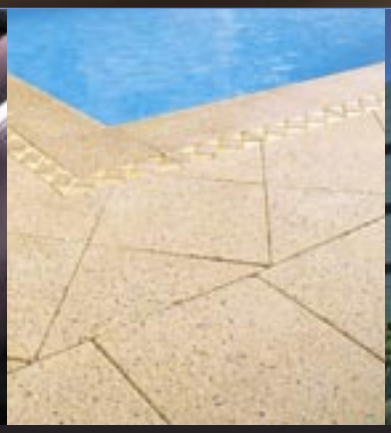
ANNUAL REPORT 05



Schaffer Corporation Limited

CORPORATE OBJECTIVE:

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

OPERATIONAL OBJECTIVE:

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

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

ABOUT SCHAFFER CORPORATION

A DIVERSIFIED
AUSTRALIAN INDUSTRIAL COMPANY

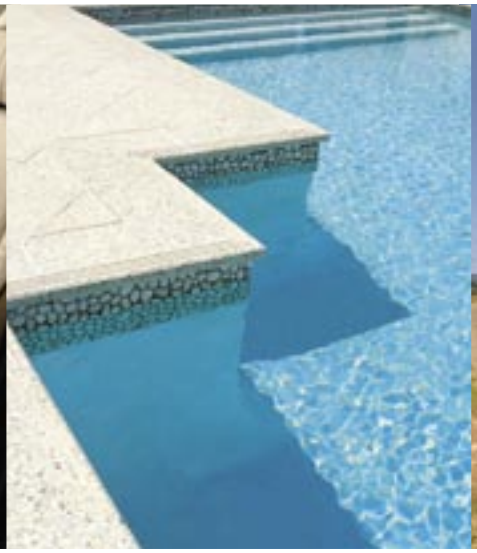
Schaffer Corporation Limited is a diversified industrial company with three core operating divisions: Automotive Leather, Building Products and Investment Property.

The Automotive Leather division is a world low cost producer of quality automotive leather. It has processing, finishing and cutting operations in Victoria and component cutting plants in Mexico, Slovakia and China. Around 90% of the leather division's production is exported to North America, Asia and Europe.

The Building Products division is a niche Australian supplier of building, construction and landscaping products. The division manufactures a premium range of paving products along with precast and prestressed concrete floors, beams and wall products.

The Investment Property division has joint venture interests in commercial and retail properties in Perth, Bunbury and Melbourne. The company's property activities also include an interest in the successful Mindarie Keys Marina residential land subdivision north of Perth, Western Australia.

The company's long term growth strategy is to develop its core operating businesses primarily by organic means and possibly by acquisitions complementary to our existing Building Products operations. Our key internal performance measure is Return on Capital Employed (ROCE), to drive earnings, cash flow, dividends and shareholder value.


MANAGING DIRECTOR'S REPORT

EXECUTIVE MANAGEMENT TEAM




JOHN SCHAFFER
Managing Director



John Schaffer
BCom(Hons), FCPA
Age 55
Joined the group in 1972 and has been Managing Director and Chairman of Schaffer Corporation Limited since 1988

Anton Mayer
Age 63
Joined the group in 1998 as Managing Director of Australian Leather Holdings Limited. Joined the Schaffer Corporation Limited Board in 2001

Mike Falconer
TEng, CEI, OMIEAust
Age 51
Joined the group in 1985 and has been General Manager UrbanStone Pty Ltd since 1996

Matt Perrella
NPCAA
Age 56
Joined the group in 1980 and has been General Manager of Delta Corporation Limited since 1989

Geoff Davieson
MA, ASIA, FCIS
Age 42
Joined the group in 1993 and has been Company Secretary of Schaffer Corporation Limited since 1994. Appointed Chief Financial Officer for the Group in 2004/05

Nick Filipovic
BEc, CPA
Age 46
Joined the group in 1994 and has been the Howe General Manager of Sales/Marketing & International Operations since 1996

Warren Horton
BBus(Acc), ASCPA, FTA
Age 38
Joined Howe & Company in 1999 as Finance Manager. Appointed Chief Financial Officer of Australian Leather Holdings Limited in 2005

Key Financial Indicators	2005	2004
Revenue *($million)*	**148.9**	192.4
NPAT from Operating Earnings *($million)*	**9.2**	13.8
NPAT from Property Disposals *($million)*	**0.7**	2.8
Group Net Profit After Tax *($million)*	**9.9**	16.6
Earnings per Share	**$0.70**	$1.20
EBITDA *($million)*	**22.4**	33.5
EBIT *($million)*	**17.5**	28.5
Ordinary Dividend per Share	**$0.75**	$1.00
Special Dividend per Share	**$0.45**	$0.40
Cash Reserves *($million)*	**12.7**	28.5
Return on Capital Employed (excl. disposals)	**16%**	27%
Interest Cover (EBIT/Interest Expense)	**6.2**	9.9
Net Debt to Equity	**81%**	42%

MAINTAINING FOCUS.

Our focus is to operate efficiently and to grow our core operating divisions.

Financial performance

The Company reported a headline net profit after tax ("NPAT") of $9.9 million for the financial year ending 30 June 2005 (2003/04: $16.6 million). The headline NPAT includes a $0.67 million contribution on the disposal of surplus West Perth land (2003/04: $2.8 million). Accordingly, NPAT excluding property disposals was $9.2 million (2003/04: $13.8 million). The result reflects the difficult market conditions experienced by the Group's two major operating divisions – Automotive Leather and Building Products.

Group Revenue decreased by $43 million to $149 million (2003/04: $192 million). SFC's Leather division (Howe and Gosh) accounted for $34 million of SFC's total revenue reduction. The majority of this reduction (approximately $23 million) was attributable to lower automotive leather demand in China. Howe sales to China were suspended for much of 2004/05 as tighter Chinese Government restrictions on car loans took effect. Domestically, the Building Products industry was weaker during the year which, combined with the sale of Solco, resulted in lower revenue for this division. Non-core asset sales (primarily Investment Property disposals) were also down on the previous year. Despite the difficult conditions, SFC generated a return on capital employed (ROCE) of 16%, which is a commendable outcome.

Financial position

Group cash flow was lower this year at $3.0 million, mainly due to:

- Lower earnings, with earnings before interest, tax, depreciation and amortisation (EBITDA) lower by $11 million
- Increased working capital levels (up by $9 million) due largely to overstocking at Howe resulting from the sudden suspension of sales into China.

Cash flow for 2004/05 was applied as follows:

• Dividends Paid	$20.1 million
• Capital Expenditure	$4.8 million
• Acquisitions/(Divestments)	($4.4 million)
• Debt Increase	($1.7 million)
• Reduction in Cash at Bank	($15.8 million)
TOTAL	$3.0 million

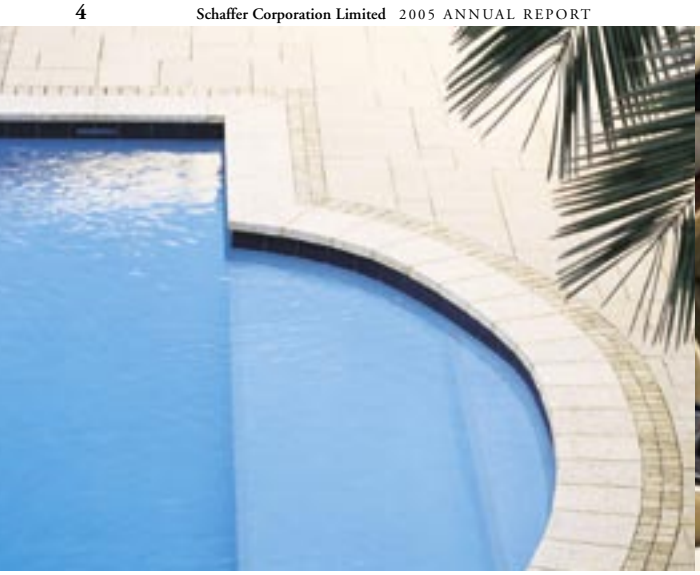
At 30 June 2005, Group Net Debt totalled $56.4 million. Debt is essentially structural debt consisting of a subordinated loan of $38.7 million associated with the leather business, and $14.5 million which is linked directly to Schaffer Corporation's property interests. At balance date, Group debt was offset by $12.7 million in cash. $8.5 million has since been paid as dividends to shareholders from SFC's cash reserves.

The Group also has $15 million of undrawn debt facilities available to fund future growth.

Dividends

In line with previous years, SFC has continued its practice of paying out a large proportion of profits as dividends to shareholders.

Total ordinary dividends declared for 2004/05 were 75 cents per share. Special dividends amounted to



another 45 cents per share. Again, as in previous years, all dividends were fully franked.

The special dividends for the 2004/05 financial year bring the total of fully franked special dividends declared since August 2003 to $1.05 per share (or a total of $14.7 million).

As a result of the special dividend programme and SFC's ordinary dividend payout ratio of greater than 100%, over the last two years SFC has effectively passed on its franking account surplus to its shareholders. Having met this objective, as previously advised to shareholders, SFC does not intend to declare any further special dividends at this stage.

In future years, SFC intends to maintain a high ordinary dividend payout ratio of at least 75%, subject to capital expenditure requirements, acquisition activity and the availability of franking credits.

Leather

Howe is an international business with approximately 90% of the 2004/05 production exported to a diverse customer base in North America, Asia, South Africa and Europe. EBIT for the Leather Division was lower at $8.6 million (2003/04: $16.1 million) on revenue of $107 million (2003/04: $141 million). During 2004/05, a number of political and market factors impacted Howe's sales and earnings. The South African Government's subsidised motor industry support scheme resulted in lower sales to that country. In China, tighter government restrictions on car loans resulted in a suspension of Howe sales for much of the 2004/05 financial year. In the United States, Japanese and Korean original equipment manufacturers (OEMs) have gained market share at the expense of General Motors and Ford, resulting in reduced sales, cost cutting and overstocking for our US customers. The further strengthening of the Australian dollar against the US dollar (up by US 4 cents over the 2004 financial year) also negatively impacted Australian dollar earnings.

Importantly, sales to China recommenced late in the 2004/05 financial year. Volumes are building steadily but remain below previous peak levels.

We have taken steps to reposition the business and secure Howe's long-term international competitiveness by removing further costs from Howe's Melbourne finishing facility and commissioning leather component cutting plants in Slovakia and China, where labour costs are substantially lower. Both new plants are similar to the plant that Howe has operated successfully in Mexico for the past nine years. Howe's Melbourne cutting plant is now purely responsible for providing 'cut sets' for the Australian automotive market.

Howe's focus is on growth opportunities in the European and Chinese markets. In the medium term, Howe's offshore cutting plants will strengthen its competitive position and substantially improve its market presence in Europe and China.

ALH's furniture leather business (Gosh) differentiates itself via its original and creative designs, high quality standards and customer service. Gosh operates in an extremely competitive sector of the global market and at current sales levels will struggle to provide a satisfactory ROCE.

Building products

SFC's Building Products division (UrbanStone and Delta) delivers niche product and design solutions for the Australian construction and landscaping markets. From its Perth manufacturing facility, UrbanStone supplies a premium range of paving products for the national market through its established distribution network of twelve sales offices across Australia. Delta manufactures precast and prestressed concrete floors, beams and wall products primarily for the Western Australian construction market. Delta also supplies product into the South Australian market.

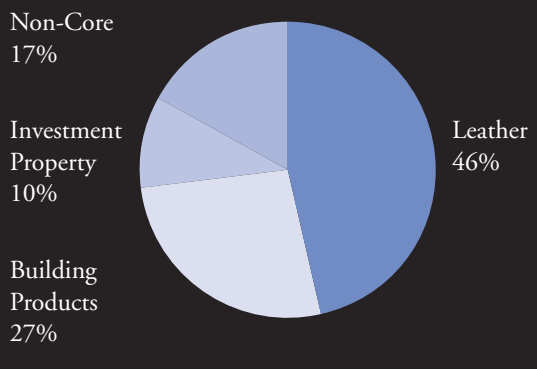
The Building Products division contributed $2.9 million toward group EBIT (2003/04: $4.2 million) on revenue of $28.9 million (2003/04: $34.7 million). This contribution from building products represented 27% of group operating EBIT. Both businesses have the capacity to increase turnover with minimal capital expenditure and have strong cash flow generating capacity. We remain on the lookout for opportunities to increase sales by extending product offerings through our existing UrbanStone distribution network.

Investments/Divestments

In the 2004/05 financial year, SFC's investment property leasing operations contributed $1.8 million in EBIT and $0.9 million of cash. SFC has sold down its investment property portfolio over the past two years, thereby funding a large proportion of the $14.7 million of fully franked special dividends paid to shareholders over that period.

At the end of the financial year, SFC had joint venture interests in six commercial and retail properties collectively

EBIT contribution by operating division



valued at about $24.8 million with $14.1 million of associated debt. The Board has no current intention to divest additional investment properties. SFC's Board is reviewing its exposure to the property sector and may consider further acquisitions should a suitable opportunity present itself.

Over the course of 2004/05, SFC disposed of its 51% interest in Solco Industries, surplus land adjacent to our West Perth premises, the balance of our land in Kurrajong (NSW) and residual equities. These disposals collectively generated $1.5 million of EBIT and $2.8 million of net cash.

The company's 15% interest in the highly successful Mindarie Keys Marina residential land subdivision north of Perth in Western Australia had a strong year providing $1.7 million of EBIT and $0.9 million of cash. We expect another $2.0 million in EBIT and $3.0 million in cash will be generated by our Mindarie investment over the course of the next two to three years.

People

The commitment and dedication of our employees are fundamental to our success. I would like to take this opportunity to thank our people for their important contribution under difficult circumstances.

Across our operations, the Group currently has a total permanent workforce of approximately 750 people, many of whom work in ALH. Safety is an absolute priority for our employees and a shared responsibility. The group has safety awareness and improvement programs at all operations, in recognition of the need for safe work practices.

Outlook

Earnings

Challenging trading conditions are likely to persist this financial year as the climbing oil price impacts upper-end vehicle sales. There will be pressure on component supplier margins driven by a combination of higher steel prices, supplier overcapacity and cost cutting programs by the industry's Original Equipment Manufacturers. Further volatility in the Australian dollar will also influence earnings. The leather division's unhedged exposure to the US dollar and Euro exposes Howe's EBIT to variations of approximately 350,000 Australian dollars for each US cent or Eurocent, respectively, the Australian dollar rises or falls against those currencies.

The Board has responded to these conditions by removing further costs from Howe's Melbourne finishing facility and commissioning cutting plants in low cost countries (Slovakia in April 2005 and China in August 2005). These measures will substantially reposition the leather business during 2005/06 but their full benefit will take some time to emerge due to some unavoidable cost duplication, particularly in the short term. Importantly, the Slovakia and China cutting plants will provide Howe with a local presence and strengthen Howe's European and Asian market position.

Sales to China have recommenced. Volumes are building steadily but are down on the levels and growth rates Howe enjoyed prior to the sudden suspension of China sales in September 2004.

The fundamentals of the Howe business are strong. Howe operates free of any subsidies, is internationally competitive and has an established global market presence from which to build in the medium term.

In the Building Products division, SFC expects stable revenues, with some margin compression due to increasing competition and input cost increases. The UrbanStone and Delta businesses have strong cash flow generating capacity and minimal capital expenditure requirements.

The Board expects sustainable and improving earnings from its investment property leasing operations as a result of rent reviews and higher occupancy levels. We expect earnings from our interest in the Mindarie Keys Marina residential land subdivision to be down on last year due to low stock levels resulting from subdivision staging issues. Mindarie earnings will emerge predominantly in the second half of the financial year.

SFC's first half historically exceeds second half earnings. As previously advised, SFC anticipates that earnings to 31 December 2005 will be materially lower than the $6.1 million reported for the previous corresponding period.

Improved earnings in the second half should partially offset the first half reduction. However, the Board expects full year earnings in 2005/06 to be materially below the $9.2 million reported for the 2004/05 financial year.

A more detailed review of operations follows.

JOHN SCHAFFER
Managing Director

OWE

Gosh

The finest Australian leathers, by Gosh

LEATHER

Revenue *($million)*	EBIT *($million)*	EBIT contribution
$107	$8.6	46%

BEING A WORLD LOW-COST PRODUCER.

Howe is a global business supplying high performance leather to the North American, European, Asian and Australian automotive markets.

Australian Leather Holdings Limited (ALH)

(83% Interest)

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

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

Automotive Division

HOWE

www.howe.com.au

Howe is a world low cost producer of quality automotive leather with almost 90% of production exported to North America, Asia and Europe. Howe also services the Australian automotive market. Howe has leather processing and finishing facilities in Victoria (Rosedale and Melbourne) and operates offshore component cutting plants in Mexico, Slovakia and China to service Howe's US, European and Asian customer base. The recent establishment of the Slovakian and Shanghai plants are significant steps in the repositioning of Howe's business.

Howe is a global business adding value to Australian raw materials. Ideally located in the 4th largest hide market in the world, with a diverse range of disease free hides, Howe is an attractive supplier for the major automotive companies.

CUSTOMERS

General Motors, Ford, Audi, Land Rover, Mazda and Toyota.

Automotive Leather Market

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

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

Current global leather penetration is approximately 15% (or 6.5m vehicles) with strong growth forecast in Europe and China. Howe is well positioned to capitalise on this growth with cutting plants and management teams in Slovakia and Shanghai. These new cutting plants will reduce costs, improve customer response times and strengthen Howe's European and Asian market position.

Customer Focused

Howe Leather boasts an impressive and regionally diverse customer base, including: Ford, General Motors, Audi, Land Rover, Mazda and Toyota.

As an integral part of the global automotive supply chain Howe must:

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

Howe's regionally diverse customer base sees a large proportion of sales settled by foreign currency with over half its revenue being denominated in US dollars and a quarter in Euros.

World Low-Cost Producer

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

- Access to suitable raw materials
- Modern, global scale manufacturing facilities
- Cutting facilities located in Mexico, China and Slovakia
- International customer base and distribution network
- Highly skilled workforce
- Access to advanced finishing technologies
- Leading information systems
- Experienced management team

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

Access to suitable raw materials is the key competitive determinant of profitability. Howe is the only Australian based leather finishing operation adding value to Australia's substantial hide resource for the automotive market. This coupled with the fact that the Howe facility is operating below design capacity means there is scope for Howe to significantly increase its global automotive market share.

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

Quality Accreditation

Howe is accredited to international standards QS 9000, ISO 9001 and ISO 14001. During the second half of 2004/05, Howe was awarded a Quality Accreditation upgrade to TS16949 which is the standard recognised by all the major automotive companies and sanctioned globally. Howe continually focuses on meeting or exceeding customer expectations.

Environmental Management

Howe is committed to sustainable manufacturing. Accreditation to ISO 14001 is part of the ongoing focus on environmentally responsible operations. Howe does not store any waste material on company owned sites. Following recycling (where possible) processed bi-products are processed at third party treatment plants. Howe will continue to focus on minimising the production of manufacturing waste and will vigilantly monitor compliance with environmental standards.

Furniture Division

www.goshleather.com.au

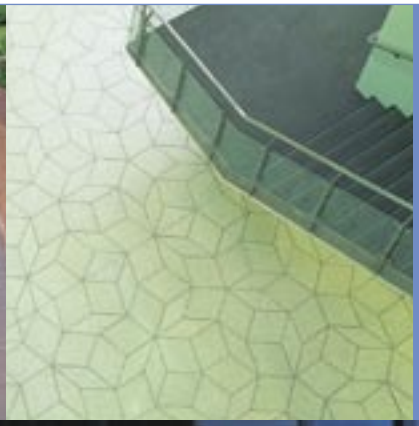
Gosh Leather is the only specialist manufacturer of leather for the furniture industry in Australia.

Leveraging off its product superiority, Gosh prides itself as a supplier of choice in the premium furniture and marine leather markets.

Gosh services its domestic and international customers from its tannery in Hamilton Hill, Perth. As a result of focussed research and development by its highly trained leather technicians Gosh has built a reputation for original and creative design.

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

BUILDING PRODUCTS



Revenue *($million)*	EBIT *($million)*	EBIT contribution
$28.9	$2.9	27%

LEADING THE WAY.

UrbanStone and Delta deliver niche products and design solutions for the construction and landscaping markets.

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

URBANSTONE THE BEST

www.urbanstone.com.au

UrbanStone is the clear market leader in Australia's residential and commercial paving market. In what has become an increasingly competitive marketplace, unique design, product quality, brand awareness and total commitment to customer service are the key qualities which set UrbanStone apart from its competitors.

Our new generation "Ultra Premium" products released this year into the Australian Residential markets are the latest in UrbanStone's product range. We are proud to report that market acceptance of our Ultra Premium Collection has been excellent across the nation. From a marketing sense, the launch of this new range of residential products has been perfectly timed, rejuvenating a somewhat stagnant audience and again raising the bar in a competitive arena. UrbanStone's distribution centres have been progressively upgraded throughout the year with the Ultra Premium Collection of products, and will soon be enhanced with an exciting range of wall cladding products designed for our progressive building and housing industry.

