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ANNUAL GENERAL MEETING - 2003

CHAIRMAN'S ADDRESS

Fellow shareholders, ladies and gentlemen, welcome to Schaffer Corporation's 49th Annual General Meeting.

It is with great pleasure I deliver this year's Chairman's Address to you.

2003 FINANCIAL HIGHLIGHTS

I would like to begin with some of the financial highlights of the 2002/2003 financial year. In many ways it was another outstanding year for Schaffer Corporation, especially when measured by Schaffer's profitability, earnings per share, dividend payments and market value. In brief

- Net profit after tax was up 31% to $17 million (previously $13 million);
- Earnings per share were up 22% to $1.25/share (previously $1.02/share);
- Return on Capital Employed increased by a third, to 28% per annum (previously 21%);
- We raised Ordinary Dividends per share by 67% to $1.00/share (previously 60¢/share);
- We paid a Special Dividend of 20¢/share (previously it was 10¢/share);
- Market Capitalisation (as at 30th June 2003) was $169 million (a year before it was $128 million). Currently our market capitalisation is close to $190 million; and
- Schaffer Corporation has been included in the S&P/ASX 300 for the first time. Annual share liquidity rose 40% to 28% of our issued capital (previously 20%) and our shareholder base grew by 50% to 2,100 shareholders (previously 1,400)

This excellent business performance translates to exceptional shareholder returns. We calculate Total Shareholder Return (TSR) as:

"Share price growth (including bonus issues) + Dividends paid + Dividend imputation credits"

Total Shareholder Return generated by Schaffer Corporation for each of the past five years is set out in the table below. Our Total Shareholder Return for the past year was 58% and averages 54% per annum over the past five years.

	Sep-99	Sep-00	Sep-01	Sep-02	Sep-03	5 YEAR TOTAL
Share Price	2.45	3.55	4.00	10.10	14.25	12.35
Bonus Issue	-	0.33	0.36	-	-	0.69
Ord Divs	0.12	0.13	0.17	0.60	1.00	2.02
SpecialDivs			0.10	0.10	0.20	0.40
Imputation Credit	0.07	0.07	0.14	0.30	0.51	1.10
TSR	**0.74**	**1.64**	**1.22**	**7.10**	**5.86**	**16.56**
TSR%	**39%**	**67%**	**34%**	**178%**	**58%**	**871%**
Annualised (Compounded)						**54%**

BUSINESS FOCUS

Our corporate objective is to operate and grow our core businesses for the benefit of our shareholders. We aim to be number one or number two in each of our markets, as measured by profitability. Our strategy to achieve this aim requires us to:

- be a world low cost producer;
- maintain a leading distribution network; and
- pay constant attention to detail

We will hold our focus on the core operating divisions (Automotive Leather and Building Products) while we further rationalise non-core group operations. Our strategy for the core businesses is one of sustainable, organic growth, which should provide the least risk to the Group. Our financial focus is to achieve a high return on capital employed and the efficient conversion of earnings into cash flow. The aim is to build shareholder value while maintaining a strong dividend flow to shareholders.

FINANCIAL POSITION

Schaffer Corporation has again improved its financial position. Operating Cash Flow for 2002/03 of $34.6 million was strong and applied as follows:

• Capital Expenditure	$ 5.0 million
• Acquisitions (net)	$ 0.5 million
• Dividends	$13.6 million
• Cash at Bank Increase	$15.5 million
Total Application of Cash	$34.6 million

At 30th June 2003 our gearing, expressed as net debt to equity was 67%. This ratio has subsequently decreased to 61% following the sale of six of our non-core property interests during September. At balance date, the group had $42 million of undrawn debt facilities available to fund future growth and $21.1 million in cash on deposit.

COMMENTS ON OPERATIONS

LEATHER

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

Howe, the automotive leather business, 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,
- a “quality culture” and
- an established global customer base (Howe is an accredited supplier to most major automotive manufacturers including BMW, Ford, GM, Honda, Subaru, Toyota, Nissan, Mazda, Land Rover and Audi).

Consistent with Howe’s strategy to remain a world low cost producer, Howe is committed to establishing a cutting facility in mainland China by the end of the next calendar year. The facility in China will be similar to the plant we have operated successfully in Mexico for the past seven years.

