SCHAFFER CORPORATION LIMITED

2002 ANNUAL REPORT

BUSINESS ACTIVITIES

Schaffer Corporation Limited is an industrial company with two core operating divisions; Automotive Leather and Building Products. Schaffer Corporation Limited is classified by the ASX as "Diversified Industrial". The company's code is SFC.

LISTED SECURITIES

as at 30-June	2002	2001
Market Capitalisation (+157%)	$127.8m	$49.7m
Total Shares on Issue	13,450,735	12,417,764
No. of Shareholders	1,269	1,033
Annual volume of shares traded	2,626,884	300,340
Annual turnover	20%	2%

CORPORATE TIMETABLE

Preliminary Final Statement and dividend announcement	20 August 2002
Final Dividend Record Date	23 September 2002
Final Dividend Payment Date (35c/share fully franked)	26 September 2002
Despatch of Annual Report and Notice of Meeting	16 October 2002
Annual General Meeting and Chairman's Address	20 November 2002
Preliminary Half-year Statement and dividend announcement	February 2003
Interim Dividend payment date	March 2003

ANNUAL GENERAL MEETING

The Annual General Meeting of Schaffer Corporation Limited will be held at the Pagoda Broadwater Hotel at 112 Melville Parade, Como, Western Australia on Wednesday 20th November 2002 at 11.30am.

DIRECT CREDIT OF DIVIDENDS

Schaffer Corporation Limited 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. Shareholders not already using this facility are encouraged to contact Computershare Investor Services Pty Limited who can arrange for an instruction advice to be sent to shareholders for completion.

CHANGE OF ADDRESS / PROVIDE OR UPDATE BANKING DETAILS

Shareholders who have changed their address or banking particulars should advise our share registry of their new details by writing to:

Computershare Investor Services Pty Limited
GPO Box D 182
Perth, WA 6840

CONTENTS AND CORPORATE DIRECTORY

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DIRECTORY

Schaffer Corporation Limited ABN 73 008 675 689

The Board of Directors

Executive Directors
JM Schaffer B.Com.(Hons.), FCPA
(Chairman and Managing Director)

AK Mayer
(Managing Director - ALH)

Non-Executive Directors
JB Abernethy B.Com.(Econ.), LLB
DE Blain B.A.
DJ Schwartz
KK Webster FCPA

Company Secretary
GV Davieson MA FCIS

Audit Committee
JB Abernethy
DE Blain
DJ Schwartz
KK Webster

Head Office and Registered Office
1305 Hay Street
West Perth W.A. 6005
Telephone: 61 8 9483 1222
Facsimile: 61 8 9481 0439
E-mail: reception@schaffer.com.au
Website: www.schaffer.com.au

Share Registry
Computershare Investor Services Pty Limited
GPO Box D 182
Perth, WA 6840
Telephone: 61 8 9323 2000
Facsimile: 61 8 9323 2033

Auditors
Ernst and Young

Solicitors
Blake Dawson Waldron

CORPORATE STRATEGY

SFC'S corporate strategy is based on majority control of established businesses in growth markets.

Our operational objective is to be number 1 or number 2 in each of our markets as measured by profitability based on;

- World low cost producer
- Leading distribution network
- Constant attention to detail

PERFORMANCE SUMMARY

		FY02	FY01	Variance
Revenue	$m	**212.8**	46.9	+354%
NPAT	$m	**13.0**	8.0	+63%
EPS	cents	**102**	66	+55%
ROCE	%	**20.5**	18.4	+11%
EBITDA	$m	**28.8**	15.0	+93%
Operating Cash Flow	$m	**43.9**	4.6	+856%
DPS	cents	**60**	17	+253%
Payout Ratio	%	**59**	26	+127%
Interest Cover	times	**6.3**	5.5	+14%
Debt/Equity	%	**110**	81	-
Debt/Equity (excl. Investment Property)	%	**76**	27	-

PERFORMANCE HIGHLIGHTS

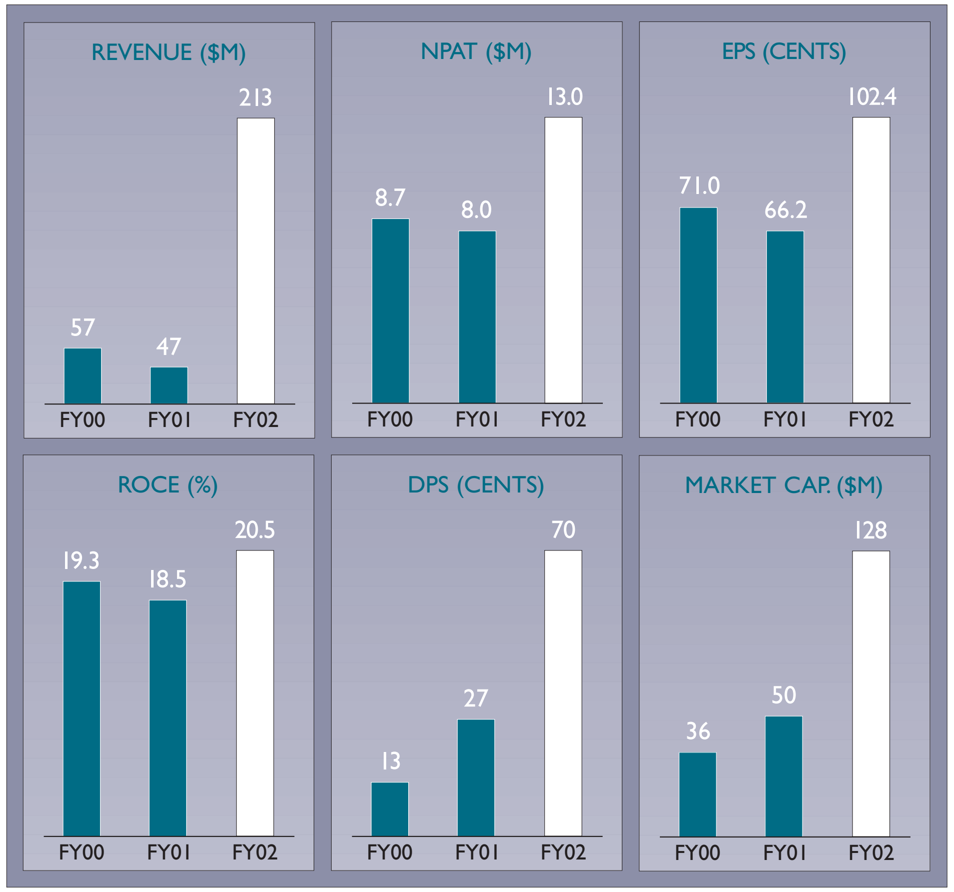
- Implementation of corporate strategy focussed on two core operating divisions:
  - Acquisition of an additional 41% of ALH
  - Divestment of surplus assets
- EPS increase of 55% to $1.02 per share.
- ROCE of 20.5% on increased capital base of $119m.
- Operating cash flow of $44m.
- Debt reduction of $28m.
- DPS increase of 253% to $0.60 per share fully franked.
- 5 year total shareholder return of 38% per annum.

MANAGING DIRECTOR'S REPORT

On behalf of your Board and Management I am pleased to present this Annual Report to you. FY02 has been an excellent year for the Company. Our corporate strategy for the past two years has been to streamline and simplify group operations. We are focussed on our two core operating divisions – automotive leather and building products.

This year's record profit of $13m is a direct function of our focus on increasing our return on capital employed ("ROCE") and achieving strong earnings per share ("EPS") growth. These objectives underpin the company's drive to create shareholder value and maintain a strong dividend yield for investors. A 55% increase in EPS to $1.02 and an 11% increase in ROCE to 20.5% evidence the increasing efficiency and strength of SFC's operating businesses.

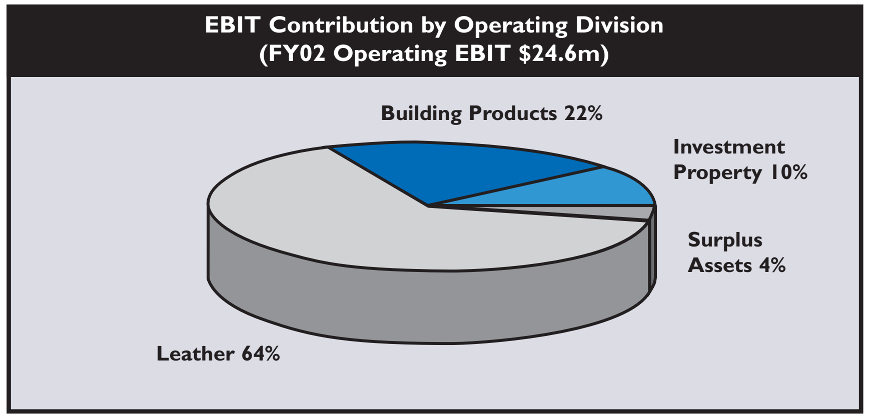
Our core operations, the Leather and Building Products divisions, are delivering a sustainable earnings stream. Operating Revenue of $213m was 354% higher than last year's $47m. Leather represented $159m of consolidated group sales and Building Products $35m. Our strategy is to continue to develop these businesses, a growth strategy we see as providing the least risk to the Group.



DIVIDENDS

Ordinary dividends on FY02's earnings rose 253% to 60 cents per share. This represents a dividend yield of approximately 6.32% (based on our 30 June 2002 share price of $9.50) and a payout ratio of 59% of after tax earnings. In addition shareholders received a special dividend of 10 cents per share in December 2001.

EARNINGS BY OPERATING DIVISION



LEATHER

The leather business performed strongly with an EBIT contribution of $15.9m. This result was achieved with no government subsidies and confirms Howe's position as a globally competitive automotive leather supplier.

Howe's competitive position is based on:

- Access to suitable raw materials (Australia has the 4th largest cattle herd globally);
- Diverse customer base including BMW, General Motors, Ford, Mitsubishi, Toyota, Honda and Subaru;
- Global scale modern manufacturing facilities;
- An experienced management team and a skilled workforce.

In the short term there is increased uncertainty throughout the global automotive supply industry driven by variable sales forecasts and a drive by car manufacturers to reduce costs. However, Howe Leather has a sustainable competitive position and an established base in each of the major global market from which to grow. We look forward to a full year's contribution to the group from the automotive leather division in FY03.

Gosh, the furniture leather business, is operating in an extremely competitive market and has restructured its operations to remain competitive.

BUILDING PRODUCTS

Our Building Products group is comprised of UrbanStone (Premium Paving), Delta (Pre-stressed and Pre-cast Concrete) and Solco (Solar Hot Water Systems). The division contributed $5.3m toward group EBIT. UrbanStone is continuing to trade well based on product excellence, innovation and cost control. Delta has completed a major capital expansion and this, coupled with the winning of several major contracts, augers well for growth in 2003. Solco remains at an early stage of business development.

INVESTMENTS

The investment property portfolio comprising minority interests in 13 retail and commercial properties generated an EBIT of $2.4m. This is 9% below last year's result. The portfolio has a market value of approximately $35m and associated debt of $22m. SFC will not acquire any additional properties and over time the portfolio will reduce as properties are sold. The property development projects continue to be disposed of in accordance with the original development plans. The company has sold down its equity holdings over the course of the year and will continue to do so.

FINANCIAL POSITION

SFC continues to improve its financial position. Operating Cash Flow for FY02 of $43.9m was unusually high due to timing differences of approximately $18m. $28.2m of the surplus was applied to debt reduction. At balance date, net debt totalled $58.1m. Of the total group debt, $50.7m is non-recourse to the parent entity, significantly reducing the level of financial risk to the Group. Interest cover is acceptable at 6.3 times, up from 5.5 times in the previous year. The Group has $43m of undrawn debt facilities available to fund future growth.

PEOPLE

One of the strengths of our group is the quality of our people. We have built a dedicated and experienced management team on which our ongoing success is based. Executives at our operations are charged with developing operationally-focussed strategies and are rewarded for successful execution. Our corporate team apply a shareholder focussed strategy in achieving our group objectives. SFC currently employs a range of employee incentive plans and we expect to continue to align executive objectives with total shareholder returns. Across our operations, the SFC group now has a total permanent workforce in excess of 1,000 people, the majority of whom work in the leather division. Our people are a driving force behind our continuing success and as Managing Director and a shareholder, I thank them all for their efforts and commitment and look forward to working with them in the future.

OUTLOOK

The Directors expect the company's solid performance to continue in the 2003 financial year.

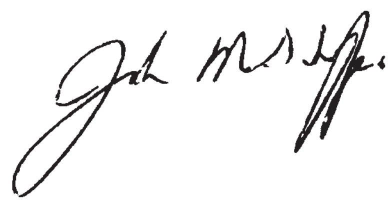
Although the short term prospects of the global automotive supply industry have become less certain, early indications are that group profitability will increase again in 2003. Longer term, the opportunity for further earnings growth is sound.

Continued strong cash flow from the group's operations and the sale of surplus assets should further reduce gearing.

The Directors are forecasting a full year fully franked dividend for 2003 of at least 70¢ per share, an increase of at least 17% from the current year.

On the basis of Schaffer's most recent corporate plan, I am confident that the company's profits can continue to grow in the years ahead.

A more detailed description of the Group's activities is contained in the following pages.



John Schaffer
Managing Director

LEATHER

AUSTRALIAN LEATHER HOLDINGS LIMITED (ALH)

(83% Interest)

ALH is the parent company of our leather division. The leather division's operations are:

- Howe Leather (Automotive)
- Gosh Leather (Furniture)

LEATHER DIVISION	
Revenue	$159.3m
EBIT	$15.9m
Contribution to Group Operating EBIT	64%

In October 2001, SFC increased its holding in ALH from 42% to 83%, with the balance being held by ALH management. ALH achieved an excellent operating result with an EBIT of $15.9m driven primarily by the automotive division.

AUTOMOTIVE DIVISION (HOWE LEATHER)

www.howe.com.au

Howe Leather is a world class manufacturer of high performance leather, servicing the global automotive industry. With over 80% of its production being exported to US, Europe and Asia, it is the 6th largest automotive leather supplier globally.

Ideally located in the 4th largest hide market in the world, with a diverse range of disease free hides, Howe is an attractive supplier for the major automotive companies.

Leather by Howe

LEATHER CONT.

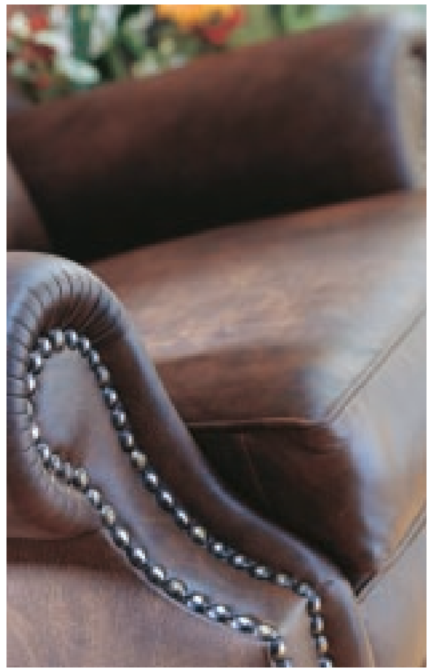
With its deeply entrenched quality culture (essential in the automotive industry), it leverages itself as a world class low cost producer based on:

- Modern, global scale manufacturing facilities
- International customer base and distribution network including BMW, General Motors, Ford, Toyota, Mitsubishi, Honda and Subaru
- Access to local hides plus global raw material sourcing capability
- Highly skilled workforce
- Access to advanced finishing technologies

The automotive leather market is characterized by significant barriers to entry, including:

- High capital cost
- Exacting quality standards
- High technical knowledge requirements due to variation associated with processing a natural product
- Long customer approval cycle

With an experienced management team focused on continuous improvement, Howe is well positioned to build a sustainable and profitable global business.



