payments in respect of the purchase of these goods and services. The carrying amount approximates fair value.

### (aa) Research costs

Research costs are expensed as incurred.

## Note 3: Revenue from Contracts with Customers

**For the year ended 30 June 2024**

| | CONSOLIDATED | | | |
|---|---|---|---|---|
| **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 | **181,930** | **–** | **–** | **181,930** |
| Sale of land | **–** | **1,958** | **–** | **1,958** |
| Construction services | **–** | **–** | **26,186** | **26,186** |
| Transport income | **–** | **–** | **4,834** | **4,834** |
| Sale of goods – hospitality business | **–** | **1,250** | **–** | **1,250** |
| **Total revenue from contracts with customers** | **181,930** | **3,208** | **31,020** | **216,158** |
| **Geographical Markets** | | | | |
| Europe | **157,372** | **–** | **–** | **157,372** |
| Asia | **24,558** | **–** | **–** | **24,558** |
| Australia | **–** | **3,208** | **31,020** | **34,228** |
| **Total revenue from contracts with customers** | **181,930** | **3,208** | **31,020** | **216,158** |
| **Timing of revenue recognition** | | | | |
| Goods transferred at a point in time | **181,930** | **3,208** | **–** | **185,138** |
| Services transferred over time | **–** | **–** | **31,020** | **31,020** |
| **Total revenue from contracts with customers** | **181,930** | **3,208** | **31,020** | **216,158** |
| Relating to current period performance | **181,930** | **3,208** | **31,020** | **216,158** |
| **Total revenue from contracts with customers** | **181,930** | **3,208** | **31,020** | **216,158** |

**For the year ended 30 June 2023**

| | CONSOLIDATED | | | |
|---|---|---|---|---|
| **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 | 142,738 | – | – | 142,738 |
| Sale of land | – | 1,363 | – | 1,363 |
| Construction services | – | – | 26,470 | 26,470 |
| Transport income | – | – | 2,228 | 2,228 |
| Sale of goods – hospitality business | – | 1,191 | – | 1,191 |
| **Total revenue from contracts with customers** | 142,738 | 2,554 | 28,698 | 173,990 |
| **Geographical Markets** | | | | |
| Europe | 111,824 | – | – | 111,824 |
| Asia | 30,914 | – | – | 30,914 |
| Australia | – | 2,554 | 28,698 | 31,252 |
| **Total revenue from contracts with customers** | 142,738 | 2,554 | 28,698 | 173,990 |
| **Timing of revenue recognition** | | | | |
| Goods transferred at a point in time | 142,738 | 2,554 | – | 145,292 |
| Services transferred over time | – | – | 28,698 | 28,698 |
| **Total revenue from contracts with customers** | 142,738 | 2,554 | 28,698 | 173,990 |
| Relating to current period performance | 142,738 | 2,554 | 28,698 | 173,990 |
| **Total revenue from contracts with customers** | 142,738 | 2,554 | 28,698 | 173,990 |

At 30 June 2024 and 30 June 2023, the Group had no portion of transaction price allocated to remaining unfulfilled performance obligations for contracts with a duration of over 12 months.

## Note 4: Significant Other Income and Expenses

| | CONSOLIDATED | |
|---|---|---|
| | **2024** | 2023 |
| | $'000 | $'000 |
| **(a) Net rental income** | | |
| Rental property income | **(7,045)** | (6,748) |
| Rental property expenses | **3,664** | 3,684 |
| Net rental income | **(3,381)** | (3,064) |
| **(b) Finance (costs)/income** | | |
| Interest on loans | **(3,030)** | (2,678) |
| Interest on leases | **(639)** | (422) |
| Total finance costs | **(3,669)** | (3,100) |
| Interest on cash and term deposits | **1,326** | 1,155 |
| Total finance income | **1,326** | 1,155 |
| **(c) Other income/(losses)** | | |
| Net gain on investment property at fair value through profit or loss | **13,426** | 115 |
| Net (loss)/gain on financial assets at fair value through profit or loss | **(3,332)** | 356 |
| Net loss on financial liabilities at fair value through profit or loss | **(600)** | (610) |
| (Loss)/Gain on disposal of property, plant and equipment | **(53)** | 16 |
| Government subsidies | **31** | 268 |
| Net (loss)/gain on derivatives | **(319)** | 318 |
| Foreign currency losses | **(1,372)** | (4,441) |
| Foreign currency gains | **971** | 3,486 |
| | **8,752** | (492) |
| **(d) Depreciation, amortisation, and impairment included in the consolidated statement of comprehensive income** | | |
| Depreciation included in: | | |
| Cost of sales and services rendered | **6,346** | 5,661 |
| Marketing and administrative expenses | **79** | 72 |
| Total depreciation | **6,425** | 5,733 |
| Amortisation included in: | | |
| Cost of sales and services rendered | **2,010** | 2,252 |
| **(e) Employee benefit expense included in the consolidated statement of comprehensive income** | | |
| Cost of sales | **40,095** | 33,782 |
| Marketing and administrative expenses | **6,377** | 5,337 |
| **Total employee benefits expense** | **46,472** | 39,119 |
| **Employee benefits expense comprises:** | | |
| Wages, salaries and bonuses | **45,205** | 37,387 |
| Post-employment benefits provisions (decrease)/increase | **(377)** | 281 |
| Long service leave | **197** | (33) |
| Worker's compensation costs | **309** | 299 |
| Superannuation costs | **1,138** | 1,138 |
| Share-based payments expense | **–** | 47 |
| | **46,472** | 39,119 |

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## Note 5: Income Tax

| | CONSOLIDATED | |
|---|---|---|
| | **2024** | 2023 |
| | $000's | $000's |
| **Current tax expense** | | |
| Current year | **8,538** | 7,724 |
| Changes in estimates related to prior years | **(92)** | (411) |
| | **8,446** | 7,313 |
| **Deferred tax expense** | | |
| Origination and reversal of temporary differences | **4,024** | (832) |
| **Income tax expense recognised in profit or loss** | **12,470** | 6,481 |
| **Reconciliation of effective tax rate** | | |
| **Accounting profit before tax** | **42,840** | 22,873 |
| At the Group's statutory income tax rate of 30% (2023 – 30%) | **12,852** | 6,862 |
| • overseas currency translation adjustment | **50** | 210 |
| • expenses not allowable for income tax purposes | **145** | 96 |
| • research and development rebates | **(401)** | – |
| • effect of lower tax rates in the United States | **11** | (235) |
| • over-provision of current income tax of previous years | **(92)** | (411) |
| • profit of equity accounted investment already taxed | **(28)** | - |
| • other items | **(67)** | (41) |
| Income tax expense reported in the consolidated statement of comprehensive income at the effective tax rate of 30% (2023 – 30%) | **12,470** | 6,481 |

| | | CONSOLIDATED STATEMENT OF FINANCIAL POSITION | | CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME | |
|---|---|---|---|---|---|
| | | **2024** | 2023 | **2024** | 2023 |
| | Note | $000's | $000's | $000's | $000's |
| **Deferred income tax** | | | | | |
| Deferred income tax at 30 June relates to the following: | | | | | |
| **Deferred tax liabilities** | | | | | |
| Unrealised fair value adjustments | | **34,716** | 31,705 | **(3,011)** | 120 |
| Depreciation of right-of-use assets | (i) | **5,879** | 5,338 | **(541)** | (215) |
| Accelerated depreciation for tax purposes | | **1,612** | 1,446 | **(166)** | (169) |
| Rollover of insurance proceeds | | **1,265** | 1,265 | **–** | – |
| Derivatives | | **169** | 312 | **143** | 31 |
| Prepayments | | **139** | 176 | **37** | 73 |
| Share of profit in equity-accounted investees | | **(59)** | (45) | **14** | 123 |
| Accrued income | | **93** | 122 | **29** | 75 |
| Other individually insignificant balances | | **36** | 35 | **–** | 66 |
| Gross deferred income tax liabilities | | **43,850** | 40,354 | | |
| Offset | | **(10,273)** | (10,707) | | |
| **Net deferred tax liability** | | **33,577** | 29,647 | | |
| **Deferred tax assets** | | | | | |
| Lease liabilities | (ii) | **5,735** | 5,277 | **458** | 111 |
| Employee entitlements | | **5,577** | 5,765 | **(188)** | 90 |
| Accrued expenses | | **1,268** | 1,042 | **321** | 1,020 |
| Foreign exchange losses | | **698** | 666 | **32** | 432 |
| Unrealised fair value adjustments | | **466** | 373 | **(2)** | (174) |
| Other individually insignificant balances | | **142** | 15 | **127** | (49) |
| Derivatives | | **–** | – | **–** | – |
| Impairment of plant and equipment | | **(362)** | (474) | **112** | (1,451) |
| Losses carried forward | | **1,904** | 3,294 | **(1,389)** | 1,056 |
| Gross deferred income tax assets | | **15,428** | 15,958 | | |
| Offset | | **(10,273)** | (10,707) | | |
| **Net deferred tax asset** | | **5,155** | 5,251 | | |
| **Deferred tax credit** | | | | **(4,024)** | 1,139 |

(i) Depreciation is not deductible for tax purposes for right-of-use assets relating to leases recognised as operating leases prior to the adoption of AASB 16. Depreciation is deductible for right-of-use assets relating to leases recognised as finance leases prior to the adoption of AASB 16.
(ii) Lease payments are deductible for tax purposes for lease liabilities relating to leases recognised as operating leases prior to the adoption of AASB 16. Lease payments are not deductible for lease liabilities relating to leases recognised as finance leases prior to the adoption of AASB 16.

## Note 6: Dividends Provided For or Paid

| | Note | CONSOLIDATED 2024 $'000 | 2023 $'000 |
|---|---|---|---|
| **(a) Dividends paid** | | | |
| Final 2023 dividend paid in September 2023 | | **6,110** | 6,130 |
| Per share (¢) | | **45** | 45 |
| Interim 2024 dividend paid in March 2024 | | **6,106** | 6,129 |
| Per share (¢) | | **45** | 45 |
| Fully franked dividends paid by the parent | | **12,216** | 12,259 |
| Fully franked dividend paid by controlled entities to minority shareholders | 33 | **4,628** | 1,262 |
| Total fully franked dividends paid | | **16,844** | 13,521 |
| **(b) Not recognised as a liability as at 30 June 2024** | | | |
| Dividends on ordinary shares | | | |
| Final fully franked dividend for 2024 | 34 | **6,110** | 6,111 |
| The dividends were declared subsequent to 30 June 2024 | | | |
| **(c) Franking account** | | | |
| The tax rate at which dividends have or will be franked is<br>• Interim – 30% (2023: 30%)<br>• Final – 30% (2023: 30%) | | | |
| Franking account balance brought forward | | **23,329** | 25,865 |
| Fully franked dividends paid for 2024 – 90¢ (2023 – 90¢) | | **(5,234)** | (5,254) |
| Tax (refunded)/paid | | **–** | – |
| Franked dividends received from other corporations | | **9,893** | 2,718 |
| Franking account balance at the end of the financial year | | **27,988** | 23,329 |
| Franking credits that will (reduce)/arise from the (refund)/payment of income tax (refundable)/payable as at the end of the financial year by the parent | | **–** | – |
| Franking credits that will be available on (refund)/payment of income tax (refundable)/payable as at the end of the financial year by the parent | | **27,988** | 23,329 |
| The above franking account is expressed on a tax-paid basis | | | |
| Fully franked dividends which can be paid from the above franking credits available amount | | **65,305** | 54,434 |

## Note 7: Earnings Per Share

| | Note | CONSOLIDATED 2024 | 2023 |
|---|---|---|---|
| Net profit attributable to ordinary equity holders of the Parent | | **$27,051,000** | $13,593,000 |
| **(a) Basic earnings per share** | | | |
| Basic earnings per share | (i) | **198.7¢** | 99.8¢ |
| (i) Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year (in cents). The following reflects the share data used in the calculation of basic earnings per share: | | | |
| Beginning weighted average number of ordinary shares | | **13,615,350** | 13,709,057 |
| Effect of options exercised under an employee share scheme | | **7,379** | 2,500 |
| Effect of shares acquired under a share buy-back scheme | | **(18,246)** | (96,207) |
| Closing weighted average number of ordinary shares | 7(b)(i) | **13,604,483** | 13,615,350 |
| **(b) Diluted earnings per share** | | | |
| Diluted earnings per share | (i) | **198.5¢** | 99.6¢ |
| (i) Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares (in cents). The following reflects the share data used in the calculation of diluted earnings per share: | | | |
| Closing weighted average number of ordinary shares | | **13,604,483** | 13,615,350 |
| Effect of share options on issue | 7(a)(i) | **24,129** | 28,750 |
| Weighted average number of ordinary shares adjusted for the effect ofdilution | | **13,628,612** | 13,644,100 |

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## Note 8: Cash and Short-Term Deposits

| | Note | CONSOLIDATED 2024 $'000 | 2023 $'000 |
|---|---|---|---|
| **(a) Reconciliation of cash** | | | |
| **Cash balance comprises:** | | | |
| Cash at bank and on hand | | **31,183** | 28,324 |
| Cash at bank and on hand – controlled equity funds | (i) | **6,421** | 10,802 |
| Cash and cash equivalents | | **37,604** | 39,126 |
| **Closing cash balance per consolidated statement of cash flows** | | **37,604** | 39,126 |
| **(b) Reconciliation of operating profit after income tax to the net cash flows from operations** | | | |
| Net profit | | **30,370** | 16,392 |
| Adjustment for: | | | |
| Unrealised gains on revaluation of investment property | | **(13,426)** | (115) |
| Net fair value losses/(gains) on financial assets at fair value through profit or loss | | **3,651** | (673) |
| Net fair value losses on financial liabilities at fair value through profit or loss | | **600** | 610 |
| Depreciation and amortisation | | **8,435** | 7,985 |
| (Profits)/losses of equity accounted investments | | **(383)** | 805 |
| Unrealised foreign currency (gains)/losses | | **(72)** | 955 |
| Distributions reinvested | | **(512)** | (305) |
| Tax expense | | **12,470** | 6,481 |
| Finance costs | | **3,669** | 3,100 |
| Other | | **53** | 31 |
| **(Increase)/decrease in operating assets** | | | |
| Trade and other receivables | | **3,446** | (4,304) |
| Inventories | | **13,757** | (6,602) |
| Contract assets | | **(5,033)** | 2,689 |
| Prepayments | | **(253)** | (771) |
| **Increase/(decrease) in operating liabilities** | | | |
| Trade and other payables | | **3,966** | (9,825) |
| Contract liabilities | | **522** | 904 |
| Provisions | | **(170)** | 502 |
| Cash generated from operating activities | | **61,090** | 17,859 |
| Interest paid | | **(3,596)** | (3,564) |
| Taxes paid | | **(9,690)** | (7,663) |
| Effect of movements in foreign exchange rates | | **(84)** | (876) |
| Net cash flows from operating activities | | **47,720** | 5,756 |

(i) The Group controls and manages equity investment funds. Cash held by the controlled equity funds is to be applied by the fund manager to purchase assets in accordance with each fund's mandate.

## Note 9: Trade and Other Receivables

| | Note | CONSOLIDATED 2024 $'000 | 2023 $'000 |
|---|---|---|---|
| Trade debtors | | **27,118** | 31,508 |
| Allowance for expected credit loss | (i) | **(255)** | (333) |
| | (ii) | **26,863** | 31,175 |
| Sundry debtors | (iii) | **5,118** | 4,633 |
| | | **31,981** | 35,808 |

Terms and conditions relating to the above financial instruments:

The collectability of trade receivables is reviewed on an ongoing basis at an operating unit level. Individual debts that are known to be uncollectible are written off when identified.

(i) Trade debtors are non-interest bearing and generally on 30 to 90-day terms.

(ii) An allowance is recognised for expected credit loss based on the Group's historical loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Refer to note 18(e) for credit risk disclosures.

| | CONSOLIDATED 2024 $'000 | 2023 $'000 |
|---|---|---|
| Movement in allowance for expected credit loss | | |
| At 1 July | **333** | 333 |
| Released during the year | **(78)** | – |
| At 30 June | **255** | 333 |

(iii) Sundry debtors and other receivables are non-interest bearing and have repayment terms between 30 and 90 days.

The carrying amount of trade and other receivables is at amortised cost and approximates fair value.

## Note 10: Contract Assets and Liabilities

| | Note | CONSOLIDATED 2024 $'000 | 2023 $'000 |
|---|---|---|---|
| **(a) Contract assets** | | | |
| **Current** | | | |
| Contract work in progress | (c) | **5,888** | 1,187 |
| Long term agreements | | **713** | 550 |
| Contract assets | | **6,601** | 1,737 |
| **Non-current** | | | |
| Long term agreements | | **2,389** | 2,220 |
| Total contract assets | | **8,990** | 3,957 |
| **(b) Contract liabilities** | | | |
| Contract work in progress | (c) | **1,087** | 906 |
| Provision for refunds – customer claims | | **783** | 442 |
| Total contract liabilities | | **1,870** | 1,348 |
| **(c) Contract work in progress** | | | |
| Construction costs incurred to date: | | | |
| Revenue recognised to date | | **23,261** | 27,845 |
| Less: Progress billings | | **(18,460)** | (27,564) |
| Net construction work in progress | | **4,801** | 281 |
| Represented by: | | | |
| Amounts due from customers (contract assets) | | **5,888** | 1,187 |
| Amounts due to customers (contract liabilities) | | **(1,087)** | (906) |
| | | **4,801** | 281 |

## Note 10: Contract Assets and Liabilities (continued)

Long-term Agreement (LTA) payments are upfront costs associated with the obtainment of contracts that would otherwise not be incurred if the contract had not been obtained. Such payments are amortised over the life of the contract in accordance with AASB 15.

Contract work in progress is classified as contract assets or contract liabilities in accordance with AASB 15. Contract work in progress is stated at cost plus profit recognised to date and calculated in accordance with the percentage of completion method, less an allowance for expected credit loss and progress payments received to date.

Contracts for the construction of precast concrete elements generally require customer certification of work completed, generally within 10 business days of submitting a monthly claim to the customer. An invoice is then raised for the completed work and is payable by the customer generally between 30 to 60 days.

The gross amount due from customers for contract work for all contracts in progress for which costs incurred plus recognised profits less recognised losses) exceeded progress billings, is presented in contract assets. Contract assets are subject to credit risk which is managed by the Group's credit policy (refer to note 18(e)).

The gross amount due to customers for contract work for all contracts in progress for which progress billings exceeded costs incurred plus recognised profits (less recognised losses) is presented in contract liabilities.

Revenue recognised from contract liability balances at the beginning of the period amounted to $906,000 (2023: $87,000).

## Note 11: Inventories

| | CONSOLIDATED | |
|---|---|---|
| | **2024** | 2023 |
| | $'000 | $'000 |
| *At the lower of cost and net realisable value:* | | |
| **Current** | | |
| Raw materials | **20,606** | 28,903 |
| Work in progress | **15,370** | 17,109 |
| Finished goods | **8,704** | 11,806 |
| Land held for sale | **181** | 897 |
| | **44,861** | 58,715 |
| **Non-current** | | |
| Land held for sale | **878** | 781 |
| Total inventory | **45,739** | 59,496 |
| Inventory recognised as an expense comprises: | | |
| Land | **946** | 487 |
| Automotive leather | **137,926** | 109,805 |
| | **138,872** | 110,292 |
| Inventory write-downs to the net realisable value recognised as an expense. | **1,743** | 32 |

## Note 12: Prepayments and Deposits

| | CONSOLIDATED | |
|---|---|---|
| | **2024** | 2023 |
| | $'000 | $'000 |
| Prepayments | **4,549** | 4,296 |

Prepayments relate to leases, plant and equipment, insurance, raw materials, consumables, and interest.

## Note 13: Equity Accounted Investments

The Group has the following interests in associates and joint ventures which are accounted for using the equity method in the consolidated financial statements.

| | Activity | Place of Incorporation | Nature of investment | Percentage ownership | |
|---|---|---|---|---|---|
| | | | | **2024** | 2023 |
| | | | | % | % |
| TJS Advisory Pty Ltd – unlisted company | Property asset management and consultancy services | Australia | Associate | **30** | 30 |
| Primewest Tamworth Trust – unlisted unit trust | Bulky goods property investment | Australia | Associate | **25** | 25 |
| 6 Centro Ave Unit Trust – unlisted unit trust | Office property investment | Australia | Associate | **50** | 50 |
| 7 Turner Ave Unit Trust – unlisted unit trust | Office property investment | Australia | Joint Venture | **35** | 35 |
| WASO Club Pty Ltd – unlisted company | Property development | Australia | Joint Venture | **27** | 27 |
| Parcel Bayswater Pty Ltd – unlisted company | Property development | Australia | Joint Venture | **50** | 50 |

The following table illustrates the aggregated and summarised financial information of the Group's investment in the above entities.

| | CONSOLIDATED | |
|---|---|---|
| | **2024** | 2023 |
| | $'000 | $'000 |
| Group's carrying amount of the investments | **7,849** | 7,834 |
| Group's share of profit/(loss) for the year | **383** | (805) |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
*year ended 30 June 2024*

## Note 14: Financial Assets and Liabilities

| | Note | CONSOLIDATED **2024** $'000 | 2023 $'000 |
|---|---|---|---|
| **(a) Financial assets by nature:** | | | |
| **Financial assets at amortised cost** | | | |
| **Current** | | | |
| Cash and cash equivalents | 8 | **31,183** | 28,324 |
| Cash and cash equivalents – controlled equity funds | 8,15 | **6,421** | 10,802 |
| Trade and other receivables | 9 | **31,981** | 35,808 |
| Other financial assets at amortised cost | | **1,070** | 1,966 |
| | | **70,655** | 76,900 |
| **Non-current** | | | |
| Other financial assets at amortised cost | | **1,638** | 1,749 |
| **Total financial assets at amortised cost** | | **72,293** | 78,649 |
| **Financial assets at fair value through profit or loss** | | | |
| **Current** | | | |
| Listed equity shares and options held by controlled equity funds | 15 | **16,496** | 11,175 |
| Convertible notes | | **1,998** | – |
| *Derivatives not recognised as hedging instruments* | | | |
| Forward exchange contracts | | **247** | 239 |
| Interest rate swaps | | **–** | 121 |
| | | **18,741** | 11,535 |
| **Non-current** | | | |
| Listed equity shares | | **1,062** | 2,746 |
| Unlisted investments in property unit trusts and LLCs | | **18,750** | 18,428 |
| Unlisted units in managed equity funds | | **8,677** | 7,976 |
| Unlisted equity shares | | **13,498** | 14,920 |
| Convertible notes | | **1,589** | 3,815 |
| *Derivatives not recognised as hedging instruments* | | | |
| Interest rate swaps | | **564** | 917 |
| **Total** | | **44,140** | 48,802 |
| **Total financial assets at fair value through profit or loss** | | **62,881** | 60,337 |
| **Total financial assets** | | **135,174** | 138,986 |
| **(b) Financial liabilities by nature:** | | | |
| **Financial liabilities at amortised cost** | | | |
| **Current** | | | |
| Trade and other payables | 16 | **25,329** | 21,333 |
| *Interest-bearing loans and borrowings:* | | | |
| Bank loans – property | 17 | **1,140** | 21,101 |
| Bank loans – other | 17 | **13,625** | – |
| Lease liabilities | 22 | **6,423** | 6,701 |
| | | **46,517** | 49,135 |
| **Non-current** | | | |
| *Interest-bearing loans and borrowings:* | | | |
| Bank loans – property | | **28,944** | 22,575 |
| Revolving loan facility | 17 | **15,778** | 27,722 |
| Lease liabilities | 21 | **19,284** | 20,047 |
| | | **64,006** | 70,344 |
| **Total financial liabilities at amortised cost** | | **110,523** | 119,479 |
| **Financial liabilities at fair value through profit or loss** | | | |
| **Current** | | | |
| Short equity positions held by controlled equity funds | 15 | **471** | 3,090 |
| Forward exchange contracts | | **1** | 57 |
| Net assets attributable to external investors in the controlled equity funds | 15 | **11,058** | 9,010 |
| **Total financial liabilities at fair value through profit or loss** | | **11,530** | 12,157 |
| **Total financial liabilities** | | **122,053** | 131,636 |

## Note 14: Financial Assets and Liabilities (continued)

Derivative financial instruments are used by the Group in the normal course of business to protect against exposure to fluctuations in interest and foreign exchange rates.

