

S C H A F F E R C O R P O R A T I O N L I M I T E D

2 0 0 0 A N N U A L R E P O R T

THE SCHAFFER BOARD OF DIRECTORS



J. M. SCHAFFER
B.COM. (Hons.), FCPA
(Chairman and
Managing Director)



J. B. ABERNETHY
B.COM. (ECON) - LLB.
(Director)



D.E. BLAIN B.A.
(Director)



D.J. SCHWARTZ
(Director)



K.K. WEBSTER FCPA
(Director)

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CORPORATE INFORMATION

HEAD OFFICE AND REGISTERED OFFICE **SCHAFFER CORPORATION LIMITED**

A.C.N. 008 675 689

A.B.N. 73 008 675 689

1305 Hay Street, West Perth WA 6005

Postal Address: PO Box 770, West Perth WA 6872

Telephone: 61 8 9483 1222

Facsimile: 61 8 9481 0439

Email: email@schaffer.com.au

Website: www.schaffer.com.au

SECRETARY

G.V. Davieson, MA FCIS

GROUP CHIEF ACCOUNTANT

P.M. Breckler, FCPA

AUDITORS

Ernst & Young

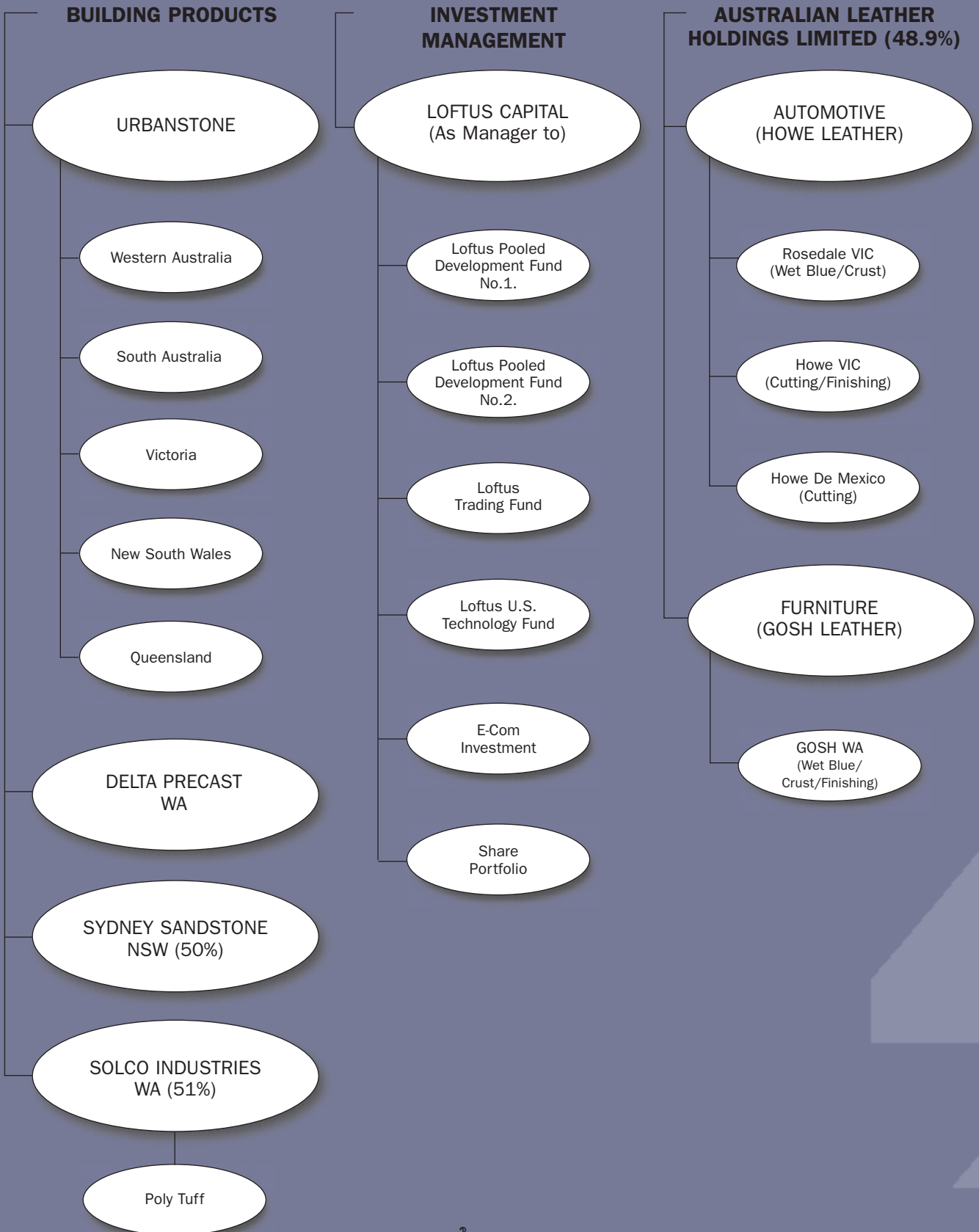
BANKERS

Challenge Bank (a division of Westpac Banking)

SHARE REGISTER

Computershare Registry Services

SCHAFFER CORPORATION LIMITED - CORPORATE OVERVIEW





PROPERTY HOLDINGS

WHOLLY OWNED PROPERTIES

West Perth
Head Office WA

Herne Hill
Delta WA

Kurrajong
Sandstone
Quarry NSW

Jandakot WA

Southwind
Industrial Estate
NSW

PROPERTY DEVELOPMENT & SUBDIVISION

**PROPERTY DEVELOPMENT
JOINT VENTURES/
SUBDIVISION**

Aqua Vista
East Perth WA
27 Units (25%)

SanSimeon
East Perth WA
31 Units (20%)

Majestic Quay
East Perth WA
160 Units (25%)

**PROPERTY
SUBDIVISION**

Mindarie Keys
WA (Residential)
(15%)

Southwind
Industrial Estate
NSW (100%)

PROPERTY INVESTMENTS

**SYNDICATED
PROPERTY
INVESTMENTS**

IBM Centre
West Perth WA
(22.1%)

Océ House
St Kilda VIC
VIC (20%)

GHD House
Perth City WA
(18%)

Perpetual Trustees
Building - Perth City WA
(20%)

607 Bourke Street
Melbourne VIC (12.1%)

71 Queens Road
Melbourne VIC (9%)

South Hedland
Shopping Centre WA
(18.75%)

Hometown
Cannington WA (25%)

Gledden Building
Perth City WA (22.1%)

Commercial Centre
Midland WA (25%)

Crosslands Shopping
Centre Bunbury
WA (16.7%)

Gateway Centre
Osborne Park WA (25%)



J.M. SCHAFFER B.COM. (HONS.), FCPA.
Chairman and Managing Director

Financial Overview

On behalf of the Board, it is with pleasure that I present the Annual Report of Schaffer Corporation Limited ("Schaffer") for the year ended 30th June 2000.

Our performance can best be summarised in two parts. First, Schaffer's controlled business operations and property joint ventures generated profit after tax of \$3.9m (38¢/share), up 43% on the previous year and more than twice the equivalent result for the year to 30 June 1998. Second, Australian Leather Holdings Limited ("ALH") contributed (on an equity accounted basis) \$4.8m (46.7¢/share) compared with last year's loss after abnormals of \$5.1m. That amounts to a \$9.9m turnaround in one year on our ALH investment. Together, our businesses and property activities and ALH investment generated group profit after tax of \$8.7m (84.7¢/share). This excellent result comes from a uniform performance throughout both halves of the year.

Schaffer's shareholders received a 1 for 10 bonus issue in April 2000, made possible by the outstanding interim result. This bonus issue was followed by a second 1 for 10 bonus share issue in September 2000, in recognition of the sustained, strong second half performance. In addition, fully franked dividends of 13.25¢/share (interim 6.5¢ and final 6.75¢) have been paid over the course of the year. Effectively, shareholders' dividend returns have increased over 50% when compared with

dividends paid just three years ago. The increase results from combining higher dividends per share (up from 10¢ to 13.25¢ over that time) with the two bonus issues.

Summary of Operations

The Group Operations Summary (refer pages 2-3) illustrates our current activities. They are summarised in the following divisions:

- Building Products (UrbanStone, Delta, Sydney Sandstone and Solco/Poly Tuff);
- Investment Management (Loftus-managed funds and share portfolio);
- ALH (the 48.9% interest in Australian Leather Holdings Limited. ALH produces automotive and furniture leather under the Howe and Gosh brands);
- Property
 - Property Holdings (wholly-owned properties, which accommodate our building products operations and head office);
 - Property Development and Subdivision (unit developments with Fini, property subdivisions at Mindarie Keys and Windsor; and
 - Property Investments (joint ventures in commercial and retail property).

The Building Products division again achieved substantial market share and earnings growth. The market for building products last year was buoyed by the

amount of contracts brought forward in anticipation of the introduction of the GST on 1 July 2000. Both UrbanStone and Delta benefited from this pre-GST demand. The market has plateaued for the moment and there is some uncertainty about its immediate future. However, looking beyond the short term, the underlying fundamentals of the businesses are sound and we anticipate last year's earnings are sustainable. Our Sydney Sandstone Quarries and Solco/Poly Tuff investments are still in development mode and whilst we expect they will be profitable, their contribution will not be material in the context of the overall result.

Our private capital Investment Management division, Loftus Capital Pty Ltd (Loftus), is developing steadily. Loftus at present receives fees for the management of approximately \$23m of funds under management and corporate consulting activities. Funds under management by Loftus have grown from \$1.25m in 1995 to \$23m today. The challenge for Loftus is to raise further capital and organically grow funds well beyond a minimum critical mass. To this end Loftus is actively developing and expanding its suite of investment products.

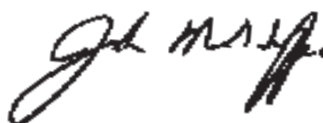
ALH achieved an excellent turnaround last year as I explained in the Financial Overview. In addition, major milestones achieved by ALH were a successful refinancing, enabling growth, and an end to the WTO dispute. The processing plants built by ALH over the past three to five years are world class, producing quality leather to an internationally competitive standard. ALH has had to face and deal with many challenges and is commercially much stronger and more efficient as a result.

Our property ventures have also contributed to increased earnings. Since last year's annual report Schaffer has entered into another four property syndicates, bringing the total Investment Property portfolio to twelve properties worth over \$10 million.

In our development projects, the 31-unit SanSimeon and 160-unit Majestic Quay developments in East Perth are currently under way. SanSimeon is expected to be completed late this year while Majestic Quay is a two year project. The property subdivisions at Mindarie and Windsor are both progressing well and we look to further earnings from these projects.

In summarising, the most pleasing aspect of this year's result was the "across the board" contributions from all divisions. Prior to this latest result, ALH had not provided any meaningful return for our company. In contrast, the strength of ALH's earnings for the year ended 30 June 2000 should enable ALH to begin paying cash dividends to Schaffer in the near future. Positive cash flow from our wholly owned businesses and property joint ventures is also a good indication of the health and strength of those activities. This augurs well for a strengthening balance sheet and your Board's commitment to further improving returns to shareholders.

On behalf of the Board I would like to thank our management and employees for their contribution throughout the past year and look forward to their continued support in the years ahead.



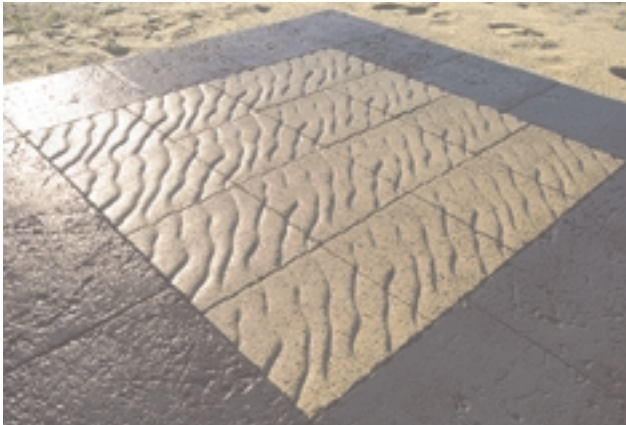
John Schaffer

Chairman & Managing Director

Exceptional understanding of the market place and in particular understanding of our customers' needs has been the focal point of our strategies over the past year.

Excellent customer service combined with improved process efficiencies and our ability to give our customers what they want when they want it has secured the UrbanStone brand in specifiers' minds across the Nation.

We continue to succeed in having a range of UrbanStone Residential and Commercial products specified in many of Australia's most prestigious projects over the past year.



NEW INNOVATIVE 'SHIFTING SANDS'.

