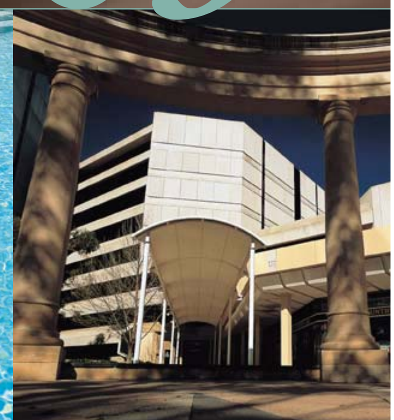
ANNUAL REPORT 03

DELIVERING

SHAREHOLDER

RETURNS



Schaffer Corporation Limited

CORPORATE OBJECTIVE:

To efficiently operate and grow our core business for the benefit of shareholders.

OPERATIONAL OBJECTIVE:

To be number one or number two in each of our markets as measured by profitability. We will achieve this by:

- being a world low cost producer
- maintaining a leading distribution network
- constant attention to detail

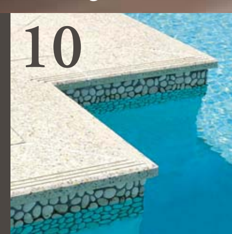
2003 Highlights 01

Managing Director's Report 02

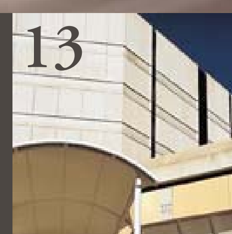
Review of Operations:

Leather 06

Building Products 10



Investments 13



Corporate Governance 14

Financial Statements 17

Shareholder Information 49

About Schaffer Corporation

Schaffer Corporation Limited is an industrial company with two core operating divisions; Automotive Leather and Building Products. The Automotive Leather division currently provides the majority (approx 73% in 2002/03) of the Company's earnings. Accordingly, S&P's GICS (Global Industry Classification Standard) classification of the Company is "Automobile and Components – Class 2510". The Company's ASX code is SFC. Schaffer Corporation is included in the S&P/ASX 300 index.

03 HIGHLIGHTS

REWARDING OUR SHAREHOLDERS

The 2002/03 year was another outstanding year for Schaffer Corporation in terms of profitability, earnings per share, dividend payments and market value.

EARNINGS BEFORE INTEREST TAX AND DEPRECIATION (EBITDA) UP 27% TO $37 MILLION

(previously $29 million)

NET PROFIT AFTER TAX (NPAT) UP 31% TO $17 MILLION

(previously $13 million)

EARNINGS PER SHARE (EPS) UP 22% TO $1.25 PER SHARE

(previously $1.02)

ORDINARY DIVIDENDS PER SHARE (DPS) UP 67% TO $1.00 PER SHARE

(previously $0.60)

RETURN ON CAPITAL EMPLOYED UP 33% TO 28%

(previously 21%)

MARKET CAPITALISATION (AS @ 30-JUNE) UP 32% TO $169 MILLION

(previously $128 million)

This business performance translates into exceptional shareholder returns. Total shareholder return (as defined by share price growth + dividend + dividend imputation credits) was 58% for the past year and averages 54%pa over the past five years.

Key Financial Indicators

	2003	2002	Change
Revenue *($million)*	**223**	213	+5%
Net Profit After Tax *($million)*	**17**	13	+31%
Earnings per Share	**$1.25**	$1.02	+22%
EBITDA *($million)*	**37**	29	+27%
Return on Capital Employed	**28%**	21%	+33%
Full Year Ordinary Dividend per share	**$1.00**	$0.60	+67%
Ordinary Dividend Payout Ratio	**80%**	59%	+36%
Special Dividend	**$0.20**	$0.10	+100%

MANAGING DIRECTOR'S REPORT

EXECUTIVE MANAGEMENT TEAM

John Schaffer
BCom(Hons), FCPA
Age 53
Joined the group in 1972 and has been Managing Director and Chairman of Schaffer Corporation Limited since 1988

Anton Mayer
Age 61
Joined the group in 1998 as Managing Director of Australian Leather Holdings Limited. Joined the Schaffer Corporation Limited Board in 2001

Graeme Monkhouse
BE, MCom
Age 42
Joined the group in 1999 and has been Chief Financial Officer of Schaffer Corporation Limited since 2000

Geoff Davieson
MA, FCIS
Age 40
Joined the group in 1993 and has been Company Secretary of Schaffer Corporation Limited since 1994

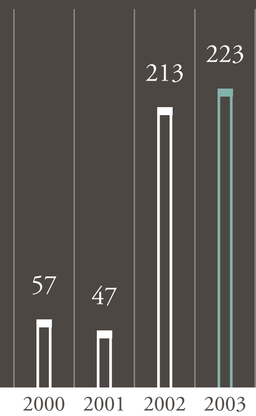
Mike Falconer
TEng, CEI, OMIEAust
Age 49
Joined the group in 1985 and has been General Manager UrbanStone Pty Ltd since 1996

Nick Filipovic
BEc, CPA
Age 44
Joined the group in 1994 and has been the Howe General Manager of Sales/Marketing & International Operations since 1996

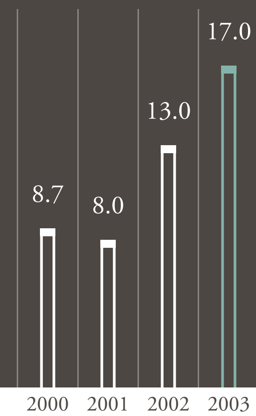
Chris Nunis
BBus(Acc), ACA
Age 38
Joined the group in 1999 and has been Chief Financial Officer of Australian Leather Holdings Limited since 2000

Matt Perrella
NPCAA
Age 54
Joined the group in 1980 and has been General Manager of Delta Corporation Limited since 1989

($million)



($million)



MAINTAINING FOCUS.

Our focus is on growing our core business operations while winding down our property interests to improve the quality and transparency of our earnings.

Financial performance

The 2002/03 financial year provided another year of strong financial performance for Schaffer Corporation. The Company earned a record net profit after tax of $17 million. The 2002/03 result represents a 31% increase on the previous year's result. This is an excellent performance for the group particularly in the context of the sharp increase in profits recorded in recent years.

We continue to focus on our core operating divisions (Automotive Leather and Building Products) as we rationalise non-core group operations. Our strategy is to continue to develop these businesses, an organic growth strategy that we see as providing the least risk to the Group.

Our financial focus is to achieve a high return on capital employed and cash conversion efficiency for the purpose of building shareholder value and maintaining a strong dividend yield for investors.

Financial position

Schaffer Corporation continues to improve its financial position. Operating cash flow for 2002/03 of $34.6 million was strong and applied as follows:

• Debt Reduction	($0.9 million)
• Capital Expenditure	$5.0 million
• Acquisitions	$1.4 million
• Dividends	$13.6 million
• Cash at Bank Increase	$15.5 million
TOTAL	$34.6 million

At balance date, Group net debt totalled $43.5 million. Debt is essentially structural debt consisting of a subordinated loan of $38.7 million to the leather business and $24.5 million related to Schaffer Corporation's property interests offset by $21.1 million in cash. The Group has $42 million of undrawn debt facilities available to fund future growth.

Ordinary dividends

Ordinary dividends on the 2002/03 earnings rose to $1.00 per share, up 67% from the $0.60 paid in 2001/02. This represents a payout ratio of 80% of the 2002/03 after tax earnings and a fully franked dividend yield of approximately 7.0% (based on a share price of $14.30).

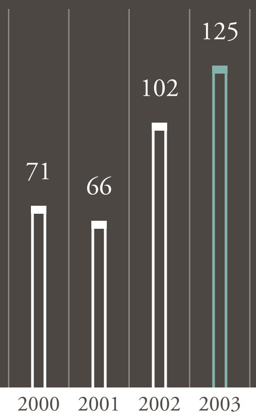
Special dividends

Schaffer Corporation has various non-core property interests. Six of our thirteen investment property joint venture interests were sold in the first quarter of this financial year.

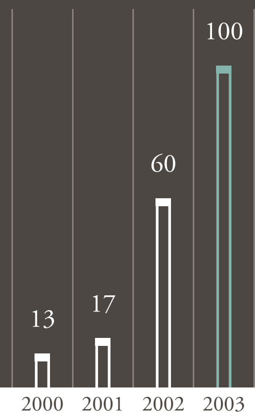
Shareholders received a $0.20 fully franked special dividend in September 2003 as a result of the ongoing disposal of Schaffer Corporation's property subdivision projects over the course of last year and the sell down of these six investment properties.

The sale of the Company's non-core property interests over the course of the next three to five years will fund special dividends and reduce gearing.

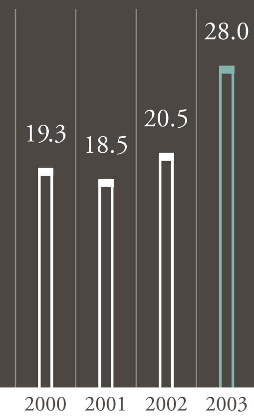
Earnings per share
(¢/share)



Ordinary dividends per share
(¢/share)



Return on capital employed
(%)



Leather

Australian Leather Holdings (ALH) achieved an excellent operating result for the year with an EBIT of $22.3 million (previously $15.2 million) driven primarily by improved efficiency in the automotive division (Howe). The Leather division generated 73% of group operating EBIT.

Howe is a world low cost producer and has an established international market presence from which to build.

Howe derives its competitive advantage from a combination of factors including consistent supply of raw materials, modern global scale finishing facility, quality culture and an established global customer base (Howe is an accredited supplier to most major automotive manufacturers including BMW, Ford, GM, Honda, Subaru, Audi, Toyota, Nissan, Mazda).

Howe's revenue was lower due to program timing issues, a strengthening Australian dollar, lower hide prices and loss of the GMH contract. Howe responded by achieving efficiency gains through restructuring its cost base. An unfortunate consequence of this was staff redundancies which were necessary to maintain Howe's internationally competitive position.

Howe's current performance is based on its sound business fundamentals (Howe operates with no government subsidies) and is in a strong position to build its business in the medium term based on delivering quality product into a growing market.

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 division is comprised of UrbanStone and Delta. The Building Products division contributed $4.3 million toward group EBIT, down 19% on the previous year's $5.3 million.

Despite the lower EBIT, the division continues to trade profitably and provide an acceptable return on capital employed to the group.

UrbanStone is a manufacturer of premium paving products with a national distribution network. UrbanStone continues to trade profitably based on plant flexibility, cost control, product innovation, premium branding and its own distribution network. Delta manufactures pre-cast and pre-stressed concrete floors, beams and wall products predominantly for the Western Australian construction market. Delta also supplies some products into the South Australian market. Delta provides a cost efficient product to a niche pre-stressed market. Both businesses have minimal capital expenditure requirements and are achieving strong cash flows.

Investments

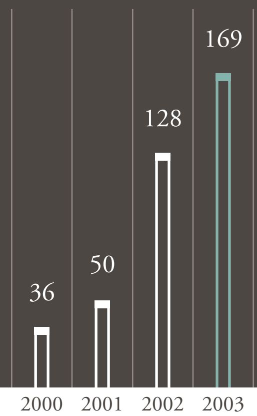
The capital employed by the Company's investments has reduced by $12 million (from $33 million at 30 June 2002 to $21 million at present). Approximately $2 million of the reduction relates to property subdivision lot sales since 30 June 2002. The balance relates to the sale of six of the Company's thirteen investment property joint ventures during the first quarter of this financial year. Those sales generated $2.0 million in net profit, $4.7 million in net cash and reduced debt by $8.0 million. We will continue to sell down our non-core investments over the course of the next three to five years generating an additional $7.7 million in net profit, $11.0 million in net cash and reducing debt by $16.6 million.

People

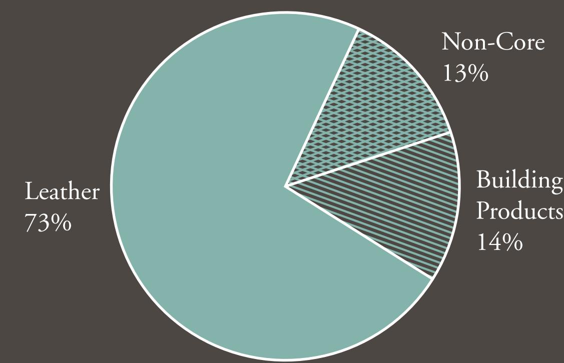
Thanks again go out to our people for their part in making 2002/03 another record result for the Company.

Across our operations, the Group now has a total permanent workforce in excess of 870 people, the majority of whom work in the leather division. Safety is an absolute priority for our people and achieving a safer working environment continues to be a strong focus of senior management at all group operations. The group has initiatives at all operations to improve safety systems and to reinforce employee awareness of the importance of safe work practices in order to minimise the incidence of work related injuries.

Market capitalisation as at 30 June
($million)



EBIT contribution by operating division



We have built a dedicated and experienced management team on which our ongoing success is based. We have in place a number of initiatives to align the performance and skills of our leadership team with our corporate and shareholder objectives. Executives at our operations are charged with developing operationally-focused strategies and are rewarded for successful execution. Our corporate team apply a shareholder focused strategy in achieving our group objectives. The Group currently employs a range of employee incentive plans which are an important factor in maintaining above average performance.

Our people are the 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.

In June this year Mr Kel Webster and Mr John Abernethy, retired as non-executive directors. Kel joined the Company in 1978 and served as an executive director from 1987 to 1998. I wish to thank Kel for his commitment and dedication over the past 25 years and wish him well in his retirement. Mr Abernethy served in an executive director capacity from 1998 until 2002 when Schaffer Corporation sold the Loftus Capital business. On behalf of the Board I thank John for his contribution and wish him all the best for the future. I would also like to acknowledge the retirement of Mr Frank Vezic senior. Frank retired in July this year after 40 years of service with our Building Products division. I would like to thank Frank for his exceptional effort.

Outlook

The directors expect Howe to experience difficult market conditions for the balance of calendar 2003 with first half earnings forecast to be lower than last year's record first half. In the short to medium term significant opportunities exist to win additional programs in a global market forecast to grow at seven percent per year. Longer term, the opportunity for further earnings growth is sound.

The Board expects the Building Products division to provide stable earnings and strong cash flow from its niche businesses. The UrbanStone and Delta facilities provide a solid return on capital employed.

Continued strong cash flow from the group's operations and the sale of non-core property assets should further reduce gearing.

The Directors are forecasting a full year fully franked dividend for 2003/2004 of at least $1.00 per share (fully franked). In addition, over the course of the next three to five years, the Board anticipates paying a total of $1.00 per share (fully franked) in special dividends as Schaffer Corporation realises its non-core property assets.

Our focus is on growing our core business operations while winding down our property interests to improve the quality and transparency of our earnings. We view organic growth within our core business operations as providing the best risk/return outcome.

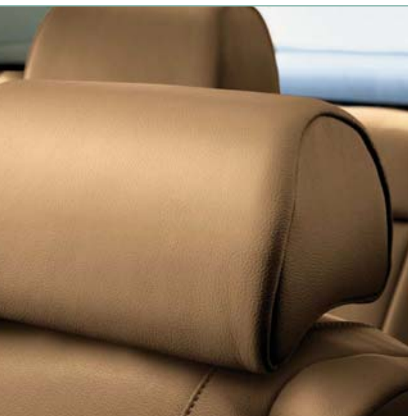
A more detailed review of operations follows.