FURNITURE DIVISION (GOSH LEATHER)

www.goshleather.com.au

Gosh Leather remains Australia's foremost furniture leather manufacturer with an internationally recognisable brand. Leveraging off its brand, Gosh is focusing on becoming a global supplier of premium furniture leather. The competitive nature of this leather market required Gosh to undergo significant restructure last year in order to remain price competitive. The flow through of these benefits, together with the buying power of the ALH group, places Gosh in a good position to sustain its profitability.

Leather by Gosh

BUILDING PRODUCTS

Our Building Products division consists of UrbanStone Pty Ltd, Delta Corporation Limited and Solco Industries Pty Ltd.

Operating Revenue for the Building Products division increased by 17% to $35.3m for FY02 (compared with $30.1m in FY01). Earnings before interest and taxes were $5.3m in FY02.

BUILDING PRODUCTS DIVISION	
Revenue	$35.3m
EBIT	$5.3m
Contribution to Group Operating EBIT	22%

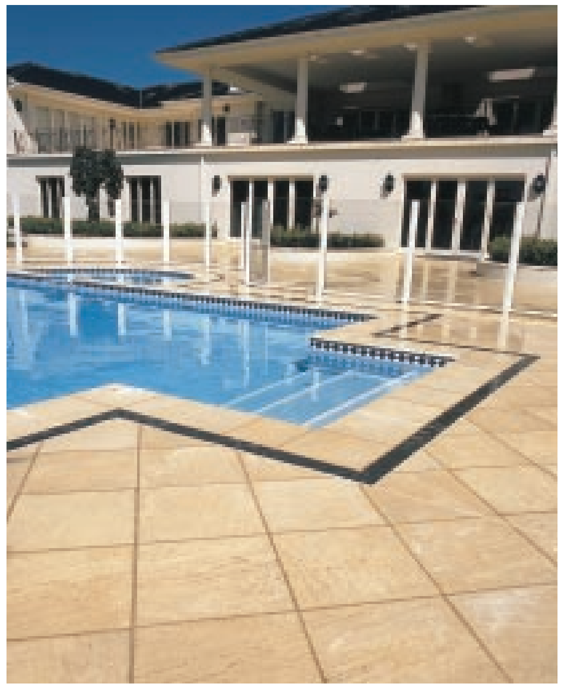
URBANSTONE PTY LTD

www.urbanstone.com.au

Continuous innovation, increased customer service and improved product quality continue to be the key ingredients in the UrbanStone strategy.

This strategic plan continues to position UrbanStone as the market leader in an increasingly aggressive and competitive market, the result of which has lead to strong specification work and continued public demand around the nation.

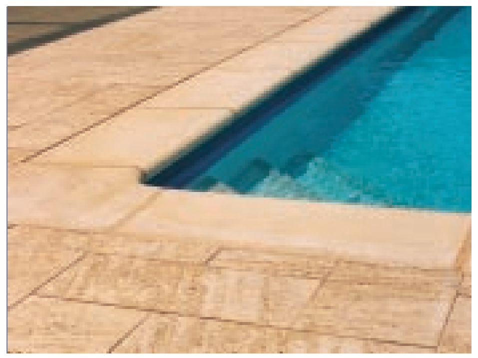
Kawana Island Estate, Queensland



Sawcut paving

Product development incorporating secondary and tertiary processing has generated exceptional interest within the market place.

This strong interest has drawn our new residential products range down the value added pathway and will open new market segments not only in the residential arena, but also in commercial sectors.



New UrbanStone Slalom Bullnoses

BUILDING PRODUCTS CONT.

Adelaide Convention Centre

Larger format sizing and the ability to manufacture, package and deliver combinations of these mixed size combinations will bring yet another design element into the already exciting world of UrbanStone Pavescapes for residential use.

Strong representation in all states continues to strengthen consumer confidence and with no fewer than five warehouse facilities and fifteen sales centres nation wide our increased accessibility to architects, designers and the general public is now second to none.

Our real time, on time delivery capability through enhanced production methods has enabled greater efficiencies in manufacturing to accelerate online product development, a key ingredient which is of paramount importance in our four year strategy.

Despite the aggressive attitude of competition within our niche industry, we are confident that with continued dedication to customer service and full deployment of our four year plan, UrbanStone has an exciting future to look forward to.

Some of the prominent projects that UrbanStone has featured in during the past year include:

Victoria
Docklands Precinct Stage 2 and Central Equity
South Melbourne Tram Depot Redevelopment.

New South Wales
Riverwood Town Centre Upgrade
Kirribilli Streetscape Redevelopment

Western Australia
Kalgoorlie – Boulder Streetscape Project - 21,000 m2
Northbridge Urban renewal and Midland Redevelopment.

Queensland
Toowoomba City Council Streetscape Upgrade
Griffith University

South Australia
Adelaide Convention Centre
Riverbank Promenade

QUT Gardens Point Campus, Queensland

DELTA CORPORATION LTD

www.deltacorp.com.au

Delta has had a very busy and exciting year as a result of increased turnover, the successful completion of major capital work upgrades and the introduction of new products.

The new Deltacore production facility is now to world-class standards and provides total flexibility in the range of product types that can be produced. It is also capable of high volume production at competitive costs. The range of floor and wall panels available include DC150 through to DC400, which suit almost every application and can achieve clear spans up to 18.0 metres.

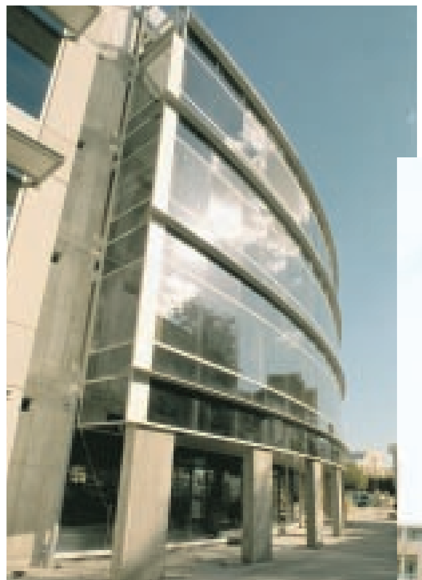
Ord Street Offices, West Perth.

We have also installed a high capacity 2,500 tonne prestressing bed. This provides a facility, which can produce Super Tee Bridge Beams up to 45.0 metres long and weighing 150 tonnes.

With these upgrades, together with Delta's management expertise, expanded product range and quality, and production capacity, Delta will continue to maintain its dominance in the precast industry.

The next 12 months should provide many opportunities and with the Perth Convention Centre Project in hand, Delta is off to a good start to achieve another strong result.


Liberty Towers, South Australia.


Colin Street Offices, West Perth.


Panorama Apartments, Perth.

COMMERCIAL PROJECTS

Major projects completed or in progress are:

- Panorama Apartments, Perth.
- Perth Convention & Exhibition Centre.
- Colin Street Offices, West Perth.
- Ord Street Offices, West Perth.
- Batavia Foreshore, Geraldton.
- Esplanade, Adelaide.
- Glynde Nursing Home, Adelaide.
- Magill Plaza, Adelaide.
- Liberty Towers Apartments, Adelaide.
- ECU Academic & Admin Buildings, Joondalup.

INFRASTRUCTURE PROJECTS

- Northam Bypass – Super Tee Beams.
- Roe Highway Extensions Stages 4 & 5 – Super Tee Beams & Noise Walls.
- Narrows Interchange Bridge 1550 – Girders & Retaining Wall Panels.
- Bulkwest Grain Storage Cells – Regional WA.
- Bulkwest Grain Storage Cells – Kooragang Island, NSW.
- Hamersley Iron & Mt Newman Iron – Turnout Sleepers.


Roe Highway sound wall.


Bulkwest 20,000 tonne Grain Storage Cells.


Roe Highway extensions stages 4 & 5.

RESIDENTIAL HOUSING

The Deltacore Double Strength Flooring System is well established in this market and continues to gain wide acceptance particularly in the high-density multi unit developments. Examples of projects include: Lakeside Apartments, Joondalup and Port Bouvard Unit Development, Mandurah.

SOLCO INDUSTRIES PTY LTD

(51% interest)

Solco has designed and developed a world patented polymer based solar hot water system "the Solartech Genius".

Over the course of the year, the company achieved Australian Standard 2712 accreditation for both its 200litre and 300litre Solartech Genius systems. This accreditation has qualified Solco to issue Renewable Energy Credits (REC's) with the sale of each solar unit pursuant to the Australian Greenhouse Office Renewable Energy program.

Solco has also won a number of contracts including the supply of 58 units to the Bronzewing mining site (pictured here). The building industry has also gravitated towards the product with one of WA's major builders offering the Solartech Genius as standard on their new homes.

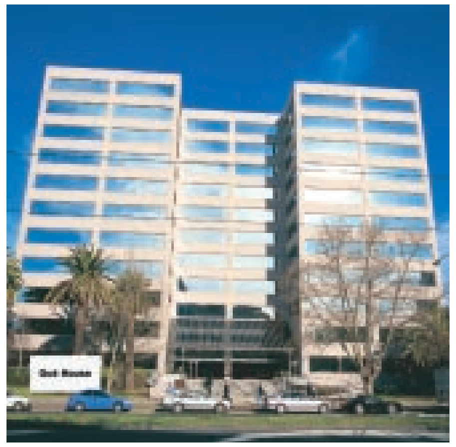
Solco also operates Poly Tuff (WA) Pty Ltd, a rotomoulding facility producing a wide range of plastic products (tanks, barriers, floats) for industrial, agricultural and domestic application.

INVESTMENTS

INVESTMENT PROPERTY

Our Property Investment division is comprised of joint venture interests in 13 properties – 6 commercial and 7 retail.

61% (by value) of the portfolio is invested in commercial office buildings and the remaining 39% of the portfolio consists of retail properties. The portfolio is spread geographically across Melbourne, Perth and regional W.A.



OCE HOUSE.
(St. Kilda Rd, Melbourne).
Interest - 20%.

607 BOURKE STREET.
(Melbourne).
Interest - 12.1%.

The total Investment Property portfolio is currently valued at approximately $200 million, of which SFC's share equates to $35 million. The properties are typically geared at between 50% and 70%, and as a portfolio the gearing average is 60%. Our share of the portfolio debt is $22.1 million. However, only $10.1 million of this debt is recourse to Schaffer. The remaining $12.0 million is structured as non-recourse debt and is secured by the individual properties. Based on the portfolios current valuation, our equity (including unrealised gains) is valued at approximately $14.7m million (compared to actual equity invested of $5.4 million).

We will not make any further property investment acquisitions and the portfolio will be reduced over time as properties are sold.

THE IBM CENTRE.
(Hay St, West Perth).
Interest - 22.1%.

GHD HOUSE.
(Adelaide Tce, Perth).
Interest - 18%.

ZURICH HOUSE.
(71 Queens Rd, Melbourne).
Interest - 9%.

89 ST GEORGES TERRACE
(Perth)
Interest - 20%.

INVESTMENTS CONT.

SOUTH HEDLAND SHOPPING CENTRE.
(South Hedland, WA).
Interest - 18.75%.

HOMETOWN.
(Albany Hwy, Cannington).
Interest - 25%.

GATEWAY CENTRAL.
(Scarborough Beach Rd, Osborne Park).
Interest - 12.5%.

401 GREAT EASTERN HIGHWAY.
(Midland).
Interest - 25%.

THE GLEDDEN BUILDING.
Mall and basement strata's
(Hay St Mall, Perth).
Interest - 22.1%.

BUNNINGS INNALOO / ALVITO HOUSE.
(Scarborough Beach Road, Innaloo).
Interest - 6.5%.

CROSSLANDS SHOPPING CENTRE.
(Bunbury, WA).
Interest - 16.7%.

PROPERTY PROJECTS

Schaffer currently has interests in a range of property development and subdivision projects. The current value is approximately $8.0m which should be realised as follows:

- Mindarie - $4.3m over 5 years
- South Windsor - $0.9m over 2 years
- Majestic Quay - $1.9m over 1 year
- Kurrajong - $0.9m over 1 year

EQUITY PORTFOLIO

Schaffer currently holds a range of listed and unlisted securities. At 30 June 2002, the portfolio is valued at approximately $2.0 million (down from $3.5m at 30 June 2001). We will continue to reduce our equity holdings.

Board of Directors

Standing: John Schaffer *(Chairman and Managing Director)*, John Abernethy and David Schwartz
Seated: Kel Webster, Anton Mayer and Danielle Blain

Introduction

A growing area of interest to shareholders, potential shareholders and analysts alike is the set of non-financial disciplines applied within the Company. For this reason, I am pleased to include a special report on the main Corporate Governance practices in place within SFC. The purpose of this report is to make transparent to shareholders, investors and the public the self-imposed values and principles applied to our activities by the Company and the Board.

Board Structure and Role

The Company's Constitution requires the number of Directors be not less than three and not more than ten. SFC has a six-member Board. The Board has four Non-Executive Directors and two Executive Directors (including the Managing Director) who bring to the Board an appropriate range of qualifications and experience.

The Board's principal responsibility is to ensure that SFC is managed in a way which protects and enhances the interests of its shareholders, a responsibility it undertakes whilst being cognizant of the interests of employees, customers, suppliers, financiers and communities in which it operates. The Board defines the Company's strategic direction, establishes goals and monitors management's progress towards them. The Managing Director is responsible to the Board for the day-to-day management of the Company. The Board monitors standards of performance and risk management strategies, and acts as a key reference point in matters of planning and policy. The SFC Board has at least eight scheduled meetings (annually) to discuss

financial and operating results and to review strategies going forward. The Board also meets as necessary to discuss individual project based items or issues which management assess as falling within the requirements of continuous disclosure.

Continuous Disclosure

The Board has nominated the Company Secretary as the senior Company officer responsible for communicating matters falling within the continuous disclosure regime to the ASX and shareholders. Collectively, the Managing Director, Chief Financial Officer and Company Secretary constitutes the executive team charged with managing all elements of the Company's activities. They confer when a matter comes to their attention that may trigger a requirement for disclosure.

When the executive team consider a matter may require disclosure, a recommendation and draft announcement is put to the Board as a matter of priority for their consideration. In addition, Continuous Disclosure appears as a standing item at monthly Board meetings.

Trading in Securities by Directors

The provisions of the Company's Constitution do not require Directors to hold shares in the Company. All Directors are, however, currently shareholders. The Company has adopted a policy which regulates the trading by Directors of the Company's securities.

The restrictions imposed by law on dealings by Directors in the securities of the Company have been supplemented by the Board adopting a policy which further limits any dealings in the Company's securities by Directors.This policy provides that in addition to Directors being prohibited from trading in the Company's securities when they possess any unpublished price sensitive information, Directors may buy or sell the Company's securities only within certain windows or when special requests to buy or sell are approved by the Chairman or the Board.

The periods within which a Director may buy or sell the Company's securities without the Chairman's or the Board's approval are from 24 hours to 4 weeks after the Company has announced its results for the half year, its preliminary final year result, and the Chairman's Address to the AGM. Directors are prohibited from trading in the 4 week period prior to a scheduled announcement. At all other times, or if there is any overlap between prohibited and permitted trading windows, a Director who wishes to trade is required to advise the Chairman and receive acknowledgement from the Chairman prior to entering into any dealing in the Company's securities. Where the Chairman proposes to deal in the Company's securities, the Chairman must advise the Board of Directors and receive the acknowledgement of the Board prior to entering into any dealing in securities.

