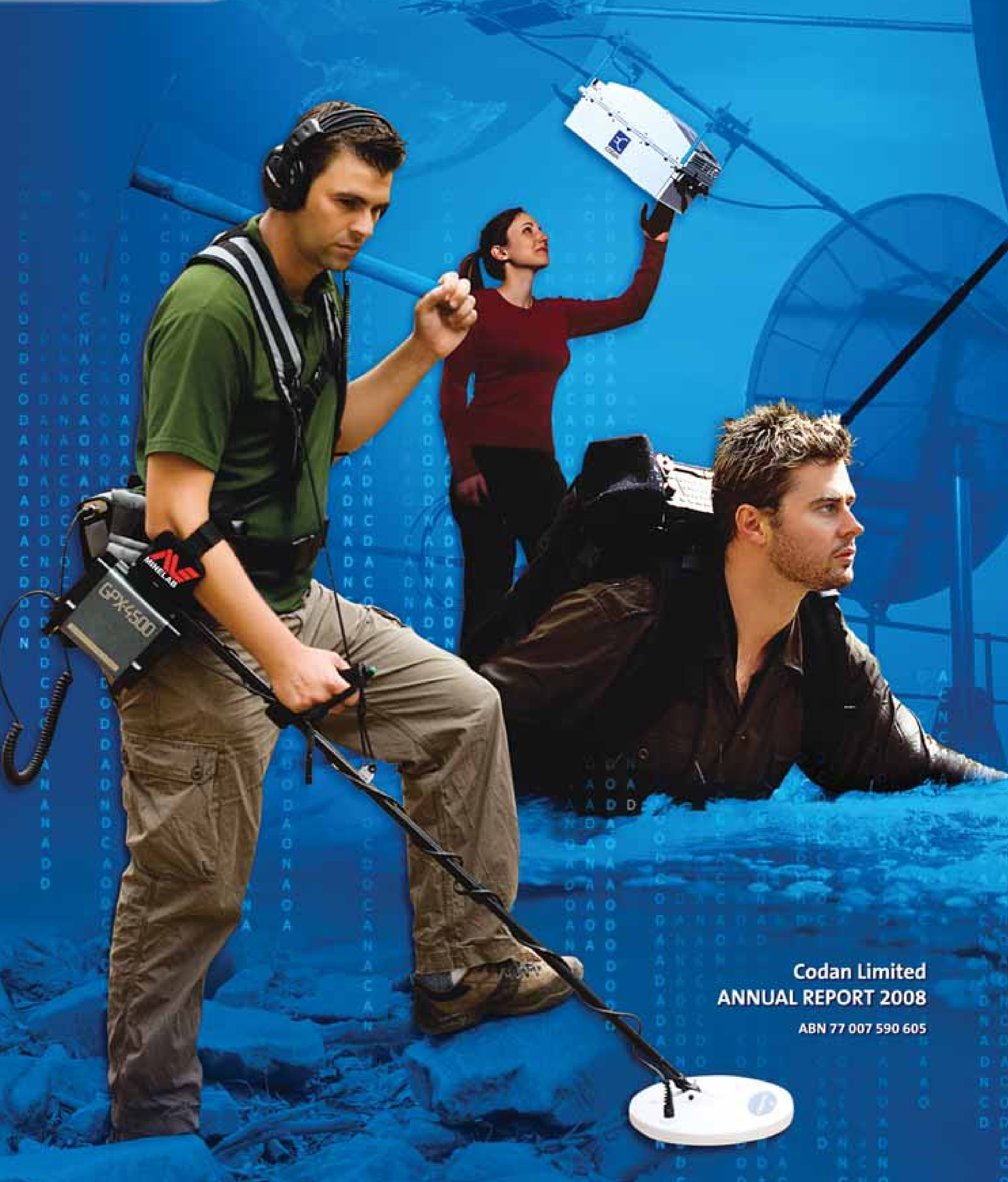
CODAN

MINELAB

CODAN BROADCAST

Parketronics

IMP PRINTED CIRCUITS



Codan Limited
ANNUAL REPORT 2008

ABN 77 007 590 605

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"Minelab, a 'clever products' electronics business is closely aligned to Codan's culture and business model. It's acquisition offers many opportunities for growth and operational synergies."

Clever Products – Global Markets

02

01. Minelab - Finance and Administration Wing.
02. Minelab - Engineering and Production Wing.
03. Codan low power BUC in a rapid deploy Satcom installation.
04. Codan HF Military Manpack.
05. Minelab metal detector in demining operations.

03

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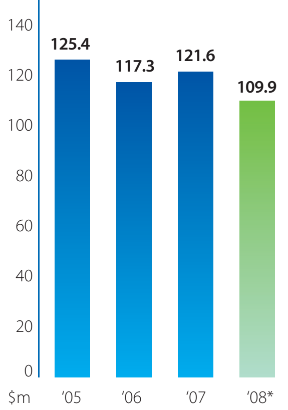
PERFORMANCE SUMMARY

FINANCIAL PERFORMANCE

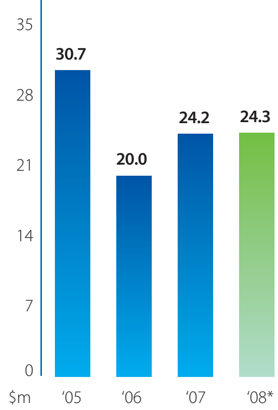
	Year ended 30 June			
	2008	%	2007	%
Revenue				
Communications products	$83.4m	76%	$111.0m	91%
Metal detection	$16.2m	15%	–	–
Other	$10.3m	9%	$10.6m	9%
Total revenue	$109.9m	100%	$121.6m	100%
EBITDA	$24.3m	22%	$24.2m	20%
EBIT	$17.0m	15%	$16.5m	14%
Interest	($2.2)m		($0.6)m	
Net profit before tax	$14.8m	13%	$15.9m	13%
Tax	($4.3)m		($4.7)m	
Net profit after tax	$10.5m	10%	$11.2m	9%
Earnings per share	6.5cents		6.9cents	
Dividends per share	6.5cents		6.5cents	

The financial information for the year ended 30 June 2008 reflects the underlying business performance and is before asset impairment, integration and restructuring expenses.

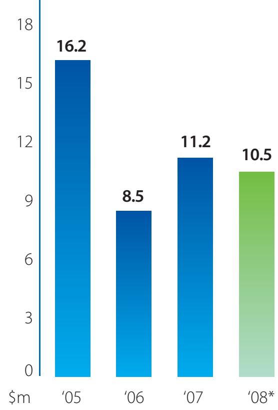
OPERATING REVENUE



EBITDA



NPAT



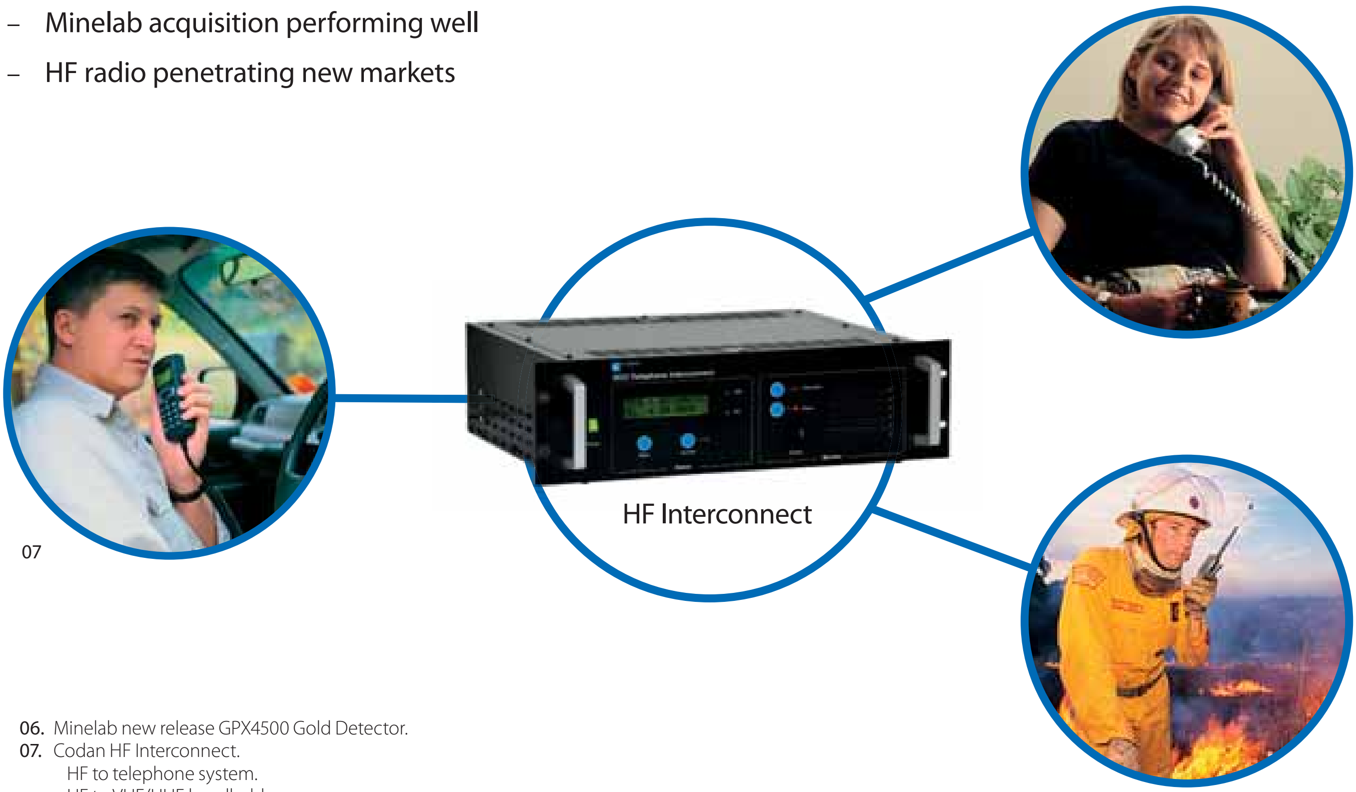
* Underlying business performance

HIGHLIGHTS – FY08

- Underlying profit as forecast
- Dividend maintained at 6.5 cents per share
- Continued substantial improvements in productivity and reduction in expenses
- Improved EBITDA, EBIT and NPAT margins
- Resource refocused on growth opportunities
- Minelab acquisition performing well
- HF radio penetrating new markets

KEY INITIATIVES – FY09

- Strengthening market positions in HF radio, satellite communications and Minelab metal detection
- Consolidating and extending where appropriate outsourcing of manufacture to Malaysia
- Achieving further synergies from the acquisition of Minelab



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06. Minelab new release GPX4500 Gold Detector.
07. Codan HF Interconnect.
HF to telephone system.
HF to VHF/UHF handhelds.

CHAIRMAN'S REPORT

Dr David Klingner
Chairman

Financial year 2008 continued the trend experienced over the past two years of tough business conditions caused by the strong Australian dollar and the retraction in the traditional communications markets served by Codan. In the face of these conditions Codan, at the start of the financial year, focused on three important strategic objectives to enable the Company to resume its previous pattern of improving profitability and growth.

These strategic objectives were: to launch new HF radio products targeted at military and security markets not previously serviced by Codan; to seek acquisitions which would expand and grow the business; and to outsource some manufacturing overseas in order to reduce the cost base.

I am pleased to report that excellent progress has been made in 2008 such that the prospects for the Company in 2009 are much improved.

In my report last year I advised that despite these new initiatives profit in 2008 might decline and this proved to be the case. New initiatives always take time to be effective and in the meantime performance was impacted by the business conditions described above. Performance was bolstered by four months contribution from our new acquisition Minelab Electronics Pty. Ltd. Cash flow remained strong and last year's dividend of 6.5 cents was maintained.

The HF radio product range targeted at military and security markets was completed and successfully launched during the year. Good order inflows late in the year indicate strong market acceptance and bode well for current year sales. Important new satellite communications products are nearing the end of development and will be released to market in October 2008.

The relentless strengthening of the Australian dollar required yet more response from management and staff. Very significant further expense reductions and productivity improvements were realised. In addition the initiative to outsource some manufacturing to Malaysia is well advanced and will deliver additional substantial cost savings in 2009 and beyond.

After three years of search and evaluation, including consideration of several overseas opportunities, the acquisition of Minelab Electronics Pty. Ltd. effective 29 February 2008 is a great reward for effort. This "clever products" electronics business is very closely aligned to Codan's business model and culture. And it's in Adelaide! Minelab's performance in the four months to the end of the reporting period has exceeded our expectations.

A detailed review of the Group's operations and strategy arising from the Minelab acquisition ultimately led to a decision to focus resource particularly on the Group's larger HF radio, satellite communications and Minelab metal detection activities. The smaller digital microwave radio and TV broadcast product groups despite the best efforts of the staff have not been growing at a satisfactory pace to significantly impact on the overall Codan business and this has led to the decision to take non recurring, non cash asset impairment adjustments to this year's profit. This prudent and appropriate measure clears the decks for future growth.

The board was strengthened by the appointment of Mr David Simmons in May 2008. Mr Simmons comes to Codan after an outstanding career as Finance Director and then Managing Director of Hills Industries Limited. He is also a former chairman of the SA Government Economic Development Board.

Your board will continue to consider its composition and the blend of experience and qualifications needed to deliver success.

I consider that financial year 2008 will prove to be a watershed year for Codan and will establish a new base for medium to long term growth.

In the year ahead your company will focus on its strongest growth opportunities being the global HF radio, satellite communications and metal detection markets. Our key initiatives are to broaden and strengthen our positions in these markets, to consolidate and extend as appropriate outsourcing of manufacture to Malaysia, and to achieve further synergies, notably in manufacturing, distribution and systems and support functions, arising from the Minelab acquisition.

"…financial year 2008 will prove to be a watershed year for Codan and will establish a new base for medium to long term growth."

Codan's management team is now at full strength and has refocused its resources. We expect to see improving sales and margins in communications products. There will be a full year of Minelab results in 2009. The Group has substantially hedged its exposure in the current year to movements in the AUD to USD exchange rate at an average rate of 88 US cents.

The board believes the outlook for financial year 2009 and beyond is positive, and expects Group earnings per share to be at least twenty percent greater than the underlying EPS in financial year 2008.

The efforts of our management and staff have been untiring in the face of volatility in communications products markets and the rampant Australian dollar. They also responded excellently to the exciting challenge of the acquisition and successful integration into the Codan Group of Minelab. On behalf of the board I thank them again.

Dr David Klingner
Chairman

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08. Codan rapid deploy satellite BUC.
09. Codan HF military manpack.

CEO'S REPORT

Mike Heard
Chief Executive Officer

PAST YEAR'S BUSINESS PERFORMANCE

Further improvements in productivity and efficiency in the communications products business and good contribution from new acquisition Minelab Electronics Pty Ltd counterbalanced quieter communications products markets and the stronger Australian dollar.

During the year we implemented new product and market initiatives in response to reduced demand from Codan's traditional communications products markets. A key initiative was to complete and launch the range of excellent HF radio products targeting global security, protection and military markets that are new to Codan. This was done successfully, and although gestation periods for customer projects can be quite long, current order levels are encouraging. We also continued development of important new satellite communications products. These will be released to market from October 2008 and we expect a good response.

The SAP business system and factory expansion investments of recent years continued to benefit the business. Productivity and efficiency gains resulted in further significant expense reductions and profit margin improvements. This counteracted the impact of the strongest Australian dollar for many years.

The company continues to follow clear policy and practice in its exchange rate hedging. This is necessary because of very substantial US dollar revenues only partly offset by US dollar expenses. The average hedged exchange rate faced by the business in the past year was 84.4 US cents to the Australian dollar, up from 77.4 US cents in FY07. The impact of this in FY08 was to reduce revenue by $4.8 million and profit before tax by $2.6 million.

The performance of Minelab Electronics Pty. Ltd. in the four months following its acquisition by Codan has been very pleasing. The largest portion of the business is metal detection products for consumer and countermine (military and humanitarian) markets. Sales to both markets were strong, together contributing $16.2 million revenue and $5.3 million EBIT to Codan Limited's FY08 result. Whilst this four month performance was assisted by high sales at the release of an important new consumer product the average run rate of the metal detection business is still very encouraging.

The IMP printed circuit board business, and the Parketronics portion of Minelab Electronics Pty Ltd. (which provides electronics manufacturing services to Australian customers), both made positive contributions to profit. The digital microwave radio and TV broadcast product groups struggled in the face of strong global competitors with more extensive product ranges.

Working capital and investment in new plant and equipment were tightly controlled. Net cash flows of $17 million from operating activities more than covered the Group's requirements for operational capital expenditure, capitalised product development and the 6.5 cents per share total dividend.

THE OUTLOOK

In financial year 2009 Codan will focus on:

- Strengthening market positions in HF Radio, Satellite Communications and Metal Detection;
- Consolidating outsourcing to Malaysia for communications products and extending this initiative to other parts of our business where this makes sense; and
- Achieving further synergies from the acquisition of Minelab, with a particular focus on streamlining systems and support functions and leveraging Minelab and Codan's existing manufacturing and distribution capability

Sales of HF radio are expected to grow as the company penetrates its new global security, protection and military markets. Significant growth in satellite communications US dollar revenue over several years has been camouflaged by the continued strengthening of the Australian dollar, and although important new product launches will stimulate demand, further growth in FY09 will be difficult to achieve.

Minelab metal detection sales and profits will grow during FY09.

Minelab's target consumer market is a very sophisticated, high end one. Customers are typically middle-aged males buying expensive equipment for a serious hobby that can be an important source of income. The global customer base is growing with the flood of baby boomer retirees entering the market with disposable superannuation income. Indications are that the slowdown in the world economy has not affected demand, and will not do so. The introduction in April 2008 of a new high-end gold nugget detector, the GPX-4500, and the imminent release of a new high-end coin and treasure machine, ETRAC, will deliver excellent sales growth for consumer metal detectors in FY09.