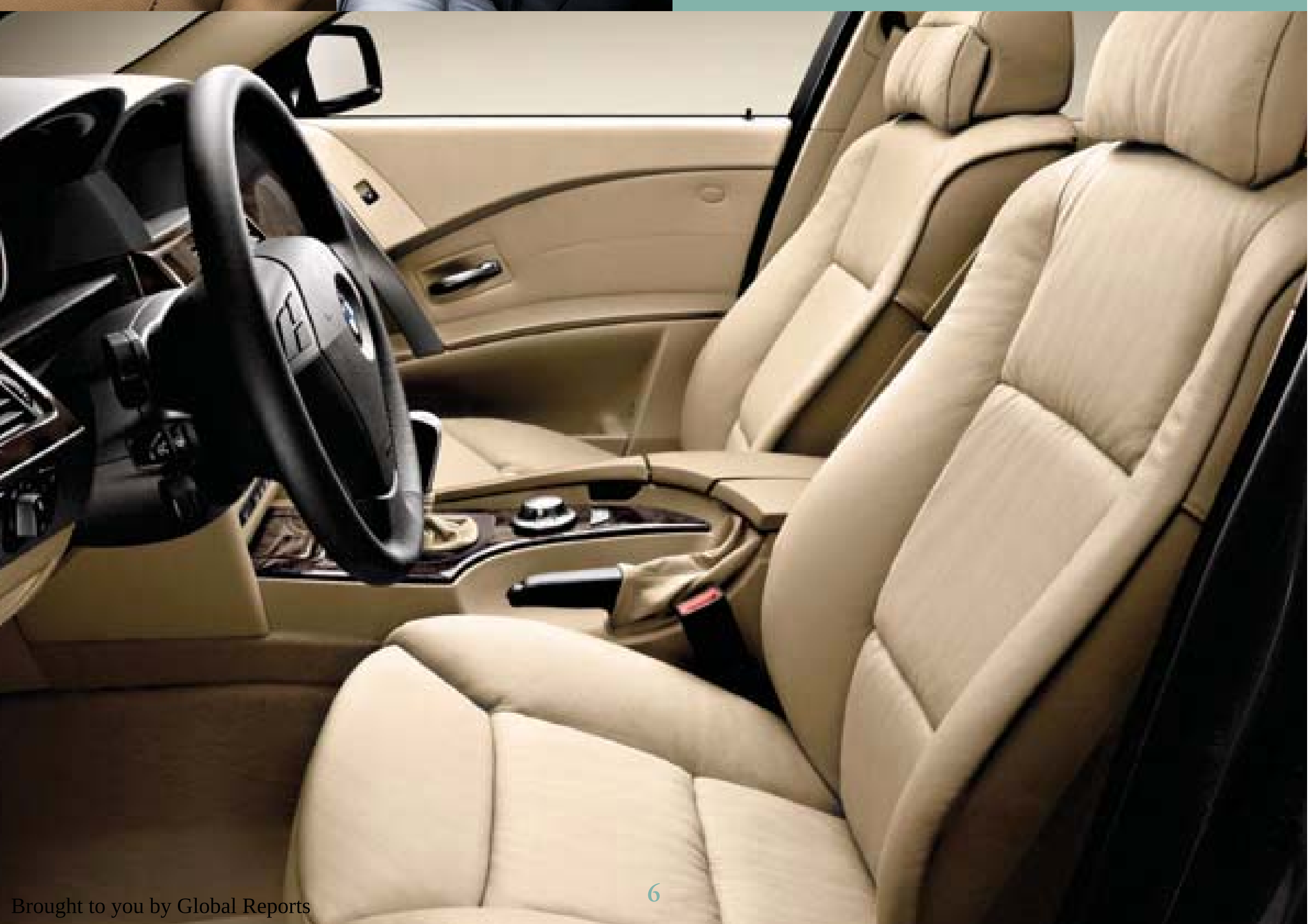
JOHN SCHAFFER

Managing Director

The finest Australian leathers, by Gosh

LEATHER





Revenue *($million)*	EBIT *($million)*	EBIT contribution
$176	$22.3	73%

BEING A WORLD LOW-COST PRODUCER.

Howe is an internationally competitive business based on sound business fundamentals.

Australian Leather Holdings Limited (ALH)

(83% Interest)

ALH is the parent company of our Leather division. The Leather division's operations comprise:

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

ALH achieved an excellent operating result for the year with an EBIT of $22.3m driven primarily by improved efficiency in the Automotive division.

Automotive Division

HOWE

www.howe.com.au

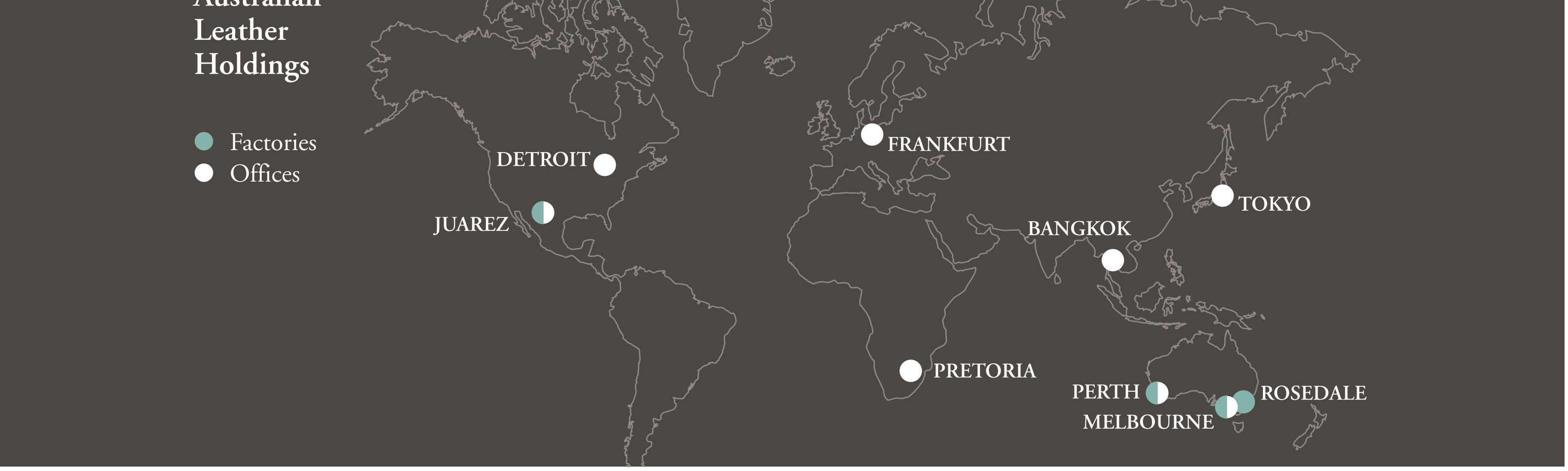
Howe Leather is a world class manufacturer of high performance leather servicing the global automotive industry. Approximately 90% of production is exported to the US, Europe and Asia. Ideally located in the 4th largest hide market in the world, with a diverse range of disease free hides, Howe is an attractive supplier for the major automotive companies.

Automotive leather market

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

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

The market is forecast to grow modestly driven by increased leather penetration. Current global leather penetration (vehicles produced with leather interiors) is approximately 15% (or 6.5m vehicles) with strong growth forecast in Europe over the next five years.



CUSTOMERS

BMW, Ford, Honda
General Motors
Nissan, Mazda, Toyota
Suzuki, Subaru

Customer focused

Howe Leather boasts an impressive and regionally diverse customer base, including:

BMW (Africa/Europe)	Toyota (Australia/Asia)
Ford (USA/China)	Ford (Australia)
General Motors (USA/China)	GMH (Australia)
Suzuki (USA)	Honda (Asia)
Mazda (USA)	Subaru (USA)
Nissan (China)	

In order to maintain and grow its position in the global supply chain, Howe must:

- Be a world low-cost producer
- Maintain its quality accreditation and service levels
- Meet or exceed international benchmarks in environmental management.

World low-cost producer

Howe continually strives to maintain its position as a world low-cost producer based on:

- Access to good quality local hides plus global raw material sourcing capability
- Modern, global scale manufacturing facilities
- International customer base and distribution network
- Highly skilled workforce
- Access to advanced finishing technologies
- Leading information systems

Howe receives no subsidies from any source. This means the business is sustainable in the long term based on business fundamentals.

Access to suitable raw materials is a key competitive determinant for profitability. Howe is the only Australian based automotive leather finishing operation. This coupled with the fact that the Howe facility is underutilised means there is scope for Howe to significantly increase its global automotive market share.

Quality accreditation

Howe is accredited to international standards QS 9000, ISO 90001 and ISO 14001. Howe continually focuses on meeting or exceeding customer expectations.

Environmental management

Howe is committed to sustainable manufacturing. Accreditation to ISO 14001 is part of the ongoing focus on environmentally responsible operations.

Howe does not store any waste material on company owned sites. Following recycling (where possible) processed bi-products are processed at third party treatment plants.

Howe will continue to focus on minimising the production of manufacturing waste and will vigilantly monitor compliance with environmental standards.

CURRENT GLOBAL LEATHER PENETRATION *(vehicles produced with leather interiors)* IS APPROXIMATELY 15% *(or 6.5 million vehicles)* WITH STRONG GROWTH FORECAST IN EUROPE OVER THE NEXT FIVE YEARS.

Furniture Division

Gosh
The finest Australian leathers, by Gosh

www.goshleather.com.au

GOSH – an acronym for "Great Oz Skins and Hides" is the only specialist manufacturer of leather for the furniture industry in Australia.

Leveraging off its internationally recognizable brand, Gosh prides itself as a supplier of choice in the premium furniture leather market.

Gosh services its domestic and international customers from its tannery in Hamilton Hill, Perth and has a reputation for its original and creative designs.

Gosh has received the ultimate compliment of being copied by some of the world's largest tanneries in certain products such as the distressed leathers – Analines and Nubucks. This is as a result of intensive research and development by its highly trained leather technicians.

In this competitive sector of the leather market, Gosh differentiates itself via its high-end product, high quality standards, impeccable service and creative designs.

URBANSTONE
The new standard in creative landscaping.

DELTA
CORPORATION LIMITED

BUILDING PRODUCTS

Revenue ($million)	EBIT ($million)	EBIT contribution
$34.9	$4.3	14%

INNOVATING FOR THE FUTURE.

Our Building Products division delivers niche products and design solutions for the construction and landscaping markets.

Schaffer Corporation's Building Products division consists of its wholly owned subsidiaries UrbanStone Pty Ltd and Delta Corporation Limited.

URBANSTONE
The new standard in creative landscaping.

www.urbanstone.com.au

Sustained success is the result of careful planning, forward thinking and continuous innovation.

These key ingredients form the basis of the UrbanStone Marketing Strategy and have secured our operation as the market leader in a very competitive Australian arena.

UrbanStone's ability to focus on its strategy, understand the market and innovate to inspire our customers has positioned UrbanStone as invariably the number one choice on Australia's most prestigious projects over the past year.

Innovative new premium products which simulate natural travertine, bluestone and the sensational European Cobblestone sets have stimulated the imagination of architects and the public.

Our continuous Product Development Programme has been refined with the addition of specialised equipment and technologies enabling our wet cast process to generate products with exceptional thickness tolerances.

This improvement in product quality and range adds to our competitive advantage and sets UrbanStone apart from the ever improving opposition and creates a benchmark in terms of the knowledge, technology and capital requirements of those competitors wishing to compete.

UrbanStone's Residential Display Centres in Perth, Adelaide, Melbourne, Sydney and Brisbane have all been refreshed with these new and exciting products. UrbanStone's strong representation nationwide will increase accessibility for our target designers, architects and the general public.

Distribution and on time sales delivery have been a focal point in a year when transport and logistics costs have been on the increase.

Refinement in UrbanStone's logistics systems, improved manufacturing efficiencies and production programming have been a focus of the UrbanStone cost control program in an increasingly competitive environment.

UrbanStone has again supplied to an impressive number of projects in NSW (Bradfield Park Kirribilli, Bondi Junction Sydney, Ballina town Centre), WA (Woodside Offices – Perth, Perth Maritime Museum), SA (Mawson Lakes Precinct, Torrens Riverwalk), VIC (Docklands Precinct, Victorian Gardens), QLD (Cairns Esplanade Wall Capping, Toowoomba City Centre Streetscape) and export (Tomb of the Unknown Warrior, Wellington New Zealand).

www.deltacorp.com.au

To survive in a relatively small, volatile and traditional construction industry such as Perth, Delta has adopted an innovative approach to changing market demands since its beginnings in 1966 by continually adapting and modifying its products and services to suit industry needs.

From its architectural wall cladding panel origins, Delta has progressively introduced precast and prestressed elements into the structure of buildings, capturing a much larger share of the construction market. With the introduction of Deltacore floor panels into the Perth market in the late eighties, Delta has continuously improved the quality and range of its product offering to include floor panels up to 400mm thick and capable of spanning 20 metres. Combined with the ability to manufacture a wide range of precast/prestressed concrete beam sizes, Delta's "total precast structural system" concept provides a fast, efficient and safe construction method allowing the designer virtually unlimited scope in flooring layout.

Working closely with design engineers, Delta develops solutions specific to client requirements as evidenced in the Research and Development carried out to incorporate Deltacore wall panels as the integral structural element for 20,000 tonne capacity grain storage cells for Bulkwest.

To date, over 30 demountable grain storage cells have been constructed throughout regional Western Australia.

Further examples of Delta's involvement with the Project Teams to achieve economical solutions include the Perth Convention and Exhibition Centre, Garden City Shopping Centre, Panorama Apartments, Liberty Towers and Commonwealth Law Courts in Adelaide.

Delta has recently introduced the highly prestressed concrete Super Tee Beam for bridge construction. A fully adjustable steel mould was developed enabling beam width, height and length alterations without incurring major tooling up costs in the manufacture of beams with lengths up to 45.0m and weights to 150 tonnes.

Another innovative product developed was the Freeway Noise Walls, consisting of relatively thin prestressed concrete panels and prestressed concrete posts. The whole system is simple to manufacture and equally simple to install with over 16,000 square metres of Noise Wall installed on the Roe Highway Extensions Stages 4 and 5.

As a low cost producer, Delta has focused on minimising labour costs through mechanisation where ever possible and re-use of adjustable moulds for repetitive products such as the Bulkwest Columns and Beams, Super T Beams, DeltaFLOOR, Transfloor, Structural Beams, Stairflights, Sleepers and Masts.

Delta Corporation is a corporate member of the National Precast Concrete Association of Australia.

INVESTMENTS

REALISING THE VALUE.

The sale of the Company's non-core property interests over the course of the next three to five years will fund special dividends and reduce gearing.

Our corporate strategy over the past three years has been to focus on our core operating divisions (automotive leather and building products) and to streamline and simplify our group operations. Much has already been achieved in this regard by the staged and orderly sell down of our non-core assets. We expect to generate further cash and profits as the balance of the Company's surplus assets are liquidated. In total, realisation of all surplus assets held at 30 June 2003 is expected to generate $9.8 million in NPAT, $15.9 million in net cash and reduce group debt by $24.5 million over the course of the next three to five years. Schaffer Corporation will progressively return the cash generated from the sell down of these non-core assets in the form of special dividends. This represents approximately $1.15/share in special dividends (including the 20¢/share special dividend paid in September 2003 based on Schaffer Corporation's current issued capital. The investments classified as non-core assets are as follows:

Investment property

At 30 June 2003, Schaffer Corporation's investment property portfolio consisted of minority joint venture interests in thirteen properties – six commercial and seven retail. Schaffer Corporation's portfolio interest was valued at approximately $37.0 million and accounted for $22.7 million of group debt. The portfolio contributed an EBIT of $2.3 million to the Company's result in 2002/03, down from $2.4 million in 2001/02.

Schaffer Corporation has since sold its interest in six of its investment property joint ventures. Proceeds from the sale of these interests were received in the first quarter of the current financial year. The sales generated approximately $2.0 million in NPAT, $4.7 million in net cash and reduced group debt by $8.0 million.

Based on current valuations the balance of the portfolio should, over the next three to five years, realise a further $5.0 million in NPAT, $6.4 million in net cash and reduce debt by $14.7 million.

Property projects

Schaffer Corporation's property projects contributed an EBIT of $1.7 million to the Company's 2002/03 result, an increase on the $1.3 million contribution in the previous year. The gradual sell down of Schaffer Corporation's development property interests over the next four years is expected to generate an additional $2.7 million of NPAT, $3.9 million in net cash and reduce group debt by $1.9 million.

BOARD OF DIRECTORS

John Schaffer | Anton Mayer | Danielle Blain | David Schwartz




CORPORATE GOVERNANCE

Board Charter

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

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

The Board has delegated authority for the management of the Group through the Managing Director to executive management. Accordingly the Group's executive management team are charged with implementing Board directives and the day-to-day management and reporting of the Group's activities.