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

Audit Committee

The Audit Committee is comprised of four Non-Executive Directors (Mr Abernethy, Mrs Blain, Mr Schwartz and Mr Webster - Chairman).
The Audit Committee's role is to:

- Review the Company's Annual Report and ensure the reliability of the financial information presented and compliance with current laws, relevant regulations and accounting standards;
- Monitor compliance of the accounting records and procedures in conjunction with the Company's Auditor on matters overseen by the ASIC, ASX and ATO;
- Review internal controls and recommend enhancements;

- Review audit reports and management letters to ensure prompt action is taken by management; and
- Nominate the external auditor and review the adequacy of the scope and quality of the annual statutory audit and half-year review.

Information Systems/Risk Management

SFC takes a systematic approach to the assessment and mitigation of risk. Our risk management focuses on implementing and applying systems to improve decision making capabilities. The SFC executive team is continuously developing its management and reporting systems as it strives for an effective performance and risk exposure measurement regime.

The application of management systems to SFC's commercial activities provides important benefits to the group. Firstly, there are efficiency and productivity benefits. Secondly, our systems are designed to present information in a way that not only identifies potential problem areas, but also identifies opportunities for improvement. This is an evolutionary process as SFC measures and analyses its key performance indicators (KPI's), benchmarks those KPI's when such benchmarks exist and assimilates this information back into its management system as standards, goals and strategies going forward.

Independent Advice

Each Director has the right to seek independent professional advice at the Company's expense. 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.

FINANCIALS

SCHAFFER CORPORATION LIMITED

FINANCIAL REPORT AND STATUTORY INFORMATION

AS AT 30 JUNE 2002

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STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2002

		CONSOLIDATED		CHIEF ENTITY	
		2002	2001	**2002**	2001
	Notes	**$000**	$000	**$000**	$000
CURRENT ASSETS					
Cash assets		**5,606**	2,272	**594**	567
Receivables	8	**36,676**	8,408	**795**	4,164
Inventories	9	**41,932**	11,464	**1,731**	4,659
Other financial assets	10	**1,869**	2,910	**1,869**	2,519
Other	11	**508**	513	**34**	123
TOTAL CURRENT ASSETS		**86,591**	25,567	**5,023**	12,032
NON-CURRENT ASSETS					
Receivables	12	**-**	-	**5,398**	4,915
Investments accounted for using the equity method	13	**-**	11,588	**-**	11,087
Other financial assets	14	**-**	-	**19,737**	5,371
Property, plant and equipment	15	**71,289**	44,789	**16,616**	16,442
Deferred tax assets	6	**4,247**	871	**701**	86
Intangible assets	16	**1,563**	166	**-**	-
TOTAL NON-CURRENT ASSETS		**77,099**	57,414	**42,452**	37,901
TOTAL ASSETS		**163,690**	82,981	**47,475**	49,933
CURRENT LIABILITIES					
Payables	17	**25,927**	6,750	**1,785**	1,052
Interest bearing liabilities	18	**496**	1,674	**23**	45
Current tax liabilities	6	**4,431**	1,343	**150**	-
Provisions	19	**11,511**	1,134	**4,708**	-
TOTAL CURRENT LIABILITIES		**42,365**	10,901	**6,666**	1,097
NON-CURRENT LIABILITIES					
Interest bearing liabilities	20	**63,235**	31,569	**8,669**	14,713
Deferred tax liabilities	6	**2,731**	1,817	**366**	454
Provisions	21	**2,535**	418	**253**	162
TOTAL NON-CURRENT LIABILITIES		**68,501**	33,804	**9,288**	15,329
TOTAL LIABILITIES		**110,866**	44,705	**15,954**	16,426
NET ASSETS		**52,824**	38,276	**31,521**	33,507
EQUITY					
Parent entity interest					
Contributed equity	22	**13,386**	7,797	**12,438**	6,849
Reserves	23	**2,585**	2,585	**2,283**	2,283
Retained profits	23	**31,803**	27,894	**16,800**	24,375
Equity attributable to members of Schaffer Corporation Ltd		**47,774**	38,276	**31,521**	33,507
Total outside equity interest in controlled entities	30	**5,050**	-	-	-
TOTAL EQUITY		**52,824**	38,276	**31,521**	33,507

The statement of financial position should be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL PERFORMANCE

YEAR ENDED 30 JUNE 2002

		CONSOLIDATED		CHIEF ENTITY	
		2002	2001	**2002**	2001
	Notes	**$000**	$000	**$000**	$000
REVENUE FROM ORDINARY ACTIVITIES	**3**	**212,785**	46,899	**9,191**	17,732
Cost of sales-manufactured goods and property	4	**(149,709)**	(21,235)	**(3,933)**	(2,731)
Cost of sales-equity securities	4	**(1,361)**	(1,623)	**(919)**	(1,464)
Depreciation and amortisation expense	4	**(4,428)**	(1,820)	**(254)**	(236)
Borrowing costs expense	4	**(3,987)**	(2,450)	**(766)**	(1,320)
Salaries, wages and on costs		**(12,788)**	(4,974)	**(1,598)**	(1,305)
Other expenses from ordinary activities		**(19,352)**	(8,230)	**(723)**	(146)
Share of net (losses)/profits of associates and joint ventures accounted for using the equity method		**(577)**	4,352	**-**	-
PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE		**20,583**	**10,919**	**998**	**10,530**
Income tax expense/(benefit) relating to ordinary activities	6	**5,774**	2,917	**(555)**	293
PROFIT FROM ORDINARY ACTIVITIES AFTER INCOME TAX EXPENSE		14,809	8,002	1,553	10,237
Net profit attributable to outside equity interests		1,772	-	-	-
NET PROFIT ATTRIBUTABLE TO MEMBERS OF SCHAFFER CORPORATION LIMITED		**13,037**	8,002	**1,553**	10,237
TOTAL REVENUES, EXPENSES AND VALUATION ADJUSTMENTS ATTRIBUTABLE TO MEMBERS OF SCHAFFER CORPORATION LIMITED AND RECOGNISED DIRECTLY IN EQUITY		**-**	-	**-**	-
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS		**13,037**	8,002	**1,553**	10,237
Basic earnings per share (cents)	31	**102.4**	66.2		
Diluted earnings per share (cents)	31	**97.3**	63.5		
Franked dividends per share (cents)	7	**70.0**	27.0		

The statement of financial performance should be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS

YEAR ENDED 30 JUNE 2002

		CONSOLIDATED		CHIEF ENTITY	
		2002	2001	**2002**	2001
	Notes	**$000**	$000	**$000**	$000
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		**233,180**	44,091	**8,403**	3,401
Payments to suppliers and employees		**(182,981)**	(38,713)	**(2,853)**	(6,034)
Disposal/(purchase) of equity securities		**866**	(734)	**522**	(690)
Dividends received from associate		**-**	1,289	**180**	1,289
Capital reduction by associated company		**-**	2,941	**-**	2,941
Dividends received		**61**	112	**61**	112
Other revenue		**1,290**	1,783	**76**	189
Interest income		**193**	112	**90**	26
Borrowing costs paid		**(3,896)**	(2,423)	**(758)**	(1,099)
Income taxes (paid)/refunded		**(4,324)**	(3,163)	**2**	-
Goods and services tax (paid)/refunded		**(114)**	(699)	**(86)**	280
Research and development expenditure		**(349)**	-	**-**	-
NET CASH FLOWS FROM OPERATING ACTIVITIES	5(b)	**43,926**	4,596	**5,637**	415
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of property, plant and equipment		**(7,703)**	(5,294)	**(673)**	(426)
Proceeds on sale of non-current assets		**821**	228	**251**	106
Receipts from controlled entities		**-**	-	**2,489**	1,592
(Advances to)/receipts from other debtors		**(323)**	2	**(303)**	141
Net cash change from disposal of controlled entities	5(e), 5(g)	**(100)**	-	**-**	-
Deposit refunded/(paid)		**123**	(95)	**63**	(35)
Shares acquired in controlled entity	5(f)	**(6,101)**	(48)	**(2,084)**	(148)
NET CASH FLOWS (USED IN)/FROM INVESTING ACTIVITIES		**(13,283)**	(5,207)	**(257)**	1,230
CASH FLOWS FROM FINANCING ACTIVITIES					
Finance lease principal payments		**(481)**	(275)	**(43)**	(71)
Shares acquired under share buy back scheme		**(91)**	(35)	**(91)**	(35)
Repayment of commercial bills		**(3,000)**	(1,000)	**(3,000)**	(1,000)
Dividends paid		**(4,420)**	(4,169)	**(4,420)**	(4,169)
Preference dividend paid by controlled entity to minorities		**(305)**	-	**-**	-
Proceeds from share issue		**5,680**	497	**5,680**	497
(Repayment of)/ proceeds from loans advanced		**(24,691)**	5,553	**(3,478)**	2,989
NET CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES		**(27,308)**	571	**(5,352)**	(1,789)
NET INCREASE/(DECREASE) IN CASH HELD		**3,335**	(40)	**28**	(144)
Add opening cash brought forward		**2,270**	2,310	**565**	709
CLOSING CASH CARRIED FORWARD	5(a)	**5,605**	2,270	**593**	565

The statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2002

NOTE 1
CORPORATE INFORMATION

Schaffer Corporation Limited is a company limited by shares that is incorporated and domiciled in Australia. Schaffer Corporation Limited has prepared a consolidated financial report incorporating the entities that it controlled during the financial year.

The registered office of Schaffer Corporation Limited is located at:

1305 Hay Street West Perth
Western Australia 6005

During the year, the principal activities of Schaffer Corporation Limited and its controlled entities were:
- manufacture of automotive leather
- manufacture of paving and precast concrete products

The consolidated entity employed 1006 employees at 30 June 2002 (2001 - 155 employees)

NOTE 2
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting
The financial report is a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001 which includes applicable Accounting Standards. Other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) have been complied with. The financial statements have been prepared in accordance with the historical cost convention.

Change in accounting policies
The accounting policies adopted are consistent with those of the previous year except for the accounting policy with respect to earnings per share.
Diluted earnings per share was previously determined by dividing the profit from ordinary activities after tax and preference dividends adjusted for the effect of earnings on potential ordinary shares, by the weighted average number of ordinary shares (both issued and potentially dilutive) outstanding during the financial year.
In accordance with AASB 1027. Diluted earnings per share is now calculated as net profit attributable to members, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.
The revised policy has had no effect on the basic and diluted earning per share for the 2002 financial year.

Principles of consolidation
The consolidated financial statements are those of the consolidated entity, comprising Schaffer Corporation Limited (the parent entity) and all entities which Schaffer Corporation Limited controlled from time to time during the year and at balance date. Information from the financial statements of subsidiaries is included from the date the parent company obtains control until such time as control ceases. Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which the parent entity has control. Subsidiary acquisitions are accounted for using the purchase method of accounting. The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies which may exist. All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

Cash and cash equivalents
Cash on hand and in banks and short-term deposits are stated at the lower of cost and net realisable value. For the purposes of the statement of cash flows, cash includes cash on hand and in banks, and money market investments readily convertible to cash within 2 working days, net of outstanding bank overdrafts. Bank overdrafts are carried at the principal amount. Interest is charged as an expense as it accrues.

Trade and other receivables
Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectable debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred. Receivables from related parties are recognised and carried at the nominal amount due less a provision for any uncollectable debts. Interest is taken up as income on an accrual basis.

Property, plant and equipment
Cost and valuation
Freehold land, freehold quarries, buildings on freehold land and plant and equipment are measured at cost.

Depreciation
Depreciation is provided on a straight line basis on all property, plant and equipment, other than freehold land and quarries.
Major depreciation periods are:

	2002	2001
Freehold buildings	40 years	40 years
Leasehold improvements	the lease term	the lease term
Plant and equipment	5 to 15 years	5 to 15 years

Leases
Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Operating leases
The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight line basis.

Finance leases
Leases which effectively transfer substantially all of the risks and benefits incidental to ownership of the leased item to the group are capitalised at the present value of the minimum lease payments and disclosed as property, plant and equipment under lease. A lease liability of equal value is also recognised. Capitalised lease assets are depreciated over the shorter of the estimated useful life of the assets and the lease term. Minimum lease payments are allocated between interest expense and reduction of the lease liability with the interest expense calculated using the interest rate implicit in the lease and charged directly to the Statement of Financial Performance. The cost of improvements to or on leasehold property is capitalised, disclosed as leasehold improvements, and amortised over the unexpired period of the lease or the estimated useful lives of improvements, whichever is the shorter.

Foreign currencies

Translation of foreign currency transactions

Transactions in foreign currencies of entities within the consolidated entity are converted to local currency at the rate of exchange ruling at the date of the transaction. Amounts payable to and by the entities within the consolidated entity that are outstanding at the balance date and are denominated in foreign currencies have been converted to local currency using rates of exchange ruling at the end of the financial year. Except for certain specific hedges all resulting exchange differences arising on settlement or re-statement are brought to account in determining the profit or loss for the financial year. Transaction costs, premiums and discounts on forward currency contracts are deferred and amortised over the life of the contract.

Specific hedges

Where a purchase or sale is specifically hedged, exchange gains or losses on the hedging transaction arising up to the date of purchase or sale and costs, premiums and discounts relative to the hedging transaction are included with the purchase or sale. Exchange gains and losses arising on the hedge transaction after that date are taken to the statement of financial performance.

Translation of financial reports of overseas operations

All overseas operations are deemed as integrated foreign operations as each is financially and operationally dependent on Australian Leather Holdings Limited. The accounts of overseas operations are translated using the temporal method and any exchange differences are taken directly to the statement of financial performance.

OTHER NON-CURRENT ASSETS

Research and development costs

Research and development costs are expensed as incurred. Where research and development costs are deferred such costs are amortised over future periods on a basis related to expected future benefits.

Inventories

Manufacturing and maintenance - 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; and
- Finished goods and work-in-progress - cost of direct material and labour and a proportion of manufacturing overheads based on normal operating capacity.

Construction contracts - Construction work-in-progress is stated at cost plus profit recognised to date less progress billings. Cost includes all costs directly related to specific contracts, and an allocation of overhead costs attributable to contract activity in general.

Property held for resale - Property purchased for development and resale is valued at the lower of cost and net realisable value. Interest and other holding charges are capitalised until the properties are brought to a marketable condition.

Intangibles

Goodwill represents the excess of the purchase consideration over the fair value of identifiable net assets acquired at the time of acquisition of a business or shares in a controlled entity. Goodwill is amortised by the straight line method over the period during which benefits are expected to be received. This is taken as being 20 years. Where the fair values of the identifiable net assets acquired exceed the cost of acquisition incurred, the difference represents a discount on acquisition and is accounted for by reducing proportionately the fair values of the non-monetary assets acquired until the discount is eliminated. Where after reducing to zero the recorded amounts of the non-monetary assets acquired, a discount balance remains it is recognised as revenue in the statement of financial performance.

Recoverable amount

Non-current assets are not revalued to an amount above their recoverable amount, and where carrying values exceed this recoverable amount assets are written down. In determining recoverable amounts the expected net cash flows have not been discounted to their present value.

Trade and other payables

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the consolidated entity. Payables to related parties are carried at the principal amount. Interest, when charged by the lender, is recognised as an expense on an accrual basis.

Loans and borrowings

All loans are measured at the principal amount. Interest is charged as an expense as it accrues. Bills of exchange and promissory notes are carried at the principal amount. Finance lease liability is determined in accordance with the requirements of AASB 1008: Leases.

Provisions

Dividends payable are recognised when a legal obligation to pay the dividend arises, typically following approval of the dividend at a meeting of directors.

Share capital

Ordinary share capital is recognised at the fair value of the consideration received by the company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

Control of the goods has passed to the buyer.