*(i) Forward currency contracts*

The Group has the following contracts outstanding at balance date:

| | **2024** A$'000 | 2023 A$'000 | **2024** Average Exchange Rate | 2023 Average Exchange Rate |
|---|---|---|---|---|
| **Sell USD $ / Buy Australian $** | | | | |
| Maturity 0-12 months | **5,971** | 5,933 | **0.6699** | 0.6742 |
| **Sell Euro € / Buy Australian $** | | | | |
| Maturity 0-12 months | **11,837** | 18,500 | **0.6061** | 0.6006 |

Such contracts are fair valued by comparing the contracted rate to the market rates for contracts with the same length of maturity. All movements in fair value are recognised in the Consolidated Statement of Comprehensive Income in the period they occur. The net fair value movement on the Group's forward currency contracts during the year was $47,000 profit (2023: $476,000 profit).

*(ii) Interest Rate Swaps*

Interest-bearing loans of the Group currently bear an average variable interest rate of 6.03% (2023: 5.99%). To protect against rising interest rates the Group has entered into interest rate swap contracts under which it has a right to receive interest at variable rates and to pay interest at fixed rates on syndicate bank loans (refer to note 17(i)). Swaps in place cover approximately 77% (2023: 77%) of the principal outstanding on syndicate bank loans.

At 30 June 2024, the notional principal amounts and period of expiry of the interest rate swap contracts are as follows:

| | CONSOLIDATED **2024** $'000 | 2023 $'000 |
|---|---|---|
| 0 – 1 years | **–** | 7,415 |
| 1 – 2 years | **9,751** | – |
| 2 – 3 years | **–** | 9,796 |
| | **9,751** | 17,211 |

The maturity profiles of the underlying interest-bearing loans are included in note 17(i).

The Group has entered into interest rate swaps that do not satisfy the requirements for hedge accounting.

The fair value of interest rate swaps at 30 June 2024 is an asset of $564,000 (2023: $1,038,000 asset) which is recorded on the Consolidated Statement of Financial Position.

## Note 15: Net Assets Attributable to External Investors in Controlled Fund

The Group has acted as Trustee and Fund Manager for managed equity funds under the control of the Group. At 30 June 2024, the controlled funds and the Group's holding of units therein were as follows:

- SFC Global Equities Fund – 49% (2023: 52%)
- SFC Global Fallen Angels Fund (established 1 January 2024) – 67% (2023: n/a)

External investors hold the remaining units in the funds and have the right to withdraw on notice.

The Group has irrevocably designated the net assets attributable to external investors in the funds as a financial liability at fair value through profit or loss. 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 funds were measured on different bases. As such, movements in net assets attributable to external investors in the funds are included as fair value adjustments in the Consolidated Statement of Comprehensive Income.

The combined financial position of the controlled funds is shown below:

| | | CONSOLIDATED | |
|---|---|---|---|
| | | **2024** | 2023 |
| | Note | $'000 | $'000 |
| Net assets in controlled equity funds attributable to shareholders of the Group | | **11,272** | 9,683 |
| Net assets in controlled equity funds attributable to external investors | | **11,058** | 9,010 |
| **Net assets held in controlled equity funds** | | **22,330** | 18,693 |
| **Comprising:** | | | |
| **Current assets** | | | |
| Cash and cash equivalents – controlled equity funds | (i) | **6,421** | 10,803 |
| Financial assets at fair value through profit or loss | | **16,496** | 11,175 |
| Other financial assets | | **88** | 74 |
| **Total current assets** | | **23,005** | 22,052 |
| **Current liabilities** | | | |
| Trade and other payables | | **204** | 269 |
| Financial liabilities at fair value through profit or loss | | **471** | 3,090 |
| **Total current liabilities** | | **675** | 3,359 |
| **Net assets held in controlled equity funds** | | **22,330** | 18,693 |

(i) Cash held by the controlled equity funds is to be applied by the fund manager to purchase assets following each fund's mandate.

## Note 16: Trade and Other Payables

| | CONSOLIDATED | |
|---|---|---|
| | **2024** | 2023 |
| | $'000 | $'000 |
| Trade creditors | **24,306** | 20,029 |
| Other creditors | **1,023** | 1,304 |
| | **25,329** | 21,333 |

The carrying value of trade and other payables is at amortised cost and approximates fair value.

All trade and other payables are non-interest bearing and are normally settled on 30-day terms.

## Note 17: Interest Bearing Loans and Borrowings

| | | CONSOLIDATED | |
|---|---|---|---|
| | | **2024** | 2023 |
| | Note | $'000 | $'000 |
| **Current** | | | |
| Syndicate bank loans – secured | (i) | **1,140** | 21,101 |
| Other bank loans – secured | (ii) | **13,625** | – |
| **Total current interest-bearing loans and borrowings** | | **14,765** | 21,101 |
| **Non-current** | | | |
| Syndicate bank loans – secured | (i) | **21,101** | 1,140 |
| Other bank loan – secured | (ii) | **7,843** | 21,435 |
| Revolving loan facility | (iii) | **15,778** | 27,722 |
| **Total non-current interest-bearing loans and borrowings** | | **44,722** | 50,297 |
| **Total interest-bearing loans and borrowings** | | **59,487** | 71,398 |

### (i) Syndicate bank loans

The syndicate bank loans are secured by a first registered mortgage over all the assets and undertakings of undivided interests in property syndicates which include investment property and working capital. Included in syndicate bank loans is the consolidated entity's direct share of syndicate borrowings.

The Group's Share of Loans:

**At 30 June 2024**

| Maturity Date | Interest Rate | | Current | Non-current | Carrying Value of Assets Pledged as Security |
|---|---|---|---|---|---|
| | | | $'000 | $'000 | $'000 |
| Jul 2024 | **7.49%** | **Variable** | **1,140** | **–** | **4,435** |
| Dec 2026 | **6.19%** | **Variable** | **–** | **3,841** | **8,070** |
| Apr 2027 | **2.35%** | **Fixed** | **–** | **7,602** | **13,286** |
| Apr 2027 | **2.15%** | **Fixed** | **–** | **9,658** | **18,894** |
| | | | **1,140** | **21,101** | **44,685** |

**At 30 June 2023**

| Maturity Date | Interest Rate | | Current | Non-current | Carrying Value of Assets Pledged as Security |
|---|---|---|---|---|---|
| | | | $'000 | $'000 | $'000 |
| Dec 2023 | 4.00% | Fixed | 3,841 | – | 8,225 |
| Apr 2024 | 5.77% | Variable | 3,890 | – | |
| Apr 2024 | 2.24% | Fixed | 3,713 | – | 13,802 |
| May 2024 | 2.64% | Fixed | 9,657 | – | 19,362 |
| Jul 2024 | 6.98% | Variable | – | 1,140 | 3,558 |
| | | | 21,101 | 1,140 | 44,947 |

Fixed Interest Rate loans are variable interest rate loans economically hedged with a corresponding interest rate swap at a fixed interest rate for the term of the loan (refer note 14(ii)). Note, hedge accounting is not applied.

### (ii) Other bank loans

A bank loan for $7,810,000 (2023: $7,810,000) is secured by the property at 39 Dixon Road, Rockingham. The interest rate on the bank loan is BBSY plus a margin. The facility expires on 30 November 2025.

A bank loan for $1,425,000 (2023: $1,425,000) is secured by 33 and 35 Glendale Crescent, Jandakot. The interest rate on the bank loan is BBSY plus a margin. The facility expires 30 May 2025.

A bank facility for $14,200,000 (2023: $14,200,000) is secured by 7 and 27 Jandakot Road, Jandakot. The amount drawn down at 30 June 2024 was $12,200,000 (2023: $12,200,000). The interest rate on the bank loan is BBSY plus a margin. The facility expires 22 June 2025.



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## Note 17: Interest Bearing Loans and Borrowings (continued)

### (iii) Revolving loan

During the financial year the Automotive Leather division increased a Revolving Loan facility to €25,000,000 (A$40,166,000) (2023: €20,000,000 (A$32,132,000)) and extended the maturity date to 31 March 2027, to be available for working capital requirements. The interest rate is EURIBOR plus a margin. The amount available to draw down is limited to the lesser of:

- €25,000,000 (A$40,166,000) and
- the Principal Outstanding under the Revolving Loan facility less the balance of cash deposits in accounts held with HSBC Bank Australia Limited supported by 90% of total net working capital of all Howe Automotive subsidiaries, excluding Howe Shanghai, and excluding all receivables past 30 days overdue, uninsured receivables, and obsolete inventory. At 30 June 2024, drawings from this facility amounted to €9,833,000 ($15,778,000) (2023: €16,833,000 ($27,722,000)).

| | | CONSOLIDATED | |
|---|---|---|---|
| | | **2024** | 2023 |
| | Note | $'000 | $'000 |
| **Financing facilities available** | | | |
| Financing facilities used and available | | | |
| At reporting date, the following financing facilities had been negotiated and were available: | | | |
| Total facilities | | | |
| Bankers' undertaking | (a) | **6,728** | 5,606 |
| Asset finance | (b) | **5,487** | 8,030 |
| Bank loans – property | | **45,676** | 45,676 |
| Revolving loan facility | | **40,116** | 32,792 |
| | | **98,007** | 92,104 |
| **Facilities used at reporting date** | | | |
| Bankers' undertaking | | **6,277** | 4,944 |
| Asset finance | | **5,487** | 8,030 |
| Bank loans – property | | **43,709** | 43,676 |
| Revolving loan facility | | **15,778** | 27,722 |
| | | **71,251** | 84,372 |

| | **2024** | | 2023 | |
|---|---|---|---|---|
| | $'000 | Expiry | $'000 | Expiry |
| **Facilities unutilised at reporting date** | | | | |
| Australian Banks | | | | |
| Bankers' undertaking | **451** | **2024** | 662 | 2023 |
| Bank loans – property | **1,967** | **2025** | 2,000 | 2025 |
| Revolving loan facility | **24,338** | **2027** | 5,070 | 2025 |
| | **26,756** | | 7,732 | |

(a) The Group has three Bankers Undertaking facilities. A $5,000,000 (2023: $3,850,000) facility with an Australian bank is rolled annually. Guarantees issued under this facility have an all-in interest rate of 1.2% (2023: 1.2%). A $425,000 (2023: $425,000) facility with a global bank expires in March 2027. Guarantees issued under this facility have has an all-in interest rate of 1.40% (2023: 1.40%). A €812,000 (2023: €812,000) facility with a global bank expires in March 2027. Guarantees issued under this facility have an all-in interest rate of 1.40%.

(b) Asset finance sale and leaseback agreements have an average term of 5 years. The average discount implicit in the agreements is approximately 3.95% per annum (2023: 2.20% per annum). The lease liabilities relating to these asset finance sales and leaseback agreements are secured by charges over the leased-back assets.

The Group has always complied with all covenants in relation to the above facilities during the year.

## Note 18: Financial Instruments

### Financial risk management, objectives, and policies

The Group's financial instruments comprise bank loans, leases, foreign exchange contracts, interest rate swaps, cash and short-term deposits, trade receivables, trade payables, equities and financial assets held at fair value through profit or loss.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability instrument are disclosed in note 2 to the financial statements.

The Group manages its exposure to key financial risks, including interest rate and currency risk in accordance with the Group's financial risk policy. The objective of the policy is to support the delivery of the Group's financial targets while protecting future financial security.

The Group enters into derivative transactions, principally interest rate swaps, and forward currency contracts. The purpose is to manage the interest rate and currency risks arising from the Group's operations and its sources of finance. Trading in derivatives has also been undertaken, specifically in forward currency contracts. These derivatives do not qualify for hedge accounting and are based on limits set by the Board. The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, market risk and liquidity risk. The Group uses different methods to measure and manage different types of risks to which it is exposed.

These include monitoring by the Board of levels of exposure to interest rate and foreign exchange risk and assessments of market forecasts for interest rate, foreign exchange, and commodity prices. Ageing analyses and monitoring of specific credit allowances are undertaken to manage credit risk. Liquidity risk is monitored through the development of future rolling cash flow forecasts.

### (a) Interest rate risk

Interest rate risk is the risk that the Group's financial position will fluctuate due to changes in market interest rates. The Group's exposure to the risk of market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

In respect of the Group's syndicated property borrowings, the funding and interest rate decision are managed externally by unanimous consent amongst the joint operators, including the use of interest rate swaps (refer note 14(ii)).

At balance date the Group had the following mix of financial assets and liabilities exposed to variable interest rate risk that are not designated in cash flow hedges:

| | CONSOLIDATED | |
|---|---|---|
| | **2024** | 2023 |
| | $'000 | $'000 |
| **Financial assets** | | |
| Cash and short-term deposits | **31,183** | 28,324 |
| Cash – controlled equity funds | **6,421** | 10,802 |
| | **37,604** | 39,126 |
| **Financial liabilities** | | |
| Net bank loans subject to variable rates (refer note 17(i) and (ii) | **(26,416)** | (26,288) |
| Revolving loan | **(15,778)** | (27,722) |
| | **(42,194)** | (54,010) |
| Net exposure | **(4,590)** | (14,884) |

The Group manages its interest rate risk on borrowings by using a mix of fixed-rate debt, variable-rate debt, and interest rate swaps. At 30 June 2024, approximately 31.8% of the Group's borrowings are at a fixed rate of interest after applying interest rate swaps (2023: 50.3%).

The following sensitivity analysis is based on the interest rate risk exposures at 30 June 2024. If interest rates had moved, as illustrated in the table below, with all other variables held constant, after-tax profit and equity would have been affected as follows:

| | CONSOLIDATED | |
|---|---|---|
| | **2024** | 2023 |
| | $'000 | $'000 |
| Sensitivity of reasonably possible movements: | | |
| +0.25 (25 basis points) | **(19)** | (45) |
| -0.25 (25 basis points) | **19** | 45 |

There is immaterial exposure to any change in interest rates.

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## Note 18: Financial Instruments (continued)

### (b) Assets pledged as security

The carrying amount of assets pledged as security for current and non-current interest-bearing liabilities are:

| | CONSOLIDATED | |
|---|---|---|
| | **2024** | 2023 |
| | $'000 | $'000 |
| **Current** | | |
| *Floating charges* | | |
| Cash and cash equivalents | **11,524** | 18,278 |
| Trade and other receivables | **30,954** | 32,828 |
| Inventories | **43,567** | 56,772 |
| Other financial assets | **4,822** | 4,308 |
| Total current assets pledged as security | **90,867** | 112,186 |
| **Non-current** | | |
| *Floating charges* | | |
| Plant and equipment | **6,612** | 5,744 |
| Other financial assets | **2,732** | 2,642 |
| *First mortgages* | | |
| Freehold land and buildings | **6,512** | 6,446 |
| Investment properties | **95,027** | 88,986 |
| | **110,883** | 103,818 |
| Leases | | |
| Plant and equipment | **11,066** | 14,544 |
| Total non-current assets pledged as security | **121,949** | 118,362 |

Cash and cash equivalents pledged as security may be subject to offsetting by lenders against the secured liabilities.

The terms and conditions relating to the pledged assets are as follows:

Cash and cash equivalents, inventories, receivables, freehold land and buildings, other financial assets and plant and equipment are pledged against the banker's undertaking facilities and revolving loan facility on an ongoing floating basis (refer to note 17 for more details).

Investment properties are pledged as security for syndicate bank loans and other bank loans (refer to note 17(i) and 17(ii)).

### (c) Fair values

Financial assets at fair value through profit or loss are carried on the balance sheet at fair value.

The carrying values of all other financial assets and liabilities have been recognised at the balance date at amounts that approximate fair value.

| | Quoted market price (Level 1) | Valuation technique market observable inputs (Level 2) | Valuation technique non-market observable inputs (Level 3) | Total |
|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 |
| **Year ended 30 June 2024** | | | | |
| **Consolidated** | | | | |
| **Financial assets** | | | | |
| *Financial assets at fair value* | | | | |
| Listed investments | **17,373** | **184** | **–** | **17,557** |
| Unlisted investments | **–** | **9,326** | **35,187** | **44,513** |
| Derivative financial assets | **–** | **811** | **–** | **811** |
| | **17,373** | **10,321** | **35,187** | **62,881** |
| **Financial liabilities** | | | | |
| *Financial liabilities at fair value* | | | | |
| Listed financial instruments | **471** | **–** | **–** | **471** |
| Derivative financial liabilities | **–** | **3** | **–** | **3** |
| Net assets attributable to external investors in controlled equity Funds | **–** | **11,056** | **–** | **11,056** |
| | **471** | **11,059** | **–** | **11,530** |
| **Year ended 30 June 2023** | | | | |
| **Consolidated** | | | | |
| **Financial assets** | | | | |
| *Financial assets at fair value* | | | | |
| Listed investments | 13,092 | 829 | – | 13,921 |
| Unlisted investments | – | 10,368 | 34,772 | 45,140 |
| Derivative financial assets | – | 1,277 | – | 1,277 |
| | 13,092 | 12,474 | 34,772 | 60,338 |
| **Financial liabilities** | | | | |
| *Financial liabilities at fair value* | | | | |
| Listed financial instruments | 3,090 | – | – | 3,090 |
| Derivative financial liabilities | – | 57 | – | 57 |
| Net assets attributable to external investors in controlled equity Funds | – | 9,010 | – | 9,010 |
| | 3,090 | 9,067 | – | 12,157 |

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## Note 18: Financial Instruments (continued)

### (c) Fair values (continued)

***Valuation techniques and significant unobservable inputs for Level 2 and Level 3 financial instruments***

| Instrument/Valuation technique | Significant unobservable inputs | Inter-relationship between significant unobservable inputs and fair value measurement (L3) |
|---|---|---|
| **Level 2** | | |
| • **Unlisted units in managed equity funds**<br>***Adjusted quoted prices***<br>Unit prices derived from the net value of the quoted market prices of investments held adjusted for the fund manager's fees. | None | N/A |
| • **Convertible notes**<br>***Market comparison/discounted cash flow/Black Scholes***<br>o Debt component is based on discounted cash flows at a market comparable risk adjusted discount rate for companies similar to the investees.<br>o Conversion option – Black Scholes method | Risk-adjusted discount rate<br>15% (2023: 9%-12%) | N/A |
| • **Harvest Technology Group (HTG)**<br>***Adjusted quoted price***<br>The quoted price adjusted for the effect of marketability and liquidity based on the Stout Restricted Stock methodology. | Stout model discount: 61% (2023: 61%) | N/A |
| **Level 3** | | |
| • **Unlisted equity shares**<br>***Market comparison***<br>The valuation model is based on market multiples derived from quoted prices of companies comparable to the investee, adjusted for the effect of marketability and liquidity. | Adjusted Price/Sales<br>Range: 2-4 (2023: 2-4.3) | The estimated fair value would increase (decrease) if:<br>• Adjusted EV/EBITDA increases/ (decreases) |
| • **Unlisted investments in property unit trusts and LLCs**<br>***Various, including market comparison and discounted cash flows***<br>o Fair value is determined by the calculation of the Group's share in the fair value of the investment vehicle.<br>o The fair value of the investment vehicle is determined by available information including independent external valuations, guidance from the investment managers, or industry market research. | • Adjusted EV/EBITDA<br>• Adjusted Price/EBITDA<br>• Capitalisation rates | The estimated fair value would increase (decrease) if:<br>• Adjusted EV/EBITDA increases/ (decreases)<br>• Adjusted Price/EBITDA increases/ (decreases)<br>• Capitalisation rates decrease/(increase) |

***Reconciliation of the fair value measurement of Level 3 unlisted investments***

| | CONSOLIDATED | |
|---|---|---|
| | **2024** | 2023 |
| | $'000 | $'000 |
| **Balance at the start of the financial period** | **34,773** | 25,965 |
| Purchases: | | |
| Convertible notes | **1,000** | 530 |
| Managed equity funds | **224** | 460 |
| Unlisted shares | **259** | 3,760 |
| Unlisted property unit trusts and LLCs | **2,940** | 922 |
| Proceeds from divestments | **(426)** | (1,833) |
| Capital distributions | **(3,038)** | (1,185) |
| Foreign currency translation adjustment | **25** | 361 |
| Remeasurement recognised in profit and loss | **(570)** | 5,793 |
| **Balance at the end of the financial period** | **35,187** | 34,773 |

The Group holds derivative financial instruments with various counterparties, principally financial institutions with investment-grade credit ratings. Interest rate swaps and foreign exchange forward contracts are valued using valuation techniques, which employ the use of market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models using present value calculations. The models incorporate various inputs including foreign exchange spot and forward rates, yield curves of the respective currencies, currency basis spreads between the respective currencies and interest rate curves.

### (d) Market price risk

Market price risk is the risk that changes in market prices will affect the fair value of a financial instrument.

The Group is an investor in companies and trusts and is therefore exposed to market risk through the movement of the share/unit prices of the companies and trusts in which it is invested.

The fair value of these investments changes continuously because the equity price of individual listed companies within the portfolio fluctuates throughout the day. The change in the fair value of the portfolio is recognised through the profit or loss. Listed investments and investments with value that is derived from listed company share prices represent 44% (2023: 40%) of total financial assets at fair value.

At 30 June 2024, a 10% movement in the market value of these assets would have resulted in a movement of $2,800,000 to unrealised gains/(losses) on financial assets at fair value before tax (2023: $2,429,000).

The performance of the companies within the portfolio, both individually and as a whole, is monitored by management and the Board.

The Group seeks to reduce market price risk at the investment portfolio level by ensuring that it is not overly exposed to one economic sector or region in the opinion of management.

## Note 18: Financial Instruments (continued)

### (e) Credit risk exposures

Credit risk is the risk that a customer or counterparty to a financial instrument will fail to perform or fail to pay amounts due causing financial loss to the Group and arises from cash and cash equivalents, derivative financial instruments, loans receivable, convertible notes, deposits with financial institutions and particularly from credit exposures to customers relating to outstanding receivables.

The consolidated entity's maximum exposure to credit risk at balance date in relation to each class of recognised financial assets, is the carrying amount of those assets as indicated in the Consolidated Statement of Financial Position.

*Cash and cash equivalents*

Credit risk from cash and cash equivalent balances with banks is managed by placing short-term deposits with reputable financial institutions with strong investment grade credit ratings.

The consolidated entity minimises concentration of credit risk in relation to cash by investing only in reputable banking facilities.

*Trade receivables*

The consolidated entity minimises concentrations of credit risk in relation to trade receivables by undertaking transactions with a large number of customers within the specified industries both within Australia and overseas.

Concentration of credit risk on trade receivables arises in the following industries:

| | CONSOLIDATED | | | |
|---|---|---|---|---|
| | Trade debtors – gross carrying amount | | | |
| | **2024** | 2023 | **2024** | 2023 |
| | **%** | % | $'000 | $'000 |
| **Industry** | | | | |
| Automotive leather | **98** | 93 | **26,523** | 29,378 |
| Building materials | **2** | 7 | **595** | 2,130 |
| Total | **100** | 100 | **27,118** | 31,508 |

There are no trade debtors held in the parent entity.

The Group has a credit policy that is designed to implement consistent processes throughout the Group to measure and manage credit risk. Credit risk is considered as part of the risk-reward balance of doing business. On entering into any business contract, the extent to which the arrangement exposes the Group to credit risk is considered. Key requirements of the policy are formal delegated authorities to the divisional accountant to incur credit risk to a specialised credit function to set counterparty limits; the establishment of credit systems and processes to ensure that counterparties are rated and limits set; and systems to monitor exposure against limited and report regularly on those exposures, and immediately on any excesses, and to track and report credit losses.