Meanwhile the introduction of the new F3S mine detector should see continued sales growth for Minelab countermine products. Minelab is increasing its' share of the humanitarian market as major global mine clearance organisations switch to it's clearly superior products. Sales will continue to military customers, including the US Army, with Minelab the only supplier

"…strong revenue and profit growth is forecast for financial year 2009 and beyond."

of metal detection products and technology to this premium customer. Military countermine projects have long gestation periods and demand is more difficult to predict, but the potential for upside is significant.

Significant synergies arise from the acquisition of Minelab Electronics Pty. Ltd.

Many aid and humanitarian, government, UN and military organisations requiring metal detection equipment for countermine activity also require HF radio communications. The Codan group now has more to offer these important customers, and can do so more cost effectively.

Codan's SAP business system will be progressively applied to the Minelab and Parketronics operations. A particular focus will be to leverage the best of manufacturing facilities and practice across the Group.

IMP Printed Circuits and Parketronics will continue excellent service to the Australian and NZ electronics components and contract manufacturing markets. Within the constraints of such highly competitive markets these businesses are expected to perform well. Codan will also continue excellent service to its important customers for digital microwave radio and TV broadcast products. Expenses will be controlled to ensure a contribution to profit. Codan Broadcast's new 3Gbps router will be launched to the global market later this year.

To ensure the Company remains cost competitive in international markets, it has entered a relationship with one of the world's leading sub-contract electronics manufacturers to produce some Codan communications product modules and finished goods in Malaysia. Savings for product outsourced will be in the vicinity of 15% of direct cost. The partnership agreement ensures that Codan's well proven manufacturing processes and exceptional performance, quality and delivery standards are replicated and safeguarded. The first stage of outsourcing is going very well. During FY09 the company will consolidate this initiative and extend it to other products where this makes sense. Significant benefit will be realised progressively over the next two years.

Overall, strong revenue and profit growth is forecast for financial year 2009 and beyond.

With the Minelab acquisition the need for Codan Limited staff to visit the world's difficult and dangerous places is even greater. The company continues to employ the most stringent and professional policies, practices and systems to ensure we can visit and support our highly valued communications products and countermine customers where they operate, and at the same time do our utmost for the safety and security of our people.

We thank all staff for their skills and tenacity in challenging times.

Mike Heard
Chief Executive Officer

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10. Codan vehicle-mounted HF radio in Afghanistan.
11. Handheld Standoff Mine Detection System in operation.

ABOUT CODAN

BUSINESS OVERVIEW

Codan Limited designs, manufactures and markets a diversified range of high value added electronics products for global government, business, aid and humanitarian and sophisticated consumer markets. Founded in 1959, the company has grown to become an international market leader in its market niches. Exports represent approximately 80% of revenues and the company's products are sold in more than 150 countries.

Codan's traditional business is products for niche communications applications in high frequency (HF) radio, satellite communications and digital microwave radio where the Codan brand is extremely strong internationally. The company's worldwide communications products customer base includes many government agencies including security and military organisations, multinational companies, the United Nations and major international aid agencies, and telecommunications carriers and system integrators. Codan has excelled in customer service and support which is provided throughout the world through a network of dealers, distributors and agents.

Through the acquisition of Minelab Electronics on 29 February 2008, the Company has added new business units and operations which share and enhance Codan's traditional business and marketing strategies while at the same time offering many opportunities for operational synergies and future growth.

Minelab was established in 1989 and has built a very strong brand name as one of the world's leading manufacturers of both consumer and countermine metal detectors. The brand is synonymous with high-end products with an excellent reputation in both domestic and international markets. Customers include international aid agencies, as well as military and consumer customers in both the domestic and international markets. Minelab's products are renowned for their technological capabilities, quality and reliability.

The Codan Group includes Codan Broadcast, Parketronics (acquired with Minelab) and IMP Printed Circuits (a wholly owned subsidiary of Codan).

BUSINESS STRATEGY

CORE STRATEGY

Codan continues to be a group of "clever products" businesses addressing global markets. The Company designs its own core products and retains strong control over the manufacture of its products, particularly in the area of final assembly and test. Codan defines "clever products" to have the following characteristics:

- elaborately transformed hardware products (as opposed to pure software or services);
- high intellectual property content, and therefore requiring a high value-add component by the designer and manufacturer; and
- targeted at niche low to medium volume business, professional and government markets globally.

The Minelab acquisition is completely consistent with this core strategy. Minelab products contain world-class intellectual property which is secured by patents and have market leading functionality as corroborated by international testing agencies.

Codan operates under long established high standards of corporate governance, performance and financial control.

Codan's staff and management team, customer base, product range, technical skills and global distribution and customer support networks provide a platform for continued growth both organically and by further acquisition.

DISCIPLINED NICHE MARKET STRATEGY

Codan seeks leadership in narrowly defined international market segments where it is able to establish a competitive advantage and where there is a reasonable prospect that "Codan" and "Minelab" will become the brand of choice. Such market segments are likely to have some or all of the following characteristics:

- the segment does not attract aggressive competition from large multi-national equipment suppliers;
- by utilising its technical expertise and global presence, Codan is able to differentiate its products in terms of quality, design features and exceptional service;
- customers and end users place significant importance on product reliability and customer support; and
- end user applications are in geographically dispersed or remote locations or in the developing world.

Both "Codan" and "Minelab" are recognised brands in most of the markets in which they are marketed. The Codan name has been used for more than 30 years domestically and approximately 25 years internationally while the Minelab name has established a strong national and international reputation over the past 15 years.

The Codan Group now has sales, representation and customer service offices in Australia, the United States, the United Kingdom, the Republic of Ireland, China and India. These local offices allow Codan to better understand its customers' requirements particularly the specific geographic, infrastructure and regulatory issues. In addition, Codan has extensive sales and distribution networks globally. Codan staff travel regularly to all parts of the globe to service customer needs.

INNOVATION AND CONTINUAL DEVELOPMENT OF LEADING, QUALITY PRODUCTS

The Codan Group's proven ability to maintain technological competitiveness, bring new products to market, and to enhance its current products in order to meet its customers' requirements is fundamental to its success. Accordingly, the Company is committed to research, design and product development and maintains a substantial team of research, engineering and technical staff for this purpose. Minelab products are supported by a strong and long dated patent portfolio.

MANAGEMENT AND STAFF

Many of the Codan Group's directors and senior managers have extensive periods of service with the Company. The team has delivered strong business performance over many years.

The Group's management and staff have extensive experience in design, manufacture and global marketing.

The Codan Group now employs approximately 500 staff worldwide. The provision of safe, secure, challenging and rewarding employment for all staff is one of the Company's key objectives.

Codan Limited's people focused objectives are:

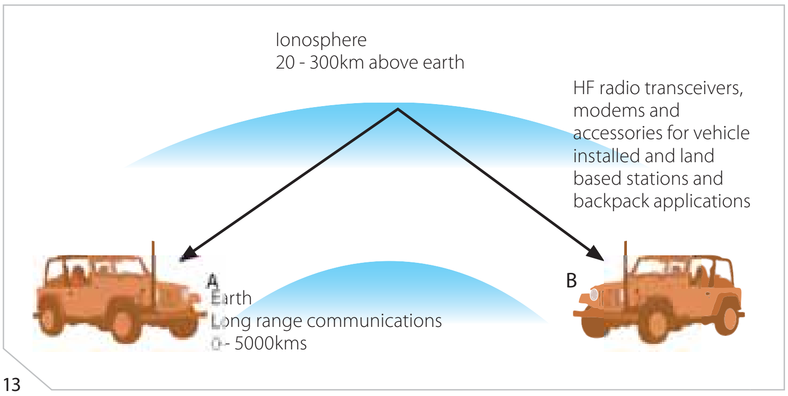
- to ensure all staff know what is expected of them and how they contribute to the achievement of the Company's strategic and operational goals; and
- to be passionate in the constant development of the Company's people and their talents.

PRODUCT GROUPS AND MARKETS

HF RADIO COMMUNICATIONS

HF radio (also known as short wave radio) is a universal and extensively used technology for communications in remote areas and over very long distances, extending to intercontinental coverage. By reflection of the HF radio wave off the ionosphere, an ionized region of the atmosphere, signals may be transmitted over many thousands of kilometres without need for man-made transmission infrastructure.

HF radio is typically used by organisations for first line and back-up operational communications of voice, fax or data, over long distances in any combination of mobile and fixed station configurations. HF radio will be chosen where long range communication without infrastructure,



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12. Codan medium power BUC.
13. HF Communications.
14. Codan HF Military manpack.

low capital and operating cost, rapid deployment and the ability to communicate operational information simultaneously to many stations are paramount.

Codan supplies radio transceivers, modems and accessories for vehicle installed and land based stations and back pack applications. Codan HF radios are known for their very high reliability, excellence of performance and ease of operation. "Codan" has become the icon for commercial HF radio in many markets around the world.

Codan's principal markets are where robust and reliable HF radios are required by aid and humanitarian organisations, security and military organisations, government departments and commercial users. The majority of Codan's HF radio sales are for use in developing world countries and remote regions of developed world countries.

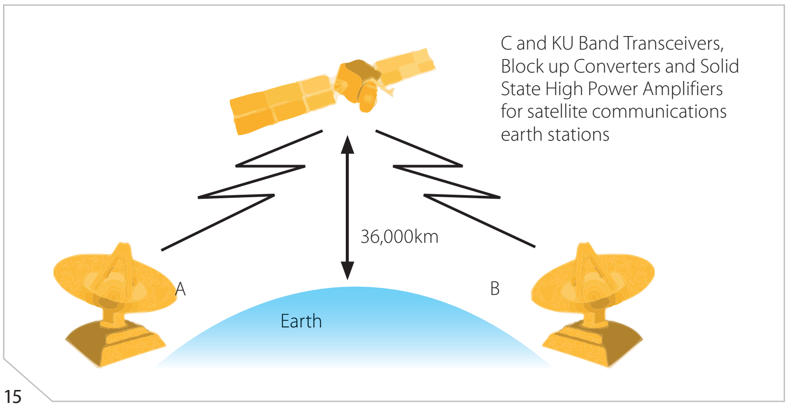
Codan supplies HF radio to the majority of UN and major international non-government organization (NGO) aid agencies, and to many smaller NGO and government humanitarian organisations.

Military and security organisations include national armed forces and organisations dealing with law enforcement such as police, customs, border patrol, coast guard, national guard, drug enforcement agencies and private security firms.

Government users include emergency services, embassies and departments of post and telecommunications, health, forestry, agriculture, fisheries and roads.

Commercial and business users include the construction, agriculture, forestry, mining, energy, road transport, power utility, coastal shipping and fishing industries.

ABOUT CODAN CONTINUED



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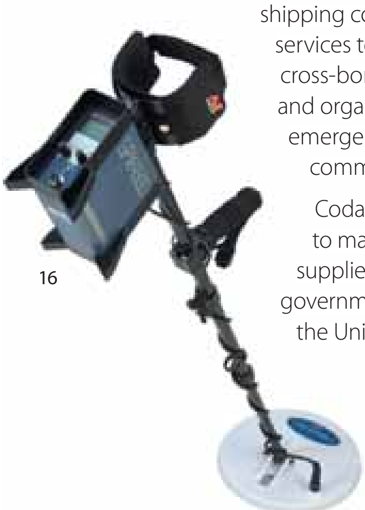
SATELLITE COMMUNICATIONS

In a satellite communications system, information is relayed between earth stations via satellites using microwave radio technology. The advantages of a satellite communications system are that it can transmit and receive information over very long distances irrespective of terrain and it can be deployed rapidly and cost effectively compared to wire-line and optical fibre, particularly in remote areas. Satellites can be used for broadcast services as well as for two way point-to-point or network communications.

Satellite networks offer a global communications capability and can support data rates for both direct customer access and network backbone requirements across a broad range of applications.

Codan offers a range of medium power transmitter/receiver equipment (transceivers) and block-up converters (BUCs) for integration into satellite earth station systems. These products are sold to system integrators and service providers who deploy satellite earth stations to deliver fixed, transportable (rapid-deploy) and mobile (on-the-move) communications infrastructure. Typical users include GSM network providers offering mobile telephone services to remote areas, resource companies needing to communicate with their offshore exploration and drilling platforms, shipping companies providing broadband data services to their ocean going vessels, government cross-border embassy communications networks and organisations providing infrastructure to support emergency, business continuity and mission critical communications.



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Codan supplies satellite communications products to many of the world's leading satellite infrastructure suppliers, telecommunications carriers and government organisations through its sales presence in the United States of America, Europe and Asia.

Codan satellite communications products are known for their high reliability which is key to Codan customers' providing reliable communications services to remote parts of the world. For its newest products, Codan has placed substantial focus on achieving excellent transmit power to weight ratio. Minimising the size and weight of the products is highly valued by customers who integrate transportable rapid-deploy terminals, and stabilised earth stations that are used on offshore platforms and on board ships. These are both rapidly growing market segments for Codan satellite products.

DIGITAL MICROWAVE RADIO

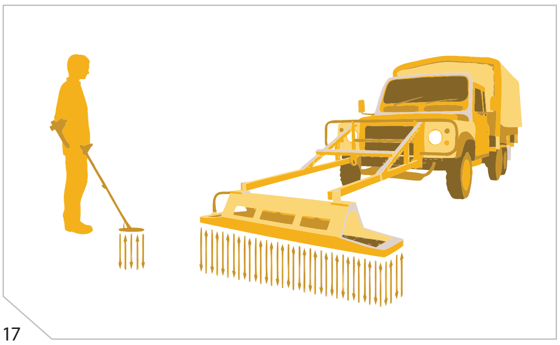
Codan manufactures narrowband digital microwave radio links for voice, facsimile and data services in either PDH form (plesiochronous digital hierarchy) or LAN (Local Area Network – Ethernet) form with capacity up to 45Mbps. Codan DMR links are known for their excellent flexibility of configuration, high reliability, ease of installation and Codan's advanced network management system.

METAL DETECTION

Minelab's Metal Detection activity is divided into two broad market segments, Consumer and Countermine.

The Consumer business activity relates to the design, manufacture and distribution of hand-held metal detectors which are sold to consumers through specialty distribution outlets in Europe, the Middle East, Africa, Asia, the Americas and Australia. Minelab produces a wide range of market leading, technologically advanced detectors. All key product segments are well catered for, including coin, treasure and relic detectors, gold detectors, underwater detectors and security scanning devices. The business successfully targets hobbyists and outdoor enthusiasts as well as professionals in various markets. This market for Minelab products is expected to grow in developing economies such as Russia, Eastern Europe and Asia, as well as from demand by retiring "baby boomers" in developed countries.

The Countermine business activity provides products and services to humanitarian organisations and military bodies for the demining of war-affected regions, including hand-held metal detectors, vehicle mounted array metal detector systems and training and maintenance services. Eliminating the landmine threat is a key focus of many international authorities, including the United Nations and many military bodies around the world.



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BROADCAST PRODUCTS

Television broadcasters manage a large number of video and audio signals, both analogue and digital, that ultimately provide the content to fill the many channels provided to viewers through numerous delivery methods including free-to-air, cable, satellite and Internet. In program preparation, these signals are combined, converted, monitored, distributed and switched throughout the broadcaster's studio facility.

Codan Broadcast designs and manufactures routing equipment, interface modules and monitoring products used by TV broadcasters, video pre- and post-production houses, and other users of professional audio/visual facilities.

Codan's routers are second to none in their market niche in quality, superior ease of use, and RoHS compliance. A new family of full HD (3Gbps) routing switcher products will be released later this year that will further strengthen Codan's entry into global markets.

PARKETRONICS

Parketronics specialises in the contract manufacturing and testing for Australian electronics businesses of specialist electronic components and sub-assemblies for a broad range of applications. In addition to Minelab and Codan, customers include businesses producing air conditioning systems, computer hardware, audio systems, security systems and point of sale equipment.

Parketronics' services include through hole production, surface mount production, prototyping, lead free manufacture and Restriction of Hazardous Substances compliance (specifically for products sold in Europe), in-circuit, functional and final testing, sub and structural assemblies, turnkey products and box build solutions.

PRINTED CIRCUIT BOARDS

IMP Printed Circuits Pty Ltd manufactures single sided, double sided and multilayer printed circuit boards (PCBs) for over 400 electronics manufacturers in Australia and New Zealand. IMP specialises in the supply of high quality product for short to medium runs, rapid turnaround and prototyping applications. Over recent years, IMP has established relationships with a number of overseas volume manufacturers of printed circuit boards and is also now able to meet the needs of its customers for long production runs at internationally competitive prices. On-time delivery and excellent service are critical components of IMP's key competitive advantage.

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OPERATIONS

The Codan Group has its Head Office in Newton, Adelaide and operates manufacturing facilities in Adelaide, Melbourne and in County Cork, Ireland.

Manufacturing operations for Codan's products consist of assembly, test and tune, and quality assurance. The Group's products have a significant engineering content and require skilled technical labour for assembly and testing.

To ensure the Company remains cost competitive in international markets, it has entered a relationship with one of the world's leading sub-contract electronics manufacturers. That organisation will produce some Codan product modules and finished goods in Malaysia. The partnership ensures that Codan's well proven manufacturing processes and exceptional performance, quality and delivery standards are replicated and safeguarded.

Codan guards its reputation for reliability of products by adopting stringent testing and quality control procedures. Codan maintains quality assurance systems approved to International Standard ISO 9001.

Both IMP and Parketronics have strong business synergies with each other as complementary suppliers and with the other business units in the Codan Group, particularly for low volume products and to meet the needs of peak or urgent demand.

15. Satellite Communications.
16. Minelab GPX-4500 Gold Detector.
17. Metal Detection.
18. Codan Broadcast K2 Router.
19. Parketronics SMT board loading.

DIRECTORS' REPORT

CODAN LIMITED AND ITS CONTROLLED ENTITIES

Back Row from left: Peter Griffiths, David Simmons, Michael Heard, David Klingberg. **Front Row from left:** Ian Wall, Dr David Klingner and Brian Burns.