The Board meets at least 8 times per year. Board papers should be where possible provided to directors at least four days prior to the relevant meeting. The non-executive Board members are joined at Board meetings by the group's Managing Director, the Managing Director of Australian Leather Holdings Limited, the Company's Chief Financial Officer and Company Secretary.

The Board may from time to time establish committees where the Board is of the belief that the establishment of such a committee will improve the performance of the Board in accomplishing its duties. The Board operates an Audit Committee. The Audit Committee operates pursuant to a formal charter, a full copy of which can be accessed from SFC's website. The Audit Committee shall comprise of at least two non-executive directors. One or more members are required to be independent of management of the Company.

The main functions of the Audit Committee are to oversee the Company's financial reporting process and report the findings of their activities to the Board, assess the accounting financial and internal controls and appoint and liaise with the external audit firm.

The Board does not believe the Board or the Company are of sufficient size to warrant the establishment of additional dedicated Board Committees.

The Board currently consists of 4 directors. The Board considers that between them, the directors bring the range of skills, knowledge and experience (both local and international) necessary to successfully direct the Group's operations.

The Board does not consider the Company to be of sufficient size to warrant a dedicated Nominations Committee. The Board is responsible for the evaluation and appointment of potential candidates to the position of director of the Company. In identifying and forming a recommendation, the Board takes into consideration such factors as it deems appropriate in each case.

The primary criteria adopted in selection of suitable Board candidates is their capacity to contribute to the ongoing development of the Company having regard to the nature of the Company's core business interests and to the candidates attributes in the context of the attributes of existing Board members. These factors may include commercial acumen, skill, judgement, experience and the extent to which the candidate would be a desirable addition to the Board or Board sub-committees.

Directors are subject to shareholder re-election by rotation at least every three years. Shareholders are also required to ratify, at the next annual general meeting, the appointment of any director appointed throughout the year to fill a casual vacancy.

The Board of Directors consists of:

John Schaffer *Chairman and Managing Director (Age 53)*
John joined the Company in 1972 and has held the position of Chairman and MD since 1988. John is also Chairman of ALH, UrbanStone Pty Ltd, Delta Corporation Limited and Solco Industries Pty Ltd. John holds a Bachelor of Commerce degree with honours from the University of Western Australia and is an FCPA.

Anton Mayer *Executive Director (Age 61)*
Anton joined the Board in 2001. Anton is the Managing Director of ALH, a position he has held since 1998. Anton is also a director of a number of the ALH group subsidiaries. Anton has over 35 years of international leather experience, broad business skills and a global business perspective.

Danielle Blain *Non-Executive Director (Age 59)*
Danielle joined the Board in 1987. Mrs Blain is also a director of ALH, and served as an executive director of ALH from 1993 to 2001 as MD of Gosh Leather Pty Ltd, the ALH furniture division. Mrs Blain holds a Bachelor of Arts degree from the University of Western Australia.

David Schwartz *Independent Director (Age 49)*

David joined the Board in 1999. David is Chairman of the investment company Loftus Capital Limited. David has many years of experience in successfully managing manufacturing and distribution businesses in Australia and South Africa. He is Chairman of Pascoes Pty Limited, ToLife Technologies Pty Limited and Stefani Pure Water Australasia Pty Limited.

The Company applies the following criteria in assessing director independence. That is, a director is only regarded by the Company as independent if that director is a non-executive director and:

1. Within the last three years has not been a principal of a material professional adviser or a material consultant to the Company or another Group member, or an employee materially associated with the service provided
2. Is not a material supplier or customer of the Company or other Group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer
3. Has no material contractual relationship with the Company or another Group member other than as a director of the Company
4. Is not a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company
5. Is free from any interest or any business or other relationship which could, or could reasonably be perceived to materially interfere with the director's ability to act in the best interest of the Company
6. Within the last three years has not been employed in an executive capacity by the Company or another Group member, or been appointed or continued as a director after ceasing to hold such employment
7. Has not served on the Board for a period which could or reasonably be perceived to materially interfere with the director's ability to act in the best interests of the Company
8. Does not have family ties or cross directorships which may compromise independence

Mrs Blain and Mr Schwartz are the Company's non-executive directors. The Board does not classify Mrs Blain as an independent director.

Mr Schwartz conforms to items 1 to 8 and is classified by the Company as an independent director. In analysing Mr Schwartz's relationship with the Company, the Board considered the materiality of Mr Schwartz's involvement with some of the Company's joint venture properties (item 5 above). In determining materiality, the Board considered the following:

- SFC's joint venture properties are classified non-core;
- SFC's previously stated and consistent undertaking that no further capital will be allocated to new property joint ventures;
- SFC has a demonstrated and ongoing strategy to exit from existing property joint ventures;

The Board, is therefore, satisfied that Mr Schwartz's involvement is not material, nor will it interfere with his ability to act in the best interest of the Company and affirms his status as an independent director of the Company.

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

In the event a potential material conflict of interest arises, the director concerned does not receive the relevant Board papers and leaves the Board meeting while the matter is discussed and considered. Directors must keep the Board advised on an ongoing basis of any interests which could cause, or may reasonably be perceived to cause, a conflict with the interests of the Company. The minutes of the meeting should record the decision taken by those directors who do not have an interest in the matter.

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

The Board does not consider the Board or the Company to be of sufficient size to warrant a dedicated remuneration committee. The Board (excluding the MD) assumes the role of a remuneration committee in being responsible for determining the remuneration of the MD. The Company has performance-based incentive plans in place at each of its operations in which management and the labour force participate. The incentive plans in operation have been tailored specifically to each of the Group's operations. Benchmarks, applicable hurdle rates and vesting provisions vary between each of the plans.

The maximum aggregate amount of fees that that may be paid to the non-executive Directors was last approved at the Annual General Meeting held on 17 November 1999 at $180,000 per annum. Non-executive directors are entitled to a retirement benefit equivalent to one year's annual director's fees.

Risk Management Policy

SFC's risk management policy provides the framework to manage the risks associated with SFC's business activities. The purpose of the policy is to identify, assess, monitor and manage risk with the objective of minimising losses and maximising shareholder value.

SFC prepares risk profiles including a description of material risks, both financial and non-financial. SFC reviews and updates its risk profile as required. SFC implements a systematic process to assist in the identification, assessment, treatment and monitoring of risks. SFC provides the necessary tools and resources to management and staff to support the effective management of risks.

Management ensure that the Board is adequately informed of significant risk management issues and the actions undertaken to manage risks in a timely manner. The SFC Board shall be responsible for SFC reviewing and analysing the implementation and effectiveness of SFC's risk management systems. The SFC Board reviews these control systems annually.

Responsibility for implementation and effective conduct of SFC's risk management system rests with the Board, Managing Director, Chief Financial Officer, General Managers and all employees.

The Managing Director and the Chief Financial Officer are required to state in writing to the Board that:

- the statement given in accordance with the ASX Corporate Governance Council's Best Practice recommendation 4.1 (the integrity of financial statements) is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- SFC's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

Securities Trading Policy

The SFC Securities Trading Policy regulates dealing by SFC Directors and senior executives in SFC securities. Restrictions imposed by law on prohibiting anyone dealing in SFC's securities if in possession of unpublished SFC price-sensitive information have been supplemented by Board imposed restrictions specific to SFC Directors and senior executives.

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

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

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

SFC Directors and senior executives are prohibited from trading at all other times. For the purposes of clarity, any Unscheduled ASX LR 3.1 announcement made within 4 weeks prior to a Scheduled Announcement does not enable SFC Directors and senior executives to trade SFC securities. The senior executives group to which these restrictive trading periods apply includes all General Manager personnel at Howe & Company Pty Ltd, Gosh Leather Pty Ltd, UrbanStone Pty Ltd, Delta Corporation Limited and SFC's CFO, Company Secretary and Group Chief Accountant.

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

These rules also apply to trading by a related party of any SFC Director or senior executive. This Policy does not restrict participation by SFC senior executives in SFC's Employee Share Options Plan

(ESOP), but applies in respect of the trading of SFC's securities to which plan participants become entitled under the ESOP.

Continuous Disclosure Policy

SFC is committed to complying with the continuous disclosure obligations of the Australian Stock Exchange ("ASX") listing rules and Corporations Act. SFC also draws from the guidance principles for continuous disclosure set out in the Australia and Securities Commissions ("ASIC's") "Better Disclosure for Investors" Guidance Rule publication in order to formulate its continuous disclosure practices.

In fulfilling its obligations of continuous disclosure SFC has adopted and adheres to the following practices.

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

Shareholder Communication Policy

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

Information is communicated to investors and the market in accordance with SFC's periodic and continuous disclosure obligations pursuant to the listing rules of the Australian Stock Exchange and the Corporations Act.

SFC's disclosure practices are aimed at ensuring timely access for all investors to Company information.

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

- SFC's principal communication with investors is by provision of the Annual Report and financial statements, the Interim Report and the Annual General Meeting
- Periodic and continuous disclosure announcements are released directly to the market via the ASX using ASX's electronic lodgement service. These announcements are immediately placed on the Company's website and typically mailed to shareholders.
- The release of Interim and Final results are typically followed by investor briefings and road shows. The purpose of the investor briefings/road shows is for explanation and clarification of previously released information and non-material company or industry specific information. Site visits are also arranged to give those who advise investors a better understanding of the Groups operating facilities
- SFC's website contains further information about the Group and its activities, including copies of recent Annual and Interim Reports, the full text of notices of meetings and explanatory notes and copies of roadshow presentations and presentations to brokers/analysts
- The Annual General Meeting provides an opportunity for the Board to communicate with shareholders and investors through the presentation of the Chairman's Address and shareholders, through the Chairman, are given the opportunity to ask general questions of directors. SFC's external auditor attends each AGM and is available to answer any question shareholders may have that are relevant to the conduct of the audit.

SFC's senior management meets regularly to consider its continuous disclosure obligations and assess the appropriateness of this policy in the context of any legislative amendments to the disclosure regime.

Unless SFC has an obligation to make a statement on a particular matter, the Company's policy is not to respond to market rumours and media speculation.

Code of Conduct

SFC's Code of Conduct describes how SFC relates to its employees, customers, suppliers, shareholders and the community. SFC is committed to promoting integrity and maintaining the highest standard of ethical conduct in all of its activities. Our business success is dependent on the development and maintenance of trusting relationships, underpinned by the continuous demonstration of corporate integrity.

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

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

Our Code of Conduct is set out below:

Mutual Respect: SFC recognises that respect in all working relationships is fundamental in building team spirit and function. Harassing, discriminating, demeaning and offensive behaviour is not tolerated in the workplace. We practice the principle of equal opportunity employment without regard to age, gender, race, religion, political affiliation or physical disability. The privacy of our personnel is respected and is not disclosed without appropriate authority unless there is a legal obligation to do so. A culture of safety in the workplace is observed with all staff encouraged to take responsibility for ensuring a safe and secure working environment.

Conflicts of interest: The Board of Directors and all SFC personnel are required to conduct their business dealings in a manner that is in the best interests of the group and that avoids real, perceived or potential conflicts of interest which may interfere with the independent exercise of their judgement.

Ethical business conduct: SFC's marketing and advertising will be accurate and truthful. SFC competes in the context of the relevant legal framework of the jurisdictions in which it does business. SFC and its employees are required to act honestly and with integrity.

Trading in Securities: The release of information concerning SFC is done so within the context of the ASX's continuous disclosure regime. The overriding expectation on all SFC directors and personnel who become aware of material price sensitive information in the period pending its release to the ASX is that they will not use that information for personal profit and do not take advantage of the information by trading, or providing that information to others in order to trade in SFC securities.

Financial Reporting: SFC requires the honest and accurate reporting of any and all financial information in order to manage its business and facilitate responsible business decision making. The objective of SFC's statutory financial reports is to accurately reflect transactions and events, and conform to national accounting standards and the Corporations Act.

Social responsibility: We wish to be good corporate citizens and wish to build positive relationships with communities where we have a presence. SFC is committed to protecting the public interest by working to the requisite standards of environmental legislation. SFC believes behaving as a good corporate citizen is an important measure of our success.

2003 FINANCIAL REPORT

as at 30 June 2003

Statement of Financial Position	18
Statement of Financial Performance	19
Statement of Cash Flows	20
Notes to the Financial Statements	21
Directors' Declaration	43
Independent Audit Report	43
Directors' Statutory Report	44
ASX Additional Information	47

STATEMENT OF FINANCIAL POSITION

at 30 June 2003

	NOTES	CONSOLIDATED 2003 $000	CONSOLIDATED 2002 $000	CHIEF ENTITY 2003 $000	CHIEF ENTITY 2002 $000
CURRENT ASSETS					
Cash assets		**21,072**	5,606	**1,783**	594
Receivables	8	**27,536**	36,676	**824**	795
Inventories	9	**37,380**	41,932	**-**	1,731
Other financial assets	10	**694**	1,869	**694**	1,869
Other	11	**734**	508	**25**	34
TOTAL CURRENT ASSETS		**87,416**	86,591	**3,326**	5,023
NON CURRENT ASSETS					
Receivables	12	**-**	-	**9,802**	5,398
Investments accounted for using the equity method	13	**-**	-	**-**	-
Other financial assets	14	**-**	-	**19,664**	19,737
Property, plant and equipment	15	**71,038**	71,289	**16,637**	16,616
Deferred tax assets	6	**3,678**	4,247	**803**	701
Intangible assets	16	**1,431**	1,563	**-**	-
TOTAL NON CURRENT ASSETS		**76,147**	77,099	**46,906**	42,452
TOTAL ASSETS		**163,563**	163,690	**50,232**	47,475
CURRENT LIABILITIES					
Payables	17	**19,525**	26,266	**415**	1,785
Interest bearing liabilities	18	**477**	496	**21**	23
Current tax liabilities	6	**3,882**	4,431	**135**	150
Provisions	19	**4,654**	11,172	**311**	4,708
TOTAL CURRENT LIABILITIES		**28,538**	42,365	**882**	6,666
NON CURRENT LIABILITIES					
Interest bearing liabilities	20	**64,117**	63,235	**8,981**	8,669
Deferred tax liabilities	6	**2,904**	2,731	**419**	366
Provisions	21	**3,367**	2,535	**172**	253
TOTAL NON CURRENT LIABILITIES		**70,388**	68,501	**9,572**	9,288
TOTAL LIABILITIES		**98,926**	110,866	**10,454**	15,954
NET ASSETS		**64,637**	52,824	**39,778**	31,521
EQUITY					
Parent entity interest					
Contributed equity	22	**14,738**	13,386	**13,790**	12,438
Reserves	23	**2,585**	2,585	**2,283**	2,283
Retained profits	23	**41,905**	31,803	**23,705**	16,800
Equity attributable to members of Schaffer Corporation Ltd		**59,228**	47,774	**39,778**	31,521
Total outside equity interest in controlled entities	31	**5,409**	5,050	**-**	-
TOTAL EQUITY		**64,637**	52,824	**39,778**	31,521

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

STATEMENT OF FINANCIAL PERFORMANCE

year ended 30 June 2003

	NOTES	CONSOLIDATED 2003 $000	CONSOLIDATED 2002 $000	CHIEF ENTITY 2003 $000	CHIEF ENTITY 2002 $000
REVENUE FROM ORDINARY ACTIVITIES	3	**223,133**	212,785	**20,238**	9,191
Change in inventories of finished goods, work in progress and land held for re-sale		**(4,552)**	30,468	**(1,731)**	(2,928)
Raw materials and consumables used		**(158,039)**	(180,177)	**(339)**	(1,005)
Depreciation and amortisation expense	4	**(5,031)**	(4,428)	**(231)**	(254)
Borrowing cost expense	4	**(4,380)**	(3,987)	**(561)**	(766)
Salaries, wages and on costs		**(13,335)**	(12,788)	**(1,403)**	(1,305)
Other expenses from ordinary activities		**(10,416)**	(20,713)	**(2,068)**	(1,935)
Share of net (losses)/profits of associates and joint ventures accounted for using the equity method		**-**	(577)	**-**	-
PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE		**27,380**	20,583	**13,905**	998
Income tax expense/(benefit) relating to ordinary activities	6	**7,981**	5,774	**82**	(555)
PROFIT FROM ORDINARY ACTIVITIES AFTER INCOME TAX EXPENSE		**19,399**	14,809	**13,823**	1,553
Net profit attributable to outside equity interests	31	**2,379**	1,772	**-**	-
NET PROFIT ATTRIBUTED TO MEMBERS OF SCHAFFER CORPORATE LIMITED		**17,020**	13,037	**13,823**	1,553
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		**17,020**	13,037	**13,823**	1,553
Basic earnings per share (cents)	32	**125.0**	102.4		
Diluted earnings per share (cents)	32	**122.0**	97.3		
Franked dividends per share (cents)	7	**120.0**	70.0		

