

SCHAFFER

C O R P O R A T I O N

L I M I T E D

A.C.N. 008 675 689



FACSIMILE TRANSMISSION

TO: COMPANY ANNOUNCEMENTS PLATFORM
ASX

LODGEMENT: ASX ONLINE

FROM: GEOFF DAVIESON

DATE: 19 FEBRUARY 2003

SUBJECT: LODGEMENT OF HALF YEAR ACCOUNTS

NO OF PAGES: 15

Dear Sir

In accordance with ASX Listing Rule 4.2, the following documents are attached:

- ? Form 7051 (Notification of half yearly accounts); and
- ? Financial Statements for the half year ended 31 December 2002.

Yours sincerely

Geoff Davieson
Company Secretary

1305 Hay Street, West Perth, WA 6005, PO Box 770, West Perth, WA 6872
Telephone (08) 9321 8552 - Fax (08) 9481 0439

ASIC registered agent number

15639

7051 15 July 2001 171

lodging party or agent name

office, level, building name or PO Box no:

street number & name

suburb/city

state/territory

postcode

telephone

facsimile

DX number

suburb/city

ASIC
CASH
RDC

INCA
FAS
RDC



Australian Securities & Investments Commission

notification of

form 7051

• Half Yearly Reports

(ASIC form 1001)

Corporations Act 2001

(to be lodged within 75 days of the end of the accounting period)

286(2), 286(1), 328

Disclosing entity

Please complete A, B or C.

A a company

name

SCHAFER CORPORATION LIMITED

A.C.N.

008 675 689

B a body (other than a company)

name

A.R.B.N. (if applicable)

C a registered scheme

name

A.R.S.N.

Financial period

from

1/7/2002

to

31/12/2002

Certification

I certify that the attached documents comprise the half yearly reports together with every other document that is required to be lodged with the reports by a disclosing entity under the Corporations Act 2001.

Signature

This form is to be signed by:

if a company or a body a director or secretary or the equivalent

if a registered scheme a director or secretary of the responsible entity acting in that capacity

name of responsible entity

A.C.N.

name of person signing (print)

Geoffrey Victor Davieson

capacity

SECRETARY

sign here

date 19/2/2003

Small Business (less than 20 employees), please provide an estimate of the time taken to complete this form

Include

- The time actually spent reading the instructions, working on the questions and obtaining the information
- The time spent by all employees in collecting and providing this information

hrs

mins

HALF YEARLY REPORTS

SCHAFFER CORPORATION LIMITED

ACN 008 675 689



FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED

31 DECEMBER 2002

SCHAFFER CORPORATION LIMITED HALF YEAR FINANCIAL STATEMENTS**DIRECTORS' STATUTORY REPORT**

Your directors submit their report for the half year ended 31 December 2002 made in accordance with a resolution of the directors.

DIRECTORS

Details of the Directors of the company during the financial half year and at the date of this report are:

J M SCHAFFER,
B. Com (Hons.) FCPA
Managing Director
Executive Director since 6/9/72

Mr John Schaffer joined the company in 1972. Mr Schaffer has held the position of Managing Director since 1988.

D E BLAIN, BA
Non-executive Director,
appointed 5/6/87

Mrs Danielle Blain joined the company in 1987.

K K WEBSTER, FCPA
Non-executive Director,
appointed 5/6/87

Mr Kelvin Webster joined the company in 1978.

J B ABERNETHY,
B.Com (Econ) – LLB
Non-executive Director,
appointed 19/2/98

Mr John Abernethy is Managing Director of Loftus Capital Partners Limited.

D J SCHWARTZ
Non-executive Director,
appointed 29/6/99

Mr David Schwartz is the chairman of Loftus Capital Partners Limited. He has 20 years experience in manufacturing and distribution businesses.

A K MAYER
Non-executive Director,
Appointed 21/11/01

Mr Anton Mayer is the Managing Director of Australian Leather Holdings Limited. Mr Mayer has over 35 years of international leather experience, broad business skills and a global business perspective.

