

SCHAFFER CORPORATION LIMITED

ACN 008 675 689



FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED

31 DECEMBER 2001

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

Your directors submit their report for the half year ended 31 December 2001 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 was appointed Operations Manager in 1974, Managing Director in 1987 and has held the position of Chairman and Managing Director since 1988. Mr Schaffer is also Chairman of both Delta Corporation Limited and Australian Leather Holdings Limited and a director of Loftus Pooled Development Limited, Loftus Small Company Fund Limited and Loftus US Technology Fund Limited.

D E BLAIN, BA
Director,
appointed 5/6/87

Mrs Danielle Blain joined the company in 1987. Mrs Blain is also a director of Delta Corporation Limited and Australian Leather Holdings Limited.

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

Mr Kelvin Webster joined the company in 1978 as Group Administration Manager. Mr Webster is also a director of Delta Corporation Limited.

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

Mr John Abernethy is Managing Director of Loftus Pooled Development Limited. Mr Abernethy is also a director of Loftus Small Company Fund Limited and Jasco Holdings Limited. Mr Abernethy has over 15 years experience in capital markets encapsulating senior investment management positions and corporate advisory roles.

D J SCHWARTZ

Non-executive Director,
appointed 29/6/99

Mr David Schwartz is the chairman of Loftus Small Company Fund Limited and Loftus Pooled Development Limited. He is a joint venture partner with Schaffer Properties Pty Ltd in some of their properties. He has 20 years experience in property developments, 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 5 directors meetings were held in respect of which all directors were eligible to attend. Mr J M Schaffer, Mr K K Webster, Mr J B Abernethy and Mr D J Schwartz attended all of the five directors' meetings held during the half year. Mrs D E Blain attended four 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 and Mr J B Abernethy. Mrs D E Blain did not attend.

REVIEW OF OPERATIONS

The consolidated entity's revenue increased by 273% from \$24,303,000 to \$90,715,000 this half year.

The net after tax consolidated entity profit, after minority interests increased by 24% from \$5,404,000 to \$6,703,000.

With effect from 1 October, 2001 the chief entity increased its investment in Australian Leather Holdings Limited from 41% to 83% thus resulting in the 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 off 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

John Schaffer
Managing Director

Perth, 26 February 2002

**SCHAFFER CORPORATION LIMITED
STATEMENT OF FINANCIAL PERFORMANCE
HALF YEAR ENDED 31 DECEMBER 2001**

	CONSOLIDATED	
	2001	2000
	\$000	\$000
REVENUE FROM ORDINARY ACTIVITIES	90,715	24,303
Cost of sales – manufactured goods and property	(62,808)	(10,658)
Cost of sales – equity securities	(985)	(950)
Depreciation and amortisation expense	(2,095)	(948)
Borrowing costs expense	(1,679)	(1,199)
Salaries, wages and on costs	(5,275)	(3,150)
Other expenses from ordinary activities	(6,871)	(4,047)
Shares of net profits/(losses) of associates and joint ventures accounted for using the equity method	(577)	3,713
PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE	10,425	7,064
Income tax expense relating to ordinary activities	2,813	1,660
PROFIT FROM ORDINARY ACTIVITIES AFTER INCOME TAX EXPENSE	7,612	5,404
Net profit attributable to outside equity interests	909	-
NET PROFIT ATTRIBUTABLE TO MEMBERS OF SCHAFFER CORPORATION LIMITED	6,703	5,404
Basic earnings per share	54.0	44.0
Diluted earnings per share	51.5	43.5
Franked dividends per share	35.0	18.0
Unfranked dividends per share	-	-

**SCHAFFER CORPORATION LIMITED
STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2001**

	31/12/01 \$000	CONSOLIDATED 30/06/01 \$000	31/12/00 \$000
CURRENT ASSETS			
Cash assets	9,104	2,272	1,945
Receivables	44,954	8,408	8,126
Inventories	47,359	11,464	10,262
Other financial assets	1,393	2,910	3,107
Other	1,054	513	433
TOTAL CURRENT ASSETS	103,864	25,567	23,873
NON CURRENT ASSETS			
Receivables	-	-	-
Investments accounted for using the equity method	-	11,588	16,111
Other financial assets	21,494	20,594	20,530
Property, plant and equipment	50,701	24,195	23,869
Deferred tax assets	4,965	871	995
Intangible assets	1,711	166	168
TOTAL NON CURRENT ASSETS	78,871	57,414	61,673
TOTAL ASSETS	182,735	82,981	85,546
CURRENT LIABILITIES			
Payables	35,418	6,750	7,144
Interest bearing liabilities	1,330	1,674	1,972
Current tax liabilities	3,389	1,343	1,600
Provisions	9,936	1,134	1,994
TOTAL CURRENT LIABILITIES	50,073	10,901	12,710
NON CURRENT LIABILITIES			
Interest bearing liabilities	82,399	31,569	32,168
Deferred tax liabilities	3,425	1,817	1,755
Provisions	1,975	418	347
TOTAL NON CURRENT LIABILITIES	87,799	33,804	34,270
TOTAL LIABILITIES	137,872	44,705	46,980
NET ASSETS	44,863	38,276	38,566
EQUITY			
Parent entity interest			
Contributed equity	7,852	7,797	7,335
Reserves	-	-	2,585
Retained Profits	32,824	30,479	28,646
Equity attributable to members of Schaffer Corporation Limited	40,676	38,276	38,566
Outside equity interest in controlled entities	4,187	-	-
TOTAL EQUITY	44,863	38,276	38,566