Focus on the "bleeding edge" of Internet Technology has also been a high priority during the year. Our extensive Internet Web Site has assisted this aspect of our strategy by bringing the full range of products and specifications live to our customers' desktop computers. The "Interactive" section of our Web Site allows viewers to "stroll around" our Perth, Nedlands display centre utilising the latest "Virtual Reality" technology in the comfort of their own home. Our new "Mix Selector Guide" allows Architects and specifiers to view and download images of samples of exposed aggregate products speedily via computer. Completed projects and design details now feature heavily on the Web Site, assisting with ideas for potential UrbanStone consumers. Our AutoCAD drafting service is available to assist Landscape Architects in the transfer of information utilising our extensive and flexible design service.

Product quality and innovation have also received our full attention during the year. Refinements of existing products and the introduction of new moulding and production processes have truly positioned our products in line with our marketing strategy.

Our objective of becoming a market leader in the wet cast concrete paving market has become a reality and UrbanStone certainly leads the Australian market in this regard.

Our acceptance as a quality manufacturer and supplier of paving and landscape accessories to the Commercial markets continues to gain momentum across the country. UrbanStone Commercial paving products are now an integral part of most major landscaping precincts. These are featured in The Batavia Coast Redevelopment Geraldton, Perth's TVW Child Research Facility and Westfield's Carousel Shopping Centre, Holdfast Shores Marina Pier Glenelg and The Centre for Performing and Visual Arts Adelaide, Sanctuary Lake Golf Resort and the Chadstone Shopping Centre Melbourne, Qantas Domestic Terminal and Australia's Olympic Village in Sydney, Nurses War Memorial ACT, Versaci Resort Gold Coast, Queensland University of Technology at Gardens Point and Cairns Rail Station, to mention only a few.

Our continued focus on the company's precise sales and marketing strategies will ensure that UrbanStone is well positioned to expand our business throughout the Australian market in the future.



HOME PAGE OF URBANSTONE'S WEB SITE.



SUBTLE USE OF COLOUR, SHAPE AND TEXTURE COMPLIMENT THIS LANDMARK DEVELOPMENT IN ADELAIDE.
Holdfast Shores, Glenelg Marina Pier, Adelaide, South Australia.

Delta has had a very busy year resulting from a buoyant construction industry and effective marketing of its total precast concrete solution.

Deltacore Flooring and Walling continues to gain popularity in the Commercial and Residential sectors due to its versatility and speed of construction.

The range of product has been expanded and production capacity increased to meet demand.

Commercial Projects

Major commercial projects completed during the year utilising our products were:

- Garden City Shopping Centre, Booragoon.
- Subiaco Square Shopping Centre.
- Subiaco Oval Grandstand Stage 3.
- Mandurah Cultural Centre.
- Fremantle Oval Dockers Facilities.
- Christian Brothers College, Fremantle.
- Wooroloo Prison Complex.
- Peel Education Campus, Mandurah.
- Hampden Road Offices, Nedlands.
- Adelaide Convention Centre, South Australia.



GARDEN CITY SHOPPING CENTRE. Prestressed beams and Deltacore Floors roofing the huge undercroft parking area.

High Density Residential Projects

This market sector continues to be a strong growth area for Delta. Projects include:

- Mounts Bay Village Stage 3.
- Aqua Vista Apartments, East Perth.
- SanSimeon Apartments, East Perth.
- Broadwater Resort, Busselton.
- Ocean Centre Hotel, Geraldton.



MOUNTS BAY VILLAGE APARTMENTS. Stages 1-3.

Residential Housing

Residential two storey housing and units was a strong growth area for our Deltacore flooring system during the year.

We now provide a complete service from detailing to installation including support steel, stairflights and balconies, making Deltacore a much more user friendly system.

A second story floor slab can be easily installed within one day, reducing conventional construction time by over one month.

Delta is continuously involved in researching new cost effective ways of adapting its products to meet clients' specific needs.



PRECAST CONCRETE STAIRS. Delta's new precast concrete stairs reduce construction time by up to five weeks.



GARDEN CITY SHOPPING CENTRE EXTENSIONS. This was Delta's largest and most outstanding project undertaken during the past twelve months. It involved a range of products including 28,500m² of Deltacore floor plank, 1,200m² of Deltacore wall panels, 436 x 10 tonne beams and a variety of architectural wall panels.



GARDEN CITY SHOPPING CENTRE. A sample of the finish and detail of the architectural wall panels.



GARDEN CITY SHOPPING CENTRE. Special patterned wall panels painted to the clients' requirements.

AUSTRALIAN LEATHER HOLDINGS LIMITED

(48.9% Interest)

ALH has achieved an excellent operating turnaround. The operating EBIT of \$12.4m (\$2.0m loss 1999) is the result of many years of dedication from the management team and the Board.

Resolution of the long running WTO trade dispute will have a positive long-term impact on the business. Removal of the uncertainty associated with the dispute means our employees and customers can now rely on ALH being a long-term competitive supplier of high quality leather.

Furniture Leather

Gosh remains Australia's premium furniture leather brand. Gosh continuously develops innovative products which provide the benchmark for the Australian furniture industry. Global furniture markets are competitive and Gosh is focused on the higher quality niche markets in order to achieve profitability.

Gosh gains purchasing power benefits from being a part of the ALH group. These benefits along with established relationships and technical expertise allow Gosh to maintain a sustainable and profitable business.



HOWE: Howe's leather adds a luxurious feature to this BMW.



GOSH: Furniture by Moran. Glenrowan leather by Gosh.



Automotive Leather - www.howe.com.au
Howe manufactures and sells high performance leather for the automotive industry. Over 90% of production is exported with over half destined for the US automotive market.

Howe is a world low cost automotive leather producer based on:

- Modern global scale manufacturing facilities;
- Access to suitable quality local raw material (Australia has one of the largest cattle herds in the world suitable for automotive leather).

Howe's cost competitive position is enhanced by its quality focus and status as an accredited supplier to the worlds largest car makers (including BMW, GMH, Ford, Subaru and Honda). The automotive leather market is characterised by high barriers to entry arising from:

- High capital cost;
- Long customer approval process;
- Knowledge requirements due to the variation associated with natural products.

Howe has overcome the global barriers and is well positioned to grow its business profitably. The demand for automotive leather continues to grow strongly and Howe has consistently achieved sales growth in excess of 25% per annum.

Loftus Capital Pty Ltd (“Loftus”) is a wholly owned subsidiary of Schaffer Corporation. Loftus has two core operating divisions: Corporate Consulting and Private Capital Management. During the period under review Loftus has recruited skilled staff in both Perth and Sydney. This in part reflects the growth in funds under management and the launching of new investment products. Loftus now has a team of professional managers and consultants capable of undertaking a higher level of business activity. Loftus anticipates further growth in the year ahead.

Corporate Consulting

As a manager of stable equity for small corporates, Loftus is introduced to a multitude of corporates and business managers who require unique advice on capital raising, sale of businesses, expansion opportunities or restructuring advice. As an active shareholder, potential investor or manager of assets, Loftus is perceived as a consultant whose advice is genuinely aimed at adding value and not merely generating fee income. Loftus has extensive contacts in capital markets and has on numerous occasions introduced clients to other groups to provide high-level advice.

Private Equity Management

Loftus acts as manager to a range of funds. These are

- Loftus Pooled Development Limited (“LPDL”) (\$15 million)
- Loftus Small Company Fund Limited (\$2.4 million) launched March 2000.
- Loftus US Technology Fund Limited (\$0.75 million) launched May 2000.
- E-Com Investment Capital Limited (\$5 million) launched January 2000.

Loftus derives management fees and incentive options under its management agreements with these funds.

The last 12 months has seen Loftus launch three new funds. The focus remains on Pooled Development Fund structures which give investors substantial tax benefits. However, the US Technology Fund which Loftus co-manages

with the Lidcam Group allows investors access to the US unlisted technology market.

A pleasing aspect of the year was the performance of our 5-year established LPDL. This Fund grew its market value from about \$11 million to about \$15 million and returned to investors some \$600,000 in dividends. The LPDL Net Tangible Assets grew from \$3.25 to \$3.65 per share with 16 cents of dividends paid during the year. This represents a return of 17% for the year which is a credible result given the market downturn in April.

Schaffer Corporation remains an anchor shareholder in each of the Loftus funds and has benefited from the funds’ performance. However, the focus remains on providing patient long-term capital to our investees and we encourage all our investors to judge the performance of Loftus on this basis.

SYNDICATED PROPERTY INVESTMENTS

Another four properties have been added to Schaffer’s portfolio of Investment Properties in the past year. 607 Bourke St, Melbourne was acquired in April 2000. It is an impressive 18-level “A” grade office building with 13,450m² of lettable area and 36 basement car bays. 71 Queens Rd, Melbourne was acquired in March 2000. It is a 10-level office building with 8,260m² of lettable area and 101 car bays. The Crosslands Shopping Centre, Bunbury WA, was acquired in December 1999. The site has development approval for a further 8,000m² of retail which will lift its profile markedly. A fourth property is currently under contract. The Gateway Centre is a retail/showroom property on 3.4 hectares fronting Scarborough Beach Road, Osborne Park. The following page sets out the Investment Property portfolio and Schaffer’s interest in each property.

COMMERCIAL PROPERTIES



THE IBM CENTRE (Hay St, West Perth).
Schaffer has a 22.1% interest in this property.



OCE HOUSE (St. Kilda Rd, Melbourne).
Schaffer has a 20% interest in this property.



607 BOURKE ST (Melbourne).
Schaffer has a 12.1% interest in this property.



GHD HOUSE (Adelaide Tce, Perth).
Schaffer has an 18% interest in this property.



ZURICH (71 Queens Rd, Melbourne).
Schaffer has a 9% interest in this property.



PERPETUAL TRUSTEES (St George's Tce, Perth).
Schaffer has a 20% interest in this property.

RETAIL PROPERTIES



SOUTH HEDLAND SHOPPING CENTRE.
Schaffer has an 18.75% interest in this property.



HOMETOWN. (Albany Hwy, Cannington).
Schaffer has a 25% interest in this property.



GATEWAY CENTRE. (Scarborough Beach Rd, Osborne Park)
Schaffer will have a 25% interest in this property on settlement.



THE GLEDDEN BUILDING. (Hay St Mall, Perth).
Schaffer has a 22.1% interest in the ground and basement levels.



CROSSLANDS SHOPPING CENTRE. (Bunbury, WA).
Schaffer has a 16.7% interest in this property.



401 GREAT EASTERN HIGHWAY.
Schaffer has a 25% interest in this property.

PROPERTY DEVELOPMENT JOINT VENTURES

Developments

In association with the Fini Group, Schaffer has a 20% to 25% interest in a series of residential unit developments. The Rialto Terrace (Northbridge) and Aqua Vista (East Perth) developments were completed last year. The remaining developments in which we have a financial interest are located in East Perth, an area which has undergone major renewal. The current projects in which Schaffer has a financial interest are:

SanSimeon

30 residential apartments and 1 commercial unit. This is sold out and construction is expected to be completed by December 2000. Schaffer has a 20% interest in the SanSimeon development.

Majestic Quay

This development is situated on the south bank of Claisebrooke Cove. With 100m of north facing river frontage, Majestic Quay will offer exceptional inlet views. This development will consist of about 160 residential apartments and townhouses. Construction on Stage 1 of the development has already begun and is expected to be completed in September 2001. Stage 2 will follow soon after. In keeping with Majestic's prestigious address and outlook, the finishes to the apartments and townhouses will be to a premium specification.