Innovation in the Commercial arena also continues to be a major focus. Working closely with the industry's leading specifiers and designers has given rise to paving projects of exemplary design and unsurpassed aesthetic appeal.

Our ability to offer excellent and unique moulding is seen as a true competitive advantage in the eyes of specifiers, allowing the freedom to design projects containing exceptional product detail as well as a range of surface finishes.

Yet again we have had the privilege of being the nominated product supplier to a number of landmark projects across the nation:

WA	University of Western Australia – Molecular and Chemical Sciences building, Fremantle High St Upgrade, Ellenbrook Town Centre and Shopping Centre
NSW	Oxford St West redevelopment, Kibble Park at Gosford, AGL Building at St Leonards, Maroubra Beach Upgrade
SA	Commonwealth Law Courts, Ceduna Street Scape, Christies Beach Life Saving Club, Playford Civic Centre
VIC	Queensbridge Square Southbank, Moorabool St Geelong, Condor Apartments Docklands, Coburg Police Station
QLD	Oceans Apartments Mooloolaba, University of Queensland Griffiths Campus, Caloundra Courthouse, Gabba Cricket Ground Upgrade

DELTA
CORPORATION LIMITED

www.deltacorp.com.au

Delta's production facility upgrade was successfully completed during the year and is already yielding benefits. The upgrade included the installation of raw material ground bins (eliminating double handling), a new fully automatic batching plant as well as a fast, efficient overhead transportation system for the delivery of concrete throughout production areas.

The upgraded facilities enable the efficient production of large pre-stressed TeeRoff Bridge Beams weighing up to 150 tonnes concurrently with other Precast and pre-stressed elements and without interference to other production activities. This is in line with our strategy to improve operational efficiencies and cost reductions over the coming year along with significant improvements in the storage and handling of finished product.

Over the past year, in excess of 140 TeeRoff Beams have been produced ranging in size from 25 to 100 tonnes, with a further 55 beams currently on order. We are well placed to further capitalize on our position within this market as a result of continued strong demand for this type of product.

While the focus has mainly centred on Civil Construction works, Delta has been involved in a number of architecturally significant projects such as "The Heritage Circle." In collaboration with renowned sculptors Charles Smith and Joan Walsh-Smith, Delta successfully produced a series of high quality, extremely detailed sculptured wall panels depicting the history of the Town of Victoria Park.

Delta's ability to provide high quality architectural products was also evident in the panels supplied to the CMS Building at the University of Western Australia, assisting the Main Contractor being awarded the overall MBA Excellence in Construction Award for 2005.

Deltacore and Deltafloor continue to play a major part in our product range. Applications include flooring, walling and retaining walls and our product is widely used in a range of Perth and Adelaide projects:

- Holiday Inn Hotel Burswood
- Saint Louis Estate Claremont
- Condor Showrooms Osborne Park
- Office Showrooms Subiaco
- Bulkwest Grain Storage Cells
- Platinum Apartments Glenelg SA
- Trinity College Adelaide

Delta's Precast and Prestressed products such as TeeRoff Beams and Turnout Sleepers are being supplied to a variety of infrastructure projects such as:

- Roe Highway Stage 7; South Street, Karel Ave & Kwinana Freeway Bridges
- Tonkin Highway Extensions; Wungong Brook Bridge
- SWMR Package A; Mundijong Road, Thomas Road, Glen Iris, Ennis Avenue, Wellard Road, Paganonni Road, Mandurah Road North and Hillman Road Bridges.
- SWMR Package D; South Street and Leach Hwy over Kwinana Freeway
- SWMR Package E; Leach Hwy Overpass
- Canning River Pedestrian Bridge
- Bunbury Inner Harbour Berth 6
- Dampier Bulk Liquids Berth Jetty

INVESTMENTS

A PORTFOLIO OF QUALITY PROPERTY ASSETS.

Investment property

Our Investment Property division consists of six properties. Investment Property leasing operations generated $1.8 million of EBIT and $0.9 million of cash in the 2004/05 financial year.

Approximately 60% of the portfolio (by value) is invested in four commercial properties - the balance is related to two retail properties. The properties are:

- IBM Building, Hay St West Perth, WA (22.1% interest)
- Oce House, St Kilda Rd Melbourne, VIC (20% interest)
- 89 St George's Tce Perth, WA (20% interest)
- Hometown, Albany Hwy Cannington Perth, WA (25% interest)
- 71 Queens Rd, Melbourne, VIC (9% interest)
- Parks Centre, Bunbury, WA (16.7% interest)

Collectively the investment properties as at 30 June 2005 were valued at approximately $127 million of which SFC's share equates to $24.8 million. The properties are typically geared at between 50% and 70% and as a portfolio the gearing average is currently 56%. SFC's share of the portfolio debt is $14.1 million. Only $4.2 million of this debt has recourse to the Chief Entity. The remaining $9.9 million is structured as non-recourse debt and is secured by the individual properties. Based on the portfolio's current valuation, our equity (including unrealised gains) is valued at $10.7 million (compared to $1.5m of actual equity invested).

Having disposed of the surplus assets in our portfolio over the past two years, the Company does not currently intend to sell any further investment properties. SFC's Board is reviewing its exposure to the property sector and may make further acquisitions should a suitable opportunity present itself.

Divestments

Over the course of 2004/05, SFC divested its 51% interest in Solco Industries, surplus land adjacent to our West Perth premises, the balance of our land in Kurrajong (NSW) and residual equities. These disposals collectively generated $1.5 million of EBIT and $2.8 million of net cash.

The company's 15% interest in the successful Mindarie Keys Marina residential land subdivision north of Perth in Western Australia had a strong year providing $1.7 million of EBIT and $0.9 million of cash. We expect another $2.0 million in EBIT and $3.0 million in cash will be generated (after debt reduction of $0.4 million) by our Mindarie investment over the course of the next two to three years.

Special Dividends: postscript

The partial sell-down of the company's investment property portfolio and the orderly divestment of the Company's non-core/surplus assets has funded a large proportion of the $14.7 million ($1.05/share) of fully franked special dividends paid to shareholders over the past two years. The 35¢/share September 2005 special dividend represented the balance of previously undistributed proceeds and completed the Company's special dividend programme.

BOARD OF DIRECTORS

John Schaffer | Anton Mayer | Danielle Blain | David Schwartz | Michael Perrott

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

ASX Corporate Governance Council issued its Principles of Good Corporate Governance and Best Practice Recommendations in 2003.

Corporate Governance is the system by which companies are directed and managed. It influences how the objectives of the company are set and achieved, how risk is monitored and assessed and how performance is optimised.... What constitutes good corporate governance will evolve with the changing circumstances of a company and must be tailored to meet those circumstances.... If a company considers that a recommendation is inappropriate to its particular circumstances, it has the flexibility not to adopt it (ASX Corporate Governance Council, Principles of Good Corporate Governance and Best Practice Recommendations, March 2003).

The Board of SFC is committed to best practice in corporate governance where the Board considers these practices are appropriate and add shareholder value to a company and board of SFC's size and structure.

This Corporate Governance Statement outlines the main corporate governance practices of Schaffer in the context of the Principles adopted by the ASX Corporate Governance Council ("Council"). Unless otherwise stated below, the Company has complied with the Council's Recommendations

Council Principle 1:
Lay Solid Foundations for Management and Oversight

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

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

The Board has delegated authority for the management of the Group through the Managing Director to executive management. Accordingly the Group's executive management team are charged with implementing Board directives and the day-to-day management and reporting of the Group's activities. The Board has a formal Charter setting out the roles of Board and Management. Consistent with Council Principle 1, the Board Charter has been posted to the corporate governance section of the Company's website - www.schaffer.com.au

Council Principle 2:
Structure the Board to Add Value

The Schaffer Board currently consists of five directors: two independent; one non-executive; and two executive directors namely the Managing Director of the Leather division and the Group Managing Director & Chairman. The Board considers that between them, the directors bring the range of skills, knowledge and experience (both local and international) necessary to successfully direct the Group's operations.

The Board of Directors consists of:

John Schaffer *Chairman and Managing Director*
(Age 55)

John joined the Company in 1972 and has held the position of Chairman and Managing Director since 1988. John is also Chairman of Australian Leather Holdings Limited, UrbanStone Pty Ltd and Delta Corporation Limited. John holds a Bachelor of Commerce degree with honours from the University of Western Australia and is an FCPA.

Anton Mayer *Executive Director*
(Age 63)

Anton joined the Board in 2001. Anton is the Managing Director of Australian Leather Holdings Limited, a position he has held since 1998. Anton is also a director of a number of the ALH group subsidiaries. Anton has over 35 years of international leather experience, broad business skills and a global business perspective.

Danielle Blain *Non-Executive Director*
(Age 61)

Danielle joined the Board in 1987. Mrs Blain served as a director of Australian Leather Holdings Limited from 1993 to 2005 and as Managing Director of Gosh Leather Pty Ltd (the furniture division) from 1993 to 2001. Mrs Blain holds a Bachelor of Arts degree from the University of Western Australia. Mrs Blain is a member of the Board's Audit Committee and the Nominations & Remuneration Committee.

Michael Perrott *Independent Director*
(Age 59)

Michael joined the Board as an independent director in Feb-05 and is a member of the Board's Audit Committee and the Remuneration and Nominations Committee. Michael has over 35 years experience in the construction and contracting industry. He was previously Managing Director of the Gardner Perrott Group Limited until that business was sold to Brambles Limited in 1989. He is currently chairman of Bone Medical Limited, GME Resources Limited and Canning Vale Weaving Mills and a director of Portman Limited.

David Schwartz *Independent Director*
(Age 51)

David joined the Board in 1999 and is independent Chairman of the Board's Audit Committee and the Nominations & Remuneration Committee. David is Chairman of Loftus Capital Limited and Home Leisure Limited. David has many years experience in successfully managing manufacturing and distribution businesses in Australia and South Africa. He is Chairman of Pascoes Pty Limited, ToLife Technologies Pty Limited and Stefani Pure Water Australasia Pty Limited.

The names of Schaffer's current directors, their year of appointment, status as non-executive, executive or independent directors, their economic interest in SFC and whether they retire at the next Annual General Meeting is summarised in the table below.

Board Committees

The Board may from time to time establish committees where the Board is of the belief that the establishment of such a committee will improve the performance of the Board in accomplishing its duties. The Board operates an Audit Committee and a Nomination and Remuneration Committee. Both committees comply with Council guidelines. The Charter of each committee is summarised in the text relating to Principle's 4 and 9 which appear later in this section. Full details of SFC Audit Committee and Nominations and Remuneration Committee can be found on the Company's website. The Board does not believe the Board it is of sufficient size to warrant the establishment of additional dedicated Board Committees.

Board Meetings

Management provides the Board with information in a form, timeframe and quality that facilitates the Board in effectively discharging its duties. The Board meets at least 8 times per year. Board papers are where possible provided to directors at least four days prior to the relevant meeting. The non-executive Board members are joined at Board meetings by the group's Managing Director, the Managing Director of Australian Leather Holdings Limited and the Company's Chief Financial Officer/Company Secretary.

Director Independence

The Board applies the Council's independence criteria in assessing director independence. Mr Schwartz and Mr Perrott are considered by the Board to be independent directors. In analysing Mr Schwartz's independence, the Board considered the materiality of Mr Schwartz's minority interests in the relevant joint venture property interests of the Company. Accordingly the Board confirms Mr Schwartz's independence on the basis that (i) operating revenue from SFC's property interests represent less than 10% of group revenue; (ii) SFC's core operations and principal earnings drivers have historically been the automotive leather and building products divisions; and (iii) no interest held by Mr Schwartz represents a controlling interest in any single property. While the Board considers Mr Schwartz

Director	Year Appointed	Classification	Audit Committee	Economic Interest in SFC	Retiring at next AGM	Seeking Re-election
John Schaffer	1972	Chairman/Executive	-	18.6%	No	N/A
Danielle Blain	1987	Non-executive	Member	11.1%	No	N/A
Anton Mayer	2001	Executive	-	2.5%	Yes	Yes
Michael Perrott	2005	Independent	Member	0.0%	Yes	Yes
David Schwartz	1999	Independent	Chairman	4.2%	No	N/A

independent for the above reasons, standard Board meeting procedures and governance principles apply whereby in respect of any property business where Mr Schwartz has an interest, Mr Schwartz does not receive the relevant Board papers and does not attend that part of the Board meeting where the matter is being discussed or considered.

Directors classified as not being independent directors are Mrs Blain, Mr Schaffer and Mr Mayer on the basis that:

- Mr Schaffer is an executive director, a substantial shareholder of SFC (with an economic interest of 18.6%) and has served on the Board in since 1972;
- Mrs Blain is a substantial shareholder of SFC (with an economic interest of 11.1%), served as an executive director of ALH from 1993 to 2001 and has served on the SFC Board since 1987; and
- Mr Mayer is an executive director of SFC by virtue of his role as Managing Director of ALH and is a substantial ALH shareholder with a 16.8% economic interest in the SFC subsidiary.

The Board does not currently comply with Council guidelines in respect of majority independence, Chairman independence and separation of the Chairman and Managing Director roles. However, the Board is currently of the view that having a competent, cohesive and functioning Board whose members have a balance of practical experience and skills relevant to SFC's business is more beneficial to maximising returns to shareholders than it would be to expand the Board by an two additional members simply for the purpose of achieving majority independence pursuant to the Council's definition. Further, the Board is not in entire agreement with the definition of independence as defined by the Council's guidelines.

In the Board's view, independence is about having individuals on the Board whose interests are directly aligned with shareholders (i.e. they have a significant stake in the company) and have the capability to question and challenge management's decision making process. On this basis your Board is independent. Collectively the Board has a direct financial interest in approximately 36% of SFC's issued capital representing a large proportion of each directors personal asset base. When the shareholders gain, so does the Board; when shareholders lose, the Board loses significantly.

Similarly, based on the strong alignment of shareholders with the Chairman, it is not considered that having an Independent Chairman and separating the roles of Chairman and MD and would add shareholder value at this stage.

As a result of the Company's departure from the Council Recommendations contained in Principle 2, governance practices employed by the Board to support its objective and competent operation are:

Disclosure of Interests and Conflicts

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

In the event a potential material conflict of interest arises, the director concerned does not receive the relevant Board papers and leaves the Board meeting while the matter is discussed and considered. Directors must keep the Board advised on an ongoing basis of any interests which could cause, or may reasonably be perceived to cause, a conflict with the interests of the Company.

The minutes of the meeting should record the decision taken by those directors who do not have an interest in the matter.

Independent Legal Advice

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

Period of Office

Shareholders are given the opportunity to vote on the composition of the Board such that at each Annual General meeting, one third of the Directors (excluding the Managing Director) must retire but may stand for re-election. Each director who is required by the Constitution to retire can not hold office for more than three years without retiring within that time frame and standing for re-election. Any director who is appointed to the Board to fill a casual vacancy during a year may only hold office until the next Annual General meeting but may stand for re-election at that meeting.

Consistent with Council Principle 2, the Company's information relevant to Principle 2 is posted to the corporate governance section of the Company's website - www.schaffer.com.au

Council Principle 3:
Promote Responsible and Ethical Decision Making

Conduct and Ethics

The Company operates under a Code of Conduct a copy of which is posted to the corporate governance section of the Company's website - www.schaffer.com.au

The Company's Code of Conduct describes how SFC relates to its employees, customers, suppliers, shareholders and the community. SFC is committed to promoting integrity and maintaining the highest standard of ethical conduct in all of its activities.

Our business success is dependent on the development and maintenance of trusting relationships, underpinned by the continuous demonstration of corporate integrity.

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

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

Securities Trading Policy

SFC's Securities Trading Policy regulates dealing by SFC Directors and senior executives in SFC securities. Restrictions imposed by law on prohibiting anyone dealing in SFC's securities if in possession of unpublished SFC price-sensitive information have been supplemented by Board imposed restrictions specific to SFC Directors and senior executives. Price sensitive information is information a reasonable person would expect to have a material effect on the price or value of SFC securities.

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

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

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

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

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

These rules also apply to trading by a related party of any SFC Director or senior executive. This Policy does not restrict participation by SFC senior executives in SFC's Employee Share Options Plan (ESOP), but applies in respect of the trading of SFC's securities to which plan participants become entitled under the ESOP.

A copy of the Company's Securities Trading Policy can be accessed from the corporate governance section of the Company's website - www.schaffer.com.au

Council Principle 4:
Safeguard Integrity in Financial Reporting

Written Declaration by Management

SFC's Managing Director and CFO report in writing to the Audit Committee that the consolidated financial statements of SFC and its controlled entities for each half and full financial year present a true and fair view in all material respects, of the Group's financial condition and operational results are in accordance with accounting standards. This statement is in turn supported by written statements provided by the senior management of Australian Leather Holdings Limited, UrbanStone Pty Ltd and Delta Corporation Limited.

Audit Committee

The SFC Audit Committee was established by the Board in 1996. The Audit Committee has adopted a formal Charter, a copy of which can be accessed from the corporate governance section of the Company's website - www.schaffer.com.au

The Audit Committee's purpose is to provide assistance to the Board in fulfilling its corporate governance and oversight responsibilities in relation to the company's financial reporting, risk management systems and the external audit functions. In doing so, it is the responsibility of the Audit Committee to maintain free and open communication between the Committee, external auditors and management of the Company.

In discharging its oversight role, the Audit Committee is empowered to investigate any matter brought to its attention with full access to all books, records, facilities, and personnel of the Company and the authority to engage independent counsel and other advisers as it determines necessary to carry out its duties.

Council guidelines require the Audit Committee to consist of at least three directors and have an independent Chairperson who is not Chairperson of the Board.

The members of the SFC's Audit Committee are Mr Schwartz (Independent Chairman), Mrs Blain (Non-executive Director) and Mr Perrott (Independent Director). Accordingly SFC's Audit Committee complies with the Council's Audit Committee structure guidelines.

Consistent with Council Principle 4, the Company's information relevant to Principle 4 is posted to the corporate governance section of the Company's website - www.schaffer.com.au

Council Principle 5:
Make Timely and Balanced Disclosure

Continuous Disclosure Policy

The Board is committed to ensuring that information that is expected to have a material effect on the price or value of SFC's shares is immediately notified to the ASX for dissemination to the market in accordance with the ASX Listing Rules.

The Company's Continuous Disclosure Policy sets out the key obligations of the Board and senior management to ensure that SFC complies with its disclosure obligations pursuant to the ASX Listing Rules and the Corporations Act. In fulfilling its obligations of continuous disclosure SFC has adopted and adheres to the following practices.

- SFC's Managing Director and Chief Financial Officer/Company Secretary constitute the executive team charged with management of all elements of the Company's activities. This team is responsible for assessing the materiality of information and drafting

all disclosures. For administrative convenience, SFC's Company Secretary is the nominated officer of the Company responsible for communications with the ASX;

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

Consistent with Council Principle 5, the Company's Continuous Disclosure Policy is posted to the corporate governance section of the Company's website - www.schaffer.com.au

Council Principle 6:
Respect the Rights of Shareholders

Shareholder Communications Strategy

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

Information is communicated to investors and the market in accordance with SFC's periodic and continuous disclosure obligations pursuant to the ASX Listing Rules and the Corporations Act. SFC's disclosure practices are aimed at ensuring timely access for all investors to Company information.

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

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

SFC's senior management meets regularly to consider its continuous disclosure obligations and assess the appropriateness of its policy in the context of any legislative amendments to the disclosure regime. Unless SFC has an obligation to make a statement on a particular matter, the Company's policy is not to respond to market rumours and media speculation. Consistent with Council Principle 6, the Company's Shareholder Communication Policy is posted to the corporate governance section of the Company's website - www.schaffer.com.au

Council Principle 7:
Recognise and Manage Risk

Risk Management

The Board has formal written policies on risk oversight and management. SFC's Risk Management Policy provides the framework to manage the risks associated with SFC's business activities.

The purpose of the policy is to identify, assess, monitor and manage risk with the objective of minimising losses and maximising shareholder value.

SFC prepares risk profiles including a description of material risks, both financial and non-financial. SFC reviews and updates its risk profile as required.

SFC implements a systematic process to assist in the identification, assessment, treatment and monitoring of risks.

SFC provides the necessary tools and resources

to management and staff to support the effective management of risks.

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

The Board has considered the need for an internal audit function and concluded that the size and nature of the Group's operations do not warrant such a function as present. Responsibility for implementation and effective conduct of SFC's risk management system rests with the Board, Chief Executive Officer, Chief Financial Officer, General Managers and all employees.

The Managing Director and the Chief Financial Officer are required to state in writing to the Board in respect of the financial periods ending 31 December and 30 June that:

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

Consistent with Council Principle 7, the Company's Risk Management Policy is posted to the corporate governance section of the Company's website - www.schaffer.com.au

Council Principle 8:
Encourage Enhanced Performance

Performance Evaluation

SFC's Nominations and Remuneration Committee operates to support and advise the Board in fulfilling its responsibility to shareholders to ensure the Board comprises individuals best able to discharge the responsibilities of directors having regard to the law and corporate governance standards. With five members, the SFC Board is small but cohesive and effective. Given the relative size of the SFC Board, active participation and genuine performance by each director are qualities that are readily apparent.