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

STATEMENT OF CASH FLOWS

year ended 30 June 2003

	NOTES	CONSOLIDATED 2003 $000	CONSOLIDATED 2002 $000	CHIEF ENTITY 2003 $000	CHIEF ENTITY 2002 $000
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		236,016	233,180	4,158	8,403
Payment to suppliers and employees		(195,640)	(182,981)	(1,055)	(2,853)
Disposal of equity securities		1,265	866	1,265	522
Dividends received from associate		-	-	-	180
Dividends received		10	61	9,990	61
Other revenue		666	1,290	109	76
Interest income		634	193	142	90
Borrowing costs paid		(4,380)	(3,896)	(536)	(758)
Income taxes (paid)/refunded		(7,411)	(4,324)	(146)	2
Goods and services tax (paid)/refunded		2,443	(114)	(115)	(86)
Research and development expenditure		(1,108)	(349)	-	-
NET CASH FLOWS FROM OPERATING ACTIVITIES	5(b)	32,495	43,926	13,812	5,637
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of property, plant and equipment		(6,388)	(7,703)	(252)	(673)
Proceeds on sale of plant and equipment		168	821	-	251
Receipts from controlled entities		-	-	(1,120)	2,489
Receipts from/(advances to) other debtors		913	(323)	281	(303)
Net cash change from disposal of controlled entities		-	(100)	-	-
Deposit refunded/(paid)		-	123	-	63
Shares acquired in controlled entity		-	(6,101)	-	(2,084)
Payment of deferred acquisition price of controlled entity		(1,427)	-	(1,427)	-
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(6,734)	(13,283)	(2,518)	(257)
CASH FLOWS FROM FINANCING ACTIVITIES					
Finance lease payments		(496)	(481)	41	(43)
Shares acquired under share buy back scheme		-	(91)	-	(91)
Repayment of commercial bill		-	(3,000)	-	(3,000)
Dividends paid		(13,646)	(4,420)	(11,626)	(4,420)
Preference dividend paid by controlled entity to minorities		-	(305)	-	-
Proceeds from share issue		1,352	5,680	1,352	5,680
(Repayment of)/proceeds from loans advanced		2,495	(24,691)	128	(3,478)
NET CASH FLOWS USED IN FINANCING ACTIVITIES		(10,295)	(27,308)	(10,105)	(5,352)
NET INCREASE IN CASH HELD		15,466	3,335	1,189	28
Add opening cash brought forward		5,605	2,270	593	565
CLOSING CASH CARRIED FORWARD	5(a)	21,071	5,605	1,782	593

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

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 802 employees at 30 June 2003 (2002 – 1,006 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 policies with respect to the provision for dividends, employee benefits and foreign currency contracts that are hedges

Provision for dividends

The consolidated entity has adopted the new Accounting Standard AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets" which has resulted in a change in the accounting for the dividends provision. Previously, the consolidated entity recognised a provision for dividend based on the amount that was proposed or declared after the reporting date. In accordance with the requirements of the new Standard, a provision for dividends will only be recognised at the reporting date where the dividends have been declared, determined or publicly recommended prior to the reporting date. The effect of the revised policy has been to increase consolidated retained profits and decrease provisions at the beginning of the reporting period by $4,708,000. (refer to note 23). In accordance with the new Standard, no provision for dividend has been recognised for the year ended 30 June 2003.

Employee benefits

The consolidated entity has adopted the revised Accounting Standard AASB 1028 "Employee Benefits", which has resulted in a change in the accounting policy for the measurement of employee benefit liabilities. Previously, the consolidated entity measured the provision for employee benefits based on remuneration rates at the date of recognition of the liability. In accordance with the requirements of the revised Standard, the provision for employee benefits is now measured based on the remuneration rates expected to be paid when the liability is settled. There has been no material effect of the revised policy on opening retained profits or on current profits.

Foreign currency contracts

The entity has adopted revised Accounting Standard AASB 1012 "Foreign Currency Translation", applicable to annual reporting periods beginning on or after 1 January 2002.

In accordance with the revised Standard, Schaffer Corporation Limited has, for the first time recognised foreign currency contracts that are hedges on the Statement of Financial Position. Previously, foreign currency contacts that qualified for hedge accounting were not recognised in the Statement of Financial Position.

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 inter-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 two 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 uncollectible 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 uncollectible debts. Interest is taken up as income on an accrual basis.

Property, plant and equipment

Cost

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:

	2003	2002
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

NOTE 2
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 consolidated entity 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 restatement are brought to account in determining the profit or loss for the financial year. Any gains or costs in entering a hedge 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 transactions 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.

Derivative financial instruments

Forward Exchange Contracts

The consolidated entity enters into forward exchange contracts where it agrees to sell specified amounts of foreign currencies in the future at a predetermined exchange rate. The objective is to match the contract with anticipated future cash flows from sales and purchases in foreign currencies, to protect the consolidated entity against the possibility of loss from future exchange rate fluctuations. The forward exchange contracts are usually for no longer than 12 months.

Forward exchange contracts are recognised at the date the contract is entered into. Exchange gains or losses on forward exchange contracts are recognised in net profit except those relating to hedges of specific commitments that are deferred and included in the measurement of the sale or purchase.

Other Non Current Assets

Expenditure carried forward

Significant items of carry forward expenditure having a benefit to more than one period are written off over the periods to which such expenditure relates.

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 is 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 and discount on acquisition

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 carried at 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.

NOTE 2

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Provisions are recognised when the consolidated entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

Contributed equity

Issued and paid up 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.

Sale of Property

Revenue on the sale of property is brought to account when the sale is unconditional.

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.

Investments

All listed investments and other current and 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 and long service leave. Liabilities arising in respect of wages and salaries, annual 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 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.

NOTE 2
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Executive share option arrangement

The directors of Schaffer Corporation Limited may grant in their absolute discretion without payment share options to employees under an employee share scheme approved by shareholders at the annual general meeting in November 1999. Each option is convertible into one ordinary share of Schaffer Corporation Limited on payment of the exercise price, after a vesting period, but prior to the expiry date.

The exercise price is determined at the grant date at the absolute discretion of the Directors' but not less than the greater of:

(1) the weighted average of the last sale price on the Australian Stock Exchange Limited of the shares in the Company for each of the five trading days on which a sale of the Company's shares was effected immediately preceding the date on which any options are issued to any participant; and

(2) 20 cents

The options hold no voting or dividend rights, and are not transferable. Schaffer Corporation Limited does not provide any loans or guarantees to enable executives to finance the exercise of their options. When an executive ceases to be employed by the entity any unexercised options automatically lapse and are forfeited and cancelled. No employee participating in the plan ceased employment during the year. Two employees ceased employment in 2002. For further details on options refer notes 22(d) and 27(b) and the directors' report.

The value of the share option arrangement is not being recognised as an employee benefit expense.

Employee participation units

A controlled entity Australian Leather Holdings Limited may grant employee participation units (EPUs) in accordance with its Employee Incentive Plan adopted on 20 December 2001.

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

An appropriate amount is provided for at balance date being the estimate of the future expected liability. For further details on EPUs refer note 27(c).

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.

NOTE 3
REVENUE FROM ORDINARY ACTIVITIES

	CONSOLIDATED 2003 $000	CONSOLIDATED 2002 $000	CHIEF ENTITY 2003 $000	CHIEF ENTITY 2002 $000
Revenue from operating activities				
Revenue from the sale of goods	210,952	193,580	-	-
Revenue from sale of property	4,851	10,480	1,961	3,215
Revenue from sale of equity securities	1,273	1,715	1,273	1,320
Revenue from services	-	327	-	-
Rent received from				
- controlled entities	-	-	238	237
- other persons/corporations	4,579	4,645	1,850	1,786
Other	666	963	109	-
Total revenues from operating activities	222,321	211,710	5,431	6,558
Revenues from non operating activities				
Interest received from:				
- other persons/corporations	634	193	142	90
- controlled entities	-	-	-	51
Total interest	634	193	142	141
Dividends received from:				
- controlled entities	-	-	14,655	2,000
- associated entities	-	-	-	180
- other corporations	10	61	10	61
Total dividends	10	61	14,665	2,241
Proceeds on sale of plant and equipment	168	821	-	251
Total revenue from non loperating activities	812	1,075	14,807	2,633
Total revenue from ordinary activities	223,133	212,785	20,238	9,191

NOTE 4
EXPENSES AND LOSSES/(GAINS)

	CONSOLIDATED 2003 $000	CONSOLIDATED 2002 $000	CHIEF ENTITY 2003 $000	CHIEF ENTITY 2002 $000
(a) Expenses				
Cost of sales – manufactured goods	159,629	142,826	-	-
Cost of sales – property	2,962	6,883	2,070	3,933
Cost of sales – equity securities	1,459	1,361	1,459	919
Bad debts written off				
- trade debtors	13	22	-	-
- other debtors	-	682	-	682
Reversed of provision for doubtful debts				
- trade debtors	(713)	(1,177)	-	-
Bad debts recovered				
- trade debtors	-	(1)	-	-
Total bad and doubtful debts	(700)	(474)	-	682

NOTE 4
EXPENSES AND LOSSES/(GAINS) (CONTINUED)

	CONSOLIDATED 2003 $000	CONSOLIDATED 2002 $000	CHIEF ENTITY 2003 $000	CHIEF ENTITY 2002 $000
(a) Expenses (continued)				
Depreciation of non current assets				
Buildings	385	298	10	10
Leasehold improvements	65	60	-	-
Plant and equipment	4,260	3,763	221	231
Total depreciation of non current assets	4,710	4,121	231	241
Amortisation of non current assets				
Goodwill	132	99	-	-
Plant and equipment under lease	189	208	-	13
Total amortisation of non current assets	321	307	-	13
Total depreciation and amortisation expenses	5,031	4,428	231	254
Borrowing costs expensed				
Interest expenses				
- other persons	4,096	3,676	536	715
- directors of the entity	-	43	-	43
Total interest expense	4,096	3,719	536	758
Other borrowing costs				
Finance charges				
- lease liability	182	177	-	-
- other	102	91	25	8
Total other borrowing costs	284	268	25	8
Total borrowing costs	4,380	3,987	561	766
Rental on operating leases – minimum lease payments	1,770	1,391	-	-
Research and development expenditure	1,108	349	-	-
Provision for employee entitlements	77	233	(116)	92
Movement in provision for diminution in value of investments	(276)	1,029	(276)	1,029
(b) Losses/(Gains)				
Loss/(gain) on sale of non current assets	115	423	-	(6)
Loss/(gain) on sale of listed and unlisted shares	186	(354)	186	(401)
Loss/(profit) on sale of shares in controlled entity	-	(294)	100	(294)
Net foreign currency (gain)/loss	(268)	483	-	-
Gain on disposal of joint venture interest	(122)	-	-	-

NOTE 4
EXPENSES AND LOSSES/(GAINS) (CONTINUED)

(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:

	CONSOLIDATED 2003 $000	CONSOLIDATED 2002 $000	CHIEF ENTITY 2003 $000	CHIEF ENTITY 2002 $000
Loans to controlled entities forgiven (no tax effect)	-	-	-	590
Loans from controlled entities forgiven (no tax effect)	-	-	-	(258)
Loss on disposal of controlled entities	-	-	100	-
Plant and equipment written down (tax effect – profit $573)	-	1,910	-	-
Provision for (reversal of) non recovery of loans to controlled entities (no tax effect)	-	-	1,529	(1,166)
Movement in provision for currency loss (tax effect – $164, 2002 - benefit $385)	548	(1,284)	-	-
Reversal of provision for quality claims (tax effect – $543, 2002 - benefit $480)	(1,810)	(1,600)	-	-
	(1,262)	(974)	1,629	(834)

NOTE 5
STATEMENT OF CASH FLOWS

	CONSOLIDATED 2003 $000	CONSOLIDATED 2002 $000	CHIEF ENTITY 2003 $000	CHIEF ENTITY 2002 $000
(a) Reconciliation of cash				
Cash balance comprises;				
Cash on hand	21,072	5,606	1,783	594
Bank overdraft	(1)	(1)	(1)	(1)
Closing cash balance	21,071	5,605	1,782	593
b) Reconciliation of operating profit after income tax to the net cash flows from operations				
Operating profit after taxation	19,399	14,809	13,823	1,553
Non cash items				
Depreciation	4,710	4,121	231	241
Loss/(profit) of equity accounted associate	-	577	-	-
Dividend received from equity accounted associated	-	180	-	-
Amortisation of leased plant and equipment	189	208	-	13
Amortisation of goodwill	132	99	-	-
Provision for employee entitlements	865	1,642	230	91
Movement in deferred foreign exchange gain	548	(1,284)	-	-
Reversal of provision for quality claims	(1,810)	(1,600)	-	-
Reversal of other provisions	(33)	-	-	-
Loss/(profit) on sale of non current assets	115	423	-	(6)
Non current assets written down	-	1,910	-	-
Movement in provision for diminution in value of investments	(276)	1,029	(276)	1,029
Investment in controlled entity written off	-	-	100	-
Provision for/(reversal of) non recovery of amounts owing by controlled entities	-	-	1,529	(1,166)
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	8,171	14,841	(4,982)	1,150
(Increase)/decrease in inventory	4,552	12,221	1,731	2,928
(Increase)/decrease in other financial assets	1,451	153	1,451	119
(Decrease)/increase in trade creditors	(5,862)	(6,693)	30	(666)
(Decrease)/increase in tax provision	(172)	2,209	(15)	150
(Decrease)/increase in deferred tax liability	173	(3,050)	53	(88)
(Increase)/decrease in future income tax benefit	569	2,291	(102)	(615)
(Increase)/decrease in prepayments	(226)	134	9	26
Net cash flows from operating activities	32,495	43,926	13,812	5,637

NOTE 5
STATEMENT OF CASH FLOWS (CONTINUED)

(c) Bank facilities

The consolidated entity has bank facilities available to the extent of $67,769,000 (2002 - $71,376,000).

The chief entity has bank facilities to the extent of $10,264,000 (2002 - $14,025,000).

The unutilised facility for the consolidated entity at balance date was $41,829,000 ($2002 - $46,299,000) and for the chief entity $2,349,000 (2002 - $6,289,000).

(d) Non cash financing activities

During the financial year the consolidated entity acquired plant and equipment with a fair value of $Nil (2002 - $375,000) by means of finance leases.

(e) Loss of control of joint venture

On 12 September 2002 a controlled entity, Schaffer Properties Pty. Ltd. disposed of a 12.5% interest in the Gateway Central Joint Venture. The disposal details are:

	$000
Proceeds on sale receivable at balance date	421
Net Assets disposed of:	
Receivables	32
Prepayments	8
Land and buildings	1,343
Plant and equipment	96
	1,479
Trade Creditors	(2)
Bank Loans	(1,136)
Deferred Tax Liability	(5)
Net Assets disposed of	336
Sale Price	421
Less net assets disposed of	(336)
	85
Losses incurred written back	37
Profit on disposal disclosed in the accounts	122

NOTE 6
INCOME TAX

	CONSOLIDATED 2003 $000	CONSOLIDATED 2002 $000	CHIEF ENTITY 2003 $000	CHIEF ENTITY 2002 $000
Operating profit before income tax	**27,380**	20,583	**13,905**	998
Prima facie tax thereon at 30%	**8,214**	6,175	**4,172**	299
Tax effect of permanent differences:				
- prima facie tax attributable to an equity accounted associate	**-**	(170)	**-**	-
- rebateable dividends	**(3)**	(18)	**(4,400)**	(618)
- expenses not allowable	**105**	323	**485**	5
- other items	**(31)**	(190)	**(120)**	102
- research and development	**(83)**	(63)	**-**	-
- under/(over) provision of tax relating to previous years	**(110)**	(77)	**-**	(2)
	8,092	5,980	**137**	(214)
- current and prior year tax losses and timing differences brought to account	**(111)**	(264)	**(55)**	(19)
- current and prior year tax losses and timing differences not brought to account	**-**	58	**-**	(322)
Income tax expense attributable to ordinary activities	**7,981**	5,774	**82**	(555)
Deferred tax assets and liabilities				
Current tax payable	**3,882**	4,431	**135**	150
Provisions for deferred income tax	**2,904**	2,731	**419**	366
Future income tax benefit	**3,678**	4,247	**803**	701

Tax consolidation

For purposes of income tax, Schaffer Corporation Limited and its 100% controlled entities intend to form a tax consolidated Group. At the date of signing the financial report, Schaffer Corporation Limited has not determined the date of entry into tax consolidation because this decision will be based on the most favourable outcome in terms of the transitional rules in the tax consolidation legislation. The date of entry will be determined at the time the head company lodges its tax return in January 2004.