ATTENDANCE AT BOARD MEETINGS

During the half year seven directors meetings were held in respect of which all directors were eligible to attend. Mr J M Schaffer, Mr K K Webster and Mrs D E Blain attended all of the seven directors' meetings held during the half year. Mr J B Abernethy, Mr A Mayer and Mr D J Schwartz attended six of the directors' meetings.

AUDIT COMMITTEE

The consolidated entity has an Audit Committee, which operates to oversee the internal and external audit functions of the consolidated entity. During the half year one audit committee meeting was held which all members of the audit committee were eligible to attend. The meeting was attended by Mr K K Webster, Mr D J Schwartz, Mr J B Abernethy and Mrs D E Blain.

REVIEW OF OPERATIONS

The consolidated entity's revenue increased by 38% from \$90,715,000 to \$124,958,000 this half year.

The net after tax consolidated entity profit, after minority interests increased by 53% from \$6,703,000 to \$10,268,000.

Current year figures reflect the chief entity's increased investment in Australian Leather Holdings Limited from 41% to 83% effective from 10 October 2001 thus resulting in the comparative results reflecting the first three months of the half year being equity accounted and the second three months being consolidated.

ROUNDING

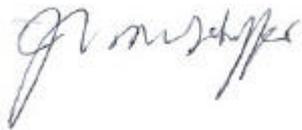
The amounts contained in this report and in the half year financial statement have been rounded under the option available to the company under ASIC class order 98/0100. The company is an entity to which this class order applies.

DIRECTORS' BENEFITS

During or since the end of the previous half year no director of the company has received or become entitled to receive a benefit, other than a benefit included in the aggregate amount of emoluments received or due and receivable by the directors shown in the annual financial statements, by reason of a contract entered into by the company or an entity that the company controlled or a body corporate that was related to the company when its contract was made or when the directors received, or become entitled to receive, the benefit with:

- ? A director;
- ? A firm of which a Director is a member;
- ? A company in which a director has a substantial financial interest.

Signed in accordance with a resolution of the directors

A handwritten signature in dark ink, appearing to read "John Schaffer", written over a light blue horizontal line. A vertical line is drawn to the right of the signature.

John Schaffer
Managing Director

Perth, 19 February 2003

**SCHAFFER CORPORATION LIMITED
STATEMENT OF FINANCIAL PERFORMANCE
HALF YEAR ENDED 31 DECEMBER 2002**

| | CONSOLIDATED | |
|--|----------------|---------------|
| | 2002 | 2001 |
| | \$000 | \$000 |
| REVENUE FROM ORDINARY ACTIVITIES | 124,958 | 90,715 |
| Cost of sales – manufactured goods and property | (87,587) | (62,808) |
| Cost of sales – equity securities | (962) | (985) |
| Depreciation and amortisation expense | (2,341) | (2,095) |
| Borrowing costs expense | (2,284) | (1,679) |
| Salaries, wages and on costs | (6,761) | (5,275) |
| Other expenses from ordinary activities | (8,150) | (6,871) |
| Shares of net profits/(losses) of associates accounted for using the equity method | - | (577) |
| PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE | 16,873 | 10,425 |
| Income tax expense relating to ordinary activities | 5,109 | 2,813 |
| PROFIT FROM ORDINARY ACTIVITIES AFTER INCOME TAX EXPENSE | 11,764 | 7,612 |
| Net profit attributable to outside equity interests | 1,496 | 909 |
| NET PROFIT ATTRIBUTABLE TO MEMBERS OF SCHAFFER CORPORATION LIMITED | 10,268 | 6,703 |
| Basic earnings per share | 76.0 | 54.0 |
| Diluted earnings per share | 73.0 | 51.5 |
| Franked dividends per share | 50.0 | 35.0 |