The Board considers that adoption of a formal procedure for Board and director evaluation under these circumstances is not warranted and would serve little purpose.

Key executives across the Group participate in a formal annual review of performance. These annual performance reviews are conducted by SFC's Managing Director in the case of the Building Material division and Corporate executives and by the Managing Director of ALH in the case of Leather division executives.

The performance review is a structured process which addresses the individual's core responsibilities, objective achievements, personal development activities, goals and objectives for the year ahead as well as longer term aspirations.

The executive performance review provides a valuable forum for encouraging enhanced performance and developing the Group's executive succession plan.

Council Principle 9:
Remunerate Fairly and Responsibly

Executive Remuneration

SFC's Nominations and Remuneration Committee operates to support and advise the board in fulfilling its responsibility to shareholders to ensure that the company has remuneration policies and practices which enable it to attract and retain directors and executives who will best contribute towards achieving positive outcomes for shareholders. The committee determines the remuneration and other conditions of service of the chief executive officer and executive directors, if any. The committee makes recommendations to the Board on the remuneration of non-executive directors within the aggregate approved by shareholders in general meeting from time to time. The committee considers individual performance, company performance, internal relativity and fairness in setting levels of remuneration and may seek appropriate independent external advice to assist in its decision making. SFC's remuneration policy is directed at attracting, motivating and retaining quality people. The remuneration of SFC's senior executive consists of fixed remuneration and annual and long term incentives.

Fixed Remuneration - This includes base salary and the statutory Superannuation Guarantee Contribution ("SGC") which comprises the cash component; and other non-cash benefits such as a motor vehicle.

The Schaffer Corporation Limited Superannuation Fund is available to executives for superannuation contributions and life insurance. Premiums for life insurance are deducted from member accounts. Executives can elect to have the company contribute superannuation beyond the statutory SGC level by way of a salary sacrifice in lieu of cash salary.

Annual Incentive - The Company has performance-based incentive plans in place at each of its operations in which management and the labour force participate. The level of remuneration payable to participating executives is linked to the financial performance of their business. Executives are provided with cash incentives provided profitability thresholds are met. The Group Managing Director and Chief Financial Officer/Company Secretary do not participate in any annual incentive program.

Long Term Incentive - SFC's senior executives (other than Mr Schaffer and Mr Mayer) participate in SFC's Employee Share Option Plan ("ESOP"). ALH operates the Employee Performance Unit ("EPU") Plan for its executives. The SFC ESOP and ALH EPU plans have long-term vesting provisions and are designed to align the interests of the participating executives with those of all SFC shareholders.

Non- Executive Director Remuneration

SFC's non-executive directors receive fees for their services (including statutory superannuation) and the reimbursement of reasonable expenses. The amount payable to non-executive directors is set by the Board after having taken regard to the size of the Company and

Board, the responsibilities, demands and accountabilities faced by those directors in discharging their duties and after seeking independent advice to ensure the fees are in line with market standards. It is current SFC policy that non-executive directors do not receive shares, options or other securities and are not eligible to participate in SFC's Employee Share Option Plan.

The only exception to this policy is that Mrs Blain receives remuneration from the ALH EPU Plan, an entitlement dating back to her time as an executive of the ALH business. Payment of fees (including statutory superannuation) and the reimbursement of reasonable expenses are the only remuneration payable to Mr Schwartz and any future non-executive director.

A directors' pool limit of $250,000 per annum was approved by shareholders at SFC's 2003 Annual General Meeting. This limit is not currently fully utilised. The fee pool is payable only to non-executive directors. Non-executive directors were paid annual fees of for the 2004/05 financial year of $45,000 from the fee pool (plus superannuation). Non-executive directors appointed prior to Jul-03 are entitled to a retirement benefit equivalent to one year's annual director's fees. The retirement benefit was reduced from three years to one years annual director's fees in Jul-03 (a three year retirement benefit was in place at the time each director accepted their appointment to the Board). SFC considers the reduced benefit modest and appropriate given the benefit which historically existed. It is SFC's policy that no retirement benefit apply to new directors appointed after Jul-03.

Council Principle 10:
Recognise the Legitimate Interests of Stakeholders

Code of Conduct

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

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

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

SFC's Code of Conduct is set out below:

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

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

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

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

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

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

Consistent with Council Principle 10, the Company's information relevant to Principle 10 is posted to the corporate governance section of the Company's website - www.schaffer.com.au

2005 FINANCIAL REPORT

as at 30 June 2005

STATEMENT OF FINANCIAL POSITION

at 30 June 2005

	NOTES	CONSOLIDATED		CHIEF ENTITY	
		2005 $000	2004 $000	2005 $000	2004 $000
CURRENT ASSETS					
Cash assets		12,737	28,489	6,398	4,466
Receivables	8	28,123	26,953	811	1,843
Inventories	9	35,107	31,654	-	-
Other financial assets	10	83	643	83	347
Other	11	868	631	13	18
TOTAL CURRENT ASSETS		76,918	88,370	7,305	6,674
NON CURRENT ASSETS					
Receivables	12	-	-	8,095	10,236
Investments accounted for using the equity method	13	-	-	-	-
Other financial assets	14	-	-	19,664	19,664
Property, plant and equipment	15	53,938	56,646	9,464	10,720
Deferred tax assets	6	2,718	3,275	1,035	997
Intangible assets	16	1,167	1,299	-	-
TOTAL NON CURRENT ASSETS		57,823	61,220	38,258	41,617
TOTAL ASSETS		134,741	149,590	45,563	48,291
CURRENT LIABILITIES					
Payables	17	13,705	17,669	395	335
Interest bearing liabilities	18	3,139	845	-	2
Current tax liabilities	6	1,213	2,635	1,213	1,494
Provisions	19	4,348	7,095	374	370
TOTAL CURRENT LIABILITIES		22,405	28,244	1,982	2,201
NON CURRENT LIABILITIES					
Interest bearing liabilities	20	53,292	53,901	15,026	10,119
Deferred tax liabilities	6	2,363	2,549	1,072	1,120
Provisions	21	2,709	2,628	202	231
TOTAL NON CURRENT LIABILITIES		58,364	59,078	16,300	11,470
TOTAL LIABILITIES		80,769	87,322	18,282	13,671
NET ASSETS		53,972	62,268	27,281	34,620
EQUITY					
Parent entity interest					
Contributed equity	22	17,034	15,916	16,086	14,968
Reserves	23	2,585	2,585	2,283	2,283
Retained profits	23	30,703	39,071	8,912	17,369
Equity attributable to members of Schaffer Corporation Ltd		50,322	57,572	27,281	34,620
Total outside equity interest in controlled entities	31	3,650	4,696	-	-
TOTAL EQUITY		53,972	62,268	27,281	34,620

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

STATEMENT OF FINANCIAL PERFORMANCE

year ended 30 June 2005

	NOTES	CONSOLIDATED		CHIEF ENTITY	
		2005 $000	2004 $000	2005 $000	2004 $000
REVENUE FROM ORDINARY ACTIVITIES	3	148,869	192,350	14,783	19,160
Change in inventories of finished goods, work in progress and land held for re-sale		4,020	(4,195)	(518)	(492)
Raw materials and consumables used		(78,552)	(93,028)	-	-
Cost of sales joint venture interests		-	(3,067)	-	(1,661)
Cost of sales property		(3,978)	(1,781)	(1,336)	(293)
Depreciation and amortisation expense	4	(4,942)	(4,996)	(125)	(191)
Borrowing cost expense	4	(3,846)	(3,998)	(308)	(445)
Salaries, wages and on costs		(36,782)	(42,798)	(1,263)	(1,498)
Other expenses from ordinary activities		(10,137)	(12,862)	(1,158)	(1,253)
PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE		14,652	25,625	10,075	13,327
Income tax expense relating to ordinary activities	6	3,989	7,348	273	195
PROFIT FROM ORDINARY ACTIVITIES AFTER INCOME TAX EXPENSE		10,663	18,277	9,802	13,132
Net profit attributable to outside equity interests	31	772	1,643	-	-
NET PROFIT ATTRIBUTABLE TO MEMBERS OF SCHAFFER CORPORATION LIMITED		9,891	16,634	9,802	13,132
TOTAL REVENUES, EXPENSES AND VALUATION ADJUSTMENTS ATTRIBUTABLE TO MEMBERS OF SCHAFFER CORPORATION LIMITED AND RECOGNISED DIRECTLY IN EQUITY		-	-	-	-
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS		9,891	16,634	9,802	13,132
Basic earnings per share (cents)	32	70.3¢	119.8¢		
Diluted earnings per share (cents)	32	70.0¢	117.7¢		
Franked dividends per share (cents)	7	130.0¢	140.0¢		

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

STATEMENT OF CASH FLOWS

year ended 30 June 2005

	NOTES	CONSOLIDATED		CHIEF ENTITY	
		2005	2004	2005	2004
		$000	*$000*	*$000*	*$000*
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		145,201	187,830	939	1,467
Payments to suppliers and employees		(136,301)	(149,490)	(2,350)	(2,718)
Disposal of equity securities		736	814	736	814
Dividends received		13	38	9,025	11,682
Other revenue		384	185	60	240
Interest income		1,023	1,116	377	460
Borrowing costs paid		(3,846)	(3,998)	(303)	(433)
Income taxes paid		(6,124)	(8,547)	(2,657)	(2,339)
Goods and services tax paid		(314)	(334)	(65)	(118)
Research and development expenditure		(450)	(1,700)	-	-
NET CASH FLOWS FROM OPERATING ACTIVITIES	5(b)	322	25,914	5,762	9,055
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of property, plant and equipment		(4,792)	(4,461)	(213)	(535)
Proceeds on sale of plant and equipment		4,090	508	2,437	384
Proceeds on disposal of joint venture interests		1,188	6,122	1,188	2,573
Net cash impact on disposal of controlled entity	5(e)	714	-	836	-
Receipts from controlled entities		-	-	8,919	9,111
NET CASH FLOWS FROM INVESTING ACTIVITIES		1,200	2,169	13,167	11,533
CASH FLOWS FROM FINANCING ACTIVITIES					
Finance lease payments		(845)	(514)	(2)	(70)
Dividends paid		(20,077)	(21,824)	(18,259)	(19,468)
Proceeds from share issue		1,118	1,178	1,118	1,178
(Repayment of)/proceeds from loans advanced		(442)	495	146	456
NET CASH FLOWS USED IN FINANCING ACTIVITIES		(20,246)	(20,665)	(16,997)	(17,904)
NET (DECREASE)/INCREASE IN CASH HELD		(18,724)	7,418	1,932	2,684
Add opening cash brought forward		28,489	21,071	4,466	1,782
CLOSING CASH CARRIED FORWARD	5(a)	9,765	28,489	6,398	4,466

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

NOTES TO THE FINANCIAL STATEMENTS

year ended 30 June 2005

NOTE 1
CORPORATE INFORMATION

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

The registered office of Schaffer Corporation Limited is located at:

1305 Hay Street, West Perth
Western Australia 6005

During the year, the principal activities of Schaffer Corporation Limited and its controlled entities were:

- manufacture of automotive leather
- manufacture of paving and precast concrete products
- investment property leasing activities

The consolidated entity employed 910 employees at 30 June 2005 (2004 – 864 employees).

NOTE 2
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

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

Change in accounting policies

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

Principles of consolidation

The consolidated financial statements are those of the consolidated entity, comprising Schaffer Corporation Limited (the parent entity) and all entities which Schaffer Corporation Limited controlled from time to time during the year and at balance date.

Information from the financial statements of subsidiaries is included from the date the parent company obtains control until such time as control ceases. Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which the parent entity has control.

Subsidiary acquisitions are accounted for using the purchase method of accounting. The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies which may exist.

All intercompany balances and transactions, including unrealised profits arising from inter-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

Cash and cash equivalents

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

NOTE 2
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Trade and other receivables

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

Property, plant and equipment

Cost

Freehold land, buildings on freehold land and plant and equipment are measured at cost.

Depreciation

Depreciation is provided on a straight line basis on all property, plant and equipment, other than freehold land and properties held by joint ventures.

Major depreciation periods are:

	2005	2004
Freehold buildings	40 years	40 years
Leasehold improvements	The lease term	The lease term
Plant and equipment	5 to 15 years	5 to 15 years

Leases

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

Operating leases

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

Finance leases

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

Foreign currencies

Translation of foreign currency transactions

Transactions in foreign currencies of entities within the consolidated entity are converted to local currency at the rate of exchange ruling at the date of the transaction. Amounts payable to and by the entities within the consolidated entity that are outstanding at the balance date and are denominated in foreign currencies have been converted to local currency using rates of exchange ruling at the end of the financial year. Except for certain specific hedges all resulting exchange differences arising on settlement or restatement are brought to account in determining the profit or loss for the financial year.

NOTES TO THE FINANCIAL STATEMENTS

year ended 30 June 2005

NOTE 2
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Specific hedges

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

Translation of financial reports of overseas operations

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

Foreign currency monetary items that are outstanding at the reporting date are translated using the spot rate at the end of the financial year.

Derivative financial instruments

Forward Exchange Contracts

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

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

Other Non Current Assets

Expenditure carried forward

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

Research and development costs

Research and development costs are expensed as incurred.

Inventories

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

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

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

Intangibles

Goodwill and discount on acquisition

Goodwill represents the excess of the purchase consideration over the fair value of identifiable net assets acquired at the time of acquisition of a business or shares in a controlled entity. Goodwill is amortised by the straight line method over the period during which benefits are expected to be received. This is taken as being 20 years. Where the fair values of the identifiable net assets acquired exceed the cost of acquisition incurred, the difference represents a discount on acquisition and is accounted for by reducing proportionately the fair values of

NOTE 2
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

the non monetary assets acquired until the discount is eliminated. Where after reducing to zero the recorded amounts of the non monetary assets acquired, a discount balance remains it is recognised as revenue in the statement of financial performance.

Recoverable amount

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

Trade and other payables

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

Loans and borrowings

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

Provisions

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

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

Contributed equity

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

Revenue recognition

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

Sale of goods

Control of the goods has passed to the buyer.

Interest

Control of a right to receive the interest payment.

Dividends

Control of a right to receive the dividend payment.

Precast concrete manufacture

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

Sale of Property

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

NOTES TO THE FINANCIAL STATEMENTS

year ended 30 June 2005

NOTE 2
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Joint ventures

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

Investments

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

Taxes

Income Tax

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

Schaffer Corporation Limited and its 100% owned subsidiaries have formed a tax consolidation group. Members of the group have entered into a tax sharing arrangement in order to allocate income tax expense to the wholly-owned subsidiaries on a pro-rata basis. In addition, the agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations.

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position. Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

Employee entitlements

Provision is made for employee entitlement benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave and long service leave. Liabilities arising in respect of wages and salaries, annual leave and any other employee entitlements expected to be settled within twelve months of the reporting date are measured at their nominal amounts. All other employee entitlement liabilities are measured at the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the interest rates attaching to government guaranteed securities which have terms to maturity approximating the terms of the related liability are used. Employee entitlements expenses and revenues arising in respect of the following categories:

- wages and salaries, non monetary benefits, annual leave, long service leave and other leave entitlements; and
- other types of employee entitlements

are charged against profits on a net basis in their respective categories.

NOTE 2
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Executive share option arrangement

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

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

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

(2) 20 cents.

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

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

Employee participation units

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

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

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

Earnings per share

Basic earnings per share is calculated as net profit attributable to members, adjusted to exclude costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element. Diluted earnings per share, is calculated as net profit attributable to members adjusted for:

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

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

Comparatives

Where necessary, comparatives have been re-classified and re-positioned for consistency with current year disclosures.

NOTES TO THE FINANCIAL STATEMENTS

year ended 30 June 2005

NOTE 3
REVENUE FROM ORDINARY ACTIVITIES

	CONSOLIDATED 2005 $000	CONSOLIDATED 2004 $000	CHIEF ENTITY 2005 $000	CHIEF ENTITY 2004 $000
Revenue from operating activities				
Revenue from the sale of goods	135,029	176,010	-	-
Revenue from sale of property	7,356	2,981	2,360	-
Revenue from sale of equity securities	736	814	736	814
Rent received from				
- controlled entities	-	-	84	83
- other persons/corporations	3,150	3,648	973	1,426
Other	384	185	60	240
Total revenues from operating activities	146,655	183,638	4,213	2,563
Revenues from non operating activities				
Interest received from:				
- other persons/corporations	1,023	1,116	377	460
Total interest	1,023	1,116	377	460
Dividends received from:				
- controlled entities	-	-	9,012	12,214
- other corporations	13	38	13	38
Total dividends	13	38	9,025	12,252
Proceeds on sale of property, plant and equipment	87	7,558	77	3,885
Proceeds from disposal of controlled entity	1,091	-	1,091	-
Total revenue from non operating activities	2,214	8,712	10,570	16,597
Total revenue from ordinary activities	148,869	192,350	14,783	19,160

NOTE 4
EXPENSES AND LOSSES/(GAINS)

	CONSOLIDATED 2005 $000	CONSOLIDATED 2004 $000	CHIEF ENTITY 2005 $000	CHIEF ENTITY 2004 $000
(a) Expenses				
Cost of sales – manufactured goods	96,546	122,742	-	-
Cost of sales – joint venture interests	-	3,067	-	1,661
Cost of sales – property	3,978	1,781	1,336	293
Cost of sales – equity securities	518	492	518	492
Bad debts written off – trade debtors	-	3	-	-
Provision/(reversal of provision) for doubtful debts – trade debtors	74	(27)	-	-
Bad debts recovered – trade debtors	-	(3)	-	-
Total bad and doubtful debts	74	(27)	-	-
Depreciation of non current assets				
Buildings	476	394	9	10
Plant and equipment	4,214	4,216	116	181
Total depreciation of non current assets	4,690	4,610	125	191

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

	CONSOLIDATED 2005 $000	CONSOLIDATED 2004 $000	CHIEF ENTITY 2005 $000	CHIEF ENTITY 2004 $000
Amortisation of non current assets				
Goodwill	132	132	-	-
Leasehold improvements	66	73	-	-
Plant and equipment under lease	54	181	-	-
Total amortisation of non current assets	252	386	-	-
Total depreciation and amortisation expenses	4,942	4,996	125	191
Borrowing costs expensed				
Interest expenses – other persons	3,533	3,844	303	424
Total interest expense	3,533	3,844	303	424
Other borrowing costs				
Finance charges				
- lease liability	40	114	-	9
- other	273	40	5	12
Total other borrowing costs	313	154	5	21
Total borrowing costs	3,846	3,998	308	445
Rental on operating leases – minimum lease payments	1,789	1,922	9	-
Research and development expenditure	450	1,700	-	-
Reversal of/(provision for) employee entitlements	(2,620)	1,702	(25)	118
Movement in provision for diminution in value of investments	(23)	(145)	(23)	(145)
(b) Losses/(Gains)				
Gain on sale of non current assets	(1,537)	(79)	(1,093)	(92)
Gain on sale of listed and unlisted shares	(218)	(322)	(218)	(322)
Profit on sale of shares in controlled entity	(689)	-	(375)	-
Net foreign currency gain	(627)	(1,926)	-	-
Gain on disposal of joint venture interest	-	(3,982)	-	(1,840)
(c) Significant items				
Profit from ordinary activities before income tax expense includes the following revenues and expenses whose disclosure is relevant in explaining the financial performance of the entity:				
Loans to controlled entities forgiven	-	-	-	(1,513)
Profit on disposal of controlled entities	689	-	375	-
Reversal of provision for non recovery of loans to controlled entities	-	-	157	1,517
Reversal of provision for non recovery of shares in controlled entities	-	-	214	-
	689	-	746	4

NOTES TO THE FINANCIAL STATEMENTS

year ended 30 June 2005

NOTE 5
STATEMENT OF CASH FLOWS

	CONSOLIDATED		CHIEF ENTITY	
	2005 $000	2004 $000	2005 $000	2004 $000
(a) Reconciliation of cash				
Cash balance comprises;				
Cash on hand	12,737	28,489	6,398	4,466
Bank overdraft	(2,972)	-	-	-
Closing cash balance	9,765	28,489	6,398	4,466
(b) Reconciliation of operating profit after income tax to the net cash flows from operations				
Operating profit after taxation	10,663	18,277	9,802	13,132
Non cash items				
Depreciation	4,690	4,610	125	191
Tax expense charged to controlled entities	-	-	(2,017)	(3,148)
Tax assets and liabilities transferred from controlled entities at beginning of reporting period	-	-	-	(862)
Amortisation	252	386	-	-
(Provision for)/write back of employee entitlements	(2,620)	1,702	(25)	118
Loss/(profit) on sale of non current assets	(1,537)	(79)	(1,093)	(92)
Movement in provision for diminution in value of investments	(23)	(145)	(23)	(145)
(Reversal of)/provision for non recovery of amounts owing by controlled entities	-	-	(158)	(1,517)
Amounts owing by controlled entities written off	-	-	-	1,513
Profit on sale of shares in partly owned controlled entities	(689)	-	(375)	-
Write back provision for diminution in value of shares in unlisted controlled entity	-	-	(214)	-
Profit on disposal of joint venture interests	-	(3,982)	-	(1,840)
Changes in assets and liabilities				
(Increase)/decrease in receivables	(1,477)	1,358	(254)	(737)
(Increase)/decrease in inventory	(3,657)	5,726	-	-
(Increase)/decrease in other financial assets	541	492	542	492
(Decrease)/increase in trade creditors	(3,449)	(1,316)	(186)	86
(Decrease)/increase in tax provision	(2,485)	(1,247)	(281)	1,359
(Decrease)/increase in deferred tax liability	(186)	(355)	(48)	701
(Increase)/decrease in future income tax benefit	536	403	(38)	(194)
(Increase)/decrease in prepayments	(237)	84	5	(2)
Net cash flows from operating activities	322	25,914	5,762	9,055

NOTE 5
STATEMENT OF CASH FLOWS (CONTINUED)

(c) Bank facilities

The consolidated entity has bank facilities available to the extent of $35,210,000 (2004 - $44,578,000)

The chief entity has bank facilities available to the extent of $4,927,000 (2004 - $4,783,000)

The unutilised facility for the consolidated entity at balance date was $15,706,000 (2004 - $28,486,000) and for the chief entity $3,210,000 (2004 - $712,000)

(d) Non cash financing activities

During the current financial year no non-cash financing activities occurred.