Rendering of services

Where the contract outcome can be reliably measured, control of a right to be compensated for the services has been attained and the stage of completion can be reliably measured. Stage of completion is measured by reference to the labour hours incurred to date as a percentage of total estimated labour hours for each contract.

Where the contract outcome cannot be reliably measured, revenue is recognised only to the extent that costs have been incurred.

Interest

Control of a right to receive the interest payment.

Dividends

Control of a right to receive the dividend payment.

Precast concrete manufacture

The consolidated entity recognises revenue on the percentage of completion method. Stage of completion is measured by reference to costs incurred to date as a percentage of total estimated costs for each contract. If in any period, total estimated costs for a contract exceed total estimated revenue, the resultant loss is brought to account in that period.

Joint ventures

Interests in joint ventures are brought to account by including in the respective classifications, the share of individual assets employed, liabilities, expenses incurred and revenue earned.

SCHAFFER CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2002 (CONTINUED)

Investments

All listed investments or other non-current investments are carried at the lower of cost and recoverable amount.

Taxes

Income tax

Tax-effect accounting is applied using the liability method whereby income tax is regarded as an expense and is calculated on the accounting profit after allowing for permanent differences. To the extent timing differences occur between the time items are recognised in the financial statements and when items are taken into account in determining taxable income, the net related taxation benefit or liability, calculated at current rates, is disclosed as a future income tax benefit or a provision for deferred income tax. The net future income tax benefit relating to tax losses and timing differences is not carried forward as an asset unless the benefit is virtually certain of being realised.

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of 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 Statement of Financial Position. Cash flows are included in the 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.

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, sick leave and long service leave. Liabilities arising in respect of wages and salaries, annual leave, sick leave and any other employee entitlements expected to be settled within twelve months of the reporting date are measured at their nominal amounts. All other employee entitlement liabilities are measured at the present value of the estimated future cash outflow 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 government guaranteed securities 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, sick leave and other leave entitlements; and
- other types of employee entitlements are charged against profits on a net basis in their respective categories.

In respect of the consolidated entity's accumulated benefits superannuation plans, any contributions made to the superannuation funds by entities within the consolidated entity are charged against profits when due.

The value of the employee share scheme described in note 26(e) is not being charged as an employee entitlement expense.

Earnings per share

Basic earnings per share is calculated as net profit attributable to members, adjusted to exclude costs of servicing equity (other than dividends) and preference share dividends , divided by the weighted average number of ordinary shares, 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 preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

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

	CONSOLIDATED		CHIEF ENTITY	
	2002	2001	**2002**	2001
	$000	$000	**$000**	$000
NOTE 3				
REVENUE FROM ORDINARY ACTIVITIES				
Revenue from operating activities				
Revenue from the sale of goods and from property	**204,060**	38,392	**3,215**	3,178
Revenue from sale of equity securities	**1,715**	1,698	**1,320**	1,614
Revenue from services	**327**	773	**-**	-
Rent received from				
- controlled entities	**-**	-	**237**	232
- other persons/corporations	**4,645**	4,574	**1,786**	1,731
Other	**963**	1,010	**-**	113
Total revenues from operating activities	**211,710**	46,447	**6,558**	6,868
Revenues from non-operating activities				
Interest received from:				
- other persons/corporations	**193**	112	**90**	26
- controlled entities	**-**	-	**51**	190
Total interest	**193**	112	**141**	216
Dividends received from:				
- controlled entities	**-**	-	**2,000**	9,141
- associated entities	**-**	-	**180**	1,289
- other corporations	**61**	112	**61**	112
Total dividends	**61**	112	**2,241**	10,542
Proceeds on sale of non-current assets	**821**	228	**251**	106
Total revenues from non-operating activities	**1,075**	452	**2,633**	10,864
Total revenues from ordinary activities	**212,785**	46,899	**9,191**	17,732

NOTE 4

EXPENSES AND LOSSES/(GAINS)

(a) Expenses

Cost of sales-manufactured goods and property	**149,709**	21,235	**3,933**	2,731
Cost of sales - equity securities	**1,361**	1,623	**919**	1,464
Bad debts written off				
- trade debtors	**22**	106	**-**	-
- other debtors	**682**	601	**682**	601
Provision for doubtful debts				
- trade debtors	**(1,177)**	(129)	**-**	-
- other debtors	**-**	(601)	**-**	(601)
Bad debts recovered				
- trade debtors	**(1)**	(15)	**-**	-
Total bad and doubtful debts	**(474)**	(38)	**682**	-

	CONSOLIDATED 2002 $000	CONSOLIDATED 2001 $000	CHIEF ENTITY 2002 $000	CHIEF ENTITY 2001 $000
NOTE 4 (CONTINUED)				
EXPENSES AND LOSSES/(GAINS)				
Depreciation of non-current assets				
Buildings	**298**	161	**10**	10
Leasehold improvements	**60**	72	**-**	-
Plant and equipment	**3,763**	1,376	**231**	210
Total depreciation of non-current assets	**4,121**	1,609	**241**	220
Amortisation of non-current assets				
Goodwill	**99**	6	**-**	-
Plant and equipment under lease	**208**	205	**13**	16
Total amortisation of non-current assets	**307**	211	**13**	16
Total depreciation and amortisation expenses	**4,428**	1,820	**254**	236
Borrowing costs expensed				
Interest expense				
- other persons	**3,676**	2,206	**715**	1,099
- directors of the entity	**43**	31	**43**	-
- controlled entities	**-**	-	**-**	213
Total interest expense	**3,719**	2,237	**758**	1,312
Other borrowing costs				
Finance charges				
- lease liability	**177**	186	**-**	-
- other	**91**	27	**8**	8
Total other borrowing costs	**268**	213	**8**	8
Total borrowing costs	**3,987**	2,450	**766**	1,320
Rental on operating leases - minimum lease payments	**1,391**	915	**-**	-
Research & development expenditure	**349**	-	**-**	-
Provision for employee entitlements	**233**	146	**92**	-
Net foreign currency (gain)/loss	**483**	-	**-**	-
Reversal of provision for diminution in value of investment in associated company	**-**	-	**-**	(341)
Provision for diminution in value of unlisted shares	**1,029**	200	**1,029**	200
(b) Losses/(Gains)				
Loss/(gain) on sale of non-current assets	**423**	(35)	**(6)**	18
Profit on sale of listed and unlisted shares	**(354)**	(75)	**(401)**	(150)
Profit on sale of shares in controlled entity	**(294)**	-	**(294)**	-

	CONSOLIDATED 2002 $000	CONSOLIDATED 2001 $000	CHIEF ENTITY 2002 $000	CHIEF ENTITY 2001 $000
NOTE 4 (CONTINUED)				
EXPENSES AND LOSSES/(GAINS)				
(c) Significant items				
Profit from ordinary activities before income tax expense includes the following revenues and expenses whose disclosure is relevant in explaining the financial performance of the entity:				
Loans to controlled entities forgiven (no tax effect)	**-**	-	**590**	-
Loans from controlled entities forgiven (no tax effect)	**-**	-	**(258)**	-
Plant and equipment written down (tax effect - profit $573)	**1,910**	-		
(Reversal of)/provision for non-recovery of loans to controlled entities (no tax effect)	**-**	-	**(1,166)**	331
Reversal of provision for currency loss (tax effect - benefit $385)	**(1,284)**	-	**-**	-
Reversal of provision for quality claims (tax effect - benefit $480)	**(1,600)**	-	**-**	-
	(974)	-	**(834)**	331

SCHAFFER CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2002 (CONTINUED)

	CONSOLIDATED 2002 $000	CONSOLIDATED 2001 $000	CHIEF ENTITY 2002 $000	CHIEF ENTITY 2001 $000
NOTE 5				
STATEMENT OF CASH FLOWS				
a) Reconciliation of cash				
Cash balance comprises:				
Cash on hand	**5,606**	2,272	**594**	567
Bank overdraft	**(1)**	(2)	**(1)**	(2)
Closing cash balance	**5,605**	2,270	**593**	565
b) Reconciliation of operating profit after income tax to the net cash flows from operations				
Operating profit after taxation	**14,809**	8,002	**1,553**	10,237
Non cash items				
Depreciation	**4,121**	1,609	**241**	220
Loss/(profit) of equity accounted associate	**577**	(4,352)	**-**	-
Dividend received from equity accounted associate	**180**	1,289	**-**	-
Amortisation of leased plant and equipment	**208**	205	**13**	16
Amortisation of goodwill	**99**	6	**-**	-
Provision for employee entitlements	**1,642**	191	**91**	23
Reversal of provision for currency loss	**(1,284)**	-	**-**	-
Reversal of provision for quality claims	**(1,600)**	-	**-**	-
Loss/(profit) on sale of non-current assets	**423**	(35)	**(6)**	18
Non-current assets written down	**1,910**	-	**-**	-
Provision for/(reversal of) provision for diminution in value of investments	**1,029**	200	**1,029**	(341)
(Reversal of)/provision for non-recovery of amounts owing by controlled entities	**-**	-	**(1,166)**	331
Amounts owing by controlled entities written off	**-**	-	**1,172**	-
Profit on disposal of a controlled entity	**(294)**	-	**(294)**	-
Changes in assets and liabilities				
(Increase)/decrease in receivables	**14,841**	(2,195)	1,150	(10,831)
(Increase)/decrease in inventory	**12,221**	(888)	**2,928**	(1,590)
(Increase)/decrease in other financial assets	**153**	2,062	**119**	2,301
(Decrease)/increase in trade creditors	**(6,693)**	(1,128)	**(666)**	(283)
(Decrease)/increase in tax provision	**2,209**	(868)	**150**	-
(Decrease)/increase in deferred tax liability	**(3,050)**	(172)	**(88)**	193
(Increase)/decrease in future income tax benefit	**2,291**	753	**(615)**	99
(Increase)/decrease in prepayments	**134**	(83)	**26**	22
Net cash flows from operating activities	**43,926**	4,596	**5,637**	415

c) Bank facilities
The consolidated entity has bank facilities available to the extent of $71,376,000 (2001 - $40,045,000).
The chief entity has bank facilities available to the extent of $14,025,000 (2001 - $20,621,000).
The unutilised facility for the consolidated entity at balance date was $46,299,000 (2001 - $8,476,000) and for the chief entity $6,289,000 (2001 - $6,398,000).

d) Non-cash financing activities
During the financial year the consolidated entity acquired plant and equipment with a fair value of $375,000 (2001 - $198,000) by means of finance leases.

e) Loss of control of controlled entity:
On 1 July 2001 the chief entity disposed of its 50% holding in Sydney Sandstone (Quarries) Pty Ltd. The disposal details are

	$'000
Consideration	
Cash received in lieu of loan repayment	500
Net assets disposed of	
Cash	20
Trade debtors	187
Deposits	3
Inventories	101
Prepayments	15
Property, plant and equipment	420
	746
Trade creditors	(157)
Loan from another corporation	(172)
Lease liability	(62)
Provision for employee entitlements	(29)
Net assets disposed of	326
Profit on disposal	174
	500
Net cash effect:	
Cash balance of entity disposed of	(20)

f) Acquisition of controlled entity
Effective 1 October 2001 the chief entity acquired 41.51% of the share capital of Australian Leather Holdings Limited thus increasing its holding to 83.17%.

The acquisition details are:

	$'000
Consideration	
Cash paid	8,584
Deferred cash settlement	1,400
	9,984
Cost of existing investment	11,086
	21,070
Net assets acquired	
Cash assets	2,483
Trade debtors	41,904
Sundry debtors	607
Inventories	42,790
Prepayments	84
Deferred expenditure	226
Property, plant and equipment	26,415
Goodwill	1,578
Future income tax benefit	5,676
	121,763
Trade creditors	(28,113)
Bank loan	(19,694)
Employee entitlements	(4,000)
Government loan	(38,654)
Provision for deferred income tax	(3,967)
Provision for dividend	(485)
Provision for currency loss	(1,623)
Provision for income tax	(879)
Net tangible assets	24,348
Outside equity interest	(3,278)
	21,070
Net cash effect:	
Cash consideration paid	8,584
Cash included in net assets acquired	(2,483)
Cash paid for controlled entity as reflected in the consolidated financial report	6,101

NOTE 5 (CONTINUED)
STATEMENT OF CASH FLOWS

g) Disposal of controlled entity

On 10 April 2002 the chief entity sold 100% of its share capital in Loftus Capital Pty Ltd.

In accordance with an independent valuation the disposal details are:

	$'000
Consideration	
1,000,000 fully paid ordinary shares in Loftus Capital Partners Ltd	500
Net assets disposed of	
Cash at bank	80
Debtors	28
Deposits	20
Prepayments	20
Plant and equipment	14
Future income tax benefit	9
Goodwill	82
	253
Trade creditors	(53)
Goods and services tax	(14)
Provision for employee entitlements	(9)
Provision for deferred income tax	(3)
Net assets disposed of	174
Consolidated entity profit on disposal	120
Cost of investment disposed of	206
	500
Net cash effect:	
Cash balance of entity disposed of	(80)

NOTE 6
INCOME TAX

	CONSOLIDATED 2002 $000	CONSOLIDATED 2001 $000	CHIEF ENTITY 2002 $000	CHIEF ENTITY 2001 $000
Operating profit/before income tax	**20,583**	10,919	**998**	10,530
Prima facie tax thereon at 30% (2001 - 34%)	**6,175**	3,712	**299**	3,580
Tax effect of permanent differences:-				
- prima facie tax attributable to an equity accounted associate	**(170)**	(1,479)	**-**	-
- rebateable dividends	**(18)**	(59)	**(618)**	(3,166)
- unfranked portion of dividend received from associate entity	**-**	346	**-**	-
- expenses not allowable	**323**	161	**5**	15
- other items	**(190)**	50	**102**	(66)
- research and development	**(63)**	-	**-**	-
- over provision of tax relating to previous years	**(77)**	104	**(2)**	-
- net gain attributable to change in income tax rate	**-**	7	**-**	(43)
	5,980	2,842	**(214)**	320
- current and prior year tax losses and timing differences brought to account	**(264)**	(54)	**(19)**	(27)
- current and prior year tax losses and timing differences not brought to account	**58**	129	**(322)**	-
Income tax expense attributable to ordinary activities	**5,774**	2,917	**(555)**	293

NOTE 6
INCOME TAX (CONTINUED)

	CONSOLIDATED 2002 $000	CONSOLIDATED 2001 $000	CHIEF ENTITY 2002 $000	CHIEF ENTITY 2001 $000
Deferred tax assets and liabilities				
Current tax payable	**4,431**	1,343	**150**	-
Provisions for deferred income tax	**2,731**	1,817	**366**	454
Future income tax benefit	**4,247**	871	**701**	86
Future income tax benefit at 30% not brought to account at balance date as realisation of this benefit is not virtually certain				
-tax losses	**-**	253	**-**	-

The future income tax benefit will only be obtained if:-

(i) future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;

(ii) the conditions for deductibility imposed by the tax legislation continue to be complied with; and

(iii) no changes in the tax legislation adversely affect the consolidated entity in realising the benefit.