Subdivisions

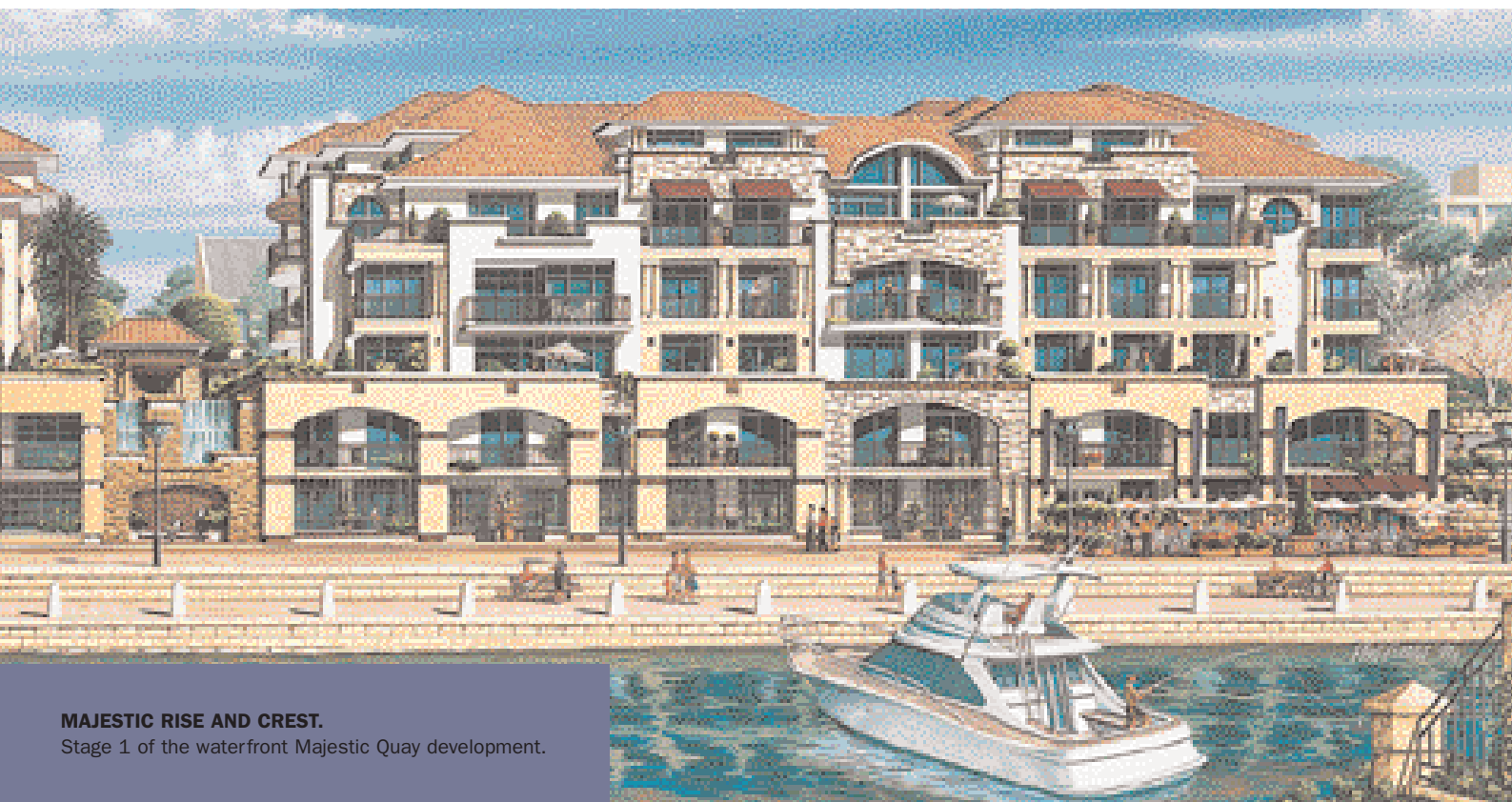
Southwind Industrial Estate

In February 1996, Schaffer acquired 8 hectares of rural land in South Windsor, NSW. The property has since been rezoned to "Industrial" and subdivided into 30 lots over three stages. Stages 1 and 2 settled in May and June of this year. Subdivisional works on Stage 3 will continue over the course of this financial year.

Mindarie Keys Residential Estate

Fuelled by pre-GST buyer demand and its recent win of the UDIA National President's Award for Most Outstanding Development, sales at the Mindarie Keys residential subdivision surged over the course of the last financial year. In the short term, we may see some slowing in sales due to a post-GST dampening in housing activity. However, the infrastructure and amenities now on offer in the Estate are first class and, coupled with the unique benefits of a coastal lifestyle, demand should firm again later in the year.

Much of the remaining land has now been developed yielding a wide selection of product from small lots through to elevated lots with spectacular marina and ocean views. Projections are that the remaining stock of land should last through to 2003.



MAJESTIC RISE AND CREST.

Stage 1 of the waterfront Majestic Quay development.



QUINNS ROCKS

MINDARIE KEYS

MINDARIE KEYS ESTATE.

An aerial view taken earlier this year and showing the development progress. Schaffer has a 15% interest in this residential subdivision.

SOLCO INDUSTRIES

Solco is an innovator in the use of plastic technology to produce a polymer based low cost solar hot water system.

It also supplies custom made rotational moulding equipment, which produces a wide range of large commercial plastic products.

The company has continued to develop its range of solar units. During the year, Solco released a number of higher efficiency products suitable for use in regions with distinct summer and winter climatic conditions.

Solco believes these solar units, which are priced at around the same cost as storage hot water systems, may have a large potential market in Australia.

In May of this year Solco opened a retail showroom in Bunbury, Western Australia and commenced a dedicated television, radio and newspaper advertising campaign to test market the solar units. This campaign is aimed at quantifying the consumer acceptance at a retail level prior to commencing a full-scale national release.

Early consumer response to the solar units, marketed under the name "Solartech Genius", was very encouraging.



SOLARTECH: Bunbury WA, Solartech Genius Showroom.

POLY TUFF

Poly Tuff, a wholly owned subsidiary of Solco, is the Australian manufacturer of rotational moulded products for a wide range of customers.

Poly Tuff has two major product areas:

1. The manufacture of Solco's, Solartech solar hot water systems;
2. The manufacture of agricultural spray tanks, materials handling, marine and filtration products.

New product applications continue to be developed using the latest CAD software, which allows three dimensional computer modelling in the design phase.



SOLARTECH: The new Solartech Genius 380 Litre Solar Unit.

Poly Tuff has widened its customer and product base and is adding new products. Its objective is to continue the good sales and profit growth of the last two years and to reduce its reliance on the agricultural industry.

SCHAFFER CORPORATION LIMITED
ACN 008 675 689
FINANCIAL REPORT AND STATUTORY INFORMATION
AS AT 30 JUNE 2000

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BALANCE SHEET AT 30 JUNE 2000

	Notes	CONSOLIDATED		CHIEF ENTITY	
		2000 \$000	1999 \$000	2000 \$000	1999 \$000
CURRENT ASSETS					
Cash		2,323	2,126	709	131
Receivables	7	6,215	9,135	2,621	3,504
Inventories	8	10,576	10,767	3,069	1,750
Investments	9	2,231	1,264	1,879	1,151
Other	10	335	300	110	105
TOTAL CURRENT ASSETS		21,680	23,592	8,388	6,641
NON-CURRENT ASSETS					
Receivables	11	-	-	2,951	6,970
Investments	12	32,372	21,523	27,948	18,661
Property, plant and equipment	13	22,571	22,186	7,337	6,930
Intangibles	14	171	188	-	-
Other	15	1,624	1,116	185	330
TOTAL NON-CURRENT ASSETS		56,738	45,013	38,421	32,891
TOTAL ASSETS		78,418	68,605	46,809	39,532
CURRENT LIABILITIES					
Accounts payable	16	7,705	6,766	1,334	1,717
Borrowings	17	1,096	974	71	459
Provisions	18	4,069	3,017	829	1,605
TOTAL CURRENT LIABILITIES		12,870	10,757	2,234	3,781
NON-CURRENT LIABILITIES					
Borrowings	19	27,854	27,091	18,027	14,400
Provisions	20	2,321	2,549	400	324
TOTAL NON-CURRENT LIABILITIES		30,175	29,640	18,427	14,724
TOTAL LIABILITIES		43,045	40,397	20,661	18,505
NET ASSETS		35,373	28,208	26,148	21,027
SHAREHOLDERS' EQUITY					
Issued capital	21	7,335	7,335	6,387	6,387
Reserves	22	2,585	2,585	2,283	2,283
Retained profits		25,453	18,288	17,478	12,357
Shareholders' equity attributable to members of Schaffer Corporation Limited		35,373	28,208	26,148	21,027
Outside equity interest in controlled entities					
Issued capital		105	105	-	-
Accumulated losses		(105)	(105)	-	-
Total outside equity interest		-	-	-	-
TOTAL SHAREHOLDERS' EQUITY		35,373	28,208	26,148	21,027

The balance sheet should be read in conjunction with the accompanying notes.

PROFIT AND LOSS STATEMENT YEAR ENDED 30 JUNE 2000

	Notes	CONSOLIDATED		CHIEF ENTITY	
		2000 \$000	1999 \$000	2000 \$000	1999 \$000
OPERATING REVENUE	2	61,487	42,963	13,183	9,367
OPERATING PROFIT/(LOSS) BEFORE ABNORMAL ITEMS AND INCOME TAX	2	10,695	(1,053)	2,423	658
ABNORMAL ITEMS	5	-	-	4,427	(5,231)
OPERATING PROFIT/(LOSS) BEFORE INCOME TAX	2	10,695	(1,053)	6,850	(4,573)
INCOME TAX EXPENSE/(CREDIT) ATTRIBUTABLE TO OPERATING PROFIT/(LOSS)	4	1,978	1,305	177	(101)
OPERATING PROFIT/(LOSS) AFTER INCOME TAX		8,717	(2,358)	6,673	(4,472)
OUTSIDE EQUITY INTERESTS IN OPERATING PROFIT AFTER INCOME TAX		-	-	-	-
OPERATING PROFIT/(LOSS) AFTER INCOME TAX attributable to members of Schaffer Corporation Limited		8,717	(2,358)	6,673	(4,472)
RETAINED PROFITS at the beginning of the financial year		18,288	21,536	12,357	17,663
Adjustment resulting from adoption of revised accounting standard - AASB 1016 Accounting for Investments in Associates		-	(56)	-	-
TOTAL AVAILABLE FOR APPROPRIATION		27,005	19,122	19,030	13,191
DIVIDENDS PROVIDED FOR OR PAID	6	1,552	1,207	1,552	1,207
AGGREGATE OF AMOUNTS TRANSFERED FROM RESERVES	22	-	373	-	373
RETAINED PROFITS at the end of the financial year		25,453	18,288	17,478	12,357

The profit and loss statement should be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS YEAR ENDED 30 JUNE 2000

	Notes	CONSOLIDATED		CHIEF ENTITY	
		2000 \$000	1999 \$000	2000 \$000	1999 \$000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES					
Receipts from customers		45,716	29,111	1,816	16
Payments to suppliers and employees		(36,484)	(28,792)	(4,605)	(1,725)
Purchase of equity securities		(7,884)	(2,301)	(7,185)	(2,682)
Proceeds on sale of equity securities		7,821	3,753	7,139	3,608
Dividends received		75	76	75	153
Other revenue		4,466	5,132	1,442	916
Interest income		76	45	405	14
Borrowing costs paid		(2,009)	(1,884)	(963)	(886)
Income taxes paid		(1,552)	(759)	-	-
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES	3b	10,225	4,381	(1,876)	(586)
CASH FLOWS (USED IN)/FROM INVESTING ACTIVITIES					
Acquisition of property, plant and equipment		(3,482)	(2,017)	(864)	(533)
Proceeds on sale of property, plant and equipment		670	75	265	14
Receipts from controlled entities		-	-	9,967	3,628
(Advances to)/received from other debtors		(39)	1,226	152	(98)
Deposit (refunded)/paid		(9)	117	(10)	117
Goodwill acquired		(84)	-	-	-
Joint venture property investments acquired		(6,039)	(4,779)	(4,298)	(4,740)
NET CASH FLOWS (USED IN)/FROM INVESTING ACTIVITIES		(8,983)	(5,378)	5,212	(1,612)
CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES					
Finance lease principal payments		(376)	(294)	(135)	(71)
Shares acquired under share buy back scheme		-	(39)	-	(39)
Repayments of commercial bills		(4,300)	(1,500)	(3,800)	(1,000)
Dividends paid		(1,930)	(1,108)	(1,930)	(1,108)
Proceeds from loans advanced		5,551	4,843	3,110	3,888
NET CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES		(1,055)	1,902	(2,755)	1,670
NET INCREASE/(DECREASE) IN CASH HELD		187	905	581	(528)
Add opening cash brought forward		2,123	1,218	128	656
CLOSING CASH CARRIED FORWARD	3a	2,310	2,123	709	128

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared in accordance with the historical cost convention, except for property, plant and equipment measured at revalued amounts. The financial report is a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Law which includes applicable Accounting Standards. Other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) have been complied with.

Change in accounting policies

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

Principles of consolidation

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

Cash and cash equivalents

Cash on hand and in banks and short-term deposits are stated at the lower of cost and net realisable value. For the purposes of the statement of cash flows, cash includes cash on hand and in banks, and money market investments readily convertible to cash within 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 uncollectable debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred. Receivables from related parties are recognised and carried at the nominal amount due less a provision for any uncollectable debts. Interest is taken up as income on an accrual basis.

Property, plant and equipment

Cost and valuation

Items of property, plant and equipment comprising a class of non-current assets are revalued at the same date on a consistent basis. Where assets have been revalued, the potential effect of the capital gains tax on disposal has not been taken into account in the determination of the revalued carrying amount. Where it is expected that a liability for capital gains tax will arise, this expected amount is disclosed by way of note.

Depreciation

Depreciation is provided on a straight line basis on all property, plant and equipment, other than freehold land and quarries, at rates calculated to allocate the cost or valuation less estimated residual value at the end of the useful lives of the assets against revenue over those estimated useful lives. Major depreciation periods are:

	2000	1999
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

Freehold quarries are amortised on a production output basis after allowing for the estimated residual value at the end of their useful lives.