(e) Disposal of interest in controlled entity

On 24 September 2004 the Group disposed of its 51% interest in Solco Industries Pty. Ltd.

The disposal details are:	$'000
Consideration	
Cash	836
Shares in Solar Energy Systems Ltd	255
Total proceeds on disposal of controlled entity	1,091
Net assets disposed of	
Cash	122
Receivables	478
Inventories	204
Plant and equipment	137
Deferred tax asset	21
	962
Trade Creditors	(514)
Employee entitlements	(46)
Net assets disposed of	402
Net profit on disposal	689
Net cash impact on disposal of controlled entity comprises:	
Consideration for sale of shares	836
Less cash assets of controlled entity	(122)
	714

NOTES TO THE FINANCIAL STATEMENTS

year ended 30 June 2005

INCOME TAX

	CONSOLIDATED 2005 $000	CONSOLIDATED 2004 $000	CHIEF ENTITY 2005 $000	CHIEF ENTITY 2004 $000
Operating profit before income tax	14,652	25,625	10,075	13,327
Prima facie tax thereon at 30%	4,396	7,688	3,023	3,998
Tax effect of permanent differences:				
- rebateable dividends	(13)	(6)	(2,708)	(3,670)
- expenses not allowable	64	26	36	-
- other items	(113)	(30)	(139)	55
- permanent difference on disposal of controlled entity	(123)	-	-	-
- research and development	(132)	(63)	-	-
- under/(over) provision of tax relating to previous years	(90)	(267)	61	(188)
Income tax expense attributable to ordinary activities	3,989	7,348	273	195
Tax assets and liabilities				
Current tax payable	1,213	2,635	1,213	1,494
Provisions for deferred income tax	2,363	2,549	1,072	1,120
Future income tax benefit	2,718	3,275	1,035	997

Tax Consolidation

Effective 1 July 2003, for purposes of income tax, Schaffer Corporation Limited and its 100% owned subsidiaries formed a tax consolidation group. Members of the group have entered into a tax sharing arrangement in order to allocate income tax expense to the wholly-owned subsidiaries on a pro-rata basis. In addition, the agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. At the balance date, the possibility of default is remote. The head entity of the tax consolidated group is Schaffer Corporation Limited.

NOTE 7
DIVIDENDS PROVIDED FOR OR PAID

(a) Dividends paid during the year

	CONSOLIDATED 2005 $000	CONSOLIDATED 2004 $000	CHIEF ENTITY 2005 $000	CHIEF ENTITY 2004 $000
Final 2004 – 50¢ per share paid September 2004 (2004 - 50¢)	7,014	6,939	7,014	6,939
Special final 2004 – 20¢ per share paid September 2004 (2004 – 20¢)	2,805	2,775	2,805	2,775
Interim 2005 – 50¢ per share paid March 2005 (2004 – 50¢)	7,033	6,967	7,033	6,967
Special interim 2005 – 10¢ per share paid March 2005 (2004 – 20¢)	1,407	2,787	1,407	2,787
Dividend paid by controlled entity to minority shareholder (refer Note 31)	1,818	2,356	-	-
Total fully franked dividends paid	20,077	21,824	18,259	19,468

The tax rate at which dividends have or will be franked is Interim 30% (2004 – 30%), Final 30% (2004 – 30%)

NOTE 7
DIVIDENDS PROVIDED FOR OR PAID (CONTINUED)

(b) Franking account balance

The amount of franking credits available for the subsequent financial year are detailed below:

	CONSOLIDATED 2005 $000	CONSOLIDATED 2004 $000	CHIEF ENTITY 2005 $000	CHIEF ENTITY 2004 $000
The franking account balance disclosures have been calculated using the franking rate at 30 June 2005				
Franking account balance brought forward	4,987	5,546		
Fully franked dividends paid	(7,825)	(8,342)		
Tax paid	2,655	2,784		
Franked dividends received from controlled entities	3,862	4,990		
Franked dividends received from other corporations	5	9		
Franking account balance at the end of the financial year	3,684	4,987		
Franking credits that will arise from the payment of income tax payable as at the end of the financial year by the chief entity	1,213	1,494		
Franking credits available	4,897	6,481		

The above franking account is expressed on a tax paid basis

Fully franked dividends which can be paid from the above franking credits available amount to	11,426	15,122		

NOTE 8
RECEIVABLES (CURRENT)

	CONSOLIDATED 2005 $000	CONSOLIDATED 2004 $000	CHIEF ENTITY 2005 $000	CHIEF ENTITY 2004 $000
Trade debtors	25,722	26,433	-	-
Provision for doubtful debts	(959)	(1,971)	-	-
	24,763	24,462	-	-
Other debtors	3,360	2,491	811	1,499
	28,123	26,953	811	1,843

Terms and conditions relating to the above financial instruments

(i) Trade debtors are non interest bearing and generally on 30 days terms

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

(iii) Included in trade debtors are non hedged foreign currency receivables amounting to

	2005 $000	2005 Aust $ Equivalent $000	2004 $000	2004 Aust $ Equivalent $000
$ US	8,153	10,684	8,477	12,221
$ Euro	3,415	5,397	1,949	3,368
RMB	2,683	401	-	-

Payment terms vary from letter of credit arrangement to terms of 30 to 60 days.

NOTES TO THE FINANCIAL STATEMENTS

year ended 30 June 2005

NOTE 9
INVENTORIES (CURRENT)

	CONSOLIDATED 2005 $000	CONSOLIDATED 2004 $000	CHIEF ENTITY 2005 $000	CHIEF ENTITY 2004 $000
Work in progress				
Cost to date plus profit recognised	11,952	18,583	-	-
Less progress billings to date	(7,536)	(15,015)	-	-
Work in progress - realisable value	4,416	3,568	-	-
Finished goods – at cost	10,229	6,106	-	-
Raw materials – at cost	19,404	20,310	-	-
	34,049	29,984	-	-
Land held for resale				
Cost of acquisition	286	447	-	-
Development expenses capitalised	638	1,004	-	-
Rates and taxes capitalised	53	82	-	-
Interest capitalised	81	137	-	-
Carrying value of land	1,058	1,670	-	-
	35,107	31,654	-	-

NOTE 10
OTHER FINANCIAL ASSETS (CURRENT)

	CONSOLIDATED 2005 $000	CONSOLIDATED 2004 $000	CHIEF ENTITY 2005 $000	CHIEF ENTITY 2004 $000
Deferred exchange loss	-	296	-	-
Shares				
- Listed on a prescribed stock exchange at cost	37	248	37	248
- Unlisted at cost	831	907	831	907
- Provision for diminution in value of unlisted shares	(785)	(808)	(785)	(808)
Carrying value of shares	83	347	83	347
	83	643	83	347
Aggregate quoted market value at balance date of investments listed on a prescribed stock exchange	43	365	43	365

NOTE 11
OTHER CURRENT ASSETS

	CONSOLIDATED 2005 $000	CONSOLIDATED 2004 $000	CHIEF ENTITY 2005 $000	CHIEF ENTITY 2004 $000
Prepayments	795	547	13	18
Deferred expenditure	73	84	-	-
	868	631	13	18

NOTE 12
RECEIVABLES (NON CURRENT)

	CONSOLIDATED 2005 $000	CONSOLIDATED 2004 $000	CHIEF ENTITY 2005 $000	CHIEF ENTITY 2004 $000
Amount owed by wholly owned controlled entities	-	-	8,095	10,236

Terms and conditions – refer related party Note 30

NOTE 13
INVESTMENTS

	CONSOLIDATED 2005 $000	CONSOLIDATED 2004 $000	CHIEF ENTITY 2005 $000	CHIEF ENTITY 2004 $000
Associated companies at equity accounted amount				
Unlisted shares	-	-	-	-

Investments in associated companies comprise:

	% HELD BY CONSOLIDATED ENTITY 2005 %	% HELD BY CONSOLIDATED ENTITY 2004 %	PLACE OF INC.
Solco Zimbabwe (Private) Limited	-	25.0	Zimbabwe
Bell Solar Thermal Energy Sdn Bhd	-	16.8	Malaysia

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

These entities were disposed of on 24 September 2004 refer note 5(e)

NOTE 14
OTHER FINANCIAL ASSETS (NON CURRENT)

	CONSOLIDATED 2005 $000	CONSOLIDATED 2004 $000	CHIEF ENTITY 2005 $000	CHIEF ENTITY 2004 $000
Controlled entities at cost				
Unlisted shares	-	-	19,664	19,878
Provision for diminution in value of shares in unlisted controlled entities	-	-	-	(214)
	-	-	19,664	19,664

NOTES TO THE FINANCIAL STATEMENTS

year ended 30 June 2005

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

CONTROLLED ENTITY	BENEFICIAL PERCENTAGE HELD BY CONSOLIDATED ENTITY		PLACE OF INC	AMOUNT OF CHIEF ENTITY'S INVESTMENT	
	2005 %	2004 %		2005 $000	2004 $000
Schaffer Properties Pty Ltd *	100	100	WA	-	-
Delta Corporation Limited *	100	100	WA	5,066	5,066
Urbanstone Pty Ltd *	100	100	WA	-	-
Schaffer Corporation Management Pty Ltd #	-	100	WA	-	-
Delta Rail Services Ltd #	-	100	WA	-	-
Solco Industries Pty Ltd ##	-	51	WA	-	214
Poly Tuff (WA) Pty Ltd ##	-	51	WA	-	-
Australian Leather Holdings Limited **	83.17	83.17	WA	14,598	14,598
Gosh Leather Pty Ltd **	83.17	83.17	WA	-	-
Rosedale Leather Pty Ltd **	83.17	83.17	WA	-	-
Darkan Wet Blue Tanning Pty Ltd **	83.17	83.17	WA	-	-
Australian Leather Upholstery Pty Ltd **	83.17	83.17	Vic	-	-
Howe & Co Pty Ltd **	83.17	83.17	Vic	-	-
Howe de Mexico SA de CV	83.17	83.17	Mexico	-	-
Howe Slovensko S.R.O.	83.17	-	Slovakia	-	-
				19,664	19,878

* Pursuant to Class Order 98/1418 relief has been granted to various controlled entities from the Corporations Act 2001 requirements for preparation, audit and lodgement of their financial reports. As a condition of the Class Order Schaffer Corporation Limited and the controlled entities subject to the Class Order (the Schaffer 'Closed Group') entered into Deeds of Cross Guarantee at various dates. The effect of the deeds is that Schaffer Corporation Limited has guaranteed to pay any deficiency in the event of winding up of the controlled entities. The controlled entities have also given a similar guarantee in the event that Schaffer Corporation Limited is wound up.

** Pursuant to Class Order 98/1418 relief has been granted to various controlled entities from the Corporations Act 2001 requirements for preparation, audit and lodgement of their financial reports. As a condition of the Class Order Australian Leather Holdings Limited and the controlled entities subject to the Class Order (the ALH 'Closed Group') entered into Deeds of Cross Guarantee at various dates. The effect of the deeds is that Australian Leather Holdings Limited has guaranteed to pay any deficiency in the event of winding up of the controlled entities. The controlled entities have also given a similar guarantee in the event that Australian Leather Holdings Limited is wound up.

\# Deregistered during the year

\## Disposed of on 24 September 2004 refer note 5(e)

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

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

	2005 $000	2004 $000
Statement of Financial Performance		
REVENUE FROM ORDINARY ACTIVITIES	50,243	60,298
Changes in inventories of finished goods, work in progress and land held for re-sale	(776)	(923)
Raw materials and consumables used	(11,260)	(11,638)
Cost of sales joint venture interests	-	(3,067)
Cost of sales property	(2,778)	(1,781)
Depreciation and amortisation expense	(1,882)	(1,867)
Borrowing costs expense	(1,104)	(1,364)
Salaries, wages and on costs	(10,338)	(11,320)
Other expenses from ordinary activities	(4,853)	(5,049)
PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSES	17,252	23,289
Income tax expense relating to ordinary activities	2,290	3,343
NET PROFIT FROM ORDINARY ACTIVITIES AFTER INCOME TAX EXPENSE	14,962	19,946
Reconciliation of retained profits		
Retained profits at the beginning of the financial year	31,631	31,153
Net profit attributable to members of the Schaffer Closed Group	14,962	19,946
Dividends provided for or paid	(18,259)	(19,468)
Retained profits at the end of the financial year	28,334	31,631
Consolidated Statement of Financial Position		
Current assets		
Cash assets	12,737	14,671
Receivables	4,348	5,123
Inventories	5,010	4,792
Other financial assets	83	347
Other	278	227
Total current assets	22,456	25,160
Non current assets		
Other financial assets	14,598	14,598
Property, plant and equipment	32,812	34,079
Intangible assets	84	84
Deferred tax assets	1,035	997
Total non current assets	48,529	49,758
Total assets	70,985	74,918
Current liabilities		
Payables	3,896	4,167
Interest bearing liabilities	167	833
Current tax liabilities	1,213	1,494
Provisions	1,344	1,296
Total current liabilities	6,620	7,790

NOTES TO THE FINANCIAL STATEMENTS

year ended 30 June 2005

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

	2005 $000	2004 $000
Non current liabilities		
Interest bearing liabilities	14,638	15,247
Deferred tax liabilities	1,072	1,120
Provisions	702	629
Total non current liabilities	16,412	16,996
Total liabilities	23,032	24,786
Net assets	47,953	50,132
Equity		
Contributed equity	17,034	15,916
Reserves	2,585	2,585
Retained profits	28,334	31,631
Total equity	47,953	50,132

NOTE 15
PROPERTY, PLANT AND EQUIPMENT

	CONSOLIDATED 2005 $000	CONSOLIDATED 2004 $000	CHIEF ENTITY 2005 $000	CHIEF ENTITY 2004 $000
Freehold land				
At cost	6,518	8,920	3,954	5,154
Buildings on freehold land				
At cost	12,767	12,730	263	329
Accumulated depreciation	(4,093)	(3,672)	(47)	(59)
	8,674	9,058	216	270
Leasehold improvements				
At cost	662	615	-	-
Accumulated depreciation	(511)	(444)	-	-
	151	171	-	-
Joint venture investment properties				
At cost	12,393	12,468	4,156	4,156
Accumulated amortisation	(112)	(60)	-	-
	12,281	12,408	4,156	4,156
Total written down value land and buildings	27,624	30,557	8,326	9,580
Plant and equipment				
At cost	59,669	54,245	2,042	2,120
Accumulated depreciation	(33,718)	(29,951)	(904)	(980)
Written down value	25,951	24,294	1,138	1,140
Plant and equipment under lease				
At cost	573	2,624	-	-
Accumulated depreciation	(210)	(829)	-	-
	363	1,795	-	-
Total written down value plant and equipment	26,314	26,089	1,138	1,140
Total property, plant and equipment				
At cost	92,582	91,602	10,415	11,759
Accumulated depreciation and amortisation	(38,644)	(34,956)	(951)	(1,039)
Total written down amount	53,938	56,646	9,464	10,720

NOTE 15
PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

Assets pledged as security

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

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

	CONSOLIDATED 2005 $000	CONSOLIDATED 2004 $000	CHIEF ENTITY 2005 $000	CHIEF ENTITY 2004 $000
The value of assets pledged as security are:				
Property, plant and equipment	53,938	56,646	9,464	10,720

Reconciliations

Freehold land				
Carrying amount at beginning	8,920	9,176	5,154	5,412
Additions	-	36	-	34
Disposals	(2,402)	(292)	(1,200)	(292)
	6,518	8,920	3,954	5,154
Buildings on freehold land				
Carrying amount at beginning	9,058	9,294	270	280
Additions	103	158	-	-
Disposals	(45)	-	(45)	-
Depreciation expense	(442)	(394)	(9)	(10)
	8,674	9,058	216	270
Leasehold improvements				
Carrying amount at beginning	171	209	-	-
Additions	46	35	-	-
Amortisation expense	(66)	(73)	-	-
	151	171	-	-
Joint venture investment properties				
Carrying amount at beginning	12,408	22,829	4,156	8,681
Additions	-	669	-	173
Reclassification to repairs and maintenance	(93)	-	-	-
Depreciation expense	(34)	-	-	-
Disposal of joint venture interest	-	(11,090)	-	(4,698)
	12,281	12,408	4,156	4,156
Total written down value land and buildings	27,624	30,557	8,326	9,580
Plant and equipment				
Carrying amount at beginning	24,294	27,293	1,140	2,264
Additions	4,736	3,563	207	328
Transfers from leased plant	1,378	261	-	-
Depreciation expense	(4,214)	(4,216)	(116)	(181)
Disposals	(243)	(137)	(93)	-
Disposal of joint venture interest	-	(2,470)	-	(1,271)
	25,951	24,294	1,138	1,140

NOTES TO THE FINANCIAL STATEMENTS

year ended 30 June 2005

	CONSOLIDATED		CHIEF ENTITY	
	2005	2004	2005	2004
	$000	*$000*	*$000*	*$000*
NOTE 15				
PROPERTY, PLANT AND EQUIPMENT (CONTINUED)				
Plant and equipment under lease				
Carrying amount at beginning	1,795	2,237	-	-
Transfers to plant and equipment	(1,378)	(261)	-	-
Amortisation expense	(54)	(181)	-	-
	363	1,795	-	-
Total written down value plant and equipment	26,314	26,089	1,138	1,140
NOTE 16				
INTANGIBLES				
Goodwill at cost	2,590	2,590	-	-
Accumulated amortisation	(1,423)	(1,291)	-	-
	1,167	1,299	-	-
NOTE 17				
PAYABLES (CURRENT)				
Trade creditors	13,105	15,138	171	215
Goods and services tax net	406	413	30	(33)
Other creditors	194	2,118	194	153
	13,705	17,669	395	335

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

(b) Included in trade creditors are non hedged payables amounting to

	2005		2004	
	$000	*Aust $ Equivalent $000*	*$000*	*Aust $ Equivalent $000*
$ US	1,793	2,349	2,068	2,981

NOTE 18
INTEREST BEARING LIABILITIES (CURRENT)

	CONSOLIDATED		CHIEF ENTITY	
	2005	2004	2005	2004
	$000	*$000*	*$000*	*$000*
Bank overdraft - secured	2,972	-	-	-
Lease liability (refer note 26c) – secured	167	845	-	2
	3,139	845	-	2

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

(b) Terms and conditions relating to the above financial instruments

(i) Finance leases have an average lease term of 4 years. The average discount rate implicit in the leases is 8% (2004 – 8%)

	CONSOLIDATED		CHIEF ENTITY	
	2005	2004	2005	2004
	$000	*$000*	*$000*	*$000*
NOTE 19				
PROVISIONS (CURRENT)				
Employee entitlements (refer note 27a)	4,348	7,095	374	370
NOTE 20				
INTEREST BEARING LIABILITIES (NON CURRENT)				
Lease liability (refer note 26c) – secured	108	275	-	-
Amount owing to wholly owned controlled entity	-	-	10,809	6,048
Government loan – secured	38,654	38,654	-	-
Bank loan – secured	14,530	14,972	4,217	4,071
	53,292	53,901	15,026	10,119

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

(b) Terms and conditions relating to the above financial instruments.

Finance leases have an average lease term of 4 years. The average discount rate implicit in the leases is 8% (2004 – 8%).

Government loans:
An amount of $25,000,000 has interest payable at 2% over the long term bond rate. The facility expires in February 2012. An amount of $13,654,000 bears a fixed interest rate of 4.4% per annum until February 2012.