The directors present their report together with the financial report of Codan Limited ("the Company") and of the group, being the Company and its controlled entities, for the year ended 30 June 2008 and the auditor's report thereon.

DIRECTORS

The directors of the Company at any time during or since the end of the financial year are:

Dr David Klingner B.Sc(Hons), PhD, FAusIMM
Chairman, Independent Non-Executive Director
Age 64

Dr Klingner was appointed by the board as Chairman in May 2007. Dr Klingner has been a director with Codan since December 2004. Dr Klingner, a geologist, was previously employed by Rio Tinto where he was engaged in a number of senior roles involving business leadership, project development and worldwide exploration activities, and where he gained extensive experience in the establishment and management of overseas operations. He is a former chairman of Coal & Allied Industries Ltd, Bougainville Copper Limited and the World Coal Institute. He was appointed as a director of Energy Resources of Australia Limited in July 2004 and is presently chairman.

Michael Heard BE (Hons), MBA, FIE Aust, CPEng
Managing Director and Chief Executive Officer
Age 60

Mr Heard was appointed to the board as Managing Director in 1991. He was formerly general manager and a director of Ribloc Group Ltd (civil engineering technology industry) and chief executive of Cheviot Manufacturing Pty Ltd (automotive components industry). Before that, Mr Heard held various engineering, marketing and management positions with CIG Ltd (now BOC Ltd) in Brisbane, the United Kingdom, Sydney and Adelaide. He is a former member of the Australian Space Council and the Australian National Telescope Steering Committee. Mr Heard was the founding president of South Australia's Electronics Industry Association and chairman of that Association's Industry Leaders Forum. He is a former director of Amdel Limited.

Brian Burns AM, FCPA, FCIS, FAICD
Non-Executive Director
Age 69

Mr Burns was appointed to the board in 1996 (alternate director from 1990). Mr Burns is a former managing director of B Seppelt & Sons Ltd and a former chairman of the South Australian Government owned Institute of Medical and Veterinary Science and of Luminis Pty Ltd, the intellectual property commercialisation company of The University of Adelaide. He is a former director of ASX listed companies National Foods Limited (1991 to 2003) and Select Harvests Limited (1999 to 2004). He is a former director of Cascade Brewery Co. Limited and C-C Bottlers Limited. He has served the accountancy profession as the South Australian president of CPA Australia and as a member of the Auditing Standards Board of the Australian Accounting Research Foundation.

Peter Griffiths B.Ec (Hons), CPA, FAICD
Independent Non-Executive Director
Age 66

Mr Griffiths was appointed to the board in July 2001, following his retirement as a senior executive of Coca-Cola Amatil Limited. Mr Griffiths has extensive global experience having worked in Central / Eastern Europe and South East Asia for Coca-Cola Amatil Limited. At various times he was company secretary, chief financial officer and managing director of C-C Bottlers Limited and held board positions in Australia, New Zealand and the USA. He is a Certified Practising Accountant and has been president of the South Australian branch of the Financial Executives Institute as well as federal president of the Australian Soft Drink Industry.

David Klingberg AM, FTSE, BTech(Civil), FIEAust, FAusIMM, FAICD
Independent Non-Executive Director
Age 64

Mr Klingberg was appointed to the board in July 2005. He is an engineer with extensive national and international experience having been managing director of Kinhill Limited from 1986 to 1998. Mr Klingberg recently retired as Chancellor of the University of South Australia a position he held since 1998. He has a number of private sector and government appointments including chairman of Barossa Infrastructure Limited, and directorships of Snowy Hydro Limited, Centrex Metals Limited and E & A Limited. He is Chairman of the South Australian Premier's Climate Change Council and Chairman of the Leaders Institute of South Australia.

David Simmons BA (Accountancy)
Independent Non-Executive Director
Age 54

Mr Simmons was appointed to the board in May 2008. Mr Simmons has worked in the manufacturing industry throughout his career and has extensive financial and general management experience. Mr Simmons joined Hills Industries Limited in 1984 where he was appointed Finance Director in 1987 and Managing Director in 1992. He retired from Hills Industries Limited in June 2008. He is Chairman of Korvest Ltd and the South Australian Centre for Innovation. He is a board member of Thomson Playford lawyers and is a former chairman of the SA Government Economic Development Board.

Ian Wall OAM, BE, FSASM, MIE Aust, CPEng
Non-Executive Director
Age 77

Mr Wall, one of the founders of the Company, was appointed to the board in 1959. He has been involved in many of the Company's operations but particularly in product related systems engineering.

COMPANY SECRETARY

Mr Rick Moody BA (Acc), FCA, FCIS, MAICD

Mr Rick Moody was appointed to the position of company secretary in October 2007. Mr Moody has the responsibility for the financial control, reporting and information technology across the Codan group. Prior to joining Codan, he was the Chief Financial Officer with Elders Australia Limited and Corporate Financial Controller and Group General Manager Finance and Administration with Adelaide Brighton Limited.

DIRECTORS' REPORT

CODAN LIMITED AND ITS CONTROLLED ENTITIES

DIRECTORS' MEETINGS

The number of directors' meetings (of the Company), and of meetings of board committees held, and the number of those meetings attended by each of the member directors during the financial year are:

Director	Board Meetings		Board Audit, Risk and Compliance Committee Meetings		Remuneration Committee Meetings	
	A	B	A	B	A	B
Dr David Klingner	15	15			4	4
Michael Heard	14	15				
Brian Burns	13	15	5	5	3	4
Peter Griffiths	14	15	5	5		
David Klingberg	15	15	4	5		
David Simmons	2	2				
Ian Wall	14	15			3	4

A – Number of meetings attended.
B – Number of meetings held during the time the director held office during the year.

CORPORATE GOVERNANCE STATEMENT

This statement outlines the main corporate governance practices in place throughout the financial year, which comply with the ASX Corporate Governance Council recommendations, unless otherwise stated.

Board of Directors

Role of the Board

The board's primary role is the protection and enhancement of long-term shareholder value.

To fulfil this role, the board is responsible for the overall corporate governance of the group including formulating its strategic direction, approving and monitoring capital expenditure, setting senior executive and director remuneration, establishing and monitoring the achievement of management's goals and ensuring the integrity of internal control and management information systems. It is also responsible for approving and monitoring financial and other reporting.

The board has delegated responsibility for operation and administration of the Company to the Managing Director.

Board processes

To assist in the execution of its responsibilities, the board has established a Remuneration Committee and a Board Audit, Risk and Compliance Committee. These committees have written mandates and operating procedures, which are reviewed on a regular basis. The board has also established a framework for the management of the consolidated entity including a system of internal control, a business risk management process and the establishment of appropriate ethical standards.

The full board currently holds ten scheduled meetings each year, plus strategy meetings and any extraordinary meetings at such other times as may be necessary to address any specific significant matters that may arise.

The agenda for meetings is prepared in conjunction with the Chairman, Managing Director and Company Secretary. Standing items include the Managing Director's report, occupational health and safety report, financial reports, strategic matters, governance and compliance. Submissions are circulated in advance. Executives are regularly involved in board discussions and directors have other opportunities, including visits to business operations, for contact with a wider group of employees.

Director education

The group has a process to educate new directors about the nature of the business, current issues, the corporate strategy and the expectations of the Group concerning performance of directors. Directors also have the opportunity to visit Group facilities and meet with management to gain a better understanding of business operations. Directors are given access to continuing education opportunities to update and enhance their skills and knowledge.

Independent professional advice and access to Company information

Each director has the right of access to all relevant Company information and to the Company's executives and, subject to prior consultation with the Chairman, may seek independent professional advice from a suitably qualified adviser at the group's expense. The director must consult with an advisor suitably qualified in the relevant field.

A copy of the advice received by the director is made available to all other members of the board. The Access, Indemnity and Insurance Deed for each director sets out their rights on these matters.

Composition of the Board

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

- a broad range of expertise both nationally and internationally;
- a majority of non-executive directors;
- directors having extensive knowledge of the Company's industries and / or extensive expertise in significant aspects of financial management or general management;
- a non-executive director as Chairman;
- enough directors to serve on various committees without overburdening the directors or making it difficult for them to fully discharge their responsibilities; and
- subject to re-election every three years (except for the Managing Director).

An independent director is a director who is not a member of management (a non-executive director) and who:

- holds less than five percent of the voting shares of the Company and is not an officer of, or otherwise associated, directly or indirectly, with a shareholder of more than five percent of the voting shares of the Company;
- has not within the last three years been employed in an executive capacity by the Company or another group member, or been a director after ceasing to hold any such employment;
- within the last three years has not been a principal or employee of a material professional adviser or a material consultant to the Company or another group member;
- is not a material supplier or customer of the Company or another group member, or an officer of or otherwise associated, directly or indirectly, with a material supplier or customer;
- has no material contractual relationship with the Company or another group member other than as a director of the Company; and
- is free from any interest and any business or other relationship that could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company.

The board is regularly addressing succession in order to ensure that its composition going forward is appropriate. New and appropriately qualified and independent board members will be introduced over time to enable Codan to achieve its future corporate objectives.

Board Performance Evaluation

The ASX Corporate Governance Council's "Principles of Good Corporate Governance and Best Practice Recommendations" recommends the establishment of a nomination committee. The role of nomination of proposed directors is being conducted by the full board.

Remuneration report

Remuneration Committee

The Remuneration Committee reviews and makes recommendations to the board on remuneration packages and policies applicable to the Managing Director, senior executives and directors themselves. It is also responsible for share schemes, incentive performance packages, superannuation entitlements, retirement and termination entitlements and fringe benefits policies.

The members of the Remuneration Committee during the year were:

- Brian Burns (Chairman) – Non-Executive Director
- Dr David Klingner – Independent Non-Executive Director
- David Simmons – Independent Non-Executive Director (appointed 27 June 2008)
- Ian Wall – Non-Executive Director (retired 27 June 2008)

The Managing Director is invited to Remuneration Committee meetings, as required, to discuss senior executives' performance and remuneration packages.

Remuneration policies

Key management personnel comprise the directors of the Company and executives for the Company including the five most highly remunerated Company and Group executives. Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company and the Group.

Remuneration levels are competitively set to attract and retain appropriately qualified and experienced senior executives. The Remuneration Committee obtains independent advice on the appropriateness of remuneration packages, given trends in comparative companies both locally and internationally. Remuneration packages can include a mix of fixed remuneration and performance-based remuneration.

DIRECTORS' REPORT

CODAN LIMITED AND ITS CONTROLLED ENTITIES

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

The remuneration structures explained below are designed to attract suitably qualified candidates, and to effect the broader outcome of increasing the Group's net profit. The remuneration structures take into account:

- the overall level of remuneration for each director and executive;
- the executive's ability to control the relevant segments performance; and
- the amount of incentives within each key management person's remuneration.

Certain senior executives may receive bonuses based on the achievement of performance hurdles. The bonus is capped at 70% of the executive's salary package and for the year ended 30 June 2008 the average bonus achieved was 20.3%. The performance hurdles relate to measures of EBIT and return on working capital versus budget targets and also the qualitative performance of the executive team against objectives agreed as part of the budget and strategic planning processes.

These performance conditions have been established to encourage the profitable growth of the consolidated entity. All bonus amounts that accrue to the relevant executives are paid in cash. There is no separate profit-share plan and no share options have been issued by the Company.

The board considered that for the year ended 30 June 2008 the above performance-linked remuneration structure was appropriate.

Total remuneration for all non-executive directors, last voted upon by shareholders at the 2003 AGM, is not to exceed $750,000 per annum. Non-executive directors do not receive any performance related remuneration nor are they issued options on securities. Directors' fees cover all main board activities and membership of committees.

Directors' and senior executives' remuneration

Details of the nature and amount of each major element of the remuneration paid or payable to each director of the Company and each of the five named officers of the Company and the group receiving the highest remuneration are:

		Short-term Benefits			Post employment
Directors		Salary & fees $	Bonuses $	Non-cash benefits $	Super contributions $
Non-executive					
Dr David Klingner	**2008**	**150,000**			**13,500**
	2007	81,250			7,312
John Uhrig	2007	149,875			
Brian Burns	**2008**	**75,000**			**6,750**
	2007	75,000			6,750
Peter Griffiths	**2008**	**75,000**			**6,750**
	2007	75,000			6,750
David Klingberg	**2008**	**75,000**			**6,750**
	2007	75,000			6,750
David Simmons	**2008**	**12,500**			**1,125**
Ian Wall	**2008**	**81,750**			
	2007	81,750			
Executive					
Michael Heard	**2008**	**579,177**	**125,400**		**45,135**
	2007	505,957	94,731		45,886

Mr J A Uhrig retired as Chairman on 25 May 2007 and Mr D Simmons was appointed as a director on 5 May 2008.

Executive Officers		Short-term Benefits Salary & fees $	Bonuses $	Non-cash benefits $	Post employment Super contributions $
Peter Charlesworth (General Manager – Minelab)	**2008**	**269,591**	**85,263**		**21,169**
	2007	214,593	37,069		17,867
Allan Gobolos (General Manager – Links)	**2008**	**184,676**	**3,596**		**23,741**
	2007	227,430	40,363		20,838
David Hughes (Chief Finance and Information Officer and Company Secretary)	2007	207,549	–		16,767
Donald McGurk (General Manager – HF and Manufacturing Communications Products)	**2008**	**261,206**	**51,290**		**18,598**
	2007	203,895	37,069		15,522
Rick Moody (Chief Financial Officer and Company Secretary)	**2008**	**222,277**	**82,500**		**18,447**
Gary Shmith (General Manager – Satcom)	**2008**	**209,559**	**42,323**		**17,001**
	2007	147,513	25,207		12,391

Mr D Hughes left the employment of Codan Limited on 13 June 2007 and Mr R Moody joined Codan Limited on 3 October 2007.

The remuneration amounts disclosed above have been calculated based on the expense to the company for the financial year, therefore items such as annual leave and long service leave, taken and provided for, have been considered. As a result the remuneration disclosed may not equal the salary package as agreed with the executive in any one year.

No options or shares were issued during the year as compensation for any key management personnel. There are no options over shares on issue at the date of this report.

Corporate Performance

As required by the Corporations Act 2001 the following information is presented:

	2008 $	2007 $	2006 $	2005 $	2004 $
Net profit after tax	**1,009,000**	11,239,000	8,487,870	16,204,132	16,677,771
Dividends paid	**10,532,955**	10,532,955	9,722,728	8,840,031	7,885,120
Change in share price at 30 June	**($0.34)**	$0.02	($0.48)	($0.40)	$0.70

The net profit after tax of $1.0 million has been reduced by impairment write downs of $8.7 million after tax.

Codan Limited listed on the Australian Stock Exchange on 27 November 2003 and therefore details of the company's performance for prior financial years have not been included. The net profit after tax for the 2004 and 2005 years have not been adjusted for the impact of adopting International Financial Reporting Standards.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Board Audit, Risk and Compliance Committee

The Board Audit, Risk and Compliance Committee has a documented charter, approved by the board. All members must be non-executive directors. The Chairman may not be the Chairman of the board. The committee advises on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the group.

The members of the Board Audit, Risk and Compliance Committee during the year were:

- Peter Griffiths (Chairman) – Independent Non-Executive Director
- Brian Burns – Non-Executive Director
- David Klingberg – Independent Non-Executive Director

The external auditors, the Managing Director and Chief Financial Officer, are invited to Board Audit, Risk and Compliance Committee meetings at the discretion of the committee.

The responsibilities of the Board Audit, Risk and Compliance Committee, as detailed in its formal charter, include reporting to the board on:

- reviewing the annual and half-year financial reports and other financial information distributed externally. This includes approving new accounting policies to ensure compliance with Australian Accounting Standards and generally accepted accounting principles, and assessing whether the financial information is adequate for shareholder needs;
- assessing corporate risk assessment processes;
- assessing the need for an internal audit function;
- assessing whether non-audit services provided by the external auditor are consistent with maintaining the external auditor's independence. The external auditor provides an annual independence declaration in relation to the audit;
- providing advice to the board in respect of whether the provision of the non-audit services by the external auditor is compatible with the general standard of independence of auditors imposed by the Corporations Act;
- reviewing the nomination and performance of the external auditor. The external audit engagement partner was rotated in 2007;
- assessing the adequacy of the internal control framework and the Company's code of ethical standards;
- monitoring the procedures to ensure compliance with the Corporations Act 2001 and the ASX Listing Rules and all other regulatory requirements; and
- addressing any matters outstanding with auditors, Australian Taxation Office, Australian Securities and Investments Commission, ASX and financial institutions.

The Board Audit, Risk and Compliance Committee reviews the performance of the external auditors on an annual basis and meets with them during the year to:

- discuss the external audit plan, identifying any significant changes in structure, operations, internal controls or accounting policies likely to impact the financial statements and to review the fees proposed for the audit work to be performed;
- review the half-year and preliminary final report prior to lodgement with the ASX, and any significant adjustments required as a result of the auditor's findings, and to recommend board approval of these documents, prior to announcement of results;
- review the results and findings of the auditor, the adequacy of accounting and financial controls, and to monitor the implementation of any recommendations made;
- as required, to organise, review and report on any special reviews or investigations deemed necessary by the board.

Risk management

Major risks arise from such matters as actions by competitors, government policy changes, the impact of exchange rate movements on the price of raw materials and sales, difficulties in sourcing raw materials, environment, occupational health and safety, property, product quality, interruptions to production, changes in international quality standards, financial reporting, and the purchase, development and use of information systems.

Oversight of the risk management system

The board has in place a number of arrangements and internal controls intended to identify and manage areas of significant business risk. These include the establishment of committees, regular budget, financial and management reporting, established organisational structures, procedures, manuals and policies, external financial and safety audits, insurance programmes and the retention of specialised staff and external advisors.

The Board Audit, Risk and Compliance Committee consider risk in order to ensure risks are identified, assessed and appropriately managed. The committee reports to the board on these matters on an ongoing basis.

Risk management, compliance and control

The group strives to ensure that its products are of the highest standard. Towards this aim it has certification to AS/NZS ISO 9001 accreditation.