Before trading with a new counterparty can start, its creditworthiness is assessed by referring to a credit reporting agency. The assessment process takes into account all available qualitative and quantitative information about the counterparty and the Group, if any, to which the counterparty belongs. The counterparty's business activities, financial resources and business risk management processes are taken into account in the assessment, to the extent that this information is publicly available or otherwise disclosed to the Group by the counterparty, together with external credit ratings, if any. Creditworthiness continues to be evaluated after transactions have been initiated and a watch list of higher-risk counterparties is maintained. Once assessment is complete, each counterparty is allocated a maximum exposure limit.

A balance is maintained of providing sufficient credit so as not to jeopardise potential sales but at the same time not put the company under undue risk. In addition, the Leather division where possible, purchases insurance to cover the estimated credit risk exposure of the division's individual debtors.

The maximum credit risk exposure for the Group does not take into account the value of any insurances, collateral or other security held, in the event other entities/parties fail to perform their obligations under the financial instruments in question. The only security provided is in the form of director's personal guarantees from debtors, which cannot be quantified due to the continual changing circumstances of the guarantee provider.

At 30 June, the ageing analysis of trade receivables is as follows:

| | CONSOLIDATED | |
|---|---|---|
| | **2024** | 2023 |
| | $'000 | $'000 |
| **Trade receivables at 30 June** | | |
| Not impaired or past due in the following periods | | |
| Current | **13,745** | 17,504 |
| 31 to 60 days | **8,093** | 10,197 |
| 61 to 90 days | **3,737** | 2,308 |
| Over 90 days | **1,543** | 1,499 |
| **Total trade receivables** | **27,118** | 31,508 |

An impairment analysis is performed at each reporting date. The trade receivables are grouped by product type and the analysis considers supportable information regarding historical default rates experienced by the Group, forecast economic conditions, financial strength of ongoing customers and the Group's credit policies.

The Group has recognised a provision for expected credit loss of $255,000 on trade receivables at 30 June 2024 (2023: $333,000).

Trade receivables are written off if they have been past due for over a year and are not subject to enforcement activity. No trade receivables have been written off during the year ending 30 June 2024 (2023: nil).

*Financial assets*

The Group's Investments division holds debt instruments in the form of convertible notes and loans receivable.

The convertible notes are secured over assets of the counterparty and all its subsidiaries. It is however expected that the convertible notes investment would not have significant value in the event that the counter party was liquidated or defaulted. The risk of this investment is limited by the initial amount invested and the interest rate payable.

The Group holds non-derivative debt instruments receivable from equity accounted investees at below-market interest rates. Due to the nature of the relationship between the Group and the counterparties, the investments exhibit properties of both debt instruments and equity instruments. The Group has therefore recognised the debt and equity components of the loans separately, with the latter recognised as a further equity investment in the equity accounted investees.

At initial recognition, the Group has recognised the debt component of the "interest-free" loans at fair value. The contractual cash flows associated with the debt component represent only payments of principal and interest, therefore the Group has adopted the amortised cost method for subsequent measurement in accordance with AASB 9 *Financial instruments*.

| | CONSOLIDATED | |
|---|---|---|
| | **2024** | 2023 |
| | $'000 | $'000 |
| Interest-bearing loans receivable (at amortised cost) | **2,440** | 3,466 |
| Convertible notes – debt component | **2,884** | 2,360 |
| | **5,324** | 5,826 |

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## Note 18: Financial Instruments (continued)

### (f) Capital management

Capital management is undertaken to ensure that a secure, cost-effective, and flexible supply of capital is available to meet the Group's operating, investing and capital expenditure requirements. A stable capital base is maintained from which the Group can pursue its operating, growth, and investment objectives, while maintaining a flexible capital structure that allows access to a range of debt and equity markets to both draw upon and repay capital. The Group does not have a target debt/equity ratio.

The Group's total capital (non-IFRS) is defined as Schaffer Corporation Limited's shareholders' funds plus amounts attributable to non-controlling shareholders plus net debt (excluding liabilities arising under AASB 16 Leases adopted on 1 July 2019). This amounted to $271,943,000 at 30 June 2024 (2023: $276,295,000).

The Group currently maintains back up liquidity by way of a revolving loan facility and banker's undertaking facilities. Facilities undrawn at 30 June 2024 amounted to $26,755,000 (2023: $7,733,000). The Group's committed and standby credit facilities contain financial undertakings relating to interest cover and borrowing base ratios. A compliance certificate must be produced quarterly attesting to compliance with the covenants.

During the financial year, Schaffer Corporation Limited paid dividends of $12,216,000 (2023: $12,259,000) to the owners of the parent (refer to note 6).

The Board assesses its payout ratio policy of balancing returns to shareholders with the need to fund growth in both manufacturing and investment divisions and to maintain financial strength and capacity during uncertain and volatile economic conditions. In line with that policy, subsequent to 30 June 2024, the Company declared a final dividend of $0.45 per share (fully franked) payable to shareholders on record on 6 September 2024. Dividends relating to the 2024 financial year totalled $0.90 per share (fully franked).

Management monitors capital through the non-IFRS gearing ratio (net debt/total capital). The gearing ratios based on continuing operations at 30 June 2024 and 2023 were as follows:

| | CONSOLIDATED | |
|---|---|---|
| | **2024** | 2023 |
| | $'000 | $'000 |
| Total interest-bearing loans and borrowings | **59,487** | 71,398 |
| Total leases (excluding liabilities arising under AASB 16 Leases adopted on 1 July 2019) | **5,487** | 8,030 |
| Less cash and cash equivalents | **(31,183)** | (28,324) |
| Net debt | **33,791** | 51,104 |
| Total equity | **238,152** | 224,932 |
| Total capital | **271,943** | 276,036 |
| Gearing ratio | **12%** | 19% |

### (g) Liquidity risk

Liquidity risk arises from the financial liabilities of the Group and the Group's subsequent ability to meet its obligations to repay financial liabilities as and when they fall due. The liquidity position of the Group is managed to ensure sufficient liquid funds are available to meet its financial commitments in a timely and cost-effective manner.

The Group's liquidity is continually reviewed, including cash flow forecasts to determine the forecast liquidity position and maintain appropriate liquidity levels.

The following table shows the timing of cash outflows relating to trade and other payables. The amounts shown for bank loans in the table below include interest payments resulting from recognised financial liabilities over the term of the loan and the future expected lease payments with respect to leases. Derivative financial instruments consist of interest rate swaps (refer note 14(ii)) and forward currency contracts (refer note 14(i)).

Bank loans and commercial bills are shown in the period when the facility expires.

Cash flows for financial liabilities without fixed amount or timing are based on the conditions existing at balance date.

| | CONSOLIDATED | | | | | |
|---|---|---|---|---|---|---|
| | Within 1 year | 1 to 2 years | 2 to 3 years | 3 to 4 years | 4 to 5 years | Over 5 years |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **2024** | | | | | | |
| Trade and other payables | **27,347** | **-** | **-** | **-** | **-** | **-** |
| Net assets attributable to external investors in the controlled equity funds | **11,056** | **-** | **-** | **-** | **-** | **-** |
| Lease liabilities | **6,935** | **4,947** | **4,361** | **4,221** | **3,472** | **2,908** |
| Bank loans | **16,678** | **8,608** | **21,545** | **-** | **-** | **-** |
| Revolving loan | **889** | **889** | **16,371** | **-** | **-** | **-** |
| Derivative financial liabilities | **3** | **-** | **-** | **-** | **-** | **-** |
| | **62,908** | **14,444** | **42,277** | **4,221** | **3,472** | **2,908** |
| **2023** | | | | | | |
| Trade and other payables | 24,480 | - | - | - | - | - |
| Net assets attributable to external investors in the controlled equity funds | 9,010 | - | - | - | - | - |
| Lease liabilities | 3,885 | 5,099 | 4,087 | 3,964 | 5,546 | 4,167 |
| Bank loans | 23,028 | 16,024 | 7,995 | - | - | - |
| Revolving loan | 1,380 | 28,758 | - | - | - | - |
| Derivative financial liabilities | 57 | - | - | - | - | - |
| | 61,840 | 49,881 | 12,082 | 3,964 | 5,546 | 4,167 |

Debt associated with the Automotive Leather and Group Investments segments represents 100% (2023: 100%) of Group borrowings. At 30 June 2024, 100% (2023: 99%) of Group debt was non-recourse to the Parent as the Parent has not guaranteed those debts that are entirely secured by the Automotive Leather subsidiaries or by specific investment property assets.

Debt associated with syndicate investment property totals $22,241,000 at 30 June 2024 (2023: $22,241,000). SFC's minority property interests are managed externally to the Group. Accordingly, SFC does not control the funding structure. SFC, and other joint operators to an investment, have the discretion to approve finance facility agreements when presented by the investment manager.

SFC's objective is for property borrowing to be predominantly non-recourse to the Parent. At 30 June 2024, 100% (2023: 97%) of the property borrowings were non-recourse to the Parent.

## Note 18: Financial Instruments (continued)

### (h) Changes in liabilities arising from financing activities

| | 1 July 2023 | Cash Payments | Cash Receipts | Non-cash adjustments | Changes in fair value | Foreign exchange adjustments | 30 June 2024 |
|---|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| Interest-bearing loans and borrowings | **71,398** | **(11,911)** | **–** | **–** | **–** | **–** | **59,487** |
| Lease liabilities | **26,748** | **(7,108)** | **476** | **6,016** | **–** | **(424)** | **25,707** |
| Derivative financial liabilities | **57** | **–** | **–** | **–** | **(54)** | **–** | **3** |
| **Total liabilities from financing activities** | **98,203** | **(19,019)** | **476** | **6,016** | **(54)** | **(424)** | **85,197** |

| | 1 July 2022 | Cash Payments | Cash Receipts | Non-cash adjustments | Changes in fair value | Foreign exchange adjustments | 30 June 2023 |
|---|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| Interest-bearing loans and borrowings | 39,972 | – | 29,229 | – | – | 2,197 | 71,398 |
| Lease liabilities | 24,023 | (6,099) | 4,508 | 2,441 | – | 1,875 | 26,748 |
| Derivative financial liabilities | – | (260) | – | – | 317 | – | 57 |
| Total liabilities from financing activities | 63,995 | (6,359) | 33,737 | 2,441 | 317 | 4,072 | 98,203 |

### (i) Foreign exchange risk

The consolidated entity operates globally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Euro (EUR), US Dollar (USD) and Chinese Renminbi (RMB). Foreign exchange risk arises from the translation of the Group's balance sheet into AUD as well as from the commercial transactions for the purchase of raw materials including hides and chemicals, and the processing, finishing, and cutting of these hides, as well as foreign exchange risk from the sale of leather products in EUR, USD and RMB.

To manage the foreign exchange risk arising from future commercial transactions the Group regularly considers the use of forward foreign exchange contracts with reference to existing and future currency exposure levels, sensitivity, and financial capacity to tolerate currency rate fluctuations. The foreign exchange risk management policy allows up to 100% of future foreign exchange exposure from the Group's balance sheet as well as from the Group's commercial transactions to the EUR, USD and RMB to be managed using foreign currency forward exchange contracts, for a maximum tenure of 24 months.

At 30 June 2024, the Group had the following exposure to USD foreign currency that is not designated in cash flow hedges:

| | CONSOLIDATED (AUD) | |
|---|---|---|
| | **2024** | 2023 |
| | $'000 | $'000 |
| **Financial assets** | | |
| Cash and cash equivalents | **1,057** | 2,090 |
| Trade and other receivables | **1,362** | 1,577 |
| Other financial assets | **27,570** | 26,429 |
| | **29,989** | 30,096 |
| **Financial liabilities** | | |
| Trade and other payables | **12,899** | 8,320 |
| Net exposure | **17,090** | 21,776 |

At 30 June 2024, the Group had the following exposure to EUR foreign currency that is not designated in cash flow hedges:

| | CONSOLIDATED (AUD) | |
|---|---|---|
| | **2024** | 2023 |
| | $'000 | $'000 |
| **Financial assets** | | |
| Cash and cash equivalents | **6,913** | 12,773 |
| Trade and other receivables | **29,089** | 27,353 |
| | **36,002** | 40,126 |
| **Financial liabilities** | | |
| Trade and other payables | **8,829** | 7,768 |
| Leases | **20,039** | 22,403 |
| Revolving loan | **15,778** | 27,722 |
| Forward rate agreements | **11,502** | 18,297 |
| | **56,148** | 76,190 |
| Net exposure | **(20,146)** | (36,064) |

At 30 June 2024, the Group had the following exposure to RMB foreign currency that is not designated in cash flow hedges:

| | CONSOLIDATED (AUD) | |
|---|---|---|
| | **2024** | 2023 |
| | $'000 | $'000 |
| **Financial assets** | | |
| Cash and cash equivalents | **1,967** | 4,050 |
| Trade and other receivables | **4,586** | 6,838 |
| | **6,553** | 10,888 |
| **Financial liabilities** | | |
| Trade and other payables | **888** | 3,161 |
| Leases | **826** | 1,128 |
| | **1,714** | 4,289 |
| Net exposure | **4,839** | 6,599 |

At 30 June 2024, had the Australian dollar moved as illustrated in the table below, with all other variables held constant, after tax profit would have been affected as follows:

**Sensitivity to reasonably possible currency movements**

| | Change in foreign exchange rate | | Effect on profit after tax | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| **Consolidated** | | | $'000 | $'000 |
| AUD/USD | **10%** | 10% | **2,790** | 2,363 |
| AUD/USD | **-10%** | -10% | **(3,411)** | (2,888) |
| AUD/EUR | **10%** | 10% | **(4,435)** | (3,971) |
| AUD/EUR | **-10%** | -10% | **5,420** | 4,853 |
| AUD/RMB | **10%** | 10% | **(1,219)** | (1,199) |
| AUD/RMB | **-10%** | -10% | **1,490** | 1,465 |

Currency movements used above are representative of a likely movement in the next 12 months based on historical movements, economic forecasters' expectations, and increased currency volatility.

## Note 19: Provisions

| | CONSOLIDATED | |
|---|---|---|
| | **2024** | 2023 |
| | $'000 | $'000 |
| *Provision for employee entitlements* | | |
| Current | **10,025** | 9,742 |
| Non-current | **12,242** | 12,695 |
| **Total** | **22,267** | 22,437 |

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## Note 20: Property, Plant and Equipment

| | CONSOLIDATED | |
|---|---|---|
| | **2024** | 2023 |
| | $'000 | $'000 |
| *Freehold land* | | |
| At cost | **1,144** | 1,144 |
| *Buildings on freehold land* | | |
| At cost | **8,770** | 8,539 |
| Accumulated depreciation | **(3,402)** | (3,237) |
| | **5,368** | 5,302 |
| Net carrying amount of land and buildings | **6,512** | 6,446 |
| *Plant and equipment* | | |
| At cost | **56,518** | 51,215 |
| Accumulated depreciation and impairment | **(43,868)** | (40,126) |
| Net carrying amount of plant and equipment | **12,650** | 11,089 |
| *Total property, plant and equipment* | | |
| At cost | **66,432** | 60,898 |
| Accumulated depreciation, amortisation and impairment | **(47,270)** | (43,363) |
| **Total net carrying amount of property, plant, and equipment** | **19,162** | 17,535 |

### Assets pledged as security

Included in the balances of property, plant and equipment are assets over which charges have been granted as security over bank facilities (refer note 18(b)). The terms of the charges preclude the assets being sold or being used as security for further charges without the permission of the charge holders. The charges also require buildings that form part of the security to be fully insured at all times.

| | CONSOLIDATED | |
|---|---|---|
| | **2024** | 2023 |
| | $'000 | $'000 |
| The carrying value of assets pledged as security are: | | |
| Freehold land & buildings | **6,512** | 6,446 |
| Plant and equipment | **6,612** | 5,744 |
| | **13,124** | 12,190 |
| **Reconciliations of the carrying amounts** | | |
| *Freehold land* | | |
| Carrying amount | **1,144** | 1,144 |
| *Buildings on freehold land* | | |
| Carrying amount at the beginning | **5,302** | 5,235 |
| Additions | **231** | 219 |
| Depreciation expense | **(165)** | (152) |
| Net carrying amount of land and buildings | **6,512** | 6,446 |
| *Plant and equipment* | | |
| Carrying amount at the beginning | **11,089** | 11,404 |
| Additions | **3,242** | 6,881 |
| Transfers to right-of-use assets (sale and leaseback) | **(377)** | (4,998) |
| Transfers from right-of-use assets | **1,535** | 338 |
| Depreciation expense | **(2,712)** | (2,150) |
| Foreign currency translation adjustment | **(76)** | 157 |
| Disposals | **(51)** | (543) |
| Net carrying amount of plant and equipment | **12,650** | 11,089 |
| **Total carrying amount of property, plant and equipment.** | **19,162** | 17,535 |

## Note 21: Investment Property

| | CONSOLIDATED | |
|---|---|---|
| | **2024** | 2023 |
| | $'000 | $'000 |
| Opening balance | **140,458** | 128,371 |
| Additions and improvements | **5,143** | 11,972 |
| Net gain on investment property at fair value through profit or loss | **13,426** | 115 |
| Closing balance | **159,027** | 140,458 |

Investment properties are measured at fair value. The fair value of the investment property at 30 June 2024 is estimated by Directors with reference to the latest available valuations by certified independent valuers who hold recognised and relevant professional qualifications and licenses, and who specialise in valuing these types of investment properties.

| | | CONSOLIDATED | |
|---|---|---|---|
| | | **2024** | 2023 |
| | Note | $'000 | $'000 |
| Rental income derived from investment properties | | **7,045** | 6,748 |
| Direct operating expenses (including repairs and maintenance) generating rental income (included in cost of sales) | | **(3,664)** | (3,684) |
| Direct operating expenses (including repairs and maintenance) that did not generate rental income (included in cost of sales) | | **95** | 58 |
| Profit arising from investment properties | 4(a) | **3,476** | 3,122 |

### Reconciliation of fair value

| | INVESTMENT PROPERTIES | | | | | |
|---|---|---|---|---|---|---|
| | Office properties | Retail properties | Factory premises | Development property | Residential property | Total |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **At 1 July 2022** | 13,758 | 39,658 | 21,483 | 51,437 | 2,035 | 128,371 |
| Remeasurement recognised in profit or loss | (711) | 670 | 100 | – | 4 | 63 |
| Improvements to investment property | 212 | 192 | – | 11,468 | 146 | 12,018 |
| **At 30 June 2023** | **13,259** | **40,520** | **21,583** | **62,905** | **2,185** | **140,452** |
| Remeasurement recognised in profit or loss | **11** | **710** | **4,350** | **8,355** | **–** | **13,426** |
| Improvements to investment property | **16** | **(66)** | **–** | **5,192** | **7** | **5,149** |
| **At 30 June 2024** | **13,286** | **41,164** | **25,933** | **76,452** | **2,192** | **159,027** |

## Note 21: Investment Property (continued)

Valuers used the following approaches when assessing properties by the specific characteristics of the property and availability of market evidence:

***Description of valuation techniques and key valuation inputs***

| Property type | Valuation technique | Significant unobservable inputs | 2024 | 2023 |
|---|---|---|---|---|
| Office properties | Capitalisation and DCF | • Capitalisation rate | **6.50%** | 6.50% |
| | | • Risk adjusted discount rate | **6.75%** | 6.75% |
| | | • Terminal yield | **6.75%** | 6.75% |
| | | • Market rental escalation | **3.10% – 3.39%** | 3.10% – 3.39% |
| Retail properties | Capitalisation and DCF | • Capitalisation rate | **6.50% – 7.00%** | 6.50% – 7.00% |
| | | • Terminal yield | **6.75% – 7.5%** | 6.75% – 7.5% |
| | | • Risk adjusted discount rate | **7.25%-7.5%** | 7.25% – 7.5% |
| | | • Market rental escalation | **2% – 3.2%** | 2% – 3.2% |
| Factory premises | Capitalisation and DCF | • Capitalisation rate | **5% – 10%** | 5%-10% |
| | | • Risk adjusted discount rate | **6.25%** | 6.25% |
| | | • Terminal yield | **5.75%** | 5.75% |
| | | • Market rental escalation | **2.29% – 3.09%** | 2.29% – 3.09% |
| Vacant land | Market comparison | • Rate per land square metre | **$82 – $573 per m²** | $82 – $479 per m² |
| Residential property – leased | Market comparison | • Rental assessment per week (per property) | **$800** | $700 |
| | | • Rate per living m² | **$4,000-$7,000** | $4,000-$7,000 |

The capitalisation approach capitalises the assessed net market income at an appropriate market yield to establish the fully leased value of the property. Appropriate adjustments are then made to reflect the specific cash flow profile and the general characteristics of the property.

The DCF approach involves the discounting of the net cash flows over an assumed cash flow period of 10 years at an appropriate rate to reflect risk to derive a market value.

Where relevant, valuers have used a combination of the capitalisation and discounted cash flow approach when assessing the Group's investment properties.

The market comparison approach involves the analysis of the comparable sales evidence on a rate per square metre of land area, adjusting for any varying points of difference in order to assess an appropriate market value. The valuation considers current zoning, approved uses and the potential for a higher use/zoning.

The current use of all developed Investment Property is it highest and best use.

The approaches for the valuation of the Group's investment properties are classified as Level 3 as the fair value is estimated using inputs that are not based on observable market data.

| | Valuation technique non-market observable inputs (Level 3) | |
|---|---|---|
| | **2024** | 2023 |
| **Valuation approach** | $'000 | $'000 |
| Capitalisation and discounted cash flow | **54,450** | 53,785 |
| Market comparison | **104,577** | 86,673 |
| | **159,027** | 140,458 |

### Assets pledged as security

Included in the balances of investment properties are assets over which first mortgages have been granted as security over bank loans (refer note 17). The terms of the first mortgages preclude the assets being sold or being used as security for further mortgages without the permission of the first mortgage holder. The mortgage also requires investment properties that form part of the security to be fully insured always.

The carrying value of assets pledged as security are:

| | CONSOLIDATED | |
|---|---|---|
| | **2024** | 2023 |
| | $'000 | $'000 |
| Investment property | **95,027** | 88,896 |

## Note 22: Leases

The Group has lease contracts for various items of property, plant and equipment used in its operations. Leases of property generally have lease terms between 3 and 10 years. Plant and equipment generally have lease terms between 1 and 5 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets and some contracts require the Group to maintain certain financial ratios. There are several lease contracts that include extension and termination options and variable lease payments. These options are negotiated by management to provide flexibility in managing the leased property and align with the Group's business needs. Extension options not included in the lease term are too distant in the future for management to judge that exercising the option is reasonably certain.