SCHAFFER CORPORATION LIMITED
STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2002

| Notes | 31/12/02 \$000 | CONSOLIDATED 30/06/02 \$000 | 31/12/01 \$000 |
|--|-------------------|-----------------------------------|-------------------|
| CURRENT ASSETS | | | |
| Cash assets | 15,463 | 5,606 | 9,104 |
| Receivables | 32,700 | 36,676 | 44,954 |
| Inventories | 42,692 | 41,932 | 47,359 |
| Other financial assets | 798 | 1,869 | 1,393 |
| Other | 1,216 | 508 | 1,054 |
| TOTAL CURRENT ASSETS | 92,869 | 86,591 | 103,864 |
| NON CURRENT ASSETS | | | |
| Other financial assets | - | - | 21,494 |
| Property, plant and equipment | 70,307 | 71,289 | 50,701 |
| Deferred tax assets | 4,114 | 4,247 | 4,965 |
| Intangible assets | 1,497 | 1,563 | 1,711 |
| TOTAL NON CURRENT ASSETS | 75,918 | 77,099 | 78,871 |
| TOTAL ASSETS | 168,787 | 163,690 | 182,735 |
| CURRENT LIABILITIES | | | |
| Payables | 26,319 | 25,927 | 35,418 |
| Interest bearing liabilities | 454 | 496 | 1,330 |
| Current tax liabilities | 4,134 | 4,431 | 3,389 |
| Provision for dividend | - | 4,708 | 3,113 |
| Other provisions | 6,271 | 6,803 | 6,823 |
| TOTAL CURRENT LIABILITIES | 37,178 | 42,365 | 50,073 |
| NON CURRENT LIABILITIES | | | |
| Interest bearing liabilities | 62,189 | 63,235 | 82,399 |
| Deferred tax liabilities | 2,565 | 2,731 | 3,425 |
| Provisions | 2,724 | 2,535 | 1,975 |
| TOTAL NON CURRENT LIABILITIES | 67,478 | 68,501 | 87,799 |
| TOTAL LIABILITIES | 104,656 | 110,866 | 137,872 |
| NET ASSETS | 64,131 | 52,824 | 44,863 |
| EQUITY | | | |
| Parent entity interest | | | |
| Contributed equity | 13,803 | 13,386 | 7,852 |
| Reserves | 2,585 | 2,585 | 2,585 |
| Retained Profits | 42,038 | 31,803 | 30,239 |
| 3 | | | |
| Equity attributable to members of Schaffer Corporation Limited | 58,426 | 47,774 | 40,676 |
| Outside equity interest in controlled entities | 5,705 | 5,050 | 4,187 |
| TOTAL EQUITY | 64,131 | 52,824 | 44,863 |

SCHAFFER CORPORATION LIMITED
STATEMENT OF CASH FLOWS
HALF YEAR ENDED 31 DECEMBER 2002

| | CONSOLIDATED | |
|---|----------------|----------------|
| | 2002 | 2001 |
| | \$000 | \$000 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Receipts from customers | 130,020 | 97,590 |
| Payments to suppliers and employees | (104,550) | (68,174) |
| Dividends received | 5 | 44 |
| Other revenue | 108 | 821 |
| Interest income | 288 | 56 |
| Borrowing costs paid | (2,284) | (1,657) |
| Income taxes paid | (5,062) | (2,423) |
| Research & development expenditure | (920) | (1,399) |
| NET CASH FLOWS FROM OPERATING ACTIVITIES | <u>17,605</u> | <u>24,858</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Acquisition of property, plant and equipment | (1,473) | (3,505) |
| Proceeds on sale of property, plant and equipment | 148 | 271 |
| Proceeds on disposal of equity securities | 1,100 | 826 |
| Advances to other debtors | 157 | (2) |
| Deposit refunded/(paid) | - | 123 |
| Acquisition of controlled entity | - | (6,069) |
| Final instalment on acquisition of controlled entity | (1,427) | - |
| NET CASH FLOWS USED IN INVESTING ACTIVITIES | <u>(1,495)</u> | <u>(8,356)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Finance lease principal payments | (229) | (224) |
| Proceeds from commercial bills | - | 500 |
| Dividends paid | (5,582) | (1,245) |
| Preference dividend paid by controlled entity to minorities | - | (305) |
| Shares acquired under share buy back scheme | - | (36) |
| Proceeds from share issue | 417 | 91 |
| Repayments of borrowings | (859) | (8,451) |
| NET CASH FLOWS USED IN FINANCING ACTIVITIES | <u>(6,253)</u> | <u>(9,670)</u> |
| NET INCREASE IN CASH HELD | 9,857 | 6,832 |
| Cash at the beginning of the half year | 5,606 | 2,270 |
| CASH AT THE END OF THE HALF YEAR | <u>15,463</u> | <u>9,102</u> |

