

ASIC registered agent number

15639

7051 15 July 2001 1/1

lodging party or agent name

office, level, building name or PO Box no.

street number & name

suburb/city

state/territory

postcode

telephone ()

facsimile ()

DX number

suburb/city

ASS. REG-A
CASH REG-P
PROC



Australian Securities & Investments Commission

notification of

form **7051**

• Half Yearly Reports

(ASX Form 1001)

Corporations Act 2001

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

285(2), 286(1), 320

Disclosing entity

Please complete A, B or C.

A a company

name

SCHAFFER CORPORATION LIMITED

A.C.N.

008 675 889

B a body (other than a company)

name

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

C a registered scheme

name

A.R.S.N.

Financial period

from

1/7/2003

to

31/12/2003

Certification

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

Signature

This form is to be signed by:

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

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

name of responsible entity

A.C.N.

name of person signing (print)

GEOFFREY VICTOR DAVIESON

capacity

SECRETARY

sign here

[Signature]

date

18/2/04

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

Include

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

hrs

mins

HALF YEARLY REPORTS

SCHAFFER CORPORATION LIMITED

ACN 008 675 689



FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED

31 DECEMBER 2003

SCHAFFER CORPORATION LIMITED HALF YEAR FINANCIAL STATEMENTS

DIRECTORS' STATUTORY REPORT

Your directors submit their report for the half year ended 31 December 2003 made in accordance with a resolution of the directors.

DIRECTORS

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

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

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

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

Mrs Danielle Blain joined the company in 1987.

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

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

A K MAYER
Executive Director,
Appointed 21/11/01

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

ATTENDANCE AT BOARD MEETINGS

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

AUDIT COMMITTEE

The consolidated entity has an Audit Committee, which operates to oversee the internal and external audit functions of the consolidated entity. During the half year one audit committee meeting was held which all members of the audit committee

were eligible to attend. The meeting was attended by Mr D J Schwartz and Mrs D E Blain.

REVIEW OF OPERATIONS

The consolidated entity's revenue decreased by 17% from \$124,958,000 to \$104,297,000 this half year.

The net after tax consolidated entity profit, after minority interests decreased by 1% from \$10,268,000 to \$10,138,000.

ROUNDING

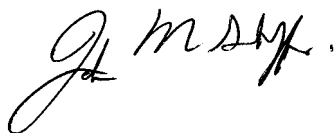
The amounts contained in this report and in the half year financial statement have been rounded under the option available to the company under ASIC class order 98/0100. The company is an entity to which this class order applies.

DIRECTORS' BENEFITS

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

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

Signed in accordance with a resolution of the directors



John Schaffer
Managing Director

Perth, 18 February 2004

**SCHAFFER CORPORATION LIMITED
CONDENSED STATEMENT OF FINANCIAL PERFORMANCE
HALF YEAR ENDED 31 DECEMBER 2003**

	CONSOLIDATED	
	Dec 2003	Dec 2002
	\$000	\$000
REVENUE FROM ORDINARY ACTIVITIES	104,297	124,958
Changes in inventories of finished goods, work in progress and land held for resale	(1,503)	(760)
Raw materials and consumables used	(50,869)	(67,637)
Cost of sales – joint venture interests	(3,310)	-
Depreciation and amortisation expense	(2,379)	(2,341)
Borrowing costs expense	(2,139)	(2,284)
Salaries, wages and on costs	(21,374)	(24,870)
Other expenses from ordinary activities	(7,217)	(10,193)
PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE	15,506	16,873
Income tax expense relating to ordinary activities	4,496	5,109
PROFIT FROM ORDINARY ACTIVITIES AFTER INCOME TAX EXPENSE	11,010	11,764
Net profit attributable to outside equity interests	872	1,496
NET PROFIT ATTRIBUTABLE TO MEMBERS OF SCHAFFER CORPORATION LIMITED	10,138	10,268
Basic earnings per share	73.2¢	76.0
Diluted earnings per share	71.6¢	73.0
Franked dividends per share	70.0¢	50.0

SCHAFFER CORPORATION LIMITED
CONDENSED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2003

