

CODAN LIMITED
ANNOUNCEMENT – FY08 HALF-YEAR RESULTS

Codan Limited
 ABN 77 007 590 605
 81 Graves Street
 Newton SA 5074
 Australia

FINANCIAL PERFORMANCE AND DIVIDEND

PO Box 96
 Campbelltown SA 5074
 Australia

The board of Codan Limited today announced a net profit after tax for the half year ended 31 December 2007 of \$4.7 million (2.9 cents per share), better than the forecast of \$4.3 million given to the market in December 2007.

The board confirmed that the interim dividend will be 3.0 cents per share fully franked, unchanged from the same period last year, demonstrating its continuing confidence in Codan's future.

This profit result is identical to the previous half year, but earned from substantially lower sales revenue (\$49.7 million compared to \$59.4 million). Profit in the six months to 31 December 2006 was \$6.5 million on revenue of \$62.2 million.

	Six month ended					
	Dec-07		Jun-07		Dec-06	
	\$m	%	\$m	%	\$m	%
Revenue						
Total Communications Products	\$44.7		\$54.3		\$56.7	
Total Other	\$5.0		\$5.1		\$5.5	
Total Revenue	\$49.7	100%	\$59.4	100%	\$62.2	100%
EBITDA	\$10.0	20.1%	\$10.7	18.0%	\$13.5	21.7%
Depreciation	(\$1.3)		(\$1.5)		(\$1.6)	
Amortisation of deferred R&D	(\$2.3)		(\$2.3)		(\$2.4)	
EBIT	\$6.4	12.9%	\$6.9	11.6%	\$9.5	15.3%
Interest	\$0.1		(\$0.2)		(\$0.4)	
Net profit before tax	\$6.5	13.1%	\$6.7	11.3%	\$9.1	14.6%
Tax	(\$1.8)		(\$2.0)		(\$2.6)	
Net profit after tax	\$4.7	9.5%	\$4.7	7.9%	\$6.5	10.5%

Comparison to the previous half year (ended 30 June 2007) illustrates how very substantial improvements in productivity and reduction in expenses have allowed profit to be maintained in the face of substantial revenue decline. These cost savings are more than twice the annual target of \$2 million announced at the release of the company's FY07 results.

The revenue decline arises from the continued strengthening of the Australian dollar, a very large high frequency radio contract in the first half of FY07 not repeated this half year, and contraction in the company's global high frequency radio market.

Codan has an average hedged exchange rate in both halves of FY08 of approximately 84 US cents to the Australian dollar compared to approximately 77 US cents in both halves of FY07. Compared to the half year to 31 December 2006, the currency impact reduced revenue by approximately \$3 million and NPAT by approximately \$1.5 million. A similar exchange rate impact on revenue and profit is expected in the second half of FY08.

The market for Codan's high frequency radios has been buoyant in recent years as the world sought to address security concerns. This market has now contracted and the company is launching into new global markets.

On the other hand sales of Codan's satellite communications products have been very encouraging. Strong growth occurred in the number of product units sold and the US dollar revenue. The resultant Australian dollar revenue also increased somewhat even after the negative currency impact.

Intense activity on product and market launches and establishment of off-shore manufacturing continues unabated and is expected to deliver substantial benefit in FY09.

The board also refers shareholders and the investment community to today's separate announcement that the company has reached agreement to acquire all of the shares and options in Adelaide based Minelab Electronics Pty. Ltd. (Minelab) under a sale and purchase agreement. The acquisition is scheduled for completion by 6 March 2008 at the latest, subject to various conditions being first satisfied. That announcement and entries on Codan's web site provide detail on the matter. The board is confident that the Minelab businesses will capitalise on Codan's strengths, be compatible with Codan's existing business model and culture, and that the acquisition will enhance shareholder value. The acquisition is anticipated to be earnings per share accretive for Codan shareholders in the financial years ending 30 June 2009 and beyond.

Whilst it is too early to forecast the second half result, the board confirms earlier guidance that full year profit arising from the company's existing businesses could be less than last year.

In the absence of unforeseen circumstances the company's policy is that the annual dividend be at or above the level of the previous year. Further guidance will be given on the expected result and final dividend for FY08 when the proposed Minelab acquisition has been finalised and the accounting impact on FY08 profit has been confirmed.

The timing of the Minelab announcement gave rise to the halt in trading of Codan shares on the ASX, and to the deferral of the webcast presentation on Codan's second half results scheduled for yesterday. That presentation will occur as soon as possible at a time to be advised when the outcome of the proposed Minelab acquisition is confirmed.