**NOTES TO AND FORMING PART OF THE
HALF YEAR FINANCIAL STATEMENTS
31 DECEMBER 2002**

1. BASIS OF PREPARATION OF THE FINANCIAL REPORT

The half year financial report is a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards including AASB 1029: Interim Financial Reporting and other mandatory professional reporting requirements (Urgent Issues Group Consensus Views).

The half year financial report does not include notes of the type normally included in an annual report.

It is recommended that the half year report is read in conjunction with the Annual Financial Statements of Schaffer Corporation Limited as at 30 June 2002 together with any public announcements made by Schaffer Corporation Limited and its controlled entities during the half year ended 31 December 2002 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

The half year financial report has been prepared in accordance with the historical cost convention.

For the purpose of preparing the half year financial report, the half year has been treated as a discrete reporting period.

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous year. The consolidated entity has adopted the new Accounting Standard AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets" which has resulted in a change in the accounting for dividend provisions. Previously, the consolidated entity recognised a provision for dividend based on the amount that was proposed or declared after the reporting date. In accordance with the requirements of the new standard, a provision for dividend will only be recognised at the reporting date where the dividends are declared, determined or publicly recommended prior to the reporting date. The effect of the revised policy has been to increase consolidated retained profits and decrease provisions at the beginning of the half-year by \$4,708,000. In accordance with the new Standard, no provision for dividend has been recognised for the half-year ended 31 December 2002. The change in accounting policy has had no effect on basic and diluted EPS.

2. DIVIDENDS PAID OR PROVIDED FOR

| | 2002 \$000 | 2001 \$000 |
|-------------------------------------|---------------|---------------|
| Dividends paid during the half year | | |
| Franked Dividends | <u>5,582</u> | <u>1,245</u> |
| Dividends Proposed | | |
| Franked Dividends | <u>6,774</u> | <u>3,113</u> |

3. RETAINED PROFITS

| | | |
|--|----------------|----------------|
| Balance at the beginning of the year | 31,803 | 27,894 |
| Net profit attributable to the members of Schaffer Corporation Limited | 10,268 | 6,703 |
| Adjustments arising from adoption of revised accounting standard AASB 1044 "Provision, contingent liabilities and contingent assets" | 4,708 | - |
| Dividends provided for or paid | <u>(4,741)</u> | <u>(4,358)</u> |
| Balance at end of period | <u>47,038</u> | <u>30,239</u> |

4. EARNINGS PER SHARE

| | | |
|---|-------------|-------------|
| (a) Basic earnings per share (cents per share) | <u>76.0</u> | <u>54.0</u> |
| (b) Diluted earnings per share (cents per share) | <u>73.0</u> | <u>51.5</u> |

5. NON CASH FINANCING AND INVESTING ACTIVITIES**Finance Lease Transactions**

During the half year the consolidated entity acquired plant and equipment with an aggregate fair value of \$Nil (2001 - \$375,000), by means of a lease transaction. This transaction is not reflected in the statement of cash flows.

6. SUBSEQUENT EVENTS

Subsequent to the end of the half year the company declared a dividend of 50¢ per share totalling \$6,774,000 payable on 21 March 2003.

There has not been any matter or circumstance in the interval between the end of the half year and the date of this report that has significantly affected or may significantly affect the operations of the consolidated entity, the results of those

operations or the state of affairs of the consolidated entity in subsequent financial periods.

7. **CONTINGENT LIABILITIES**

There have been no material changes in contingent liabilities from that disclosed in the last annual report.