NOTE 7
DIVIDENDS PROVIDED FOR OR PAID

	CONSOLIDATED 2002 $000	CONSOLIDATED 2001 $000	CHIEF ENTITY 2002 $000	CHIEF ENTITY 2001 $000
(a) Dividends paid during the year				
Final 2000 - 6.75c. per share paid September 2000	**-**	829	**-**	829
Final 2001 - 9c. per share paid June 2001	**-**	1,118	**-**	1,118
Special 2002 - 10c. per share paid November 2001 (2001 - 10c.)	**1,245**	1,228	**1,245**	1,228
Interim 2002 - 25c. per share paid March 2002 (2001 - 8c.)	**3,188**	994	**3,188**	994
	4,433	4,169	**4,433**	4,169
Fully franked portion	**4,433**	4,169	**4,433**	4,169
Unfranked portion	**-**	-	**-**	-
	4,433	4,169	**4,433**	4,169
(b) Dividends provided for				
Interim - 25c. per share paid March 2002 (2001 - 8c.)	**3,188**	994	**3,188**	994
Special - 10c per share paid November 2001 (2001 - 10c.)	**1,245**	1,228	**1,245**	1,228
Final - 35c. per share payable September 2002 (2001 - 9c.)	**4,708**	1,118	**4,708**	1,118
Over provision of dividend in previous year	**(13)**	-	**(13)**	-
Dividends provided for per statement of financial performance	**9,128**	3,340	**9,128**	3,340
Fully franked portion	**9,128**	3,340	**9,128**	3,340
Unfranked portion	**-**	-	**-**	-
	9,128	3,340	**9,128**	3,340

The tax rate at which dividends have or will be franked is Interim 30% (2000 - 34%), Final 30% (2001 - 34%).

SCHAFFER CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2002 (CONTINUED)

NOTE 7
DIVIDENDS PROVIDED FOR OR PAID (CONTINUED)

	CONSOLIDATED 2002 $000	CONSOLIDATED 2001 $000	CHIEF ENTITY 2002 $000	CHIEF ENTITY 2001 $000
(c) Franking account balance				
The amount of franking credits available for the subsequent financial year are detailed below. The franking account balance disclosures have been calculated using the franking rate at 30 June 2002.				
Franking account balance brought forward			**2,823**	435
Convert balance to 30% (2001 - 34%) rate			**570**	40
Fully franked dividends paid			**(4,433)**	(4,169)
Tax refund received			**(3)**	-
Franked dividends received from controlled entities and associated entities			**2,000**	6,410
Franked dividends received from other corporations			**61**	107
Franking account balance at The end of the financial year			**1,018**	2,823
Convert balance to 34%			**-**	570
Franking credits to be received from controlled entities or associated entities			**11,012**	2,938
Franking debits that will arise from the payment of dividends as at the end of the financial year			**(4,708)**	-
Franking credits available			**7,322**	6,331

NOTE 8
RECEIVABLES (CURRENT)

	CONSOLIDATED 2002 $000	CONSOLIDATED 2001 $000	CHIEF ENTITY 2002 $000	CHIEF ENTITY 2001 $000
Trade debtors	**37,311**	7,989	**2**	3,168
Provision for doubtful debts	**(2,657)**	(211)	**-**	-
	34,654	7,778	**2**	3,168
Other debtors	**2,022**	630	**452**	149
Goods and services tax net	**-**	-	**-**	35
Amounts owing by partly owned controlled entities	**-**	-	**487**	1,634
Provision for non-recovery of amount owing by partly owned controlled entities	**-**	-	**(146)**	(822)
	36,676	8,408	**795**	4,164

Terms and conditions

Terms and conditions relating to the above financial instruments

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

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

(iii) Included in trade debtors are non-hedged receivables amounting to US$12,107,000. The Australian dollar equivalent is $21,353,000. Payment terms vary from letter of credit arrangement from 30 to 60 days.

NOTE 9
INVENTORIES (CURRENT)

	CONSOLIDATED 2002 $000	CONSOLIDATED 2001 $000	CHIEF ENTITY 2002 $000	CHIEF ENTITY 2001 $000
Work in progress :-				
Cost to date plus profit recognised	**10,795**	7,627	**-**	-
Less progress billings to date	**(10,109)**	(7,030)	**-**	-
Work in progress - net realisable value	**686**	597	**-**	-
Finished goods - at cost	**16,385**	892	**-**	-
Raw materials - at cost	**21,161**	875	**-**	-
	38,232	2,364	**-**	-
Land held for resale				
Cost of acquisition	**912**	2,538	**174**	875
Development expenses capitalised	**2,520**	6,079	**1,557**	3,784
Rates and taxes capitalised	**91**	172	**-**	-
Interest capitalised	**177**	311	**-**	-
Carrying value of land	**3,700**	9,100	**1,731**	4,659
	41,932	11,464	**1,731**	4,659

NOTE 10
OTHER FINANCIAL ASSETS (CURRENT)

	CONSOLIDATED 2002 $000	CONSOLIDATED 2001 $000	CHIEF ENTITY 2002 $000	CHIEF ENTITY 2001 $000
Shares				
- Listed on a prescribed stock exchange at cost	**275**	935	**275**	800
- Unlisted at cost	**2,823**	2,175	**2,823**	1,919
- Provision for dimunition in value of unlisted shares	**(1,229)**	(200)	**(1,229)**	(200)
	1,869	2,910	**1,869**	2,519
(a) Aggregate quoted market value at balance date of investments listed on a prescribed stock exchange	**573**	1,376	**573**	1,194

(b) Terms and conditions relating to the above financial instruments included under unlisted shares are convertible notes with a cost of $60,000 (2001 - $Nil) receiving interest of 10% pa (2001 - 0%) convertible at the request of the holder.

NOTE 11
OTHER CURRENT ASSETS

	CONSOLIDATED 2002 $000	CONSOLIDATED 2001 $000	CHIEF ENTITY 2002 $000	CHIEF ENTITY 2001 $000
Prepayments	**347**	367	**34**	60
Deferred expenditure	**161**	-	**-**	-
Deposits	**-**	146	**-**	63
	508	513	**34**	123

NOTE 12
RECEIVABLES (NON-CURRENT)

	CONSOLIDATED 2002 $000	CONSOLIDATED 2001 $000	CHIEF ENTITY 2002 $000	CHIEF ENTITY 2001 $000
Amount owing by wholly owned controlled entities	**-**	-	**5,398**	5,405
Provision for non-recovery of amount owing by wholly owned controlled entities	**-**	-	**-**	(490)
	-	-	**5,398**	4,915

	CONSOLIDATED 2002 $000	CONSOLIDATED 2001 $000	CHIEF ENTITY 2002 $000	CHIEF ENTITY 2001 $000
NOTE 13				
INVESTMENTS				
Associated companies at equity accounted amount				
Unlisted shares				
Ordinary shares	**-**	9,088	**-**	-
Preference shares	**-**	2,500	**-**	-
	-	11,588	**-**	-
Associated companies at cost				
Unlisted shares				
Ordinary shares	**-**	-	**-**	8,587
Preference shares	**-**	-	**-**	2,500
	-	-	**-**	11,087
	-	11,588	**-**	11,087

Investments in associated companies comprise:

	% held by consolidated entity 2002 %	2001 %	Place of Inc.
Australian Leather Holdings Limited	-	41.66	W.A.
E-Com investment Management Pty Ltd	-	50.0	N.S.W.
Solco Zimbabwe (Private) Limited	25.0	25.0	Zimbabwe
Bell Solar Thermal Energy Sdn. Bhd.	16.8	16.8	Malaysia

Principal activities of associated companies:	Balance date
Solco Zimbabwe (Private) Limited - solar hot water system manufacture	September 30
Bell Solar Thermal Energy Sdn. Bhd. - solar hot water system manufacture	February 28

Retained profits/(accumulated losses) attributable to associated companies:

	2002 $000	2001 $000
Balance at the beginning of the financial year	(**1,282)**	(4,345)
Share of associates:		
Operating (loss)/profit before income tax	**(802)**	4,376
Income tax expense attributable to operating profit	**225**	(24)
Operating (loss)/profit after income tax	**(577)**	4,352
Dividends received from associated companies	**(180)**	(1,289)
Adjustment on acquisition of controlling interest/disposal of associated companies	**2,039**	-
Balance at the end of the financial year	**-**	(1,282)

	CONSOLIDATED 2002 $000	CONSOLIDATED 2001 $000	CHIEF ENTITY 2002 $000	CHIEF ENTITY 2001 $000
Carrying amount of investments in associated companies				
Balance at the beginning of the financial year	**11,588**	13,639	**11,067**	13,639
Reversal of provision for diminution in value	**-**	-	**-**	341
Investment bought back by associate	**-**	(2,941)	**-**	(2,941)
Options to acquire shares in associate exercised	**-**	48	**-**	48
Adjustment on dilution of investment associated company	**-**	(2,221)	**-**	-
Dividend received from associate	**(180)**	(1,289)	**-**	-
Share of (losses)/profits for the financial year	**(577)**	4,352	**-**	-
Adjustment on acquisition of controlling interest/disposal of associated companies	**(10,831)**	-	**(11,067)**	-
Carrying amount of investment in associated companies	**-**	11,588	**-**	11,087

The consolidated entity's share of the assets and liabilities of associates in aggregate

Current assets	**-**	29,570
Non-current assets	**-**	16,602
Current liabilities	**-**	(16,387)
Non-current liabilities	**-**	(18,385)
Net assets	**-**	11,400

	CONSOLIDATED 2001 $000	CONSOLIDATED 2000 $000	CHIEF ENTITY 2001 $000	CHIEF ENTITY 2000 $000
NOTE 14				
OTHER FINANCIAL ASSETS (NON-CURRENT)				
Controlled entities at cost				
Unlisted shares	**-**	-	**19,951**	5,585
Provision for diminution in value of shares in unlisted controlled entities	**-**	-	**(214)**	(214)
	-	-	**19,737**	5,371

NOTE 14 (CONTINUED)

Controlled entities	Beneficial percentage held by consolidated entity 2002 %	2001 %	Place of inc.	Amount of chief entity's investment 2002 $000	2001 $000
Schaffer Properties Pty Ltd *	**100**	100	W.A.	**-**	-
Schaffer Services Pty Ltd *	**100**	100	W.A.	**-**	-
Delta Corporation Limited *	**100**	100	W.A.	**5,066**	5,066
Urbanstone Pty Ltd *	**100**	100	W.A.	**-**	-
Urbanstone (Vic) Pty Ltd ***	**-**	100	Vic.	**-**	-
Schaffer Corporation Management Pty Ltd*	**100**	100	W.A.	**-**	-
Delta Rail Services Ltd*	**100**	100	W.A.	**-**	-
Sydney Sandstone (Quarries) Pty Ltd **	**-**	50	W.A.	**-**	-
Solco Industries Pty Ltd #	**51**	51	W.A.	**214**	214
Poly Tuff (WA) Pty Ltd #	**51**	51	W.A.	**-**	-
Loftus Capital Pty Ltd	**-**	100	N.S.W.	**-**	205
Loftus Corporate Pty Ltd ##	**100**	100	W.A.	**100**	100
Loftus Capital Nominees Pty Ltd	**-**	100	W.A.	-	-
Australian Leather Holdings Limited**	**83.17**	-	W.A.	**14,571**	-
Gosh Leather (Aust) Pty Ltd**	**83.17**	-	W.A.	**-**	-
Rosedale Leather (Aust) Pty Ltd**	**83.17**	-	W.A.	**-**	-
Darkan Wet blue Tanning Pty Ltd**	**83.17**	-	W.A.	**-**	-
Australian Leather Upholstery Pty Ltd**	**83.17**	-	Vic.	**-**	-
Howe & Co Pty Ltd**	**83.17**	-	Vic.	**-**	-
Howe de Mexico SA de CV	**83.17**	-	Mexico	**-**	-
				19,951	5,585

* Pursuant to Class Order 98/1418 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 Class Order Schaffer Corporation Limited and the controlled entities subject to the Class Order (the '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.

** Pursuant to Class Order 98/1418 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 Class Order Australian Leather Holdings Limited and the controlled entities subject to the Class Order (the 'Closed Group') entered into Deeds of Cross Guarantee at various dates. The effect of the deeds is that Australian Leather Holdings 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 Australian Leather Holdings Limited is wound up.

*** During the year the controlled entity was deregistered. It had no assets nor liabilities at the date of deregistration.

\# Audited by firms other than the chief entity's auditor.

\#\# This company meets the definition of a small proprietory limited company as set out in the Corporations Act 2001 Ernst & Young have not issued a separate audit opinion with respect to this entity.

NOTE 14 (CONTINUED)

The consolidated statement of financial performance and statement of financial position of the entities which are members of the "Closed Group" are as follows:

Statement of Financial Performance	**2002 $000**	2001 $000
REVENUE FROM ORDINARY ACTIVITIES	**50,085**	44,624
Cost of sales manufactured goods and property	**(25,034)**	(19,433)
Cost of sales - equity securities	**(919)**	(1,464)
Depreciation and amortisation expense	**(1,849)**	(1,680)
Borrowing costs expense	**(2,151)**	(2,442)
Other expenses from ordinary activities	**(14,311)**	(13,119)
PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE	**5,821**	6,486
Income tax expense relating to ordinary activities	**1,676**	2,936
PROFIT FROM ORDINARY ACTIVITIES AFTER INCOME TAX EXPENSE	**4,145**	3,550
TOTAL REVENUES, EXPENSES AND VALUATION ADJUSTMENTS ATTRIBUTABLE TO MEMBERS OF SCHAFFER CORPORATION LIMITED AND RECOGNISED DIRECTLY IN EQUITY	**-**	-
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS	**4,145**	3,550
Reconciliation of retained profits		
Retained profits at the beginning of the financial year	**28,072**	25,643
Net profit attributable to members of the parent entity	**4,145**	5,769
Dividends provided for or paid	**(9,128)**	(3,340)
Retained profits at the end of the financial year	**23,089**	28,072

	2002 $000	2001 $000
Consolidated Statement of Financial Position		
Current assets		
Cash assets	**1,957**	1,732
Receivables	**6,716**	9,474
Inventories	**6,153**	11,285
Other financial assets	**1,869**	2,519
Other	**208**	419
Total current assets	**16,903**	25,429
Non-current assets		
Receivables	**-**	204
Investments accounted for using equity method	**-**	11,086
Other financial assets	**36,780**	20,900
Property, plant and equipment	**24,498**	23,424
Intangible assets	**84**	84
Deferred tax assets	**1,467**	839
Total non-current assets	**62,829**	56,537
Total assets	**79,732**	81,966
Current liabilities		
Payables	**6,316**	5,780
Interest bearing liabilities	**489**	1,631
Current tax liabilities	**1,390**	1,339
Provisions	**5,799**	1,056
Total current liabilities	**13,994**	9,806
Non-current liabilities		
Interest bearing liabilities	**24,562**	31,507
Deferred tax liabilities	**1,529**	1,812
Provisions	**587**	387
Total non-current liabilities	**26,678**	33,706
Total liabilities	**40,672**	43,512
Net assets	**39,060**	38,454
Equity		
Contributed equity	**13,386**	7,797
Reserves	**2,585**	2,585
Retained profits	**23,089**	28,072
Total equity	**39,060**	38,454