Rick Moody
COMPANY SECRETARY
BY ORDER OF THE BOARD
15 February 2008

**Codan Limited
and its controlled entities**

**Appendix 4D
Half Year Report under ASX Listing Rule 4.2A.3**

Period ending on 31 December 2007

ABN

77 007 590 605

Previous corresponding period

31 December 2006

Results for announcement to the market				\$A'000
Revenue from ordinary activities	Decreased	20.1%	to	\$49,717
Profit from ordinary activities after tax attributable to members	Decreased	28.0%	to	\$4,684
Net profit for the half year attributable to members	Decreased	28.0%	to	\$4,684
Dividends	Amount per security		Franked amount per security at 30% tax	
Interim dividend	3.0 cents		3.0 cents	
Record date for determining entitlements to dividends:	18 March 2008			
<i>Brief explanation of any figures disclosed above which is necessary to enable the figures to be understood:</i>				
The 31 December 2007 Half Year Financial Report and the Market Announcement dated 14 February 2008 form part of and should be read in conjunction with this Half Year Report (Appendix 4D).				
This report is based on half-year financial statements that have been reviewed. The auditor's review report is included in the 31 December 2007 Half Year Financial Report.				

**Codan Limited
ABN 77 007 590 605
and its Controlled Entities**

**Interim Financial Report
for the half year ended
31 December 2007**

Directors' report

Codan Limited and its Controlled Entities

The directors present their report together with the consolidated interim financial report for the half-year ended 31 December 2007 and the auditor's review report thereon.

Directors

The directors of the company at any time during or since the end of the half-year are:

Name	Period of directorship
David Klingner	Director since 2004
Michael Heard Managing Director and Chief Executive Officer	Director since 1991
Brian Burns	Director since 1996 (alternate director from 1990)
Peter Griffiths	Director since 2001
David Klingberg	Director since 2005
Ian Wall	Director since 1959

Principal activities

The principal activities of the consolidated entity during the course of the half-year were the design, development, manufacture and sale of communications equipment, printed circuit boards and electronic equipment for the broadcast industry.

There have not been any significant changes in the nature of the activities of the consolidated entity during the period.

Review and results of operations

The board has announced a net profit after tax for the half year ended 31 December 2007 of \$4.7 million (2.9 cents per share), better than the forecast of \$4.3 million given to the market in December 2007.

The board confirmed that the interim dividend will be 3.0 cents per share fully franked, unchanged from the same period last year, demonstrating its continuing confidence in Codan's future.

This profit result is identical to the previous half year, but earned from substantially lower sales revenue (\$49.7 million compared to \$59.4 million). Profit in the six months to 31 December 2006 was \$6.5 million on revenue of \$62.2 million.

	Six month ended					
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	\$m	%	\$m	%	\$m	%
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Depreciation	(\$1.3)		(\$1.5)		(\$1.6)	
Amortisation of deferred R&D	(\$2.3)		(\$2.3)		(\$2.4)	
EBIT	\$6.4	12.9%	\$6.9	11.6%	\$9.5	15.3%
Interest	\$0.1		(\$0.2)		(\$0.4)	
Net profit before tax	\$6.5	13.1%	\$6.7	11.3%	\$9.1	14.6%
Tax	(\$1.8)		(\$2.0)		(\$2.6)	
Net profit after tax	\$4.7	9.5%	\$4.7	7.9%	\$6.5	10.5%

Directors' report

Codan Limited and its Controlled Entities

Review and results of operations (continued)

Comparison to the previous half year (ended 30 June 2007) illustrates how very substantial improvements in productivity and reduction in expenses have allowed profit to be maintained in the face of substantial revenue decline. These cost savings are more than twice the annual target of \$2 million announced at the release of the company's FY07 results.

The revenue decline arises from the continued strengthening of the Australian dollar, a very large high frequency radio contract in the first half of FY07 not repeated this half year, and contraction in the company's global high frequency radio market.

Codan has an average hedged exchange rate in both halves of FY08 of approximately 84 US cents to the Australian dollar compared to approximately 77 US cents in both halves of FY07. Compared to the half year to 31 December 2006, the currency impact reduced revenue by approximately \$3 million and NPAT by approximately \$1.5 million. A similar exchange rate impact on revenue and profit is expected in the second half of FY08.

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On the other hand sales of Codan's satellite communications products have been very encouraging. Strong growth occurred in the number of product units sold and the US dollar revenue. The resultant Australian dollar revenue also increased somewhat even after the negative currency impact.