The board is responsible for the overall internal control framework, but recognises that no cost-effective internal control system will preclude all errors and irregularities. Comprehensive practices, have been established to ensure:

- capital expenditure and revenue commitments above a certain size obtain prior board approval;
- financial exposures are controlled, including the use of derivatives;
- occupational health and safety standards and management systems are monitored and reviewed to achieve high standards of performance and compliance with regulations;
- business transactions are properly authorised and executed;
- the quality and integrity of personnel;
- financial reporting accuracy and compliance with the financial reporting regulatory framework; and
- environmental regulation compliance.

Quality and integrity of personnel

Appraisals are conducted at least annually for all senior employees. Training and development and appropriate remuneration and incentives with regular performance reviews create an environment of co-operation and constructive dialogue with employees and senior management.

Financial reporting

The Managing Director and the Chief Financial Officer have declared in writing to the board that the Company's financial reports are founded on a sound system of internal compliance and control and risk management practices which implement the policies adopted by the board. This declaration includes stating that the financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards. This statement is required annually.

Monthly actual results are reported against budgets approved by the directors and revised forecasts for the year are prepared regularly.

Environmental regulation

The Group's operations are not subject to significant environmental regulation under either Commonwealth or State legislation. However the board believes that the group has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the Group.

Internal audit

The Board Audit, Risk and Compliance Committee is responsible for determining the need for an internal audit function for the group. The committee has at this point determined that an internal audit function is not required. The committee will continue to assess the need for a formal internal audit function in future years.

Effectiveness of risk management

The Managing Director and the Chief Financial Officer have declared, in writing to the board, that the financial reporting risk management and associated compliance and controls have been assessed and found to be operating efficiently and effectively. Operational and other compliance risk management processes have also been assessed and found to be operating efficiently and effectively. All risk assessments covered the whole financial year and the period up to the signing of the annual financial report for all material operations in the group.

Ethical standards

All directors, managers and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the group. Every employee has a nominated supervisor to whom they may refer any issues arising from their employment. The company continues to review and confirm its processes for seeking to ensure that it does not trade with parties proscribed for illegal or undesirable activities.

Conflict of interest

Directors must keep the board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. The board has developed procedures to assist directors to disclose potential conflicts of interest.

Where the board believes that a significant conflict exists for a director on a board matter, the director concerned does not receive the relevant board papers and is not present at the meeting whilst the item is considered.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Code of conduct

The consolidated entity has advised each director, manager and employee that they must comply with the entity's code of conduct. The code of conduct covers the following:

- aligning the behaviour of the board and management with the code of conduct by maintaining appropriate core Company values and objectives;
- fulfilling responsibilities to shareholders by delivering shareholder value;
- usefulness of financial information by maintaining appropriate accounting policies and practices and disclosure;
- fulfilling responsibilities to clients, customers and consumers by maintaining high standards of product quality, service standards, commitments to fair value, and safety of goods produced;
- employment practices such as occupational health and safety, employment opportunity, the level and structure of remuneration, and conflict resolution;
- responsibilities to the community, such as environmental protection policies, supporting community activities and sponsorships and donations;
- responsibilities to the individual, such as privacy, use of privileged or confidential information, and conflict resolution;
- compliance with legislation including policies on legal compliance in countries where the legal systems and protocols are significantly different from Australia's;
- conflicts of interest;
- corporate opportunities such as preventing directors and key executives from taking advantage of property, information or position for personal gain;
- confidentiality of corporate information;
- fair dealing;
- protection and proper use of the Company's assets;
- compliance with laws; and
- reporting of unethical behaviour.

Trading in general company securities by directors and employees

The key elements of the Trading in General Company Securities by Directors and Employees Policy are:

- identification of those restricted from trading – directors and senior executives (all employees from manager upwards) may acquire shares in the Company, but are prohibited from dealing in Company shares:
  - except between twenty four hours and four weeks after either the release of the Company's half-year and annual results to the Australian Stock Exchange ("ASX") or the annual general meeting, or any other period as determined by the board, and reported to the market, as being a period during which the market is believed to be fully informed of all matters relevant to the company's share price;
  - whilst in possession of price sensitive information not yet released to the market.
- raising the awareness of legal prohibitions including transactions with colleagues and external advisers;
- requiring details to be provided of intended trading in the Company's shares;
- requiring details to be provided of the subsequent confirmation of the trade; and
- identification of processes for unusual circumstances where discretions may be exercised in cases such as financial hardship.

Communication with shareholders

The board provides shareholders with information in accordance with Continuous Disclosure requirements, which includes identifying matters that may have a material effect on the price of the Company's securities, notifying them to the ASX, posting them on the Company's website, and issuing media releases.

In summary, the Continuous Disclosure policy operates as follows:

- the Managing Director, Company Secretary and the Chief Financial Officer are responsible for interpreting the Company's policy and where necessary informing the board. The Company Secretary is responsible for all communications with the ASX. Reportable matters are promptly advised to the ASX.
- the annual report is distributed to all shareholders who request a copy and it includes relevant information about the operations of the group during the year, changes in the state of affairs and details of future developments.

- the half-yearly report contains summarised financial information and a review of the operations of the group during the period. This review is sent to all shareholders. The half-year reviewed financial report is lodged with the Australian Securities and Investments Commission and the ASX, and sent to any shareholder who requests it.
- all announcements made to the market, and related information (including information provided to analysts or the media during briefings), is placed on the Company's website after they are released to the ASX.
- the full texts of notices of meetings and associated explanatory material are placed on the Company's website.

All of the above information, including that of the previous years, is made available on the group's website.

The board encourages full participation of shareholders at the Annual General Meeting, to ensure a high level of accountability and identification with the group's strategy and goals. The external auditor is requested to attend the annual general meetings to answer any questions concerning the audit and the content of the auditor's report.

The shareholders are requested to vote on the appointment and aggregate remuneration of directors, the granting of options and shares to directors and changes to the Constitution. Copies of the Constitution are available to any shareholder who requests it.

OPERATING AND FINANCIAL REVIEW

The board of Codan Limited has announced an underlying net profit after tax of $10.5 million, before impairment, integration and restructuring expenses for the year ended 30 June 2008, compared with $11.2 million in the previous year.

The profit arose from full year revenue of $109.9 million, compared with $121.6 million in 2006-2007.

The underlying result excludes the effects of the following significant non-recurring items:

- Non-cash impairment write downs of assets associated with the company's operations in the digital microwave radio and TV broadcast markets of $8.7 million (after tax); and
- Costs of integration and restructuring following the acquisition of Minelab of $0.8 million (after tax).

Codan's after-tax net profit including impairment, integration and restructuring expenses was $1.0 million.

The board has declared a steady final dividend of 3.5 cents per share, maintaining the annual dividend at 6.5 cents per share.

Net cash flows of $17.0 million from operating activities have more than covered the Group's requirements for operational capital expenditure, capitalised product development and dividends for the full year.

The result for the past year to 30 June 2008 was achieved in the context of the following key factors and initiatives:

- The average US dollar exchange rate, given hedging in place, rising to 84.4 US cents from 77.4 US cents year on year. The impact of this was to reduce profit before tax by $2.6 million;
- Continued substantial reduction in expenses and improvements in gross margins and productivity; and
- The acquisition of Minelab Electronics Pty Ltd and its subsidiary Parketronics on 29 February 2008 for a total consideration of $69.4 million, funded by bank debt.

The impairment write downs follow a detailed review of the Group's operations and strategy subsequent to the acquisition of Minelab. Digital microwave radio and broadcast product sales are small and have not contributed to group profit in FY08. Some of the resource being applied to these operations has been redirected to other parts of the Group, including Minelab, where a better return on shareholder funds will be achieved. Customer demand for digital microwave radio and broadcast products will continue to be met. The board considers that shareholder value will be enhanced by the refocus of resources.

The Codan communications products business did not perform as well in the second half of FY08 compared to the first half because of reduced demand from traditional markets. Performance in FY09 will be improved by increasing HF sales to security, protection and military markets, the imminent release of new satellite communications products, and the reduction in product costs arising from outsourcing some manufacturing to Malaysia. The contract with the company's outsourcing partner is signed and the process of transfer of manufacture is underway. We expect savings in the vicinity of 15% of direct cost for outsourced products. Significant benefit will be realised progressively over the next two years.

The acquisition of Minelab has delivered real value to Codan shareholders. The business is proving to be at least as strong as expected at acquisition and adds significant potential for synergies and growth to the Group. Since acquisition, the Metal Detection segment has contributed approximately $16.2 million in revenue and $5.3 million in EBIT from normal operations to the Codan Group's full year result. In the same period the interest cost incurred in respect of the acquisition was $2.2 million (before tax). This contribution is better than forecast by the company at the time of the acquisition, although it was enhanced by the release of a new product in April. In FY09, the board expects the performance of the acquired business activities to also exceed earlier forecasts.

OPERATING AND FINANCIAL REVIEW (CONTINUED)

Codan Summary Financial Performance

	Year ended 30 June			
	FY08		FY07	
Full year results	$m	%	$m	%
Revenue				
Communication products	**83.4**	**76%**	111.0	91%
Metal detection	**16.2**	**15%**	–	–
Other	**10.3**	**9%**	10.6	9%
Total revenue	**109.9**	**100%**	121.6	100%
Underlying business performance				
EBITDA	**24.3**	**22%**	24.2	20%
EBIT	**17.0**	**15%**	16.5	14%
Interest	**(2.2)**		(0.6)	
Net profit before tax	**14.8**	**13%**	15.9	13%
Net profit after tax	**10.5**	**10%**	11.2	9%
Non-recurring expenses after tax	**9.5**		–	
Net profit after tax	**1.0**		11.2	
	cents		cents	
Underlying earnings per share, fully diluted	**6.5**		6.9	
Dividend per share	**6.5**		6.5	

HF Radio

Codan has successfully launched an excellent range of specialist HF radio products into the global security, protection and military market segments. The new products are being well received by this market, supported by good order levels since 30 June.

Codan's HF business is expected to strengthen during FY09 as a result of the investment made during the past 18 months that has positioned the company to enter these new markets effectively.

Satellite Communications

The high levels of demand for Codan's Satellite Communications' products reduced in the second half of FY08 due to a slow down in spending across the market in which we operate. Our focus remains on increasing market share for existing products and extending the product range to broaden our market niche.

We have now experienced a number of years of significant US dollar revenue growth, which has been camouflaged by the continual strengthening of the Australian dollar during this period. We expect FY09 to be a year of consolidation for Satellite Communications before growth in FY10.

Metal Detection

Sales have remained strong in both the Consumer and the Countermine metal detection product groups since the acquisition was completed on 29 February 2008. The introduction of a new high end gold detector, the GPX-4500, in April 08 and the imminent release of a new high end coin and treasure machine, ETRAC, should see continued excellent performance in FY09. We expect the introduction of the new F3S mine detector should also see continued revenue growth of Countermine products as we increase market share of the humanitarian countermine market whilst continuing to supply metal detection solutions to military customers including the US Army.

Outlook

In the next 12 months Codan will focus on:

- Strengthening market positions in HF Radio, Satellite Communications and Metal Detection;
- Consolidating outsourcing to Malaysia for communications products and extending this initiative to other parts of our business where this makes sense; and
- Achieving further synergies from the acquisition of Minelab, with a particular focus on streamlining systems and support functions and leveraging Minelab and Codan's existing manufacturing and distribution capability.

Directors believe that FY08 represents a watershed year from a results perspective.

Codan's management team is now at full strength and has refocused its resources. We expect to see improving sales and margins in communication products; there will be a full year of Minelab results in FY09 and the Group has substantially hedged its exposure to movements in the AUD to USD exchange rate for the 2009 financial year at an average rate of 88 cents.

The Board believes the outlook for year ended 30 June 2009 is positive and expects Group EPS in FY09 to be at least 20 percent greater than the underlying EPS in FY08.

DIVIDENDS

Dividends paid or declared by the Company to members since the end of the previous financial year were:

Type	Cents per share	Total amount $'000	Franked	Date of Payment
Declared and paid during the year:				
– Final 2007 ordinary	3.5	5,672	100%	2 October 2007
– Interim 2008 ordinary	3.0	4,861	100%	1 April 2008
Declared after the end of the year:				
– Final 2008 ordinary	3.5	5,672	100%	1 October 2008

All dividends paid or declared by the Company since the end of the previous financial year were fully franked.

EVENTS SUBSEQUENT TO REPORTING DATE

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the group, in future financial years.

LIKELY DEVELOPMENTS

The group will continue to pursue its policy of increasing the profitability and market share of its major business sectors during the next financial year.

Further information about likely developments in the operations of the group and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the group.

DIRECTORS' INTERESTS

The relevant interest of each director in the shares issued by the Company as notified by the directors to the Australian Stock Exchange in accordance with S205G(1) of the Corporations Act 2001, at the date of this report is as follows:

	Ordinary shares
Michael Heard	4,399,522
Brian Burns	11,580,737
Peter Griffiths	110,000
Dr David Klingner	189,775
David Klingberg	58,700
Ian Wall	34,792,943
David Simmons	–

INDEMNIFICATION AND INSURANCE OF OFFICERS

Indemnification

The Company has agreed to indemnify the current and former directors of the Company against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as directors of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith. The Access, Indemnity and Insurance Deed agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

The Company has also agreed to indemnify the current and former directors of its controlled entities for all liabilities to another person (other than the Company or a related body corporate) that may arise from their position, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

DIRECTORS' REPORT

INDEMNIFICATION AND INSURANCE OF OFFICERS (CONTINUED)

Insurance premiums

The directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors' and officers' liability and legal expenses insurance contracts, as such disclosure is prohibited under the terms of the contract.

NON-AUDIT SERVICES

During the year KPMG, the Company's auditor, has performed certain other services in addition to their statutory duties.

The board has considered the non-audit services provided during the year by the auditor and is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Board Audit, Risk and Compliance Committee to ensure they do not impact the integrity and objectivity of the auditor;
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Refer page 25 for a copy of the auditors independence declaration as required under Section 307C of the Corporations Act.

Details of the amounts paid or payable to the auditor of the Company, KPMG, and its related practices for audit and non-audit services provided during the year are set out below.

	Consolidated 2008 $	Consolidated 2007 $
Statutory audit:		
– audit and review of financial reports (KPMG Australia)	**166,000**	110,000
– audit of financial reports (overseas KPMG firms)	**21,744**	14,581
	187,744	124,581
Services other than statutory audit:		
Other assurance services		
– due diligence and corporate finance services	**463,396**	–
– accounting advice	**10,000**	–
Other services		
– taxation compliance services (KPMG Australia)	**69,353**	57,397
– taxation compliance services (overseas KPMG firms)	**60,133**	17,402
	602,882	74,799

ROUNDING OFF

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

This report is made with a resolution of the directors:

Dr D Klingner
Director

M K Heard
Director

Dated at Newton this 20th day of August 2008.

LEAD AUDITOR'S INDEPENDENCE DECLARATION

LEAD AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

To: the directors of Codan Limited:

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2008 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

Gary Savage
Partner

Adelaide

20 August 2008

INCOME STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

	Note	Consolidated 2008 $000	Consolidated 2007 $000	The Company 2008 $000	The Company 2007 $000
Revenue		**109,945**	121,591	**83,234**	110,626
Cost of sales		**(59,865)**	(68,291)	**(44,879)**	(61,057)
Gross profit		**50,080**	53,300	**38,355**	49,569
Other income	5	**879**	426	**238**	386
Administrative expenses		**(9,278)**	(8,426)	**(7,587)**	(8,279)
Sales and marketing expenses		**(19,364)**	(20,016)	**(15,035)**	(18,421)
Engineering expenses		**(6,768)**	(7,980)	**(6,058)**	(7,517)
Net financing costs	6	**(1,957)**	(1,353)	**(1,331)**	(1,248)
Impairment of inventory and non current assets	3	**(9,954)**	–	**(10,254)**	–
Other expenses		**(8)**	(80)	**1**	11
Profit before tax		**3,630**	15,871	**(1,671)**	14,501
Income tax expense	8	**(2,621)**	(4,632)	**(1,332)**	(4,237)
Profit for the year		**1,009**	11,239	**(3,003)**	10,264

Earnings per share for profit attributable to the ordinary equity holders of the company:

	Note	Consolidated 2008	Consolidated 2007
Basic earnings per share	32	**0.6 cents**	6.9 cents

The income statements are to be read in conjunction with the notes to and forming part of the financial statements set out on pages 30 to 59.

STATEMENTS OF RECOGNISED INCOME AND EXPENSE

FOR THE YEAR ENDED 30 JUNE 2008

		Consolidated		The Company	
	Note	**2008 $000**	2007 $000	**2008 $000**	2007 $000
Exchange differences on translation of foreign operations	23	**308**	121	**–**	128
Gains / (Losses) on cash flow hedges taken to / from hedging reserve	23	**737**	462	**737**	462
Net income recognised directly in equity		**1,045**	583	**737**	590
Profit for the period		**1,009**	11,239	**(3,003)**	10,264
Total recognised income and expense for the period		**2,054**	11,822	**(2,266)**	10,854

Other movements in equity arising from transactions with owners are set out in the notes to the financial statements.

The statements of recognised income and expense are to be read in conjunction with the notes to and forming part of the financial statements set out on pages 30 to 59.