The Group also has certain leases of machinery with lease terms of 12 months or less and leases of office equipment with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

| | Factory Premises | Plant and machinery | Total |
|---|---|---|---|
| | $'000 | $'000 | $'000 |
| **As at 1 July 2023** | **17,728** | **14,785** | **32,513** |
| Transfers to property, plant, and equipment | **–** | **(1,535)** | **(1,535)** |
| Additions | **–** | **817** | **817** |
| Modifications | **4,936** | **–** | **4,936** |
| Depreciation expense | **(3,361)** | **(2,203)** | **(5,564)** |
| Foreign currency translation adjustment | **(334)** | **(91)** | **(425)** |
| **As at 30 June 2024** | **18,969** | **11,773** | **30,742** |
| **As at 1 July 2022** | 16,993 | 11,027 | 28,020 |
| Transfers to property, plant, and equipment | – | (334) | (334) |
| Additions | 1,865 | 5,198 | 7,063 |
| Modifications | 414 | – | 414 |
| Depreciation expense | (3,320) | (2,152) | (5,472) |
| Foreign currency translation adjustment | 1,777 | 1,045 | 2,822 |
| **As at 30 June 2023** | 17,729 | 14,784 | 32,513 |

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## Note 22: Leases (continued)

Set out below are the carrying amounts of lease liabilities and the movements during the period:

| | Factory Premises | Plant and machinery | Total |
|---|---|---|---|
| **As at 1 July 2023** | **18,459** | **8,289** | **26,748** |
| **Additions** | **–** | **917** | **917** |
| Modifications | **4,936** | **–** | **4,936** |
| Interest expense | **454** | **185** | **639** |
| Payments | **(3,903)** | **(3,205)** | **(7,108)** |
| Foreign currency translation adjustment | **(466)** | **41** | **(425)** |
| **As at 30 June 2024** | **19,480** | **6,227** | **25,707** |
| Current | **3,767** | **2,656** | **6,423** |
| Non-current | **15,713** | **3,571** | **19,284** |
| | **19,480** | **6,227** | **25,707** |
| **As at 1 July 2022** | | | |
| Additions | 1,865 | 4,636 | 6,501 |
| Modifications | 414 | – | 414 |
| Interest expense | 414 | 132 | 546 |
| Payments | (3,290) | (3,322) | (6,612) |
| Foreign currency translation adjustment | 1,115 | 762 | 1,877 |
| **As at 30 June 2023** | 18,459 | 8,289 | 26,748 |
| Current | 3,915 | 2,786 | 6,701 |
| Non-current | 14,544 | 5,503 | 20,047 |
| | 18,459 | 8,289 | 26,748 |

The following are the amounts recognised in profit or loss:

| | | | |
|---|---|---|---|
| **For the year ended 30 June 2024** | | | |
| Depreciation expense of right-of-use assets | **3,361** | **2,203** | **5,564** |
| Interest expense on lease liabilities | **454** | **185** | **639** |
| Expenses relating to short-term leases (included in Cost of sales) | **–** | **8** | **8** |
| Expenses relating to low-value assets (included in Cost of sales) | **–** | **26** | **26** |
| **Total amount recognised in profit or loss** | **3,815** | **2,422** | **6,237** |
| **For the year ended 30 June 2023** | | | |
| Depreciation expense of right-of-use assets | 3,320 | 2,152 | 5,472 |
| Interest expense on lease liabilities | 414 | 132 | 546 |
| Expenses relating to short-term leases (included in Cost of sales) | – | 51 | 51 |
| Expenses relating to low-value assets (included in Cost of sales) | – | 7 | 7 |
| **Total amount recognised in profit or loss** | 3,734 | 2,342 | 6,076 |

## Note 23: Auditors Remuneration

Amounts received or due and receivable by Ernst & Young for any audit or review of the financial report of the parent and any other entity in the consolidated group.

| | CONSOLIDATED | |
|---|---|---|
| | **2024** | 2023 |
| | $'000 | $'000 |
| **Fees to Ernst & Young (Australia)** | | |
| Fees for auditing the statutory financial report of the parent covering the group and auditing the statutory financial reports of any controlled entities. | **260,612** | 213,000 |
| Fees for other services | | |
| –Tax compliance and related services | **130,477** | 124,018 |
| **Total fees to Ernst & Young (Australia) (A)** | **391,089** | 337,018 |
| **Fees to other overseas member firms of Ernst & Young (Australia)** | | |
| Fees for auditing the financial report of any controlled entities | **40,000** | 38,000 |
| **Total fees to overseas member firms of Ernst & Young (Australia) (B)** | **40,000** | 38,000 |
| **Total auditor's remuneration (A + B)** | **431,089** | 375,018 |
| Amounts received or due and receivable by non-Ernst & Young audit firms for audit services | **14,240** | 21,000 |

## Note 24: Segment Information

### 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 for 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 global manufacturer and supplier of leather to the automotive industry.

The Building Materials segment comprises Delta Corporation Limited and sells precast and prestressed concrete elements.

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 global equity instruments. The activities of the segment include the leasing of office, industrial, residential, and retail properties, and the development and sale of property assets, and general investing.

### Major customers

The Group has several major clients to which it provided both products and services. There were three customers within the Automotive Leather segment which individually accounted for more than 10% of Group revenue (2023 – two customers).

| | **2024** | | 2023 | |
|---|---|---|---|---|
| | $'000 | % of total revenue | $'000 | % of total revenue |
| Customer 1 | **42,251** | **23%** | 34,022 | 19% |
| Customer 2 | **40,640** | **22%** | 28,761 | 16% |
| Customer 3 | **26,623** | **15%** | – | N/A |
| Sales to other major customers | **109,514** | **60%** | 62,783 | 35% |
| Revenue from continuing operations | **181,930** | | 183,638 | |

The accounting policies used by the Group in reporting segments internally are the same as those contained in note 2. There are no inter-segment transactions.

## Note 24: Segment Information (continued)

### 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.

### Operating segments

The following table presents revenue and profit information and certain asset and liability information regarding operating segments for the years ended 30 June 2024 and 30 June 2023.

| | Automotive Leather | | Group Investments | | Building Materials | | Consolidated | |
|---|---|---|---|---|---|---|---|---|
| | **2024** | 2,023 | **2024** | 2023 | **2024** | 2023 | **2024** | 2023 |
| **Business segment information** | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Revenue** | | | | | | | | |
| Revenue from contracts with customers | **181,930** | 142,738 | **3,208** | 2,554 | **31,020** | 28,698 | **216,158** | 173,990 |
| Other revenue | **6** | 24 | **9,974** | 9,573 | **89** | 51 | **10,069** | 9,648 |
| Total revenue | **181,936** | 142,762 | **13,182** | 12,127 | **31,109** | 28,749 | **226,227** | 183,638 |
| **Results** | | | | | | | | |
| Net profit after tax | **18,409** | 13,275 | **10,713** | 3,781 | **4,467** | 2,008 | **33,589** | 19,064 |
| Less: profit attributable to non-controlling interests | **(3,099)** | (2,234) | **(220)** | (565) | **–** | – | **(3,319)** | (2,799) |
| Profit attributable to owners of the parent | **15,310** | 11,041 | **10,492** | 3,216 | **4,467** | 2,008 | **30,270** | 16,265 |
| **Unallocated items** | | | | | | | | |
| Corporate overheads | | | | | | | **(4,597)** | (4,180) |
| Income tax benefit | | | | | | | **1,379** | 1,508 |
| Profit after tax | | | | | | | **27,051** | 13,593 |
| **Assets** | | | | | | | | |
| Total segment non-current assets | **46,266** | 46,957 | **213,256** | 198,496 | **11,454** | 10,745 | **270,976** | 256,198 |
| Unallocated items | | | | | | | **1,303** | 1,327 |
| Total non-current assets | | | | | | | **272,279** | 257,525 |
| Total segment assets | **136,752** | 159,143 | **259,766** | 234,248 | **19,752** | 16,736 | **416,270** | 410,127 |
| Unallocated items | | | | | | | **1,797** | 1,498 |
| Total assets | | | | | | | **418,067** | 411,625 |
| **Liabilities** | | | | | | | | |
| Segment liabilities | **79,875** | 93,215 | **72,569** | 72,486 | **5,795** | 4,045 | **158,239** | 169,746 |
| Unallocated items | | | | | | | **21,676** | 16,947 |
| Total liabilities | | | | | | | **179,915** | 186,693 |
| **Other segment information** | | | | | | | | |
| Segment capital expenditure | **2,003** | 4,691 | **5,192** | 12,109 | **1,483** | 2,364 | **8,678** | 19,164 |
| Unallocated items | | | | | | | **13** | 45 |
| Total capital expenditure | | | | | | | **8,691** | 19,209 |
| Segment depreciation and amortisation | **7,473** | 7,071 | **78** | – | **805** | 856 | **8,356** | 7,927 |
| Unallocated items | | | | | | | **79** | 58 |
| Total depreciation and amortisation | | | | | | | **8,435** | 7,985 |
| Other non-cash expenses/(revenues) | **591** | 1,891 | **(8,875)** | (509) | **52** | (230) | **(8,232)** | 1,152 |

Unallocated assets and liabilities including the following material items:

| | CONSOLIDATED | |
|---|---|---|
| | **2024** | 2023 |
| | $'000 | $'000 |
| **Non-current assets** | | |
| Property, plant, and equipment | **992** | 1,031 |
| Equity accounted investments | **312** | 296 |
| | **1,304** | 1,327 |
| **Current assets** | | |
| Prepayments | **89** | 73 |
| Trade and other receivables | **405** | 98 |
| | **494** | 171 |
| Total assets | **1,798** | 1,498 |
| **Liabilities** | | |
| Trade creditors | **1,265** | 319 |
| Deferred income tax liabilities | **17,758** | 14,171 |
| Provision for employee entitlements | **2,653** | 2,457 |
| Total liabilities | **21,676** | 16,947 |

Revenue from external customers by geographical locations is detailed below.

Revenue is attributed to geographic location based on the location of the customers.

| | CONSOLIDATED | |
|---|---|---|
| | **2024** | 2023 |
| | $'000 | $'000 |
| Australia | **44,297** | 40,900 |
| Asia | **24,558** | 30,914 |
| Europe | **157,372** | 111,824 |
| **Total revenue** | **226,227** | 183,638 |

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## Note 24: Segment Information (continued)

Non-current assets (excluding deferred tax assets and financial instruments) by geographic location comprise:

| | Australia | Asia | Europe | Total |
|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 |
| **At 30 June 2024** | | | | |
| Property, plant, and equipment | **2,396** | **1,185** | **15,581** | **19,162** |
| Right of use assets | **4,384** | **775** | **25,583** | **30,742** |
| Inventories | **878** | **–** | **–** | **878** |
| Investment properties | **159,027** | **–** | **–** | **159,027** |
| Goodwill | **1,299** | **–** | **–** | **1,299** |
| | **167,984** | **1,960** | **41,164** | **211,108** |
| **At 30 June 2023** | | | | |
| Property, plant, and equipment | 8,517 | 1,270 | 7,748 | 17,535 |
| Right of use assets | 7,431 | 922 | 24,159 | 32,512 |
| Inventories | 781 | – | – | 781 |
| Investment properties | 140,458 | – | – | 140,458 |
| Goodwill | 1,299 | – | – | 1,299 |
| | 158,486 | 2,192 | 31,907 | 192,585 |

## Note 25: Contributed Equity

### a) Issued and paid-up capital

| | CONSOLIDATED | |
|---|---|---|
| | **2024** | 2023 |
| | $'000 | $'000 |
| At 30 June | | |
| 13,577,057 ordinary fully paid shares (2023 13,580,852) | **9,781** | 9,921 |

### b) Movement in ordinary shares on issue

| | **2024** | | 2023 | |
|---|---|---|---|---|
| | Number of shares | $'000 | Number of shares | $'000 |
| At the beginning of the financial year | **13,580,852** | **9,921** | 13,618,527 | 10,590 |
| Options exercised under an employee share scheme | **15,000** | **176** | 2,500 | 26 |
| Shares acquired under a share buy-back scheme | **(18,795)** | **(316)** | (40,175) | (695) |
| At the end of the financial year | **13,577,057** | **9,781** | 13,580,852 | 9,921 |

For details of movement in options and details of employee share options plan refer to notes 29 and 30.

### c) Terms and conditions of contributed equity

*Ordinary shares*

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the company.

*Share options*

The Company has a share-based payment option scheme under which options to subscribe for the company's shares can be granted to certain executives and other employees (refer note 29).

The share option holders carry no rights to dividends and no voting rights.

## Note 26: Reserves and Retained Profits

| | CONSOLIDATED | |
|---|---|---|
| | **2024** | 2023 |
| | $'000 | $'000 |
| **Reserves** | | |
| Asset revaluation reserve | **2,585** | 2,585 |
| Share-based payments reserve | **(589)** | (589) |
| Foreign currency translation reserve | **2,797** | 2,930 |
| | **4,793** | 4,926 |

### Nature and purpose of reserve

*Asset revaluation*

The asset revaluation reserve was used to record increases and decreases in the value of non-current assets prior to the adoption of Australian Equivalents to International Reporting Standards with effect from 1 July 2005. The reserve can be used to pay dividends in limited circumstances.

*Share-based payment – EPUs*

This reserve was previously used to record the value of EPUs provided to employees and directors as part of their remuneration prior to a change in payout practice to cash as payment instead of SFC shares. Refer to note 29(c) for further details of this plan.

*Share-based payment – SFC options*

This reserve represents the amount expensed for the value of options issued. Refer to note 29(b) for further details of this plan.

*Foreign currency translation reserve*

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

| | CONSOLIDATED | |
|---|---|---|
| | **2024** | 2023 |
| | $'000 | $'000 |
| **Retained earnings** | | |
| Balance at the beginning of the year | **195,201** | 193,866 |
| Net profit attributable to members of the parent entity | **27,051** | 13,594 |
| Dividends provided for or paid | **(12,216)** | (12,259) |
| Balance at 30 June | **210,036** | 195,201 |

## Note 27: Non-Controlling Interest

| | CONSOLIDATED | |
|---|---|---|
| | **2024** | 2023 |
| | $'000 | $'000 |
| Reconciliation of non-controlling interest in controlled entities: | | |
| At 1 July | **14,884** | 13,133 |
| – Add share of operating profit | **3,319** | 2,798 |
| – Share of foreign currency translation reserve movement | **(33)** | 214 |
| – Dividends paid | **(4,628)** | (1,261) |
| Balance at 30 June | **13,542** | 14,884 |

## Note 28: Contingent Liabilities and Expenditure Commitments

| | CONSOLIDATED | |
|---|---|---|
| | **2024** | 2023 |
| | $'000 | $'000 |
| **(a) Expenditure commitments** | | |
| At 30 June 2024, the Group had commitments of $1,331,000 relating to the acquisition of plant and equipment for the Automotive Leather and Building Materials divisions. The Group also committed $1,015,000 to investments that will be drawn down by external managers over approximately the next year. | **2,312** | 6,998 |
| **(b) Bankers' undertakings** | | |
| First mortgages have been registered over the assets and undertakings of controlled entities by banks that have issued performance guarantees to third parties on behalf of the consolidated entity. | | |
| The aggregate of the performance guarantees issued by the banks amount to: | **4,549** | 4,944 |

## Note 29: Employee Benefits and Superannuation Commitments

### (a) Superannuation commitments

The consolidated entity contributes to superannuation plans elected by individual employees, generally at the rate of 11% of gross salaries and wages for the financial year.

The company complies with the Superannuation Guarantee Charge obligations legislated in the *Superannuation Guarantee (Administration) Act 1992*.

The amount of superannuation expense for the year ended 30 June 2024 is $1,138,000 (2023: $1,138,000).

### (b) Employee share option plan

An employee share option plan has been established. The plan was approved by shareholders at the Annual General Meeting in November 1999. The plan permits the granting of options (at the absolute discretion of the Board) to Group employees to acquire ordinary shares in Schaffer Corporation Limited. The options issued for nil consideration, are issued in accordance with performance guidelines established by the Directors of Schaffer Corporation Limited. Once issued, the options cannot be transferred and will not be quoted on the ASX. At any time, the number of unexercised options issued is limited to 5% of the number of shares on issue. The Directors have discretion over the vesting of the options.

Options issued over ordinary shares as part of an employee share scheme are as follows:

| Date issued | No. on issue at 30-June-2023 | Issued during the year | Forfeited during the year | Exercised during the year | No. on issue at 30-June-2024 | Exercise price | First exercise date | Last exercise date |
|---|---|---|---|---|---|---|---|---|
| 12 Aug 2018 | 5,000 | – | – | (5,000) | – | $14.10 | 02-Aug-18 | 02-Aug-23 |
| 15 May 2020 | 23,750 | – | – | (10,000) | 13,750 | $10.50 | 15-May-20 | 15-May-25 |
| **Total** | **28,750** | – | – | **(15,000)** | **13,750** | | | |

The Company has calculated the value at the respective issue dates of all options issued to employees pursuant to the Employee Share Option Plan (ESOP) pursuant to the methodology set out in AASB 2 *Share-based Payments*. To do this the Company has used the Black-Scholes options valuation method. Inputs into the Black-Scholes model applied include:

(i) the Schaffer Corporation Limited share price on issue date;
(ii) the exercise price;
(iii) the volatility of Schaffer Corporation Limited shares over the 12 months ended immediately prior to the issue date;
(iv) the expiry date;
(v) dividend yield for the financial year ended immediately prior to the issue date;
(vi) the risk-free rate over the life of the option, estimated from the yield of 5-year Commonwealth Government Bonds on the grant date, and extrapolating to a 5-year term.

The table below summarises, for each issue not expired, the inputs into the model used this year to assess the options' values:

| Date issued | Expiry date | Price on date of issue | Exercise Price | Volatility | Risk-free rate (estimated) | Dividends per annum | Valuation |
|---|---|---|---|---|---|---|---|
| 15 May 2020 | 15 May 2025 | 10.52 | $10.5 | 36% | 0.39% | $0.53 | $2.01 |

No new options have been awarded during the financial year.

### (c) Employee participation units

A controlled entity, Howe Automotive Limited, has established a Howe Automotive Limited shareholder approved employee incentives plan which permits the granting of employee participation units (EPUs) at the discretion of its shareholders up to an EPU limit. The EPU limit is 10% of the total combined number of shares plus EPUs issued by Howe Automotive Limited.

An EPU provides an employee with a right to receive a cash payment from Howe Automotive Limited in the following circumstances:

(i) If an employee dies or becomes permanently disabled at any time after the grant date.
(ii) If an employee ceases employment after the three-year initial vesting period.
(iii) Upon a liquidity event (trade sale or listing on an Australian or overseas stock exchange).
(iv) On issue of a compulsory payment notice by Schaffer Corporation Limited.

For cash payments, other than upon a liquidity event, the amount is dependent on vesting and the financial performance of Howe Automotive Limited (refer to remuneration report for details). The vesting requirements are:

(i) up to 3 years – nil
(ii) 3 years to 4 years – 33.3%
(iii) 4 years to 5 years – 66.7%
(iv) over 5 years – 100%

Note: Employees are ineligible to receive any payment in the following circumstances:

(i) termination due to misconduct;
(ii) failure to provide 90 days' written notice of intention to terminate employment;
(iii) acting in competition prior to the payment date (payment date is at least 12 months after termination).

The amount of payment, other than for a liquidity event, is calculated in accordance with a valuation formula based on 5.5 times Howe Automotive Limited's earnings before interest and tax minus net debt. The formula uses a three-year average including one full year following termination.

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## Note 29: Employee Benefits and Superannuation Commitments (continued)

### (c) Employee participation units (continued)

For a liquidity event, the amount of payment is calculated in accordance with a valuation based on the consideration to be paid for ownership of Howe Automotive Limited less associated costs.

Schaffer Corporation Limited has the option to compel the employee to use the whole or part of that cash payment in subscribing for Schaffer Corporation Limited shares based on the average Schaffer Corporation Limited share price for the same three-year period.

The provision for EPU termination payments is included in provision for employee entitlements – non-current (refer note 19)

| EPU Tranche | Issue number | Grant date | Number issued | Number redeemed | Number cancelled | Balance outstanding | Balance as a % of Howe's capital | Number vested |
|---|---|---|---|---|---|---|---|---|
| Series 1 | | 04-October-2000 | 3,383,634 | 2,289,591 | 1,026,370 | 67,673 | 0.1% | 67,673 |
| Series 2 | Issue 1 | 21-December-2001 | 2,884,434 | 931,733 | 1,861,553 | 91,148 | 0.2% | 91,148 |
| | Issue 2 | 01-July-2002 | 120,000 | 20,000 | 70,000 | 30,000 | 0.1% | 30,000 |
| | Issue 3 | 01-July-2003 | 245,000 | 31,667 | 188,333 | 25,000 | 0.0% | 25,000 |
| | Issue 4 | 01-July-2004 | 57,672 | – | 32,672 | 25,000 | 0.0% | 25,000 |
| | Issue 5 | 16-May-2005 | 150,000 | – | 150,000 | – | 0.0% | – |
| | Issue 6 | 01-July-2005 | 1,350,000 | 350,000 | 750,000 | 250,000 | 0.4% | 250,000 |
| | Issue 7 | 21-August-2006 | 500,000 | – | – | 500,000 | 0.9% | 500,000 |
| | Issue 8 | 01-July-2007 | 200,000 | 200,000 | – | – | 0.0% | – |
| | Issue 9 | 01-July-2017 | 1,450,000 | – | 100,000 | 1,350,000 | 2.3% | 1,350,000 |
| Series 3 | Issue 1 | 01-January-2008 | 1,150,000 | 433,333 | 416,667 | 300,000 | 0.5% | 300,000 |
| | Issue 2 | 01-July-2009 | 100,000 | 100,000 | – | – | 0.0% | – |
| | Issue 3 | 01-January-2011 | 250,000 | – | – | 250,000 | 0.4% | 250,000 |
| | Issue 4 | 01-July-2013 | 1,075,000 | 150,000 | 375,000 | 550,000 | 0.9% | 550,000 |
| | Issue 5 | 01-July-2014 | 200,000 | 66,667 | 133,333 | – | 0.0% | – |
| | Issue 6 | 01-July-2016 | 330,000 | – | 30,000 | 300,000 | 0.5% | 300,000 |
| Series 4 | Issue 1 | 01-July-2018 | 1,275,000 | – | 100,000 | 1,175,000 | 2.0% | 1,175,000 |
| | Issue 2 | 01-July-2019 | 275,000 | – | 58,333 | 216,667 | 0.4% | 144,445 |
| | Issue 3 | 01-July-2020 | 450,000 | – | 75,000 | 375,000 | 0.6% | 125,000 |
| | Issue 4 | 01-July-2021 | 75,000 | – | – | 75,000 | 0.1% | – |
| | Issue 5 | 01-July-2022 | 50,000 | – | – | 50,000 | 0.1% | – |
| | Issue 6 | 01-July-2023 | 200,000 | – | 100,000 | 100,000 | 0.2% | – |
| | | | 15,770,740 | 4,572,991 | 5,467,261 | 5,730,488 | 9.9% | 5,183,266 |

## Note 30: Directors and Executives Disclosures

### (a) Details of Key Management Personnel (KMP)

*(i) Remuneration of Key Management Personnel*
Refer to Remuneration Report in the Directors' Report

*(ii) Remuneration by category: Key Management Personnel*

| | CONSOLIDATED | |
|---|---|---|
| | **2024** | 2023 |
| | $'000 | $'000 |
| Short-term | **5,509** | 4,621 |
| Long-term incentives | **102** | 142 |
| Share-based payments | **–** | 47 |
| Post-employment | **(112)** | 91 |
| | **5,499** | 4,901 |

### (b) Option holdings of Key Management Personnel

**30-June-2024**

| Executives | Balance at 30-June-2023 | Granted as remuneration during the period | Options exercised during the period | Balance at end of period | Vested as at 30-June-2024 | |
|---|---|---|---|---|---|---|
| | | | | | Vested | Not vested |
| R Leib | **23,750** | **–** | **(12,500)** | **11,250** | **11,250** | **–** |
| J Cantwell | **5,000** | **–** | **(2,500)** | **2,500** | **2,500** | **–** |
| Total | **28,750** | **–** | **(15,000)** | **13,750** | **13,750** | **–** |

**30-June-2023**

| Executives | Balance at 30-June-2022 | Granted as remuneration during the period | Options exercised during the period | Balance at end of period | Vested as at 30-June-2023 | |
|---|---|---|---|---|---|---|
| | | | | | Vested | Not vested |
| R Leib | 23,750 | – | – | 23,750 | 17,500 | 6,250 |
| J Cantwell | 7,500 | – | (2,500) | 5,000 | 2,500 | 2,500 |
| Total | 31,250 | – | (2,500) | 28,750 | 20,000 | 8,750 |

There have been no other transactions concerning shares between entities in the reporting entity and directors of the reporting entity or their related entities.