Leases

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

Operating leases

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

Finance leases

Leases which effectively transfer substantially all of the risks and benefits incidental to ownership of the leased item to the group are capitalised at the present value of the minimum lease payments and disclosed as property, plant and equipment under lease. A lease liability of equal value is also recognised. Capitalised lease assets are depreciated over the shorter of the estimated useful life of the assets and the lease term. Minimum lease payments are allocated between interest expense and reduction of the lease liability with the interest expense calculated using the interest rate implicit in the lease and charged directly to profit and loss. 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 are brought to account in determining the profit or loss for the financial year.

Specific hedges

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

Other non-current assets

Research and development costs

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

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2000 (CONTINUED)

Inventories

Inventories are valued at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- Raw materials - purchase cost on a first-in first-out basis; and
- Finished goods and work-in-progress - cost of direct material and labour and a proportion of manufacturing overheads based on normal operating capacity.

Construction 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

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.

Licences

Licences are initially brought to account at the cost of acquisition and are amortised over their useful lives. This is taken as being five years. Where the expected benefit of the licences are no longer expected to be received the amounts are then written off.

Recoverable amount

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

Trade and other payables

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

Loans and borrowings

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

Provisions

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

Share capital

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

Revenue recognition

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

Sale of goods

Control of the goods has passed to the buyer.

Rendering of services

Where the contract outcome can be reliably measured:

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

Where the contract outcome cannot be reliably measured:

- revenue is recognised only to the extent that costs have been incurred.

Interest

Control of a right to receive consideration for the provision of, or investment in, assets has been attained.

Dividends

Control of a right to receive consideration for the investment in assets is attained, usually evidenced by approval of the dividend at a meeting of shareholders.

Precast concrete manufacture

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

Joint venture

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

Investments

Investments in associates are carried at the lower of the equity-accounted amount and recoverable amount in the consolidated financial report and the lower of cost and recoverable amount in Schaffer Corporation Limited's financial report.

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

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. Where assets are revalued no provision for potential capital gains tax has been made. The income tax expense for the year is calculated using the 36% tax rate, however the deferred tax balances have been adjusted for the decreased corporate tax rate of 34% for the tax year 2000-01 and 30% thereafter. The adjustment recognises that reversal of timing differences will occur within the 2000-01 or later income tax year, at which time tax will be attributed at a lower rate. The corresponding adjustment has been charged to income tax expense.

Employee entitlements

Provision is made for employee entitlement benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave, sick leave

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2000 (CONTINUED)

and long service leave. Liabilities arising in respect of wages and salaries, annual leave, sick leave and any other employee entitlements expected to be settled within twelve months of the reporting date are measured at their nominal amounts. All other employee entitlement liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the interest rates attaching to government guaranteed securities which have terms to maturity approximating the terms of the related liability are used.

Employee entitlements expenses and revenues arising in respect of the following categories:

- wages and salaries, non-monetary benefits, annual leave, long service leave, sick leave and other leave entitlements; and
- other types of employee entitlements are charged against profits on a net basis in their respective categories.

In respect of the consolidated entity's accumulated benefits superannuation plans, any contributions made to the superannuation funds by entities within the consolidated entity are charged against profits when due. The value of the employee share scheme described in note 25(e) is not being charged as an employee entitlement expense.

Earnings per share

Basic earnings per share is determined by dividing the operating profit after tax by the weighted average number of ordinary shares outstanding during the financial year.

	CONSOLIDATED		CHIEF ENTITY	
	2000	1999	2000	1999
	\$000	\$000	\$000	\$000

NOTE 2

OPERATING PROFIT/(LOSS)

The operating profit/(loss) before income tax is arrived at after charging/(crediting) the following items:

Bad debts written off - trade debtors	107	48	-	-
Provision for doubtful debts				
- trade debtors	222	84	-	-
- other debtors	241	360	241	360
Depreciation of non-current assets				
Buildings	151	136	10	9
Leasehold improvements	295	110	-	-
Plant and equipment	1,385	1,006	141	58
Amortisation of non-current assets				
Goodwill	97	12	-	-
Licences	4	2	-	-
Plant and equipment under lease	207	215	19	54
Borrowing costs expensed				
Interest expense				
- other persons	1,814	1,672	963	840
- directors of the entity	22	16	-	16
- controlled entities	-	-	289	115
Other borrowing costs				
Finance charges				
- lease liability	173	196	-	30
- other	80	79	66	61
Rental on operating leases	631	516	-	-
Provision for/(reversal of) employee entitlements	267	87	(354)	147
Provision for/(reversal of) diminution in value of investments	-	19	(4,989)	5,151
(Reversal of) /provision for non-recovery of loans to controlled entities	-	-	(378)	189
Loss on sale of non-current assets	389	32	22	5
Profit on sale of listed and unlisted shares	(904)	(37)	(682)	(202)
Share of associates net loss	-	5,094	-	-
Bad debts recovered - trade debtors	(1)	(16)	(1)	(16)

	CONSOLIDATED		CHIEF ENTITY	
	2000	1999	2000	1999
	\$000	\$000	\$000	\$000

NOTE 2 (Continued)

Included in the operating profit/(Loss)

are the following revenues arising from operating activities:

Sales revenue	43,569	33,882	1,523	1,784
Interest received from:				
- other persons/corporations	76	45	21	14
- controlled entities	-	-	384	1,150
Royalties received from:				
- other persons/corporations	45	124	45	124
- controlled entities	-	-	-	26
Dividends received from:				
- controlled entities	-	-	2,259	1,000
- other corporations	75	76	75	70
Management fees received from:				
- controlled entities	-	-	-	856
- associated entity	-	40	-	40
Revenue from services	304	234	-	-
Rent received from				
- controlled entities	-	-	146	-
- other persons/corporations	3,655	4,192	1,208	681
Other	462	542	118	-
Share of associates net profit	4,810	-	-	-
Proceeds on sale of non-current assets	670	75	265	14
Proceeds on sale of listed shares	7,821	3,753	7,139	3,608
Operating revenue	61,487	42,963	13,183	9,367

NOTE 3

STATEMENT OF CASH FLOWS

a) Reconciliation of cash

Cash balance comprises:

Cash on hand	2,323	2,126	709	131
Bank overdraft	(13)	(3)	-	(3)
Closing cash balance	2,310	2,123	709	128

b) Reconciliation of operating profit/(loss)

after income tax to the net cash flows

from operations				
Operating profit/(loss) after taxation	8,717	(2,358)	6,673	(4,472)
Depreciation	1,831	1,252	151	67
(Profit)/Loss of equity accounted associate	(4,810)	5,094	-	-
Amortisation of leased plant and equipment	207	215	19	54
Amortisation of goodwill and licences	101	14	-	-
Provision for/(reversal of) employee entitlements	268	87	(354)	147
Loss on sale of non-current assets	389	32	22	5
Provision for/(reversal of) diminution in value of investments	-	19	(4,989)	5,151
(Reversal of)/provision for non-recovery of amounts owing by controlled entities	-	-	(278)	188
Amounts owing by controlled entities written off	-	-	563	80
Changes in assets and liabilities				
Receivables	2,959	(3,935)	(1,435)	(4,196)
Inventory	191	(540)	(1,319)	(88)
Investments	(967)	1,428	(728)	1,128
Trade creditors	939	2,553	(383)	1,460
Tax provision	1,256	444	-	-
Deferred tax liability	(322)	281	32	229
Future income tax benefit	(508)	(180)	145	(330)
Prepayments	(26)	(25)	5	(9)
Net cash flows from/(used in) operating activities	10,225	4,381	(1,876)	(586)

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2000 (CONTINUED)

c) Bank facilities

The consolidated entity has bank facilities available to the extent of \$35,386,000 (1999 - \$32,334,000).

The chief entity has bank facilities available to the extent of \$17,603,000 (1999 - \$17,670,000).

The unutilised facility for the consolidated entity at balance date was \$7,532,000

(1999 - \$4,697,000) and for the chief entity \$5,326,000 (1999 - \$4,697,000).

d) Non-cash financing activities

During the financial year the consolidated entity acquired plant and equipment with a fair value of \$Nil (1999 - \$544,000) by means of finance leases.

e) Acquisition of controlled entity

On 5 April 2000 the parent entity acquired 100% of the share capital of Delta Rail Services Ltd for \$1.

Net assets of Delta Rail Services Ltd on 5 April 2000:

	\$
Cash	1
	===

f) Loss of control of controlled entity:

On the 12 April 2000 the parent entity's interest in Loftus Small Company Fund Limited and its wholly owned subsidiaries Loftus Trading Fund Limited and Loftus Pooled Development No. 2 changed from 100 % to a minority interest as a result of a capital raising.

	CONSOLIDATED		CHIEF ENTITY	
	2000	1999	2000	1999
	\$000	\$000	\$000	\$000

NOTE 4

INCOME TAX

	CONSOLIDATED		CHIEF ENTITY	
	2000	1999	2000	1999
	\$000	\$000	\$000	\$000
Operating profit/(loss) before income tax	10,695	(1,053)	6,850	(4,573)
Prima facie tax thereon at 36%	3,850	(379)	2,466	(1,646)
Less prima facie tax attributable to an equity accounted associate	-	1,834	-	-
Tax effect of permanent differences:-				
- rebateable dividends	-	(329)	(813)	(327)
- expenses not allowable	65	71	1	6
- other items	(1,551)	18	(1,326)	(3)
- non assessable income	(4)	-	-	-
- Over provision of tax relating to previous years	(47)	(80)	-	-
- net gain attributable to change in income tax rate	(188)	-	(14)	-
	2,125	1,135	314	(1,970)
- current and prior year tax losses and timing differences brought to account	(147)	(254)	(137)	(48)
- current and prior year tax losses and timing differences not brought to account	-	424	-	1,917
Income tax expense/(credit) provided	1,978	1,305	177	(101)
Future income tax benefit at 30% not brought to account at balance date as realisation of this benefit is not virtually certain				
- tax losses	178	305	-	-

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

- future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
- the conditions for deductibility imposed by the tax legislation continue to be complied with; and
- no changes in the tax legislation adversely affect the consolidated entity in realising the benefit.

	CONSOLIDATED		CHIEF ENTITY	
	2000	1999	2000	1999
	\$000	\$000	\$000	\$000

NOTE 5

ABNORMAL ITEMS

Included in the operating profit/(loss)

are the following abnormal items:

Reversal of provision for diminution in value of shares in unlisted controlled entities (no tax effect)	-	-	180	-
Provision for diminution in value of investment in associated company (no tax effect)	-	-	-	(5,151)
Reversal of provision for diminution in value of investment in associated company (no tax effect)	-	-	4,810	-
Loan to controlled entity forgiven (no tax effect)	-	-	(563)	(80)
	-	-	4,427	(5,231)

NOTE 6

DIVIDENDS PROVIDED FOR OR PAID

Dividends paid :-

Interim - 6c. per share July 1999 (1998 - 5.5c.)	603	554	603	554
Final - 6c. per share paid November 1999 (1998 - 5.5c.)	604	553	604	553
Interim - 6.5c. per share April 2000 (1999 - 6c.)	723	-	723	-
	1,930	1,107	1,930	1,107
Fully franked portion	1,930	1,107	1,930	699
Unfranked portion	-	-	-	-
	1,930	1,107	1,930	699

Dividends proposed :-

Interim - 6.5c. per share paid April 2000 (1999 - 6c.)	723	604	723	604
Final - 6.75c. per share payable September 2000 (1999 - 6c.)	830	604	830	604
Over provision of dividend in previous year	(1)	(1)	(1)	(1)
Dividends provided for per profit and loss statement	1,552	1,207	1,552	1,207
Fully franked portion	1,552	1,207	1,552	1,207
Unfranked portion	-	-	-	-
	1,552	1,207	1,552	1,207

The tax rate at which dividends have or will be franked is Interim 36% (1999 - 36%), Final 34% (1999 - 36%). The amount of franking credits available for the subsequent financial year are:

Franking account balance brought forward	1,096	1	1,096	1
Fully franked interim dividend paid	(723)	-	(723)	-
Franked dividends received from other corporations	62	43	62	43
Franking account balance at the end of the financial year	435	44	435	44
Convert balance to 34% rate	40	-	40	-
Franking credits to be received from controlled entities or associated entities	4,734	2,259	4,734	2,259
Franking debits that will arise from the payment of dividends as at the end of the financial year	(830)	(1,207)	(830)	(1,207)
Franking credits available	4,379	1,096	4,379	1,096

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2000 (CONTINUED)

	CONSOLIDATED		CHIEF ENTITY	
	2000	1999	2000	1999
	\$000	\$000	\$000	\$000
NOTE 7				
RECEIVABLES (CURRENT)				
Trade debtors	5,923	8,419	1,490	1,784
Provision for doubtful debts	(340)	(118)	-	-
	5,583	8,301	1,490	1,784
Other debtors	1,233	1,194	891	1,043
Provision for non-recovery of other debtors	(601)	(360)	(601)	(360)
Amounts owing by partly owned controlled entities	-	-	1,436	1,627
Provision for non-recovery of amount owing by partly owned controlled entities	-	-	(595)	(590)
	6,215	9,135	2,621	3,504
Movement in provision for doubtful debts				
Balance at beginning of year	118	34	-	-
Bad debts provided for during the year	222	84	-	-
Balance at end of year	340	118	-	-