NOTE 21				
PROVISIONS (NON CURRENT)				
Employee entitlements (refer note 27a)	2,709	2,628	202	231
NOTE 22				
CONTRIBUTED EQUITY				
a) Issued and paid up capital				
As at 30 June 2005 14,091,935 ordinary fully paid shares (2004 – 13,939,185)	17,034	15,916	16,086	14,968

NOTES TO THE FINANCIAL STATEMENTS

year ended 30 June 2005

NOTE 22
CONTRIBUTED EQUITY (CONTINUED)

b) Movement in shares on issue

	CONSOLIDATED ENTITY 2005 No of Shares	2005 $000	2004 No of Shares	2004 $000
At the beginning of the financial year	**13,939,185**	15,916	13,769,735	14,738
On 19 August 2003 10,000 options converted to ordinary shares under employee share scheme	-	-	10,000	64
On 26 August 2003 86,200 options converted to ordinary shares under employee share scheme	-	-	86,200	540
On 4 September 2003 11,250 options converted to ordinary shares under employee share scheme	-	-	11,250	128
On 19 February 2004 57,000 options converted to ordinary shares under employee share scheme	-	-	57,000	410
On 18 June 2004 5,000 options converted to ordinary shares under employee share scheme	-	-	5,000	36
On 1 July 2004 1,250 options converted to ordinary shares under employee share scheme	**1,250**	12	-	-
On 25 August 2004 86,500 options converted to ordinary shares under employee share scheme	**86,500**	712	-	-
On 18 February 2005 40,000 options converted to ordinary shares under employee share scheme	**40,000**	216	-	-
On 31 March 2005 25,000 options converted to ordinary shares under employee share scheme	**25,000**	178	-	-
Total capital issued during the year (c)	**152,750**	1,118	169,450	1,178
At the end of the financial year	**14,091,935**	17,034	13,939,185	15,916

For details of movement in options and details of employee share options plan refer to Note 25.

NOTE 22
CONTRIBUTED EQUITY (CONTINUED)

(c) Terms and conditions of contributed equity

Ordinary shares

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the company.

NOTE 23
RESERVES AND RETAINED PROFITS

	CONSOLIDATED 2005 $000	2004 $000	CHIEF ENTITY 2005 $000	2004 $000
Reserves				
Asset revaluation	**2,585**	2,585	**2,283**	2,283

Nature and purpose of reserve

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

Retained profits				
Retained profits at the beginning of the financial year	**39,071**	41,905	**17,369**	23,705
Net profit attributable to members of the parent entity	**9,891**	16,634	**9,802**	13,132
Dividends provided for or paid	**(18,259)**	(19,468)	**(18,259)**	(19,468)
Retained profits at the end of the financial year	**30,703**	39,071	**8,912**	17,369

NOTE 24
AUDITORS REMUNERATION

	$	$	$	$
Amounts received or due and receivable by the auditors of Schaffer Corporation Limited for:				
Audit of the accounts	**210,572**	204,387	**69,772**	60,777
Other services – tax compliance	**12,690**	63,929	**1,450**	37,792
	223,262	268,316	**71,222**	98,569

NOTES TO THE FINANCIAL STATEMENTS

year ended 30 June 2005

NOTE 25
DIRECTORS AND EXECUTIVES DISCLOSURES

(a) Details of Specified Directors and Specified Executives

(i) Specified Directors

J M Schaffer	Managing Director
D E Blain	Director (non-executive)
A K Mayer	Director (executive)
DJ Schwartz	Director (non-executive)
MD Perrott	Director (non-executive)

(ii) Specified Executives

M Falconer	General Manager Urbanstone Pty. Ltd.
N Filipovic	General Manager Sales, Marketing and International Operations Howe & Company Pty. Ltd.
C Nunis	Chief Financial Officer Australian Leather Holdings Limited
G Monkhouse	Chief Financial Officer Schaffer Corporation Limited
G V Davieson	Chief Financial Officer and Company Secretary Schaffer Corporation Limited.

(b) Remuneration of Specified Directors and Specified Executives

(i) Remuneration Policy

Remuneration Philosophy

Schaffer Corporation Limited's (SFC) remuneration policy is directed at attracting, motivating and retaining quality directors and executives. SFC's key internal performance measures at the business unit and consolidated levels are earnings before interest and tax ("EBIT") and return on capital employed. EBIT and ROCE have been chosen by the Group as measures of executive performance because they align the interests of management with those of all SFC shareholders.

Remuneration Committee

SFC operates a Nominations and Remuneration Sub-Committee to support and advise the SFC Board in fulfilling its responsibility to shareholders to ensure that the company has remuneration policies and practices which enable it to attract and retain directors and executives who will best contribute towards achieving positive outcomes for shareholders. The committee determines the remuneration and other conditions of service of the chief executive officer and executive directors, if any. The committee makes recommendations to the board on the remuneration of non-executive directors within the aggregate approved by shareholders in general meeting from time to time. The committee considers individual performance, company performance, internal relativity and fairness in setting levels of remuneration and may seek appropriate independent external advice to assist in its decision making. The structure of non-executive director and executive remuneration are separate and distinct.

Non-Executive Directors

SFC's non-executive directors receive fees for their services (including statutory superannuation) and the reimbursement of reasonable expenses. The amount payable to non-executive directors is set by the Board after having taken regard to the size of the Company and Board, the responsibilities, demands and accountabilities faced by those directors in discharging their duties and after seeking independent advice to ensure the fees are in line with market standards. It is current SFC policy that non-executive directors do not receive shares, options or other securities and are not eligible to participate in SFC's Employee Share Option Plan. The only exception to this policy is that Mrs Blain receives remuneration from the ALH EPU Plan, an entitlement dating back to her time as an executive of the ALH business. Payment of fees (including statutory superannuation) and the reimbursement of reasonable expenses are the only remuneration paid to Mr Schwartz and Mr Perrott in their capacity as non-executive directors.

NOTE 25
DIRECTORS AND EXECUTIVES DISCLOSURES (CONTINUED)

A directors' pool limit of $250,000 per annum was approved by shareholders at the Annual General Meeting in November 2003 and is currently not fully utilised. The fee pool is payable only to non-executive directors. Non-executive directors are paid annual fees from the fee pool (plus superannuation). Non-executive directors are entitled to a retirement benefit equivalent to one year's annual director's fees. The retirement benefit was reduced from three year's to one year's annual director's fees in Jul-03 (a three year retirement benefit was in place at the time each director accepted their appointment to the Board). SFC considers the reduced benefit modest and appropriate given the benefit which historically existed. It is SFC's policy that no retirement benefit will apply to new directors appointed post July 2003.

Executive Remuneration

SFC's remuneration policy aims to remunerate executives with a level and mix of remuneration commensurate with their position and responsibilities within the Group.

The remuneration of SFC's senior executives consists of fixed remuneration and variable remuneration (annual and long term incentives). The company aims to reward executives for Company, business unit and individual performance, align executive remuneration with the interests of shareholders, link rewards with the strategic goals of such as profitability or return on capital employed and ensure that total remuneration is effective in retaining and motivating senior executives and executive directors.

Fixed Remuneration – This includes base salary and the statutory Superannuation Guarantee Contribution ("SGC") which comprises the cash component; and other non-cash benefits such as a motor vehicle. The Schaffer Corporation Limited Superannuation Fund is available to executives for superannuation contributions and life insurance. Premiums for life insurance are deducted from member accounts. Executives can elect to have the company contribute superannuation beyond the statutory SGC level by way of a salary sacrifice in lieu of cash salary.

Annual Incentive - The Company has performance-based incentive plans in place at each of its operations in which management and the labour force participate. The level of remuneration payable to participating executives is linked to the financial performance of their business. Executives are provided with cash incentives provided profitability thresholds are met. The Group Managing Director and Company Secretary do not currently participate in any annual incentive program.

Long Term Incentive – SFC's senior executives (other than Mr Schaffer and Mr Mayer) participate in SFC's Employee Share Option Plan ("ESOP"). ALH operates the Employee Performance Unit ("EPU") Plan for its executives. The SFC ESOP and ALH EPU plans have long-term vesting provisions and are designed to align the interests of the participating executives with those of all SFC shareholders.

NOTES TO THE FINANCIAL STATEMENTS

year ended 30 June 2005

NOTE 25
DIRECTORS AND EXECUTIVES DISCLOSURES (CONTINUED)

(ii) Remuneration of Specified Directors and Specified Executives

	PRIMARY			POST EMPLOYMENT		EQUITY	OTHER	TOTAL
	SALARY & FEES	CASH BONUS	NON MONETARY BENEFITS	SUPER-ANNUATION	RETIREMENT BENEFITS	SHARE OPTIONS AND EPU'S#		
	$	$	$	$	$	$	$	$
Specified directors								
J M Schaffer								
2005	610,344	-	20,919	15,410	10,872	-	-	657,545
2004	562,026	-	120,261	18,652	23,381	-	-	724,320
D E Blain								
2005	57,500	-	-	5,175	956	-	-	63,631
2004	70,000	88,798	-	6,300	957	7,541	-	173,596
A K Mayer								
2005	347,433	-	-	-	-	-	-	347,433
2004	396,125	214,423	-	-	-	-	-	610,548
D J Schwartz								
2005	45,000	-	-	4,050	2,024	-	-	51,074
2004	45,000	-	-	4,050	2,024	-	-	51,074
M D Perrott								
2005	17,067	-	-	-	-	-	-	17,067
2004	-	-	-	-	-	-	-	-
Total Remuneration specified directors								
2005	1,077,344	-	20,919	24,635	13,852	-	-	1,136,750
2004	1,073,151	303,221	120,261	29,002	26,362	7,541	-	1,559,538

	PRIMARY			POST EMPLOYMENT		OTHER	EQUITY	TOTAL
	SALARY	CASH BONUS	NON MONETARY BENEFITS	SUPER-ANNUATION	RETIREMENT BENEFITS	TERMINATION BENEFITS	SHARE OPTIONS AND EPU'S#	
	$	$	$	$	$	$	$	$
Specified executives								
M Falconer								
2005	166,110	49,640	36,790	39,328	-	-	**44,110	335,978
N Filipovic								
2005	210,000	43,561	-	22,820		-	16,916	293,297
2004	203,882	264,979	-	42,197		-	16,916	527,974
C Nunis								
2005	59,317	-	-	5,339	-	224,207	-	288,863
2004	172,769	248,137	-	37,881		-	16,916	475,703
G Monkhouse								
2005	164,494	-	6,815	24,695	-	-	46,247	242,251
2004	237,316	153,702	-	44,303		-	107,075	542,396
G V Davieson								
2005	147,082	-	20,150	18,687	1,818	-	**33,492	221,229
Total Remuneration specified executives								
2005	747,003	93,201	63, 755	110,869	1,818	224,207	140,765	1,381,618
2004*	899,431	1,062,673	-	185,700	-	-	168, 455	2,316,259

* Group totals in respect of the financial year ended 30 June 2004 do not equal the sums of amounts disclosed for 2004 for individual specified in 2005, as different individuals were specified in 2004.

** The following amounts appearing in the Share Options total in the table above relate entirely to options granted in Jul-04 which were subsequently cancelled in full prior to year end. Those options no longer exist and no economic benefit has been received by the grantee. However, Australian Accounting Standard AASB 1046 requires that in the event of a cancellation of options, the entity shall treat that cancellation as an acceleration of the vesting and shall disclose immediately as remuneration the amount that would have otherwise been disclosed over the remainder of the vesting period.

Mr M Falconer $33,000
Mr G V Davieson $24,750

\# Includes the value of share options and employee participation units ("EPU's") using the Black-Scholes model.

NOTES TO THE FINANCIAL STATEMENTS

year ended 30 June 2005

NOTE 25
DIRECTORS AND EXECUTIVES DISCLOSURES (CONTINUED)

(c) Share options

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

DATE ISSUED	NO. ON ISSUE 30 JUNE 2004	ISSUED DURING THE YEAR	FORFEITED DURING THE YEAR	CANCELLED DURING THE YEAR	EXERCISED DURING THE YEAR	NO. ON ISSUE 30 JUNE 2005	EXERCISE PRICE	EXERCISABLE ON OR BEFORE	NO. VESTED BUT NOT EXERCISED 30 JUNE 2005
24 Aug 2001	20,000	-	-	-	(20,000)	-	$3.77	24 Aug 2006	-
5 Feb 2002	40,000	-	-	-	(40,000)	-	$5.42	5 Feb 2007	-
15 Mar 2002	45,000	-	-	-	(45,000)	-	$7.11	15 Mar 2007	-
20 Jun 2002	80,100	-	(8,250)	-	(29,000)	42,850	$9.49	20 Jun 2007	42,850
15 Jul 2003	61,250	-	(15,000)	-	(18,750)	27,500	$12.31	15 Jul 2008	2,500
19 Jul 2004	-	80,000	(30,000)	(50,000)	-	-	$14.32	19 Jul 2009	-
	246,350	80,000	(53,250)	(50,000)	(152,750)	70,350			45,350

(d) Options exercised and market value of shares issued.

CONVERSION DATE	OPTION GRANT DATE	OPTION EXPIRY DATE	NO. OF OPTIONS EXERCISED/ SHARES ISSUED	EXERCISE PRICE PER OPTION $	PROCEEDS RECEIVED $	MARKET VALUE PER SHARE* $	MARKET VALUE $
1 July 2004	20 June 2002	20 June 2007	1,250	9.49	11,863	14.25	17,813
25 Aug 2004	24 Aug 2001	24 Aug 2006	20,000	3.77	75,400	15.06	301,200
25 Aug 2004	15 Mar 2002	15 Mar 2007	20,000	7.11	142,200	15.06	301,200
25 Aug 2004	20 Jun 2002	20 Jun 2007	27,750	9.49	263,348	15.06	417,915
25 Aug 2004	15 Jul 2003	15 Jul 2008	18,750	12.31	230,813	15.06	282,375
18 Feb 2005	5 Feb 2002	5 Feb 2007	40,000	5.42	216,800	10.84	433,600
31 Mar 2005	15 Mar 2002	15 Mar 2007	25,000	7.11	177,750	8.55	213,750
			152,750		1,118,173		1,967,853

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

(e) Remuneration options: Granted and vested during the year

During the financial year options were granted as equity compensation benefits to certain specified executives as disclosed below. The options were issued free of charge. Each option entitles the holder to subscribe for one fully paid ordinary share in the entity at an exercise price of $14.32. These were subsequently cancelled on 27 June 2005.

SPECIFIED EXECUTIVES	VESTED NUMBER (DURING YEAR)	GRANTED NUMBER	GRANT DATE	VALUE PER OPTION AT GRANT DATE	EXERCISE PRICE PER SHARE	FIRST EXERCISE DATE	LAST EXERCISE DATE
M Falconer	20,000	20,000	19 July 2004	$1.65	$14.32	19 July 2004	19 July 2009
G P Monkhouse	68,750	30,000	19 July 2004	$1.65	$14.32	19 July 2004	19 July 2009
G V Davieson	12,500	15,000	19 July 2004	$1.65	$14.32	19 July 2004	19 July 2009

(f) Shares issued on exercise of remuneration options by specified executives

SPECIFIED EXECUTIVES	SHARES ISSUED NUMBER	PAID PER SHARE	UNPAID PER SHARE
M Falconer	15,000	$8.12	-
G P Monkhouse	91,250	$6.73	-
G V Davieson	12,500	$7.97	-

(g) Option holdings of specified directors and specified executives

SPECIFIED EXECUTIVES	BALANCE AT BEGINNING OF PERIOD	GRANTED AS REMUNER-ATION	OPTIONS EXERCISED	NET CHANGE OTHER	BALANCE AT END OF PERIOD	VESTED AS AT 30 JUNE 2004 TOTAL	NOT EXERCISABLE	EXERCISABLE
M Falconer	27,500	20,000	(15,000)	(20,000)	12,500	7,500	-	7,500
G P Monkhouse	108,750	30,000	(91,250)	(47,500)	-	-	-	-
G V Davieson	22,500	15,000	(12,500)	(15,000)	10,000	2,500	-	2,500

NOTES TO THE FINANCIAL STATEMENTS

year ended 30 June 2005

(h) Shareholdings of specified directors and specified executives

Economic interests in the shares of Schaffer Corporation Limited held by directors of the reporting entity and their director related entities, as at 30 June 2005.

	BALANCE AT BEGINNING OF PERIOD	ON EXERCISE OF OPTIONS	NET CHANGE / OTHER	BALANCE AT END OF PERIOD
Specified directors				
D E Blain	1,562,360			1,562,360
A K Mayer	347,185			347,185
M D Perrott	-		1,000	1,000
J M Schaffer	2,619,927			2,619,927
D J Schwartz	586,210			586,210
Specified executives				
M Falconer	55,000	15,000	(50,000)	20,000
G P Monkhouse*	89,736	91,250	(155,986)	25,000
C A Nunis*	1,500		(1,500)	-
G V Davieson	64,750	12,500	(40,545)	36,745
Total	5,326,668	118,750	(247,031)	5,198,427

Change in directors' shareholdings is the result of on or off market transactions

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

* These executives ceased employment during the year.

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

All equity transactions with specified directors and specified executives other than those arising from the exercise of remuneration options have been entered into under terms and conditions no more favourable than those the entity would have adopted if dealing at arm's length.

(i) Employment Contracts

Mr Schaffer, SFC's Managing Director is employed under a Service Agreement. The service agreement was entered into on 18 July 1984. Mr Schaffer's employment continues until terminated by Mr Schaffer or the Company. Under the terms of the service agreement, the agreement may be terminated by the Company or Mr Schaffer after expiration of one month's notice in writing given to one of them by the other. Upon termination of this agreement Mr Schaffer is entitled to receive from the Company a lump sum equal to the annual remuneration paid immediately preceding that termination except if the termination is for reasons of gross misconduct, fraud or dishonesty resulting in a material loss or injury to the Company or if Mr Schaffer is found guilty of wilful disobedience or any other conduct resulting in a material prejudice to the Company or such as to bring the Company into disrepute.

Mr Mayer, provides management services to the leather division pursuant to a Consultancy Agreement entered into on 1 July 2003 which terminates on 30 June 2006. The Consultancy Agreement may be terminated sooner:

- By the consultee without prior notice for Cause (i.e. wilful misconduct, wilfully wrongful act, gross negligence, criminal act or a prohibition by law in company management);
- By either party for any reason upon 90 days prior written notice to the other party;
- By the consultee 30 days after giving notice of termination to Mr Mayer for reason of his physical or mental capacity on a permanent basis
- On the death of Mr Mayer.

The Consultancy Agreement with Mr Mayer does not provide for termination payment upon termination of the agreement.

NOTES TO THE FINANCIAL STATEMENTS

year ended 30 June 2005

NOTE 26
CONTINGENT LIABILITIES AND EXPENDITURE COMMITMENTS

	CONSOLIDATED		CHIEF ENTITY	
	2005 $000	2004 $000	2005 $000	2004 $000
(a) Termination benefits under Service agreements				
No of service agreements – 1				
Maximum liability at June 30, 2005	588	502	588	502
(b) Commitments under lease agreements				
Operating leases – office, factory and retail premises				
- payable not later than 1 year	1,692	1,836	-	-
- later than 1 year and not later than 5 years	4,524	6,003	-	-
- later than 5 years	261	271	-	-
- aggregate lease expenditure contracted for at balance date	6,477	8,110	-	-
Operating leases – motor vehicles				
- payable not later than 1 year	208	211	9	9
- later than 1 year and not later than 5 years	277	303	11	20
- aggregate lease expenditure contracted for at balance date	485	514	20	29

Operating leases for motor vehicles have an average lease term of 4 years. In return for the lease payments a fully maintained vehicle is provided.

(c) Finance leases and hire purchase commitments				
- payable not later than 1 year	180	883	-	2
- later than 1 year and not later than 5 years	109	289	-	-
Total lease payments	289	1,172	-	2
Future finance charges	(14)	(52)	-	-
	275	1,120	-	2
- Current liability (refer note 18)	167	845	-	2
- Non current liability (refer note 20)	108	275	-	-
	275	1,120	-	2

Finance leases have an average lease term of 4 years and an average implicit interest rate of 8%. Assets that are the subject of finance leases include motor vehicles and large items of plant and machinery.

(d) Capital expenditure commitments				
Estimated capital expenditure contracted for at balance date but not provided for:				
- payable not later than 1 year				
Plant and equipment	-	230	-	-

(e) A first mortgage has been registered over the assets and undertakings of a controlled entity by a bank which has issued performance guarantees to third parties on behalf of the consolidated entity. The aggregate of the performance guarantees issued by the bank amounted to:

	1,670	2,265	85	85

NOTE 26
CONTINGENT LIABILITIES AND EXPENDITURE COMMITMENTS (CONTINUED)

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

Mindarie Keys Joint Venture

IBM Centre Joint Venture

616 St Kilda Road Joint Venture

Hometown Joint Venture

Queens Road Joint Venture

Crosslands Shopping Centre Joint Venture

89 St Georges Tce Joint Venture

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

NOTE 27
EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS

(a) Employee entitlements and superannuation commitments

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

The consolidated entity also contributes to the plan, generally at the rate of 9% of gross salaries and wages.