	Notes	CONSOLIDATED	
		Dec 2003 \$000	Jun 2003 \$000
CURRENT ASSETS			
Cash assets		24,283	21,072
Receivables		45,535	27,536
Inventories		31,827	37,380
Other financial assets		649	694
Other		1,251	734
TOTAL CURRENT ASSETS		<u>103,545</u>	<u>87,416</u>
NON CURRENT ASSETS			
Property, plant and equipment		59,841	71,038
Deferred tax assets		3,379	3,678
Intangible assets		1,365	1,431
TOTAL NON CURRENT ASSETS		<u>64,585</u>	<u>76,147</u>
TOTAL ASSETS		<u>168,130</u>	<u>163,563</u>
CURRENT LIABILITIES			
Payables		30,244	19,525
Interest bearing liabilities		377	477
Current tax liabilities		2,169	3,882
Other provisions		8,447	4,654
TOTAL CURRENT LIABILITIES		<u>41,237</u>	<u>28,538</u>
NON CURRENT LIABILITIES			
Interest bearing liabilities		56,731	64,117
Deferred tax liabilities		2,591	2,904
Provisions		3,261	3,367
TOTAL NON CURRENT LIABILITIES		<u>62,583</u>	<u>70,388</u>
TOTAL LIABILITIES		<u>103,820</u>	<u>98,926</u>
NET ASSETS		<u>64,310</u>	<u>64,637</u>
EQUITY			
Parent entity interest			
Contributed equity		15,471	14,738
Reserves		2,585	2,585
Retained Profits	3	<u>42,329</u>	<u>41,905</u>
Equity attributable to members of Schaffer Corporation Limited		60,385	59,228
Outside equity interest in controlled entities		<u>3,925</u>	<u>5,409</u>
TOTAL EQUITY		<u>64,310</u>	<u>64,637</u>

**SCHAFFER CORPORATION LIMITED
CONDENSED STATEMENT OF CASH FLOWS
HALF YEAR ENDED 31 DECEMBER 2003**

	CONSOLIDATED	
	Dec 2003	Dec 2002
	\$000	\$000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	94,856	130,020
Payments to suppliers and employees	(78,350)	(105,470)
Proceeds on disposal of equity securities	16	1,100
Dividends received	32	5
Other revenue	23	128
Interest income	507	288
Borrowing costs paid	(2,139)	(2,284)
Income taxes paid	(6,223)	(5,062)
Goods and services tax refunded	223	(20)
Research & development expenditure	(1,023)	-
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>7,922</u>	<u>18,705</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(2,433)	(1,473)
Proceeds on sale of property, plant and equipment	29	148
Proceeds on disposal of joint venture interests	6,428	-
Other	854	157
Payment of deferred acquisition price of controlled entity	-	(1,427)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	<u>4,878</u>	<u>(2,595)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Finance lease principal payments	(192)	(1,088)
Dividends paid	(9,714)	(4,741)
Dividends paid to minority interest in controlled entity	(1,178)	(841)
Proceeds from share issue	733	417
Proceeds from borrowings	742	-
NET CASH FLOWS USED IN FINANCING ACTIVITIES	<u>(9,609)</u>	<u>(6,253)</u>
NET INCREASE IN CASH HELD	3,191	9,857
Cash at the beginning of the half year	<u>21,071</u>	<u>5,606</u>
CASH AT THE END OF THE HALF YEAR	<u>24,262</u>	<u>15,463</u>

**NOTES TO AND FORMING PART OF THE
HALF YEAR FINANCIAL STATEMENTS
31 DECEMBER 2003**

1. BASIS OF PREPARATION OF THE FINANCIAL REPORT

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

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

It is recommended that the half year report is read in conjunction with the Annual Financial Statements of Schaffer Corporation Limited as at 30 June 2003 together with any public announcements made by Schaffer Corporation Limited and its controlled entities during the half year ended 31 December 2003 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

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

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

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous year.