8. SEGMENT INFORMATION

| | LEATHER | | BUILDING PRODUCTS | | INVESTMENT PROPERTY | | OTHER INVESTMENTS | | CONSOLIDATED | |
|---|---------------|----------------|----------------------|---------------|------------------------|---------------|----------------------|---------------|----------------|----------------|
| | 2002 \$000 | 2001 \$000 | 2002 \$000 | 2001 \$000 | 2002 \$000 | 2001 \$000 | 2002 \$000 | 2001 \$000 | 2002 \$000 | 2001 \$000 |
| Total Revenue from Ordinary Activities | <u>99,967</u> | <u>59,856</u> | <u>18,382</u> | <u>19,412</u> | <u>2,433</u> | <u>2,450</u> | <u>4,041</u> | <u>8,233</u> | 124,823 | 89,951 |
| Unallocated Revenue | | | | | | | | | <u>135</u> | <u>764</u> |
| Total Revenue | | | | | | | | | <u>124,958</u> | <u>90,715</u> |
| Segment Earnings | <u>14,044</u> | <u>7,293*</u> | <u>2,861</u> | <u>3,907</u> | <u>1,194</u> | <u>1,234</u> | <u>637</u> | <u>(140)</u> | 18,736 | 12,294 |
| Interest and Corporate Overheads | | | | | | | | | <u>(1,863)</u> | <u>(1,869)</u> |
| Operating Profit Before Income Tax | | | | | | | | | 16,873 | 10,425 |
| Income Tax Expense | | | | | | | | | <u>5,109</u> | <u>2,813</u> |
| Net Profit After Tax | | | | | | | | | <u>11,764</u> | <u>7,612</u> |
| Segment Assets | <u>95,191</u> | <u>104,465</u> | <u>20,422</u> | <u>21,565</u> | <u>27,167</u> | <u>26,596</u> | <u>23,377</u> | <u>26,357</u> | 166,157 | 178,983 |
| Unallocated Assets | | | | | | | | | <u>2,630</u> | <u>3,752</u> |
| Total Assets | | | | | | | | | <u>168,787</u> | <u>182,735</u> |

* Includes 3 months equity accounting and 3 months consolidated earnings

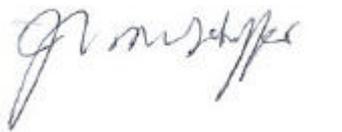
DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Schaffer Corporation Limited, I state that:

In the opinion of the directors:

- (a) The financial statements and notes of the consolidated entity:
 - (i) Give a true and fair view of the financial position as at 31 December 2002 and the performance for the half year ended on that date of the consolidated entity; and
 - (ii) Comply with Accounting Standard AASB 1029: Interim Financial Reporting and the Corporations Regulations 2001; and
- (b) There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



John Schaffer
Managing Director

Perth, 19 February 2003

INDEPENDENT REVIEW REPORT

To the members of Schaffer Corporation Limited

Scope

We have reviewed the financial report of Schaffer Corporation Limited for the half-year ended 31 December 2002, set out on pages 4 to 11, including the Directors' Declaration. The financial report includes the consolidated financial statements of the consolidated entity comprising Schaffer Corporation Limited and the entities it controlled at the end of the half-year or from time to time during the half-year. The company's directors are responsible for the financial report. We have conducted an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Accounting Standard AASB 1029: Half-Year Accounts and Consolidated Accounts and other mandatory professional reporting requirements and statutory requirements in Australia and in order for the company to lodge the financial report with the Australian Securities and Investments Commission.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. Our review was limited primarily to inquiries of the disclosing entity's personnel and analytical review procedures applied to financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Review Statement

As a result of our review, we have not become aware of any matter that makes us believe that the half-year financial report of Schaffer Corporation Limited is not in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2002 and its performance for the half-year ended on that date; and
 - (ii) complying with Accounting Standard AASB 1029: Half-Year Accounts and Consolidated Accounts and the Corporations Regulations;
- (b) other mandatory professional reporting requirements.



Ernst & Young



G H Meyerowitz

Partner

Perth

Date: 19 February 2003