BALANCE SHEETS

AS AT 30 JUNE 2008

		Consolidated		The Company	
	Note	2008 $000	2007 $000	2008 $000	2007 $000
CURRENT ASSETS					
Cash and cash equivalents	9	**5,417**	5,862	**3,931**	4,820
Trade and other receivables	10	**18,304**	15,724	**19,578**	16,321
Inventories	11	**18,427**	14,122	**10,538**	12,546
Current tax assets	8	**536**	–	**–**	–
Other assets	12	**3,329**	1,866	**2,802**	1,567
Total current assets		**46,013**	37,574	**36,849**	35,254
NON-CURRENT ASSETS					
Investments in equity accounted investees	13	**–**	–	**–**	–
Investments	14	**50**	50	**89,609**	33,649
Property, plant and equipment	15	**25,034**	17,777	**14,573**	15,843
Product development	16	**12,518**	14,438	**11,978**	14,438
Intangible assets	17	**73,156**	25,039	**3,354**	4,126
Deferred tax assets	8	**42**	28	**–**	–
Total non-current assets		**110,800**	57,332	**119,514**	68,056
Total assets		**156,813**	94,906	**156,363**	103,310
CURRENT LIABILITIES					
Trade and other payables	18	**18,091**	12,750	**11,380**	10,438
Other liabilities	19	**–**	–	**11,771**	11,499
Loans and borrowings	20	**6**	2,363	**–**	2,357
Current tax payable	8	**1,738**	1,769	**1,566**	1,611
Provisions	21	**4,042**	3,527	**2,905**	3,198
Total current liabilities		**23,877**	20,409	**27,622**	29,103
NON-CURRENT LIABILITIES					
Loans and borrowings	20	**67,555**	26	**67,535**	–
Deferred tax liabilities	8	**515**	1,850	**1,971**	2,129
Provisions	21	**2,822**	2,098	**1,829**	1,873
Total non-current liabilities		**70,892**	3,974	**71,335**	4,002
Total liabilities		**94,769**	24,383	**98,957**	33,105
Net assets		**62,044**	70,523	**57,406**	70,205
EQUITY					
Share capital	22	**23,685**	23,685	**23,685**	23,685
Reserves	23	**1,444**	399	**1,199**	462
Retained earnings	24	**36,915**	46,439	**32,522**	46,058
Total equity		**62,044**	70,523	**57,406**	70,205

The balance sheets are to be read in conjunction with the notes to and forming part of the financial statements set out on pages 30 to 59.

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2008

	Note	Consolidated 2008 $000	Consolidated 2007 $000	The Company 2008 $000	The Company 2007 $000
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash receipts from customers		**114,573**	129,242	**85,673**	117,718
Cash payments to suppliers and employees		**(90,959)**	(97,690)	**(65,856)**	(79,746)
Interest received		**213**	118	**171**	125
Interest paid		**(2,427)**	(596)	**(2,269)**	(591)
Income taxes paid		**(4,340)**	(2,191)	**(3,679)**	(2,178)
Net cash from operating activities	28(ii)	**17,060**	28,883	**14,040**	35,328
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of subsidiaries	28(iii)	**(66,726)**	–	**(68,010)**	–
Proceeds from sale of property, plant and equipment		**7**	80	**1**	15
Dividends received		**39**	44	**–**	–
Payments for capitalised product development		**(4,224)**	(2,729)	**(3,682)**	(2,729)
Payments for intellectual property		**(258)**	–	**–**	–
Acquisition of property, plant and equipment		**(853)**	(596)	**(459)**	(379)
Acquisition of intangibles (computer software)		**(82)**	(18)	**(52)**	(18)
Net cash used in investing activities		**(72,097)**	(3,219)	**(72,202)**	(3,111)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from borrowings		**67,535**	–	**67,535**	–
Repayments of borrowings		**(2,363)**	(9,191)	**(2,357)**	(9,143)
Proceeds / (Loans) to / from related companies		**–**	–	**2,628**	(7,053)
Dividends paid		**(10,533)**	(10,533)	**(10,533)**	(10,533)
Net cash from / (used in) financing activities		**54,639**	(19,724)	**57,273**	(26,729)
Net increase / (decrease) in cash held		**(398)**	5,940	**(889)**	5,488
Cash and cash equivalents at the beginning of the financial year		**5,862**	(64)	**4,820**	(668)
Effects of exchange rate fluctuations on cash held		**(47)**	(14)	**–**	–
Cash and cash equivalents at the end of the financial year	28(i)	**5,417**	5,862	**3,931**	4,820

The statements of cash flows are to be read in conjunction with the notes to and forming part of the financial statements set out on pages 30 to 59.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

1. SIGNIFICANT ACCOUNTING POLICIES

Codan Limited (the "company") is a company domiciled in Australia. The consolidated financial report of the company for the year ended 30 June 2008 comprises the company and its subsidiaries (together referred to as the "Group" and individually as "Group Entities"). The financial report was authorised for issue by the directors on 20 August 2008.

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001.

The consolidated financial report of the Group and the financial report of the Company comply with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

(b) Basis of preparation

The financial report is prepared in Australian dollars (the Company's functional currency) on the historical costs basis except that derivative financial instruments are stated at their fair value. The following standards and amendments that have been identified as those which may impact the entity were available for early adoption but have not been applied by the group in these financial statements:

Revised AASB 3 Business Combinations changes the application of acquisition accounting for business combinations and the accounting for non-controlling (minority) interests. Key changes include: the immediate expensing of all transaction costs; measurement of contingent consideration at acquisition date with subsequent changes through the income statement; measurement of non-controlling (minority) interest at full fair value or the proportionate share of the fair value of the underlying net assets; guidance on issues such as reacquired rights and vendor indemnities; and the inclusion of combinations by contract alone and those involving mutuals. The revised standard becomes mandatory for the Group's 30 June 2010 financial statements. The Group has not yet determined the potential effect of the revised standard on the Group's financial report.

AASB 8 Operating Segments introduces the "management approach" to segment reporting. AASB 8, which becomes mandatory for the Group's 30 June 2010 financial statements, will require disclosure of segment information based on the internal reports regularly reviewed by the Group's Chief Operating Decision Maker in order to assess each segment's performance and to allocate resources to them. Currently the Group presents segment information in respect of its business and geographical segments (see note 4). The Group has not yet determined the potential effect of the revised standard on the Group's disclosures.

Revised AASB 101 Presentation of Financial Statements introduces as a financial statement (formerly "primary" statement) the "statement of comprehensive income". The revised standard does not change the recognition, measurement or disclosure of transactions and events that are required by other AASBs. The revised AASB 101 will become mandatory for the Group's 30 June 2010 financial statements. The Group has not yet determined the potential effect of the revised standard on the Group's disclosures.

Revised AASB 127 Consolidated and Separate Financial Statements changes the accounting for investments in subsidiaries. Key changes include: the remeasurement to fair value of any previous/retained investment when control is obtained/lost, with any resulting gain or loss being recognised in profit or loss; and the treatment of increases in ownership interest after control is obtained as transactions with equity holders in their capacity as equity holders. The revised standard will become mandatory for the Group's 30 June 2010 financial statements. The Group has not yet determined the potential effect of the revised standard on the Group's financial report.

AASB 2008-1 Amendments to Australian Accounting Standard – Share-based Payment: Vesting Conditions and Cancellations changes the measurement of share-based payments that contain non-vesting conditions. AASB 2008-1 becomes mandatory for the Group's 30 June 2010 financial statements. The Group has not yet determined the potential effect of the amending standard on the Group's financial report.

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with the Class Order, amounts in the financial report have been rounded off to the nearest thousand dollars, unless otherwise stated.

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. The estimates and judgments that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year relate to impairment assessments of non-current assets, including product development and goodwill.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

(c) Basis of consolidation

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date control commences until the date control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

Unrealised gains and losses and inter-entity balances resulting from transactions with or between subsidiaries are eliminated in full on consolidation.

Associates

An associate is an entity, other than a partnership, over which the Group exercises significant influence and where the investment in that entity has not been acquired with a view to disposal in the near future. In the Company's financial statements investments in associates are carried at the lower of cost and recoverable amount. In the consolidated financial statements investments in associates are accounted for using equity accounting principles. Investments in associates are carried at the lower of the equity accounted amount and recoverable amount.

Unrealised gains resulting from transactions with associates, including those related to contributions of non-monetary assets on establishment, are eliminated to the extent of the Group's interest. Unrealised gains relating to associates are eliminated against the carrying amount of the investment. Unrealised losses are eliminated in the same way as unrealised gains, unless they evidence a recoverable amount impairment.

(d) Revenue recognition

Revenues are recognised at the fair value of the consideration received or receivable net of the amount of goods and services tax (GST) payable to taxation authorities.

Sale of goods

Revenue from the sale of equipment is recognised (net of rebates, returns, discounts and other allowances) when control of the goods passes to the customer. Control usually passes when the goods are shipped to the customer.

Rendering of services

Revenue from rendering services is recognised in the period in which the service is provided.

Dividends

Revenue from dividends and distributions from controlled entities are recognised by the parent entity when they are declared.

(e) Expenses

Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense and spread over the lease term.

Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Net financing costs

Net financing costs include interest relating to borrowings, interest received on funds invested, foreign exchange gains and losses and gains and losses on hedging instruments that are recognised in the income statement. Qualifying assets are assets which take more than 12 months to get ready for their intended use or sale. In these circumstances, borrowing costs are capitalised to the cost of the assets. Interest income and borrowing costs are recognised in the income statement on an accruals basis, using the effective interest method. Foreign currency gains and losses are reported on a net basis.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Foreign currency

Foreign currency transactions are translated to Australian currency at the rates of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Australian dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

The assets and liabilities of foreign operations are translated to Australian dollars at the foreign exchange rates ruling at the reporting date. Equity items are translated at historical rates. The income and expenses of foreign operations are translated to Australian dollars at the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on translation are taken directly to the foreign currency translation reserve (FCTR) until the disposal, or partial disposal, of the foreign operations.

Foreign exchange gains and losses arising from a monetary item receivable or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and on consolidation they are recognised in equity in the foreign currency translation reserve.

(g) Derivative financial instruments

The Group has used derivative financial instruments to hedge its exposure to foreign exchange and interest rate movements. In accordance with its policy, the Group does not hold derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments. Derivative financial instruments are recognised initially at cost. Attributable transaction costs are recognised in the income statement when incurred. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on remeasurement to fair value is recognised immediately in the income statement unless the derivative qualifies for hedge accounting.

Hedging

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a highly probable forecasted transaction the effective part of any gain or loss on the derivative financial instrument is recognised directly in equity. When the forecast transaction subsequently results in the recognition of a financial asset or liability, then the associated gains and losses that were recognised directly in equity are reclassified into the income statement.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, then the unrealised gain or loss recognised in equity is recognised immediately in the income statement.

(h) Taxation

Income tax expense on the income statement comprises a current and deferred tax expense. Income tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax expense is the expected tax payable on the taxable income for the year using tax rates enacted or substantially enacted at the reporting date, adjusted for any prior year under or over provision. The movement in deferred tax assets and liabilities results in the deferred tax expense, unless the movement results from a business combination in which case the tax entry is recognised in goodwill, or a transaction has impacted equity in which case the tax entry is also reflected in equity.

Deferred tax assets and liabilities arise from temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets are only recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Tax consolidation

The Company is the head entity in the tax consolidated group comprising all the Australian wholly owned subsidiaries. The Company recognises the current tax liability of the tax consolidated group. The tax consolidated group has determined that subsidiaries will account for deferred tax balances and will make contributions to the head entity for the current tax liabilities as if the subsidiary prepared its tax calculation on a stand alone basis.

(i) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or is expensed.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recovered from, or payable to, the ATO are classified as operating cash flows.

(j) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of three months or less. Bank overdrafts form an integral part of the Group's cash management and are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(k) Trade and other receivables

Trade Debtors are to be settled within agreed trading terms, typically less than 60 days and are carried at the net present value of the amount due. Impairment of receivables is not recognised until objective evidence is available that a loss event may occur. Significant receivables are individually assessed for impairment. Non-significant receivables are not individually assessed, instead impairment testing is performed by considering the risk profile of that group of receivables. All impairment losses are recognised in the income statement.

(l) Inventories

Raw materials and stores, work in progress and finished goods are carried at the lower of cost (determined on a first in first out basis) and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. In the case of manufactured inventories and work in progress, costs comprise direct materials, direct labour, other direct variable costs and allocated factory overheads necessary to bring the inventories to their present location and condition.

(m) Investments

Investments in controlled entities are carried in the Company's financial statements at the lower of cost and recoverable amount.

(n) Intangible assets

Product development costs

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the income statement as an expense when incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products, is capitalised only if development costs can be measured reliably, the product is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset.

The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads less accumulated amortisation and accumulated impairment losses. Other development expenditure is recognised in profit or loss when incurred.

Goodwill

All business combinations are accounted for by applying the purchase method. Goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment. Negative goodwill is recognised directly in the income statement.

Goodwill in relation to acquisitions prior to the transition to AIFRS, being 1 July 2004, is recognised on the basis of deemed cost, which represents the amount recorded under previous GAAP.

Intellectual property

Subsequent to the acquisition of Minelab Electronics Pty Limited (refer note 28 (iii)) by Codan Limited, Minelab Electronics Pty Limited acquired ownership of the intellectual property that forms the basis for their metal detection products. The consideration payable under the agreement is based on the sales of metal detection products over a ten year period. An asset in relation to the acquired intellectual property will be recognised as Minelab Electronics Pty Limited becomes liable to the payments under the contract.

Other intangible assets

Other intangible assets that are acquired by the Group, which have finite useful lives, are stated at cost less accumulated amortisation and accumulated impairment losses. Expenditure on internally generated goodwill and brands is recognised in the income statement as incurred.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Amortisation

Amortisation is charged to the income statement on a straight line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives in the current and comparative periods are as follows:

Product development and intellectual property	2 – 15 years
Computer software	3 – 7 years

(o) Property, plant and equipment

Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour and any other costs directly attributable to bringing the asset to a working condition for its intended use and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Land and buildings that had been revalued to fair value prior to the transition to AIFRS, being 1 July 2004, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" in profit or loss.

Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognised on the Group's balance sheet.

Depreciation

Depreciation is charged to the income statement on property, plant and equipment on a straight line basis over the estimated useful life of the assets. Capitalised leased assets are amortised on a straight line basis over the term of the relevant lease, or where it is likely the Group will obtain ownership of the asset, the life of the asset. Land is not depreciated. The main depreciation rates used for each class of asset are as follows:

Buildings	4%
Leasehold property	33%
Plant and equipment	5% to 40%

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

(p) Impairment

The carrying amounts of the Group's assets, other than inventories, and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such impairment exists, the asset's recoverable amount is estimated.

For goodwill and intangible assets that are not yet available for use, the recoverable amount is estimated annually.

The recoverable amount of assets is the greater of their fair value less costs to sell or their value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash inflows that are largely independent from other assets and groups. Impairment losses are recognised in the income statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill and then to reduce the carrying amount of the other assets in the cash generating unit on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimate used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(q) Payables

Liabilities are recognised for amounts to be paid in the future for goods or services received. Trade accounts payable are normally settled within 60 days.

(r) Interest bearing borrowings

Interest bearing borrowings are recognised initially at their fair value less attributable transaction costs. Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

(s) Employee benefits

Wages, salaries and annual leave

Liabilities for employee benefits for wages, salaries and annual leave represent present obligations resulting from employees' services provided to reporting date, calculated at undiscounted amounts based on remuneration rates that the Group expects to pay as at the reporting date including related on-costs, such as, workers compensation insurance and payroll tax.

Long service leave

The provision for employee benefits for long service leave represents the present value of the estimated future cash outflows resulting from the employees' services provided to reporting date. The provision is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates based on turnover history and is discounted using the rates attaching to Commonwealth Government bonds at reporting date which most closely match the terms of maturity of the related liabilities.

Defined contribution superannuation funds

The Group contributes to defined contribution superannuation plans, contributions are expensed in the income statement as incurred.

(t) Provisions

A provision is recognised when there is a present legal or constructive obligation as a result of a past event and it is probable that a future sacrifice of economic benefits will be required to settle the obligation that can be estimated reliably. Provisions are determined by discounting the expected future cash flows required to settle the obligation at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability.

Dividends

A provision for dividends payable is recognised in the reporting period in which the dividends are declared.

Restructuring and employee termination benefits

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

Warranty

A provision is made for the Group's estimated liability on all products sold and still under warranty and includes claims already received. The estimate is based on the Group's warranty cost experience over previous years.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract.

(u) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing related products or services (business segment), or in providing products or services within a particular environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Group's primary format for segment reporting is based on business segments.

	Consolidated		The Company	
	2008 $000	2007 $000	**2008 $000**	2007 $000

2. DIVIDENDS

(i) an ordinary final dividend of 3.5 cents per share, franked to 100% with 30% franking credits, was paid on 3 October 2006		5,672		5,672
(ii) an ordinary interim dividend of 3.0 cents per share, franked to 100% with 30% franking credits, was paid on 2 April 2007		4,861		4,861
(iii) an ordinary final dividend of 3.5 cents per share, franked to 100% with 30% franking credits, was paid on 2 October 2007	**5,672**		**5,672**	
(iv) an ordinary interim dividend of 3.0 cents per share, franked to 100% with 30% franking credits, was paid on 1 April 2008	**4,861**		**4,861**	
	10,533	10,533	**10,533**	10,533

Subsequent events

Since the end of the financial year, the directors declared an ordinary final dividend of 3.5 cents per share, franked to 100% with 30% franking credits, the dividend of $5,671,591 will be paid on 1 October 2008. The financial effect of this dividend has not been brought to account in the financial statements for the year ended 30 June 2008 and will be recognised in subsequent financial reports.

Dividend franking account

Franking credits available to shareholders for subsequent financial years (30%)			**6,290**	7,583

The franking credits available are based on the balance of the dividend franking account at year end adjusted for the franking credits that will arise from the payment of the current tax liability. The ability to utilise the franking account credits is dependent upon there being sufficient available profits to declare dividends. The impact on the dividend franking account of dividends proposed after the balance sheet date but not recognised as a liability is to reduce it by $2,430,681 (2007: $2,430,681).

3. IMPAIRMENT OF INVENTORY AND NON CURRENT ASSETS

As the Digital Microwave Radio product line, (which forms part of the Communications business segment), and Codan Broadcast Products Pty Ltd are not expected to generate significant profits in the future, the assets related to this product line and company have been tested for impairment and the following impairment loss has been recognised.