NOTE 7
DIVIDENDS PROVIDED FOR OR PAID

	CONSOLIDATED 2003 $000	CONSOLIDATED 2002 $000	CHIEF ENTITY 2003 $000	CHIEF ENTITY 2002 $000
(a) Dividends paid during the year				
Final 2002 – 35¢ per share paid September 2002	**4,741**	-	**4,741**	-
Interim 2003 – 50¢ per share paid March 2003	**6,885**	-	**6,885**	-
Special 2002 – 10¢ per share paid November 2001 (2001 – 10¢)	**-**	1,245	**-**	1,245
Interim 2002 – 25¢ per share paid March 2002 (2001 – 8¢)	**-**	3,188	**-**	3,188
Dividend paid by controlled entity to minority shareholder	**2,020**	-	**-**	-
Total fully franked dividends paid	**13,646**	4,433	**11,626**	4,433

NOTE 7
DIVIDENDS PROVIDED FOR OR PAID (CONTINUED)

	CONSOLIDATED 2003 $000	CONSOLIDATED 2002 $000	CHIEF ENTITY 2003 $000	CHIEF ENTITY 2002 $000
(b) Dividends provided for				
Interim 2003 – 50¢ per share paid March 2003	**6,885**	-	**6,885**	-
Interim – 25¢ per share March 2002 (2001 – 8¢)	**-**	3,188	**-**	3,188
Special – 10¢ per share paid November 2001 (2001 – 10¢)	**-**	1,245	**-**	1,245
Final – 35¢ per share payable September 2002 (2001 – 9¢)	**-**	4,708	**-**	4,708
Under/(over) provision of dividend in previous year	**33**	(13)	**33**	(13)
Fully franked dividends provided for	**6,918**	9,128	**6,918**	9,128

The tax rate at which dividends have or will be franked is interim 30% (2002 – 30%), final 30% (2002 – 30%)

(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 2003

	CHIEF ENTITY 2003 $000	CHIEF ENTITY 2002 $000
Franking account balance brought forward	**436**	1,454
Fully franked dividends paid	**(4,983)**	(1,900)
Tax paid/(refunded)	**147**	(1)
Franked dividends received from controlled entities	**6,281**	857
Franked dividends received from other corporations	**4**	26
Franking account balance at the end of the financial year	**1,885**	436
Franking credits to be received from controlled entities or associated entities	**3,660**	4,720
Franking credits that will arise from the payment of income tax payable as at the end of the financial year by the chief entity and wholly owned controlled entities	**367**	1,392
Franking debits that will arise from the payment of dividends as at the end of the financial year	**-**	(2,018)
Franking credits available	**5,912**	4,530

As of 1 July 2002, the new imputation system requires a company's franking credits to be expressed on a tax paid basis. The franking account surplus existing at 30 June 2002 has been restated to a tax paid amount by multiplying the Class C franking surplus by 30/70.

	CHIEF ENTITY 2003 $000	CHIEF ENTITY 2002 $000
Fully franked dividends which can be paid from the above franking credits available	**13,795**	10,570

NOTE 8
RECEIVABLES (CURRENT)

	CONSOLIDATED 2003 $000	CONSOLIDATED 2002 $000	CHIEF ENTITY 2003 $000	CHIEF ENTITY 2002 $000
Trade debtors	28,427	37,311	309	2
Provision for doubtful debts	(1,944)	(2,657)	-	-
	26,483	34,654	309	2
Other debtors	1,053	2,022	171	452
Amounts owing by partly owned controlled entities	-	-	502	487
Provision for non recovery of amount owing by partly owned controlled entities	-	-	(158)	(146)
	27,536	36,676	824	795

Terms and conditions relating to the above financial instruments

(i) Trade debtors are non interest bearing and generally on 30 days 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$10,957,000. The Australian dollar equivalent is $16,354,000. Payment terms vary from letter of credit arrangement from 30 to 60 days.

NOTE 9
INVENTORIES (CURRENT)

	CONSOLIDATED 2003 $000	CONSOLIDATED 2002 $000	CHIEF ENTITY 2003 $000	CHIEF ENTITY 2002 $000
Work in progress				
Cost to date plus profit recognised	18,751	10,795	-	-
Less progress billings to date	(14,279)	(10,109)	-	-
Work in progress - realisable value	4,472	686	-	-
Finished goods – at cost	8,483	16,385	-	-
Raw materials – at cost	22,333	21,161	-	-
	35,288	38,232	-	-
Land held for resale				
Cost of acquisition	567	912	-	174
Development expenses capitalised	1,268	2,520	-	1,557
Rates and taxes capitalised	80	91	-	-
Interest capitalised	177	177	-	-
Carrying value of land	2,092	3,700	-	1,731
	37,380	41,932	-	1,731

NOTE 10
OTHER FINANCIAL ASSETS (CURRENT)

	CONSOLIDATED 2003 $000	CONSOLIDATED 2002 $000	CHIEF ENTITY 2003 $000	CHIEF ENTITY 2002 $000
Shares				
- Listed on a prescribed stock exchange at cost	493	275	493	275
- Unlisted at cost	1,154	2,823	1,154	2,823
- Provision for diminution in value of unlisted shares	(953)	(1,229)	(953)	(1,229)
	694	1,869	694	1,869

NOTE 10
OTHER FINANCIAL ASSETS (CURRENT) (CONTINUED)

	CONSOLIDATED 2003 $000	CONSOLIDATED 2002 $000	CHIEF ENTITY 2003 $000	CHIEF ENTITY 2002 $000
Aggregate quoted market value at balance date of investments listed on a prescribed stock exchange	560	573	560	573

NOTE 11
OTHER CURRENTS ASSETS

	CONSOLIDATED 2003 $000	CONSOLIDATED 2002 $000	CHIEF ENTITY 2003 $000	CHIEF ENTITY 2002 $000
Prepayments	640	347	25	34
Deferred expenditure	94	161	-	-
	734	508	25	34

NOTE 12
RECEIVABLES (NON CURRENT)

	CONSOLIDATED 2003 $000	CONSOLIDATED 2002 $000	CHIEF ENTITY 2003 $000	CHIEF ENTITY 2002 $000
Amount owed by wholly owned controlled entities	-	-	11,319	5,398
Provision for non-recovery of amount owing by wholly owned controlled entities	-	-	(1,517)	-
	-	-	9,802	5,398

NOTE 13
INVESTMENTS

	CONSOLIDATED 2003 $000	CONSOLIDATED 2002 $000	CHIEF ENTITY 2003 $000	CHIEF ENTITY 2002 $000
Associated companies at equity accounted amount				
Unlisted shares	-	-	-	-
Associated companies at cost				
Unlisted shares	-	-	-	-
Ordinary shares	-	-	-	-
	-	-	-	-

	% HELD BY CONSOLIDATED ENTITY 2003 %	% HELD BY CONSOLIDATED ENTITY 2002 %	PLACE OF INC.
Investments in associated companies comprise:			
Solco Zimbabwe (Private) Limited	25.0	25.0	Zimbabwe
Bell Solar Thermal Energy Sdn Bhd	16.8	16.8	Malaysia
Australian Leather Holdings Limited	-	*	

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

* The percentage interest in Australian Leather Holdings Limited was 41.66% until 1 October 2001 when the company became a controlled entity

NOTE 13
INVESTMENTS (CONTINUED)

	CONSOLIDATED 2003 $000	CONSOLIDATED 2002 $000	CHIEF ENTITY 2003 $000	CHIEF ENTITY 2002 $000
Retained profits/(accumulated losses) attributable to associated companies:				
Balance at the beginning of the financial year	-	(1,282)		
Share of associates:				
Operating (loss)/profit before income tax	-	(802)		
Income tax expense attributable to operating profit	-	225		
Operating (loss)/profit after income tax	-	(577)		
Dividends received from associated companies	-	(180)		
Adjustment on acquisition of controlling interest/disposal of associated companies	-	2,039		
Balance at the end of the financial year	-	-		
Carrying amount of investments in associated companies				
Balance at the beginning of the financial year	-	11,588	-	11,067
Dividend received from associate	-	(180)	-	-
Share of losses for the financial year	-	(577)	-	-
Adjustment on acquisition of controlling interest/disposal of associated companies	-	(10,831)	-	(11,067)
Carrying amount of investment in associated companies	-	-	-	-

NOTE 14
OTHER FINANCIAL ASSETS (NON CURRENT)

	CONSOLIDATED 2003 $000	CONSOLIDATED 2002 $000	CHIEF ENTITY 2003 $000	CHIEF ENTITY 2002 $000
Controlled entities at cost				
Unlisted shares	-	-	**19,878**	19,951
Provision for diminution in value of shares in unlisted controlled entities	-	-	**(214)**	(214)
	-	-	**19,664**	19,737

NOTE 14
OTHER FINANCIAL ASSETS (NON CURRENT) (CONTINUED)

CONTROLLED ENTITY	BENEFICIAL PERCENTAGE HELD BY CONSOLIDATED ENTITY 2003	BENEFICIAL PERCENTAGE HELD BY CONSOLIDATED ENTITY 2002	PLACE OF INC	AMOUNT OF CHIEF ENTITY'S INVESTMENT 2003 $000	AMOUNT OF CHIEF ENTITY'S INVESTMENT 2002 $000
Schaffer Properties Pty Ltd *	**100**	100	WA	-	-
Schaffer Services Pty Ltd***	-	100	WA	-	-
Delta Corporation Limited *	**100**	100	WA	**5,066**	5,066
Urbanstone Pty Ltd *	**100**	100	WA	-	-
Schaffer Corporation Management Pty Ltd *	**100**	100	WA	-	-
Delta Rail Services Ltd *	**100**	100	WA	-	-
Solco Industries Pty Ltd #	**51**	51	WA	**214**	214
Poly Tuff (WA) Pty Ltd #	**51**	51	WA	-	-
Loftus Corporate Pty Ltd ***	-	100	WA	-	100
Australian Leather Holdings Limited **	**83.17**	83.17	WA	**14,598**	14,571
Gosh Leather (Aust) Pty Ltd **	**83.17**	83.17	WA	-	-
Rosedale Leather Pty Ltd **	**83.17**	83.17	WA	-	-
Darkan Wet Blue Tanning Pty Ltd **	**83.17**	83.17	WA	-	-
Australian Leather Upholstery Pty Ltd **	**83.17**	83.17	Vic	-	-
Howe & Co Pty Ltd **	**83.17**	83.17	Vic	-	-
Howe de Mexico SA de CV	**83.17**	83.17	Mexico	-	-
				19,878	19,951

* 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 Schaffer 'Closed Group') entered into Deeds of Cross Guarantee at various dates. The effect of the deeds is that Schaffer Corporation Limited has guaranteed to pay any deficiency in the event of winding up of the controlled entities. The controlled entities have also given a similar guarantee in the event that Schaffer Corporation Limited is wound up.

** 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 ALH '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 is wound up.

*** During the year the Company was deregistered. It had no assets or liabilities at the date of deregistration.

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

NOTE 14
OTHER FINANCIAL ASSETS (NON CURRENT) (CONTINUED)

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

Statement of Financial Performance

	2003 $000	2002 $000
REVENUE FROM ORDINARY ACTIVITIES	53,309	50,085
Cost of sales manufactured goods and property	(20,762)	(25,034)
Cost of sales – equity securities	(1,459)	(919)
Depreciation and amortisation expense	(1,873)	(1,849)
Borrowing costs expense	(1,590)	(2,151)
Other expenses from ordinary activities	(10,372)	(14,311)
PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSES	17,253	5,821
Income tax expense relating to ordinary activities	2,271	1,676
NET PROFIT FROM ORDINARY ACTIVITIES AFTER INCOME TAX EXPENSE	14,982	4,145

Reconciliation of retained profits

	2003 $000	2002 $000
Retained profits at the beginning of the financial year	23,089	28,072
Net profit attributable to members of the Schaffer Closed Group	14,982	4,145
Adjustments arising from adoption of revised accounting standard AASB 1044 "Provision, contingent liabilities and contingent assets"	4,708	-
Dividends provided for or paid	(11,626)	(9,128)
Retained profits at the end of the financial year	31,153	23,089

NOTE 14
OTHER FINANCIAL ASSETS (NON CURRENT) (CONTINUED)

Consolidated Statement of Financial Position

	2003 $000	2002 $000
Current assets		
Cash assets	8,800	1,957
Receivables	5,547	6,716
Inventories	4,718	6,153
Other financial assets	694	1,869
Other	248	208
Total current assets	20,007	16,903
Non current assets		
Other financial assets	14,598	14,671
Property, plant and equipment	46,875	46,607
Intangible assets	84	84
Deferred tax assets	1,368	1,467
Total non current assets	62,925	62,829
Total assets	82,932	79,732
Current liabilities		
Payables	4,968	6,316
Interest bearing liabilities	465	489
Current tax liabilities	429	1,390
Provisions	1,099	5,799
Total current liabilities	6,961	13,994
Non current liabilities		
Interest bearing liabilities	25,456	24,562
Deferred tax liabilities	1,551	1,529
Provisions	488	587
Total non current liabilities	27,495	26,678
Total liabilities	34,456	40,672
Net assets	48,476	39,060
Equity		
Contributed equity	14,738	13,386
Reserves	2,585	2,585
Retained profits	31,153	23,089
Total equity	48,476	39,060

NOTE 15
PROPERTY, PLANT AND EQUIPMENT

	CONSOLIDATED 2003 $000	CONSOLIDATED 2002 $000	CHIEF ENTITY 2003 $000	CHIEF ENTITY 2002 $000
Freehold land				
At cost	8,464	8,494	4,700	4,700
Freehold quarries				
At cost	712	712	712	712
Buildings on freehold land				
At cost	12,573	12,126	329	329
Accumulated depreciation	(3,279)	(2,904)	(49)	(39)
	9,294	9,222	280	290
Leasehold improvements				
At cost	580	694	-	-
Accumulated depreciation	(371)	(519)	-	-
	209	175	-	-
Joint venture properties				
At cost	22,972	22,109	8,681	8,558
Accumulated amortisation	(60)	-	-	-
	22,912	22,109	8,681	8,558
Total written down value land and buildings	41,591	40,712	14,373	14,260
Plant and equipment				
At cost	33,979	52,570	3,366	3,209
Accumulated depreciation	(6,717)	(24,416)	(1,102)	(871)
Written down value	27,262	28,154	2,264	2,338
Plant and equipment under lease				
At cost	3,008	3,111	-	39
Accumulated depreciation	(823)	(688)	-	(21)
	2,185	2,423	-	18
Total written down value plant and equipment	29,447	30,577	2,264	2,356
Total property, plant and equipment				
At cost	82,288	99,816	17,788	17,547
Accumulated depreciation and amortisation	(11,250)	(28,527)	(1,151)	(931)
Total written down amount	71,038	71,289	16,637	16,616

The directors' have reviewed the valuations of land and buildings and believe that the cost at which they are carried is not above their recoverable amount.

Assets pledged as security

Included in the balances of property, plant and equipment are assets over which first mortgages have been granted as security over bank loans (see Note 20). The terms of the first mortgages preclude the assets being sold or being used as security for further mortgages without the permission of the first mortgage holder. The mortgage also requires buildings that form part of the security to be fully insured at all times.

Assets under lease are pledges as security for the associated lease liabilities.