	CONSOLIDATED		CHIEF ENTITY	
	2000	1999	2000	1999
	\$000	\$000	\$000	\$000
NOTE 8				
INVENTORIES (CURRENT)				
Items at cost				
Work in progress :-				
Cost to date plus profit recognised	8,652	6,625	-	-
Less progress billings to date	(8,382)	(6,234)	-	-
Work in progress - net	270	391	-	-
Finished goods - at cost	940	1,038	-	-
Raw materials - at cost	561	502	-	-
	1,771	1,931	-	-
Land held for resale - at cost				
Cost of acquisition	4,683	5,778	2,003	1,579
Development expenses capitalised	3,373	2,463	890	90
Rates and taxes capitalised	275	235	55	22
Interest capitalised	474	360	121	59
	8,805	8,836	3,069	1,750
	10,576	10,767	3,069	1,750

	CONSOLIDATED		CHIEF ENTITY	
	2000	1999	2000	1999
	\$000	\$000	\$000	\$000
NOTE 9				
INVESTMENTS (CURRENT)				
Shares at cost				
- Listed on a prescribed stock exchange	1,039	1,264	687	602
- Unlisted	1,192	-	1,192	549
	2,231	1,264	1,879	1,151

(a) Aggregate quoted market value at balance date of investments listed on a prescribed stock exchange **2,626** 1,507 **2,291** 1,347

(b) Terms and conditions relating to the above financial instruments. Included in listed shares held at balance date are non-redeemable cumulative converting preference shares with a cost of \$Nil(1999 - \$115,075) receiving dividends of \$Nil (1999 - 10%) pa. Also included under unlisted shares are convertible notes with a cost of \$74,700 (1999 - \$74,700) receiving interest of 0% (1999 - 0%) pa convertible upon listing to the stock exchange.

	CONSOLIDATED		CHIEF ENTITY	
	2000	1999	2000	1999
	\$000	\$000	\$000	\$000
NOTE 10				
OTHER CURRENT ASSETS				
Prepayments	284	258	82	87
Deposits	51	42	28	18
	335	300	110	105

	CONSOLIDATED		CHIEF ENTITY	
	2000	1999	2000	1999
	\$000	\$000	\$000	\$000
NOTE 11				
RECEIVABLES (NON-CURRENT)				
Amount owing by wholly owned controlled entities	-	-	3,337	7,639
Provision for non-recovery of amount owing by wholly owned controlled entities	-	-	(386)	(669)
	-	-	2,951	6,970

	CONSOLIDATED		CHIEF ENTITY	
	2000	1999	2000	1999
	\$000	\$000	\$000	\$000
NOTE 12				
INVESTMENTS (NON-CURRENT)				
Shares at cost				
Unlisted	70	70	70	70
Provision for diminution in value of unlisted shares	(70)	(70)	(70)	(70)
	-	-	-	-
Associated companies at equity accounted amount				
Unlisted shares				
Ordinary shares	11,139	6,329	-	-
Preference shares	2,500	2,500	-	-
	13,639	8,829	-	-

	CONSOLIDATED		CHIEF ENTITY	
	2000	1999	2000	1999
	\$000	\$000	\$000	\$000
Associated companies at cost				
Unlisted shares				
Ordinary shares	-	-	11,480	11,480
Preference shares	-	-	2,500	2,500
Provision for diminution in value of shares in unlisted associated companies	-	-	(341)	(5,151)
	-	-	13,639	8,829

	CONSOLIDATED		CHIEF ENTITY	
	2000	1999	2000	1999
	\$000	\$000	\$000	\$000
Controlled entities at cost				
Unlisted shares	-	-	5,485	5,485
Provision for diminution in value of shares in unlisted controlled entities	-	-	(214)	(393)
	-	-	5,271	5,092
Joint venture properties at cost	18,733	12,694	9,038	4,740
	32,372	21,523	27,948	18,661

Controlled entities	Beneficial percentage held by consolidated entity		Place of inc.	Amount of chief entity's investment	
	2000	1999		2000	1999
	%	%		\$000	\$000
Schaffer Properties Pty Ltd *	100	100	W.A.	-	-
Schaffer Services Pty Ltd *	100	100	W.A.	-	-
Delta Corporation Limited *	100	100	W.A.	5,066	5,066
Urbanstone Pty Ltd *	100	100	W.A.	-	-
Urbanstone (Vic) Pty Ltd *	100	100	Vic.	-	-
Schaffer Corporation Management Pty Ltd*	100	100	W.A.	-	-
Delta Rail Services Ltd*	100	-	W.A.	-	-
Sydney Sandstone (Quarries) Pty Ltd **	50	50	W.A.	-	-
Solco Industries Pty Ltd #	51	51	W.A.	214	214
Poly Tuff (WA) Pty Ltd #	51	51	W.A.	-	-
Loftus Capital Pty Ltd *	100	100	N.S.W.	205	205
Loftus Small Company Fund Limited	-	100	W.A.	-	-
Loftus Trading Fund Limited	-	100	W.A.	-	-
Loftus Pooled Development No.2 Limited	-	100	W.A.	-	-
				5,485	5,485

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2000 (CONTINUED)

NOTE 12 (Continued)

* Pursuant to Class Order 98/1418 relief has been granted to various controlled entities from the Corporations Law requirements for preparation, audit and lodgement of their financial reports.

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

** Schaffer Corporation Limited consolidates the accounts of Sydney Sandstone Quarries Pty Ltd in which it holds an interest of 50%. Control exists in that three of the five directors of the entity are directors of Schaffer Corporation Limited.

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

The consolidated profit and loss statement and balance sheet of the entities which are members of the Closed Group are as follows:

	2000	1999
	\$000	\$000
CONSOLIDATED PROFIT AND LOSS STATEMENT		
Operating profit before abnormal items and income tax	7,338	4,299
Abnormal items	4,810	(5,231)
Operating profit/(loss) before income tax	12,148	(932)
Income tax attributable to operating profit	1,924	1,483
Operating profit/(loss) after income tax	10,224	(2,415)
Outside equity interests in operating profit after income tax	-	-
	10,224	(2,415)
Retained profits at the beginning of the financial year	18,019	21,358
Dividends provided for or paid	1,552	1,207
Aggregate of amounts transferred from reserves	-	373
Retained profits at the end of the financial year	26,691	18,109

CONSOLIDATED BALANCE SHEET

Current assets		
Cash	1,914	1,682
Receivables	6,480	9,593
Inventories	10,275	10,351
Investments	1,883	1,214
Other	242	225
Total current assets	20,794	23,065
Non-current assets		
Receivables	-	294
Investments	32,576	21,548
Property, plant and equipment	21,879	21,400
Intangibles	84	-
Other	1,186	919
Total non-current assets	55,725	44,161
Total assets	76,519	67,226
Current liabilities		
Accounts payable	6,873	6,070
Borrowings	901	723
Provisions	2,195	2,964
Total current liabilities	9,969	9,757
Non-current liabilities		
Borrowings	27,783	27,047
Provisions	2,156	2,393
Total non-current liabilities	29,939	29,440
Total liabilities	39,908	39,197
Net assets	36,611	28,029

NOTE 12 (CONTINUED)

	2000	1999
	\$000	\$000
Shareholders' equity		
Issued capital	7,335	7,335
Reserves	2,585	2,585
Retained profits	26,691	18,109
	36,611	28,029
Outside equity interest	-	-
Total shareholders' equity	36,611	28,029

Investments in associated companies comprise:

	% held by consolidated entity		Place of Inc.
	2000	1999	
Australian Leather Holdings Limited	48.9	48.9	W.A.
Solco Zimbabwe (Private) Limited	25.0	25.0	Zimbabwe
Bell Solco (M) Sdn. Bhd.	16.8	16.8	Malaysia

	2000	1999
	\$000	\$000
Retained profits attributable to associated companies:		
Balance at the beginning of the financial year	(9,155)	-
Balance on adoption of equity accounting	-	(4,061)
Share of associates:		
Operating profit/(loss) before income tax	4,941	(4,990)
Income tax expense attributable to operating profit/(loss)	(131)	(104)
Operating profit/(loss) after income tax	4,810	(5,094)
Dividends received from associated companies	-	-
Balance at the end of the financial year	(4,345)	(9,155)

	CONSOLIDATED		CHIEF ENTITY	
	2000	1999	2000	1999
	\$000	\$000	\$000	\$000
Carrying amount of investments in associated companies				
Balance at the beginning of the financial year	8,829	13,998	8,829	13,980
(Provision for)/reversal of provision for diminution in value	-	(19)	4,810	(5,151)
Adjustment resulting from adoption of revised accounting standard - AASB 1016				
Accounting for Investments in associates	-	(56)	-	-
Share of profits/(losses) for the financial year	4,810	(5,094)	-	-
Carrying amount of investment in associated companies	13,639	8,829	13,639	8,829

Carrying amount of investments in associated companies

Balance at the beginning of the financial year	8,829	13,998	8,829	13,980
(Provision for)/reversal of provision for diminution in value	-	(19)	4,810	(5,151)
Adjustment resulting from adoption of revised accounting standard - AASB 1016				
Accounting for Investments in associates	-	(56)	-	-
Share of profits/(losses) for the financial year	4,810	(5,094)	-	-
Carrying amount of investment in associated companies	13,639	8,829	13,639	8,829

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

Current assets	34,696	26,788
Non-current assets	19,525	20,083
Current liabilities	(22,463)	(25,186)
Non-current liabilities	(19,543)	(12,826)
Net assets	12,215	8,859

Principal activities of associated companies: Balance date

Australian Leather Holdings Limited	June 30
- leather manufacture	
Solco Zimbabwe (Private) Limited	September 30
- solar hot water system manufacture	
Bell Solco (M) Sdn. Bhd.	February 28
- solar hot water system manufacture	

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2000 (CONTINUED)

	CONSOLIDATED		CHIEF ENTITY	
Note	2000	1999	2000	1999
	\$000	\$000	\$000	\$000

	CONSOLIDATED		CHIEF ENTITY	
Note	2000	1999	2000	1999
	\$000	\$000	\$000	\$000

NOTE 13

PROPERTY, PLANT AND EQUIPMENT

Freehold land				
At independent valuation 1998	5,356	5,356	4,686	1,186
	5,356	5,356	4,686	1,186
Freehold quarries				
At independent valuation 1998	900	900	900	900
At cost	10	5	10	5
	910	905	910	905
Buildings on freehold land				
At cost	779	499	5	-
Accumulated depreciation	(19)	(5)	-	-
	760	494	5	-
Buildings on freehold land				
At independent valuation 1998	4,344	4,344	314	314
Accumulated depreciation	(283)	(133)	(19)	(9)
	4,061	4,211	295	305
Leasehold improvements				
At cost	758	669	-	-
Accumulated amortisation	(571)	(289)	-	-
	187	380	-	-
	5,008	5,085	300	305
Plant and equipment				
At cost	11,867	9,721	1,980	1,149
Accumulated depreciation	(4,125)	(2,919)	(644)	(400)
	7,742	6,802	1,336	749
Plant and equipment				
At directors valuation 1995	1,746	1,768	-	-
Accumulated depreciation	(649)	(502)	-	-
	1,097	1,266	-	-
Plant and equipment				
Under lease - at cost	2,936	3,175	193	468
Accumulated amortisation	(478)	(403)	(88)	(183)
	2,458	2,772	105	285
	11,297	10,840	1,441	1,034
Total property, plant and equipment				
At cost	16,350	14,069	2,188	1,622
At independent valuation 1998	10,600	10,600	5,900	5,900
At directors valuation 1995	1,746	1,768	-	-
	28,696	26,437	8,088	7,522
Provision for depreciation and amortisation	(6,125)	(4,251)	(751)	(592)
Total written down amount	22,571	22,186	7,337	6,930

Revaluations

The freehold land, buildings and quarries owned by companies within the consolidated entity have been restated during the 1998 financial year to valuations determined by David S Liggins FVLE (Val and Econ) of Stanton Hillier Parker and by Philip Edmonds B.Ec.(Hons), FVLE (Val & Econ), FCIM of Edmonds & Associates. All valuations are estimates of the amounts for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction at valuation date.

The consolidated entity does not have a set policy for the regular revaluation of freehold land and buildings. If these assets were sold at balance date at the valuation amounts, the capital gains tax payable would be \$835,000 for the consolidated entity and \$835,000 for the chief entity.