	Consolidated		The Company	
	2008 $000	2007 $000	**2008 $000**	2007 $000
Inventory	**2,031**	–	**1,431**	–
Plant and equipment	**438**	–	**216**	–
Product development	**1,786**	–	**1,786**	–
Goodwill	**5,699**	–	**–**	–
Investment in subsidiary	**–**	–	**5,337**	–
Write down of loan to subsidiary	**–**	–	**1,484**	–
	9,954	–	**10,254**	–

4. SEGMENT ACTIVITIES

Segment results, assets and liabilities include items directly attributed to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly of interest bearing loans, borrowings and related expenses, corporate assets and related expenses.

Business segments

The Group acquired Minelab Electronics Pty Limited during the year, refer to note 28(iii) for details in relation to this acquisition.

The Group comprises three business segments based on the management reporting system. The communications equipment segment includes the design, development, manufacture and marketing of communications equipment. The metal detection segment includes the design, development, manufacture and marketing of metal detection equipment. The other business segment includes the manufacture and marketing of printed circuit boards, a specialist electronic component manufacturing business and the manufacture of electronic equipment for the broadcast industry.

Geographical segments

In presenting information on the basis of geographical segments, segment revenue has been based on the geographic location of the customers, however the final location of the products use is often unknown. Segment assets are based on the geographic location of the assets. The Group has manufacturing and corporate offices in Australia with overseas representation offices in the United States of America, England, India, China and a manufacturing facility in Ireland.

	Communications		Metal Detection		Other		Elimination		Consolidated	
Business segments	**2008 $000**	2007 $000	**2008 $000**	2007 $000	**2008 $000**	2007 $000	**2008 $000**	2007 $000	**2008 $000**	2007 $000
Revenue										
External segment revenue	**83,387**	110,966	**16,220**	–	**10,338**	10,625	**–**	–	**109,945**	121,591
Inter segment revenue	**–**	–	**–**	–	**2,681**	1,421	**(2,681)**	(1,421)	**–**	–
Total segment revenue	**83,387**	110,966	**16,220**	–	**13,019**	12,046	**(2,681)**	(1,421)	**109,945**	121,591
Other unallocated revenue									**–**	–
Total revenue									**109,945**	121,591
Result										
Segment result before impairment and restructure costs	**17,781**	21,805	**5,448**	–	**129**	1,118	**(34)**	(13)	**23,324**	22,910
Impairment charge	**(3,433)**	–	**–**	–	**(6,521)**	–	**–**	–	**(9,954)**	–
Restructure costs	**(754)**	–	**(316)**	–	**(99)**	–	**–**	–	**(1,169)**	–
Segment result	**13,594**	21,805	**5,132**	–	**(6,491)**	1,118	**(34)**	(13)	**12,201**	22,910
Unallocated corporate expenses									**(8,571)**	(7,039)
Profit from operating activities									**3,630**	15,871
Income tax expense									**(2,621)**	(4,632)
Net Profit									**1,009**	11,239
Non cash items included above										
Depreciation and amortisation	**6,756**	7,508	**380**	–	**242**	307	**–**	–	**7,378**	7,815
Assets										
Segment assets	**68,057**	76,260	**72,255**	–	**7,130**	10,867	**–**	–	**147,442**	87,127
Investments									**50**	50
Unallocated corporate assets									**9,321**	7,729
Consolidated total assets									**156,813**	94,906
Liabilities										
Segment liabilities	**16,855**	16,772	**5,494**	–	**2,609**	1,630	**–**	–	**24,958**	18,402
Unallocated corporate liabilities									**69,811**	5,981
Consolidated total liabilities									**94,769**	24,383

4. SEGMENT ACTIVITIES (CONTINUED)

	Europe		Americas		Asia		Australia/Oceania		Africa		Consolidated	
Geographical Segments	**2008 $000**	2007 $000	**2008 $000**	2007 $000	**2008 $000**	2007 $000	**2008 $000**	2007 $000	**2008 $000**	2007 $000	**2008 $000**	2007 $000
External segment revenue by location of customers	**30,750**	31,992	**33,294**	47,599	**13,218**	16,295	**18,503**	12,520	**14,180**	13,185	**109,945**	121,591
Segment assets by location of assets	**7,327**	2,130	**1,483**	1,412	**–**	–	**148,003**	91,364	**–**	–	**156,813**	94,906
Acquisitions of non current assets	**11**	–	**4**	55	**–**	–	**5,402**	3,288	**–**	–	**5,417**	3,343

	Consolidated		The Company	
	2008 $000	2007 $000	**2008 $000**	2007 $000
5. OTHER INCOME				
Dividend income	**39**	44	**–**	–
Services income	**502**	–	**–**	–
Other items	**326**	382	**138**	286
Rental income	**12**	–	**100**	100
	879	426	**238**	386
6. EXPENSES				
Net financing costs:				
Interest income	**(213)**	(162)	**(171)**	(125)
Net foreign exchange (gain) / loss	**(257)**	919	**(767)**	782
Interest expense	**2,427**	596	**2,269**	591
	1,957	1,353	**1,331**	1,248
Depreciation of:				
Buildings	**420**	352	**351**	352
Leasehold property	**19**	35	**–**	22
Plant and equipment	**1,608**	1,833	**1,162**	1,450
	2,047	2,220	**1,513**	1,824
Amortisation of:				
Product development costs	**4,357**	4,728	**4,356**	4,728
Intellectual property	**126**	–	**–**	–
Computer software	**848**	867	**824**	867
	5,331	5,595	**5,180**	5,595
Personnel expenses:				
Wages and salaries	**23,867**	22,246	**15,589**	16,371
Other associated personnel expenses	**2,057**	1,878	**1,126**	1,261
Contributions to defined contribution superannuation plans	**2,211**	1,873	**1,457**	1,450
Increase in liability for long service leave	**382**	267	**300**	254
Increase in liability for annual leave	**1,586**	1,371	**1,179**	1,194
	30,103	27,635	**19,651**	20,530
Impairment of trade receivables	**57**	249	**99**	216
Operating lease rental expense	**586**	466	**590**	50
(Profit) or loss on sale of property, plant and equipment	**8**	80	**(1)**	(11)
Restructuring costs expensed as incurred	**1,169**	–	**361**	–

	Consolidated 2008 $	Consolidated 2007 $	The Company 2008 $	The Company 2007 $

7. AUDITORS' REMUNERATION

	Consolidated 2008 $	Consolidated 2007 $	The Company 2008 $	The Company 2007 $
Audit services:				
KPMG Australia – audit and review of financial reports	**166,000**	110,000	**110,000**	110,000
Overseas KPMG firms – audit of financial reports	**21,744**	14,581	**–**	–
Other auditors – audit and review of financial reports	**17,026**	–	**–**	–
Other services:				
KPMG Australia – taxation services	**69,353**	57,397	**69,353**	57,397
KPMG Australia – other assurance services	**10,000**	–	**10,000**	–
Overseas KPMG firms – taxation services	**60,133**	17,402	**60,133**	–
KPMG related practices – due diligence and corporate finance services	**463,396**	–	**463,396**	–
	807,651	199,380	**712,882**	167,397

8. INCOME TAX

	Consolidated 2008 $000	Consolidated 2007 $000	The Company 2008 $000	The Company 2007 $000
(a) Income tax expense				
Current tax expense:				
Current tax payable for the financial year	**3,953**	4,988	**2,089**	4,658
Adjustments for prior years	**(95)**	(151)	**(131)**	(129)
	3,858	4,837	**1,958**	4,529
Deferred tax expense:				
Origination and reversal of temporary differences	**(1,237)**	(205)	**(626)**	(292)
Total income tax expense in income statement	**2,621**	4,632	**1,332**	4,237
Reconciliation between tax expense and pre tax net profit:				
The prima facie income tax expense calculated at 30% on the profit from ordinary activities	**1,089**	4,762	**(501)**	4,350
Decrease in income tax expense due to:				
Additional deduction for research and development expenditure	**211**	137	**182**	137
Over provision for taxation in previous years	**95**	151	**131**	129
Sundry items	**(16)**	18	**–**	–
	799	4,456	**(814)**	4,084
Increase in income tax expense due to:				
Non-deductible expenses	**86**	136	**75**	127
Depreciation	**26**	26	**25**	26
Impairment of assets	**1,710**	–	**2,046**	–
Sundry items	**–**	14	**–**	–
Income tax expense	**2,621**	4,632	**1,332**	4,237

	Consolidated		The Company	
	2008 $000	2007 $000	**2008 $000**	2007 $000

8. INCOME TAX (CONTINUED)

(b) Current tax liabilities / asset

Balance at the beginning of the year	**(1,769)**	504	**(1,611)**	542
Acquired through business combination	**90**	–	**–**	–
Net foreign currency differences on translation of foreign entities	**38**	10	**–**	–
Tax payable transferred by entities in the tax consolidated group	**–**	–	**(1,637)**	(178)
Income tax paid / (received)	**4,340**	2,191	**3,679**	2,178
Adjustments from prior year	**52**	514	**92**	505
Current years income tax expense on operating profit	**(3,953)**	(4,988)	**(2,089)**	(4,658)
	(1,202)	(1,769)	**(1,566)**	(1,611)

Disclosed in balance sheet as:

Current tax asset	**536**	–	**–**	–
Income tax payable	**(1,738)**	(1,769)	**(1,566)**	(1,611)
	(1,202)	(1,769)	**(1,566)**	(1,611)

(c) Deferred tax liabilities

Provision for deferred income tax comprises the estimated expense at the applicable rate of 30% on the following items:

Expenditure currently tax deductible but deferred and amortised for accounting	**3,756**	4,331	**3,593**	4,331
Sundry items	**912**	21	**479**	8
Difference in depreciation of property, plant and equipment	**787**	660	**852**	661
Set off of tax in relation to deferred tax assets:				
Provisions for employee benefits not currently deductible	**(1,460)**	(1,150)	**(967)**	(990)
Provisions and accruals not currently deductible	**(3,451)**	(2,006)	**(1,986)**	(1,881)
Sundry items	**(29)**	(6)	**–**	–
	515	1,850	**1,971**	2,129

(d) Deferred tax assets

Future income tax benefit comprises the estimated benefit at the applicable rate of 30% on the following items:

Sundry items	**42**	28	**–**	–
	42	28	**–**	–

	Consolidated		The Company	
	2008 $000	2007 $000	2008 $000	2007 $000

9. CASH AND CASH EQUIVALENTS

Petty cash	**9**	4	**4**	2
Cash at bank	**5,408**	4,358	**3,927**	3,318
Short term deposit	**–**	1,500	**–**	1,500
	5,417	5,862	**3,931**	4,820

10. TRADE AND OTHER RECEIVABLES

Trade receivables	**18,482**	16,127	**12,416**	14,233
Less: Impairment losses recognised	**(940)**	(758)	**(793)**	(694)
	17,542	15,369	**11,623**	13,539
Other debtors	**762**	355	**692**	257
Loans to controlled entities	**–**	–	**7,263**	2,525
	18,304	15,724	**19,578**	16,321

11. INVENTORIES

Raw materials	**13,645**	10,932	**7,165**	9,706
Work in progress	**1,352**	821	**780**	471
Finished goods	**3,430**	2,369	**2,593**	2,369
	18,427	14,122	**10,538**	12,546

12. OTHER ASSETS

Prepayments	**1,502**	730	**989**	529
Deferred foreign currency hedge exchange difference	**1,713**	462	**1,713**	462
Other	**114**	674	**100**	576
	3,329	1,866	**2,802**	1,567

13. INVESTMENTS IN EQUITY ACCOUNTED INVESTEES

Shares in Associates	**–**	–	**–**	–

Codan Limited holds a 50% interest in PCB Contracting Services Pty Ltd.
This business ceased operations during the year ended 30 June 2004.

14. INVESTMENTS

Shares in controlled entities	**–**	–	**89,609**	33,649
Unlisted shares at cost	**50**	50	**–**	–
	50	50	**89,609**	33,649

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

	Consolidated		The Company	
	2008 $000	2007 $000	**2008 $000**	2007 $000
15. PROPERTY, PLANT AND EQUIPMENT				
Freehold land and buildings at cost	**16,236**	9,200	**9,211**	9,200
Accumulated depreciation	**(1,283)**	(863)	**(1,214)**	(863)
	14,953	8,337	**7,997**	8,337
Leasehold property at cost	**622**	338	**147**	147
Accumulated depreciation	**(331)**	(163)	**(147)**	(147)
	291	175	**–**	–
Plant and equipment at cost	**32,751**	26,623	**20,700**	20,325
Accumulated depreciation	**(23,117)**	(17,453)	**(14,165)**	(12,911)
	9,634	9,170	**6,535**	7,414
Capital work in progress at cost	**156**	95	**41**	92
Total property, plant and equipment	**25,034**	17,777	**14,573**	15,843
Reconciliations				
Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:				
Freehold land and buildings				
Carrying amount at beginning of year	**8,337**	8,815	**8,337**	8,815
Acquisitions through entity acquired	**7,000**	–	**–**	–
Additions	**11**	3	**11**	3
Transfers	**–**	(129)	**–**	(129)
Disposals	**–**	–	**–**	–
Depreciation	**(420)**	(352)	**(351)**	(352)
Net foreign currency differences on translation of foreign entities	**25**	–	**–**	–
Carrying amount at end of year	**14,953**	8,337	**7,997**	8,337
Leasehold property improvements				
Carrying amount at beginning of year	**175**	210	**–**	22
Acquisitions through entity acquired	**136**	–	**–**	–
Additions	**–**	–	**–**	–
Disposals	**–**	–	**–**	–
Depreciation	**(19)**	(35)	**–**	(22)
Net foreign currency differences on translation of foreign entities	**(1)**	–	**–**	–
Carrying amount at end of year	**291**	175	**–**	–

	Note	Consolidated 2008 $000	Consolidated 2007 $000	The Company 2008 $000	The Company 2007 $000
Plant and equipment					
Carrying amount at beginning of year		**9,170**	10,567	**7,414**	8,454
Acquisitions through entity acquired		**1,614**	–	**–**	–
Additions		**780**	499	**427**	284
Transfers		**162**	130	**72**	130
Disposals		**(15)**	(160)	**–**	(4)
Depreciation		**(1,608)**	(1,833)	**(1,162)**	(1,450)
Net foreign currency differences on translation of foreign entities		**(31)**	(33)	**–**	–
Impairment charge	3	**(438)**	–	**(216)**	–
Carrying amount at end of year		**9,634**	9,170	**6,535**	7,414
Capital work in progress at cost					
Carrying amount at beginning of year		**95**	2	**92**	2
Acquisitions through entity acquired		**162**	–	**–**	–
Additions		**62**	94	**21**	91
Disposals		**–**	–	**–**	–
Transfers		**(166)**	(1)	**(72)**	(1)
Net foreign currency differences on translation of foreign entities		**3**	–	**–**	–
Carrying amount at end of year		**156**	95	**41**	92
Total carrying amount at end of year		**25,034**	17,777	**14,573**	15,843

16. PRODUCT DEVELOPMENT

	Note	Consolidated 2008 $000	Consolidated 2007 $000	The Company 2008 $000	The Company 2007 $000
Product development – at cost		**42,587**	38,364	**42,046**	38,364
Accumulated amortisation		**(30,069)**	(23,926)	**(30,068)**	(23,926)
		12,518	14,438	**11,978**	14,438
Reconciliation					
Carrying amount at beginning of year		**14,438**	16,437	**14,438**	16,437
Capitalised in current period		**4,223**	2,729	**3,682**	2,729
Amortisation		**(4,357)**	(4,728)	**(4,356)**	(4,728)
Impairment	3	**(1,786)**	–	**(1,786)**	–
		12,518	14,438	**11,978**	14,438

	Note	Consolidated 2008 $000	Consolidated 2007 $000	The Company 2008 $000	The Company 2007 $000
17. INTANGIBLE ASSETS					
Goodwill		**69,378**	20,913	**–**	–
Intellectual property – at cost		**473**	–	**–**	–
Accumulated amortisation		**(126)**	–	**–**	–
		347	–	**–**	–
Computer software – at cost		**9,378**	8,488	**8,540**	8,488
Accumulated amortisation		**(5,947)**	(4,362)	**(5,186)**	(4,362)
		3,431	4,126	**3,354**	4,126
Total intangible assets		**73,156**	25,039	**3,354**	4,126
Reconciliations					
Goodwill					
Carrying amount at beginning of year		**20,913**	20,913	**–**	–
Acquisitions		**54,164**	–	**–**	–
Impairment charge	3	**(5,699)**	–	**–**	–
		69,378	20,913	**–**	–
Intellectual Property					
Carrying amount at beginning of year		**–**	–	**–**	–
Acquisitions		**473**	–	**–**	–
Amortisation		**(126)**	–	**–**	–
Disposals		**–**	–	**–**	–
Impairment charge		**–**	–	**–**	–
		347	–	**–**	–
Computer Software					
Carrying amount at beginning of year		**4,126**	4,975	**4,126**	4,975
Acquisitions through entity acquired		**71**	–	**–**	–
Acquisitions		**82**	18	**52**	18
Amortisation		**(848)**	(867)	**(824)**	(867)
Disposals		**–**	–	**–**	–
Impairment charge		**–**	–	**–**	–
		3,431	4,126	**3,354**	4,126
The following units have significant carrying amounts of goodwill:					
Satellite communications products		**15,214**	15,214	**–**	–
Broadcast products		**–**	5,699	**–**	–
Minelab products		**54,164**	–	**–**	–
		69,378	20,913	**–**	–

The recoverable amount of the cash generating units are based on value in use calculations. Those calculations use cash flow projections based on the oncoming year's budget. Key assumptions for future years relate to sales, gross margin and expense levels. Sales are based on management assessments which do allow for future growth, gross margins and expense levels are largely consistent with past experience. A terminal value has been determined at the conclusion of five years assuming a growth rate of 2.5%. A pre-tax discount rate of 16.2% has been used in discounting the projected cash flows. Refer to note 3 for details of impairments recognised.