	CONSOLIDATED		CHIEF ENTITY	
	2002 $000	2001 $000	2002 $000	2001 $000
NOTE 15				
PROPERTY, PLANT AND EQUIPMENT				
Freehold land				
At cost	**8,494**	5,369	**4,700**	4,699
Freehold quarries				
At cost	**712**	900	**712**	900
Buildings on freehold land				
At cost	**12,126**	5,287	**329**	319
Accumulated depreciation	**(2,904)**	(462)	**(39)**	(29)
	9,222	4,825	**290**	290
Leasehold improvements				
At cost	**694**	643	**-**	-
Accumulated depreciation	**(519)**	(460)	**-**	-
	175	183	**-**	-
Joint venture properties				
At cost	**22,109**	20,389	**8,558**	7,932
Total written down value land and buildings	**40,712**	31,666	**14,260**	13,821
Plant and equipment				
At cost	**52,570**	16,554	**3,209**	3,174
Accumulated depreciation	**(24,416)**	(5,876)	**(871)**	(642)
Written down value	**28,154**	10,678	**2,338**	2,532
Plant and equipment under lease				
At cost	**3,111**	3,114	**39**	193
Accumulated depreciation	**(688)**	(669)	**(21)**	(104)
	2,423	2,445	**18**	89
Total written down value plant and equipment	**30,577**	13,123	**2,356**	2,621
Total property, plant and equipment				
At cost	**99,816**	52,256	**17,547**	17,217
Accumulated depreciation and amortisation	**(28,527)**	(7,467)	**(931)**	(775)
Total written down amount	**71,289**	44,789	**16,616**	16,442
Reconciliations				
Freehold land				
Carrying amount at beginning	**5,369**	5,369	**4,699**	4,699
Assets acquired through acquisition of controlled entity	**1,992**	-	**-**	-
Additions	**1,133**	-	**1**	-
	8,494	5,369	4,700	4,699
Freehold quarries				
Carrying amount at beginning	**900**	900	**900**	900
Disposals	**(188)**	-	**(188)**	-
	712	900	**712**	900
Joint venture properties				
Carrying amount at beginning	**20,389**	17,620	**7,932**	7,925
Additions	**1,720**	2,769	**626**	7
	22,109	20,389	**8,558**	7,932

	CONSOLIDATED		CHIEF ENTITY	
	2002 $000	2001 $000	2002 $000	2001 $000
NOTE 15 (CONTINUED)				
PROPERTY, PLANT AND EQUIPMENT				
Buildings on freehold land				
Carrying amount at beginning	**4,825**	4,821	**290**	300
Assets acquired through acquisition of controlled entity	**4,614**	-	**-**	-
Additions	**208**	165	**10**	-
Disposals	**(97)**	-	**-**	-
Depreciation expense	**(328)**	(161)	**(10)**	(10)
	9,222	4,825	**290**	290
Leasehold improvements				
Carrying amount at beginning	**183**	187	**-**	-
Additions	**52**	68	**-**	-
Amortisation expense	**(60)**	(72)	**-**	-
	175	183	**-**	-
Total written down value land and buildings	**40,712**	31,666	**14,260**	13,821
Plant and equipment				
Carrying amount at beginning	**10,678**	10,157	**2,532**	2,449
Assets acquired through acquisition of controlled entity	**21,440**	-	**-**	-
Recoverable amount write down	**(1,910)**	-	**-**	-
Additions	**2,221**	2,047	**37**	417
Transfers from leased plant	**48**	6	**-**	-
Depreciation expense	**(3,763)**	(1,376)	**(231)**	(210)
Disposals	**(560)**	(156)	**-**	(124)
	28,154	10,678	**2,338**	2,532
Plant and equipment under lease				
Carrying amount at beginning	**2,445**	2,458	**89**	105
Additions	**375**	198	**-**	-
Transfers to plant and equipment	**(48)**	(6)	**-**	-
Amortisation expense	**(208)**	(205)	**(13)**	(16)
Disposals	**(141)**	-	**(58)**	-
	2,423	2,445	**18**	89
Total written down value plant and equipment	**30,577**	13,123	**2,356**	2,691
NOTE 16				
INTANGIBLES				
Goodwill at cost	**2,085**	172	**-**	-
Provision for amortisation	**(522)**	(6)	**-**	-
	1,563	166	**-**	-
NOTE 17				
PAYABLES (CURRENT)				
Trade creditors	**21,355**	6,173	**190**	704
Goods and services tax net	**509**	56	**33**	-
Other creditors	**4,063**	349	**1,562**	348
Loan from other corporations	**-**	172	**-**	-
	25,927	6,750	**1,785**	1,052

(a) Terms and conditions relating to the above financial instruments
All current payables are non-interest bearing and are normally settled on 30 day terms.

(b) Included in trade creditors are non-hedged payables amounting to US$6,229,000. The Australian dollar equivalent is $11,081,000. Payment terms vary from 7 to 90 days.

	CONSOLIDATED		CHIEF ENTITY	
	2002 $000	2001 $000	2002 $000	2001 $000
NOTE 18				
INTEREST BEARING LIABILITIES (CURRENT)				
Bank overdraft - secured	**1**	2	**1**	2
Lease liability (refer note 26c) - secured	**495**	423	**22**	43
Loan from directors	**-**	1,249	**-**	-
	496	1,674	**23**	45

(a) The bank overdraft, loans and bills payable are secured by first registered mortgage over all the assets and undertakings of controlled entities. The lease liability is secured by a charge over the leased assets.

(b) Terms and conditions relating to the above financial instruments
(i) Finance leases have an average lease term of 4 years. The average discount rate implicit in the leases is 8% (2001 - 8%).
(ii) Loans from directors are unsecured and are repayable on demand. Details of the terms and conditions are set out in note 29. The average interest rate was 3.75% (2001 - 4.96%)

	CONSOLIDATED		CHIEF ENTITY	
	2002 $000	2001 $000	2002 $000	2001 $000
NOTE 19				
PROVISIONS (CURRENT)				
Employee entitlements (refer note 26d)	**4,621**	1,134	**-**	-
Deferred exchange gain	**339**	-	**-**	-
Quality claims	**1,810**	-	**-**	-
Other	**33**	-	**-**	-
Dividends payable (refer note 7)	**4,708**	-	**4,708**	-
	11,511	1,134	**4,708**	-
NOTE 20				
INTEREST BEARING LIABILITIES (NON-CURRENT)				
Lease liability (refer note 26c) - secured	**1,635**	1,875	**9**	31
Amount owing to wholly owned controlled entity	**-**	-	**946**	490
Government loan - secured	**38,654**	-	**-**	-
Bills payable - secured	**-**	3,000	**-**	3,000
Bank loan - secured	**22,946**	26,694	**7,714**	11,192
	63,235	31,569	**8,669**	14,713

(a) The bank loans and bills payable are secured by first registered mortgage over all the assets and undertakings of controlled entities. Included in bank loans is the consolidated entity's share of joint venture borrowings The increase is a result of property acquisitions (refer note 27). The lease liability is secured by a charge over the leased assets.

(b) Terms and conditions relating to the above financial instrument
Finance leases have an average lease term of 4 years. The average discount rate implicit in the leases is 8% (2001 - 8%).
Government loans:
An amount of $25,000,000 was interest free until February 2002, thereafter interest is payable at 2% over the long term bond rate. The facility expires in February 2012.
An amount of $13,654,000 bears a fixed interest rate of 4.4% per annum until February 2012.

	CONSOLIDATED		CHIEF ENTITY	
	2002 $000	2001 $000	2002 $000	2001 $000
NOTE 21				
PROVISIONS (NON-CURRENT)				
Employee entitlements (refer note 26d)	**2,535**	418	**253**	162

	CONSOLIDATED		CHIEF ENTITY	
	2002	2001	**2002**	2001
	$000	$000	**$000**	$000
NOTE 22				
CONTRIBUTED EQUITY				
a) Issued and paid up capital As at 30 June 2002 13,450,735 ordinary fully paid shares (2001 - 12,417,764)	**13,386**	7,797	**12,438**	6,849

b) Movements in shares on issue	**2002** Number of shares	$000	2001 Number of shares	$000
At the beginning of the financial year	**12,417,764**	7,797	**11,115,721**	7,335
On 15 September 2000 1,166,658 bonus shares were issued to shareholders and option holders on the basis of 1 ordinary fully paid share for every 10 shares or options held.	-	-	**1,066,658**	-
On 27 February 2001 112,400 shares were allotted to employees pursuant to a prospectus issued in December 2000.	-	-	**112,400**	405
Share cancellation - 30 March 2001 - 9,015 shares purchased under buy back arrangement	-	-	**(9,015)**	(35)
On 2 April 2001 15,000 options converted to ordinary shares under employee share scheme	-	-	**15,000**	39
On 2 April 2001 17,000 shares were allotted to employees pursuant to a prospectus issued in December 2000.	-	-	**17,000**	61
On 3 December 2001 35,000 options converted to ordinary shares under employee share scheme	**35,000**	91	**-**	-
Share cancellation - 14 December 2001 - 8,564 shares purchased under buy back arrangement	**(8,564)**	(36)	**-**	-
On 1 March 2002 127,500 options converted to ordinary shares under employee share scheme	**127,500**	333	**-**	-
Share cancellation - 5 March 2002 - 7,415 shares purchased under buy back arrangement	**(7,415)**	(55)	-	-
On 5 March 2002 186,450 options converted to ordinary shares under employee share scheme	**186,450**	503	**-**	-
On 20 March 2002 issue of 700,000 ordinary shares. The purpose of the issue was debt reduction and general working capital	**700,000**	4,900	**-**	-
Capital raising costs	**-**	(147)	**-**	(8)
At the end of the financial year	**13,450,735**	13,386	**12,417,764**	7,797

NOTE 22
CONTRIBUTED EQUITY (CONTINUED)
c) Share options
Options issued over ordinary shares as part of an employee share scheme are as follows. Further details are provided in note 26(e).

Date issued		No. of options	Exercise price	Excercisable on or before
17-Nov-99	Balance on issue 30 June 2001	445,000	$2.61	17-Nov-04
	Less exercised: during the year	(330,000)		
	Balance on issue 30 June 2002	115,000		
28-Mar-00	Balance on issue 30 June 2001	42,900	$3.30	28-Mar-05
	Less exercised: during the year	(6,450)		
	Less forfeited during the year	(15,000)		
	Balance on issue 30 June 2002	21,450		
10-Jul-00	Balance on issue 30 June 2001	52,100	$3.26	10-Jul-05
	Less exercised: during the year	(6,050)		
	Balance on issue 30 June 2002	46,050		
28-Aug-01	Issued during the year	95,000	$3.77	28-Aug-06
	Less exercised: during the year	(6,450)		
	Less forfeited during the year	(11,250)		
	Balance on issue 30 June 2002	77,300		
05-Feb-02	Issued during the year	160,000	$5.42	05-Feb-07
	Balance on issue 30 June 2002	160,000		
26-Mar-02	Issued during the year	100,000	$7.11	26-Mar-07
	Balance on issue 30 June 2002	100,000		
20-Jun-02	Issued during the year	140,000	$9.49	20-Jun-07
	Balance on issue 30 June 2002	140,000		
	Total options on issue 30 June 2002	659,800		

d) 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.

SCHAFFER CORPORATION
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30 JUNE 2002 (CONTINUED)

	CONSOLIDATED		CHIEF ENTITY	
	2002	2001	**2002**	2001
	$000	$000	**$000**	$000
NOTE 23				
RESERVES AND RETAINED PROFITS				
Reserves				
Asset revaluation	**2,585**	2,585	**2,283**	2,283

Nature and purpose of reserve

The asset revaluation reserve is used to record increments and decrements in the value of non-current assets. Currently the accounting policy is to record all assets at cost. The reserve can be used to pay dividends in limited circumstances.

Retained profits				
Retained profits at the beginning of the financial year	**27,894**	25,453	**24,375**	17,478
Net profit attributable to members of the parent entity	**13,037**	8,002	**1,553**	10,237
Dividends provided for or paid	**(9,128)**	(3,340)	**(9,128)**	(3,340)
Adjustment on dilution of investment in associated company	**-**	(2,221)	**-**	-
Retained profits at the reporting date	**31,803**	27,894	**16,800**	24,375

NOTE 24				
AUDITORS REMUNERATION	**$**	$	**$**	$
Amounts received or due and receivable by the auditors of Schaffer Corporation Limited for:				
Audit of the accounts	**207,047**	88,747	**10,000**	10,000
Other services	**38,159**	26,077	**-**	-
	245,206	114,824	**10,000**	10,000
Included above are amounts received or due and receivable by auditors other than the auditors of Schaffer Corporation Limited.				
Auditing accounts of certain controlled entities	**3,500**	4,000	**-**	-
Other services	**-**	-	**-**	-
	3,500	4,000	**-**	-

	CONSOLIDATED		CHIEF ENTITY	
	2002	2001	**2002**	2001
	$	$	**$**	$
NOTE 25				
REMUNERATION OF DIRECTORS				
(a) Directors' remuneration. Income paid or payable or otherwise made available, in respect of the financial year, to all directors of each entity in the consolidated entity, directly or indirectly, by the entities of which they are directors or any related party	**3,209,120**	1,588,280		
Income paid or payable or otherwise made available, in respect of the financial year, to all directors of Schaffer Corporation Limited directly or indirectly, from the entity or any related party.			**854,145**	1,052,126
The number of directors of Schaffer Corporation Limited whose remuneration (including superannuation contributions) falls within the following bands.				
$0 - $9,999			1	-
$20,000 - $29,999			1	-
$30,000 - $39,999			2	2
$190,000 - $199,999			1	1
$220,000 - $229,999			-	1
$530,000 - $539,999			-	1
$570,000 - $579,999			1	-
(b) Executives remuneration. Remuneration received or due and receivable by executive officers of the consolidated entity whose remuneration is $100,000 or more, from entities in the consolidated entity or a related party, in connection with the management of the affairs of the entities in the consolidated entity whether as an executive officer or otherwise.	**6,793,062**	2,425,378		
Remuneration received or due and receivable by executive officers of the company whose remuneration is $100,000 or more, from the company or any related party, in connection with the management of the company or any related party, whether as an executive officer or otherwise.			**1,639,805**	1,067,382

	CONSOLIDATED		CHIEF ENTITY	
	2001	2000	**2001**	2000
	$000	$000	**$000**	$000
The number of executives of the consolidated entity and the company whose remuneration falls within the following bands.				
$100,000 - $109,999	4	3	-	-
$110,000 - $119,999	2	-	-	-
$120,000 - $129,999	3	-	-	-
$130,000 - $139,999	2	-	-	-
$140,000 - $149,999	1	2	-	1
$150,000 - $159,999	1	1	-	1
$170,000 - $179,999	1	1	-	-
$180,000 - $189,999	2	-	-	-
$190,000 - $199,999	2	1	2	1
$200,000 - $209,999	2	-	-	-
$210,000 - $219,999	1	-	1	-
$220,000 - $229,999	-	1	-	-
$230,000 - $239,999	1	-	-	-
$250,000 - $259,999	-	1	-	-
$270,000 - $279,999	1	1	-	-
$280,000 - $289,000	1	-	-	-
$290,000 - $299,999	1	-	-	-
$340,000 - $349,000	1	-	-	-
$430,000 - $439,999	1	-	-	-
$470,000 - $479,999	-	-	1	-
$530,000 - $539,999	-	1	-	1
$540,000 - $549,999	1	-	-	-
$570,000 - $579,999	-	-	1	-
$590,000 - $599,999	1	-	-	-
$630,000 - $639,999	1	-	-	-

Executive remuneration includes the value of share options using the Black-Scholes model.

NOTE 26
CONTINGENT LIABILITIES AND EXPENDITURE COMMITMENTS

(a) Termination benefits under Service agreements: No.of service agreements - 1 Maximum liability at June 30, 2002	**338**	322	**338**	322
(b) Commitments under lease agreements				
Operating leases - office, factory and retail premises				
- payable not later than 1 year	**644**	532	**-**	-
- later than 1 year and not later than 5 years	**1,964**	1,291	**-**	-
- later than 5 years	**537**	404	**-**	-
- aggregate lease expenditure contracted for at balance date	**3,145**	2,227	**-**	**-**
Operating leases - motor vehicles				
- payable not later than 1 year	**184**	210	**-**	-
- later than 1 year and not later than 5 years	**187**	284	**-**	-
- later than 5 years	**-**	-	**-**	-
- aggregate lease expenditure contracted for at balance date	**371**	494	**-**	-

Operating leases for motor vehicles have an average lease term of 4 years. In return for the lease payments a fully maintained vehicle is provided. No implicit interest rate is applicable.