NOTE 14

INTANGIBLES

Goodwill at cost	314	230	-	-
Provision for amortisation	(143)	(46)	-	-
Licences at cost	10	10	-	-
Provision for amortisation	(10)	(6)	-	-
	171	188	-	-

NOTE 15

OTHER NON-CURRENT ASSETS

Future income tax benefit	1,624	1,116	185	330
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NOTE 16

ACCOUNTS PAYABLE (CURRENT)

Trade creditors	7,614	6,730	1,243	1,681
Other creditors	91	36	91	36
	7,705	6,766	1,334	1,717

NOTE 17

BORROWINGS (CURRENT)

Bank overdraft - secured	13	3	-	3
Lease liability (refer note 25c) - secured	379	543	71	253
Loans from directors of the entity	532	203	-	203
Loan from other corporations	172	225	-	-
	1,096	974	71	459

(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 instrument

(i) Finance leases have an average lease term of 4 years. The average discount rate implicit in the leases is 7.5% (1999 - 7.5%).

(ii) Loans from directors of the entity are unsecured and are repayable on demand. Details of the terms and conditions are set out in note 28. The average interest rate was 4.64% (1999 - 4.35%)

NOTE 18

PROVISIONS (CURRENT)

Employee entitlements (refer note 25d)	1,029	855	-	398
Dividends payable (refer note 6)	829	1,207	829	1,207
Income tax	2,211	955	-	-
	4,069	3,017	829	1,605

NOTE 19

BORROWINGS (NON-CURRENT)

Lease liability				
(refer note 25c) - secured	1,996	2,208	74	27
Amount owing to wholly owned controlled entity	-	-	5,750	1,683
Bills payable - secured	4,000	8,300	4,000	7,800
Bank loan - secured	21,858	16,583	8,203	4,890
	27,854	27,091	18,027	14,400

(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 26).

The lease liability is secured by a charge over the leased assets.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2000 (CONTINUED)

CONSOLIDATED		CHIEF ENTITY	
2000	1999	2000	1999
\$000	\$000	\$000	\$000

NOTE 19 (Continued)

(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 7.5% (1999 - 7.5%).

NOTE 20

PROVISIONS (NON-CURRENT)

Deferred income tax	1,989	2,311	261	229
Employee entitlements (refer note 25d)	332	238	139	95
	2,321	2,549	400	324

NOTE 21

SHARE CAPITAL

Issued and paid up capital				
As at 1 July 1999 - 10,059,145 ordinary fully paid shares (1999 - 10,078,145)	7,335	5,039	6,387	5,039
Share premium reserve transferred to issued capital	-	2,335	-	1,387
Share cancellation 23 September 1998 - 19,000 shares purchased under buy back arrangement	-	(39)	-	(39)
As at 30 June 2000				
11,115,721 ordinary fully paid shares (1999 - 10,059,145)	7,335	7,335	6,387	6,387

Shares issued during the year

On 10 April 2000 1,056,576 bonus shares were issued to shareholders and option holders on the basis of 1 ordinary fully paid share for every 10 shares or options held.

Share options

Options were issued over ordinary shares as part of an employee share scheme as follows. Further details are provided in note 25(e).

Date issued	No. of options	Exercise price	Exercisable on or before
17 Nov 1999	460,000	\$2.61	17 Nov 2004
28 Mar 2000	42,900	\$3.30	28 Mar 2005
	<u>502,900</u>		

NOTE 22

RESERVES

Reserves comprise:-

Capital:-

Asset revaluation	2,585	2,585	2,283	2,283
Total reserves	2,585	2,585	2,283	2,283

Movements in reserves

Share premium				
Balance 1 July 1999	-	2,335	-	1,387
Transfer of balance as at 1 July 1998 to the Share Capital Account to reflect the abolition of the concept of par value and share premium	-	(2,335)	-	(1,387)
Balance 30 June 2000	-	-	-	-
Capital profits				
Balance 1 July 1999	-	373	-	373
Transfer to retained profits	-	(373)	-	(373)
Balance 30 June 2000	-	-	-	-

CONSOLIDATED		CHIEF ENTITY	
2000	1999	2000	1999
\$	\$	\$	\$

NOTE 23

AUDITORS REMUNERATION

Amounts received or due and receivable by the auditors of Schaffer Corporation Limited for:

Audit of the accounts	90,145	72,726	-	38,226
Other services	32,014	15,600	14,931	9,450
	122,159	88,326	14,931	47,676

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

Other services	4,000	4,000	-	-
	-	-	-	-
	4,000	4,000	-	-

NOTE 24

REMUNERATION OF DIRECTORS

(a) Directors' remuneration.

Income paid or payable or otherwise made available, in respect of the financial year, to all directors of each entity in the consolidated entity, directly or indirectly, by the entities of which they are directors or any related party.

1,244,565 899,022

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.

1,033,757 899,022

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

\$ 0 - \$ 9,999	-	1
\$ 10,000 - \$ 19,999	-	1
\$ 30,000 - \$ 39,999	2	-
\$ 60,000 - \$ 69,999	-	1
\$ 120,000 - \$ 129,999	-	1
\$ 220,000 - \$ 229,999	1	1
\$ 230,000 - \$ 239,999	1	-
\$ 460,000 - \$ 469,999	-	1
\$ 500,000 - \$ 509,999	1	-

In addition to the above Directors were issued with the following options under an employee share scheme (refer note 25(e)).

The options were issued for nil consideration and are cancellable if the employees service with the company is terminated under any circumstances.

	Date issued	No. of options	Exercise price	Exercisable on or before
J B Abernethy	17 Nov 1999	90,000	\$2.61	17 Nov 2004
J M Schaffer	17 Nov 1999	170,000	\$2.61	17 Nov 2004
D J Schwartz	17 Nov 1999	80,000	\$2.61	17 Nov 2004

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2000 (CONTINUED)

CONSOLIDATED	1999	CHIEF ENTITY	1999
2000	1999	2000	1999
\$	\$	\$	\$

NOTE 24 (Continued)

As a result of the 1:10 bonus share issue on 10 April 2000 and pursuant to the employee share scheme approved by shareholders at the Annual General Meeting in November 1999, shares were issued on the basis of one ordinary fully paid share for every ten options held. The share price of a fully paid share on 10 April 2000 was \$3.45.

(b) Executives remuneration. Remuneration received or due and receivable by executive officers of the consolidated entity whose remuneration is \$100,000 or more, from entities in the consolidated entity or a related party, in connection with the management of the affairs of the entities in the consolidated entity whether as an executive officer or otherwise.

1,955,443 1,586,618

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.

1,744,666 1,475,704

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

\$100,000 - \$109,999	3	2	-	2
\$110,000 - \$119,999	1	-	1	-
\$120,000 - \$129,999	-	1	-	-
\$130,000 - \$139,999	1	1	1	1
\$140,000 - \$149,999	1	-	1	-
\$150,000 - \$159,999	-	1	-	1
\$180,000 - \$189,999	2	-	1	-
\$220,000 - \$229,999	1	1	1	1
\$230,000 - \$239,999	1	-	-	-
\$250,000 - \$259,999	-	1	-	1
\$410,000 - \$419,999	1	-	1	-
\$460,000 - \$469,999	-	1	-	1
\$500,000 - \$509,999	1	-	1	-

CONSOLIDATED	1999	CHIEF ENTITY	1999
2000	\$000	2000	\$000

NOTE 25

CONTINGENT LIABILITIES AND EXPENDITURE COMMITMENTS

(a) Termination benefits under Service agreements:
No. of service agreements - 6
Maximum liability at June 30, 2000

746 530 746 530

CONSOLIDATED	1999	CHIEF ENTITY	1999
2000	\$000	2000	\$000

NOTE 25 (CONTINUED)

(b) Commitments under lease agreements

Operating leases -
office and retail premises
- payable not later than 1 year **511** 384 - -
- later than 1 year and not later than 5 years **951** 924 - -
- later than 5 years **258** 337 - -

- aggregate lease expenditure contracted for at balance date **1,720** 1,645 - -

Operating leases - motor vehicles
- payable not later than 1 year **156** - - -
- later than 1 year and not later than 5 years **275** - - -
- later than 5 years - - - -

- aggregate lease expenditure contracted for at balance date **431** - - -

(c) Finance leases
- payable not later than 1 year **544** 733 **82** 272
- later than 1 year and not later than 5 years **2,316** 2,665 **80** 31

Total lease payments **2,860** 3,398 **162** 303
Future finance charges **(485)** (647) **(17)** (23)

2,375 2,751 **145** 280

- Current liability (refer note 17) **379** 543 **71** 253
- Non-current liability (refer note 19) **1,996** 2,208 **74** 27

2,375 2,751 **145** 280

(d) Employee entitlements and superannuation commitments
The consolidated entity has established certain superannuation plans. Employees contribute to these plans at various percentages of their wages and salaries and the end benefit is determined by accumulation of contributions and earnings of the plans.

The consolidated entity also contributes to the plan, generally at the rate of 7% of gross salaries and wages.

These contributions are not legally enforceable other than those payable in terms of a ratified award obligation or to comply with the Superannuation Guarantee Charge.

At balance date the assets of the plans are sufficient to satisfy all accumulated benefits that have vested under the plan in the event of termination of the plan and voluntary or compulsory termination of each employee.

The aggregate employee entitlement liability is comprised of:

Accrued wages, salaries and on costs	31	25	-	-
Provisions (current)-refer note 18	1,029	855	-	398
Provisions (non-current)-refer note 20	332	238	139	95
	1,392	1,118	139	493

(e) Employee share scheme

An employee share scheme has been established. The scheme was approved by shareholders at the AGM in November 1999. Senior executives of the Group are issued with options to acquire ordinary shares in Schaffer Corporation Limited. The options issued for nil consideration, are issued in accordance with performance guidelines established by the Directors of Schaffer Corporation Limited. The options cannot be transferred and will not be quoted on the ASX. The number of options which can be issued is limited to 5% of the number of shares on issue. There are currently nine executives eligible for the scheme.

As at balance date no options had been converted to shares.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2000 (CONTINUED)

	CONSOLIDATED		CHIEF ENTITY	
	2000	1999	2000	1999
	\$000	\$000	\$000	\$000
NOTE 25 (Continued)				
(f) Capital expenditure commitments				
Estimated capital expenditure contracted for at balance date but not provided for:	-	-	-	-

(g) A first mortgage has been registered over the assets and undertakings of a controlled entity by a bank which has issued performance guarantees to third parties on behalf of the consolidated entity. At June 30, 2000 the aggregate of the performance guarantees issued by the bank amounted to \$1,808,339 (1999 - \$1,596,750).

(h) The consolidated entity has a several liability only for borrowings made to finance the following joint ventures:

Mindarie Keys Joint Venture
IBM Centre Joint Venture
616 St Kilda Rd Joint Venture
Gledden Arcade Joint Venture
South Hedland Shopping Centre Joint Venture
Rialto Joint Venture
Villa Medici Joint Venture
Majestic Quay Joint Venture
Aqua Vista Joint Venture
SanSimeon Joint Venture
Hometown Joint Venture
G H D House Joint Venture
Queens Rd Joint Venture
Bourke St Joint Venture
401 Great Eastern Highway Joint Venture
Crosslands Shopping Centre Joint Venture
Perpetual Trustees Joint Venture

The consolidated entity's share of all liabilities has been included in the financial statements (refer note 26).

The maximum liability to the consolidated entity is \$21,857,000 (1999 - \$16,583,000).

Under the terms of the grant of the Hamilton Hill property, Schaffer Corporation Limited has a contingent liability for the subdivision and construction of premises on the site. Schaffer Corporation Limited's performance to meet the conditions of the grant is secured by way of a bank guarantee to Landcorp for \$395,700 (1999 - \$395,700). Other bank guarantees amount to \$480,987 (1999 - \$268,500).

NOTE 26

INTERESTS IN BUSINESS UNDERTAKINGS - JOINT VENTURES

Schaffer Properties Pty Ltd and Schaffer Corporation Limited have interests in a number of property development joint ventures in Western Australia and Victoria.

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

NOTE 26 (Continued)

	% interest	
	2000	1999
St. James Estate Northbridge Joint Venture	12.50	12.50
IBM Centre Joint Venture	22.10	22.10
Mindarie Keys Joint Venture	15.00	15.00
St Kilda Rd Joint Venture	20.00	20.00
Gledden Arcade Joint Venture	22.10	22.10
South Hedland Shopping Centre Joint Venture	18.75	18.75
Palladio Joint Venture	25.00	25.00
Rialto Joint Venture	25.00	25.00
Villa Medici Joint Venture	25.00	25.00
Majestic Quay Joint Venture	25.00	25.00
Aqua Vista Joint Venture	25.00	25.00
SanSimeon Joint Venture	20.00	20.00
Hometown Joint Venture	25.00	25.00
G H D House Joint Venture	18.00	18.00
Queens Rd Joint Venture	9.00	-
Bourke St Joint Venture	12.10	-
401 Great Eastern Highway Joint Venture	25.00	-
Crosslands Shopping Centre Joint Venture	16.70	-
Perpetual Trustees Joint Venture	20.00	-

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

	CONSOLIDATED	
	2000	1999
	\$000	\$000
Current assets		
Cash	164	16
Receivables	2,641	4,809
Other	104	90
Inventories	8,432	8,031
Total current assets	11,341	12,946
Non-current assets		
Plant and equipment	3,378	2,617
Property	18,733	12,694
Intangibles	84	-
Other	230	302
Total non-current assets	22,425	15,613
Total assets	33,766	28,559
Current liabilities		
Accounts payable	2,387	2,699
Borrowings	-	3
Total current liabilities	2,387	2,702
Non-current liabilities		
Borrowings	21,857	16,583
Provisions	1,258	1,435
Total non-current liabilities	23,115	18,018
Total liabilities	25,502	20,720
Net assets	8,264	7,839

The joint ventures have contributed \$890,000 (1999 - \$476,000) to the profit after tax of the consolidated entity.