SCHAFFER CORPORATION LIMITED
STATEMENT OF CASH FLOWS
HALF YEAR ENDED 31 DECEMBER 2001

	CONSOLIDATED	
	2001 \$000	2000 \$000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	97,590	19,865
Payments to suppliers and employees	(68,174)	(16,737)
Purchase of equity securities	(418)	(1,763)
Proceeds on sale of equity securities	1,244	804
Dividends received	44	69
Other revenue	821	2,867
Interest income	56	21
Borrowing costs paid	(1,657)	(1,199)
Income taxes paid	(2,423)	(2,066)
Research & development expenditure	(1,399)	-
NET CASH FLOWS FROM OPERATING ACTIVITIES	25,684	1,861
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(2,606)	(2,133)
Proceeds on sale of property, plant and equipment	271	152
Advances to other debtors	(2)	(1,356)
Deposit refunded/(paid)	123	(40)
Acquisition of controlled entity	(6,069)	-
Joint venture property investments acquired	(899)	(1,797)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(9,182)	(5,174)
CASH FLOWS FROM FINANCING ACTIVITIES		
Finance lease principal payments	(224)	(120)
Proceeds from commercial bills	500	1,300
Dividends paid	(1,245)	(2,057)
Preference dividend paid by controlled entity to minorities	(305)	-
Shares acquired under share buy back scheme	(36)	-
Proceeds from share issue	91	-
Proceeds from loans advanced	(8,451)	3,206
NET CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES	(9,670)	2,329
NET INCREASE/(DECREASE) IN CASH HELD	6,832	(984)
Cash at the beginning of the half year	2,270	2,310
CASH AT THE END OF THE HALF YEAR	9,102	1,326

**NOTES TO AND FORMING PART OF THE
HALF YEAR FINANCIAL STATEMENTS
31 DECEMBER 2001**

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 2001 together with any public announcements made by Schaffer Corporation Limited and its controlled entities during the half year ended 31 December 2001 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.

2. DIVIDENDS PAID OR PROVIDED FOR

	2001 \$000	2000 \$000
Dividends paid during the half year		
Franked Dividends	1,245	2,057
Unfranked Dividends	-	-
	<u>1,245</u>	<u>2,057</u>
Dividends Proposed		
Franked Dividends	3,113	2,211
Unfranked Dividends	-	-
	<u>3,113</u>	<u>2,211</u>

3. EARNINGS PER SHARE

	2001 \$000	2000 \$000
(a) Basic earnings per share (cents per share)	<u>54.0</u>	<u>44.0</u>
(b) Diluted earnings per share (cents per share)	<u>51.5</u>	<u>43.5</u>

4. 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 \$375,000 (2000 - \$198,000), by means of a lease transaction. This transaction is not reflected in the statement of cash flows.

5. SUBSEQUENT EVENTS

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.

6. CONTINGENT LIABILITIES

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

7. CHANGE IN COMPOSITION OF THE ENTITY

Effective from 1 October 2001 the chief entity increased its investment in Australian Leather Holdings Limited from 41% to 83% thus resulting in this entity being consolidated from 1 October 2001.

8. SEGMENT INFORMATION

	LEATHER		BUILDING PRODUCTS		INVESTMENT PROPERTY		OTHER INVESTMENTS		CONSOLIDATED	
	2001 \$000	2000 \$000	2001 \$000	2000 \$000	2001 \$000	2000 \$000	2001 \$000	2000 \$000	2001 \$000	2000 \$000
Total Revenue from Ordinary Activities	<u>59,856</u>	<u>-</u>	<u>19,412</u>	<u>17,018</u>	<u>2,450</u>	<u>2,486</u>	<u>8,233</u>	<u>4,266</u>	89,951	23,770
Unallocated Revenue									<u>764</u>	<u>533</u>
Total Revenue									<u>90,715</u>	<u>24,303</u>
Segment Earnings	<u>7,293*</u>	<u>3,713</u>	<u>3,907</u>	<u>2,740</u>	<u>1,234</u>	<u>1,212</u>	<u>(140)</u>	<u>1,251</u>	12,294	8,916
Interest and Corporate Overheads									<u>(1,869)</u>	<u>(1,852)</u>
Operating Profit Before Income Tax									10,425	7,064
Income Tax Expense									<u>2,813</u>	<u>1,660</u>
Net Profit After Tax									<u>7,612</u>	<u>5,404</u>
Segment Assets	<u>104,465</u>	<u>16,111</u>	<u>21,565</u>	<u>18,412</u>	<u>26,596</u>	<u>17,569</u>	<u>26,357</u>	<u>31,157</u>	178,983	83,249
Unallocated Assets									<u>3,752</u>	<u>2,297</u>
Total Assets									<u>182,735</u>	<u>85,546</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 2001 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, 26 February 2002

(Insert Auditor's Report)