	Consolidated 2008 $000	Consolidated 2007 $000	The Company 2008 $000	The Company 2007 $000

18. TRADE AND OTHER PAYABLES

	Consolidated 2008 $000	Consolidated 2007 $000	The Company 2008 $000	The Company 2007 $000
Trade payables	**10,004**	7,428	**6,585**	6,354
Other payables and accruals	**8,087**	5,322	**4,795**	4,084
	18,091	12,750	**11,380**	10,438

19. OTHER LIABILITIES

	Consolidated 2008 $000	Consolidated 2007 $000	The Company 2008 $000	The Company 2007 $000
Loans from controlled entities	**–**	–	**11,771**	11,499
Net foreign currency hedge payable	**–**	–	**–**	–
	–	–	**11,771**	11,499

20. LOANS AND BORROWINGS

	Consolidated 2008 $000	Consolidated 2007 $000	The Company 2008 $000	The Company 2007 $000
Current				
Bank overdrafts – secured	**–**	–	**–**	–
Secured loans	**6**	6	**–**	–
Commercial bills – secured	**–**	2,357	**–**	2,357
	6	2,363	**–**	2,357
Non-Current				
Secured loans	**10**	16	**–**	–
Cash advance	**67,535**	–	**67,535**	–
Unsecured loans	**10**	10	**–**	–
	67,555	26	**67,535**	–

The group has access to the following lines of credit:

	Consolidated 2008 $000	Consolidated 2007 $000	The Company 2008 $000	The Company 2007 $000
Total facilities available at balance date:				
Bank overdraft	**–**	3,034	**–**	3,034
Multi option facility	**10,000**	17,000	**10,000**	17,000
Documentary letters of credit	**562**	682	**562**	682
Equipment finance facility	**–**	478	**–**	200
Guarantee facility	**3,230**	1,350	**3,230**	1,230
Commercial credit card	**235**	135	**215**	115
Cash advance facility	**75,000**	–	**75,000**	–
	89,027	22,679	**89,007**	22,261
Facilities utilised at balance date:				
Bank overdraft	**–**	–	**–**	–
Multi option facility	**–**	2,357	**–**	2,357
Documentary letters of credit	**118**	156	**118**	156
Equipment finance facility	**–**	–	**–**	–
Guarantee facility	**819**	835	**819**	735
Commercial credit card	**99**	99	**83**	83
Cash advance facility	**67,535**	–	**67,535**	–
	68,571	3,447	**68,555**	3,331

20. LOANS AND BORROWINGS (CONTINUED)

	Consolidated		The Company	
	2008 $000	2007 $000	**2008 $000**	2007 $000
Facilities not utilised at balance date:				
Bank overdraft	**–**	3,034	**–**	3,034
Multi option facility	**10,000**	14,643	**10,000**	14,643
Documentary letters of credit	**444**	526	**444**	526
Equipment finance facility	**–**	478	**–**	200
Guarantee facility	**2,411**	515	**2,411**	495
Commercial credit card	**136**	36	**132**	32
Cash advance facility	**7,465**	–	**7,465**	–
	20,456	19,232	**20,452**	18,930

Bank facilities

The cash advance facility is supported by interlocking guarantees between Codan Limited and its subsidiaries. The facility is subject to certain financial covenants and has a term of three years with renewal each year.

	Consolidated		The Company	
	2008 %	2007 %	**2008 %**	2007 %
Weighted average interest rates				
Cash at bank	**6.25%**	5.25%	**6.25%**	5.25%
Short term deposits	**6.42%**	6.15%	**6.42%**	6.15%
Bank overdraft	**10.60%**	9.25%	**10.60%**	9.25%
Commercial bill	**5.27%**	6.15%	**5.27%**	6.15%
Cash advance	**8.36%**	–	**8.36%**	–

21. PROVISIONS

	Consolidated		The Company	
	2008 $000	2007 $000	**2008 $000**	2007 $000
Current				
Employee benefits	**2,230**	1,750	**1,387**	1,421
Warranty repairs	**1,812**	1,777	**1,518**	1,777
	4,042	3,527	**2,905**	3,198
Non-Current				
Employee benefits	**2,822**	2,098	**1,829**	1,873
Reconciliation of warranty provision				
Carrying amount at beginning of year	**1,777**	1,618	**1,777**	1,618
Acquired in a business combination	**194**	–	**–**	–
Provisions made during the year	**1,163**	1,687	**993**	1,687
Payments made during the year	**(1,322)**	(1,528)	**(1,252)**	(1,528)
	1,812	1,777	**1,518**	1,777

	Consolidated 2008 $000	Consolidated 2007 $000	The Company 2008 $000	The Company 2007 $000

22. SHARE CAPITAL

Share capital

	2008 $000	2007 $000	2008 $000	2007 $000
162,045,454 (2007: 162,045,454) ordinary shares fully paid	**23,685**	23,685	**23,685**	23,685

There has been no movement in share capital during the year.

Terms and conditions

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. In the winding up of the Company, ordinary shareholders rank after all creditors and are fully entitled to any proceeds on liquidation.

23. RESERVES

	2008 $000	2007 $000	2008 $000	2007 $000
Foreign currency translation	**245**	(63)	**–**	–
Hedging reserve	**1,199**	462	**1,199**	462
	1,444	399	**1,199**	462

Foreign currency translation

The foreign currency translation reserve records the foreign currency differences arising from the translation of foreign operations.

	2008 $000	2007 $000	2008 $000	2007 $000
Balance at beginning of year	**(63)**	(184)	**–**	(128)
Net translation adjustment	**308**	121	**–**	128
Balance at end of year	**245**	(63)	**–**	–

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in fair value of cash flow hedging instruments (net of tax) related to be hedged transactions that have not yet occurred.

	2008 $000	2007 $000	2008 $000	2007 $000
Balance at beginning of year	**462**	–	**462**	–
Gains / (Losses) on cash flow hedges taken to / from hedging reserve	**737**	462	**737**	462
Balance at end of year	**1,199**	462	**1,199**	462

24. RETAINED EARNINGS

	2008 $000	2007 $000	2008 $000	2007 $000
Retained earnings at beginning of year	**46,439**	45,733	**46,058**	46,327
Transfers from reserves	**–**	–	**–**	–
Net profit attributable to members of the parent entity	**1,009**	11,239	**(3,003)**	10,264
Dividends recognised during the year	**(10,533)**	(10,533)	**(10,533)**	(10,533)
Retained earnings at end of year	**36,915**	46,439	**32,522**	46,058

	Consolidated		The Company	
	2008 $000	2007 $000	**2008 $000**	2007 $000
25. COMMITMENTS				
(i) Capital expenditure commitments				
Aggregate amount of contracts for capital expenditure on plant and equipment:				
Within one year	**–**	–	**–**	–
(ii) Non-cancellable operating lease expense and other commitments				
Future operating lease commitments not provided for in the financial statements which are payable:				
Within one year	**785**	967	**239**	551
One year or later and no later than five years	**1,343**	302	**298**	130
Later than five years	**314**	–	**–**	–
	2,442	1,269	**537**	681

The consolidated entity leases property under non-cancellable operating leases expiring from one to seven years. Leases generally provide the consolidated entity with a right of renewal at which time all terms are renegotiated. Lease payments comprise a base amount and an adjustment for the consumer price index.

(iii) Finance lease and hire purchase payment commitments				
Within one year	**7**	7	**–**	–
One year or later and no later than five years	**10**	17	**–**	–
Later than five years	**–**	–	**–**	–
	17	24	**–**	–
Less: future finance charges	**1**	2	**–**	–
	16	22	**–**	–
Lease and hire purchase liabilities provided for in the financial statements:				
Current	**6**	6	**–**	–
Non-current	**10**	16	**–**	–
	16	22	**–**	–

Finance leases and hire purchase agreements are entered into as a means of funding the acquisition of plant and equipment. Repayments are generally fixed and no leases have escalation clauses other than in the event of payment default. No lease arrangements create restrictions on other financing transactions.

26. ADDITIONAL FINANCIAL INSTRUMENTS DISCLOSURE

Financial risk management

Overview

The Company and Group have exposure to the following risks from their use of financial instruments:

- credit risk
- liquidity risk
- market risk.

This note presents information about the Company's and Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout this financial report.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board Audit Risk and Compliance Committee is responsible for developing and monitoring risk management policies. The committee reports regularly to the Board on its activities.

Risk management policies are established to identify and analyse the risks faced by the Company and Group, to set appropriate risk limits and controls, and to monitor risk and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's and Group's activities. The Company and Group, through their training and management standards and procedures, aim to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board Audit Risk and Compliance Committee oversees how management monitors compliance with the Company's and Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risk faced by the Company and Group.

(a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers. For the company it also arises from receivables due from subsidiaries.

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted. The credit risk on the financial assets of the consolidated entity is the carrying amount of the asset, net of any impairment losses recognised. The group minimises concentration of credit risk by undertaking transactions with a large number of customers in various countries and by credit insuring a portion of trade receivable balances. The group is not materially exposed to any individual overseas region and only one customer was greater than ten percent of the Company's total receivables balance.

Trade and other receivables

The Company's and Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, has less of an influence on credit risk.

The Group has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered.

Goods are sold subject to retention of title clauses, so that in the event of non-payment the Group may have a secured claim. The Group does not normally require collateral in respect of trade and other receivables.

The Company and Group have established an allowance for impairment that represents their estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified.

Guarantees

Group policy is to provide financial guarantees only to wholly-owned subsidiaries.

26. ADDITIONAL FINANCIAL INSTRUMENTS DISCLOSURE (CONTINUED)

Impairment losses

The carrying amount of the Group and the Company's financial assets represents the maximum credit exposure. The Group and the Company's maximum exposure to credit risk at the reporting date was:

		Carrying Amount			
		Consolidated		The Company	
	Note	**2008 $000**	2007 $000	**2008 $000**	2007 $000
Unlisted shares	14	**50**	50	**–**	–
Loans and receivables	10	**18,304**	15,724	**19,578**	16,321
Cash and cash equivalents	9	**5,417**	5,862	**3,931**	4,820
Forward exchange contracts used for hedging	12	**1,713**	462	**1,713**	462

The Group and the Company's maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

	Carrying Amount			
	Consolidated		The Company	
	2008 $000	2007 $000	**2008 $000**	2007 $000
Australia / Oceania	**4,705**	1,878	**1,473**	732
Europe	**5,069**	4,904	**3,699**	4,768
Americas	**3,542**	6,295	**2,210**	5,699
Asia	**2,832**	2,080	**2,743**	2,064
Africa	**2,334**	970	**2,291**	970

The aging of the Group and the Company's trade receivables at reporting date was:

	Consolidated			
	Gross 2008 $000	**Impairment 2008 $000**	Gross 2007 $000	Impairment 2007 $000
Not past due	**13,574**	**(387)**	14,015	(371)
Past due 0-30 days	**3,616**	**(40)**	997	(13)
Past due 31-120 days	**786**	**(160)**	702	(34)
More than 120 days	**506**	**(353)**	413	(340)

	The Company			
	Gross 2008 $000	**Impairment 2008 $000**	Gross 2007 $000	Impairment 2007 $000
Not past due	**9,796**	**(381)**	12,709	(364)
Past due 0-30 days	**1,983**	**(31)**	528	–
Past due 31-120 days	**253**	**(145)**	612	(5)
More than 120 days	**384**	**(236)**	384	(325)

Trade receivables that are not past due have been reviewed taking into consideration credit insurance, letters of credit held and the credit assessment of the individual customers. The impairment recognised is considered appropriate for the credit risk remaining.

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	Consolidated		The Company	
	2008 $000	2007 $000	**2008 $000**	2007 $000
Balance at 1 July	**758**	693	**694**	641
Impairment loss recognised as an expense	**57**	249	**99**	216
Allowance for impairment from acquisition of subsidiary	**125**	–	**–**	–
Trade receivables written off to the allowance for impairment	**–**	(184)	**–**	(163)
Balance at 30 June	**940**	758	**793**	694

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. Refer to note 20 for a summary of banking facilities available.

The following are the contractual maturities of financial liabilities:

Consolidated – 30 June 2008	**Carrying Amount $000**	**Contractual Cash Flows $000**	**12 months or less $000**	**1-5 years $000**	**More than 5 years $000**
Non-derivative financial liabilities					
Secured loan	**16**	**(17)**	**(7)**	**(10)**	**–**
Trade and other payables	**18,091**	**(18,091)**	**(18,091)**	**–**	**–**
Unsecured loans	**10**	**(10)**	**–**	**(10)**	**–**
Cash advance	**67,535**	**(67,535)**	**–**	**(67,535)**	**–**
Consolidated – 30 June 2007					
Non-derivative financial liabilities					
Commercial bills – secured	2,357	(2,357)	(2,357)	–	–
Secured loans	22	(24)	(7)	(17)	–
Trade and other payables	12,750	(12,750)	(12,750)	–	–
Unsecured loans	10	(10)	(10)	–	–
The Company – 30 June 2008					
Non-derivative financial liabilities					
Trade and other payables	**11,380**	**(11,380)**	**(11,380)**	**–**	**–**
Loans from controlled entities	**11,771**	**(11,771)**	**–**	**–**	**(11,771)**
Cash advance	**67,535**	**(67,535)**	**–**	**(67,535)**	**–**
The Company – 30 June 2007					
Non-derivative financial liabilities					
Commercial bills secured	2,357	(2,357)	(2,357)	–	–
Trade and other payables	10,438	(10,438)	(10,438)	–	–
Loans from controlled entities	11,499	(11,499)	–	–	(11,499)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

26. ADDITIONAL FINANCIAL INSTRUMENTS DISCLOSURE (CONTINUED)

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group enters into derivatives, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the policy set by the Board. Generally the Group seeks to apply hedge accounting in order to manage volatility in profit or loss.

The net fair values of monetary financial assets and financial liabilities not readily traded in an organised financial market are determined by valuing them at the present value of the contractual future cash flows on amounts due from customers (reduced for expected credit losses) or due to suppliers. The carrying amount of financial assets and financial liabilities approximates their net fair values.

Interest rate risk

The Group has reduced its exposure to interest rate risk by entering into an interest rate cap. The cap is for a principal amount of $60 million reducing to $50 million over its three year term. The capped interest rate is based on the BBSW rate of 9.5%.

Profile

At the reporting date, the interest rate profile of the Company's and the Group's interest-bearing financial instruments was:

	Consolidated Carrying amount		The Company Carrying amount	
	2008 $000	2007 $000	**2008 $000**	2007 $000
Fixed rate instruments				
Financial assets	**–**	–	**–**	–
Financial liabilities	**(16)**	(22)	**–**	–
	(16)	(22)	**–**	–
Variable rate instruments				
Financial assets	**5,417**	5,862	**3,931**	4,820
Financial liabilities	**(67,535)**	(2,357)	**(67,535)**	(2,357)
	(62,118)	3,505	**(63,604)**	2,463

Cash flow sensitivity

If interest rates varied by 100 basis points for the full financial year then based on the balance of variable rate instruments held at reporting date, profit and equity would have been impacted as shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2007.

	Profit / (loss) before tax		Equity	
Consolidated	**100 bp increase $000**	**100 bp decrease $000**	**100 bp increase $000**	**100 bp decrease $000**
30 June 2008				
Variable rate instruments	**(621)**	**621**	**–**	**–**
30 June 2007				
Variable rate instruments	35	(35)	–	–
The Company				
30 June 2008				
Variable rate instruments	**(636)**	**636**	**–**	**–**
30 June 2007				
Variable rate instruments	25	(25)	–	–

Currency risk

The Group is exposed to currency risk on sales, purchases and balance sheet accounts that are denominated in a currency other than the respective functional currencies of Group entities, primarily the Australian dollar (AUD). The currencies in which these transactions are denominated are primarily USD, Euro and GBP.

The Group enters into forward exchange contracts or borrowings denominated in a foreign currency to hedge certain anticipated highly probable sales denominated in foreign currency (principally US dollars). The terms of these commitments were less than twelve months. As at balance date the Group has cash flow hedges designated to future sales transactions of USD $21,370,000 at an average exchange rate of 88.1 cents.