There are no capital expenditure commitments and contingent liabilities in respect of the joint ventures.

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2000 (CONTINUED)

NOTE 27

SEGMENT INFORMATION

The company operates predominantly in Australia.

Industry Segment Information	Manufacturing		Investments		CONSOLIDATED	
	2000	1999	2000	1999	2000	1999
	\$000	\$000	\$000	\$000	\$000	\$000
Sales to customers outside the group	33,277	28,132	10,292	5,750	43,569	33,882
Interest received from other persons	-	-	76	45	76	45
Royalties received	-	-	45	124	45	124
Dividends received	-	-	75	76	75	76
Proceeds on sale of investments	-	-	3,872	3,753	3,872	3,753
Other revenue	52	440	7,821	4,528	7,873	4,968
Proceeds on sale of non-current assets	109	59	546	16	655	75
Share of associates profit	-	-	4,810	-	4,810	-
	33,438	28,631	27,537	14,292	60,975	42,923
Unallocated revenue					512	40
Total revenue					61,487	42,963
Segment results:						
Operating profit	6,359	5,460	1,804	1,136	8,163	6,596
Share of associates profit/(loss)	-	-	4,810	(5,094)	4,810	(5,094)
	6,359	5,460	6,614	(3,958)	12,973	1,502
Unallocated expenses					(2,278)	(2,555)
Consolidated entity operating profit/(loss)					10,695	(1,053)
Segment assets	17,470	19,680	56,808	46,579	74,278	66,259
Unallocated assets					4,140	2,346
Total assets					78,418	68,605
Intersegment transactions are on a commercial basis.						

NOTE 28

RELATED PARTY DISCLOSURES

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

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

Transactions with directors of Schaffer Corporation Limited and the consolidated entity.

During the year certain directors, their relatives and related entities placed funds on deposit with the company at call and bearing interest at normal commercial rates.

The balance due by Schaffer Corporation Limited to these directors and related parties totalled \$532,050 at 30 June 2000 (1999 - \$203,004). Interest paid on the funds loaned from these directors and their related parties during the year totalled \$22,161 (1999 - \$15,667).

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 \$486,952 (1999 - \$470,789) of which \$386,246 (1999 - \$350,638) has been provided for as non-recoverable.

Schaffer Corporation Limited has provided 100% controlled entities with working capital loans which have no fixed repayment date.

Interest charged at normal commercial rates amounted to \$384,437 (1999 \$1,150,201).

The aggregate amounts owing from those controlled entities at year end is \$2,848,116 (1999 - \$7,168,222) of which \$Nil (1999 - \$318,375) has been provided for as non-recoverable.

Wholly owned controlled entities have provided Schaffer Corporation Limited with loans which have no fixed repayment date. Interest charged at normal commercial rates amounted to \$289,407 (1999 \$115,472).

The aggregate amounts owing to those controlled entities at year end is \$5,750,126 (1999 - \$1,683,826).

Transactions with other related parties

Schaffer Corporation Limited holds 48.9% (1999 - 48.9%) of the share capital of Australian Leather Holdings Limited of which Mr J M Schaffer, 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 \$Nil (1999 - \$40,000).

Schaffer Corporation Limited holds 51% of the ordinary share capital of Solco Industries Pty Ltd of which Messers J M Schaffer and K K Webster are directors. Schaffer Corporation Limited provided Solco Industries Pty Ltd with a secured loan with no fixed terms of repayment. Normal commercial interest rates were charged on the loan up until 31 December 1997. Since that date interest has not been charged. The balance of the loan outstanding at 30 June 2000 was \$438,411 (1999 - \$467,055) of which \$134,688 (1999 - \$134,239) has been provided for as non-recoverable. Interest paid during the year was \$Nil (1999 - \$Nil).

In addition, a company associated with two directors of Solco Industries Pty Ltd has provided Solco Industries Pty Ltd with an unsecured loan interest free with no fixed terms of repayment. The balance of the loan outstanding at 30 June 2000 was \$Nil (1999 - \$52,644).

Schaffer Corporation Limited holds 50% of the ordinary share capital of Sydney Sandstone Quarries Pty Ltd of which Messers J M Schaffer, K K Webster and Mrs D E Blain are directors.

Schaffer Corporation Limited provided Sydney Sandstone Quarries Pty Ltd with an unsecured loan interest free with no fixed terms of repayment. The balance of the loan outstanding at 30 June 2000 was \$997,768 (1999 - \$1,160,368) of which \$460,526 (1999 - \$455,816) has been provided for as non-recoverable.

In addition, a company associated with a director of Sydney Sandstone Quarries Pty Ltd has provided Sydney Sandstone Quarries Pty Ltd with an unsecured loan interest free with no fixed terms of repayment. The balance of the loan outstanding at 30 June 2000 was \$171,843 (1999 - \$171,843).

(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 2000.

Schaffer Corporation Limited ordinary shares	Acquired during the year	2000	1999
Mr J B Abernethy	38,348	203,315	164,967
Mrs D E Blain	111,745	1,229,182	1,117,437
Mr J M Schaffer	177,677	1,536,274	1,358,597
Mr D J Schwartz	116,524	348,237	231,713
Mr K K Webster	3,851	42,361	38,510

Change in directors shareholdings is the result of on market transactions or the one for ten bonus issue on 10 April 2000 (refer note 21).

During the year directors were issued for nil consideration options to acquire ordinary shares under an employee share scheme (refer note 25(e)) as follows. These options participated in the one for ten bonus issue on 10 April 2000 resulting in one ordinary fully paid share being issued for every ten options held.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2000 (CONTINUED)

NOTE 28 (Continued)

	Date issued	No. of options	Exercise price	Exercisable on or before
J B Abernethy	17 Nov 1999	90,000	\$2.61	17 Nov 2004
J M Schaffer	17 Nov 1999	170,000	\$2.61	17 Nov 2004
D J Schwartz	17 Nov 1999	80,000	\$2.61	17 Nov 2004

There have been no other transactions concerning shares or share options between entities in the reporting entity and directors of the reporting entity or their director related entities.

NOTE 29

FINANCIAL INSTRUMENTS

(a) Interest rate risk

Financial instruments	Floating interest rate		Fixed interest rate maturing in:				Non - interest bearing		Total carrying amount as per the balance sheet		Weighted average effective interest rate	
			1 year or less		Over 1 to 5 years							
	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
(i) Financial assets												
Cash	-	-	-	-	-	-	2,323	2,126	2,323	2,126	N/A	N/A
Receivables - trade	-	-	-	-	-	-	5,583	8,301	5,583	8,301	N/A	N/A
Receivables - other	-	-	-	-	-	-	632	834	632	834	N/A	N/A
Listed shares	-	-	-	115	75	75	964	1,074	1,039	1,264	10%	10%
Unlisted shares	-	-	-	-	-	-	1,192	-	1,192	-	N/A	N/A
Other current assets - deposits	-	-	-	-	-	-	51	42	51	42	N/A	N/A
Total financial assets	-	-	-	115	75	75	10,745	12,377	10,820	12,567		
(ii) Financial liabilities												
Trade creditors, accruals and other creditors	-	-	-	-	-	-	7,705	6,766	7,705	6,766	N/A	N/A
Bank overdraft	13	3	-	-	-	-	-	-	13	3	8.88%	8.45%
Finance lease liability	-	-	377	531	1,998	2,220	-	-	2,375	2,751	7.5%	7.5%
Loans from directors of the entity	532	203	-	-	-	-	-	-	532	203	4.64%	4.35%
Loans from other corporations	-	-	-	-	-	-	172	225	172	225	N/A	N/A
Dividends payable	-	-	-	-	-	-	829	1,207	829	1,207	N/A	N/A
Bills of exchange	1,000	5,300	-	-	3,000	3,000	-	-	4,000	8,300	7.2%	6.6%
Bank loans	10,114	5,972	-	1,848	11,744	8,763	-	-	21,858	16,583	7.77%	7.25%
Total financial liabilities	11,659	11,478	377	2,379	16,742	13,983	8,706	8,198	37,484	36,038		

29 (b) Net fair values

Financial assets and financial liabilities are carried at net fair value except for listed shares refer to note 9.

29 (c) Credit risk exposures

The consolidated entity's maximum exposure * to credit risk at balance date in relation to each class of recognised financial assets, is the carrying amount of those assets as indicated in the balance sheet.

Concentrations of credit risk

The consolidated entity minimises concentrations of credit risk in relation to trade receivables by undertaking transactions with a large number of customers within the specified industries. However, the majority of customers are concentrated in Australia.

Refer also to Note 27 - 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	2000	1999	2000	1999
Manufacturing	100%	100%	5,583	8,301

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

- payment terms 30 days

- a risk assessment process is used for all new customers

* 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 30

EARNINGS PER SHARE

	CONSOLIDATED ENTITY	
	2000	1999
a) Basic earnings per share (cents per share)	84.69	(21.20)
(b) Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	10,292,977	10,063,518

Diluted earnings per share are not materially different from basic earnings per share.

The comparative information has been restated due to a bonus issue on 10 April 2000 (refer note 21).

NOTE 31

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.

INDEPENDENT AUDIT REPORT DIRECTORS' DECLARATION

INDEPENDENT AUDIT REPORT

To the Members of Schaffer Corporation Limited

SCOPE

We have audited the financial report of Schaffer Corporation Limited for the financial year ended 30 June 2000 as set out on pages F1 to F16 and the Directors' Declaration. The financial report includes the financial statements of Schaffer Corporation Limited and the consolidated financial statements of the consolidated entity comprising the company and the entities it controlled at year's end or from time to time during the financial year. The company's directors are responsible for the financial report. We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the company.

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

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

AUDIT OPINION

In our opinion, the financial report of Schaffer Corporation Limited is in accordance with;

- (a) the Corporations Law including:
- (i) giving a true and fair view of the company's and the consolidated entity's financial position as at 30 June 2000 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and the Corporations Regulations; and
- (b) other mandatory professional reporting requirements.

Ernst & Young

G H Meyerowitz
Partner
Perth

Date: 18 September 2000

DIRECTORS' DECLARATION

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

- (1) In the opinion of directors:
- a) the financial statements and notes of the company and of the consolidated entity are in accordance with the Corporations Law, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2000 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and Corporations Regulations; and
 - b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable:
- (2) In the opinion of the directors, as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in Note 12 will be able to meet any obligation or liabilities to which they are or may become subject to, by virtue of the Deed of Cross Guarantee.

On behalf of the Board

J M Schaffer
Chairman and Managing Director
Perth, 18 September 2000

DIRECTORS' STATUTORY REPORT

Your directors submit their report for the year ended 30 June 2000 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
Chairman & Managing Director
Executive Director since 6/9/72

Mr John Schaffer joined the company in 1972. Mr Schaffer was appointed Operations Manager in 1974, Managing Director in 1987 and has held the position of Chairman and Managing Director since 1988. Mr Schaffer is also Chairman of both Delta Corporation Limited and Australian Leather Holdings Limited and a director of Loftus Pooled Development Limited, Loftus Small Company Fund Limited and Loftus US Technology Fund Limited.

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

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

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

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

DIRECTORS' STATUTORY REPORT

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

Mr John Abernethy is Managing Director of Loftus Pooled Development Limited. Mr Abernethy is also a director of Loftus Small Company Fund Limited, Jasco Holdings Limited and Senacon Limited. Mr Abernethy has over 14 years experience in capital markets encapsulating senior investment management positions and corporate advisory roles.

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

Mr David Schwartz is the chairman of Loftus Small Company Fund Limited and Loftus Pooled Development Limited. He is a joint venture partner with Schaffer Properties Pty Ltd in some of their properties. He has 20 years experience in property developments, manufacturing and distribution businesses.

ATTENDANCE AT BOARD MEETINGS

During the year 17 directors meetings were held. Mr J M Schaffer and Mr J B Abernethy attended all of the seventeen directors' meetings. Mrs D E Blain attended sixteen of the meetings. Mr D J Schwartz and Mr K K Webster attended fifteen of the meetings.