The value of assets pledged as security are:

	CONSOLIDATED 2003 $000	CONSOLIDATED 2002 $000	CHIEF ENTITY 2003 $000	CHIEF ENTITY 2002 $000
Property, plant and equipment	71,038	71,289	16,637	16,616

NOTE 15
PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	CONSOLIDATED 2003 $000	CONSOLIDATED 2002 $000	CHIEF ENTITY 2003 $000	CHIEF ENTITY 2002 $000
Reconciliations				
Freehold land				
Carrying amount at beginning	8,494	5,369	4,700	4,699
Assets acquired through acquisition of controlled entity	-	1,992	-	-
Additions	-	1,133	-	-
Disposals	(30)	-	-	-
	8,464	8,494	4,700	4,699
Freehold quarries				
Carrying amount at beginning	712	900	712	900
Disposals	-	(188)	-	-
	712	712	712	900
Buildings on freehold land				
Carrying amount at beginning	9,222	4,825	290	290
Assets acquired through acquisition of controlled entity	-	4,614	-	-
Additions	460	208	-	-
Disposals	(3)	(97)	-	-
Depreciation expense	(385)	(328)	(10)	(10)
	9,294	9,222	280	280
Leasehold improvements				
Carrying amount at beginning	175	183	-	-
Additions	99	52	-	-
Amortisation expense	(65)	(60)	-	-
	209	175	-	-
Joint venture properties				
Carrying amount at beginning	22,109	20,389	8,558	7,932
Additions	2,146	1,720	123	626
Disposal of joint venture interest	(1,343)	-	-	-
	22,912	22,109	8,681	8,558
Total written down value land and buildings	41,591	40,712	14,373	14,437
Plant and equipment				
Carrying amount at beginning	28,154	10,678	2,338	2,532
Assets acquired through acquisition of controlled entity	-	21,440	-	-
Recoverable amount write down	-	(1,910)	-	-
Additions	3,713	2,221	86	37
Transfers from leased plant	36	48	18	-
Depreciation expense	(4,260)	(3,763)	(221)	(231)
Intercompany transfers	-	-	43	-
Disposals	(285)	(560)	-	-
Disposal of joint venture interest	(96)	-	-	-
	27,262	28,154	2,264	2,338
Plant and equipment under lease				
Carrying amount at beginning	2,423	2,445	18	89
Additions	-	375	-	-
Transfers to plant and equipment	(36)	(48)	(18)	-
Amortisation expense	(189)	(208)	-	(13)
Disposals	(13)	(141)	-	(58)
	2,185	2,423	-	18
Total written down value plant and equipment	29,447	30,577	2,264	2,356

	CONSOLIDATED		CHIEF ENTITY	
	2003	2002	2003	2002
	$000	$000	$000	$000

NOTE 16
INTANGIBLES

Goodwill at cost	**2,590**	2,590	-	-
Provision for amortisation	**(1,159)**	(1,027)	-	-
	1,431	1,563	-	-

NOTE 17
PAYABLES (CURRENT)

Trade creditors	**16,438**	21,355	**247**	190
Goods and services tax net	**350**	509	**31**	33
Deferred exchange profit	**887**	339	-	-
Other creditors	**1,850**	4,063	**137**	1,562
	19,525	26,266	**415**	1,785

(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$ 3,980,691. The Australian dollar equivalent is $5,941,329. Payment terms vary from 7 to 90 days.

NOTE 18
INTEREST BEARING LIABILITIES (CURRENT)

Bank overdraft - secured	1	1	1	1
Lease liability (refer note 26c) – secured	476	495	**20**	22
	477	496	**21**	23

(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% (2002 – 8%)

NOTE 19
PROVISIONS (CURRENT)

Employee entitlements (refer note 27a)	**4,654**	4,621	**311**	-
Quality claims	-	1,810	-	-
Other	-	33	-	-
Dividends payable (refer note 7)	-	4,708	-	4,708
	4,654	11,172	**311**	4,708

The quality claims provision was reversed during the year as this provision was no longer required.

	CONSOLIDATED		CHIEF ENTITY	
	2003	2002	2003	2002
	$000	$000	$000	$000

NOTE 20
INTEREST BEARING LIABILITIES (NON CURRENT)

Lease liability (refer note 26c) – secured	**1,158**	1,635	**52**	9
Amount owing to wholly owned controlled entity	-	-	**1,087**	946
Government loan – secured	**38,654**	38,654	-	-
Bank loan – secured	**24,305**	22,946	**7,842**	7,714
	64,117	63,235	**8,981**	8,669

(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 28). The lease liability is secured by a charge over the leased assets. The government loans are secured by a second mortgage over the assets and undertakings of a controlled entity.

(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% (2002 – 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.

NOTE 21
PROVISIONS (NON CURRENT)

Provisions (non current)				
Employee entitlements (refer note 27a)	**3,367**	2,535	**172**	253

NOTE 22
CONTRIBUTED EQUITY

a) Issued and paid up capital

As at 30 June 2003

13,769,735 ordinary fully paid shares (2002 – 13,450,735)	**14,738**	13,386	**13,790**	12,438

NOTE 22
CONTRIBUTED EQUITY (CONTINUED)

(b) Movement in shares on issue

	CONSOLIDATED 2003 Number of shares	CONSOLIDATED 2003 $000	CHIEF ENTITY 2002 Number of shares	CHIEF ENTITY 2002 $000
At the beginning of the financial year	13,450,735	13,386	12,417,764	7,797
On 3 September 2002 15,000 options converted to ordinary shares under employee share scheme	15,000	49	-	-
On 16 September 2002 81,250 options converted to ordinary shares under employee share scheme	81,250	366	-	-
On 12 December 2002 500 options converted to ordinary shares under employee share scheme	500	2	-	-
On 20 February 2003 40,000 options converted to ordinary shares under employee share scheme	40,000	231	-	-
On 27 February 2003 3,500 options converted to ordinary shares under employee share scheme	3,500	33	-	-
On 10 March 2003 178,750 options converted to ordinary shares under employee share scheme	178,750	671	-	-
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
Total capital issued during the year (c)	319,000	1,352	1,032,971	5,736
Capital raising costs	-	-	-	(147)
At the end of the financial year	13,769,735	14,738	13,450,735	13,386

NOTE 22
CONTRIBUTED EQUITY (CONTINUED)

(c) Capital issued during the year

CONVERSION DATE	OPTION GRANT DATE	OPTION EXPIRY DATE	NO. OF OPTIONS EXERCISED/ SHARES ISSUED	EXERCISE PRICE PER OPTION $	PROCEEDS RECEIVED $	MARKET VALUE PER SHARE *	MARKET VALUE $
3 Sep 2002	10 Jul 2000	10 Jul 2005	15,000	3.26	48,900	11.40	171,000
16 Sep 2002	28 Mar 2000	28 Mar 2005	10,725	3.30	35,393	11.70	125,483
16 Sep 2002	10 Jul 2000	10 Jul 2005	3,025	3.26	9,862	11.70	35,393
16 Sep 2002	24 Aug 2001	24 Aug 2006	30,000	3.77	113,100	11.70	351,000
16 Sep 2002	5 Feb 2002	5 Feb 2007	36,250	5.42	196,475	11.70	424,125
16 Sep 2002	20 Jun 2002	20 Jun 2007	1,250	9.49	11,863	11.70	14,625
12 Dec 2002	24 Aug 2001	24 Aug 2006	500	3.77	1,885	12.00	6,000
20 Feb 2003	17 Nov 1999	17 Nov 2004	10,000	2.61	26,100	13.75	137,500
20 Feb 2003	5 Feb 2002	5 Feb 2007	5,000	5.42	27,100	13.75	68,750
20 Feb 2003	15 Mar 2002	15 Mar 2007	25,000	7.11	177,750	13.75	343,750
27 Feb 2003	20 Jun 2002	20 Jun 2007	3,500	9.49	33,215	13.65	47,775
10 Mar 2003	17 Nov 1999	17 Nov 2004	105,000	2.61	274,050	13.00	1,365,000
10 Mar 2003	28 Mar 2000	28 Mar 2005	3,750	3.30	12,375	13.00	48,750
10 Mar 2003	10 Jul 2000	10 Jul 2005	15,000	3.26	48,900	13.00	195,000
10 Mar 2003	24 Aug 2001	24 Aug 2006	5,000	3.77	18,850	13.00	65,000
10 Mar 2003	5 Feb 2002	5 Feb 2007	38,750	5.42	210,025	13.00	503,750
10 Mar 2003	20 Jun 2002	20 Jun 2007	11,250	9.49	106,763	13.00	146,250
			319,000		1,352,604		4,049,151

* Market value per share is the closing listed price on the exercise date.

(d) 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. ON ISSUE 30 JUNE 2002	EXERCISED DURING THE YEAR	NO. ON ISSUE 30 JUNE 2003	EXERCISE PRICE	EXERCISABLE ON OR BEFORE	NO. VESTED BUT NOT EXERCISED 20 JUNE 2003
17 Nov 1999	115,000	(115,000)	-	$2.61	17 Nov 2004	-
28 Mar 2000	21,450	(14,475)	6,975	$3.30	28 Mar 2005	6,975
10 Jul 2000	46,050	(33,025)	13,025	$3.26	10 Jul 2005	-
24 Aug 2001	77,300	(35,500)	41,800	$3.77	24 Aug 2006	1,800
5 Feb 2002	160,000	(80,000)	80,000	$5.42	5 Feb 2007	-
15 Mar 2002	100,000	(25,000)	75,000	$7.11	15 Mar 2007	25,000
20 Jun 2002	140,000	(16,000)	124,000	$9.49	20 Jun 2007	54,000
	659,800	(319,000)	340,800			87,775

(e) 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.

NOTE 23
RESERVES AND RETAINED PROFITS

	CONSOLIDATED 2003 $000	CONSOLIDATED 2002 $000	CHIEF ENTITY 2003 $000	CHIEF ENTITY 2002 $000
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.

	CONSOLIDATED 2003 $000	CONSOLIDATED 2002 $000	CHIEF ENTITY 2003 $000	CHIEF ENTITY 2002 $000
Retained profits				
Retained profits at the beginning of the financial year	**31,803**	27,894	**16,800**	24,375
Net profit attributable to members of the parent entity	**17,020**	13,037	**13,823**	1,553
Adjustments arising from adoption of accounting standard AASB 1044 "Provision, contingent liabilities and contingent assets".	**4,708**	-	**4,708**	-
Dividends provided for or paid	**(11,626)**	(9,128)	**(11,626)**	(9,128)
Retained profits at the end of the financial year	**41,905**	31,803	**23,705**	16,800

NOTE 24
AUDITORS REMUNERATION

	CONSOLIDATED 2003 $	CONSOLIDATED 2002 $	CHIEF ENTITY 2003 $	CHIEF ENTITY 2002 $
Amounts received or due and receivable by the auditors of Schaffer Corporation Limited for:				
Audit of the accounts	**199,035**	217,047	**10,000**	10,000
Other services – tax compliance	**66,357**	38,159	-	-
	265,392	255,206	**10,000**	10,000

	CONSOLIDATED 2003 $	CONSOLIDATED 2002 $	CHIEF ENTITY 2003 $	CHIEF ENTITY 2002 $
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	**3,717**	3,500	-	-

NOTE 25
REMUNERATION OF DIRECTORS

(a) Directors' remuneration

	CONSOLIDATED 2003 $	CONSOLIDATED 2002 $	CHIEF ENTITY 2003 $	CHIEF ENTITY 2002 $
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			**1,559,730**	1,785,076

The number of directors of Schaffer Corporation Limited whose remuneration (including superannuation contributions) falls within the following bands.

	CONSOLIDATED 2003	CONSOLIDATED 2002	CHIEF ENTITY 2003	CHIEF ENTITY 2002
\$ 20,000 - \$ 29,999			**1**	-
\$ 30,000 - \$ 39,999			**1**	1
\$ 50,000 - \$ 59,999			-	1
\$ 60,000 - \$ 69,999			**2**	-
\$190,000 - \$199,999			-	1
\$280,000 - \$289,999			-	1
\$590,000 - \$599,999			-	1
\$630,000 - \$639,999			-	1
\$670,000 - \$679,999			**1**	-
\$700,000 - \$709,999			**1**	-

The above table includes the value of employee participation units assessed using the Black-Scholes model.

	CONSOLIDATED 2003 $	CONSOLIDATED 2002 $	CHIEF ENTITY 2003 $	CHIEF ENTITY 2002 $
Income paid or payable or otherwise made available, in respect of the financial year, to all directors of each entity, directly or indirectly, by the entities of which they are directors or any related party	**3,128,455**	3,005,470		

(b) Executives remuneration

	CONSOLIDATED 2003 $	CONSOLIDATED 2002 $	CHIEF ENTITY 2003 $	CHIEF ENTITY 2002 $
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	**7,384,009**	6,479,486		

NOTE 25

REMUNERATION OF DIRECTORS (CONTINUED)

	CONSOLIDATED 2003 $	CONSOLIDATED 2002 $	CHIEF ENTITY 2003 $	CHIEF ENTITY 2002 $
(b) Executives remuneration (continued)				
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.			1,435,829	1,531,130

The number of executives of the consolidated entity and the company whose remuneration falls within the following bands.

	CONSOLIDATED 2003	CONSOLIDATED 2002	CHIEF ENTITY 2003	CHIEF ENTITY 2002
$100,000 - $109,999	2	4	-	-
$110,000 - $119,999	3	2	-	-
$120,000 - $129,999	-	3	-	-
$130,000 - $139,999	2	2	-	-
$140,000 - $149,999	3	1	-	-
$150,000 - $159,999	1	1	-	-
$160,000 - $169,999	1	-	2	-
$170,000 - $179,999	1	1	-	1
$180,000 - $189,999	2	3	-	1
$190,000 - $199,999	1	1	-	1
$200,000 - $209,999	1	2	-	-
$230,000 - $239,999	-	1	-	-
$250,000 - $259,999	2	-	-	-
$270,000 - $279,999	-	1	-	-
$280,000 - $289,999	2	1	-	-
$290,000 - $299,999	-	1	-	-
$310,000 - $319,999	1	-	-	-
$330,000 - $339,999	1	-	-	-
$340,000 - $349,999	-	2	-	1
$370,000 - $379,999	1	-	-	-
$400,000 - $409,999	-	1	-	-
$430,000 - $439,999	1	-	1	-
$440,000 - $449,999	1	-	-	-
$510,000 - $519,999	1	-	-	-
$590,000 - $599,999	-	1	-	-
$630,000 - $639,999	-	1	-	1
$670,000 - $679,999	1	-	1	-
$700,000 - $709,999	1	-	-	-

The above table includes the value of employee participation units assessed using the Black-Scholes model.

NOTE 26

CONTINGENT LIABILITIES AND EXPENDITURE COMMITMENTS

	CONSOLIDATED 2003 $000	CONSOLIDATED 2002 $000	CHIEF ENTITY 2003 $000	CHIEF ENTITY 2002 $000
(a) Termination benefits under Service agreements				
No of service agreements – 1				
Maximum liability at June 30, 2003	376	338	376	338
(b) Commitments under lease agreements				
Operating leases – office, factory and retail premises				
- payable not later than 1 year	667	644	-	-
- later than 1 year and not later than 5 years	1,984	1,964	-	-
- later than 5 years	638	537	-	-
- aggregate lease expenditure contracted for at balance date	3,289	3,145	-	-
Operating leases – motor vehicle				
- payable not later than 1 year	194	184	-	-
- later than 1 year and not later than 5 years	216	187	-	-
- aggregate lease expenditure contracted for at balance date	410	371	-	-

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.

	CONSOLIDATED 2003 $000	CONSOLIDATED 2002 $000	CHIEF ENTITY 2003 $000	CHIEF ENTITY 2002 $000
(c) Finance leases and hire purchase commitments				
- payable not later than 1 year	576	623	17	8
- later than 1 year and not later than 5 years	1,231	1,812	75	26
Total lease payments	1,807	2,435	92	34
Future finance charges	(173)	(305)	(20)	(3)
	1,634	2,130	72	31
- Current liability (refer note 18)	476	495	20	22
- Non current liability (refer note 20)	1,158	1,635	52	9
	1,634	2,130	72	31

Finance leases have an average lease term of 4 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.