## Note 30: Directors and Executives Disclosures (continued)

### (c) EPU holdings of Key Management Personnel

**30-June-2024**

| Executives | Balance at 30 June 2023 | Granted as remuneration during the period | Redeemed during the period | Cancelled during the period | Balance at end of period | Vesting status as at 30 June 2024 | |
|---|---|---|---|---|---|---|---|
| | | | | | | Vested | Not vested |
| D Birks | **1,200,000** | **–** | **–** | **–** | **1,200,000** | **1,200,000** | **–** |
| R Leib | **550,000** | **–** | **–** | **–** | **550,000** | **516,667** | **33,333** |
| | **1,750,000** | **–** | **–** | **–** | **1,750,000** | **1,716,667** | **33,333** |

**30-June-2023**

| Executives | Balance at 30-June-2023 | Granted as remuneration during the period | Redeemed during the period | Cancelled during the period | Balance at end of period | Vesting status as at 30 June 2023 | |
|---|---|---|---|---|---|---|---|
| | | | | | | Vested | Not vested |
| D Birks | 1,200,000 | – | – | – | 1,200,000 | 1,200,000 | – |
| R Leib | 550,000 | – | – | – | 550,000 | 433,333 | 116,667 |
| | 1,750,000 | – | – | – | 1,750,000 | 1,633,333 | 116,667 |

For details of terms and conditions for each grant refer to note 29.

## Note 31: Related Party Disclosures

The following related party transactions occurred during the financial year within the consolidated entity.

Schaffer Corporation Limited holds 83.17% (2023: 83.17%) of the share capital of both Howe Automotive Limited and Gosh Holdings Pty Ltd of which Mr J M Schaffer AM and Mr A K Mayer are Directors. Dividends from Howe Automotive Limited and/or Gosh Holdings Pty Ltd were received by Schaffer Corporation Limited during the year amounting to $22,872,000 (2023: $6,237,774).

The Group has a 30% interest in a property asset management company controlled by Mr T J Schaffer, son of Mr J M Schaffer AM. The Group paid for property asset management services from the same company amounting to $519,000 (2023: $431,501) and sales commission of $42,400 (2023: $29,500).

All transactions with related parties are conducted at "arm's length."

## Note 32: Parent Entity Information

**Information relating to Schaffer Corporation Limited:**

| | 2024 | 2023 |
|---|---|---|
| | $'000 | $'000 |
| Current assets | **17,059** | 5,788 |
| *Total assets* | **204,707** | 179,670 |
| Current liabilities | **5,543** | 12,561 |
| *Total liabilities* | **67,245** | 58,668 |
| Net assets | **137,462** | 121,002 |
| Issued capital | **9,045** | 9,185 |
| Retained earnings | **125,640** | 109,041 |
| Share-based payments reserve | **493** | 493 |
| Asset revaluation reserve | **2,284** | 2,283 |
| *Total shareholders' equity* | **137,462** | 121,002 |
| Profit of the parent entity | **28,821** | 2,456 |
| Total other comprehensive income of the parent entity | **–** | – |

The parent entity has entered into Deeds of Cross Guarantee with controlled entities as disclosed in note 33.

### Tax consolidation

The Company and its wholly owned Australian resident subsidiaries have formed a tax-consolidated group with effect from 1 July 2003 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is Schaffer Corporation Limited.

Members of the Group have entered into a tax sharing agreement that provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement on the basis that the possibility of default is remote.

Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the individual financial statements of the members of the tax-consolidated group using the group allocation approach. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax-consolidated group are recognised by the Company (as head entity in the tax-consolidated group).

Due to the existence of a tax funding arrangement between the entities in the tax-consolidated group, amounts are recognised as payable to or receivable by the Company and each member of the Group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax-consolidated group in accordance with the arrangement.

### Tax consolidation contributions by (or distributions to) equity participants

The net amount recognised for the period under tax consolidation contributions by (or distributions to) equity participants, its major components and the accounts affected are as follows:

**Major components of tax consolidation contributions by (or distributions to) equity participants**

| | 2024 | 2023 |
|---|---|---|
| | $'000 | $'000 |
| Net assumptions of tax liabilities of members of the tax-consolidated group | **(1,607)** | (541) |
| Tax funding contribution receivable from controlled entities | **1,607** | 541 |
| Excess of tax funding contributions over tax liabilities assumed | **–** | – |

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## Note 33: Controlled Entities

| Controlled entity | Beneficial Percentage held by the Group 2024 % | Beneficial Percentage held by the Group 2023 % | Place of incorporation |
|---|---|---|---|
| Schaffer Properties Pty Ltd[1] | **100** | 100 | Australia |
| Delta Corporation Limited[1] | **100** | 100 | Australia |
| Garden Holdings Pty Ltd[1] | **100** | 100 | Australia |
| SFC No.7 Pty Ltd | **100** | 100 | Australia |
| SFC US Limited | **100** | 100 | United States of America |
| SFC US1 LLC | **100** | 100 | United States of America |
| Gosh Holdings Pty Ltd[3] | **83.17** | 83.17 | Australia |
| Gosh Capital Pty Ltd[3] | **83.17** | 83.17 | Australia |
| Howe Automotive Limited[2] | **83.17** | 83.17 | Australia |
| Rosedale Leather Pty Ltd[2] | **83.17** | 83.17 | Australia |
| Australian Leather Upholstery Pty Ltd[2] | **83.17** | 83.17 | Australia |
| Howe & Co Pty Ltd[2] | **83.17** | 83.17 | Australia |
| Howe Slovensko S.R.O. | **83.17** | 83.17 | Slovakia |
| Howe Leather (Shanghai) Co. Ltd.[4] | **83.17** | 83.17 | People's Republic of China |
| Howe Hong Kong Pty Limited | **83.17** | 83.17 | Hong Kong |
| SFC Global Fallen Angels Fund[5] | **67** | 0 | Australia |
| SFC Global Equities Fund[5] | **49** | 52 | Australia |

[1] Pursuant to the ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 relief has been granted to various controlled entities from the Corporations Act 2001 requirements for preparation, audit and lodgement of their financial reports. As a condition of the Instrument, Schaffer Corporation Limited and the controlled entities subject to the Instrument (the Schaffer 'Closed Group') entered into Deeds of Cross Guarantee at various dates. The effect of the deeds is that Schaffer Corporation Limited has guaranteed to pay any deficiency in the event of winding up of the controlled entities. The controlled entities have also given a similar guarantee in the event that Schaffer Corporation Limited is wound up.

[2] Pursuant to the ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 relief has been granted to various controlled entities from the Corporations Act 2001 requirements for preparation, audit and lodgement of their financial reports. As a condition of the Instrument, Howe Automotive Limited and the controlled entities subject to the Instrument (the Howe Automotive 'Closed Group') entered into Deeds of Cross Guarantee at various dates. The effect of the deeds is that Howe Automotive Limited has guaranteed to pay any deficiency in the event of winding up of the controlled entities. The controlled entities have also given a similar guarantee in the event that Howe Automotive Limited is wound up.

[3] Pursuant to the ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 relief has been granted to various controlled entities from the Corporations Act 2001 requirements for preparation, audit and lodgement of their financial reports. As a condition of the Instrument, Gosh Holdings Pty Ltd and the controlled entities subject to the Instrument (the Gosh Holdings 'Closed Group') entered into Deeds of Cross Guarantee at various dates. The effect of the deeds is that Gosh Holdings Pty Ltd has guaranteed to pay any deficiency in the event of winding up of the controlled entities. The controlled entities have also given a similar guarantee in the event that Gosh Holdings Pty Ltd is wound up.

[4] Howe Leather (Shanghai) Co. Ltd has a 1 January to 31 December financial year to coincide with local tax and statutory reporting requirements. Financial statements for this subsidiary are prepared and audited for the year to 30 June for the purposes of Group consolidation. All other entities have 1 July to 30 June financial years.

[5] SFC Management Pty Ltd, a wholly-owned subsidiary of the Group acts as trustee for the SFC Global Equities Fund and the SFC Global Fallen Angels Fund. Management determined the relationship grants the Group control as defined under AASB 10 *Consolidated Financial Statements*.

The Consolidated Statement of Financial Performance and Consolidated Statement of Financial Position of the entities which are members of the Schaffer 'Closed Group' are as follows:

| | Schaffer Closed Group 2024 | Schaffer Closed Group 2023 |
|---|---|---|
| | $'000 | $'000 |
| **CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE AND RETAINED EARNINGS** | | |
| **RECONCILIATION** | | |
| Profit from continuing operations before income tax | **37,585** | 2,843 |
| Income tax (expense)/credit | **(4,013)** | 1,294 |
| Net profit for the year | **33,572** | 4,137 |
| Other comprehensive income | **–** | – |
| Total comprehensive income | **33,572** | 4,137 |
| Retained earnings | | |
| Balance at the beginning of the year | **134,462** | 142,592 |
| Total profit for the year | **33,572** | 4,137 |
| Dividends provided for or paid | **(12,216)** | (12,259) |
| Retained earnings at the end of the year | **155,818** | 134,470 |
| **CONSOLIDATED STATEMENT OF FINANCIAL POSITION** | | |
| **ASSETS** | | |
| **Current assets** | | |
| Cash and cash equivalents | **17,514** | 7,763 |
| Trade and other receivables | **1,182** | 2,264 |
| Inventories | **1,113** | 1,046 |
| Financial assets at fair value through profit or loss | **1,998** | 121 |
| Contract assets | **5,888** | 1,187 |
| Prepayments and deposits | **447** | 501 |
| **Total current assets** | **28,142** | **12,882** |
| **Non-current assets** | | |
| Financial assets at fair value through profit or loss | **47,379** | 53,029 |
| Equity accounted investments | **7,615** | 7,661 |
| Loans receivable | **6,564** | 7,191 |
| Property, plant, and equipment | **12,398** | 11,776 |
| Investment properties | **139,910** | 121,396 |
| Goodwill | **84** | 84 |
| **Total non-current assets** | **213,950** | 201,137 |
| **Total assets** | **242,092** | 214,019 |
| **LIABILITIES** | | |
| **Current liabilities** | | |
| Trade and other payables | **5,227** | 3,659 |
| Interest-bearing loans and borrowings | **14,765** | 21,101 |
| Contract liabilities | **1,087** | – |
| Income tax payable | **305** | – |
| Financial liabilities at fair value through profit or loss | **3** | 57 |
| Provisions | **3,668** | 3,413 |
| **Total current liabilities** | **25,055** | 28,230 |
| **Non-current liabilities** | | |
| Interest-bearing loans and borrowings | **19,709** | 13,340 |
| Deferred income tax liabilities | **28,349** | 24,655 |
| Provisions | **87** | 113 |
| **Total non-current liabilities** | **48,145** | 38,108 |
| **Total liabilities** | **73,200** | 66,338 |
| **Net assets** | **168,892** | 147,681 |
| **EQUITY** | | |
| Issued capital | **9,992** | 10,133 |
| Reserves | **3,078** | 3,078 |
| Retained earnings | **155,822** | 134,470 |
| **Total equity** | **168,892** | 147,681 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
*year ended 30 June 2024*

## Note 33: Controlled Entities (continued)

| | Howe Automotive Limited | Gosh Holdings Pty Ltd |
|---|---|---|
| | $'000 | $'000 |
| **Accumulated balances of material non-controlling interests** | | |
| **2024** | **10,427** | **3,115** |
| 2023 | 11,726 | 2,407 |
| **Profit allocated to material non-controlling interest** | | |
| **2024** | **3,134** | **185** |
| 2023 | 2,277 | 522 |
| **Summarised statement of profit or loss for year ended 2024** | | |
| Revenue | **182,314** | **3,492** |
| Profit before tax and finance costs | **28,827** | **2,051** |
| Finance costs | **(2,165)** | **(492)** |
| **Profit before tax** | **26,662** | **1,559** |
| Income tax expense | **(8,043)** | **(460)** |
| **Profit for the year** | **18,619** | **1,099** |
| Other comprehensive income | **(199)** | **–** |
| **Total comprehensive income** | **18,420** | **1,099** |
| Attributable to non-controlling interests | **3,100** | **185** |
| Dividends paid to non-controlling interests | **4,628** | **–** |
| **Summarised statement of profit or loss for year ended 2023** | | |
| Revenue | 142,762 | 2,337 |
| Profit before tax and finance costs | 21,336 | 4,684 |
| Finance costs | (1,721) | (363) |
| **Profit before tax** | 19,615 | 4,321 |
| Income tax expense | (6,085) | (1,227) |
| **Profit for the year** | 13,530 | 3,094 |
| Other comprehensive income | 1,272 | – |
| **Total comprehensive income** | 14,802 | 3,094 |
| Attributable to non-controlling interests | 2,491 | 522 |
| Dividends paid to non-controlling interests | 1,262 | – |
| **Summarised statement of financial position as at 30 June 2024** | | |
| Current assets | **90,486** | **2,426** |
| Non-current assets | **51,329** | **28,512** |
| Current liabilities | **(32,658)** | **(527)** |
| Non-current liabilities | **(47,217)** | **(11,900)** |
| **Total equity** | **61,940** | **18,511** |
| Attributable to: | | |
| Equity holders of parent | **51,513** | **15,396** |
| Non-controlling interest | **10,427** | **3,115** |
| **Summarised statement of financial position as at 30 June 2023** | | |
| Current assets | 112,186 | 2,393 |
| Non-current assets | 52,049 | 27,173 |
| Current liabilities | (32,864) | (263) |
| Non-current liabilities | (60,351) | (11,895) |
| **Total equity** | 71,020 | 17,408 |
| Attributable to: | | |
| Equity holders of parent | 59,065 | 14,479 |
| Non-controlling interest | 11,955 | 2,929 |
| **Summarised cash flow information for year ended 2024** | | |
| Net cash from operating activities | **41,087** | **2,000** |
| Net cash used in investing activities | **(2,003)** | **(1,000)** |
| Net cash used in financing activities | **(45,735)** | **–** |
| Net foreign exchange difference | **(105)** | **–** |
| **Net increase in cash and cash equivalents** | **(6,756)** | **1,000** |
| **Summarised cash flow information for year ended 2023** | | |
| Net cash from operating activities | 258 | 430 |
| Net cash used in investing activities | (4,342) | (2,198) |
| Net cash from financing activities | 9,223 | 1,250 |
| Net foreign exchange difference | (390) | – |
| **Net increase/(decrease) in cash and cash equivalents** | 4,749 | (518) |

## Note 34: Significant Events After Balance Date

Following the end of the reporting period, a final fully franked dividend of 45¢ per share to shareholders on record at 6 September 2024 has been declared and is payable on 20 September 2024.

No other matter or circumstance has arisen since the end of the financial year that materially 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.

Unaudited
Director's Report



## CONSOLIDATED ENTITY DISCLOSURE STATEMENT
*as at 30 June 2024*

| Entity name | Group share of capital | Entity type | Country of incorporation | Country of tax residence |
|---|---|---|---|---|
| | % | | | |
| Schaffer Properties Pty Ltd | 100 | Body corporate | Australia | Australia |
| Delta Corporation Limited | 100 | Body corporate | Australia | Australia |
| Garden Holdings Pty Ltd | 100 | Body corporate | Australia | Australia |
| SFC No.7 Pty Ltd | 100 | Body corporate | Australia | Australia |
| SFC Management Pty Ltd[1] | 100 | Body corporate | Australia | Australia |
| Gosh Holdings Pty Ltd | 83.17 | Body corporate | Australia | Australia |
| Gosh Capital Pty Ltd | 83.17 | Body corporate | Australia | Australia |
| Howe Automotive Limited | 83.17 | Body corporate | Australia | Australia |
| Rosedale Leather Pty Ltd | 83.17 | Body corporate | Australia | Australia |
| Australian Leather Upholstery Pty Ltd | 83.17 | Body corporate | Australia | Australia |
| Howe & Co Pty Ltd | 83.17 | Body corporate | Australia | Australia |
| Howe Hong Kong Pty Limited | 83.17 | Body corporate | Hong Kong | Australia |
| SFC Global Equities Fund | 49 | Trust | Australia | Australia |
| SFC Global Fallen Angels Fund | 67 | Trust | Australia | Australia |
| Howe Slovensko s.r.o | 83.17 | Body corporate | Slovakia | Slovakia |
| Howe Leather (Shanghai) Co. Ltd. | 83.17 | Body corporate | People's Republic of China | People's Republic of China |
| SFC US Limited | 100 | Body corporate | United States of America | United States of America |
| SFC US1 LLC | 100 | Body corporate | United States of America | United States of America |

[1] Trustee of SFC Global Equities Fund and SFC Global Fallen Angels Fund

# DIRECTORS' DECLARATION
*year ended 30 June 2024*

**DIRECTORS' DECLARATION**

In accordance with a resolution of the Directors of Schaffer Corporation Limited, we state that:

1. In the opinion of the Directors:
   a) the financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:
      i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2024 and of its performance for the year ended on that date; and
      ii. complying with Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;
   b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2;
   c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
   d) the consolidated entity disclosure statement required by section 295(3A) of the Corporations Act 2001 is true and correct.
2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial period ended 30 June 2024.
3. As at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in note 33 will be able to meet any obligation or liabilities to which they are or may become subject to, by virtue of the Deed of Cross Guarantee.

On behalf of the Board

**J M Schaffer AM**
Chairman and Managing Director

Perth, 20 September 2024

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# INDEPENDENT AUDITOR'S REPORT
## TO THE MEMBERS OF SCHAFFER CORPORATION LIMITED
*year ended 30 June 2024*

Ernst & Young
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
ey.com/au

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

### Report on the audit of the financial report

#### Opinion

We have audited the financial report of Schaffer Corporation Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2024, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including material accounting policy information, the consolidated entity disclosure statement, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is 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 30 June 2024 and of its consolidated financial performance for the year ended on that date; and

b. Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the 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 financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

## Construction service revenue

| Why significant | How our audit addressed the key audit matter |
|---|---|
| As disclosed in Note 3 to the financial report, for the year ended 30 June 2024, the Building Materials segment of the Group recognised $31.0 million in revenue from construction and transportation services.<br><br>Revenue from construction and transportation services is recognised over time by reference to its percentage of completion.<br><br>The measurement of revenue from construction and transportation services was considered a key audit matter due to the judgement required to be exercised by the Group in relation to the estimation of transaction price, total contract costs and the stage of completion of the contract. | Our audit procedures included the following:<br>► Evaluated the Group's process to recognise construction and transportation revenues<br>► Assessed the operating effectiveness of management's controls over the revenue process including management's periodic assessment of the percentage of completion, actual contract costs incurred to date and estimated total contract costs<br>► For a sample of contracts, we:<br>  ► Agreed total contract revenue to the original contract and approved variations or claims<br>  ► Agreed actual contract costs incurred to date to source documentation, such as timesheets and vendor invoices<br>  ► Assessed the Groups' historic ability to accurately forecast project gross margin and total contract costs by comparing the accuracy of prior period forecasts to actual outcomes across the year ended 30 June 2024<br>  ► Enquired of management, with direct oversight over the contract portfolio, to understand the performance and status of the contracts at 30 June 2024.<br>► We assessed the adequacy of the disclosures in relation to construction and transportation services revenue included in Note 3 to the financial report. |

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF SCHAFFER CORPORATION LIMITED
*year ended 30 June 2024*

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## Fair Value of financial instruments

| Why significant | How our audit addressed the key audit matter |
|---|---|
| As disclosed in Note 14 to the financial report, at 30 June 2024, the Group has $62.9 million in financial assets recognised at fair value through the profit or loss.<br><br>These financial assets include unlisted investments in property unit trusts and LLCs, units in managed funds, listed equity shares, unlisted equity shares, convertible notes, units in unlisted loan trusts and derivatives not designated as hedging instruments.<br><br>Depending on the underlying nature of the financial instrument, the valuations may be classified as level 1, 2 or 3 in the Group's fair value hierarchy.<br><br>This was considered a key audit matter as the valuations can be complex and involve a combination of market, non-market and judgemental assumptions. | Our audit procedures included the following:<br>► Verified the existence of financial instruments through supporting documentation including third party confirmations and inspection of share certificates<br>► Agreed listed equity valuations to the closing share price as at 30 June 2024<br>► For valuations which depend on observable and unobservable inputs, we evaluated the assumptions, methodologies and models used by management<br>► Tested the clerical accuracy of valuation models<br>► For unlisted property unit trusts we re-performed the calculations of unit price and total holding including agreeing material assets and liabilities to source documentation, such as external valuation reports prepared by accredited, independent real estate valuation specialists and loan statements<br>► For a sample of financial instruments, we engaged EY Valuation, Modelling and Economics specialists to review the methodology and assumptions applied in the valuation models.<br>► We assessed the adequacy of the disclosures in relation to financial instruments included in Note 14 to the financial report. |

## Fair value of investment properties

| Why significant | How our audit addressed the key audit matter |
|---|---|
| As disclosed in Note 21 to the financial report, at 30 June 2024, the Group had $159.0 million in investment properties carried at fair value.<br><br>The valuation of the investment properties are classified as level 3 in the Group's fair value hierarchy.<br><br>This was considered a key audit matter as the valuations may be complex and involve a combination of non-market and judgmental assumptions. | Our audit procedures included the following:<br>► Obtained valuation reports for all investment properties for the year ended 30 June 2024 and assessed changes in key assumptions against prior year valuation reports to evaluate the appropriateness of the valuation movement, or absence of movement, and to inform our sample selection.<br>► Evaluated the qualifications, competence and objectivity of the external valuers engaged by management, as well as the assumptions, methodologies and models used by the valuers.<br>► For a sample of valuations, we engaged EY Real Estate Advisory Services specialists to review for the appropriateness of the valuation methodology and assumptions adopted to determine the valuation having regard to the requirements of |

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| Why significant | How our audit addressed the key audit matter |
|---|---|
| | accounting standard AASB 13 *Fair Value Measurement*.<br><br>► Assessed the adequacy of the disclosures in relation to the investment properties included in Note 21 to the financial report. |

## Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2024 annual report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of:

a. The financial report (other than the consolidated entity disclosure statement) that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*; and;

b. The consolidated entity disclosure statement that is true and correct in accordance with the *Corporations Act 2001*, and

for such internal control as the directors determine is necessary to enable the preparation of:

i. The financial report (other than the consolidated entity disclosure statement) that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and

ii. The consolidated entity disclosure statement that is true and correct and is free of misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.





INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF SCHAFFER CORPORATION LIMITED
*year ended 30 June 2024*



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## Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SCHAFFER CORPORATION LIMITED

*year ended 30 June 2024*

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We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on the audit of the Remuneration Report

### Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2024.

In our opinion, the Remuneration Report of Schaffer Corporation Limited for the year ended 30 June 2024, complies with section 300A of the *Corporations Act 2001*.

### Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst & Young

Timothy G Dachs
Partner
Perth
20 September 2024

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# DIRECTORS' REPORT

*year ended 30 June 2024*

Your directors submit their report for the year ended 30 June 2024 made in accordance with a resolution of the Directors.

## Directors

Details of the Directors of the company during the financial year and up to the date of this report are:

| | |
|---|---|
| **J M SCHAFFER AM**<br>BCom(Hons) FCPA<br>Managing Director<br>Executive Director<br>since 6/9/1972 | Mr John Schaffer AM joined the company in 1972. Mr Schaffer has held the position of Managing Director since 1987. |
| **D E BLAIN AM**<br>BA<br>Non-executive Director<br>Appointed 5/6/1987 | 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 NGO boards and is also a past Pro Chancellor of Edith Cowan University. |
| **A K MAYER**<br>Executive Director<br>Appointed 21/11/2001 | Mr Anton Mayer is the Executive Chairman of Howe Automotive Limited. Mr Mayer has over 50 years of international leather experience, broad business skills and a global business perspective. |
| **M D PERROTT AM**<br>BCom FAIM FAICD<br>Independent Director<br>Appointed 23/2/2005 | Mr Michael Perrott AM joined the Board as an independent director in February 2005. Mr Perrott AM has over 40 years' experience in the construction and contracting industry. |
| **D J SCHWARTZ**<br>Independent Director<br>Appointed 29/6/1999 | 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, David has been involved in many different businesses including retail, manufacturing, and distribution. |

Directors were in office for the entire period unless otherwise stated.