	CONSOLIDATED		CHIEF ENTITY	
	2002	2001	**2002**	2001
	$000	$000	**$000**	$000
NOTE 26 (CONTINUED)				
(c) Finance leases and hire purchase commitments				
- payable not later than 1 year	**623**	579	**8**	47
- later than 1 year and not later than 5 years	**1,812**	2,109	**26**	34
Total lease payments	**2,435**	2,688	**34**	81
Future finance charges	**(305)**	(390)	**(3)**	(7)
	2,130	2,298	**31**	74
- Current liability (refer note 18)	**495**	423	**22**	43
- Non-current liability (refer note 20)	**1,635**	1,875	**9**	31
	2,130	2,298	**31**	74

Finance leases have an average lease term of 5 years and an average implicit interest rate of 8%. Assets that are the subject of finance leases include motor vehicles and large items of plant and machinery.

(d) Employee entitlements and superannuation commitments
The consolidated entity has established certain superannuation plans. Employees contribute to these plans at various percentages of their wages and salaries and the end benefit is determined by accumulation of contributions and earnings of the plans.
The consolidated entity also contributes to the plan, generally at the rate of 9% of gross salaries and wages.
These contributions are not legally enforceable other than those payable in terms of a ratified award obligation or to comply with the Superannuation Guarantee Charge.
At balance date the assets of the plans are sufficient to satisfy all accumulated benefits that have vested under the plan in the event of termination of the plan and voluntary or compulsory termination of each employee.

The aggregate employee entitlement liability is comprised of:				
Accrued wages, salaries and on costs	**330**	25	-	-
Provisions (current) - refer note 19	**4,621**	1,134	-	-
Provisions (non-current) - refer note 21	**2,535**	418	**253**	162
	7,486	1,577	**253**	162

(e) Employee share option plan
An employee share option plan has been established. The plan was approved by shareholders at the AGM in November 1999.
Senior executives of the Group are issued with options 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. 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. There are currently twenty three executives eligible for the plan.

(f) Capital expenditure commitments Estimated capital expenditure contracted for at balance date but not provided for:				
- payable not later than 1 year	**150**	400	**-**	-

	CONSOLIDATED		CHIEF ENTITY	
	2002	2001	**2002**	2001
	$000	$000	**$000**	$000
NOTE 26 (CONTINUED)				
(g) A first mortgage has been registered over the assets and undertakings of a controlled entity by a bank which has issued performance guarantees to third parties on behalf of the consolidated entity. The aggregate of the performance guarantees issued by the bank amounted to	3,553	1,684	269	305

(h) The consolidated entity has a several liability only for borrowings made to finance the following joint ventures:
Mindarie Keys Joint Venture
IBM Centre Joint Venture
616 St Kilda Rd Joint Venture
Gledden Arcade Joint Venture
South Hedland Shopping Centre Joint Venture
Hometown Joint Venture
G H D House Joint Venture
Queens Rd Joint Venture
Bourke St Joint Venture
401 Great Eastern Highway Joint Venture
Crosslands Shopping Centre Joint Venture
89 St George's Tce Joint Venture
BBC Hardware Innaloo Joint Venture
Alvito House Joint Venture

The consolidated entity's share of all liabilities has been included in the financial statements (refer note 27).
The maximum contingent liability to the consolidated entity is $ 22,964,000 (2001 - $26,694,000).

NOTE 27
INTERESTS IN BUSINESS UNDERTAKINGS
- JOINT VENTURES
Investment properties
Schaffer Properties Pty Ltd and Schaffer Corporation Limited have interests in a number of property development joint ventures in Western Australia and Victoria.

	% interest	
	2002	2001
IBM Centre Joint Venture	**22.10**	22.10
St Kilda Rd Joint Venture	**20.00**	20.00
Gledden Arcade Joint Venture	**22.10**	22.10
South Hedland Shopping Centre Joint Venture	**18.75**	18.75
Hometown Joint Venture	**25.00**	25.00
G H D House Joint Venture	**18.00**	18.00
Queens Rd Joint Venture	**9.00**	9.00
Bourke St Joint Venture	**12.10**	12.10
401 Great Eastern Highway Joint Venture	**25.00**	25.00
Crosslands Shopping Centre Joint Venture	**16.70**	16.70
Perpetual Trustees Joint Venture	**20.00**	20.00
Gateway Central Joint Venture	**25.00**	25.00
BBC Hardware Innaloo	**6.50**	-
Alvito House	**6.50**	-

NOTE 27 (CONTINUED)
Property developments

The following joint ventures are established for the purposes of redeveloping,constructing and resale of residential and commercial properties.

	% interest	
	2002	2001
St. James Estate Northbridge Joint Venture	-	12.5
Mindarie Keys Joint Venture	15	15
Majestic Quay Joint Venture	25	25
Aqua Vista Joint Venture	-	25
SanSimeon Joint Venture	-	25

The interest in the joint ventures is included in the accounts as follows:

	CONSOLIDATED	
	2002	2001
	$000	$000
Current assets		
Cash assets	**327**	386
Receivables	**1,410**	3,786
Other	**78**	141
Inventories	**3,362**	7,948
Total current assets	**5,177**	12,261
Non-current assets		
Plant and equipment	**4,497**	4,426
Property	**22,109**	20,594
Intangible assets	**84**	84
Deferred tax assets	**187**	162
Total non-current assets	**26,877**	25,266
Total assets	**32,054**	37,527
Current liabilities		
Payables	**955**	1,305
Total current liabilities	**955**	1,305
Non-current liabilities		
Interest bearing liabilities	**22,946**	26,694
Deferred tax liabilities	**1,063**	1,138
Total non-current liabilities	**24,009**	27,832
Total liabilities	**24,964**	29,137
Net assets	**7,090**	8,390

The joint ventures have contributed to the after tax result of the consolidated entity as follows:
Profit after tax $624,000 (2001 - $1,401,000)
Revenue $13,159,000 (2001 - $12,873,000)
There are no contingent liabilities in respect of the joint ventures.
Capital expenditure commitments of $2,250,000 payable within one year were contracted for at balance date.

NOTE 28
SEGMENT INFORMATION
The company operates predominantly in Australia.

Business Segment Information	Leather		Building products		Investment properties		Other investments		CONSOLIDATED	
	2002* **$000**	2001 $000	**2002** **$000**	2001 $000	**2002** **$000**	2001 $000	**2002** **$000**	2001 $000	**2002** **$000**	2001 $000
Revenue										
Total revenue from ordinary activities external customers	**159,125**	-	**35,325**	30,089	**4,966**	5,022	**12,823**	11,364	**212,239**	46,475
Unallocated revenue									**546**	424
Total revenue									**212,785**	46,899
Results										
Segment results:	**15,926**	4,346	**5,322**	6,080	**2,433**	2,668	**902**	1,422	**24,583**	14,516
Interest and corporate overhead									**(4,000)**	(3,597)
Operating profit before income tax									**20,583**	10,919
Income tax expense									**5,774**	2,917
Net profit after tax									**14,809**	8,002
Assets										
Segment assets	**94,601**	11,586	**22,401**	20,421	**27,404**	25,374	**16,941**	23,266	**161,347**	80,647
Unallocated assets									**2,343**	2,334
Total assets									**163,690**	82,981
Liabilities										
Segment liabilities	**69,448**	-	**7,897**	9,445	**22,985**	21,625	**1,976**	7,462	**102,306**	38,532
Unallocated liabilities									**8,560**	6,173
									110,866	44,705
Other segment information										
Equity accounted investment included in segment assets	-	11,586	-	-	-	-	-	-	-	11,586
Acquisition of property, plant and equipment, intangible assets and other non-current assets	731	-	3,012	1,499	1,883	2,984	31	764	5,657	5,247
Depreciation	2,384	-	1,221	1,111	287	-	-	-	3,892	1,111
Amortisation	99	-	195	187	-	-	-	-	294	187
Non-cash expenses other than depreciation and amortisation	3,333	-	145	113	-	-	1,029	200	4,507	313

Intersegment transactions are on a commercial basis.

* Current year Includes 3 months equity accounting and 9 months consolidated earnings
Prior year is entirely equity accounted.

NOTE 29
RELATED PARTY DISCLOSURES

(a) The directors of Schaffer Corporation Limited during the year were Messers J.M.Schaffer, K.K.Webster, J.B.Abernethy, D.J.Schwartz, A.K.Mayer (appointed 21/11/01) and Mrs D.E.Blain.

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

Transactions with directors of Schaffer Corporation Limited and the consolidated entity

During the year certain directors, their relatives and related entities placed funds on deposit with the company at call and bearing interest at normal commercial rates. The balance due by Schaffer Corporation Limited to these directors and related parties totalled $Nil at 30 June 2002 (2001 - $1,249,122). Interest paid on the funds loaned from these directors and their related parties during the year totalled $43,425 (2001 - $30,769). This practice has ceased and Schaffer Corporation Limited will in future not accept funds on deposit.

Disclosures relating to wholly owned group

Schaffer Corporation Limited has provided 100% controlled entities with working capital loans which are interest free and have no fixed repayment date. The aggregate amounts owing from those controlled entities at year end is $5,397,860 (2001 - $785,350) of which $Nil (2001 - $489,758) has been provided for as non-recoverable.

Schaffer Corporation Limited has provided 100% controlled entities with working capital loans which have no fixed repayment date. Interest charged at normal commercial rates amounted to $51,121 (2001 $190,361). The aggregate amounts owing from those controlled entities at year end is $Nil (2001 - $4,619,483).

Wholly owned controlled entities have provided Schaffer Corporation Limited with loans which have no fixed repayment date. Interest charged at normal commercial rates amounted to $Nil (2001 $212,855). The aggregate amounts owing to those controlled entities at year end is $Nil (2001 - $684,248).

Wholly owned controlled entities have provided Schaffer Corporation Limited with loans which are interest free and have no fixed repayment date. The aggregate amounts owing to those controlled entities at year end is $946,583 (2001 - $Nil).

Transactions with other related parties

Schaffer Corporation Limited holds 83.17% (2001 - 41.66%) of the share capital of Australian Leather Holdings Limited of which Mr J M Schaffer, Mr A K Mayer and Mrs D E Blain are directors. Schaffer Corporation Limited provided management services under normal commercial terms and conditions to Australian Leather Holdings Limited. Fees received during the year were $240,000 (2001 - $240,000).

Schaffer Corporation Limited holds 51% of the ordinary share capital of Solco Industries Pty Ltd of which Messers J M Schaffer and K K Webster are directors. Schaffer Corporation Limited provided Solco Industries Pty Ltd with a secured loan with no fixed terms of repayment. This loan and other loans provided by the 49% equity holders are interest free. The balance of the loan outstanding at 30 June 2002 is $487,011 (2001 - $462,411) of which $145,840 (2001 - $155,851) has been provided for as non-recoverable. Interest paid during the year was $Nil (2001 -$Nil).

(c) Schaffer Corporation Limited is the ultimate Australian holding company.

(d) Interests in the shares of entities within the consolidated entity held by directors of the reporting entity and their director related entities, as at 30 June 2002

Schaffer Corporation Limited ordinary shares

	Acquired/ (disposed of) during the year	**2002**	2001
Mr J M Schaffer	211,844	**1,918,739**	1,706,895
Mr J B Abernethy	(11,460)	**243,900**	255,360
Mrs D E Blain	(104,425)	**1,247,673**	1,352,098
Mr A K Mayer	106,232	**344,263**	238,031
Mr D J Schwartz	160,000	**566,210**	406,210
Mr K K Webster	26,851	**73,448**	46,597

Options to acquire Schaffer Corporation Limited ordinary shares

	Exercise price	Exercised during the year	**2002**	2001
Mr J B Abernethy	$2.61	52,500	**22,500**	75,000
Mr J M Schaffer	$2.61	127,500	**42,500**	170,000
Mr D J Schwartz	$2.61	60,000	**20,000**	80,000

Directors have been issued for nil consideration options to acquire ordinary shares under an employee share option plan (refer note 26(e)).

Change in directors shareholdings is the result of on or off market transactions or the exercise of options. There have been no other transactions concerning shares between entities in the reporting entity and directors of the reporting entity or their director related entities.

Mr A.K.Mayer has a 16.83% interest in a controlled entity Australian Leather Holdings Limited.

NOTE 30
OUTSIDE EQUITY INTEREST

	2002 **$000**	2001 $000
Reconciliation of outside equity interest in controlled entities: Opening balance	**-**	-
- Amount arising on acquisition of controlled entity	**3,278**	-
- Add share of operating profit	**1,772**	-
Closing balance	**5,050**	-

NOTE 31
EARNINGS PER SHARE

	CONSOLIDATED ENTITY **2002**	2001
The following reflects the income and share data used in the calculation of basic and diluted earnings per share:		
Net profit after tax	14,809	8,002
Adjustments: Net profit attributable to outside equity interest	(1,772)	-
Earnings used in calculating basic and diluted earnings per share	13,037	8,002

NOTE 31 (CONTINUED)
EARNINGS PER SHARE

	CONSOLIDATED ENTITY **2002**	2001
	Number of shares	Number of shares
Weighted average number of ordinary shares used in calculating basic earnings per share	12,736,108	12,079,670
Effect of dillutive securities: Share options	659,800	540,000
Weighted average number of ordinary shares used in calculating diluted earnings per share	13,395,908	12,619,670

Conversions, calls, subscriptions or issues after 30 June 2002

Since the end of the financial year 96,250 ordinary shares have been issued pursuant to the employee share option plan. There have been no other conversions to, calls of, or subscriptions for ordinary shares or issues of potential ordinary shares since the reporting date and before the completion of this financial report.

NOTE 32
FINANCIAL INSTRUMENTS

(a) Interest rate risk

Financial instruments	Floating interest rate		Fixed interest rate maturing in: 1 year or less		Fixed interest rate maturing in: Over 1 to 5 years		Non - interest bearing		Total carrying amount as per the balance sheet		Weighted average effective interest rate	
	2002 $'000	2001 $'000	**2002 $'000**	2001 $'000	**2002 $'000**	2001 $'000	**2002 $'000**	2001 $'000	**2002 $'000**	2001 $'000	**2002 $'000**	2001 $'000
(i) Financial assets												
Cash	**-**	-	**-**	-	**-**	-	**5,606**	2,272	**5,606**	2,272	**N/A**	N/A
Receivables - trade	**-**	-	**-**	-	**-**	-	**34,654**	7,778	**34,654**	7,778	**N/A**	N/A
Receivables - other	**-**	-	**-**	-	**-**	-	**2,022**	630	**2,022**	630	**N/A**	N/A
Listed shares	**-**	-	**-**	-	**60**	-	**215**	935	**275**	935	**10%**	10%
Unlisted shares	**-**	-	**-**	-	**-**	-	**1,594**	1,975	**1,594**	1,975	**N/A**	N/A
Other current assets - deposits	**-**	-	**-**	-	**-**	-	**-**	146	**-**	146	**N/A**	N/A
Total financial assets	**-**	-	**-**	-	**60**	-	**44,091**	13,736	**44,151**	13,736		
(ii) Financial liabilities												
Trade creditors, accruals and other creditors	**-**	-	**-**	-	**-**	-	**25,418**	6,522	**25,418**	6,522	**N/A**	N/A
Bank overdraft	**1**	2	**-**	-	**-**	-	**-**	-	**1**	2	**9%**	9.55%
Finance lease liability	**-**	-	**495**	423	**1,635**	1,875	**-**	-	**2,130**	2,298	**8.0%**	8.0%
Loans from directors of the entity	**-**	1,249	**-**	-	**-**	-	**-**	-	**-**	1,249	**3.75%**	4.96%
Loans from other corporations	**-**	-	**-**	-	**-**	-	**-**	172	**-**	172	**N/A**	N/A
Dividends payable	**-**	-	**-**	-	**-**	-	**4,708**	-	**4,708**	-	**N/A**	N/A
Bills of exchange	**-**	-	**-**	-	**-**	3,000	**-**	-	**-**	3,000	**N/A**	7.3%
Government loans	**-**	-	**-**	-	**38,654**	-	**-**	-	**38,654**	-	**6.39%**	N/A
Bank loans	**10,153**	13,419	**-**	-	**12,793**	13,275	**-**	-	**22,946**	26,694	**6.79%**	7.13%
Total financial liabilities	**10,154**	14,670	**495**	423	**53,082**	18,150	**30,126**	6,694	**93,857**	39,937		

NOTE 32 (CONTINUED)
FINANCIAL INSTRUMENTS

(b) Net fair values
All financial assets and liabilities have been recognised at the balance sheet date at their net fair values except for the following:

	Total carrying amount as per the statement of financial position		Aggregate net fair value	
	2002 $'000	2001 $'000	**2002 $'000**	2001 $'000
Financial assets Listed shares	275	935	573	1,376
Financial liabilities Government loans	38,654	-	36,588	-

The following methods and assumptions are used to determine the net fair values of financial assets and liabilities

Recognised financial instruments

Cash, cash equivalents and short-term investments:
The carrying amount approximates fair value because of their short-term to maturity.