Howe’s current performance is based on sound business fundamentals -- it operates with no government subsidies. Howe remains in a strong position to build its business in the medium term future, based on delivering quality product into a growing market.

Gosh, the furniture leather business is operating in an extremely competitive market and has simplified it business activities accordingly.

BUILDING PRODUCTS

Our Building Products division is comprised of UrbanStone and Delta. It delivers niche products and design solutions for the construction and landscaping markets. The division continues to trade profitably and provided an excellent return on capital employed to the group. EBIT contribution last financial year was $4.3 million, representing 14% of group earnings.

UrbanStone manufactures premium paving products which are marketed through its national distribution network. UrbanStone's strong competitive position is 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, and is also developing its presence in the South Australian market. The Delta system provides a cost efficient product to a niche market for pre-stressed concrete products. Both the UrbanStone and Delta businesses have minimal capital expenditure requirements and are yielding strong operating cash flows.

NON-CORE INVESTMENTS

The capital employed by the Company's non-core investments has been 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. These sales generated $2 million in net profit and $4.7 million in net cash after reducing debt by $8 million. We will continue the selling down of our non-core investments over the next three to five years. We expect to generate an additional $7.7 million in net profit and $11 million in cash. We also expect to further reduce our debt by $16.6 million.

PEOPLE

One of the great strengths of the Schaffer Group is the quality of our people, at all levels. Our management team and workforce are the engine of the business; and their skills give us a real advantage in the markets in which we compete. Across all of our operations, we now have a permanent workforce of about 900 people, the majority of whom work in the leather division. The safety of our workforce is a strong focus of senior management throughout the Group. We aim to continuously improve our safety systems and to reinforce employee awareness of the importance of safe work practices.

As Managing Director and as a shareholder, I would like to take this opportunity to thank all employees and Board members for their efforts, commitment and passion -- and I look forward to working with them in the future.

BOARD CHANGES

Since our last Annual General Meeting, we have seen the retirement of Mr Kel Webster and Mr John Abernethy. Kel joined the Company in 1978 and served as an executive director from 1987 to 1998. I 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, too, all the best for the future.

OUTLOOK

EARNINGS OUTLOOK

As indicated in this year's Annual Report, Howe has continued to experience difficult market conditions since the start of this financial year. Volumes will be lower this half-year for Howe, due to program timing issues and the stronger Australian dollar, which is adversely impacting sales revenues and margins. Consequently, the Board is maintaining its view that Howe's earnings will be down on last year's record first half result. Importantly, in the short to medium term, significant opportunities exist for Howe to win additional contracts in a global market that is forecast to grow at seven percent per year.

Our Building Products businesses, UrbanStone and Delta, are trading well in what is seasonally their strongest half and are on track with last year's first half result.

The sale of six of our thirteen joint venture investment properties in September generated approximately $2 million in after tax earnings, which will substantially offset the reduced earnings contribution from Howe for this half.

Overall, the group is operating well, considering the difficult market conditions being experienced by Howe. As a result, the Board currently expects the first half result not to be materially below the previous corresponding period result of $10.3 million.

DIVIDEND OUTLOOK

The Directors are pleased to confirm the ordinary dividend forecast for 2003/04 provided in August. We expect to pay ordinary dividends of $1.00 per share fully franked, payable 50¢ in March 2004 and 50¢ in September 2004. In addition, the Board expects to pay a special dividend in March 2004, based on the balance of the cash received from the sale of our investment property interests earlier this financial year and development property distributions since September. The exact quantum of the March 2004 Special Dividend will be confirmed when we release the half year results in February 2004.

VALE – MR BERT JOBLING

Before I conclude this presentation today it is important that I acknowledge the passing in July this year of one of Schaffer's Foundation Directors, Mr Bert Jobling. Bert's relationship with this company spanned almost 50 years. Bert was a great friend and a tireless supporter of the Company. He is sadly missed by all who knew him.

Finally, on behalf of the Board I would like to thank all Schaffer Corporation Shareholders for their continued support.

John Schaffer
Chairman

19th November 2003.