ATTENDANCE AT AUDIT COMMITTEE MEETINGS

During the year 2 audit committee meetings were held. Mr J M Schaffer and Mrs D E Blain attended both meetings. Mr J B Abernethy and Mr K K Webser attended one meeting. All the above committee members are also directors of the company.

INTERESTS IN THE SHARES OF THE COMPANY AND RELATED BODIES CORPORATE

At the date of this report the interests of the Directors in the shares of the Company were:

	Schaffer Corporation Limited	
	Ordinary shares	Options over ordinary shares
J M Schaffer	1,706,895	170,000
D E Blain	1,352,098	-
K K Webster	46,597	-
J B Abernethy	235,360	90,000
D J Schwartz	398,143	80,000

ROTATION AND ELECTION OF DIRECTORS

In accordance with the Articles of Association:

Mr J B Abernethy retires by rotation and being eligible offers himself for re-election.

PRINCIPAL ACTIVITIES

The principal activities of the entities within the consolidated entity, in the course of the financial year were concrete element and paving manufacture, property development, investments in other companies and share trading.

RESULTS

The consolidated entity's operating result after tax for the financial year after abnormal items and outside equity interests, was a profit of \$8,717,000 (1999 - \$2,358,000 Loss). This included the equity accounted share of the profit of Australian Leather Holdings Limited of \$4,810,000 (1999 - 5,094,000 Loss).

The comparative result to last year excluding Australian Leather Holdings Limited was \$3,907,000. (1999 - \$2,736,000).

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

In the opinion of the directors of the consolidated entity there has not arisen during the financial year or in the interval between the end of the financial year and the date of this report any matter or circumstance that has significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in subsequent financial years.

DIVIDENDS

The following dividends have been paid or declared by the company since the commencement of the financial year:

		\$
Out of profits, as recommended in the financial statements, for the year ended 30 June 1999		
On ordinary shares		
- 6c. per share paid on 27 July 1999	603,000	
- 6c. per share paid on 18 November 1999	604,000	
	<u>1,207,000</u>	
Out of profits for the year ended 30 June 2000		
On ordinary shares		
- 6.5c. per share interim, paid on 19 April 2000	723,000	
- 6.75c. per share final, declared to be paid on 15 September 2000.	830,000	
	<u>1,553,000</u>	

REVIEW OF OPERATIONS

The consolidated entity's revenue increased by 43% from \$42,963,000 to \$61,487,000 this year. This resulted in a pre-tax operating profit of \$10,695,000 compared to a loss of \$1,053,000 for last year. The net after tax consolidated entity profit, after minority interests decreased from a loss of \$2,358,000 to a profit of \$8,717,000. The above results include the equity accounted share of the profit of Australian Leather Holdings Limited. Excluding Australian Leather Holdings Limited the net after tax consolidated entity profit, after minority interests increased by 43% from \$2,736,000 to \$3,907,000.

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.

INDEMNIFICATION AND INSURANCE OF DIRECTORS

During or since the financial year the company has agreed to indemnify directors against a liability for costs and expenses incurred in defending proceedings brought against them for a liability incurred in their role as directors of the company. The total amount of insurance contract premiums paid is not disclosed due to a confidentiality clause within the insurance policy.

DIRECTORS' AND OTHER OFFICERS EMOLUMENTS

The nature and amount of emoluments of directors and officers of the company are reviewed on a periodic basis by reference to

DIRECTORS' STATUTORY REPORT

relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team. Such officers are given the opportunity to receive their base emolument in a variety of forms including cash and fringe benefits such as motor vehicles and expense payment plans. It is intended that the manner of payment chosen will be optional for the recipient without creating undue cost for the company.

To assist in achieving these objectives some senior executives participate in a performance bonus plan which provides cash incentives where specified criteria relating to profitability are met. Details of the nature and amount of each element of the emolument of each director of the company and each of the five executive officers of the company and the consolidated entity receiving the highest emolument for the financial year are as follows:

Emoluments of directors of Schaffer Corporation Limited

	Annual Emoluments			Long Term Emoluments		
	Basic fee	Bonus	Other	Termination & similar payments	Super-annuation	Other
	\$	\$	\$	\$	\$	\$
J B Abernethy	205,608	-	14,026	-	16,143	3,188
D E Blain	25,000	-	-	-	1,750	6,957
J M Schaffer	305,720	-	152,221	-	35,478	16,312
D J Schwartz	25,000	-	-	-	1,750	4,167
K K Webster	96,962	-	50,687	-	39,788	33,000

In addition to the above Directors were issued with the following options under an employee share scheme (refer note 25(e)). As the directors' believe that the value of the options could not be estimated sufficiently reliably no amounts have been included in the above table.

The options were issued for nil consideration and are cancellable if the employees service with the company is terminated under any circumstances.

	Date issued	No. of options	Exercise price	Exercisable on or before
J B Abernethy	17 Nov 1999	90,000	\$2.61	17 Nov 2004
J M Schaffer	17 Nov 1999	170,000	\$2.61	17 Nov 2004
D J Schwartz	17 Nov 1999	80,000	\$2.61	17 Nov 2004

As a result of the 1:10 bonus share issue on 10 April 2000 and pursuant to the employee share scheme approved by shareholders at the Annual General Meeting in November 1999 shares were issued on the basis of one ordinary fully paid share for every ten options held.

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

	Annual Emoluments			Long Term Emoluments		
	Basic fee	Bonus	Other	Termination & similar payments	Super-annuation	Other
	\$	\$	\$	\$	\$	\$
P M Breckler	109,728	-	19,407	-	11,016	-
G V Davieson	100,000	-	23,167	-	7,000	-
M Falconer	124,522	218,256	41,221	-	32,110	-
G P Monkhouse	170,368	-	-	-	13,084	-
M Perrella	99,960	26,319	13,841	-	42,591	-
Total	604,578	244,575	97,636	-	105,801	-

P M Breckler - Group Chief Accountant
 G V Davieson - Company Secretary
 M Falconer - General Manager Urbanstone Pty Ltd
 G P Monkhouse - Investment Manager
 M Perrella - General Manager Delta Corporation Limited

The terms 'director' and 'officer' have been treated as mutually exclusive for the purposes of this disclosure. The elements of

emoluments have been determined on the basis of the cost to the company and the consolidated entity. Executives are those directly accountable and responsible for the operational management and strategic direction of the company and the consolidated entity. The category 'Other' includes the value of any non-cash benefits provided.

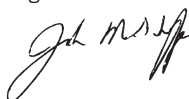
ROUNDING

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

CORPORATE GOVERNANCE

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

Signed in accordance with a resolution of the directors



J M Schaffer
 Chairman and Managing Director

Perth, 18 September 2000

ASX ADDITIONAL INFORMATION

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

TOTAL SHARE CAPITAL

Issued as at 21 September 2000 - 12,282,379 ordinary fully paid shares

SHARE REGISTRY ADDRESS

c/o Computershare Registry Services Pty Ltd
 Level 2, Reserve Bank Building
 45 St George's Terrace
 PERTH WA 6000

Postal Address:
 G P O 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 affecting any class of shares and without prejudice to Article 17, on a show of hands every member present in person shall have one vote and upon a poll every member present or by proxy or attorney shall have one vote for each share held subject to Article 16.

DISTRIBUTION OF HOLDINGS

As at 21 September 2000	Shareholdings	Shareholders
	1-1,000	372
	1,001-5,000	410
	5,001-10,000	109
	10,001-100,000	104
	100,001 and over	13
		<u>1,008</u>

Number of shareholders holding less than a marketable parcel ie less than 147 shares: 61

ASX ADDITIONAL INFORMATION

SUBSTANTIAL SHAREHOLDERS

As at 21 September 2000, the substantial shareholders of the company pursuant to the Corporations Law, were:

	No. of Shares	Percentage of issued ordinary shares
Swan Holdings Pty Ltd	2,730,146	
Mrs B Schaffer	432,897	
Kablan Nominees Pty Ltd	12,100	
	<u>3,175,143</u>	25.85
Mr J M Schaffer	1,124,448	
Delvin Investments Pty Ltd	343,148	
Schaffer Nominees Pty Ltd	168,096	
Mrs D R Schaffer	38,207	
Miss B Schaffer	10,998	
Mr G Schaffer	10,999	
Mr T Schaffer	10,999	
	<u>1,706,895</u>	13.90
Mrs D E Blain	1,333,184	
Mr A G J Blain	8,405	
Mr A N J Blain	2,103	
Miss T J Blain	8,406	
	<u>1,352,098</u>	11.01
Jobling Investments Pty Ltd	608,312	
Mr A E Jobling	321,543	
Mrs L Jobling	51,843	
Miss L M Jobling	5,749	
Mrs M Bookham	5,749	
	<u>993,196</u>	8.09

TWENTY LARGEST SHAREHOLDERS

As at 21 September 2000

	No. of Shares	Percentage of issued ordinary shares
Swan Holdings Pty Ltd	2,730,146	22.23
Mrs Danielle Eva Blain	1,333,184	10.85
Mr John Michael Schaffer	1,124,448	9.15
Jobling Investments Pty Ltd	608,312	4.95
Mrs Blanka Schaffer	432,897	3.52
Delvin Investments Pty Ltd	343,148	2.79
Mr Albert Edward Jobling	321,543	2.62
The Sports Cafe (Australia) Pty Ltd	226,072	1.84
Double Pty Ltd	216,460	1.76
Mr David Schwartz	171,587	1.40
Schaffer Nominees Pty Ltd	168,096	1.37
Mr Anton Mayer	153,880	1.25
Alan Forrester Pty Ltd	112,641	0.92
Stoddarts (1980) Pty Ltd	106,706	0.87
S C E Superannuation Pty Ltd	98,809	0.80
Mr Frederick Bruce Wareham	78,732	0.64
Mr Edward James Lewis	69,105	0.56
Mrs Winifred Francis Schulze	66,918	0.54
Perpetual Custodians Limited	60,500	0.49
Darryl James Smalley	55,000	0.45
	<u>8,478,184</u>	69.00

ANNUAL GENERAL MEETING

The Annual General Meeting of Schaffer Corporation Limited will be held at Perth on Wednesday, 15 November 2000 at 11.30 am. Further information regarding the meeting including the business to be dealt with is contained in the separate notice of meeting.

CORPORATE GOVERNANCE STATEMENT

This statement summarises the main Corporate Governance procedures which the company has adopted for the reporting period.

Composition of the Board

The Board is presently comprised of five Directors. The Board has three Non-Executive Directors and two Executive Directors (including an Executive Chairman). As at the date of this statement, the directors of the Company are as follows:

J M Schaffer	Chairman and Managing Director
J B Abernethy	Executive Director
K K Webster	Non-Executive Director
D E Blain	Non-Executive Director
D J Schwartz	Non-Executive Director

The composition of the Board is determined using the following principles:

- the Board shall comprise not less than three and not more than ten members;
- a director need not be a member; and
- the Board should comprise directors with an appropriate range of qualifications and experience

Remuneration Committee

Mr J M Schaffer and Mr K K Webster are responsible for determining and reviewing compensation arrangements of the executive directors and the executive team. They act as the remuneration committee and review remuneration levels once per year.

Independent Advice

Each director has the right to seek independent professional advice at the Company's expense. The Chairman requires the submission of a cost estimate by any director in order to establish the reasonableness of the projected fee. The Chairman's consent will not be unreasonably withheld.

Audit Committee

The Board has formed an Audit Committee which operates to oversee the internal and external audit functions of the company. Specifically the audit committee is required:

- to review the company's Annual Report and ensure the reliability of the financial information presented;
- to monitor compliance of the accounting records and procedures in conjunction with the Company's auditor on matters overseen by the Australian Securities and Investment Commission, Australian Stock Exchange and Australian Tax Office;
- to review audit reports and management letters to ensure prompt action is taken by management;
- to nominate the external auditor and review the adequacy of the scope and quality of the annual statutory audit and half year review.

The Audit Committee comprises Mr J M Schaffer, Mr K K Webster, Mrs D E Blain and Mr J B Abernethy. The Audit Committee meets as and when required. Committee meetings are also attended by the Group Chief Accountant and Audit Partner by invitation as required.

Board Responsibilities

As the board acts on behalf of, and is accountable to the shareholders, the board seeks to identify the expectations of the shareholders, as well as other regulatory and ethical expectations and obligations. In addition, the board is responsible for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage these risks. The board seeks to discharge these responsibilities in a number of ways.

The responsibility for the operation and administration of the consolidated entity is delegated by the board to the chief executive and the executive team. The board ensures that this team is appropriately qualified and experienced to discharge their responsibilities and has in place procedures to access the performance of the chief executive and the executive team. The board is responsible for ensuring the management's objectives and activities are aligned with the expectations and risks identified by the board. The board has a number of mechanisms in place to ensure this is achieved.