Trade receivables and payables: The carrying amount approximates fair value.

Dividends payable: The carrying amount approximates fair value.

FINANCIAL INSTRUMENTS

Short-term borrowings: The carrying amount approximates fair value because of their short-term to maturity.

Long-term loans receivable: The fair values of long-term loans receivable are estimated based on the amount likely to be recovered.

Long-term borrowings: Other than noted above the fair values of long-term borrowings are the amounts repayable at the end of the term of the loan.

Non-current investments/securities: For financial instruments traded in organised financial markets, fair value is the current quoted market bid price for an asset or offer price for a liability, adjusted for transaction costs necessary to realise the asset or settle the liability. For investments where there is no quoted market price, a reasonable estimate of the fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows or the underlying net asset base of the investment/security. The net fair value of the unlisted options is determined to be the difference between the market price and the exercise price of the underlying shares.

(c) Credit risk exposures

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 balance sheet.

Concentrations of credit risk

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.
Refer also to Note 28 - Segment information.

Concentration of credit risk on trade receivables arises in the following industry.

	Maximum credit risk exposure Consolidated: Percentage of total trade debtors		Maximum credit risk exposure Consolidated: $000	
Industry	**2002**	2001	**2002**	2001
Manufacturing	**98%**	56%	**33,834**	4,348
Property development	**2%**	44%	**820**	3,340

Credit risk in trade receivables is managed in the following ways:

Manufacturing

- payment terms 30 days
- a risk assessment process is used for all new customers

Property development

- amounts outstanding represent unconditional sales but are subject to completion of the project or the issue of Certificate of Title
- title does not pass to the purchaser until payment is received in full

* The maximum credit risk exposure does not take into account the value of any collateral or other security held, in the event other entities/parties fail to perform their obligations under the financial instruments in question.

NOTE 33
SIGNIFICANT EVENTS AFTER BALANCE DATE

There have been no significant events after balance date which would materially effect the reported results or financial position of the company.

INDEPENDANT AUDIT REPORT

DIRECTORS' DECLARATION

DIRECTORS' DECLARATION
In accordance with a resolution of the directors of Schaffer Corporation Limited, we state that:

(1) In the opinion of directors:
a) the financial statements and notes of the company and of the consolidated entity are in accordance with the Corporations Act 2001, including:
(i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2002 and of their performance for the year ended on that date; and
(ii) complying with Accounting Standards and 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:

(2) In the opinion of the directors, as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in Note 12 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
Chairman and Managing Director
Perth, 25 September 2002

INDEPENDENT AUDIT REPORT
To the Members of Schaffer Corporation Limited

SCOPE
We have audited the financial report of Schaffer Corporation Limited for the financial year ended 30 June 2002 as set out on pages F2 to F23 and the Directors' Declaration. The financial report includes the financial statements of Schaffer Corporation Limited and the consolidated financial statements of the consolidated entity comprising the company and the entities it controlled at year's end or from time to time during the financial year. The company's directors are responsible for the financial report. We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards, other mandatory professional reporting requirements and statutory requirements, in Australia, so as to present a view which is consistent with our understanding of the company's and the consolidated entity's financial position and performance as represented by the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

AUDIT OPINION
In our opinion, the financial report of Schaffer Corporation Limited is in accordance with;
(a) the Corporations Act 2001 including:
(I) giving a true and fair view of the company's and the consolidated entity's financial position as at 30 June 2002 and of their performance for the year ended on that date; and
(ii) complying with Accounting Standards and the Corporations Regulations; and
(b) other mandatory professional reporting requirements.

Ernst & Young

G H Meyerowitz
Partner
Perth

Date: 25 September 2002

DIRECTORS' STATUTORY REPORT

30 JUNE 2002

Your directors submit their report for the year ended 30 June 2002 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, 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. Mr Schaffer is also Chairman of Urbanstone Pty Ltd, Delta Corporation Limited and Australian Leather Holdings Limited.
J B ABERNETHY, B.Com (Econ) - LLB Executive Director, appointed 19/2/98	Mr John Abernethy is joint Managing Director of Loftus Capital Partners Limited. Mr Abernethy is also a director of Jasco Holdings Limited.
D E BLAIN, BA Non-executive 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.
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.
D J SCHWARTZ Non-executive Director, appointed 29/6/99	Mr David Schwartz is the chairman of Loftus Capital Partners 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.
K K WEBSTER, FCPA Non-executive Director, appointed 5/6/87	Mr Kelvin Webster joined the company in 1978. Mr Webster is also a director of Delta Corporation Limited.

ATTENDANCE AT BOARD MEETINGS
During the year fourteen directors meetings were held. The number of meetings attended by each director is as follows:

	Meetings eligible to attend	Meetings attended
Mr J M Schaffer	14	14
Mr J B Abernethy	14	14
Mrs D E Blain	14	12
Mr A K Mayer	9	9
Mr D J Schwartz	14	13
Mr K K Webster	14	14

ATTENDANCE AT AUDIT COMMITTEE MEETINGS
During the year two audit committee meetings were held.
Mr K K Webser and Mr J B Abernethy attended both meetings. Mrs D J Schwartz attended one meeting. Mrs D E Blain did not attend either of the meetings. All the above committee members are also directors of the company.

INTERESTS IN THE SHARES OF THE COMPANY AND RELATED BODIES CORPORATE
At the date of this report the interests of the Directors in the shares of the Company were:

	Schaffer Corporation Limited	
	Ordinary shares	Options over ordinary shares
J M Schaffer	1,918,739	42,500
J B Abernethy	243,900	22,500
D E Blain	1,047,673	-
A K Mayer	344,263	-
D J Schwartz	566,210	20,000
K K Webster	75,548	-

ROTATION AND ELECTION OF DIRECTORS
In accordance with the Articles of Association:

Mr A K Mayer retires as it is his first Annual General Meeting and D J Schwartz retires by rotation.
Both being eligible offer themselves for re-election.

PRINCIPAL ACTIVITIES
The principal activities of the entities within the consolidated entity, in the course of the financial year were automotive leather, paving and concrete product manufacture.

RESULTS
The consolidated entity's operating profit after tax for the financial year and after outside equity interests, was a profit of $13,037,000 (2000 - $8,002,000). This included the equity accounted share of the profit of Australian Leather Holdings Limited for the first three months of the year and consolidation of the profit for the remainder of the year.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS
In the opinion of the directors of the consolidated entity there has not arisen during the financial year or in the interval between the end of the financial year and the date of this report any 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:
Out of profits, as recommended in the financial statements, for the year ended 30 June 2001

	$
On ordinary shares	
- 10c. per share special, paid on 15 November 2000	1,228,000
- 8c. per share interim, paid on 23 April 2001	994,000
- 9c. per share final, paid on 26 June 2001	1,118,000
	3,340,000
Out of profits for the year ended 30 June 2002	
On ordinary shares	
- 10c. per share special, paid on 14 December 2001	1,245,000
- 25c. per share interim, paid On 22 March 2002	3,188,000
- 35c. per share final, payable on 26 September 2002	4,708,000
	9,141,000

DIRECTORS' STATUTORY REPORT

30 JUNE 2002 (CONTINUED)

REVIEW OF OPERATIONS
The consolidated entity's revenue increased by 354% from $46,899,000 to $212,785,000 this year. This resulted in a pre-tax operating profit of $20,583,000 compared to $10,919,000 for last year. The net after tax consolidated entity profit, after minority interests increased by 63% from $8,002,000 to $13,037,000. The above increase in revenue and pre-tax operating profit is a direct result of the increase in the interest in Australian Leather Holdings Limited from 41.66% to 83.17%. The interest in Australian Leather Holdings Limited was equity accounted for the first three months of the year and consolidated for the remainder of the year.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS
Other than matters referred to in this report, the Directors have no 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
There have been no significant events after balance date which would materially effect the reported results or financial position of the company.

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. The total amount of insurance contract premiums paid is not disclosed due to a confidentiality clause within the insurance policy.

DIRECTORS' AND OTHER OFFICERS EMOLUMENTS
The nature and amount of emoluments of directors and officers of the company are reviewed on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team. To assist in achieving corporate objectives some senior executives participate in a performance bonus plan which provides incentives where specified criteria relating to profitability are met. Details of the nature and amount of each element of the emolument of each director of the company and each of the five executive officers of the company and the consolidated entity receiving the highest emolument for the financial year are as follows:

Emoluments of directors of Schaffer Corporation Limited

	Annual Emoluments			Long Term Emoluments		
	Basic fee	Bonus	Other	Termination & similar payments	Super-annuation	Other
	$	$	$	$	$	$
J B Abernethy	197,475	-	-	-	16,290	66,944
D E Blain	25,000	-	-	-	2,000	6,956
A K Mayer	349,514	245,459	-	-	-	-
J M Schaffer	441,196	-	150,617	-	16,769	25,926
D J Schwartz	25,000	-	-	-	2,000	4,166
K K Webster	59,497	-	54,014	-	77,504	-

Emoluments of the five most highly paid executive officers of the company and the consolidated entity

	Annual Emoluments			Long Term Emoluments		
	Basic fee	Bonus	Other	Termination & similar payments	Super-annuation	Other
	$	$	$	$	$	$
M Falconer*	151,555	152,140	76,086	-	41,746	16,296
N Filopovic	144,838	177,168	8,143	-	11,587	-
G P Monkhouse*	225,258	98,841	201,047	-	22,863	-
C Nunis	122,734	158,153	1,193		9,819	-
M Perrella*	116,803	52,492	62,412	-	19,716	21,565

* Includes the value of share options using the Black-Scholes model.

M Falconer	General Manager Urbanstone Pty Ltd
N Filopovic	General Manager Sales, Marketing and International Operations Australian Leather Holdings Limited
G Monkhouse	Chief Financial Officer Schaffer Corporation Limited
C Nunis	Chief Financial Officer Australian Leather Holdings Limited
M Perrella	General Manager Delta Corporation Limited

The terms 'director' and 'officer' have been treated as mutually exclusive for the purposes of this disclosure. The elements of emoluments have been determined on the basis of the cost to the company and the consolidated entity.
Executives are those directly accountable and responsible for the operational management and strategic direction of the company and the consolidated entity.
The category 'Other' includes the value of any non-cash benefits provided.

ROUNDING
The amount contained in this report and in the financial statements have been rounded off under the option available to the company under ASIC class order 98/0100.

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

Signed in accordance with a resolution of the directors

J M Schaffer
Chairman and Managing Director

Perth, 25 September 2002

ASX ADDITIONAL INFORMATION

30 JUNE 2002

Additional information required by the Australian Stock Exchange Ltd is as follows.

TOTAL SHARE CAPITAL
Issued as at 24 September 2002 - 13, 546,985 ordinary fully paid shares

SHARE REGISTRY ADDRESS

c/o Computershare Investor Services Pty Ltd	Postal Address:
Level 2, Reserve Bank Building	G P O Box D182
45 St George's Terrace	PERTH WA 6840
PERTH WA 6000	

STOCK EXCHANGE LISTING
The shares of the Company are listed on the Australian Stock Exchange Limited. 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 24 September 2002	Shareholdings	Shareholders
	1-1,000	555
	1,001-5,000	541
	5,001-10,000	122
	10,001-100,000	112
	100,001 and over	16
		1,346

Number of shareholders holding less than a marketable parcel ie less than 47 shares: 28

SUBSTANTIAL SHAREHOLDERS
As at 24 September 2002, the substantial shareholders of the company pursuant to the Corporations Law, were:

	No. of Shares	Percentage of issued ordinary shares
Mr J M Schaffer	799,554	
Schaffer Nominees Pty Ltd	955,482	
Schaffer Foundation Pty Ltd	40,000	
Mrs D R Schaffer	90,707	
Miss B Schaffer	10,998	
Mr G Schaffer	10,999	
Mr T Schaffer	10,999	
	1,918,739	14.16
Swan Holdings Pty Ltd*	1,305,374	
Mrs D E Blain*	1,047,673	
	4,271,786	31.53
Mrs D E Blain	1,045,570	
Mr A N J Blain	2,103	
	1,047,673	7.73
Swan Holdings Pty Ltd*	1,305,374	
Mr J M Schaffer*	1,918,739	
	4,271,786	31.53
Jobling Investments Pty Ltd	608,312	
Mr A E Jobling	321,543	
Mrs L Jobling	51,843	
Miss L M Jobling	5,749	
Mrs M Bookham	5,749	
	993,196	7.33
Citicorp Nominees Pty Limited	733,516	5.41
Westpac Banking Corporation and its associates	703,500	5.19

* By virtue of the Swan Holdings Pty Ltd Voting Deed conferring on J M Schaffer the power to vote all Swan Holdings Pty Ltd's interest in Schaffer Corporation Limited's shares, J M Schaffer is also deemed to have an interest in all the Schaffer Corporation Limited shares held by D E Blain and her associates, and vice versa.

TWENTY LARGEST SHAREHOLDERS

As at 24 September 2002	No. of Shares	Percentage of issued ordinary shares
Swan Holdings Pty Ltd	1,305,374	9.64
Mrs Danielle Eva Blain	1,045,570	7.72
Schaffer Nominees Pty Ltd	955,482	7.05
Mr John Michael Schaffer	799,554	5.90
Citicorp Nominees Pty Limited	733,516	5.41
Jobling Investments Pty Ltd	608,312	4.49
Mrs Blanka Schaffer	432,897	3.20
RBC Global Services Australia	431,267	3.18
Keyton Enterprises Limited	344,263	2.54
Mr David Schwartz	339,654	2.51
Mr Albert Edward Jobling	321,543	2.27
The Sports Cafe (Australia) Pty Ltd	226,072	1.67
Mirrabooka Investments Limited	179,568	1.33
Double Pty Ltd	154,500	1.14
Alan Forrester Pty Ltd	110,241	0.81
Stoddarts (1980) Pty Ltd	106,706	0.79
National Nominees Limited	97,500	0.72
Mrs Debra Ruth Schaffer	90,707	0.67
Mr John Bruce Abernethy	86,400	0.64
P Morgan Nominees Australia	85,755	0.63
	8,454,881	62.41

ANNUAL GENERAL MEETING
The Annual General Meeting of Schaffer Corporation Limited will be held at Perth on Wednesday, 20 November 2002 at 11.30 am. Further information regarding the meeting including the business to be dealt with is contained in the separate notice of meeting.

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HOWE LEATHER.

Howe is a major leather supplier for BMW's 3, 5 and 7 series of vehicles.