Intense activity on product and market launches and establishment of off-shore manufacturing continues unabated and is expected to deliver substantial benefit in FY09.

The company has reached agreement to acquire all of the shares and options in Adelaide based Minelab Electronics Pty. Ltd. (Minelab) under a sale and purchase agreement. The acquisition is scheduled for completion by 6 March 2008 at the latest, subject to various conditions being first satisfied. The board is confident that the Minelab businesses will capitalise on Codan's strengths, be compatible with Codan's existing business model and culture, and that the acquisition will enhance shareholder value. The acquisition is anticipated to be earnings per share accretive for Codan shareholders in the financial years ending 30 June 2009 and beyond.

Whilst it is too early to forecast the second half result, the board confirms earlier guidance that full year profit arising from the company's existing businesses could be less than last year.

In the absence of unforeseen circumstances the company's policy is that the annual dividend be at or above the level of the previous year. Further guidance will be given on the expected result and final dividend for FY08 when the proposed Minelab acquisition has been finalised and the accounting impact on FY08 profit has been confirmed.

State of affairs

There were no significant changes in the state of affairs of the Group other than those referred to in the financial statements and notes thereto.

Dividends

The directors have declared an interim fully franked dividend of 3.0 cents per share, payable on 1 April 2008.

Directors' report

Codan Limited and its Controlled Entities

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

The lead auditor's independence declaration is set out on page 4 and forms part of the director's report for the half year ended 31 December 2007.

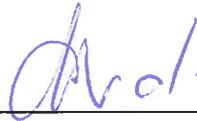
Rounding off

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:



P R Griffiths
Director



M K Heard
Director

Dated at Newton this 14th day of February 2008.



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 review for the half-year ended 31 December 2007 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

Gary Savage
Partner

Adelaide

14 February 2008

**Consolidated interim income statement
for the half year ended 31 December 2007**

Codan Limited and its Controlled Entities

	Note	Consolidated	
		Half - Year Ended 31 December 2007 \$'000	Half - Year Ended 31 December 2006 \$'000
Revenue		49,717	62,207
Cost of goods sold		<u>(28,324)</u>	<u>(34,541)</u>
Gross Profit		21,393	27,666
Other operating income		139	438
Administrative expenses		(3,523)	(3,992)
Sales and marketing expenses		(8,295)	(9,660)
Research and engineering expenses		(3,204)	(4,214)
Financing costs		(77)	(1,111)
Other operating expenses		<u>-</u>	<u>(26)</u>
Profit before income tax expense		6,433	9,101
Income tax expense		<u>(1,749)</u>	<u>(2,594)</u>
Profit for the period attributable to equity holders of the parent		<u>4,684</u>	<u>6,507</u>
Basic earnings per share:			
Ordinary shares - weighted average number of shares		<u>2.9 cents</u>	<u>4.0 cents</u>
Net tangible assets per share		<u>20.7 cents</u>	<u>19.1 cents</u>

The income statement is to be read in conjunction with the notes to the interim financial statements set out on pages 9 to 12.

Consolidated interim statement of recognised income and expense for the half year ended 31 December 2007

Codan Limited and its Controlled Entities

	Note	Half - Year Ended 31 December 2007 \$'000	Consolidated	Half - Year Ended 31 December 2006 \$'000
Change in fair value of cash flow hedges		914		101
Exchange differences on translation of foreign operations		21		7
Net income recognised directly in equity		935		108
Profit for the period		4,684		6,507
Total recognised income and expense for the period attributable to equity holders of the parent		5,619		6,615

Other movements in equity arising from transactions with owners as owners are set out in note 3.

The statement of recognised income and expense is to be read in conjunction with the notes to the interim financial statements set out on pages 9 to 12.