2. DIVIDENDS PAID OR PROPOSED

	Dec 2003 \$000	Dec 2002 \$000
Dividends paid during the half year		
Franked Dividends	<u>9,714</u>	<u>5,582</u>
Dividends Proposed after 31 December		
Franked Dividends	<u>9,714</u>	<u>6,885</u>

3. RETAINED PROFITS

	Dec 2003	Jun 2003
Balance at the beginning of the year	41,905	31,803
Net profit attributable to the members of Schaffer Corporation Limited	10,138	17,020
Adjustments arising from adoption of revised accounting standard AASB 1044 "Provision, contingent liabilities and contingent assets"		4,708
Dividends provided for or paid	<u>(9,714)</u>	<u>(11,626)</u>
Balance at end of period	<u>42,329</u>	<u>41,905</u>

4. EARNINGS PER SHARE

	Dec 2003	Dec 2002
(a) Basic earnings per share (cents per share)	<u>73.2</u>	<u>76.0</u>
(b) Diluted earnings per share (cents per share)	<u>71.6</u>	<u>73.0</u>

5. NON CASH FINANCING AND INVESTING ACTIVITIES

There were no non-cash financing of inventory activities during the current period or the previous corresponding period.

6. SUBSEQUENT EVENTS

Subsequent to the end of the half year the company declared a dividend of 70¢ per share totalling \$9,714,000 payable on 22 March 2004.

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

7. CONTINGENT LIABILITIES

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

8. SEGMENT INFORMATION

	LEATHER		BUILDING PRODUCTS		INVESTMENT PROPERTY		OTHER INVESTMENTS		CONSOLIDATED	
	Dec 2003 \$000	Dec 2002 \$000	Dec 2003 \$000	Dec 2002 \$000	Dec 2003 \$000	Dec 2002 \$000	Dec 2003 \$000	Dec 2002 \$000	Dec 2003 \$000	Dec 2002 \$000
Total Revenue from Ordinary Activities	74,278	99,967	19,532	18,382	8,272	2,433	2,144	4,041	104,226	124,823
Unallocated Revenue									71	135
Total Revenue									104,297	124,958
Segment Earnings	8,645	14,044	3,575	2,861	4,368	1,194	455	637	17,043	18,736
Interest and Corporate Overheads									(1,537)	(1,863)
Operating Profit Before Income Tax									15,506	16,873
Income Tax Expense									4,496	5,109
Net Profit After Tax									11,010	11,764
Segment Assets	95,201	95,191	21,873	20,422	17,305	27,167	31,054	23,377	165,433	166,157
Unallocated Assets									2,697	2,630
Total Assets									168,130	168,787
Segment Liabilities	76,768	71,622	6,213	7,852	16,041	22,614	2,288	1,540	101,310	103,628
Unallocated Liabilities									2,510	1,028
Total Liabilities									103,820	104,656

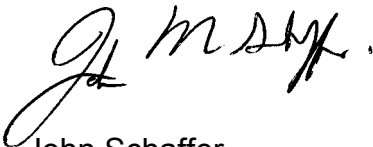
DIRECTORS' DECLARATION

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

In the opinion of the directors:

- (a) The financial statements and notes of the consolidated entity:
 - (i) Give a true and fair view of the financial position as at 31 December 2003 and the performance for the half year ended on that date of the consolidated entity; and
 - (ii) Comply with Accounting Standard AASB 1029: Interim Financial Reporting and the Corporations Regulations 2001; and
- (b) There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



John Schaffer
Managing Director

Perth, 18 February 2004

Independent review report to members of Schaffer Corporation Limited

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows and accompanying notes to the financial statements for the consolidated entity comprising both Schaffer Corporation Limited ("the company") and the entities it controlled during that half year, and the directors' declaration for the company, for the half year ended 31 December 2003.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the consolidated entity, and that complies with Accounting Standard AASB 1029 "Interim Financial Reporting", in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Review approach

We conducted an independent review of the financial report in order to make a statement about it to the members of the company, and in order for the company to lodge the financial report with the Australian Stock Exchange and the Australian Securities and Investments Commission.

Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements, in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with the Corporations Act 2001, Accounting Standard AASB 1029 "Interim Financial Reporting" and other mandatory professional reporting requirements in Australia, so as to present a view which is consistent with our understanding of the consolidated entity's financial position, and of its performance as represented by the results of its operations and cash flows.

A review is limited primarily to inquiries of company personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Independence

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.


Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of Schaffer Corporation Limited is not in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of Schaffer Corporation Limited and the consolidated entity at 31 December 2003 and of their performance for the half year ended on that date; and
 - (ii) complying with Accounting Standard AASB 1029 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- (b) other mandatory financial reporting requirements in Australia.



Ernst & Young



G H Meyerowitz

Partner

Perth

Date: 18 February 2004