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

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

	CONSOLIDATED		CHIEF ENTITY	
	2005 $000	2004 $000	2005 $000	2004 $000
The aggregate employee entitlement liability is comprised of:				
Accrued wages, salaries and on costs 308	291	-	-	
Provisions (current) – refer note 19	4,348	7,095	374	370
Provisions (non current) – refer note 21	2,709	2,628	202	231
	7,365	10,014	576	601

(b) Employee share option plan

An employee share option plan has been established. The plan was approved by shareholders at the AGM in November 1999. The plan permits the granting of options (at the absolute discretion of the Board) to group employees to acquire ordinary shares in Schaffer Corporation Limited. The options issued for nil consideration, are issued in accordance with performance guidelines established by the Directors of Schaffer Corporation Limited. The options cannot be transferred and will not be quoted on the ASX. The number of options which can be issued is limited to 5% of the number of shares on issue. There are currently twenty three executives eligible for the plan.

NOTES TO THE FINANCIAL STATEMENTS

year ended 30 June 2005

NOTE 27
EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS (CONTINUED)

Options may be exercised as follows:

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

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

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

(4) After 36 months 100% of the options may be exercised.

(c) Employee incentives plan

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

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

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

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

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

NOTE 27
EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS (CONTINUED)

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

The amount of the cash payment is dependant on vesting and the financial performance of Australian Leather Holdings Limited. The vesting requirements are:

(a) up to 3 years – nil

(b) 3 years to 4 years – 33.3%

(c) 4 years to 5 years – 66.7%

(d) over 5 years – 100%

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

(i) termination due to misconduct

(ii) failure to provide 90 days written notice of intention to terminate employment

(iii) acting in competition prior to the payment date (payment date is at least 12 months after termination)

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

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

EPU TRANCHE	SERIES	GRANT DATE	NUMBER ISSUED	NUMBER VESTED	NUMBER REDEEMED	NUMBER CANCELLED	BALANCE OF EPU'S OUT-STANDING	BALANCE AS A % OF ALH'S CAPITAL
Tranche 1		04-Oct-00	3,383,634	1,150,435	-	(1,657,981)	1,725,653	2.8%
Tranche 2	Series 1	21-Dec-01	2,884,434	526,632	(236,394)	(1,068,145)	1,579,895	2.6%
	Series 2	01-Jul-02	120,000	-	-	-	120,000	0.2%
	Series 3	01-Jul-03	245,000	-	-	-	245,000	0.4%
	Series 4	01-Jul-04	57,672	-	-	-	57,672	0.1%
	Series 5	16-May-05	150,000	-	-	-	150,000	0.2%

NOTES TO THE FINANCIAL STATEMENTS

year ended 30 June 2005

NOTE 28
INTERESTS IN BUSINESS UNDERTAKINGS - JOINT VENTURES

Investment properties

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

	% INTEREST	
	2005	2004
IBM Centre Joint Venture	**22.10**	22.10
616 St Kilda Road Joint Venture	**20.00**	20.00
Hometown Joint Venture	**25.00**	25.00
Queens Road Joint Venture	**9.00**	9.00
Crosslands Shopping Centre Joint Venture	**16.70**	16.70
89 St. George's Terrace Joint Venture	**20.00**	20.00

Property Developments

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

	% INTEREST	
	2005	2004
Mindarie Keys Joint Venture	**15.00**	15.00

	CONSOLIDATED	
	2005	2004
	$000	*$000*
The interest in the joint ventures is included in the financial statements as follows:		
Current assets		
Cash assets	**327**	416
Receivables	**243**	1,166
Other	**62**	63
Inventories	**1,720**	1,720
Total current assets	**2,352**	3,365
Non current assets		
Plant and equipment	**2,787**	2,611
Property	**12,446**	12,491
Intangible assets	**84**	84
Deferred tax assets	**74**	74
Total non current assets	**15,391**	15,260
Total assets	**17,743**	18,625
Current Liabilities		
Payables	**579**	542
Total current liabilities	**579**	542
Non current liabilities		
Interest bearing liabilities	**15,118**	14,972
Deferred tax liabilities	**806**	783
Total non current liabilities	**15,924**	15,755
Total liabilities	**16,503**	16,297
Net assets	**1,240**	2,328

NOTE 28
INTERESTS IN BUSINESS UNDERTAKINGS - JOINT VENTURES (CONTINUED)

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

Profit after tax $1,754,000 (2004 - $4,227,000)

Revenue $7,305,000 (2004 - $14,234,000)

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

Capital expenditure commitments of $Nil (2004 - $Nil) payable within one year were contracted for at balance date.

NOTES TO THE FINANCIAL STATEMENTS

year ended 30 June 2005

NOTE 29
SEGMENT INFORMATION

The company operates predominantly in Australia.

BUSINESS SEGMENT INFORMATION	LEATHER		BUILDING PRODUCTS		INVESTMENT PROPERTIES		OTHER INVESTMENTS		CONSOLIDATED	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
Revenue										
Total revenue from ordinary activities external customers	107,424	140,870	28,856	34,750	3,940	11,227	7,489	5,359	147,709	192,206
Unallocated revenue									1,160	144
Total revenue									148,869	192,350
Results										
Segment results	8,609	16,087	2,867	4,170	1,767	5,779	3,064	1,811	16,307	27,847
Interest and corporate overhead									(1,655)	(2,222)
Operating profit before income tax									14,652	25,625
Income tax expense									3,989	7,348
Net profit after tax									10,663	18,277
Assets										
Segment assets	78,355	75,141	21,389	20,598	15,324	16,467	17,507	34,541	132,575	146,747
Unallocated assets									2,166	2,843
Total assets									134,741	149,590
Liabilities										
Segment liabilities	57,738	61,939	5,025	6,360	14,966	14,690	617	1,607	78,346	84,596
Unallocated liabilities									2,423	2,726
Total liabilities									80,769	87,322
Other Segment Information										
Acquisition of property, plant and equipment, intangible assets and other non current assets	2,881	1,419	1,747	1,361	247	1,633	-	-	4,875	4,413
Unallocated									10	48
									4,885	4,461
Depreciation	2,885	2,954	1,507	1,341	239	207	-	-	4,631	4,502
Unallocated									59	108
									4,690	4,610
Amortisation	132	132	120	254	-	-	-	-	252	386
Non cash expenses other than depreciation and amortisation	(2,732)	1,065	155	273	-	-	(23)	(145)	(2,600)	1,193
Unallocated									(43)	68
									(2,643)	1,261

Intersegment transactions are on a commercial basis.

Buildings products comprise the operations of Delta Corporation Limited, Urbanstone Pty. Ltd. and Solco Industries Pty. Ltd.

Refer to Managing Director's report for further information on segments.

NOTES TO THE FINANCIAL STATEMENTS

year ended 30 June 2005

NOTE 30
RELATED PARTY DISCLOSURES

(a) The directors of Schaffer Corporation Limited during the year were Messrs J M Schaffer, D J Schwartz, A K Mayer, M D Perrott (appointed 23/02/2005) and Mrs D E Blain.

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

Disclosures relating to wholly owned group

Schaffer Corporation Limited has provided 100% controlled entities with working capital loans which are interest free and have no fixed repayment date. The aggregate amounts owing from those controlled entities at year end is $8,095,171 (2004 - $10,237,370).

Wholly owned controlled entities have provided Schaffer Corporation Limited with loans which are interest free and have no fixed repayment date. The aggregate amounts owing to those controlled entities at year end is $10,809,584 (2004 - $6,047,729).

Transactions with other related parties

Schaffer Corporation Limited holds 83.17% (2004 – 83.17%) of the share capital of Australian Leather Holdings Limited of which Mr J M Schaffer and Mr A K Mayer 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 $60,000 (2004 - $240,000).

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

NOTE 31
OUTSIDE EQUITY INTEREST

	2005 $000	2004 $000
Reconciliation of outside equity interest in controlled entities:		
Opening balance	**4,696**	5,409
- Add share of operating profit	**772**	1,643
- Dividends paid	**(1,818)**	(2,356)
Closing balance	**3,650**	4,696

NOTE 32
EARNINGS PER SHARE

	CONSOLIDATED ENTITY 2005 $000	2004 $000
The following reflects the income and share data used in the calculation of basic and diluted earnings per share:		
Net profit after tax	**10,663**	18,277
Adjustments:		
Net profit attributable to outside equity interest	(772)	(1,643)
Earnings used in calculating basic and diluted earnings per share	**9,891**	16,634
	Number of Shares	*Number of Shares*
Weighted average number of ordinary shares used in calculating basic earnings per share	**14,069,712**	13,881,167
Effect of dilutive securities:		
Share options	**70,350**	246,350
Weighted average number of ordinary shares used in calculating diluted earnings per share	**14,140,062**	14,127,517

NOTES TO THE FINANCIAL STATEMENTS

year ended 30 June 2005

NOTE 33
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 STATEMENT OF FINANCIAL POSITION		WEIGHTED AVERAGE EFFECTIVE INTEREST RATE	
			1 YEAR OR LESS		OVER 1 TO 5 YRS							
	2005 $000	2004 $000	2005 $000	2004 $000	2005 $000	2004 $000	2005 $000	2004 $000	2005 $000	2004 $000	2005 $000	2004 $000
(i) Financial assets												
Cash	12,737	28,489	-	-	-	-	-	-	12,737	28,489	5.30%	5.15%
Receivables – trade	-	-	-	-	-	-	24,763	24,462	24,763	24,462	N/A	N/A
Receivables – other	-	-	-	-	-	-	3,360	2,491	3,360	2,491	N/A	N/A
Listed shares	-	-	-	-	-	-	37	248	37	248	N/A	N/A
Unlisted shares	-	-	-	-	-	-	46	99	46	99	N/A	N/A
Total financial assets	12,737	28,489	-	-	-	-	28,206	27,300	40,943	55,789		
(ii) Financial liabilities												
Trade creditors, accruals and other creditors	-	-	-	-	-	-	13,705	17,669	13,705	17,669	N/A	N/A
Bank overdraft	2,972	-	-	-	-	-	-	-	2,972	-	N/A	N/A
Finance lease liability	-	-	167	845	108	275	-	-	275	1,120	8.0%	8.0%
Dividends payable	-	-	-	-	-	-	-	-	-	-	N/A	N/A
Government loans	-	-	-	-	38,654	38,654	-	-	38,654	38,654	6.59%	6.59%
Bank loans	7,185	11,762	-	-	7,345	3,210	-	-	14,530	14,972	7.09%	6.94%
Total financial liabilities	10,157	11,762	167	845	46,107	51,622	13,705	17,669	70,136	72,415		

(b) Net fair values

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

	TOTAL CARRYING AMOUNT AS PER THE STATEMENT OF FINANCIAL POSITION		AGGREGATE NET FAIR VALUE	
	2005 $000	2004 $000	2005 $000	2004 $000
Financial assets				
Listed shares	37	248	43	365

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

Recognised financial instruments

Cash, cash equivalents and short term investments:

The carrying amount approximates fair value because of their short term to maturity.

Trade receivables and payables:

The carrying amount approximates fair value.

Short term borrowings:

The carrying amount approximates fair value because of their short term to maturity.

NOTE 33
FINANCIAL INSTRUMENTS (CONTINUED)

Long term loans receivable:

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

Long term borrowings:

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

Non current investments/securities:

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

Foreign exchange contracts:

Foreign exchange contracts are carried on the statement of financial position at the net amount payable to or receivable from the relevant counterparties.

NOTES TO THE FINANCIAL STATEMENTS

year ended 30 June 2005

NOTE 33
FINANCIAL INSTRUMENTS (CONTINUED)

(c) Credit risk exposures

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

Concentrations of credit risk

The consolidated entity minimises concentrations of credit risk in relation to trade receivables by undertaking transactions with a large number of customers within the specified industries both within Australia and overseas.

Refer also to Note 29 – Segment Information

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

INDUSTRY	MAXIMUM CREDIT RISK EXPOSURE CONSOLIDATED			
	TRADE DEBTORS		TRADE DEBTORS	
	2005 %	2004 %	2005 $000	2004 $000
Manufacturing	100%	99%	24,685	24,325
Property subdivision	0%	1%	78	137

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

Manufacturing

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

Property subdivision

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

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

NOTE 34
SIGNIFICANT EVENTS AFTER BALANCE DATE

Following the end of the reporting period a final fully franked dividend of 60¢ per share has been declared payable on 19 September 2005.

NOTE 35
IMPACT OF ADOPTING AASB EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

For financial periods commencing 1 July 2005, the Group must comply with Australian equivalents of International Financial Reporting Standards ("AIFRS") as issued by the Australian Accounting Standards Board ("AASB"). The Group will be required to present its financial statements in accordance with AIFRS for the financial year commencing 1 July 2005, including the interim financial report for the half-year ending 31 December 2005. Entities complying with AIFRS for the first time will be required to restate their comparative financial statements to amounts reflecting the application of AIFRS to that comparative period. Most adjustments required on transition to AIFRS will be made, retrospectively, against opening retained earnings as at 1 July 2004.

NOTE 35
IMPACT OF ADOPTING AASB EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

Priority has been given to the preparation of an opening balance sheet in accordance with AIFRS as at 1 July 2004, the Group's transition date to AIFRS. This will form the basis of accounting for AIFRS in the future, and is required when Schaffer Corporation Limited ("SFC") prepares its first fully AIFRS compliant financial report for the year ended 30 June 2006.

The Group is in the process of transitioning its accounting policies and financial reporting from current Australian Accounting Standards ("AGAAP") to AIFRS. SFC has allocated internal resources and consulted experts in performing an internal review to assess the impact of the anticipated conversion to AIFRS from the Group's existing accounting and reporting practices. The review focused on the standards reasonably believed to be relevant to the Group. The review has quantified the effects of the differences as set out below.

The figures disclosed below, are management's best estimates of the quantitative impact of the changes as at the date of preparing these 30 June 2005 financial statements. The actual effects of transition to AIFRS may differ from the estimates disclosed due to (a) ongoing work being undertaken by the AIFRS project team; (b) potential amendments to AIFRSs and Interpretations thereof being issued by the standard-setters and IFRIC; and (c) emerging accepted practice in the interpretation and application of AIFRS and UIG Interpretations.

The review process has identified a number of accounting policy changes that will be required. In some cases choices of accounting policies are available including elective exemptions under Accounting Standard AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards (July 2004). These choices were analysed to determine the accounting policy most appropriate for the Group.

Set out below are the key areas where accounting policies are expected to change on adoption of AIFRS and our best estimate of the quantitative impact of the changes on total equity as at the date of transition and 30 June 2005 and on net profit for the year ended 30 June 2005.

(i) Share-Based Payments

SFC operates a shareholder approved Employee Share Option Plan ("ESOP"). Pursuant to the ESOP the Company issues options to senior executives as part of its remuneration strategy designed to align the interests of the participants with those of all SFC shareholders. Under AASB 2 Share-Based Payments, the Company will be required to recognize the fair value of options as an expense over the vesting period. The standard applies to all share based payments issued after 7 November 2002 which have not vested as at 1 January 2005. This treatment results in a transitional adjustment through retained earnings on 1 July 2004 and subsequent expense recognition in the Income Statement, with corresponding adjustments to equity. No tax deduction is allowed for the amount expensed. Share based payment costs are not recognised under AGAAP.

	CONSOLIDATED		CHIEF ENTITY	
	30 JUN 05 $000	01 JUL 04 $000	30 JUN 05 $000	1 JUL 04 $000
Adjustment to retained earnings	(111)	(30)	(111)	(30)
Adjustment to net profit	(81)	-	(81)	-

NOTES TO THE FINANCIAL STATEMENTS

year ended 30 June 2005

NOTE 35 (CONTINUED)

(ii) Goodwill

Under AASB 3 Business Combinations, goodwill will no longer be able to be amortised but instead will be subject to annual impairment testing. This will result in a change to the Group's current accounting policy which amortises goodwill over its useful life (usually 20 years). Under the new policy, amortisation will no longer be charged, but goodwill will be written down to the extent it is impaired. No transition adjustment is required as the Group believes there has been no impairment at 1 July 2004. In addition, the Group has determined that there is no impairment at 30 June 2005. The Group has not elected to apply AASB 3 retrospectively and hence prior year amortization would not be written back as at the date of transition.

	CONSOLIDATED		CHIEF ENTITY	
	30 JUN 05 $000	*01 JUL 04 $000*	*30 JUN 05 $000*	*1 JUL 04 $000*
Adjustment to retained earnings	-	-	-	-
Adjustment to net profit	110	-	-	-

(iii) Taxation

Under AASB 112 Income Taxes, deferred tax assets and deferred tax liabilities are recognised using the balance sheet approach, which will result in a change in the Group's current accounting policy that uses the income statement approach. AASB 112 has a wider scope than the Group's current accounting policy hence it is likely upon transition that the amount of deferred taxes recognised in the balance sheet will increase. Deferred tax liabilities will increase in relation to assets that are carried in the Balance Sheet at amounts greater than their tax cost base due to revaluations of assets. The impact of this difference is to increase deferred tax liabilities and decrease opening retained earnings.

In the case of joint venture properties that were carried on the Balance Sheet at cost and not depreciated, an adjustment will be made to bring to account this depreciation that would have been expensed since acquisition in accordance with AIFRS and an associated increase in deferred tax asset.

	CONSOLIDATED		CHIEF ENTITY	
	30 JUN 05 $000	*01 JUL 04 $000*	*30 JUN 05 $000*	*1 JUL 04 $000*
Future tax benefit increase	826	673	826	673
Deferred tax liability increase	(492)	(437)	(492)	(437)
Net tax effect taken as an increase in retained earnings	334	236	334	236

NOTE 35 (CONTINUED)

(iv) Investment Property

Under current Australian Standards, investment properties are not depreciated and the Group has carried its investment property joint venture interests in the Statement of Financial Position at the lower of cost and net realisable value. The new standard, AASB 140 Investment Property, requires the value of investment properties to be recorded by the Group at either fair value or depreciated cost. The Group intends to adopt the depreciated cost approach.

	CONSOLIDATED		CHIEF ENTITY	
	30 JUN 05 $000	*01 JUL 04 $000*	*30 JUN 05 $000*	*1 JUL 04 $000*
Adjustment to retained earnings (net of tax)	(870)	(754)	(276)	(2,274)
Adjustment to net profit (net of tax)	(116)	-	(52)	-

(v) Financial Assets and Liabilities

There is no 1 July 2004 transitional adjustment, nor any 30 June 2005 impact as the transition date for AASB 139 is 1 July 2005.

AASB 139 Financial Instruments: Recognition and Measurement will require financial instruments to be classified into one of the following categories which in turn determine the accounting treatment for the item.
The classifications are:

- Financial assets held for trading – which are to be measured at fair value and fair value changes applied through the Income Statement;
- Financial assets held to maturity – which are to be measured at amortised cost;
- Loans and receivables – which are to be measured at amortised cost;
- Available for sale financial assets – which are to be measured at fair value with fair value changes taken to equity;
- Non-trading financial liabilities – which are to be measured at amortised cost.

This will result in a change in the current accounting policy that does not classify financial instruments particularly in relation to listed shares.

Listed Shares

Currently listed shares are valued at the lower of cost and net realisable value. The new AASB 139 Financial Instruments: Recognition and Measurement, requires listed shares to be valued at their market value at balance date based upon a "held for trading" classification and any increment or decrement from the previous balance date to be recognised in the Company's statement of financial performance at each balance date. The new AASB 139 does not apply till 1 July 2005. The impact at 1 July 2005 is $6,181 being an increase in 30 June 2005 AGAAP carrying value to bring the carrying value up to market value under AIFRS.

NOTES TO THE FINANCIAL STATEMENTS

year ended 30 June 2005

NOTE 35 (CONTINUED)

(vi) Hedge Accounting

There is no 1 July 2004 transitional adjustment, nor any 30 June 2005 impact as the transition date for AASB 139 is 1 July 2005.

The Group uses forward contracts to manage foreign exchange exposure. AASB 139 Financial Instruments: Recognition and Measurement will require all derivatives to be measured at fair value and recognised in the Income Statement unless they qualify for specific hedge accounting. In order to meet the specific hedge criteria, the entity is required to meet the following criteria:

- Identified the type of hedge – fair value or cash flow;
- Identify the hedged item or transaction;
- Identify the nature of the risk being hedged;
- Identify the hedging instrument;
- Demonstrate that the hedge has been and will continue to be highly effective; and
- Document the hedging relationship, including the risk management objectives and strategy for undertaking the hedge and how effectiveness will be tested.

Due to the complexity and resources required to test hedge effectiveness pursuant to the AIFRS regime, future hedge contracts will be treated as general hedges with all movements in fair value recognised in the Income Statement.

On adoption of AIFRS, the forward exchange contracts will be marked to market whereas under AGAAP, these 30 June 2005 financial statements have been marked to spot.

(vii) Embedded Derivatives

AASB 139 "Financial Instruments: Recognition and Measurement" introduces the concept of embedded derivatives and requires the identification, recognition and measurement of derivatives embedded within contracts entered into by a Group. Embedded derivatives are required to be recognised at fair value with movements reported in the Income Statement. The transition date for AASB 139 is 1 July 2005 and the Group is currently reviewing contracts to clarify embedded derivatives.

(viii) Employee Participation Units

The Group is currently in the process of determining the appropriate classification and recognition of the Employee Participation Units for AIFRS reporting purposes.