NOTE 26

CONTINGENT LIABILITIES AND EXPENDITURE COMMITMENTS (CONTINUED)

	CONSOLIDATED 2003 $000	CONSOLIDATED 2002 $000	CHIEF ENTITY 2003 $000	CHIEF ENTITY 2002 $000
(d) Capital expenditure commitments				
Estimated capital expenditure contracted for at balance date but not provided for				
- payable not later than 1 year	140	150	-	-
(e) 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	2,384	3,553	85	269

(f) 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 Road Joint Venture

Gledden Arcade Joint Venture

South Hedland Shopping Centre Joint Venture

Hometown Joint Venture

GHD House Joint Venture

Queens Road Joint Venture

Bourke Street Joint Venture

401 Great Eastern Highway Joint Venture

Crosslands Shopping Centre Joint Venture

89 St Georges Tce Joint Venture

BBC Hardware Innaloo Joint Venture

Alvito House Joint Venture

380a Scarborough Beach Road, Innaloo

302 Scarborough Beach Road, Innaloo

The consolidated entity's share of all liabilities has been included in the financial statements (refer note 28).

The maximum contingent liability to the consolidated entity is $24,305,000 (2002 - $22,964,000)

NOTE 27

EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS

(a) 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.

NOTE 27

EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS

	CONSOLIDATED 2003 $000	CONSOLIDATED 2002 $000	CHIEF ENTITY 2003 $000	CHIEF ENTITY 2002 $000
(a) Employee entitlements and superannuation commitments (continued)				
The aggregate employee entitlement liability is comprised of:				
Accrued wages, salaries and on costs	324	330	-	-
Provisions (current) – refer note 19	4,654	4,621	311	-
Provisions (non current) – refer note 21	3,367	2,535	172	253
	8,345	7,486	483	253

(b) Employee share option plan

An employee share option plan has been established. The plan was approved by shareholders at the AGM in November 1999. The plan permits the granting of options (at the absolute discretion of the Board) to group employees to acquire ordinary shares in Schaffer Corporation Limited. The options issued for nil consideration, are issued in accordance with performance guidelines established by the Directors of Schaffer Corporation Limited. 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.

Options may be exercised as follows:

(1) during the first 12 months of each option period and including each date of issue, no more than 25% of the options issued to that participant on that date of issue

(2) during the period of 24 months from and including each date of issue exercise no more than 50% of the options issued to that participant on that date of issue

(3) during the period of 36 months from and including each date of issue exercise no more than 75% of the options issued to that participant on that date of issue.

(c) Employee incentives plan

A controlled entity Australian Leather Holdings Limited has established an employee incentives plan which permits the granting of employee participation units (EPUs) at the discretion of its shareholders up to an EPU limit. The EPU limit is 10% of the fully diluted share capital of Australian Leather Holdings Limited, which is calculated as if each EPU already issued was deemed to be one issued Australian Leather Holdings Limited share.

An EPU provides an employee with a right to receive a cash payment from Australian Leather Holdings Limited in the following circumstances:

(a) If an employee dies or becomes permanently disabled at any time after the grant date.

(b) If an employee ceases employment after the three year initial vesting period.

(c) Upon a liquidity event (trade sale or listing on an Australian or overseas stock exchange).

(d) On issue of a compulsory payment notice by Schaffer Corporation Limited.

NOTE 27

EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS (CONTINUED)

(c) Employee incentives plan (continued)
The amount of the cash payment is dependant on vesting and the financial performance of Australian Leather Holdings Limited. The vesting requirements are:

(a) up to 3 years – nil
(b) 3 years to 4 years – 33.3%
(c) 4 years to 5 years – 66.7%
(d) over 5 years – 100%

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

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

The amount of payment is calculated in accordance with an equity valuation formula based on 5.5 times Australian Leather Holdings Limited's earnings before interest and tax minus net debt. The formula uses a three year average including one full year following termination.

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

NOTE 28

INTERESTS IN BUSINESS UNDERTAKINGS - JOINT VENTURES

	% INTEREST 2003	% INTEREST 2002
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.		
IBM Centre Joint Venture	**22.10**	22.10
616 St Kilda Road 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
GHD House Joint Venture	**18.00**	18.00
Queens Road Joint Venture	**9.00**	9.00
Bourke Street 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
89 St. George's Terrace Joint Venture	**20.00**	20.00
Gateway Central Joint Venture	**12.50**	25.00
BBC Hardware Innaloo Joint Venture	**6.50**	6.50
Alvito House Joint Venture	**6.50**	6.50
380a Scarborough Beach Road	**6.50**	-
382 Scarborough Beach Road	**6.50**	-
Property Developments		
The following joint ventures are established for the purposes of redeveloping, constructing and resale of residential and commercial properties.		
Mindarie Keys Joint Venture	15	15
Majestic Quay Joint Venture	25	25

NOTE 28

INTERESTS IN BUSINESS UNDERTAKINGS - JOINT VENTURES (CONTINUED)

	CONSOLIDATED 2003 $000	CONSOLIDATED 2002 $000
The interest in the joint ventures is included in the account as follows:		
Current assets		
Cash assets	**1,370**	327
Receivables	**524**	1,410
Other	**78**	78
Inventories	**4,246**	3,362
Total current assets	**6,218**	5,177
Non current assets		
Plant and equipment	**18,937**	4,497
Property	**27,782**	22,109
Intangible assets	**168**	84
Deferred tax assets	**308**	187
Total non current assets	**47,195**	26,877
Total assets	**53,413**	31,054
Current Liabilities		
Payables	**1,849**	955
Total current liabilities	**1,849**	955
Non current liabilities		
Interest bearing liabilities	**31,695**	22,946
Deferred tax liabilities	**1,574**	1,063
Total non current liabilities	**33,269**	24,009
Total liabilities	**35,118**	24,964
Net assets	**18,295**	7,090

The joint ventures have contributed to the after tax result of the consolidated entity as follows:

Profit after tax $1,980,000 (2002 - $624,000)

Revenue $8,495,000 (2002 - $13,159,000)

There are no contingent liabilities in respect of the joint ventures.

Capital expenditure commitments of $2,781,000 (2002 - $2,250,000) payable within one year were contracted for at balance date.

NOTE 29
SEGMENT INFORMATION

The company operates predominantly in Australia.

BUSINESS SEGMENT INFORMATION	LEATHER		BUILDING PRODUCTS		INVESTMENT PROPERTIES		OTHER INVESTMENTS		CONSOLIDATED	
	2003	2002	**2003**	2002	**2003**	2002	**2003**	2002	**2003**	2002
	$000	*$000*	*$000*	*$000*	*$000*	*$000*	*$000*	*$000*	*$000*	*$000*
Revenue										
Total revenue from ordinary activities external customers	**176,691**	159,125	**34,922**	35,325	**4,628**	4,966	**6,695**	12,823	**222,936**	212,239
Unallocated revenue									**197**	546
Total revenue									**223,133**	212,785
Results										
Segment results	**22,274**	15,926	**4,332**	5,322	**2,263**	2,433	**1,731**	902	**30,600**	24,583
Interest and corporate overhead									**(3,220)**	(4,000)
Operating profit before income tax									**27,380**	20,583
Income tax expense									**7,981**	5,774
Net profit after tax									**19,399**	14,809
Assets										
Segment assets	**82,338**	94,601	**22,140**	22,401	**28,000**	27,404	**28,693**	16,941	**161,171**	161,347
Unallocated assets									**2,392**	2,343
Total assets									**163,563**	163,690
Liabilities										
Segment liabilities	**63,703**	69,448	**7,701**	7,897	**23,955**	22,985	**2,578**	1,976	**97,937**	102,306
Unallocated liabilities									**989**	8,560
									98,926	110,866
Other Segment Information										
Acquisition of property, plant and equipment, intangible assets and other non current assets	**2,737**	731	**837**	3,012	**2,383**	1,883	**-**	31	**5,957**	5,657
Depreciation	**2,977**	2,384	**1,322**	1,221	**287**	287	**-**	-	**4,586**	3,892
Amortisation	**132**	99	**189**	195	**-**	-	**-**	-	**321**	294
Non cash expenses other than depreciation and amortisation	**49**	3,333	**147**	145	**-**	-	**-**	1,029	**196**	4,507

Intersegment transactions are on a commercial basis

- Prior year includes 3 months equity accounting and 9 months consolidated earnings

	CONSOLIDATED 2003 $000	CONSOLIDATED 2002 $000	CHIEF ENTITY 2003 $000	CHIEF ENTITY 2002 $000

NOTE 30
RELATED PARTY DISCLOSURES

(a) The directors of Schaffer Corporation Limited during the year were Messrs J M Schaffer, K K Webster (resigned 20/06/2003), J B Abernethy (resigned 20/06/2003), D J Schwartz, A K Mayer and Mrs D E Blain.

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

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 $11,318,925 (2002 - $5,397,860) of which $1,517,000 (2002 – Nil) has been provided for as non recoverable.

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 $1,087,329 (2002 - $946,583).

Transactions with other related parties

Schaffer Corporation Limited holds 83.17% 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 (2002 - $240,000).

Schaffer Corporation Limited holds 51% of the ordinary share capital of Solco Industries Pty Ltd of which Mr J M Schaffer is a director as Schaffer Corporation Limited's nominee. 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 2003 is $502,411 (2002 - $487,011) of which $158,024 (2002 - $145,840) has been provided for as non recoverable.

(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 2003

Schaffer Corporation Limited ordinary shares

	ACQUIRED/ (DISPOSED OF) DURING THE YEAR	2003	2002
Mr J M Schaffer	48,501	**1,967,240**	1,918,739
Mrs D E Blain	(338,000)	**909,673**	1,247,673
Mr A K Mayer	0	**344,263**	344,263
Mr D J Schwartz	20,000	**586,210**	566,210

NOTE 30
RELATED PARTY DISCLOSURES (CONTINUED)

Change in directors shareholders is the result of on or off market transactions or the exercise of options.

Options to acquire Schaffer Corporation Limited ordinary shares	EXERCISE PRICE	EXERCISED DURING THE YEAR	2003	2002
Mr J B Abernethy	$2.61	22,500	-	22,500
Mr J M Schaffer	$2.61	42,500	-	42,500
Mr D J Schwartz	$2.61	20,000	-	20,000

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 31
OUTSIDE EQUITY INTEREST

	2003 $000	2002 $000
Reconciliation of outside equity interest in controlled entities:		
Opening balance	5,050	-
- Amount arising on acquisition of controlled entity	-	3,278
- Add share of operating profit	2,379	1,772
- Dividends Paid	(2,020)	-
Closing balance	5,409	5,050

NOTE 32
EARNINGS PER SHARE

	CONSOLIDATED ENTITY 2003 $000	CONSOLIDATED ENTITY 2002 $000
The following reflects the income and share data used in the calculation of basic and diluted earnings per share:		
Net profit after tax	**19,399**	14,809
Adjustments:		
Net profit attributable to outside equity interest	**(2,379)**	(1,772)
Earnings used in calculating basic and diluted earnings per share	**17,020**	13,037
	NUMBER OF SHARES	**NUMBER OF SHARES**
Weighted average number of ordinary shares used in calculating basic earnings per share	**13,597,500**	12,736,108
Effect of dilutive securities:		
Share options	**340,800**	659,800
Weighted average number of ordinary shares used in calculating diluted earnings per share	**13,938,300**	13,395,908

Conversions, calls, subscriptions or issues after 30 June 2003

Since the end of the financial year 107,450 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 or issues of potential ordinary shares since the reporting date and before the completion of this financial report.

NOTE 33
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 YRS		NON INTEREST BEARING		TOTAL CARRYING AMOUNT AS PER THE BALANCE SHEET		WEIGHTED AVERAGE EFFECTIVE INTEREST RATE	
	2003 $000	2002 $000	2003 $000	2002 $000	2003 $000	2002 $000	2003 $000	2002 $000	2003 $000	2002 $000	2003 $000	2002 $000
(i) Financial assets												
Cash	**21,072**	5,606	-	-	-	-	-	-	**21,072**	5,606	**4.55%**	4.25%
Receivables – trade	-	-	-	-	-	-	**26,483**	34,654	**26,483**	34,654	**N/A**	N/A
Receivables – other	-	-	-	-	-	-	**1,053**	2,022	**1,053**	2,022	**N/A**	N/A
Listed shares	-	-	-	-	-	60	**493**	215	**493**	275	**N/A**	10%
Unlisted shares	-	-	-	-	-	-	**201**	1,594	**201**	1,594	**N/A**	N/A
Total financial assets	**21,072**	5,606	-	-	-	60	**28,230**	38,485	**49,302**	44,151		
(ii) Financial liabilities												
Trade creditors, accruals and other creditors	-	-	-	-	-	-	**18,288**	25,418	**18,638**	25,927	**N/A**	N/A
Bank overdraft	**1**	1	-	-	-	-	-	-	**1**	1	**9%**	9%
Finance lease liability	-	-	**476**	495	**1,158**	1,635	-	-	**1,634**	2,130	**8.0%**	8.0%
Dividends payable	-	-	-	-	-	-	-	4,708	-	4,708	**N/A**	N/A
Government loans	-	-	-	-	**38,654**	38,654	-	-	**38,654**	38,654	**6.59%**	6.39%
Bank loans	**11,612**	10,153	-	-	**12,693**	12,793	-	-	**24,305**	22,946	**6.72%**	6.79%
Total financial liabilities	**11,613**	10,154	**476**	495	**52,505**	53,082	**18,288**	30,126	**83,232**	94,366		

(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 positionAggregate net fair value

	TOTAL CARRYING AMOUNT AS PER THE STATEMENT OF FINANCIAL POSITION		AGGREGATE NET FAIR VALUE	
	2003 $000	2002 $000	2003 $000	2002 $000
Financial assets				
Listed shares	**493**	275	**560**	573
Financial Liabilities				
Government Loans	**38,654**	38,654	**36,565**	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.

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 references 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.

NOTE 33
FINANCIAL INSTRUMENTS (CONTINUED)

(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.

Concentration 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		$000	
INDUSTRY	2003	2002	2003	2002
Manufacturing	97%	98%	25,636	33,834
Property development	3%	2%	847	820

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 34
SIGNIFICANT EVENTS AFTER BALANCE DATE

Subsequent to year end the Group has disposed of its interest in the following joint venture investments:

Bourke Street Joint Venture

401 Great Eastern Highway Joint Venture

Gledden Arcade Joint Venture

Gateway Central Joint Venture

BBC Hardware Innaloo Joint Venture

Alvito House Joint Venture

380A Scarborough Beach Road Joint Venture

382 Scharborough Beach Road Joint Venture

South Hedland Shopping Centre Joint Venture

These sales generated approximately $2,030,000 net profit after tax, $4,690,000 in net cash and reduced debt levels by $7,953,000.

Following the end of the reporting period a final dividend of 70¢ per share has been declared payable on 18 September 2003.

DIRECTORS' DECLARATION

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

(1) In the opinion of the directors:

a) the financial statements and notes of the 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 2003 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 14 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, 26 September 2003

INDEPENDENT AUDIT 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, accompanying notes to the financial statements, and the directors' declaration for Schaffer Corporation Limited (the company) and the consolidated entity, for the year ended 30 June 2003. The consolidated entity comprises both the company and the entities it controlled during that year.

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 company and the consolidated entity, and that complies with Accounting Standards in Australia, 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.

Audit approach

We conducted an independent audit of the financial report in order to express an opinion on it to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

INDEPENDENT AUDIT REPORT TO MEMBERS OF SCHAFFER CORPORATION LIMITED (continued)

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

Independence

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

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 financial position of Schaffer Corporation Limited and the consolidated entity at 30 June 2003 and of their performance for the year ended on that date; and

(ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

(b) other mandatory financial reporting requirements in Australia.

Ernst & Young

G H Meyerowitz
Partner
Perth
26 September 2003

Your directors submit their report for the year ended 30 June 2003 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.
D E BLAIN, BA Non executive Director Appointed 5/6/87	Mrs Danielle Blain joined the company in 1987.
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 has over 20 years experience in property development, manufacturing and distribution businesses.
K K WEBSTER, FCPA Non executive Director Resigned 20/06/03	Mr Kelvin Webster joined the company in 1978.
J B ABERNETHY B Com (Econ) – LLB Non executive Director Resigned 20/06/03	Mr John Abernethy is Managing Director of Loftus Capital Partners Limited.