## Company Secretary

J M CANTWELL BBus(Acc) CPA MBA GIA(Affiliate)

Mr Jason Cantwell joined the company in 2011 and has over 25 years' experience in senior financial management roles within both private and publicly listed companies. Mr Cantwell is a Member of CPA Australia and an Affiliated Member of the Governance Institute of Australia.

## Attendance at Board and Committee Meetings

The number of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director were as follows:

| | Directors' Board Meetings | Meetings of Committees: Audit | Meetings of Committees: Nomination & Remuneration |
|---|---|---|---|
| Number of meetings held: | 8 | 2 | 1 |
| J M Schaffer AM | 8 | – | – |
| D E Blain AM* | 7 | 1 | – |
| A K Mayer | 8 | – | – |
| M D Perrott AM | 8 | 2 | 1 |
| D J Schwartz | 8 | 2 | 1 |

*Mrs D E Blain AM absence due to Covid-19.

## Committee Membership

The Company has an audit committee and a nomination and remuneration committee. The members of both committees are Mr D J Schwartz (Chairperson), Mrs D E Blain AM, and Mr M D Perrott AM.

## Rotation of Directors

In accordance with the Articles of Association, at the SFC Annual General Meeting scheduled for 13 November 2024, Mr A K Mayer and Mrs D E Blain AM will retire by rotation and being eligible, will offer themselves for re-election.

## Interests in the Shares of The Company and Related Bodies Corporate

On 1 September 2024, the economic interest of the Directors, including their related parties, in the shares of the Company were:

| | SCHAFFER CORPORATION LIMITED | |
|---|---|---|
| | Ordinary shares | Options over ordinary shares |
| J M Schaffer AM | 2,783,236 | – |
| D E Blain AM | 1,562,360 | – |
| D J Schwartz | 695,334 | – |
| A K Mayer | 344,263 | – |
| M D Perrott AM | 8,500 | – |

## Principal Activities

The principal activities of the entities within the consolidated entity, over the financial year were automotive leather manufacture, concrete product manufacture, property and equity investing, and property leasing.

## Results

The consolidated entity's operating profit after tax for the financial year was a profit of $30,370,000 (2023: $16,392,000).

## Operating and Financial Review

Please refer to Managing Director's report for details.

## Significant Changes in the State of Affairs

The 2024 financial performance of the Group increased compared to prior year due to the performance of the manufacturing divisions and non-cash unrealised net gains on investments mainly from the revaluation of South Connect Jandakot.

Automotive Leather had a good year as sales volumes improved due to the launch of a new Mercedes program and a renewed Land Rover program reaching 'normal' volumes. While margins improved compared to the prior year, they were negatively impacted by design complexity and lower tolerances on new program launches.

The Building Materials segment (Delta) also improved as West Australian Government's continued investment in large-scale civil infrastructure stimulated activity and Delta improved production efficiency. The prior year for Delta was impacted by design and engineering complexity on a large project.

In the opinion of the Directors of the consolidated entity there has not arisen any other matter or circumstance that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in subsequent financial years.

## Dividends

The following dividends have been paid or declared by the company since the commencement of the financial year.

| | Note | 2024 $'000 | 2023 $'000 |
|---|---|---|---|
| **(a) Dividends paid** | | | |
| Final 2023 dividend paid in September 2023 | | **6,110** | 6,130 |
| Per share (¢) | | **45** | 45 |
| Interim 2024 dividend paid in March 2024 | | **6,106** | 6,129 |
| Per share (¢) | | **45** | 45 |
| Fully franked dividends paid by the parent | | **12,216** | 12,259 |
| Fully franked dividend paid by controlled entities to minority shareholders | 26 | **4,628** | 1,262 |
| Total fully franked dividends paid | | **16,844** | 13,521 |
| **(b) Not recognised as a liability as at 30 June 2024** | | | |
| Dividends on ordinary shares | | | |
| Final fully franked dividend for 2024 | | **6,110** | 6,111 |

## Review of Operations

The consolidated entity's revenue from continuing operations increased by 23% to $226,277,000 from $183,638,000 this year. The pre-tax operating profit of $42,840,000 was an 87% increase compared to $22,873,000 for last year. The consolidated entity's net profit after tax, excluding non-controlling interests, increased by 99% to $27,051,000 from $13,593,000 .

## Likely Developments and Expected Results

Other than the discussion of the Company's operations and outlook already set out from pages 1-16 of this Annual Report, the Directors have no further comment to make on likely developments in the operations of the consolidated entity and the expected results of those operations in subsequent financial years.

## Environmental Regulation and Performance

Schaffer Corporation Limited is subject to a range of environmental regulations. During the financial year, Schaffer Corporation Limited met all reporting requirements under any relevant legislation. There were no incidents which required reporting. The Company aims to continually improve its environmental performance.

## Significant Events After Balance Date

Following the end of the reporting period, a final fully franked dividend of 45¢ per share has been declared payable on 20 September 2024.

No other matter or circumstance has arisen since the end of the financial year which materially 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.

## Indemnification and Insurance of Directors

During or since the financial year, the company has agreed to indemnify directors against a liability for costs and expenses incurred in defending proceedings brought against them for a liability incurred in their role as directors of the company other than in respect of any wilful misconduct. The total amount of insurance contract premiums paid is not disclosed due to a confidentiality clause within the insurance policy.

## Indemnification of Auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

## Remuneration Report (Audited)

This remuneration report outlines the director and executive remuneration arrangements of the Company and the Group in accordance with the requirements of the Corporations Act 2001 and its Regulations. For the purposes of this report, Key Management Personnel (KMP) of the Group are defined as those persons having authority and responsibility for planning, directing, and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent company.

### Details of Key Management Personnel

*Directors*

| | |
|---|---|
| J M Schaffer AM | Managing Director |
| D E Blain AM | Director (non-executive) |
| A K Mayer | Director (executive) |
| M D Perrott AM | Director (non-executive/independent) |
| D J Schwartz | Director (non-executive/independent) |

*Executives*

| | |
|---|---|
| R Leib | Chief Financial Officer |
| D Birks | General Manager, Howe Automotive Limited |
| J Walsh | General Manager, Delta Corporation Limited |
| J Cantwell | Group Financial Controller and Company Secretary |

### Remuneration philosophy

SFC's remuneration policy is directed at attracting, motivating and retaining quality directors and executives. SFC's key internal performance measures at the business unit and consolidated levels are earnings before interest and tax (EBIT) and return on average capital employed (ROACE). EBIT and ROACE have been chosen by the Group as measures of executive performance because they align the interests of management with those of all SFC shareholders.

### Remuneration Committee

The SFC Board operates a Nomination and Remuneration Sub-Committee to support and advise the SFC Board in fulfilling its responsibility to shareholders to ensure that the company has remuneration policies and practices which enable it to attract and retain directors and executives who will best contribute towards achieving positive outcomes for shareholders. The committee determines the remuneration and other conditions of service of the chief executive officer and executive directors, if any. The committee makes recommendations to the Board on the remuneration of non-executive directors within the aggregate approved by shareholders in general meetings from time to time. The committee considers individual performance, company performance, internal relativity, and fairness in setting levels of remuneration and may seek appropriate independent external advice to assist in its decision making. The structure of non-executive director and executive remuneration are separate and distinct.

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## Senior Manager and Executive Director Remuneration

### Objective

SFC's remuneration policy aims to remunerate executives with a level and mix of remuneration commensurate with their position and responsibilities within the Group.

### Structure

The remuneration of SFC's senior executive consists of fixed remuneration and variable remuneration (annual and long-term incentives). The company aims to reward executives for Company, business unit and individual performance, align executive remuneration with the interests of shareholders, link rewards with the strategic goals such as profitability or return on capital employed and ensure that total remuneration is effective in retaining and motivating senior executives and executive directors.

### Fixed remuneration

This includes base salary and the statutory Superannuation Guarantee Contribution (SGC) which comprises the cash component. The Schaffer Corporation Limited Superannuation Fund is available to executives for superannuation contributions and life insurance. Premiums for life insurance are deducted from member accounts. Executives can elect to have the company contribute superannuation beyond the statutory SGC level by way of a salary sacrifice in lieu of cash salary. Fixed remuneration is reviewed annually by the Nomination and Remuneration Committee in respect of each executive director. The fixed remuneration of executives is reviewed annually by the SFC Managing Director in the case of the Building Materials and Corporate divisions and by the Howe Automotive Limited General Manager in the case of the Automotive Leather division. The review process considers company-wide, business unit and individual performance in the context of any annual change during the preceding 12-month period to the consumer price index and wages cost index as published by the Australian Bureau of Statistics. For the year beginning 1 July 2023, a 4% increase was applied for Senior Executives.

### Variable remuneration – Short-Term Incentive

The Group has performance-based incentive plans in place at each of its operations in which management and the labour force participate. The level of remuneration payable to participating executives is linked to the financial performance of their business. Executives are provided with cash incentives provided profitability thresholds are met. A summary of the annual incentive schemes for the Automotive Leather, Building Materials and Corporate divisions is provided below:

*Automotive Leather Division – Profit Participation Scheme*

Howe Automotive Limited operates a profit participation scheme for the staff and management of the Automotive Leather division. Prior to the commencement of each financial year, the division management submits an annual budget for consideration and approval by the Howe Automotive Limited Executive Director and the SFC Board. The scheme provides for a bonus pool of 5% of actual EBIT, which becomes payable when a 15% return on capital employed (ROACE) has been achieved as at 30 June balance date.

The profit participation bonus is subject to approval by the Executive Chairman of Howe Automotive Limited. A full year 2024 bonus was approved (2023: approved). ROACE has been chosen as the relevant performance conditions as this performance measure is readily monitored and available. ROACE performance aligns the interest of staff and management with those of shareholders. The scheme has been designed to incentivise a wide range of the Automotive Leather division workforce from top executive management to factory floor personnel.

*Delta – Profit Participation Scheme*

During the financial year, the Company implemented a profit participation scheme for the staff and management of Delta Corporation. Prior to the commencement of each financial year Delta Corporation management submits an annual budget for consideration by SFC's Managing Director and the SFC Board. The scheme provides for a bonus pool of 10% of EBIT, which becomes payable once a minimum target EBIT is achieved for the financial year.

The profit participation bonus is subject to approval by the Managing Director of SFC. A full year 2024 bonus was approved (2023: approved). The scheme has been designed to align the interest of staff and management with those of shareholders. The scheme may be discontinued at any time by the SFC Managing Director without prior notice.

*Corporate*

*Short-Term Incentive Plan*

SFC has implemented a formal Short-Term Incentive (STI) Plan for the Group Managing Director, Chief Financial Officer and Group Financial Controller approved by the Nomination and Remuneration Committee. The STI Plan has been updated to combine the STI plan and previously discretionary bonuses. The financial objectives of the updated STI plan are assessed on achievement of ROACE based on a tiered approach to reward superior performance.

80% (FY23: 80%) of any STI award is based on achievement against tiered Group ROACE targets. 20% (FY:23: 20%) of any STI award is based on performance against pre-agreed KPI's which are critical to the company's future success.

The executives can earn a cash bonus with a value of up to 60% (FY23: 60%) of their base annual remuneration, based on actual performance against defined objectives, with discretion from the Nominations and Remuneration Committee. This equates to a maximum of $582,077 for the Group Managing Director, $257,088 for the Chief Financial Officer and $143,857 for the Group Financial Controller, for the year ended 30 June 2024. The minimum possible award for the Group Managing Director, Chief Financial Officer and the Group Financial Controller is nil. The Nominations and Remuneration Committee approved STI awards for the 2024 year on 20 August 2024. The Managing Director received an STI award of 100% (2023: 58.5%) of the maximum possible award. The Chief Financial Officer received an STI award of 100% (2023: 58.5%). The Group Financial Controller received an STI award of 100% (2023: 58.5%) of the maximum possible award. The STI awards were higher than prior year due to the higher ROACE achieved in the 2024 financial year.

### Variable remuneration – Long-Term Incentive

Long-term incentive grants are typically made to executives who can influence the generation of shareholder wealth and thus have a direct impact on the Company's performance. Howe Automotive Limited operates the Employee Participation Unit (EPU) Plan for its executives. SFC's senior executives (other than Mr Schaffer and Mr Mayer) can participate in SFC's Employee Share Option Plan (ESOP). The Howe Automotive Limited EPU and SFC ESOP plans have long-term vesting provisions and are designed to align the interests of the participating executives with those of all SFC shareholders. A summary of the long-term incentive schemes is provided below:

*Howe Automotive Limited Employee Participation Units Plan*

Howe Automotive Limited operates an employee incentive plan which permits the granting of employee participation units (EPUs) at the discretion of its shareholders up to an EPU limit. The EPU limit is 10% of the total combined number of shares plus EPUs issued by Howe Automotive Limited. Howe Automotive Limited dividends, divided by the total number of shares and EPUs on issue, is applied to reduce a bonus threshold for each EPU until the balance of the bonus threshold is reduced to nil. Once the threshold is nil, each EPU receives a remuneration bonus payment when Howe Automotive Limited makes a dividend payment, calculated based on the total dividends divided by the total number of shares and EPUs on issue.

An EPU provides an employee with a right to receive either, at the discretion of SFC, a cash payment from Howe Automotive Limited or shares in SFC in the following circumstances:
(a) If an employee dies or becomes permanently disabled at any time after the grant date.
(b) If an employee ceases employment after the three-year initial vesting period.
(c) Upon a liquidity event (trade sale or listing on an Australian or overseas stock exchange).
(d) On issue of a compulsory payment notice by SFC.

The amount of the payment, other than upon a liquidity event, is dependent on vesting and the financial performance of Howe Automotive Limited. The vesting requirements are:
(a) up to 3 years – nil
(b) 3 years to 4 years – 33.3%
(c) 4 years to 5 years – 66.7%
(d) over 5 years – 100%

## Senior Manager and Executive Director Remuneration (continued)

Note: Employees are ineligible to receive any payment in the following circumstances:
(i) termination due to misconduct.
(ii) failure to provide 90 days' written notice of intention to terminate employment.
(iii) acting in competition prior to the payment date (payment date is at least 12 months after termination).

The performance hurdle to be eligible for a payment is a positive equity valuation for Howe Automotive Limited. The eligibility and amount of payment, other than upon a liquidity event, is calculated in accordance with a valuation formula based on 5.5 times Howe Automotive Limited's earnings before interest and tax minus net debt. The formula uses a three-year average including one full year following termination. For a liquidity event, the amount of payment is calculated in accordance with a valuation based on the consideration to be paid for ownership of Howe Automotive Limited. The formulas are designed to incentivise EPU holders in respect of building the long-term value of Howe Automotive Limited and provides a fair and readily calculable means for valuing that long-term interest.

SFC has the option to compel the employee to use the whole or part of that cash payment in subscribing for SFC shares based on the average SFC share price for the same three-year period.

*SFC Employee Share Option Plan (ESOP)*

An employee share option plan has been established. The plan was approved by shareholders at the Annual General Meeting in November 1999. The plan permits the granting of options (at the absolute discretion of the Board) to Group employees to acquire ordinary shares in SFC. The options issued for nil consideration, are issued in accordance with performance guidelines established by the Directors of SFC. The options cannot be transferred and will not be quoted on the ASX. The number of options which can be issued is limited to 5% of the number of shares on issue. At the date of this report, there were no options on issue (2023: 21,250).

For issues dated 6 September 2017 and 2 August 2018, options may be exercised as follows:
(i) during the first 12 months of each option period and including each date of issue, no more than 25% of the options issued to that participant on that date of issue;
(ii) during the period of 24 months from and including each date of issue exercise no more than 50% of the options issued to that participant on that date of issue;
(iii) during the period of 36 months from and including each date of issue exercise no more than 75% of the options issued to that participant on that date of issue;
(iv) after 36 months 100% of the options may be exercised.

For issues dated 15 May 2020, options may be exercised as follows:
(i) during the first 12 months of each option period and including each date of issue, no more than 50% of the options issued to that participant on that date of issue;
(ii) during the period of 24 months from and including each date of issue exercise no more than 62.5% of the options issued to that participant on that date of issue;
(iii) during the period of 36 months from and including each date of issue exercise no more than 75% of the options issued to that participant on that date of issue;
(iv) during the period of 48 months from and including each date of issue exercise no more than 87.5% of the options issued to that participant on that date of issue;
(v) after 48 months 100% of the options may be exercised.

While the ESOP contains vesting conditions, the exercising of ESOP options is not dependent on a performance condition because:
(i) ESOP options have been issued with an exercise price at or above the VWAP of the share price on five preceding days that SFC shares traded on the ASX before the issue date;
(ii) ESOP options do not participate in dividends; and
(iii) are not transferable or saleable. Accordingly, ESOP options only provide an economic benefit to the recipient in the event the share price (which adjusts for dividends paid) significantly exceeds the exercise price (which is not adjusted for dividends paid) over the option vesting period thereby aligning the interests of management with those of all shareholders.

No options have been issued since May 2020.

The following table details the proportion of fixed remuneration and variable remuneration paid for the year ended 30 June 2024 as detailed in this report:

| 2024 Remuneration Structure | % Fixed | % Variable |
|---|---|---|
| **Specified Directors** | | |
| J M Schaffer AM | 66 | 34 |
| D E Blain AM | 100 | – |
| A K Mayer | 76 | 24 |
| M D Perrott AM | 100 | – |
| D J Schwartz | 100 | – |
| **Specified Executives** | | |
| D Birks | 58 | 42 |
| R Leib | 44 | 56 |
| J Walsh | 77 | 23 |
| J Cantwell | 64 | 36 |

### Non-executive Director Remuneration

SFC's non-executive directors receive fees for their services (including statutory superannuation) and the reimbursement of reasonable expenses. The Constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. An amount not exceeding that amount is then divided between the non-executive directors as agreed. The latest determination was at the Annual General Meeting held 13 November 2019 when shareholders approved an aggregate remuneration limit of $500,000 per annum. The amount of aggregate remuneration to be approved by shareholders and the manner in which it is to be apportioned amongst the non-executive directors is reviewed annually. This limit is not currently fully utilised. The fee pool is payable only to non-executive directors. The amount payable to non-executive directors is set by the Board after having taken regard to the size of the Company and Board, the responsibilities, demands, and accountabilities faced by those directors in discharging their duties and after seeking external advice to ensure the fees are in line with market standards. All three non-executive directors are members of the Audit Committee and the Nomination and Remuneration Committee, and the fixed annual fee received by non-executive directors is inclusive of these sub-committee commitments. It is current SFC policy that non-executive directors do not receive shares, options or other securities and are not eligible to participate in SFC's Employee Share Option Plan. Payment of fees (including statutory superannuation) and the reimbursement of reasonable expenses are the only remuneration payable to Mrs Blain AM, Mr Schwartz and Mr Perrott AM.

Non-executive directors appointed prior to July 2003 are entitled to a retirement benefit equivalent to one year's annual director's fees. The retirement benefit was reduced from three years' to one year's annual director's fees in July 2003 (a three-year retirement benefit was in place at the time Mrs Blain AM and Mr Schwartz accepted their appointment to the Board). SFC considers the reduced benefit modest and appropriate given the benefit which historically existed. It is SFC's policy that no retirement benefit applies to new directors appointed after July 2003.

It is not a requirement of the Constitution of the Company that directors hold shares in the Company.

### Relationship of Company Performance to Shareholder Wealth

**Total Shareholder Return**

Total shareholder return (TSR) is an accepted and understood measure of performance. SFC calculates TSR as follows:
- movement in Share Price (including bonus issues)
- plus Dividends Paid
- plus Dividend Imputation Credits

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## Senior Manager and Executive Director Remuneration (continued)

The chart below itemises the constituents to SFC's TSR by year for each of the past five years. SFC's average TSR for the past five years is 18%.

| | 1 Sept 2020 | 1 Sept 2021 | 1 Sept 2022 | 1 Sept 2023 | **1 Sept 2024** |
|---|---|---|---|---|---|
| Tax Rate | 30% | 30% | 30% | 30% | **30%** |
| Share Price | $16.25 | $22.63 | $18.00 | $17.10 | **$22.18** |
| Ord Dividends | $0.80 | $0.90 | $0.90 | $0.90 | **$0.90** |
| Imputation Credit | $0.34 | $0.39 | $0.39 | $0.39 | **$0.39** |
| **TSR** | $2.58 | $7.67 | ($3.34) | $0.39 | **$6.37** |
| **TSR** | 17% | 47% | (15%) | 2% | **37%** |

At the date of this report, on an aggregate dollar paid basis, SFC paid to shareholders $12.2 million fully franked dividends in respect of 2024 and a total of $59.9 million was paid in fully franked ordinary dividends over the past 5 years.

### Earnings Per Share (EPS)

SFC's average EPS over the past five years has been 192.4¢.

| | June 2020 | June 2021 | June 2022 | June 2023 | **June 2024** |
|---|---|---|---|---|---|
| **EPS** | 171.9¢ | 300.6¢ | 191.0¢ | 99.8¢ | **198.7¢** |

### Remuneration of Key Management Personnel for the year ended 30 June 2024

| | Short-term | | Long-term benefits | | Post-employment | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Salary & fees | Cash bonus | Long service leave (2) | Share-based payments | Superannuation | Subtotal | Termination benefit | Total | Performance related |
| **30-June-2024** | $ | $ | $ | $ | $ | $ | $ | $ | |
| **Directors** | | | | | | | | | |
| J M Schaffer AM | **1,008,157** | **582,077** | **32,433** | **–** | **27,500** | **1,650,167** | **37,313** | **1,687,480** | **34.49%** |
| D E Blain AM | **83,336** | **–** | **–** | **–** | **9,167** | **92,503** | **3,330** | **95,833** | **0.00%** |
| A K Mayer | **732,400** | **231,142** | **–** | **–** | **–** | **963,542** | **–** | **963,542** | **23.99%** |
| M D Perrott AM | **83,336** | **–** | **–** | **–** | **9,167** | **92,503** | **–** | **92,503** | **0.00%** |
| D J Schwartz | **83,336** | **–** | **–** | **–** | **9,167** | **92,503** | **3,330** | **95,833** | **0.00%** |
| **Executives** | | | | | | | | | |
| R Leib | **383,528** | **577,936** | **8,388** | **–** | **27,399** | **997,251** | **(35,936)** [1] | **961,315** | **56.38%** |
| D Birks | **362,892** | **528,537** | **6,780** | **–** | **27,500** | **925,709** | **(238,632)** [1] | **687,077** | **42.19%** |
| J Walsh | **361,617** | **117,005** | **5,581** | **–** | **27,836** | **512,039** | **–** | **512,039** | **22.85%** |
| J Cantwell | **229,364** | **143,858** | **5,127** | **–** | **24,670** | **403,019** | **–** | **403,019** | **35.92%** |
| | **3,327,966** | **2,180,555** | **58,309** | **–** | **162,406** | **5,729,236** | **(230,595)** | **5,498,641** | |

(1) Termination benefits for Mr Birks and Mr Leib include a provision for EPUs based on projections of future earnings and a vesting profile. This provision can increase or decrease based on vesting and profit expectations of Howe Automotive Limited.
(2) Net of long service leave taken during the period.