(ix) Impairment of Assets

Under AASB 136, "Impairment of Assets" the recoverable amount of an asset is determined as the higher of net selling price and value in use. Assets will be tested for impairment as part of the cash generating unit to which they belong. Value in use will be assessed by reference to discounted cash flow analyses. This will result in a change to the consolidated entity's current accounting policy, which determines the recoverable amount of an asset on the basis of undiscounted cash flows.

Management have determined that there is no AIFRS transitional adjustment no any adjustment as at 30 June 2005 in respect of AASB 136.

DIRECTORS' DECLARATION
INDEPENDANT AUDIT REPORT

DIRECTORS' DECLARATION

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

(1) In the opinion of the directors:

a) the financial statements and notes of the company and of the consolidated entity are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2005 and of their performance for the year ended on that date; and

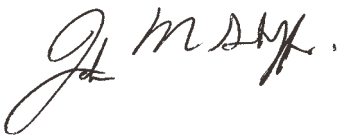
(ii) complying with Accounting Standards and Corporations Regulations 2001; and

b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;

(2) This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial period ending 30 June 2005.

(3) In the opinion of the directors, as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in Note 14 will be able to meet any obligation or liabilities to which they are or may become subject to, by virtue of the Deed of Cross Guarantee.

On behalf of the Board



J M Schaffer
Chairman and Managing Director
Perth, 27 September 2005

INDEPENDENT AUDIT REPORT TO MEMBERS OF SCHAFFER CORPORATION LIMITED

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Schaffer Corporation Limited and the consolidated entity, for the year ended 30 June 2005. The consolidated entity comprises both the company and the entities it controlled during that year.

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

Audit approach

We conducted an independent audit of the financial report in order to express an opinion on it to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement.

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

The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

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

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

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

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

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

Independence

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

Audit opinion

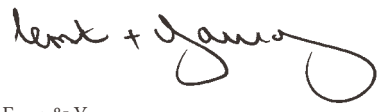
In our opinion, the financial report of Schaffer Corporation Limited is in accordance with:

(a) the Corporations Act 2001, including:

(i) giving a true and fair view of the financial position of Schaffer Corporation Limited and the consolidated entity at 30 June 2005 and of their performance for the year ended on that date; and

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

(b) other mandatory financial reporting requirements in Australia.



Ernst & Young

G H Meyerowitz
Partner
Perth
27 September 2005

DIRECTORS' STATUTORY REPORT

year ended 30 June 2005

Your directors submit their report for the year ended 30 June 2005 made in accordance with a resolution of the directors.

DIRECTORS

Details of the directors of the company during the financial year and up to the date of this report are:

J M SCHAFFER B Com (Hons) FCPA Managing Director Executive Director since 6/9/72	Mr John Schaffer joined the company in 1972. Mr Schaffer has held the position of Managing Director since 1988.
D E BLAIN, BA Non executive Director Appointed 5/6/87	Mrs Danielle Blain joined the company in 1987. Mrs Blain served as Managing Director of Gosh Leather Pty. Ltd. from 1993 to 2001.
A K MAYER Executive Director Appointed 21/11/01	Mr Anton Mayer is the Managing Director of Australian Leather Holdings Limited. Mr Mayer has over 35 years of international leather experience, broad business skills and a global business perspective.
D J SCHWARTZ Non executive Director Appointed 29/6/99	Mr David Schwartz is the chairman of Loftus Capital Partners Limited. He has over 20 years experience in manufacturing and distribution businesses. During the past three years Mr Schwartz has served as a director of the following listed companies: Loftus Capital Partners Limited - 1 Oct 99 – current HomeLeisure Limited - 26 Aug 04 – current
M D PERROTT Non Executive Director Appointed 23/2/05	Mr Michael Perrott joined the Board as a non-executive director in February 2005. Mr Perrott has over 35 years experience in the construction and contracting industry. During the past three years Mr Perrott has also served as a director of the following other listed companies: Port Bouvard Ltd 12 Mar 98 – current GME Resources Ltd 21 Nov 96 – current Portman Ltd 30 Jun 97 – current Bone Medical Ltd 31 May 01 – 1 Aug 05 Asset Backed Holdings Ltd 23 Oct 00 – 3 Oct 03

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

COMPANY SECRETARY

GEOFFREY V DAVIESON BSc(Hons), MA, GDAFI, FCIS, ASIA	Mr Geoff Davieson joined Schaffer Corporation Limited as a Cost Analyst in 1993. He has been Company Secretary of Schaffer Corporation Limited since 1994 and was also appointed Chief Financial Officer in 2005. Prior to joining Schaffer Corporation Limited, Mr Davieson had been engaged in the development capital, importing and mining industries. Mr Davieson holds a Masters degree from Murdoch University majoring in development capital and a Graduate Diploma in Applied Finance and Investment from the Securities Institute of Australia. Mr Davieson is an Associate of the Securities Industry of Australia and a Fellow of the Institute of Secretaries and Administrators.

ATTENDANCE AT BOARD MEETINGS

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

	MEETINGS ELIGIBLE TO ATTEND	MEETINGS ATTENDED
J M Schaffer	11	11
D E Blain	11	9
D J Schwartz	11	11
A K Mayer	11	11
M D Perrott	4	4

ATTENDANCE AT AUDIT COMMITTEE MEETINGS

During the year two audit committee meetings were held. Mr A K Mayer, Mr D J Schwartz and Mrs D E Blain attended both meetings. All the above committee members are also directors of the company. Mr A K Mayer ceased to be a member of the Audit Committed upon Mr Perrott's appointment to the SFC Board and Audit Committee effective 23 February 2005.

ATTENDANCE AT NOMINATIONS AND REMUNERATIONS COMMITTEE MEETINGS

The SFC Board established the Nominations and Remuneration Committee on 23 February 2005. The members of this Board sub-committee are Mrs D E Blain, Mr M D Perrott and Mr D J Schwartz. Subsequent to its establishment, the Nominations and Remuneration Committee held one additional meeting prior to year end with all members being in attendance.

INTERESTS IN THE SHARES OF THE COMPANY AND RELATED BODIES CORPORATE

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

	SCHAFFER CORPORATION LIMITED	
	ORDINARY SHARES	OPTIONS OVER ORDINARY SHARES
J M Schaffer	2,619,927	-
D E Blain	1,562,360	-
A K Mayer	347,185	-
M D Perrott	1,000	-
D J Schwartz	586,210	-

ROTATION AND ELECTION OF DIRECTORS

In accordance with the Articles of Association:

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

PRINCIPAL ACTIVITIES

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

RESULTS

The consolidated entity's operating profit after tax for the financial year and after outside equity interests, was a profit of $9,891,000 (2004 - $16,634,000).

DIRECTORS' STATUTORY REPORT

year ended 30 June 2005

OPERATING AND FINANCIAL REVIEW

Please refer to Managing Director's report for details.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

DIVIDENDS

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

Out of profits, as recommended in the financial statements, for the year ended 30 June 2004:

On ordinary shares	
- 70¢ per share final, paid on 18 September 2003	9,714,000
- 70¢ per share interim, paid on 22 March 2004	9,754,000
	19,468,000
Out of profits for the year ended 30 June 2005	
On ordinary shares	
- 70¢ per share final, paid on 16 September 2004	9,819,000
- 60¢ per share interim, paid on 21 March 2005	8,440,000
	18,259,000

REVIEW OF OPERATIONS

The consolidated entity's revenue decreased by 23% from $192,350,000 to $148,869,000 this year. This resulted in a pre tax operating profit of $14,652,000 compared to $25,625,000 for last year. The net after tax consolidated entity profit, after minority interests decreased by 41% from 16,634,000 to $9,891,000.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Other than the discussion of the Company's operations and outlook already set out from pages 1-20 of this Annual Report, the Directors have no comment to make on likely developments in the operations of the consolidated entity and the expected results of those operations in subsequent financial years.

ENVIRONMENTAL REGULATION AND PERFORMANCE

Schaffer Corporation Limited is subject to a range of environmental regulations. During the financial year Schaffer Corporation Limited met all reporting requirements under any relevant legislation. There were no incidents which required reporting. The company aims to continually improve its environmental performance.

SIGNIFICANT EVENTS AFTER BALANCE DATE

There have been no significant events after balance date which would materially affect the reported results or financial position of the company apart from those disclosed in note 34 of the financial statements.

INDEMNIFICATION AND INSURANCE OF DIRECTORS

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

DIRECTORS' AND OTHER OFFICERS EMOLUMENTS

The nature and amount of emoluments of directors and officers of the company are reviewed on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team.

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

Director Remuneration for the year ended 30 June 2005.

SPECIFIED DIRECTORS	PRIMARY			POST EMPLOYMENT		EQUITY	OTHER	TOTAL
	SALARY & FEES $	CASH BONUS $	NON MONETARY BENEFITS $	SUPER-ANNUATION $	RETIREMENT BENEFITS $	SHARE OPTIONS AND EPU'S $	$	$
J M Shaffer						*		
2005	610,344	-	20,919	15,410	10,872	-	-	657,545
2004	562,026	-	120,261	18,652	23,381	-	-	724,320
D E Blain								
2005	57,500	-	-	5,175	956	-	-	63,631
2004	70,000	88,798	-	6,300	957	7,541	-	173,596
A K Mayer								
2005	347,433	-	-	-	-	-	-	347,433
2004	396,125	214,423	-	-	-	-	-	610,548
D J Schwartz								
2005	45,000	-	-	4,050	2,024	-	-	51,074
2004	45,000	-	-	4,050	2,024	-	-	51,074
M D Perrott								
2005	17,067	-	-	-	-	-	-	17,067

DIRECTORS' STATUTORY REPORT

year ended 30 June 2005

Remuneration of the 5 executives who receive the highest remuneration for the year ended 30 June 2005.

SPECIFIED EXECUTIVES	PRIMARY			POST EMPLOYMENT		OTHER	EQUITY	TOTAL
	SALARY $	CASH BONUS $	NON MONETARY BENEFITS $	SUPERANNUATION $	RETIREMENT BENEFITS $	TERMINATION BENEFITS $	SHARE OPTIONS AND EPU'S $	$
M Falconer							*	
2005	166,110	49,640	36,790	39,328	-	-	**44,110	335,978
N Filipovic								
2005	210,000	43,561	-	22,820		-	16,916	293,297
2004	203,882	264,979	-	42,197		-	16,916	527,974
C Nunis								
2005	59,317	-	-	5,339	-	224,207	-	288,863
2004	172,769	248,137	-	37,881		-	16,916	475,703
G Monkhouse								
2005	164,494	-	6,815	24,695	-	-	46,247	242,241
2004	237,316	153,702	-	44,303		-	107,075	542,396
G V Davieson								
2005	147,082	-	20,150	18,687	1,818	-	**33,492	221,229

* Includes the value of share options and employee participation units ("EPU's") using the Black-Scholes model.

** The following amounts appearing in the Share Options total in the table above relate entirely to options granted in Jul-04 which were subsequently cancelled in full prior to year end. Those options no longer exist and no economic benefit has been received by the grantee. However, Australian Accounting Standard AASB 1046 requires that in the event of a cancellation of options, the entity shall treat that cancellation as an acceleration of the vesting and shall disclose immediately as remuneration the amount that would have otherwise been disclosed over the remainder of the vesting period.

Mr M Falconer $33,000
Mr G V Davieson $24,750

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.

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

Share options

The Company has re-calculated the value as at the respective grant dates of all share options in the Company issued to executives and employees pursuant to the Company's Employee Share Option Plan (refer note 27(b)) pursuant to the methodology set out in AASB 1046 "Director and Executive Disclosures by Disclosing Entities". To do this, the Company has used the Black-Scholes options valuation method. Inputs into the Black-Scholes model, as applied include:

(1) the Company's closing share price on the grant date

(2) the exercise price of the options as established under the Employee Share Option Plan

(3) the volatility of the Company's share over the 12 months ended immediately prior to the grant date

(4) the option's expiry date (typically five years after the grant date)

(5) the risk-free rate over the life of the option, estimated by the yield on 5 year Commonwealth Government Bonds on the grant date, and

(6) an estimate of the Company's dividend yield, based on historical dividends per share and the Company's share price on the grant date.

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

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

The company has adopted the fair value measurement provisions of AASB 1046 "Director and Executive Disclosures by Disclosing Entities" prospectively for all options granted to directors and relevant executives, which have not vested as at 1 July 2002. The fair value of such grants is being amortised and disclosed as part of director and executive emoluments on a straight-line basis over the vesting period.

DIRECTORS' STATUTORY REPORT

year ended 30 June 2005

GRANT DATE	EXPIRY DATE	CURRENT PRICE	EXERCISE PRICE	VOLATILITY	5 YEAR BONDS	DIVIDEND YIELD	VALUATION PER ED108
17 Nov 99	17 Nov 04	$2.61	$2.61	16%	6.25%	4.60%	$0.37
28 Mar 00	28 Mar 05	$3.30	$3.30	23%	6.56%	4.55%	$0.64
10 Jul 00	10 Jul 05	$3.26	$3.26	35%	5.94%	4.91%	$0.83
24 Aug 01	24 Aug 06	$4.00	$3.77	33%	5.42%	6.75%	$0.83
4 Feb 02	4 Feb 07	$5.65	$5.42	36%	5.63%	4.78%	$1.53
26 Mar 02	26 Mar 07	$7.00	$7.11	33%	6.12%	7.14%	$1.32
20 Jun 02	20 Jun 07	$9.50	$9.49	34%	5.66%	6.84%	$1.89
15 Jul 03	15 Jul 08	$12.29	$12.31	31%	5.01%	8.14%	$1.82
19 Jul 04	19 Jul 09	$14.32	$14.32	25%	5.59%	8.38%	$1.65

Employee participation units

Executive's remuneration includes the value of employee participant units (EPUs) issued to employees of Australian Leather Holdings Limited. The Company has calculated the value at the respective grant dates of all EPUs issued to directors, executives and employees pursuant to the Company's Employee Incentive Plan (refer Note 27(c)) pursuant to the methodology set out in ED 108. To do this the Company has used the Black-Scholes options valuation method. Inputs into the Black-Scholes model applied include:

(1) the calculated unit price on the grant date

(2) the exercise price of the EPUs

(3) the volatility on Australian Leather Holdings Limited shares over the 12 months ended immediately prior to the grant date

(4) the options expected life (refer Note 27(c) for explanation of vesting provisions)

(5) zero dividend yield as EPUs participate in dividends paid by Australian Leather Holdings Limited

(6) the risk-free rate over the life of the option, estimated from the yield of 5 year and 10 year Commonwealth Government Bonds on the grant date, and extrapolating to a 7 year term.

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

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

GRANT DATE	EXPIRY DATE (ESTIMATED)	CURRENT PRICE	EXERCISE PRICE	VOLATILITY	RISK FREE RATE (ESTIMATED)	VALUATION
4 Oct 2000	4 Oct 2007	$0.26	$0.26	36%	6.16%	$0.13
20 Dec 2001	20 Dec 2008	$0.33	$0.26	33%	5.51%	$0.18
1 Jul 2002	1 Jul 2009	$1.19	$0.26	33%	5.88%	$1.02
1 Jul 2003	1 Jul 2010	$1.33	$0.26	31%	4.83%	$1.14
15 Jan 2004	15 Jan 2011	$0.90	$0.26	25%	5.45%	$0.72
16 May 2005	16 May 2012	$0.19	$0.26	40%	5.24%	$0.08

DIRECTORS' STATUTORY REPORT

year ended 30 June 2005

SHARE OPTIONS

Unissued shares

As at the date of this report, there were 70,350 unissued ordinary shares under options (70,350 at reporting date). Refer to note 22(d) of the financial statements for further details of the options outstanding.

Shares issued as a result of the exercise of options

During the financial year, employees and directors have exercised the option to acquire 152,750 fully paid ordinary shares in Schaffer Corporation Limited at a weighted average exercise price of $7.32. Since the end of the financial year, no further options have been exercised.

TAX CONSOLIDATION

Effective 1 July 2003, for purposes of income tax, Schaffer Corporation Limited and its 100% subsidiaries have formed a tax consolidated Group. Members of the group have entered into a tax sharing arrangement in order to allocate income tax expense to the wholly-owned subsidiaries on a pro-rata basis. In addition the agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations.

ROUNDING

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

CORPORATE GOVERNANCE

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

AUDITOR'S INDEPENDENCE AND NON-AUDIT SERVICES

The directors received the following declaration from the auditor of Schaffer Corporation Limited.

Auditor's Independence Declaration to the Directors of Schaffer Corporation Limited

In relation to our audit of the financial report of Schaffer Corporation Limited for the financial year ended 30 June 2005, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

G H Meyerowitz
Partner, Perth
27 September 2005

NON-AUDIT SERVICES

The following non-audit services were provided by the entity's Auditor, Ernst & Young. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Ernst & Young received or are due to receive the following amounts for the provision of non-audit services:

Tax compliance services - $12,690

DIRECTORS' STATUTORY REPORT

year ended 30 June 2005

REMUNERATION REPORT

This report outlines the remuneration arrangements in place for directors and executives of the Schaffer Corporation Limited group of companies ("SFC").

Remuneration Philosophy

SFC's remuneration policy is directed at attracting, motivating and retaining quality directors and executives. SFC's key internal performance measures at the business unit and consolidated levels are earnings before interest and tax ("EBIT") and return on capital employed. EBIT and ROCE have been chosen by the Group as measures of executive performance because they align the interests of management with those of all SFC shareholders.

Remuneration Committee

The SFC Board operates a Nominations and Remuneration Sub-Committee to support and advise the SFC Board in fulfilling its responsibility to shareholders to ensure that the company has remuneration policies and practices which enable it to attract and retain directors and executives who will best contribute towards achieving positive outcomes for shareholders. The committee determines the remuneration and other conditions of service of the chief executive officer and executive directors, if any. The committee makes recommendations to the board on the remuneration of non-executive directors within the aggregate approved by shareholders in general meeting from time to time. The committee considers individual performance, company performance, internal relativity and fairness in setting levels of remuneration and may seek appropriate independent external advice to assist in its decision making. The structure of non-executive director and executive remuneration are separate and distinct.

Senior Manager and Executive Director Remuneration

Objective

SFC's remuneration policy aims to remunerate executives with a level and mix of remuneration commensurate with their position and responsibilities within the Group.

Structure

The remuneration of SFC's senior executive consists of fixed remuneration and variable remuneration (annual and long term incentives). The company aims to reward executives for Company, business unit and individual performance, align executive remuneration with the interests of shareholders, link rewards with the strategic goals of such as profitability or return on capital employed and ensure that total remuneration is effective in retaining and motivating senior executives and executive directors.

Fixed Remuneration

This includes base salary and the statutory Superannuation Guarantee Contribution ("SGC") which comprises the cash component and other non-cash benefits such as a motor vehicle. Where non-cash benefits are elected, it is intended that cost to company is not greater than the cost than would otherwise been incurred had that portion of the salary been provided as cash. The Schaffer Corporation Limited Superannuation Fund is available to executives for superannuation contributions and life insurance. Premiums for life insurance are deducted from member accounts. Executives can elect to have the company contribute superannuation beyond the statutory SGC level by way of a salary sacrifice in lieu of cash salary. Fixed remuneration is reviewed annually by the Nominations and Remuneration Committee in respect of each executive director. The fixed remuneration of executives is reviewed annually by the SFC Managing Director in case of Building Products and Corporate divisions and by the ALH Managing Director in the case of the Leather division. The review process considers companywide, business unit and individual performance in the context of any annual change during the preceding twelve month to the wages cost index as published by the Australian Bureau of Statistics. For the year beginning 1 July 2005, a review of 3% was applied for Group personnel.

Variable Remuneration – Short Term Incentive

The Group has performance-based incentive plans in place at each of its operations in which management and the labour force participate. The level of remuneration payable to participating executives is linked to the financial performance of their business. Executives are provided with cash incentives provided profitability thresholds are met. SFC's Managing Director and Chief Financial Officer/Company Secretary do not currently participate in any annual incentive program. A summary of the annual incentive schemes for the Building Products and Leather divisions is provided below:

Building Products Division - Management Bonus Incentive Scheme

The Company operates a Management Bonus Incentive Scheme (MBIS) for the management group of the Building Products division. Prior to the commencement of each financial year the Building Products division management submits an annual budget for consideration by SFC's Managing Director and the SFC Board. Upon approval of the budget by the Board, a cash bonus (as a percentage of each participants fixed remuneration) is payable on a tiered basis provided actual EBIT profitability thresholds are met/exceeded as at 31 December and 30 June balance dates. The MBIS payment for EBIT performance is subject to audited financials of each business unit and is payable at the discretion of the Managing Director. Actual EBIT performance versus Budgeted EBIT performance has been chosen as the relevant performance condition as this performance measure is readily monitored and available and EBIT performance aligns the interest of management with those of shareholders. The scheme may be discontinued at any time by the Managing Director without prior notice.