The Group's exposure to foreign currency risk after taking into account hedge transactions at balance date was as follows:

Consolidated – 30 June 2008	**Euro $000**	**GBP $000**	**USD $000**
Cash and cash equivalents	**297**	**274**	**1,016**
Trade receivables	**1,586**	**86**	**8,035**
Trade payables	**(601)**	**(99)**	**(2,448)**
Cash advance	**–**	**–**	**(1,063)**
Gross balance sheet exposure	**1,282**	**261**	**5,540**
Hedge transactions relating to balance sheet exposure	**–**	**–**	**(5,179)**
Net exposure at balance date	**1,282**	**261**	**361**

Consolidated – 30 June 2007	**Euro $000**	**GBP $000**	**USD $000**
Cash and cash equivalents	–	384	2,080
Trade receivables	52	28	11,058
Commercial bill – secured	–	–	(2,357)
Trade payables	(8)	(123)	(2,396)
Gross balance sheet exposure	44	289	8,385
Hedge transactions relating to balance sheet exposure	–	–	(4,270)
Net exposure at balance date	44	289	4,115

The Company – 30 June 2008	**Euro $000**	**GBP $000**	**USD $000**
Cash and cash equivalents	**–**	**67**	**672**
Trade receivables	**1,143**	**54**	**5,817**
Trade payables	**–**	**(1)**	**(2,070)**
Loans from controlled entities	**–**	**1,747**	**216**
Gross balance sheet exposure	**1,143**	**1,867**	**4,635**
Hedge transactions relating to balance sheet exposure	**–**	**–**	**(3,584)**
Net exposure at balance date	**1,143**	**1,867**	**1,051**

The Company – 30 June 2007	**Euro $000**	**GBP $000**	**USD $000**
Cash and cash equivalents	–	39	2,051
Trade receivables	52	(1)	10,475
Commercial bills – secured	–	–	(2,357)
Trade payables	(8)	(13)	(2,228)
Loans from controlled entities	–	1,442	1,019
Gross balance sheet exposure	44	1,467	8,960
Hedge transactions relating to balance sheet exposure	–	–	(4,270)
Net exposure at balance date	44	1,467	4,690

26. ADDITIONAL FINANCIAL INSTRUMENTS DISCLOSURE (CONTINUED)

Sensitivity analysis

Given the foreign currency balances included in the balance sheet as at reporting date, if the Australian dollar at that date strengthened by 10% then the impact on profit and equity would be as follows:

	Consolidated		The Company	
2008	Reserve $000	Profit / (Loss) before tax $000	Reserve $000	Profit / (Loss) before tax $000
EURO	**–**	**(117)**	**–**	**(104)**
GBP	**–**	**(24)**	**–**	**(170)**
USD	**1,453**	**(33)**	**919**	**(96)**
2007				
EURO	–	(4)	–	(4)
GBP	–	(26)	–	(133)
USD	1,313	(374)	1,313	(426)

A 10 percent weakening of the Australian dollar against the above currencies at 30 June would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

27. GROUP ENTITIES

		Interest Held	
Name / Country of incorporation	Class of Share	2008 %	2007 %
Parent Entity			
Codan Limited, Australia	Ordinary		
Controlled Entities			
IMP Printed Circuits Pty Ltd, Australia	Ordinary	**100**	100
Codan (UK) Ltd, England	Ordinary	**100**	100
Codan (Qld) Pty Ltd, Australia	Ordinary	**100**	100
Codan (US) Inc, United States of America	Ordinary	**100**	100
Codan Telecommunications Pty Ltd, Australia	Ordinary	**100**	100
Codan Broadcast Products Pty Ltd, Australia	Ordinary	**100**	100
Minelab Electronics Pty Ltd, Australia	Ordinary	**100**	–
Minelab USA Inc, United States of America	Ordinary	**100**	–
Minelab International Ltd, Ireland	Ordinary	**100**	–
Parketronics Pty Ltd, Australia	Ordinary	**100**	–

28. NOTES TO THE STATEMENTS OF CASH FLOWS

(i) Reconciliation of cash

For the purposes of the statements of cash flows, cash includes cash on hand and at bank and short term deposits, net of outstanding bank overdrafts. Cash as at the end of the financial year as shown in the statements of cash flows is reconciled to the related items in the balance sheet as follows:

	Consolidated		The Company	
	2008 $000	2007 $000	2008 $000	2007 $000
Petty cash	**9**	4	**4**	2
Cash at bank	**5,408**	4,358	**3,927**	3,318
Short term deposits	**–**	1,500	**–**	1,500
Bank overdraft	**–**	–	**–**	–
	5,417	5,862	**3,931**	4,820

(ii) Reconciliation of profit after income tax to net cash provided by operating activities

	Consolidated		The Company	
	2008 $000	2007 $000	2008 $000	2007 $000
Profit after income tax	**1,009**	11,239	**(3,003)**	10,264
Add / (less) items classified as investing or financing activities:				
(Profit) / loss on sale of non-current assets	**8**	80	**(1)**	(11)
Dividend income	**(39)**	(44)	**–**	–
Add / (less) non-cash items:				
Depreciation of:				
Buildings	**420**	352	**351**	352
Leasehold property	**19**	35	**–**	22
Plant and equipment	**1,608**	1,833	**1,162**	1,450
Amortisation	**5,331**	5,595	**5,180**	5,595
Impairment of inventory and non current assets	**9,954**	–	**10,254**	–
(Decrease) / increase in income taxes	**(1,719)**	2,441	**(2,347)**	2,059
Share of associates net profit	**–**	–	**–**	–
Non cash intercompany transactions	**–**	–	**1,185**	8,351
Increase / (decrease) on net assets affected by translation	**319**	168	**–**	–
Net cash from operating activities before changes in assets and liabilities	**16,910**	21,699	**12,781**	28,082
Change in assets and liabilities during the financial year:				
Reduction / (increase) in receivables	**1,959**	6,171	**1,915**	6,514
Reduction / (increase) in inventories	**2,044**	3,151	**577**	3,179
Reduction / (increase) in other assets	**(5)**	64	**(416)**	(20)
Increase / (reduction) in payables	**(3,589)**	(2,337)	**(481)**	(2,618)
Increase / (reduction) in provisions	**(259)**	135	**(336)**	191
Net cash from operating activities	**17,060**	28,883	**14,040**	35,328

28. NOTES TO THE STATEMENTS OF CASH FLOWS (CONTINUED)

(iii) Acquisition of subsidiary

On 29 February 2008, the Group acquired all the shares in Minelab Electronics Pty Ltd and its subsidiaries. The Minelab group develops, manufactures, markets and distributes metal detection equipment and its subsidiary Parketronics Pty Ltd manufactures electronic components and sub-assemblies for various industries.

In the four months to 30 June 2008, the subsidiaries contributed a combined profit after tax of $3,918,545. Due to the fact that the acquisition was made only four months prior to the 30 June 2008 reporting date, there have been significant pre and post acquisition transactions and Codan's accounting policies have been adopted, it is considered impractical to disclose the consolidated group's revenue and profit and loss as though the acquisition date for the business combination had been at the beginning of the financial year.

	$000
Initial purchase price	66,166
Costs directly attributable to the combination	1,844
Total cash paid for acquisition	68,010
Payment of debt and other transactions with former shareholders of acquired entity	(8,130)
Consideration still payable at balance date	1,417
Payment for shares in acquired entity	61,297
Net assets acquired	7,133
Goodwill	54,164

The acquisition had the following effect on the Group's assets and liabilities on acquisition date:

	Pre-acquisition carrying amounts $000	Fair value adjustments $000	Recognised values on acquisition $000
Cash and cash equivalents	1,284		1,284
Trade and other receivables	4,746		4,746
Inventories	8,380		8,380
Property, plant and equipment	7,064	1,918	8,982
Intangible assets	649	(649)	–
Deferred tax assets	1,265		1,265
Trade and other payables	(7,296)		(7,296)
Loans and borrowings	(8,132)		(8,132)
Deferred tax liabilities	(137)	(551)	(688)
Provisions	(1,408)		(1,408)
Net identifiable assets and liabilities	6,415	718	7,133
Goodwill on acquisition			54,164
Consideration paid, satisfied in cash			61,297
Payment of debt and other transactions with former shareholders of acquired entity			8,130
Consideration still payable at balance date			(1,417)
Cash acquired			(1,284)
Net cash outflow			66,726

Pre-acquisition carrying amounts were determined based on applicable AASBs immediately before the acquisition. The values of assets and liabilities recognised on acquisition are their estimated fair values.

The goodwill recognised on acquisition is attributable mainly to access to technology, market share and the skills and technical talent of the work force.

The accounting for the acquisition has been determined provisionally as the fair values of the identifiable assets and the cost of acquisition are yet to be finalised.

	Consolidated		The Company	
	2008 $000	2007 $000	**2008 $000**	2007 $000

29. EMPLOYEE BENEFITS

Aggregate liability for employee benefits, including on costs:				
Current – other creditors and accruals	**618**	1,138	**480**	572
Current – employee entitlements	**2,230**	1,750	**1,387**	1,421
Non-current – employee entitlements	**2,822**	2,098	**1,829**	1,873
	5,670	4,986	**3,696**	3,866

The present values of employee entitlements not expected to be settled within 12 months of reporting date have been calculated using the following weighted averages:

	Consolidated		The Company	
	2008	2007	**2008**	2007
Assumed rate of increase in wage and salary rates	**4.00%**	4.00%	**4.00%**	4.00%
Discount rate	**7.00%**	6.30%	**7.00%**	6.30%
Settlement term (years)	**20 years**	20 years	**20 years**	20 years

Codan Executive Share Plan

The Company established the Codan Executive Share Plan (CESP) to assist in the retention and motivation of certain executives. Under the plan partly paid shares were issued in prior years to the Codan Executive Share Plan Pty Ltd (the trustee) which administers the trust. The Company has not issued any shares under this plan during the current year and the Company will not be issuing any further shares under this plan.

Performance Rights Plan

The shareholders approved a Performance Rights Plan at the 2004 annual general meeting, this plan has not been implemented.

Codan Employee Share Plan

The Codan Employee Share Plan was approved by a resolution of the Company's shareholders and was established to provide certain employees with incentive rewards by giving them the opportunity to acquire shares. Shares were issued under the plan in the name of the participating employee to the plan and vest immediately in the plan.

Under the plan eligible employees were able to acquire shares by way of two methods. Shares could be acquired at market value, in which case the employee could apply for an interest free loan to fund the acquisition. Eligible employees could also acquire shares at a discount as determined by the Board, in which case no loan was available to acquire the shares.

In relation to the interest free loan the employee made equal periodic instalments with full repayment within three years or by the date of termination of employment. The shares vest in the plan immediately and vest to the employee upon full repayment of the loan. As at reporting date $nil (2007: $nil) is recognised as a receivable by the Company from employees under this plan.

Shares acquired by eligible employees at a discount to the market value vest in the employee immediately. The discount approved by the Board for the shares issued as at 27 November 2003 was 5% to the market value of the shares. As the issue of the shares was contingent on the Company listing on the Australian Stock Exchange the market value of the shares has been assessed as the offer price under the Company's prospectus dated 21 October 2003.

Shares issued under the plan carry full dividend and voting rights. No shares have been issued under the plan in the 2007 or 2008 financial years.

30. KEY MANAGEMENT PERSONNEL DISCLOSURES

Key management personnel compensation

The key management personnel compensation included in 'personnel expenses' (see note 6) is as follows:

	Consolidated		The Company	
	2008 $	2007 $	**2008** $	2007 $
Short-term employee benefits	**2,116,858**	1,870,647	**2,116,858**	1,870,647
Post employment benefits	**144,091**	129,271	**144,091**	129,271
	2,260,949	1,999,918	**2,260,949**	1,999,918

Individual directors and executives compensation disclosures

Information regarding individual directors and executives compensation and some equity instruments disclosures as permitted by Corporations Regulation 2M.3.03 is provided in the remuneration report section of the directors' report.

Apart from the details disclosed in this note, no director has entered into a material contract with the Group since the end of the previous financial year and there were no material contracts involving directors' interest existing at year-end.

Equity holdings and transactions

The movement during the reporting period in the number of ordinary shares of Codan Limited held, directly, indirectly or beneficially, by key management personnel, including their personally related entities is as follows:

	Opening Balance	Purchases	Sales	Closing Balance
Directors				
Dr D Klingner	100,000	89,775	–	189,775
Mr B P Burns	11,580,737	–	–	11,580,737
Mr P R Griffiths	110,000	–	–	110,000
Mr M K Heard	4,399,522	–	–	4,399,522
Mr D Klingberg	58,700	–	–	58,700
Mr D Simmons	–	–	–	–
Mr I B Wall	34,792,943	–	–	34,792,943
Specified executives				
Mr P Charlesworth	5,900	4,100	–	10,000
Mr A Gobolos	778,407	–	–	778,407
Mr D McGurk	1,000	–	–	1,000
Mr R Moody	–	–	–	–
Mr G Smith	14,000	–	–	14,000

Other transactions with the Company or its controlled entities

There have been no loans to key management personnel during the financial year.

A number of key management personnel, or their personally related entities, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. Any transactions with these entities were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to unrelated entities on an arm's length basis.

From time to time, directors and specified executives, or their personally related entities, may purchase goods from the Group. These purchases occur within a normal employee relationship and are considered to be trivial in nature.

31. OTHER RELATED PARTIES

All transactions with non-key management personnel related parties are on normal terms and conditions.

Companies within the Group purchase materials from other group companies, these transactions are on normal commercial terms. During the financial year, the Company purchased goods from its subsidiaries to the value of $1,285,354 (2007: $1,326,088). The Company also paid $6,843,120 (2007: $8,450,694) in marketing fees to overseas subsidiaries. The Company charged rent totalling $99,996 (2007: $99,996) to IMP Printed Circuits Pty Ltd for their premises during the year.

Loans between entities in the wholly owned group are repayable at call and no interest is charged.

32. EARNINGS PER SHARE

The Group presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

	Consolidated	
	2008 $000	2007 $000
Net profit used for the purpose of calculating basic earnings per share	**1,009**	11,239

The weighted average number of shares used as the denominator number for basic earnings per share was 162,045,454 (2007: 162,045,454). There are no dilutive potential ordinary shares, therefore diluted EPS has not been calculated or disclosed.

33. NET TANGIBLE ASSETS PER SHARE

	Consolidated	
	2008	2007
Net tangible assets per share	**-14.3 cents**	20.3 cents

34. CAPITAL MANAGEMENT

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the level of dividends paid to ordinary shareholders and the overall return on capital.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

There have been no changes in the Group's approach to capital management. However, during the year, the acquisition of Minelab Electronics Pty Ltd was funded through debt. As a result, the Group's gearing level is now considered to be positioned appropriately.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

DIRECTORS' DECLARATION

CODAN LIMITED AND ITS CONTROLLED ENTITIES

In the opinion of the directors of Codan Limited ("the Company"):

(a) the financial statements and notes, set out on pages 26 to 59, are in accordance with the Corporations Act 2001, including:

  (i) giving a true and fair view of the financial position of the Company and consolidated entity as at 30 June 2008 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date; and

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

(b) the financial report also complies with International Reporting Standards as disclosed in note 1(a);

(c) the remuneration disclosures that are contained in the Remuneration report in the Directors' report comply with Australian Accounting Standards AASB 124 Related Party Disclosures, the Corporations Act 2001 and the Corporations Regulations 2001;

(d) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

(e) the directors have been given the declaration required by Section 295A of the Corporations Act 2001 from the chief executive officer and the chief finance officer for the financial year ended 30 June 2008.

Dated at Newton this 20th day of August 2008.

Signed in accordance with a resolution of the directors:

Dr D Klingner
Director

M K Heard
Director

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CODAN LIMITED

KPMG

REPORT ON THE FINANCIAL REPORT

We have audited the accompanying financial report of Codan Limited (the Company), which comprises the balance sheets as at 30 June 2008, and the income statements, statements of recognised income and expense and cash flow statements for the year ended on that date, a summary of significant accounting policies and other explanatory notes 1 to 34 and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 1(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial report of the Group, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001 and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Company's and the Group's financial position and of their performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditor's opinion

In our opinion:

(a) the financial report of Codan Limited is in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Company's and the Group's financial position as at 30 June 2008 and of their performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

(b) the financial report of the Group also complies with International Financial Reporting Standards as disclosed in note 1(a).

REPORT ON THE REMUNERATION REPORT

We have audited the Remuneration Report included in pages 15 to 17 of the directors' report for the year ended 30 June 2008. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

AUDITOR'S OPINION

In our opinion, the remuneration report of Codan Limited for the year ended 30 June 2008, complies with Section 300A of the Corporations Act 2001.

KPMG

Gary Savage
Partner

Adelaide

20 August 2008

ASX ADDITIONAL INFORMATION

CODAN LIMITED AND ITS CONTROLLED ENTITIES

Additional information required by the Australian Stock Exchange Limited Listing Rules not disclosed elsewhere in this report is set out below.

SHAREHOLDINGS AS AT 21 AUGUST 2008

Substantial shareholders

The number of shares held by substantial shareholders and their associates are set out below:

Shareholder	Number of ordinary shares
Interests associated with Kynola Pty Limited and Warren Glen Pty Limited	11,580,737
Interests associated with Starform Pty Limited and Pinara Pty Limited	18,030,935
MacKinnon Investments Pty Limited	20,859,439
IB Wall and PM Wall	34,792,943
Edal Pty Limited	46,030,713

Distribution of equity security holders

Category	Number of Equity Security Holders Ordinary Shares
1 – 1,000	244
1,001 – 5,000	622
5,001 – 10,000	298
10,001 – 100,000	254
100,001 and over	40
Total	**1,458**

The number of shareholders holding less than a marketable parcel of ordinary shares is 52.

On market buy back

There is no current on market buy back.

Twenty largest shareholders

Name	Number of ordinary shares held	Percentage of capital held
Edal Pty Limited	46,030,713	28.4%
IB Wall and PM Wall	34,792,943	21.5%
MacKinnon Investments Pty Limited	20,859,439	12.9%
Starform Pty Limited	11,389,016	7.0%
Kynola Pty Limited	9,111,213	5.6%
Pinara Pty Ltd	6,641,919	4.1%
MK and MC Heard	4,399,522	2.7%
JP Morgan Nominees Australia Limited	3,487,005	2.2%
Mitranikitan Pty Ltd	2,574,396	1.6%
Warren Glen Pty Limited	2,469,524	1.5%
ANZ Nominees Limited	1,005,225	0.6%
Citicorp Nominees Pty Ltd	963,325	0.6%
LF Choate	835,274	0.5%
Argo Investments Limited	800,000	0.5%
YA and EJ Gobolos	778,407	0.5%
National Nominees Limited	500,500	0.3%
DAG McDonough	496,983	0.3%
WK and EK Hannaford	345,000	0.2%
DM Heard and JE Jarvinen	320,000	0.2%
Papl Ebsco Pty Ltd	300,000	0.2%
Total	**148,100,404**	**91.4%**

OFFICES AND OFFICERS

Company Secretary

Mr Rick Moody BA (Acc), FCA, FCIS, MAICD

Principal Registered Office

81 Graves Street
Newton South Australia 5074

Telephone: (08) 8305 0311
Facsimile: (08) 8305 0411
Internet address: www.codan.com.au

Share Registry

Computershare Investor Services Pty Limited
GPO Box 1903

Adelaide South Australia 5001

Stock Exchange

The company is listed on the Australian Stock Exchange. The home exchange is Adelaide.

Other Information

Codan Limited, incorporated and domiciled in Australia, is a publicly listed company limited by shares.

CORPORATE DIRECTORY

Directors

Dr David Klingner (Chairman)
Michael Heard (Managing Director and Chief Executive Officer)
Brian Burns
Peter Griffiths
David Klingberg
David Simmons
Ian Wall

Company Secretary

Rick Moody

Registered Office

81 Graves Street
Newton SA 5074

Auditor

KPMG
151 Pirie Street
Adelaide SA 5000

Registry

Computershare Investor Services Pty Limited
GPO Box 1903
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