### Remuneration of Key Management Personnel for the year ended 30 June 2023

| | Short-term | | Long-term benefits | | Post-employment | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Salary & fees | Cash bonus | Long service leave (2) | Share-based payments (3) | Superannuation | Subtotal | Termination benefit | Total | Performance related |
| **30-June-2023** | | $ | $ | $ | $ | $ | $ | | |
| **Directors** | | | | | | | | | |
| J M Schaffer AM | 940,461 | 320,626 | 26,824 | – | 27,500 | 1,315,411 | 27,169 | 1,342,580 | 22.91% |
| D E Blain AM | 80,493 | – | – | – | 8,452 | 88,945 | 3,558 | 92,503 | 0.00% |
| A K Mayer | 715,360 | 226,244 | – | – | – | 941,604 | – | 941,604 | 24.03% |
| M D Perrott AM | 88,945 | – | – | – | – | 88,945 | – | 88,945 | 0.00% |
| D J Schwartz | 80,493 | – | – | – | 8,452 | 88,945 | 3,558 | 92,503 | 0.00% |
| **Executives** | | | | | | | | | |
| R Leib | 323,128 | 446,984 | 7,498 | 33,468 | 25,291 | 836,369 | 157,784 [1] | 994,153 | 60.83% |
| D Birks | 354,728 | 344,477 | 6,167 | – | 27,500 | 732,872 | (213,775) [1] | 519,097 | 25.18% |
| J Walsh | 322,811 | 92,500 | 5,988 | – | 27,495 | 448,794 | – | 448,794 | 20.61% |
| J Cantwell | 210,812 | 73,387 | 4,637 | 13,387 | 22,753 | 324,976 | – | 324,976 | 22.84% |
| | 3,117,231 | 1,504,218 | 51,114 | 46,855 | 147,443 | 4,866,861 | (21,706) | 4,845,155 | |

(1) Termination benefits for Mr Birks and Mr Leib include a provision for EPUs based on projections of future earnings and a vesting profile. This provision can increase or decrease based on vesting and profit expectations of Howe Automotive Limited.
(2) Net of long service leave taken during the period.
(3) Includes the value of options issued under the SFC Employee Share Options Plan (ESOP) using the Black-Scholes model.

## Shareholding of Key Management Personnel

Economic interests in the shares of Schaffer Corporation Limited held by Directors of the reporting entity and their related parties are as follows:

| As at 30-June-2024 | Balance at beginning of year | Exercise of employee share options | Net change other | Balance at end of year |
|---|---|---|---|---|
| **Specified directors** | | | | |
| J M Schaffer AM | 2,777,817 | – | 5,419 | **2,783,236** |
| D E Blain AM | 1,562,360 | – | – | **1,562,360** |
| D J Schwartz | 688,552 | – | – | **688,552** |
| A K Mayer | 344,263 | – | – | **344,263** |
| M D Perrott AM | 8,500 | – | – | **8,500** |
| **Specified executives** | | | | |
| R Leib | 40,000 | 12,500 | (7,500) | **45,000** |
| J Cantwell | 31,000 | 2,500 | – | **33,500** |
| **J Walsh** | 2,903 | – | – | **2,903** |
| **Total** | 5,455,395 | 15,000 | (2,081) | **5,468,314** |

## Share Options and EPUs

### a) Options issued over ordinary shares as part of an employee share scheme are as follows:

| Date issued | No. on issue at 30-June-2023 | Issued during the year | Forfeited during the year | Exercised during the year | No. on issue at 30-June-2024 | Exercise price | First exercise date | Last exercise date |
|---|---|---|---|---|---|---|---|---|
| 12 Aug 2018 | 5,000 | – | – | (5,000) | – | $14.10 | 02-Aug-18 | 02-Aug-23 |
| 15 May 2020 | 23,750 | – | – | (10,000) | 13,750 | $10.50 | 15-May-20 | 15-May-25 |
| **Total** | **28,750** | **–** | **–** | **(15,000)** | **13,750** | | | |

### b) Remuneration options: Granted and vested during the year

The table below discloses the number of share options granted, vested, or lapsed during the year. Share options do not carry any voting or dividend rights and can only be exercised once the vesting conditions have been met. There were no alterations to the terms and conditions of options awarded as remuneration since their award date.

**30-June-2024**

| Executives | Balance at 30-June-2023 | Grant date | Value per option at grant date | Value of options granted during the year ($) | Exercise price per share | No. vested during year | No. exercised during year | Value of options exercised during the year ($) | Vested as at 30 June 2024 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | Vested | Not vested |
| R Leib | **18,750** | **15 May 2020** | **$2.01** | **–** | **$10.50** | **6,250** | **7,500** | **15,075** | **11,250** | **–** |
| R Leib | **5,000** | **2 Aug 2018** | **$2.53** | **–** | **$14.10** | **–** | **5,000** | **12,650** | **–** | **–** |
| J M Cantwell | **5,000** | **15 May 2020** | **$2.01** | **–** | **$10.50** | **2,500** | **2,500** | **5,025** | **2,500** | **–** |
| **Total** | **28,750** | | | **–** | | **8,750** | **15,000** | **32,750** | **13,750** | **–** |

**30-June-2023**

| Executives | Balance at 30-June-2022 | Grant date | Value per option at grant date | Value of options granted during the year ($) | Exercise price per share | No. vested during year | No. exercised during year | Value of options exercised during the year ($) | Vested as at 30 June 2023 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | Vested | Not vested |
| R Leib | 18,750 | 15 May 2020 | $2.01 | – | $10.50 | 6,250 | – | – | 12,500 | 6,250 |
| R Leib | 5,000 | 2 Aug 2018 | $2.53 | – | $14.10 | – | – | – | 5,000 | – |
| J M Cantwell | 7,500 | 15 May 2020 | $2.01 | – | $10.50 | 2,500 | 2,500 | 5,025 | 2,500 | 2,500 |
| **Total** | **31,250** | | | **–** | | **8,750** | **2,500** | **5,025** | **20,000** | **8,750** |

### (c) EPUs held by Key Management Personnel

**30-June-2024**

| Executives | Balance at 30 June 2023 | Granted as remuneration during the period | Redeemed during the period | Cancelled during the period | Balance at end of period | Vesting status as at 30 June 2024 | |
|---|---|---|---|---|---|---|---|
| | | | | | | Vested | Not vested |
| D Birks | **1,200,000** | **–** | **–** | **–** | **1,200,000** | **1,200,000** | **–** |
| R Leib | **550,000** | **–** | **–** | **–** | **550,000** | **516,667** | **33,333** |
| | **1,750,000** | **–** | **–** | **–** | **1,750,000** | **1,716,667** | **33,333** |

**30-June-2023**

| Executives | Balance at 30 June 2022 | Granted as remuneration during the period | Redeemed during the period | Cancelled during the period | Balance at end of period | Vesting status as at 30 June 2023 | |
|---|---|---|---|---|---|---|---|
| | | | | | | Vested | Not vested |
| D Birks | 1,200,000 | – | – | – | 1,200,000 | 1,200,000 | – |
| R Leib | 550,000 | – | – | – | 550,000 | 433,333 | 116,667 |
| | **1,750,000** | **–** | **–** | **–** | **1,750,000** | **1,633,333** | **116,667** |

### (d) Shares issued on exercise of compensation options

15,000 shares were issued during the current year on exercise of compensation options (2023: 2,500)

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DIRECTORS' REPORT
year ended 30 June 2024

## Employment Contracts

Mr Schaffer, SFC's Managing Director, is employed under a Service Agreement. The service agreement was entered into on 18 July 1984. Mr Schaffer's employment continues until terminated by Mr Schaffer or the Company. Under the terms of the service agreement, the agreement may be terminated by the Company or Mr Schaffer after the expiration of one month's notice in writing given to one of them by the other. Upon termination of this agreement, Mr Schaffer is entitled to receive from the Company a lump sum equal to the annual remuneration paid immediately preceding that termination, except if the termination is for reasons of gross misconduct, fraud or dishonesty resulting in a material loss or injury to the Company or if Mr Schaffer is found guilty of wilful disobedience or any other conduct resulting in a material prejudice to the Company or such as to bring the Company into disrepute.

Mr Mayer provides management services to the Automotive Leather division pursuant to a Consultancy Agreement. The agreement was renewed for the period 1 July 2024 to 30 June 2027. The Consultancy Agreement may be terminated sooner:

- by the consultee without prior notice for cause (i.e. wilful misconduct, wilfully wrongful act, gross negligence, criminal act or a prohibition by law in company management);
- by either party for any reason upon 90 days prior written notice to the other party;
- by the consultee 30 days after giving notice of termination to Mr Mayer for reason of his physical or mental incapacity on a permanent basis;
- on the death of Mr Mayer.

The Consultancy Agreement with Mr Mayer does not provide for a termination payment upon termination of the agreement.

All other senior executives are employed under standard employment contracts that define the role, duties, remuneration and benefits, leave entitlements, dismissal, and confidentiality of information conditions of employment. Notice periods are one month unless termination is for serious misconduct in which case no notice period is applicable.

**End of remuneration report**

## Tax Consolidation

Effective 1 July 2003, for purposes of income tax, Schaffer Corporation Limited and its 100% owned subsidiaries have formed a tax consolidated group.

Effective 1 July 2003, for purposes of income tax, Howe Automotive Limited and its 100% owned Australian resident subsidiaries for tax purposes have formed a tax consolidated group.

Effective 1 July 2007, for purposes of income tax, Gosh Holdings Pty Ltd and its 100% owned Australian resident subsidiaries for tax purposes have formed a tax consolidated group.

## Rounding

The amount contained in this report and in the financial statements has been rounded to the nearest $1,000 under the option available to the company under ASIC Instrument 2016/191 Corporations (Rounding in Financial/Directors Report).

## Corporate Governance

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of Schaffer Corporation Limited support the principles contained in the company's corporate governance statement in the corporate governance section of this annual report.

## Auditor's Independence and Non-Audit Services

The directors received the following declaration from the auditor of Schaffer Corporation Limited.

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Ernst & Young
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
ey.com/au

Building a better working world

## Auditor's independence declaration to the directors of Schaffer Corporation Limited

As lead auditor for the audit of the financial report of Schaffer Corporation Limited for the financial year ended 30 June 2024, 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 audit;

b. No contraventions of any applicable code of professional conduct in relation to the audit; and

c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the audit.

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

Ernst & Young

Timothy Dachs
Partner
20 September 2024

A member firm of Ernst & Young Global Limited
Liability limited by a scheme approved under Professional Standards Legislation





## Non-Audit Services

The following non-audit services were provided by the entity's Auditor, Ernst & Young. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Ernst & Young received, or are due to receive, the following amounts for the provision of non-audit services:

Tax compliance, research and development claims $130,477

Signed in accordance with a resolution of the directors.

**J M Schaffer AM**
Chairman and Managing Director
Perth, 20 September 2024

# STATEMENT OF CORPORATE GOVERNANCE PRACTICES
*year ended 30 June 2024*

ASX Corporate Governance Council issued its fourth edition of the Corporate Governance Principles and Recommendations on 27 February 2019 with effect from 1 January 2020.

> *"Corporate Governance is the framework of rules, relationships, systems, and processes within and by which authority is exercised and controlled in corporations. It encompasses the mechanisms by which companies, and those in control, are held to account. Different entities may legitimately adopt different governance practices, based on a range of factors, including their size, complexity, history, and corporate culture." (ASX Corporate Governance Principles and Recommendations, February 2019).*

The Board of SFC is committed to best practice in corporate governance where the Board considers these practices are appropriate and add shareholder value to a company and board of SFC's size and structure.

This Corporate Governance Statement outlines the main corporate governance practices of Schaffer in the context of the principles adopted by the ASX Corporate Governance Council (Council). Unless otherwise stated below, the Company has complied with the Council's Recommendations.

## Lay Solid Foundations for Management and Oversight

The strategic control of the business of the Group is vested with the Board. The Board's objective to create, build and sustain shareholder value is carried out in accordance with their duties and obligations to act honestly, fairly, diligently as are imposed upon them by the Constitution, regulatory authorities and ethical standards. Key matters reserved for the Board include the following:

- Approval of the Strategic Business Plan
- Approval of the Annual Budgets
- Review of the operating results and approval of the financial accounts
- Setting the Corporate Governance practices within the Group
- Determining SFC's dividend policies
- Approval of the Group financial policies
- Approval of the Group risk management strategies
- Review of Board nominations and composition
- Determining the terms and conditions for and evaluate the performance of the Managing Director
- Delegation of authority to the Managing Director and senior management on operational matters, or approval of matters in excess of any discretion which may have been delegated from time to time
- Acquisition, establishment, disposal or cessation of any significant business of SFC
- Approving the issue of any securities in SFC
- Approving the capital management strategy of SFC
- Approving the appointment of SFC's External Auditor

The Board has delegated authority for the management of the Group through the Managing Director to executive management. Accordingly, the Group's executive management team are charged with implementing Board directives and the day-to-day management and reporting of the Group's activities. The Board has a formal Charter setting out the roles of Board and Management. Consistent with Council Principle 1, the Board Charter has been posted to the corporate governance section of the Company's website – www.schaffer.com.au

The Board is primarily responsible for identifying potential new Directors. When a vacancy exists, or where it is considered that the Board would benefit from the services of a new Director with specific skills, candidates with the appropriate experience, expertise and diversity are considered.

The Board undertakes appropriate checks including character, experience, education, criminal record and bankruptcy history, before appointing a person as a Director or putting forward to shareholders a candidate for election as a Director. The Board ensures that shareholders are provided with all material information in the Board's possession relevant to a decision on whether or not to elect or re-elect a Director.

Directors and senior executives have written agreements setting out the terms of their appointment.

The Company Secretary is accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board.

### Board and Management Evaluation

Under the Board Charter, the Chairman is responsible for ensuring that board meetings are conducted competently and ethically and that Directors individually and as a group have opportunities to air differences, explore ideas and generate the collective views and wisdom necessary for the proper operation of the Board and Company. In this context, the Chairman undertakes a continuous review of the performance and contribution of individual Directors, whilst the Board as a whole, conducts an ongoing evaluation of its performance and that of its committees. These processes can also identify areas for additional professional development relevant to the role of Director.

The Nomination and Remuneration Committee annually assess the performance of the Managing Director. The Managing Director conducts annual reviews of all Senior Executives. Annual reviews were conducted during the reporting period.

### Diversity policy

Schaffer Corporation recognises the benefits to be gained from a variety of skills, backgrounds and experiences being applied to specific work objectives. Therefore, SFC is committed to diversity throughout our workforce.

Schaffer Corporation has established a diversity policy which includes the requirement for the Board to establish measurable objectives for achieving gender diversity and for the Board to assess annually both the objectives and progress in achieving them. The copy of the Company's Diversity Policy can be accessed from the corporate governance section of the Company's website – www.schaffer.com.au

Our commitment to diversity will be supported by:

*Communication* – Schaffer Corporation will maintain an inclusive workplace culture via the organisation-wide awareness of workplace diversity principles and benefits. Management will ensure ongoing communication of these principles to the workforce.

*Human Resource strategies* – Schaffer Corporation Human Resource strategies and policies including recruitment, promotion and employee development will incorporate diversity principles to encourage a diverse workforce at all levels of the organisation. Where appropriate opportunities exist, and strong candidates are available for recruitment or promotion, diversity will be a consideration.

*Action against inappropriate workplace behaviour* – Schaffer Corporation does not tolerate discrimination, harassment, bullying, victimisation, and/or vilification in the workplace. Action will be taken against these types of behaviour that do not value diversity.

*Flexible work practices* – where appropriate, flexible work practices will be accepted to meet the differing needs of a diverse workforce.

The table below outlines the gender diversity objectives established by the Board.

| Objectives | Status |
|---|---|
| Comply with the Workplace Gender Equality Agency Act as determined by the Workplace Gender Equality Agency (WGEA) | The annual compliance reporting was submitted on 23 May 2024 to the WGEA. |
| Ensure reporting systems satisfy the reporting requirements as stipulated by the WGEA | The monthly Board reporting includes statistics on the numbers of each gender represented in senior executive positions and the total workforce at various business units and locations. Reporting systems are established to collate Group-wide information for reporting on the gender equality indicators stipulated by the WGEA. |
| Provide ongoing communication, education and updates on issues related to equal opportunity in the workplace. | Staff memorandums have been distributed and displayed at various SFC business unit locations presenting SFC's policy on diversity and encouraging contribution and communication on diversity within the workplace. |
| Implement and revise Business Unit specific diversity plans. | Business Unit specific plans are being continually developed, reviewed, and revised according to the specific circumstances of each Business Unit. |

At 30 June 2024, women represented 41% (2023: 48%) of the Group's workforce, 22% (2023: 21%) of senior executive positions, and 20% (2023: 20%) of the Board.

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STATEMENT OF CORPORATE GOVERNANCE PRACTICES
*year ended 30 June 2024*

## Structure the Board to Add Value

The Schaffer Board currently consists of five directors: two independents; one non-executive; and two executive directors namely the Executive Chairman of the Leather division and the Group Managing Director and Chairman. The Board considers that between them, the directors bring the range of skills, knowledge, and experience (both local and international) necessary to successfully direct the Group's operations.

The Board of Directors consists of:

**John Schaffer AM** *Chairman and Managing Director*
(Age 73)

John joined the Company in 1972 and has held the positions of Managing Director since 1987 and Chairman since 1988. John holds a Bachelor of Commerce degree with honours from the University of Western Australia and is an FCPA.

**Danielle Blain AM** *Non-executive Director*
(Age 80)

Danielle joined the Board in 1987. Mrs Blain served as a director of Howe Automotive Limited from 1993 to 2005 and as Managing Director of Gosh Leather Pty Ltd (the furniture division) from 1993 to 2001. Mrs Blain holds a Bachelor of Arts degree from the University of Western Australia and is a member on several NGO boards. Mrs Blain is a member of the Board's Audit Committee and the Nomination and Remuneration Committee.

**Michael Perrott AM** *Independent Director*
(Age 78)

Michael joined the Board as an independent director in February 2005 and is a member of the Board's Audit Committee and the Nomination and Remuneration Committee. Mr Perrott AM has been involved in industries associated with construction, contracting, mining and land development since 1969.

**Anton Mayer** *Executive Director*
(Age 82)

Anton joined the Board in 2001. Anton is the Executive Chairman of Howe Automotive Limited and held the position of Howe Automotive Limited Managing Director from 1998 to June 2007. Anton is also a director of a number of the Howe Automotive Limited Group subsidiaries. Anton has over 50 years of international leather experience, broad business skills and a global business perspective.

**David Schwartz** *Independent Director*
(Age 70)

David joined the Board in 1999 and is independent Chairman of the Board's Audit Committee and the Nomination and Remuneration Committee. David has many years' experience in successfully managing manufacturing and distribution businesses in Australia and South Africa, and over 25 years' experience negotiating acquisitions and overseeing the development of property.

The names of Schaffer's current directors, their year of appointment, status as non-executive, executive or independent directors, their economic interest in SFC and whether they retire at the next Annual General Meeting is summarised in the table below.

| Director | Year appointed | Classification | Audit Committee | Nomination & Remuneration Committee | Economic interest in SFC | Retiring at next AGM | Seeking re-election |
|---|---|---|---|---|---|---|---|
| J M Schaffer AM | 1972 | Chairman/Executive | – | – | 20.5% | N/A | N/A |
| D E Blain AM | 1987 | Non-executive | Member | Member | 11.5% | Yes | Yes |
| A K Mayer | 2001 | Executive | – | – | 2.5% | Yes | Yes |
| M D Perrott AM | 2005 | Independent | Member | Member | 0.1% | No | No |
| D J Schwartz | 1999 | Independent | Chairman | Chairman | 5.1% | No | No |

### Board Committees

The Board may from time to time establish committees where the Board is of the belief that the establishment of such a committee will improve the performance of the Board in accomplishing its duties.

The Board operates an Audit Committee and a Nomination and Remuneration Committee. Both committees comply with Council guidelines. The Charter of each committee is summarised later in this section. Full details of SFC Audit Committee and Nomination and Remuneration Committee can be found on the Company's website. The Board does not believe the Board it is of sufficient size to warrant the establishment of additional dedicated Board Committees. The Audit Committee held two meetings during the year and the Nomination and Remuneration Committee held one meeting. All members were in attendance at all committee meetings.

### Board Meetings

Management provides the Board with information in a form, timeframe and quality that facilitates the Board in effectively discharging its duties. The Board meets at least 8 times per year. Board papers are, where possible, provided to directors at least four days prior to the relevant meeting. The non-executive Board members are joined at Board meetings by the Group's Managing Director, the Executive Chairman of Howe Automotive Limited and the Company's Company Secretary.

### Director Independence

The Board applies the Council's independence criteria in assessing director independence. Mr Schwartz and Mr Perrott are considered by the Board to be independent directors. In analysing Mr Schwartz's independence, the Board considered the materiality of Mr Schwartz's minority interests in the relevant syndicated property interests of the Company. Accordingly, the Board confirms Mr Schwartz's independence on the basis that (i) operating revenue from SFC's property interests represents less than 10% of Group revenue; and (ii) no interest held by Mr Schwartz represents a controlling interest in any single property. While the Board considers Mr Schwartz independent for the above reasons, standard Board meeting procedures and governance principles apply whereby in respect of any property business where Mr Schwartz has an interest, Mr Schwartz does not receive the relevant Board papers and does not attend that part of the Board meeting where the matter is being discussed or considered. In addition, the mere fact that Mr Schwartz and Mr Perrott have served on the Board for a substantial period does not mean that they have become too close to management to not be considered independent. Mr Schwartz and Mr Perrott contribute unbiased and differing ideas and wisdom to the Board generated from their individual and independent experience across numerous other businesses and industries.

Directors classified as not being independent directors are Mrs Blain, Mr Schaffer and Mr Mayer on the basis that:

- Mr Schaffer is an executive director, a substantial shareholder of SFC (with an economic interest of 20.5%) and has served on the Board since 1972;
- Mrs Blain is a substantial shareholder of SFC (with an economic interest of 11.5%), served as an executive director of Howe from 1993 to 2001 and has served on the SFC Board since 1987; and
- Mr Mayer is an executive director of SFC by virtue of his role as Executive Chairman of Howe Automotive Limited.

The Board does not currently comply with Council guidelines in respect of majority independence, Chairman independence and separation of the Chairman and Managing Director roles. However, the Board is currently of the view that having a competent, cohesive and functioning Board whose members have a balance of practical experience and skills relevant to SFC's business is more beneficial to maximising returns to shareholders than it would be to expand the Board by two additional members simply for the purpose of achieving majority independence pursuant to the Council's definition. Further, the Board is not in entire agreement with the definition of independence as defined by the Council's guidelines. In the Board's view, independence is about having individuals on the Board whose interests are directly aligned with shareholders (i.e. they have a significant stake in the company) and have the capability to question and challenge management's decision-making process. On this basis, your Board is independent. Collectively the Board has a financial interest in approximately 40% of SFC's issued capital representing a large proportion of each director's personal asset base. When the shareholders gain, so does the Board; when shareholders lose, the Board loses significantly.

Similarly, based on the strong alignment of shareholders with the Chairman, it is not considered that having an Independent Chairman and separating the roles of Chairman and Managing Director would add shareholder value at this stage.

As a result of the Company's departure from the Council Recommendations contained in this Principle, governance practices employed by the Board to support its objective and competent operation are:

*Disclosure of interests and conflicts*

A director is required to disclose to all directors any material personal interest they may have, or may reasonably be perceived to have, in a matter which relates to the affairs of the Company. A director is expected to disclose their interest as soon as practicable after the director becomes aware of that interest.

In the event a potential material conflict of interest arises, the director concerned does not receive the relevant Board papers and leaves the Board meeting while the matter is discussed and considered. Directors must keep the Board advised on an ongoing basis of any interests which could cause, or may reasonably be perceived to cause, a conflict with the interests of the Company.

The minutes of the meeting should record the decision taken by those directors who do not have an interest in the matter.

*Independent legal advice*

With the consent of the Chairman, individual directors may seek independent professional advice at the Company's expense on any matter connected with the discharge of their responsibilities. The Chairman requires the submission of a cost estimate by a director in order to establish the reasonableness of the projected fee. The Chairman's consent will not be unreasonably withheld.