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

ATTENDANCE AT BOARD MEETINGS

During the year twelve directors meetings were held. The number of meetings attended by each director is as follows:

	MEETINGS ELIGIBLE TO ATTEND	MEETINGS ATTENDED
J M Schaffer	12	12
J B Abernethy	12	11
D E Blain	12	12
A K Mayer	12	10
D J Schwartz	12	10
K K Webster	12	12

ATTENDANCE AT AUDIT COMMITTEE MEETINGS

During the year two audit committee meetings were held. Mr K K Webster, Mr J B Abernethy, Mr D J Schwartz and Mrs D E Blain attended both 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 interest of the Directors in the shares of the Company were:

	SCHAFFER CORPORATION LIMITED	
	ORDINARY SHARES	OPTIONS OVER ORDINARY SHARES
J M Schaffer	1,967,240	-
J B Abernethy	243,900	-
D E Blain	1,047,673	-
A K Mayer	344,263	-
D J Schwartz	566,210	-
K K Webster	75,548	-

The directors' exercised the following options during the year and there are no unexercised options at the date of this report.

J M Schaffer	42,500	-
J B Abernethy	22,500	-
D J Schwartz	20,000	-

ROTATION AND ELECTION OF DIRECTORS

In accordance with the Articles of Association: Mrs. D E Blain retires by rotation and being eligible offers herself 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 $17,020,000 (2002 - $13,037,000). The previous year's result 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 of 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 2002.

	$
On ordinary shares	
- 10¢ per share special, paid on 14 December 2001	1,245,000
- 25¢ per share interim, paid on 22 March 2002	3,188,000
- 35¢ per share final, paid on 26 September 2002	4,708,000
	9,141,00
Out of profits for the year ended 30 June 2003	
On ordinary shares	
- 50¢ per share interim, paid on 21 March 2003	6,885,000

REVIEW OF OPERATIONS

The consolidated entity's revenue increased by 5% from $212,785,000 to $223,133,000 this year. This resulted in a pre tax operating profit of $27,380,000 compared to $20,583,000 for last year. The net after tax consolidated entity profit, after minority interests increased by 31% from $13,037,000 to $17,020,000. The above increase in revenue and pre tax operating profit is a direct result of the consolidation of the results of Australian Leather Holdings Limited for the entire year. In the previous year 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 affect the reported results or financial position of the company apart from those disclosed in note 34 of the financial statements.

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 confidentially 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 as follows:

	ANNUAL EMOLUMENTS			LONG TERM EMOLUMENTS		
	BASIC FEE $	BONUS $	OTHER $	OTHER $	SUPER-ANNUATION $	SHARE OPTIONS EPUs $
J B Abernethy	25,000	-	-	-	2,250	1,063
D E Blain	25,000	-	-	6,957	2,250	7,541
A K Mayer	423,280	280,769	-	-	-	-
J M Schaffer	506,255	-	115,381	28,452	22,219	2,009
D J Schwartz	25,000	-	-	4,167	2,250	2,555
K K Webster	51,109	-	-	-	12,141	-

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

	ANNUAL EMOLUMENTS		LONG TERM EMOLUMENTS	
	BASIC FEE $	BONUS $	SUPER-ANNUATION $	SHARE OPTIONS EPUs $
B DeClase	147,599	180,236	29,505	13,774
N Filipovic	197,945	256,909	40,937	16,916
G Monkhouse	225,748	149,462	48,484	133,889
C Nunis	167,737	227,697	35,589	16,916
B Tjahjana	127,082	166,627	26,433	13,774

B DeClase	General Manager Operations, Howe and Company Pty Ltd
N Filipovic	General Manager Sales, Marketing & International Operations, Howe and Company Pty Ltd
G Monkhouse	Chief Financial Officer, Schaffer Corporation Limited
C Nunis	Chief Financial Officer, Australian Leather Holdings Limited
B Tjahjana	General Manager Quality & Development, Howe and Company Pty Ltd

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.

Directors' and executives' remuneration includes the value of share options and employee participation units.

Share options

The Company has re-calculated the value as at the respective grant dates of all share options in the Company issued to directors, executives and employees pursuant to the Company's Employee Share Option Plan (refer note 27(b)) pursuant to the methodology set out in ED108 "Share Based Payments". To do this, the Company has used the Black-Scholes options valuation method. Inputs into the Black-Scholes model, as applied include:

(1) the Company's closing share price on the grant date
(2) the exercise price of the options as established under the Employee Share Option Plan
(3) the volatility of the Company's share over the 12 months ended immediately prior to the grant date
(4) the option's expiry date (typically five years after the grant date)
(5) the risk-free rate over the life of the option, estimated by the yield on 5 year Commonwealth Government Bonds on the grant date, and
(6) an estimate of the Company's dividend yield, based on historical dividends per share and the Company's share price on the grant date.

The historical volatility measure is used in the absence of any exchange-traded options issued by the Company and from which the market's assessment of future volatility can be inferred.

The table below summarises, for each issue made since the plans were instituted, the inputs into the model used this year to determine the options' values. The table also gives the valuation placed on each option when they were first granted.

GRANT DATE	EXPIRY DATE	CURRENT PRICE	EXERCISE PRICE	VOLATILITY	5 YEAR BONDS	DIVIDEND YIELD	VALUATION PER ED108
17 Nov 99	17 Nov 04	$2.61	$2.61	16%	6.25%	4.60%	$0.37
28 Mar 00	28 Mar 05	$3.30	$3.30	23%	6.56%	4.55%	$0.64
10 Jul 00	10 Jul 05	$3.26	$3.26	35%	5.94%	4.91%	$0.83
24 Aug 01	24 Aug 06	$4.00	$3.77	33%	5.42%	6.75%	$0.83
4 Feb 02	4 Feb 07	$5.65	$5.42	36%	5.63%	4.78%	$1.53
26 Mar 02	26 Mar 07	$7.00	$7.11	33%	6.12%	7.14%	$1.32
20 Jun 02	20 Jun 07	$9.50	$9.49	34%	5.66%	6.84%	$1.89

The company has adopted the fair value measurement provisions of ED 108 "Share-based Payments" prospectively for all options granted to directors and relevant executives, which have not vested as at 1 July 2002. The fair value of such grants is being amortised and disclosed as part of director and executive emoluments on a straight-line basis over the vesting period. No adjustments have been or will be made to reverse amounts previously disclosed in relation to options that never vest (i.e. forfeitures). Prior to 1 July 2002, the company disclosed the fair value of option grants using the Black-Scholes option-pricing model but did not allocate those values over the vesting period. Rather, the full fair value of the grant was disclosed as an emolument in the year of grant. As a result, included in the amounts disclosed above as option grant emoluments in relation to the 2003 financial year, are amounts related to options that vested during or over the 2003 financial year, which were granted and therefore disclosed as part of emoluments in prior years as well.

Employee participation units

Executive's remuneration includes the value of employee participation units (EPUs) issued to employees of Australian Leather Holdings Limited. The company has calculated the value as the respective grant dates of all EPUs issued to directors, executives and employees pursuant to the Company's Employee Incentive Plan (refer Note 27(c)) pursuant to the methodology set out in ED108. To do this, the Company has used the Black-Scholes options valuation method. Inputs into the Black-Scholes model, as applied, include:

(1) the calculated unit price on the grant date
(2) the exercise price of the EPUs
(3) the volatility on Australian Leather Holdings Limited shares over the 12 months ended immediately prior to the grant date
(4) the option's expected life (refer Note 27(c) for explanation of vesting provisions)
(5) zero dividend yield (as EPUs participate in dividends paid by Australian Leather Holdings Limited)
(6) the risk-free rate over the life of the option, estimated from the yield of 5 year and 10 year Commonwealth Government Bonds on the grant date, and extrapolating to a 7 year term.

The historic volatility measure of Schaffer Corporation Limited is used in the absence of any exchange-traded options issued by Australian Leather Holdings Limited from which the market's assessment of future volatility can be inferred.

The table below summarises, for each issue made since the plan was instituted, the inputs into the model used this year to assess the options' values.

GRANT DATE	EXPIRY DATE (ESTIMATED)	CURRENT PRICE	EXERCISE PRICE	VOLATILITY	RISK FREE RATE (ESTIMATED)	VALUATION
4 Oct 2000	4 Oct 2007	$0.26	$0.26	36%	6.16%	$0.13
20 Dec 2001	20 Dec 2008	$0.33	$0.26	33%	5.51%	$0.18
1 July 2002	1 July 2009	$1.19	$0.26	33%	5.88%	$1.02
1 July 2003	1 July 2010	$1.33	$0.26	31%	4.83%	$1.14

SHARE OPTIONS

Unissued shares

As at the date of this report, there were 313,350 unissued ordinary shares under options (340,800 at reporting date). Refer to note 22(d) of the financial statements for further details of the options outstanding.

Option holders do not have any right, by virtue of the option, to participate in any share issue of the company or any related body corporate or in the interest issue of any other registered scheme.

Shares issued as a result of the exercise of options

During the financial year, employees and directors have exercised the option to acquire 319,000 fully paid ordinary shares in Schaffer Corporation Limited at a weighted average exercise price of $4.24. Since the end of the financial year, a further 107,450 options have been exercised, at a weighted average exercise price of $6.82.

TAX CONSOLIDATION

For purposes of income tax, Schaffer Corporation Limited and its 100% controlled entities intend to form a tax consolidated Group. At the date of signing the financial report, Schaffer Corporation Limited has not determined the date of entry into tax consolidation because this decision will be based on the most favourable outcome in terms of the transitional rules in the tax consolidation legislation. The date of entry will be determined at the time the head company lodges its tax return in January 2004.

ROUNDING

The amount contained in this report and in the financial statements has been rounded 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 the principles contained in the company's corporate governance statement 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, 26 September 2003

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

TOTAL SHARE CAPITAL

Issued as at 16 September 2003 – 13,877,185 ordinary fully paid shares

SHARE REGISTRY ADDRESS

C/- Computershare Investor Services Pty Ltd
Level 2 Reserve Bank Building
45 St George's Tce
PERTH WA 6000

Postal Address:
GPO Box D182
PERTH WA 6840

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 16 September 2003

SHAREHOLDINGS	SHAREHOLDERS
1 – 1,000	1,083
1,001 – 5,000	704
5,001 – 10,000	125
10,001 – 100,000	91
100,001 and over	19
	2,022

Number of shareholders holding less than a marketable parcel ie less than 36 shares: 20

SUBSTANTIAL SHAREHOLDERS

As at 16 September 2003, the substantial shareholders of the company summarised below, were:

	NO OF SHARES	ECONOMIC INTEREST AS A PERCENTAGE OF ISSUED ORDINARY SHARES
Mr J M Schaffer & Associates	1,967,240	14.18%
50% of interest held by Swan Holdings Pty. Ltd.	652,687	4.70%
	2,619,927	18.88%
Mrs D E Blain & Associates	909,673	6.56%
50% of interest held by Swan Holdings Pty. Ltd.	652,687	4.70%
	1,562,360	11.26%
* Combined interest of Mr J M Schaffer & Mrs D E Blain	4,182,287	30.14%
Perpetual Trustees Australia Limited	1,666,529	12.01%
Jobling Investments Pty Ltd	508,312	
Estate of Mr A E Jobling Deceased	321,543	
	829,855	5.98%

* Pursuant to the Corporation Act (2001), 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. The consequence of this is that each of the Substantial Shareholder notices lodged with the Regulatory Authorities by J M Schaffer and D E Blain show J M Schaffer's and D E Blain's combined interest at 30%, not their individual economic interests of 19% and 11% respectively.

TWENTY LARGEST SHAREHOLDERS

As at 16 September 2003

	NO OF SHARES	PERCENTAGE OF ISSUED ORDINARY SHARES
Swan Holdings Pty. Ltd.	1,305,374	9.41
Schaffer Nominees Pty. Ltd.	980,482	7.07
Mrs Danielle Eva Blain	907,570	6.54
RBC Global Services Australia Nominees Pty. Limited <PI Pooled>	870,684	6.27
Mr John Michael Schaffer	799,554	5.76
Jobling Investments Pty. Ltd.	508,312	3.66
National Nominees Limited	469,327	3.38
Mrs Blanka Schaffer	432,897	3.12
Mr David Schwartz	359,654	2.59
Keyton Enterprises Limited	344,263	2.48
Estate of Mr Albert Edward Jobling Deceased	321,543	2.32
The Sports Café (Australia) Pty. Ltd.	226,072	1.63
RBC Global Services Australia Nominees Pty. Limited <PIIC>	178,378	1.29
Double Pty. Ltd.	143,500	1.03
J. P. Morgan Nominees Australia Limited	118,843	0.86
Alan Forrester Pty. Ltd.	110,241	0.79
Mr John Bruce Abernethy	108,900	0.78
Mrs Debra Ruth Schaffer	108,207	0.78
Stoddarts (1980) Pty. Ltd.	106,706	0.77
Mirrabooka Investments Limited	100,000	0.72
	8,500,507	61.25

ANNUAL GENERAL MEETING

The Annual General Meeting of Schaffer Corporation Limited will be held at Perth on Wednesday, 19 November, 2003 at 11.30am. Further information regarding the meeting including the business to be dealt with is contained in the separate notice of meeting.

Corporate Timetable

Preliminary Final Statement and dividend announcement	**20 Aug 2003**
Final and Special Dividend Record Date	**15 Sep 2003**
Final and Special Dividend Payment Date	**18 Sep 2003**
Despatch of Annual Report and Notice of Meeting	**15 Oct 2003**
Annual General Meeting and Chairman's Address	**19 Nov 2003**
Preliminary Half-year Statement and dividend announcement	**Feb 2004**
Interim Dividend payment date	**Mar 2004**

SHAREHOLDER INFORMATION

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 19th November 2003 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 D182
Perth, Western Australia, 6840

Corporate Directory

Schaffer Corporation Limited
ABN 73 008 675 689

The Board of Directors

Executive Directors
JM Schaffer BCom(Hons), FCPA
(Chairman and Managing Director)
AK Mayer *(Managing Director - ALH)*

Non-Executive Directors
DE Blain BA
DJ Schwartz

Chief Financial Officer
GP Monkhouse BE, MCom

Company Secretary
GV Davieson MA, FCIS

Head Office and Registered Office

1305 Hay Street, West Perth
Western Australia 6005
Telephone: 61 8 9483 1222
Facsimile: 61 8 9481 0439
E-mail: reception@schaffer.com.au
Website: www.schaffer.com.au

Share Registry

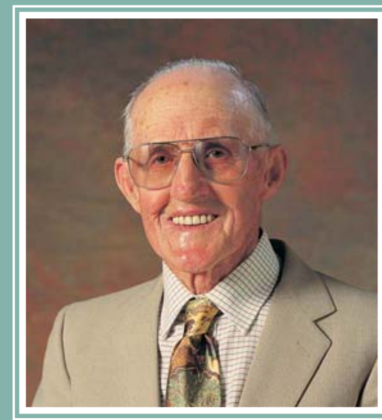
Computershare Investor
Services Pty Limited
GPO Box D 182
Perth, WA 6840
Telephone: 61 8 9323 2000
Facsimile: 61 8 9323 2033

Auditors

Ernst and Young

Solicitors

Blake Dawson Waldron



VALE

Albert Edward Jobling

1914 - 2003

On behalf of the Board of Schaffer Corporation, I would like to pay tribute to the late Mr Bert Jobling. Mr Jobling, who passed away on 6 July 2003, was a Foundation Director of the Company and was instrumental in the Company's development from 1955 to his retirement from Board duties in 1998. Bert was a great friend and a tireless supporter of the Company and will be sadly missed by all who knew him. Bert is survived by his wife Lavinia, daughters Marilyn and Lynda, son-in-law Graham and two fine grandsons whom I know Bert was very proud of. On behalf of the Board I wish to express our sincere condolences to Bert's family. Bert has left a void in the lives of all who knew him well, but the memory of this fine gentleman will live on.

John Schaffer
Managing Director

mindfield - creative business partners
SC-1-6691