Leather Division - Profit Participation Scheme

ALH operates a profit participation scheme for the staff and management of the Leather division. Prior to the commencement of each financial year the Leather division management submits an annual budget for consideration and approval by ALH's Managing Director and the SFC Board. A cash bonus of 10% of actual EBIT (adjusted for a notional charge on capital employed within the business) becomes payable provided actual EBIT exceeds budgeted EBIT and a minimum return on capital employed ("ROCE") of 15% has been achieved as at 31 December and 30 June balance dates. No bonus is payable if actual EBIT performance is less than budgeted EBIT performance or if ROCE is less than 15%. The profit participation bonus is subject to audited financials of each business unit and approval by SFC's Managing Director and CFO. Actual EBIT performance versus Budgeted EBIT performance and a threshold ROCE have been chosen as the relevant performance conditions as these performance measures are readily monitored and available and EBIT and ROCE performance aligns the interest of management with those of shareholders. The scheme has been designed to incentivise a wide range of leather division workforce from top executive management to factory floor personnel. Due to the difficult trading conditions experienced by the leather division and the resultant impact on leather EBIT, no bonus payments were made pursuant to the profit participation scheme for the year ending 30 June 2005.

DIRECTORS' STATUTORY REPORT

year ended 30 June 2005

Variable Remuneration - Long Term Incentive

SFC's senior executives (other than Mr Schaffer and Mr Mayer) participate in SFC's Employee Share Option Plan ("ESOP"). ALH operates the Employee Performance Unit ("EPU") Plan for its executives. The SFC ESOP and ALH EPU plans have long-term vesting provisions and are designed to align the interests of the participating executives with those of all SFC shareholders. As such long term incentive grants are typically made to executives who are able to influence the generation of shareholder wealth and thus have a direct impact on the Company's performance. A summary of the long-term incentive schemes for the Corporate, Building Products and Leather divisions is provided below:

SFC Employee Share Option Plan ("ESOP")

An employee share option plan has been established. The plan was approved by shareholders at the AGM in November 1999. The plan permits the granting of options (at the absolute discretion of the Board) to group employees to acquire ordinary shares in Schaffer Corporation Limited. The options issued for nil consideration, are issued in accordance with performance guidelines established by the Directors of Schaffer Corporation Limited. The options cannot be transferred and will not be quoted on the ASX. The number of options which can be issued is limited to 5% of the number of shares on issue. At the date of this report a there were 70,350 ESOP options on issue representing 0.5% of the SFC's issued capital. The options on issue have an average exercise price of $10.59/option (i.e. 42,850 options exercisable $9.49/option and 27,800 options exercisable at $12.31/option).

Options may be exercised as follows:

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

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

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

After 36 months 100% of the options may be exercised.

While ESOP contains vesting conditions, the exercising of ESOP options is not dependent on a performance condition because: ESOP options have been issued with an exercise price at or above the share price on the issue date; ESOP options do not participate in dividends; and are not transferable or saleable. Accordingly, ESOP options only provide an economic benefit to the recipient in the event the share price (which adjusts for dividends paid) significantly exceeds the exercise price (which is not adjusted for dividends paid) over the option vesting period thereby aligning the interests of management with those of all shareholders.

ALH Employee Participation Units Plan

Australian Leather Holdings Limited (ALH) operates an employee incentives plan which permits the granting of employee participation units (EPUs) at the discretion of its shareholders' up to an EPU limit. The EPU limit is 10% of the fully diluted share capital of Australian Leather Holdings Limited, which is calculated as if each EPU already issued was deemed to be one issued Australian Leather Holdings Limited share. ALH dividends are applied on a fully diluted basis to the unpaid portion of each EPU's until the unpaid portion is reduced to nil. Once fully paid up, each EPU participates in ALH dividend payments on a fully diluted basis.

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

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

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

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

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

The amount of the cash payment is dependant on vesting and the financial performance of Australian Leather Holdings Limited. The vesting requirements are:

(a) up to 3 years – nil

(b) 3 years to 4 years – 33.3%

(c) 4 years to 5 years – 66.7%

(d) over 5 years – 100%

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

(i) termination due to misconduct

(ii) failure to provide 90 days written notice of intention to terminate employment

(iii) acting in competition prior to the payment date (payment date is at least 12 months after termination)

The amount of payment is calculated in accordance with an equity valuation formula based on 5.5 times Australian Leather Holdings Limited's earnings before interest and tax minus net debt. The formula uses a three year average including one full year following termination. This formula is designed to incentivise EPU holders in respect of the building the long term value of ALH and provides a fair and readily calculable means for valuing that long term interest. Schaffer Corporation Limited has the option to compel the employee to use the whole or part of that cash payment in subscribing for Schaffer Corporation Limited shares based on the average Schaffer Corporation Limited share price for the same three year period.

The following information is provided in accordance with s300A(1)(e)(i) of the Corporation Act and details proportion of fixed remuneration and variable remuneration paid for the year ended 30 June 2005 as detailed in Note 25 of this report:

	2004/05 REMUNERATION STRUCTURE	
	% Fixed	*% Variable*
Directors		
JM Schaffer	100%	0%
AK Mayer	100%	0%
DE Blain	100%	0%
DJ Schwartz	100%	0%
MD Perrott	100%	0%
Executives		
M Falconer	72%	28%
N Filipovic	79%	21%
C Nunis	100%	0%
G Monkhouse	81%	19%
G V Davieson	85%	15%

DIRECTORS' STATUTORY REPORT

year ended 30 June 2005

The following information is provided in relation to s300A(1)(e)(ii) – (vi) of the Corporations Act:

On 19 July 2004, 30,000 ESOP options were issued to Mr Monkhouse with an exercise price of $14.32. The Black & Scholes value (worked out at the time they were granted) of options granted to Mr Monkhouse during the year was $49,500. Mr Monkhouse exercised a total of 91,250 options during the course of the year. Accordingly, the value (worked out at the time they were exercised) of options granted to Mr Monkhouse and that were exercised by Mr Monkhouse during the course of the year was $491,563. All 30,000 $14.32 options granted to Mr Monkhouse lapsed when he ceased employment with the Company on 8 April 2005. Mr Monkhouse held no other options at the time his employment terminated. Accordingly, the value (worked out at the time they lapsed) of options that were granted to Mr Monkhouse as part of his remuneration and that lapsed during the year was nil. The aggregate of the values defined by s300A(1)(e) (ii), (iii) and (iv) and referred to in this paragraph is $541,063. Accordingly, the percentage of the value of Mr Monkhouse's remuneration attributable to the aggregate of values referred to in this paragraph is 73%.

On 19 July 2004, 20,000 ESOP options were issued to Mr Falconer with an exercise price of $14.32. The Black & Scholes value (worked out at the time they were granted) of options granted to Mr Falconer during the year was $33,000. Mr Falconer exercised a total of 15,000 options during the course of the year. Accordingly, the value (worked out at the time they were exercised) of options granted to Mr Falconer and that were exercised by Mr Falconer during the course of the year was $83,000. All 20,000 $14.32 options granted to Mr Falconer lapsed when all options in that class were cancelled on 27 June 2005. Accordingly, the value (worked out at the time they lapsed) of options that were granted to Mr Falconer as part of his remuneration and that lapsed during the year was nil. The aggregate of the values defined by s300A(1)(e) (ii), (iii) and (iv) and referred to in this paragraph is $116,000. Accordingly, the percentage of the value of Mr Falconer's remuneration attributable to the aggregate of values referred to in this paragraph is 28%.

On 19 July 2004, 15,000 ESOP options were issued to Mr Davieson with an exercise price of $14.32. The Black & Scholes value (worked out at the time they were granted) of options granted to Mr Davieson during the year was $24,750. Mr Davieson exercised a total of 12,500 options during the course of the year. Accordingly, the value (worked out at the time they were exercised) of options granted to Mr Davieson and that were exercised by Mr Davieson during the course of the year was $72,788. All 15,000 $14.32 options granted to Mr Davieson lapsed when all options in that class were cancelled on 27 June 2005. Accordingly, the value (worked out at the time they lapsed) of options that were granted to Mr Davieson as part of his remuneration and that lapsed during the year was nil. The aggregate of the values defined by s300A(1)(e) (ii), (iii) and (iv) and referred to in this paragraph is $97,538. Accordingly, the percentage of the value of Mr Davieson's remuneration attributable to the aggregate of values referred to in this paragraph is 33%.

Employment Contracts

Mr Schaffer, SFC's Managing Director is employed under a Service Agreement. The service agreement was entered into on 18 July 1984. Mr Schaffer's employment continues until terminated by Mr Schaffer or the Company. Under the terms of the service agreement, the agreement may be terminated by the Company or Mr Schaffer after the expiration of one month's notice in writing given to one of them by the other. Upon termination of this agreement Mr Schaffer is entitled to receive from the Company a lump sum equal to the annual remuneration paid immediately preceding that termination except if the termination is for reasons of gross misconduct, fraud or dishonesty resulting in a material loss or injury to the Company or if Mr Schaffer is found guilty of wilful disobedience or any other conduct resulting in a material prejudice to the Company or such as to bring the Company into disrepute.

Mr Mayer, provides management services to the leather division pursuant to a Consultancy Agreement entered into on 1 July 2003 which terminates on 30 Jun 2006. The Consultancy Agreement may be terminated sooner:

- by the consultee without prior notice for Cause (i.e. wilful misconduct, wilfully wrongful act, gross negligence, criminal act or a prohibition by law in company management);
- by either party for any reason upon 90 days prior written notice to the other party;
- by the conslutee 30 days after giving notice of termination to Mr Mayer for reason of his physical of mental incapacity on a permanent basis
- on the death of Mr Mayer.

The Consultancy agreement with Mr Mayer does not provide for a termination payment upon termination of the agreement.

Non- Executive Director Remuneration

SFC's non-executive directors receive fees for their services (including statutory superannuation) and the reimbursement of reasonable expenses. The Constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. An amount not exceeding that amount is then divided between the non-executive directors as agreed. The latest determination was at the Annual General Meeting held 19 November 2003 when shareholders approved an aggregate remuneration limit of $250,000 per annum. The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is to be apportioned amongst the non-executive directors is reviewed annually. This limit is not currently fully utilised. The fee pool is payable only to non-executive directors. The amount payable to non-executive directors is set by the Board after having taken regard to the size of the Company and Board, the responsibilities, demands and accountabilities faced by those directors in discharging their duties and after seeking external advice to ensure the fees are in line with market standards. All three non-executive directors are members of the Audit Committee and the Nominations and Remuneration Committee and the fixed annual fee received by non-executive directors is inclusive of these sub-committee commitments. It is current SFC policy that non-executive directors do not receive shares, options or other securities and are not eligible to participate in SFC's Employee Share Option Plan. The only exception to this policy is that Mrs Blain receives remuneration from the ALH EPU Plan, an entitlement dating back to Mrs Blain's time as an executive of the ALH business. Payment of fees (including statutory superannuation) and the reimbursement of reasonable expenses are the only remuneration payable to Mr Schwartz and Mr Perrott.

It is not a requirement of the Constitution of the Company that directors hold shares in the Company. Non-executive directors appointed prior to Jul-03 are entitled to a retirement benefit equivalent to one year's annual director's fees. The retirement benefit was reduced from three year's to one year's annual director's fees in Jul-03 (a three year retirement benefit was in place at the time each director accepted their appointment to the Board). SFC considers the reduced benefit modest and appropriate given the benefit which historically existed. It is SFC's policy that no retirement benefit apply to new directors appointed after Jul-03.

DIRECTORS' STATUTORY REPORT

year ended 30 June 2005

Director and Executive Remuneration for year-ended 30 June 2005

Pursuant to s300A(1)(c) of the Corporation Act, the remuneration received by each SFC director and each of the five company executives who receive the highest remuneration for the 2004/05 financial year is set out in the table below:

	SALARY & FEES $	CASH BONUS $	NON MONETARY BENEFITS $	SUPERANNUATION $	RETIREMENT BENEFITS $	TERMINATION BENEFITS $	SHARE OPTIONS AND EPU'S $	$
SPECIFIED DIRECTORS								
J M Schaffer	610,344	-	20,919	15,410	10,872	-	-	657,545
D E Blain	57,500	-	-	5,175	956	-	-	63,631
A K Mayer	347,433	-	-	-	-	-	-	347,433
D J Schwartz	45,000	-	-	4,050	2,024	-	-	51,074
M D Perrott	17,067	-	-	-	-	-	-	17,067
SPECIFIED EXECUTIVES								
M Falconer	166,110	49,640	36,790	39,328	-	-	44,110*	335,978
N Filipovic	210,000	43,561	-	22,820	-	-	16,916	293,297
C Nunis	59,317	-	-	5,339	-	224,207	-	288,863
G Monkhouse	164,494	-	6,815	24,695	-	-	46,247	242,251
G Davieson	147,082	-	20,150	18,687	1,818		33,492*	221,229

* The following amounts appearing in the Share Options total in the table above relate entirely to options granted in Jul-04 which were subsequently cancelled in full prior to year end. Those options no longer exist and no economic benefit has been received by the grantee. However, Australian Accounting Standard AASB 1046 requires that in the event of a cancellation of options, the entity shall treat that cancellation as an acceleration of the vesting and shall disclose immediately as remuneration the amount that would have otherwise been disclosed over the remainder of the vesting period.

Mr M Falconer $33,000
Mr G V Davieson $24,750

Company Performance

5-Year Total Shareholder Return

Total shareholder return ("TSR") is a well accepted and understood measure of performance. SFC calculates TSR as follows:

Movement in Share Price (including bonus issues)

plus Dividends Paid
plus Dividend Imputation Credits

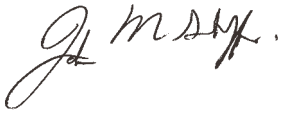
In accordance with s300A(1AA) and (1AB), the table below itemises the constituents to SFC's TSR by year for each of the past five years. SFC total TSR averages 20% per annum compounded over the past five years.

	Sep-00	*Sep-01*	*Sep-02*	*Sep-03*	*Sep-04*	*Sep-05*	*5 YEAR TOTAL*
Share Price ($)	3.55	4.00	10.10	14.25	14.00	5.25	1.70
Bonus Issue ($)		0.36	-	-	-	-	0.36
Ord Divs ($)		0.17	0.60	1.00	1.00	0.75	3.52
Special Divs ($)		0.10	0.10	0.20	0.40	0.45	1.25
Imputation Credit ($)		0.14	0.30	0.51	0.60	0.51	2.07
TSR($)		1.22	7.10	5.86	1.75	-6.79	8.90
TSR(%)		34%	178%	58%	12%	-48%	251%
Annualised (Compounded)							20%

Dividends paid by SFC over the past 5 years

On an aggregate dollars paid basis, SFC has paid to shareholders a total of $64.9 million in fully franked ordinary and special dividends over the past five years.

Signed in accordance with a resolution of the directors.



J M Schaffer
Chairman and Managing Director
Perth, 27 September 2005

ASX ADDITIONAL INFORMATION

year ended 30 June 2005

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

TOTAL SHARE CAPITAL

Issued as at 12 September 2005 – 14,091,935 ordinary fully paid shares.

SHARE REGISTRY ADDRESS

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

Postal Address:
GPO Box D182
PERTH WA 6840

STOCK EXCHANGE LISTING

The shares of the Company are listed on the Australian Stock Exchange Limited. The home exchange is Perth.

VOTING RIGHTS

Subject to any restrictions from time to time being attached to any class or classes of shares at general meetings of Members or classes of Members.

(1) each Member entitled to vote may vote in person or by proxy, attorney or representative;

(2) on a show of hands, every person present who is a Member or a proxy, attorney or representative of a Member has one vote;

(3) on a poll, every person present who is a Member or a proxy, attorney or representative of a Member shall, in respect of each fully paid share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for the share, but in respect of partly paid shares, shall have a fraction of a vote for each partly paid share. The fraction must be equivalent to the proportion which the amount paid (not credited) is of the total amounts paid and payable (excluding amounts credited). Amounts paid in advance of a call are ignored when calculating the proportion.

DISTRIBUTION OF HOLDINGS

As at 12 September 2005

SHARE-HOLDINGS	SHARE-HOLDERS
1 – 1,000	1,424
1,001 – 5,000	1,208
5,001 – 10,000	195
10,001 – 100,000	105
100,001 – and over	13
	2,945

Number of shareholders holding less than a marketable parcel ie less than 105 shares: 109

SUBSTANTIAL SHAREHOLDERS

As at 12 September 2005, the substantial shareholders of the company summarised below, were:

	NO OF SHARES	ECONOMIC INTEREST AS A PERCENTAGE OF ISSUED ORDINARY SHARES
Mr J M Schaffer & Associates	1,967,240	13.96%
50% of interest held by Swan Holdings Pty. Ltd.	652,687	4.63%
	2,619,927	18.59%
Mrs D E Blain & Associates	909,673	6.46%
50% of interest held by Swan Holdings Pty. Ltd.	652,687	4.63%
	1,562,360	11.09%
* Combined interest of Mr J M Schaffer & Mrs D E Blain	4,182,287	29.68%
Jobling Investments Pty Ltd	508,812	
Estate of Mr A E Jobling Deceased	286,504	
	794,316	5.64%

* Pursuant to the Corporation Act (2001), by virtue of the Swan Holdings Pty Ltd Voting Deed conferring on J M Schaffer the power to vote all Swan Holdings Pty Ltd's interest in Schaffer Corporation Limited's shares, J M Schaffer is also deemed to have an interest in all the Schaffer Corporation Limited shares held by D E Blain and her associates, and vice versa. The consequence of this is that each of the Substantial Shareholder notices lodged with the Regulatory Authorities by J M Schaffer and D E Blain show J M Schaffer's and D E Blain's combined interest at 30%, not their individual economic interests of 19% and 11% respectively.

ASX ADDITIONAL INFORMATION

year ended 30 June 2005

TWENTY LARGEST SHAREHOLDERS

As at 12 September 2005

	NO OF SHARES	PERCENTAGE OF ISSUED ORDINARY SHARES
Swan Holdings Pty. Ltd.	1,305,374	9.26
Schaffer Nominees Pty. Ltd.	980,482	6.96
Mrs Danielle Eva Blain	907,570	6.44
Mr John Michael Schaffer	799,554	5.67
Jobling Investments Pty. Ltd.	507,812	3.60
Mrs Blanka Schaffer	432,897	3.07
Mr David Schwartz	359,170	2.55
Keyton Enterprises Limited	344,263	2.44
Estate of Mr. Albert Edward Jobling Deceased	286,504	2.03
The Sports Café (Australia) Pty. Ltd.	226,072	1.60
Argo Investments Limited	184,204	1.31
Alan Forrester Pty. Ltd.	110,000	0.78
Mrs Debra Ruth Schaffer	108,207	0.77
Westpac Custodians Nominees. Ltd.	80,032	0.57
J P Morgan Nominees Australia. Ltd.	78,962	0.56
Fredrick Bruce Wareham	75,000	0.53
Edward James Lewis	69,105	0.49
Milton Corporation Limited	68,999	0.49
Winifred Francis Schulze	66,918	0.47
Australian Executor Trustees Limited	63,095	0.45
Coolegong Farm Pty. Ltd	50,000	0.35
	7,041,125	49.94

ANNUAL GENERAL MEETING

The Annual General Meeting of Schaffer Corporation Limited will be held at Perth on Wednesday, 16 November, 2005 at 11.30am. Further information regarding the meeting including the business to be dealt with is contained in the separate notice of meeting.

Corporate Timetable

Preliminary Final Statement and dividend announcement	**24 Aug 2005**
Final and Special Dividend Record Date	**14 Sep 2005**
Final and Special Dividend Payment Date	**19 Sep 2005**
Despatch of Annual Report and Notice of Meeting	**12 Oct 2005**
Annual General Meeting and Chairman's Address	**16 Nov 2005**
Preliminary Half-year Statement and dividend announcement	**Feb 2006**
Interim Dividend payment date	**Mar 2006**

SHAREHOLDER INFORMATION

Annual General Meeting

The Annual General Meeting of Schaffer Corporation Limited will be held at the Pagoda Broadwater Hotel at 112 Melville Parade, Como, Western Australia on Wednesday 16th November 2005 at 11.30am.

Direct credit of dividends

Schaffer Corporation Limited provides shareholders with the option to have dividends paid electronically to a nominated bank, building society or credit union account. Payments are credited electronically on the dividend date and confirmed by a payment advice by mail. Shareholders not already using this facility are encouraged to contact Computershare Investor Services Pty Limited who can arrange for an instruction advice to be sent to shareholders for completion.

Change of address/provide or update banking details

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

Computershare Investor
Services Pty Limited
GPO Box D182
Perth, Western Australia, 6840

Corporate Directory

Schaffer Corporation Limited
ABN 73 008 675 689

The Board of Directors

Executive Directors
JM Schaffer BCom(Hons), FCPA

(Chairman and Managing Director)
AK Mayer (Managing Director - ALH)

Non-Executive Directors
DE Blain BA
MD Perrott BCom FAIM
DJ Schwartz

Chief Financial Officer and Company Secretary
GV Davieson MA, ASIA, FCIS

Head Office and Registered Office

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

Share Registry

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

Auditors

Ernst and Young

Solicitors

Blake Dawson Waldron

mindfield - creative business partners
SC-1-8647