### Period of office

Shareholders are given the opportunity to vote on the composition of the Board such that at each Annual General Meeting, one third of the directors (excluding the Managing Director) must retire but may stand for re-election. Each director who is required by the Constitution to retire cannot hold office for more than three years without retiring within that time frame and standing for re-election. Any director who is appointed to the Board to fill a casual vacancy during a year may only hold office until the next Annual General Meeting but may stand for re-election at that meeting.

## Instil a Culture of Acting Lawfully, Ethically and Responsibly

### Values

Schaffer Corporation Limited's core values are:

- **Safety –** we provide safe environments for our valued employees where they can work collaboratively and thrive.
- **Excellence –** we strive for excellence, seeking outcomes aligned to shareholder wealth creation.
- **Quality –** we are committed to the production of high-quality products and service delivery that meets or exceeds our customer's expectations.
- **Relationships –** we focus on developing valuable relationships with our business partners, customers, and employees.
- **Environments –** we support sustainable methods of production that reduce environmental impacts.
- **Adaptable –** we continually respond and adapt to our changing environment through effective decision making and continual improvement of our processes and systems.

### Conduct and ethics

The Company operates under a Code of Conduct a copy of which is posted to the corporate governance section of the Company's website – www.schaffer.com.au

The Company's Code of Conduct describes how SFC relates to its employees, customers, suppliers, shareholders, and the community. SFC is committed to promoting integrity and maintaining the highest standard of ethical conduct in all of its activities.

Our business success is dependent on the development and maintenance of trusting relationships, underpinned by the continuous demonstration of corporate integrity.

The purpose of this Code of Conduct is to provide a common behavioural framework for all SFC personnel which recognises social responsibility, complies with applicable laws and standards, and is in keeping with the spirit and rules of the Australian and international markets in which SFC operates. This Code of Conduct applies to SFC and its controlled affiliates.

SFC's directors and management team lead by example, always demonstrating their commitment to this Code of Conduct through their personal behaviour and through guidance provided to our personnel.

### Securities trading policy

SFC's Securities Trading Policy regulates dealing by SFC Directors and senior executives in SFC securities. Restrictions imposed by law on prohibiting anyone dealing in SFC's securities if in possession of unpublished SFC price-sensitive information have been supplemented by Board imposed restrictions specific to SFC Directors and senior executives. Price sensitive information is information a reasonable person would expect to have a material effect on the price or value of SFC securities.

This policy provides that in addition to Directors and senior executives being prohibited from trading in the Company's securities at any time if they possess any unpublished price sensitive information, Directors and senior executives may buy or sell the Company's securities only within limited trading windows.

The periods within which a Director or senior executive may buy or sell SFC securities is:

- from 24 hours to 4 weeks after the Company has made any Scheduled Announcement. A scheduled announcement refers to the announcement by SFC of its (i) results for the half year, (ii) preliminary final year result, (iii) Chairman's Address to the Annual General Meeting;
- from 24 hours to 4 weeks after the Company has made any Unscheduled Announcement. An unscheduled announcement refers to any other announcement of new information made by SFC pursuant to ASX Listing Rule 3.1; and
- during the period when a prospectus for securities is released by SFC until the last day for acceptance of securities issued pursuant to that prospectus.

SFC Directors and senior executives are prohibited from trading at all other times unless specifically authorised by the Chairman. For the purposes of clarity, any unscheduled ASX Listing Rule 3.1 announcement made within 4 weeks prior to a Scheduled Announcement does not enable SFC Directors and senior executives to trade SFC securities. The senior executives Group to which these restrictive trading periods apply includes all General Manager personnel at Howe & Company Pty Ltd and Delta Corporation Limited, and SFC's Chief Financial Officer, Group Financial Controller & Company Secretary and Group Chief Accountant.

The policy also requires that Directors and senior executives do not buy or sell the Company's securities on a short-term basis.

These rules also apply to trading by a related party of any SFC Director or senior executive. This Policy does not restrict participation by SFC senior executives in SFC's Employee Share Options Plan (ESOP) but applies in respect of the trading of SFC's securities to which plan participants become entitled under the ESOP.

A copy of the Company's Securities Trading Policy can be accessed from the corporate governance section of the Company's website – www.schaffer.com.au

### Whistleblower Policy

SFC recognises that any genuine commitment to detecting and preventing illegal and other undesirable conduct must include, as a fundamental cornerstone, a mechanism whereby employees and others can report their concerns freely and without fear of repercussion.

SFC has established a whistleblower policy as the mechanism that encourages the reporting of such conduct. All employees, officers, contractors, partners, and consultants of SFC are encouraged to report on behaviours they honestly believe contravenes SFC's Code of Conduct, the Company's policies, or the law. All reports are investigated appropriately, and when requested, anonymously. The SFC Board is provided with information on whistleblower reports on a regular basis.

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STATEMENT OF CORPORATE GOVERNANCE PRACTICES
*year ended 30 June 2024*

### Anti-bribery and corruption policy

SFC is committed to operate within the laws of any jurisdiction in which it does business, and in a way that is consistent with the SFC Code of Conduct.

SFC has established an anti-bribery and corruption policy to deter and prevent bribery and corruption, which is available at the SFC's website. The policy applies to SFC employees, officers, contractors, partners, and consultants who provide services to SFC. Employees are encouraged to report suspected corrupt activities under SFC's whistleblower policy.

## Safeguard Integrity in Financial Reporting

### Written declaration by management

SFC's Managing Director and CFO report in writing to the Audit Committee that the consolidated financial statements of SFC and its controlled entities for any accounting period are based on a sound system of risk management and present a true and fair view in all material respects of the Group's financial condition and that operational results are in accordance with accounting standards. This statement is in turn supported by written statements provided by the senior management of all subsidiary companies within the Group.

### Audit Committee

The SFC Audit Committee was established by the Board in 1996. The Audit Committee has adopted a formal Charter, a copy of which can be accessed from the corporate governance section of the Company's website – www.schaffer.com.au

The Audit Committee's purpose is to provide assistance to the Board in fulfilling its corporate governance and oversight responsibilities in relation to the company's financial reporting, risk management systems and the external audit functions. In doing so, it is the responsibility of the Audit Committee to maintain free and open communication between the Committee, external auditors and management of the Company.

In discharging its oversight role, the Audit Committee is empowered to investigate any matter brought to its attention with full access to all books, records, facilities, and personnel of the Company and the authority to engage independent counsel and other advisers as it determines necessary to carry out its duties.

Council guidelines require the Audit Committee to consist of at least three directors and have an independent Chairperson who is not Chairperson of the Board.

The members of the SFC's Audit Committee are Mr Schwartz (Independent Chairman), Mrs Blain (Non-executive Director) and Mr Perrott (Independent Director). Accordingly, SFC's Audit Committee complies with the Council's Audit Committee structure guidelines.

Where a periodic corporate report is not required to be audited or reviewed by an external auditor, SFC conducts an internal verification process to confirm the integrity of the report, to ensure that the content of the report is materially accurate, and to provide investors with appropriate information to make informed investment decisions.

## Make Timely and Balanced Disclosure

### Continuous disclosure policy

The Board is committed to ensuring that information that is expected to have a material effect on the price or value of SFC's shares is immediately notified to the ASX for dissemination to the market in accordance with the ASX Listing Rules. The Company's Continuous Disclosure Policy sets out the key obligations of the Board and senior management to ensure that SFC complies with its disclosure obligations pursuant to the ASX Listing Rules and the Corporations Act. In fulfilling its obligations of continuous disclosure SFC has adopted and adheres to the following practices.

- SFC's Managing Director, Chief Financial Officer and Company Secretary constitute the executive team charged with management of all elements of the Company's activities. This team is responsible for assessing the materiality of information and drafting all disclosures. For administrative convenience, SFC's Company Secretary is the nominated officer of the Company responsible for communications with the ASX.
- Information is released firstly via electronic means via the ASX. Further dissemination to analysts and investors does not occur until after ASX confirms the information has been released to the market.
- The information is posted to SFC's website at www.schaffer.com.au in order to make the information accessible to the widest audience. Investor information is posted to an area on SFC's website separate from any promotional material about the Company or its products.
- SFC's Managing Director, Chief Financial Officer and Company Secretary, and Howe Automotive Limited's Executive Directors are the officers authorised to speak on SFC's behalf at investor briefings and to the media. These officers understand that when speaking on behalf of the Company it is in respect of explanation and clarification of information previously released via the ASX. As these officers have knowledge of all information previously released to the ASX (they form part of the executive team responsible for the information disclosures), the risk of inadvertent disclosure of price sensitive information when speaking to investor briefings and the media is minimised. Presentations used in briefings which may have content which would trigger a continuous disclosure obligation are lodged with ASX prior to the briefing. All presentations are posted to SFC's website.
- Comments on analysts' financial projections are confined to errors in factual information and underlying assumptions. The Company will not provide price sensitive information or earnings forecast guidelines to analysts unless it has already done so to the market via the ASX.
- Unless the executive team responsible for information disclosures believes it has an obligation to make a statement on a particular matter, SFC's policy is not to respond to market rumours or speculation.
- Copies of all material market announcements are also required to be circulated to the Board promptly, to ensure the Board has timely oversight of the nature and quality of information being disclosed to the market.

## Respect the Rights of Shareholders

### Shareholder communications strategy

SFC aims to ensure that investors and the market are kept informed of all major developments affecting the Company.

Information is communicated to investors and the market in accordance with SFC's periodic and continuous disclosure obligations pursuant to the ASX Listing Rules and the Corporations Act. SFC's disclosure practices are aimed at ensuring timely access for all investors to Company information.

To achieve these objectives and to satisfy regulatory requirements, SFC provides information to investors and the market in a number of ways:

- SFC's principal communication with investors is by provision of the Annual Report and financial statements, the Interim Report and the Annual General Meeting.
- Periodic and continuous disclosure announcements are released directly to the market via the ASX using ASX's electronic lodgement service. These announcements are immediately placed on the Company's website, at www.schaffer.com.au and typically mailed to shareholders.
- The release of Interim and Final results is typically followed by investor briefings and road shows. The purpose of the investor briefings/road shows is for explanation and clarification of previously released information and non-material company or industry specific information. Site visits are also arranged to give those who advise investors a better understanding of the Groups operating facilities.
- SFC's website contains further information about the Group and its activities, including copies of recent Annual and Interim Reports, the full text of notices of meetings and explanatory notes and copies of road-show presentations and presentations to brokers/analysts.
- The Annual General Meeting provides an opportunity for the Board to communicate with shareholders and investors through the presentation of the Chairman's Address and shareholders, through the Chairman, are given the opportunity to ask general questions of directors.
- SFC's external auditor attends each Annual General Meeting and is available to answer any questions shareholders may have, that are relevant to the conduct of the audit. The meeting, when possible, is held at the same convenient location on the same weekday and time each year in order to encourage shareholder participation. All substantive resolutions at a meeting of shareholders are decided by a poll, rather than by a show of hands.
- SFC's senior management meets regularly to consider its continuous disclosure obligations and assess the appropriateness of its policy in the context of any legislative amendments to the disclosure regime. Unless SFC has an obligation to make a statement on a particular matter, the Company's policy is not to respond to market rumours and media speculation.

# STATEMENT OF CORPORATE GOVERNANCE PRACTICES
*year ended 30 June 2024*

## Recognise and Manage Risk

### Risk management

The Board has formal written policies on risk oversight and management. SFC's risk management policy provides the framework to manage the risks associated with SFC's business activities.

The purpose of the policy is to identify, assess, monitor, and manage risk with the objective of minimising losses and maximising shareholder value.

SFC prepares risk profiles including a description of material risks, both financial and non-financial. SFC reviews and updates its risk profile as required.

SFC implements a systematic process to assist in the identification, assessment, treatment, and monitoring of risks.

SFC provides the necessary tools and resources to management and staff to support the effective management of risks.

SFC ensures that the Board is adequately informed of significant risk management issues and the actions undertaken to manage risks in a timely manner.

The Board has considered the need for an internal audit function and concluded that the size and nature of the Group's operations do not warrant such a function at present. Responsibility for implementation and effective conduct of SFC's risk management system rests with the Board, Chief Executive Officer, Chief Financial Officer, Company Secretary, General Managers, and all employees. The Managing Director and the Chief Financial Officer are required to state in writing to the Board in respect of any accounting period that:

- The statement given in accordance with the ASX Corporate Governance Council's Best Practice recommendation 4.1 (the integrity of financial statements) is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- SFC's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

The SFC Board can oversee the entity's risk management system efficiently and effectively without establishing a separate risk committee. Executive management report to the Board on the effectiveness of our management of material business risks and they are satisfied that the risk management process enables material risks to be appropriately identified, prioritised, monitored, and managed. Strategic risks are reported to the Board on an ongoing basis.

The Automotive Leather division of SFC is materially exposed to the economic risk of foreign exchange fluctuations. To manage the foreign exchange risk arising from future commercial transactions the entity regularly considers the use of natural hedges and forward foreign exchange contracts, with reference to currency exposure levels, sensitivity, and financial capacity to tolerate rate fluctuations.

SFC does not have any material environmental or social sustainability risks.

## Remunerate Fairly and Responsibly

### Executive remuneration

SFC's Nomination and Remuneration Committee operates to support and advise the Board in fulfilling its responsibility to shareholders to ensure that the company has remuneration policies and practices which enable it to attract and retain directors and executives who will best contribute towards achieving positive outcomes for shareholders. The committee determines the remuneration and other conditions of service of the chief executive officer and executive directors, if any. The committee makes recommendations to the Board on the remuneration of non-executive directors within the aggregate approved by shareholders in general meeting from time to time. The committee considers individual performance, company performance, internal relativity, and fairness in setting levels of remuneration and may seek appropriate independent external advice to assist in its decision making.

SFC's remuneration policy is directed at attracting, motivating, and retaining quality people.

The remuneration of SFC's senior executive consists of fixed remuneration and annual and long-term incentives.

*Fixed Remuneration* – This includes base salary and the statutory Superannuation Guarantee Contribution (SGC) which comprises the cash component; and other non-cash benefits such as a motor vehicle.

The Schaffer Corporation Limited Superannuation Fund is available to executives for superannuation contributions and life insurance. Premiums for life insurance are deducted from member accounts. Executives can elect to have the company contribute superannuation beyond the statutory SGC level by way of a salary sacrifice in lieu of cash salary.

*Annual Incentives* – The Company has performance-based incentive plans in place at each of its operations in which management and the labour force participate. The level of remuneration payable to participating executives is linked to the financial performance of their business. Executives are provided with cash incentives provided profitability thresholds are met.

*Long-Term Incentives* – SFC's senior executives (other than Mr Schaffer and Mr Mayer) participate in SFC's Employee Share Option Plan (ESOP). Howe Automotive Limited operates the Employee Participation Unit (EPU) Plan for its executives. These incentive plans have long-term vesting provisions and are designed to align the interests of the participating executives with those of all SFC shareholders.

### Non-executive Director remuneration

SFC's non-executive directors receive fees for their services (including statutory superannuation) and the reimbursement of reasonable expenses. The amount payable to non-executive directors is set by the Board after having taken regard to the size of the Company and Board, the responsibilities, demands, and accountabilities faced by those directors in discharging their duties and after seeking independent advice to ensure the fees are in line with market standards. It is current SFC policy that non-executive directors do not receive shares, options or other securities and are not eligible to participate in SFC's Employee Share Option Plan.

A directors' pool limit of $500,000 per annum was approved by shareholders at SFC's 2019 Annual General Meeting. This limit is not currently fully utilised. The fee pool is payable only to non-executive directors. Non-executive directors were paid annual fees for the 2024 financial year of $92,503 each from the fee pool (inclusive of superannuation).

Non-executive directors appointed prior to July 2003 are entitled to a retirement benefit equivalent to one year's annual director's fees. The retirement benefit was reduced from three years to one year's annual director's fees in July 2003 (a three year retirement benefit was in place at the time Mrs Blain AM and Mr Schwartz accepted their appointment to the Board). SFC considers the reduced benefit modest and appropriate given the benefit which historically existed. It is SFC's policy that no retirement benefit applies to new directors appointed after July 2003.

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# ASX ADDITIONAL INFORMATION
*year ended 30 June 2024*

Additional information required by the Australian Securities Exchange is as follows.

## Total Share Capital

Issued as at 1 September 2024:

| | Holders | Number |
|---|---|---|
| Ordinary fully paid shares | 1,428 | 13,590,807 |

## Share Registry Address

C/o Computershare Investor Services Pty Ltd
Level 17
221 St George's Terrace
Perth WA 6000
Australia

Postal Address:
GPO Box D182
Perth WA 6840
Australia

## Securities Exchange Listing

The shares of the Company are listed on the Australian Securities Exchange. The home exchange is Perth.

## Voting Rights

Subject to any restrictions from time to time being attached to any class or classes of shares at general meetings of Members or classes of Members:

(1) each Member entitled to vote may vote in person or by proxy, attorney or representative.
(2) on a show of hands, every person present who is a Member or a proxy, attorney or representative of a Member has one vote;
(3) on a poll, every person present who is a Member or a proxy, attorney or representative of a Member shall, in respect of each fully paid share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for the share, but in respect of partly paid shares, shall have a fraction of a vote for each partly paid share. The fraction must be equivalent to the proportion which the amount paid (not credited) is of the total amounts paid and payable (excluding amounts credited). Amounts paid in advance of a call are ignored when calculating the proportion.

## Distribution of Holdings as at September 2024

| Shareholdings | Shareholders |
|---|---|
| 1 – 1,000 | 763 |
| 1,001 – 5,000 | 450 |
| 5,001 – 10,000 | 101 |
| 10,001 – 100,000 | 92 |
| 100,001 – and over | 22 |

Number of shareholders holding less than a marketable parcel i.e. less than 24 shares: 68.

## Substantial Shareholders

As at 1 September 2024 the substantial shareholders of the company summarised below, were:

| | Number of shares | Economic interest as a percentage of issued ordinary shares |
|---|---|---|
| Mr J M Schaffer AM & Associates | 2,125,549 | 15.67% |
| 50% of interest held by Swan Holdings Pty. Ltd. | 652,687 | 4.81% |
| | 2,783,236 | 20.48% |
| Mrs D E Blain AM & Associates | 909,673 | 6.70% |
| 50% of interest held by Swan Holdings Pty. Ltd. | 652,687 | 4.80% |
| | 1,562,360 | 11.50% |
| * Combined interest of Mr Schaffer & Mrs Blain | 4,345,596 | 31.98% |
| Sterling Equity Pty Limited and associates | 1,270,061 | 9.35% |
| Mr D J Schwartz and associates | 695,334 | 5.12% |

* Pursuant to the Corporation Act (2001), by virtue of the Swan Holdings Pty Ltd Voting Deed conferring on Mr Schaffer the power to vote all Swan Holdings Pty Ltd's interest in Schaffer Corporation Limited's shares,

Mr Schaffer is also deemed to have an interest in all the Schaffer Corporation Limited shares held by

Mrs Blain and her associates, and vice versa. The consequence of this is that each of the Substantial Shareholder notices lodged with the Regulatory Authorities by Mr Schaffer and Mrs Blain show Mr Schaffer's and Mrs Blain's combined interest at 31.98%, not their individual economic interests of 20.48% and 11.50% respectively.

## Twenty Largest Shareholders as at 1 September 2024

| | Number of shares | Percentage of issued ordinary shares |
|---|---|---|
| Swan Holdings Pty Ltd | 1,305,374 | 9.60 |
| Mutual Trust Pty Ltd | 1,079,969 | 7.95 |
| Cimbrook Nominees Pty Ltd | 980,482 | 7.21 |
| Mrs Danielle Eva Blain | 907,570 | 6.68 |
| Mr John Michael Schaffer | 799,554 | 5.88 |
| Jobling Investments Pty Ltd | 507,812 | 3.74 |
| Circlestar Pty Ltd <David Schwartz Family A/C> | 422,320 | 3.11 |
| BNP Paribas Noms Pty Ltd | 362,281 | 2.67 |
| Maitri Pty Ltd <Coci Super Fund A/C> | 317,620 | 2.34 |
| Mr Kenneth John Beer + Mr Alexander Charles Beer <Beer Super Fund A/C> | 297,321 | 2.19 |
| The Sports Cafe (Australia) | 226,072 | 1.66 |
| Peter Canaway Pty Limited <Peter Canaway Superfund A/C> | 223,923 | 1.65 |
| Citicorp Nominees Pty Limited | 223,381 | 1.64 |
| Hsbc Custody Nominees (Australia) Limited | 169,873 | 1.25 |
| Frederick Bruce Wareham | 160,006 | 1.18 |
| SCE Superannuation Pty Ltd <SCE Superannuation A/C> | 152,500 | 1.12 |
| Glennlin Pty Ltd <Marilyn May Bookham D/T A/C> | 143,252 | 1.05 |
| Shann Investments Pty Ltd <Lynda Maree Jobling D/T A/C> | 143,252 | 1.05 |
| Leopard Capital Pty Ltd <Leopard A/C> | 134,393 | 0.99 |
| J P Morgan Nominees Australia Pty Limited | 116,798 | 0.86 |
| | 8,673,753 | 63.82 |

## Annual General Meeting

The Annual General Meeting of Schaffer Corporation Limited will be held at Perth on Wednesday, 13 November 2024 at 11:30am. Further information regarding the meeting including the business to be dealt with is contained in the separate notice of meeting.

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## Corporate Timetable

| | |
|---|---|
| Final 2024 dividend record date | 6 September 2024 |
| Final 2024 dividend payment date | 20 September 2024 |
| Despatch of 2024 Annual Report and notice of AGM | 8 October 2024 |
| Annual General Meeting | 13 November 2024 |
| 2025 half-yearly earnings release and dividend announcement | 19 February 2025 |
| Interim 2025 dividend payment date | 14 March 2025 |

# SHAREHOLDER INFORMATION

### Annual General Meeting

Schaffer Corporation will hold its Annual General Meeting on Wednesday 13 November 2024 at 11:30am at Pagoda Resort and Spa, 112 Melville Parade, Como, Western Australia.

### Direct Credit of Dividends

Schaffer Corporation provides shareholders with the option to have dividends paid electronically to a nominated bank, building society or credit union account. Payments are credited electronically on the dividend date and confirmed by a payment advice by mail.

The Company encourages shareholders not already using this facility to contact Computershare Investor Services Pty Limited, who can arrange for an instruction advice to be sent to shareholders for completion.

### Change of addresses/provide or update banking details

Shareholders who have changed their address or banking particulars should advise our share registry of their new details:

Computershare Investor Services
Pty Limited
GPO Box D182
Perth WA 6840
Australia
Telephone: 1300 557 010
(in Australia) or
+61 8 9323 2000
Facsimile: +61 8 9323 2033
Website: www.computershare.com/au

### Corporate Directory

Schaffer Corporation Limited
ABN 73 008 675 689
ASX Code: **SFC**

***Head Office and Registered Office***
1305 Hay Street
West Perth WA 6005
Australia
Telephone: +61 8 9483 1222
Facsimile: +61 8 9481 0439
Website: www.schaffer.com.au

### Board of Directors

***Executive Directors***
JM Schaffer AM, BCom(Hons), FCPA (Chairman and Managing Director)
AK Mayer (Executive Chairman – Howe Automotive Limited)

***Non-executive Directors***
DE Blain AM, BA
MD Perrott AM, BCom, FAIM FAICD
DJ Schwartz

***Chief Financial Officer***
R Leib BComm BAcc

***Group Financial Controller and Company Secretary***
J Cantwell B Bus(Acc), CPA, MBA, GIA(Affiliated)

***Share Registry***
Computershare Investor Services
Pty Limited
GPO Box D182
Perth WA 6840
Australia
Telephone: 1300 557 010
(in Australia) or
+61 8 9323 2000
Facsimile: +61 8 9323 2033
Website: www.computershare.com/au

***Auditors***
Ernst & Young
11 Mounts Bay Road
Perth WA 6000
Australia
Telephone: +61 8 9429 2222
Facsimile: +61 8 9429 2436

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