Consolidated interim balance sheet as at 31 December 2007

Codan Limited and its Controlled Entities

	Note	31 December 2007 \$'000	Consolidated	30 June 2007 \$'000
CURRENT ASSETS				
Cash and cash equivalents		4,652		5,862
Trade and other receivables		16,428		15,724
Inventories		12,718		14,122
Current tax assets		16		-
Other		3,092		1,866
TOTAL CURRENT ASSETS		36,906		37,574
NON-CURRENT ASSETS				
Other financial assets		50		50
Property, plant and equipment		17,044		17,777
Product development		14,083		14,438
Intangible assets		24,676		25,039
Deferred tax assets		35		28
TOTAL NON-CURRENT ASSETS		55,888		57,332
TOTAL ASSETS		92,794		94,906
CURRENT LIABILITIES				
Trade and other payables		11,496		12,750
Loans and borrowings		2,274		2,363
Current tax payable		1,292		1,769
Provisions		3,276		3,527
TOTAL CURRENT LIABILITIES		18,338		20,409
NON-CURRENT LIABILITIES				
Loans and borrowings		23		26
Deferred tax liabilities		1,849		1,850
Provisions		2,114		2,098
TOTAL NON-CURRENT LIABILITIES		3,986		3,974
TOTAL LIABILITIES		22,324		24,383
NET ASSETS		70,470		70,523
EQUITY				
Share capital	3	23,685		23,685
Reserves	3	1,334		399
Retained earnings	3	45,451		46,439
TOTAL EQUITY		70,470		70,523

The balance sheet is to be read in conjunction with the notes to the interim financial statements set out on pages 9 to 12.

Consolidated interim statement of cash flows for the half year ended 31 December 2007

Codan Limited and its Controlled Entities

	Note	Half - Year Ended 31 December 2007 \$'000	Consolidated Half - Year Ended 31 December 2006 \$'000
Cash flows from operating activities			
Cash receipts from customers		49,064	66,706
Cash paid to suppliers and employees		<u>(40,227)</u>	<u>(50,117)</u>
		8,837	16,589
Interest received		117	55
Interest paid		(54)	(407)
Income taxes paid		(2,250)	(2,501)
		<u>6,650</u>	<u>13,736</u>
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		6	65
Acquisition of property, plant and equipment		(262)	(233)
Payments for capitalised product development		(1,917)	(1,288)
Acquisition of intangibles (computer software)		-	(2)
		<u>(2,173)</u>	<u>(1,458)</u>
Cash flows from financing activities			
Repayment of borrowings		-	(1,224)
Dividends paid	3	(5,672)	(5,672)
		<u>(5,672)</u>	<u>(6,896)</u>
Net cash provided by / (used in) financing activities		<u>(5,672)</u>	<u>(6,896)</u>
Net increase (decrease) in cash held		(1,195)	5,382
Cash and cash equivalents at the beginning of the financial year		5,862	(64)
Effect of exchange rate changes on cash held in foreign currencies		(15)	4
		<u>4,652</u>	<u>5,322</u>
Cash and cash equivalents at the end of the financial year		<u>4,652</u>	<u>5,322</u>

The statement of cash flows is to be read in conjunction with the notes to the interim financial statements set out on pages 9 to 12.

Condensed notes to the consolidated interim financial statements for the half year ended 31 December 2007

Codan Limited and its Controlled Entities

NOTE 1: STATEMENT OF ACCOUNTING POLICY

(a) Reporting entity

Codan Limited (the "company") is a company domiciled in Australia. The consolidated interim financial report of the company for the six months ended 31 December 2007 comprises the company and its subsidiaries (together referred to as the "Group").

(b) Statement of compliance

The consolidated interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the Corporations Act 2001.

The consolidated interim financial report does not include all of the information required for a full annual financial report and should be read in conjunction with the consolidated annual financial report of the consolidated entity as at and for the year ended 30 June 2007.

The consolidated annual financial report of the consolidated entity as at and for the year ended 30 June 2007 is available on request from the company's registered office at 81 Graves Street, Newton, South Australia.

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 consolidated interim financial report was authorised for issue by the directors on 14 February 2008.

(c) Significant accounting policies

The accounting policies applied by the Group in this consolidated interim financial report are the same as those applied by the Group in its consolidated financial report as at and for the year ended 30 June 2007.

(d) Estimates

The preparation of the consolidated interim financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this consolidated interim financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report as at and for the year ended 30 June 2007.

Condensed notes to the consolidated interim financial statements for the half year ended 31 December 2007

Codan Limited and its Controlled Entities

NOTE 2: SEGMENT REPORTING

The Group comprises of two business segments based on the management reporting system. The communications equipment segment includes the design, development, manufacture and marketing of communications equipment. The other business segment includes the manufacture and marketing of printed circuit boards and the manufacture of electronic equipment for the broadcast industry.

	Half - Year Ended 31 December 2007 \$'000	Consolidated Half - Year Ended 31 December 2006 \$'000
Segment revenue		
Communications	44,673	56,718
Other	5,044	5,489
	49,717	62,207
Segment result		
Communications	9,305	12,988
Other	(154)	545
	9,151	13,533
Unallocated revenues and expenses	(2,718)	(4,432)
Profit for the period before income tax expense	6,433	9,101

Condensed notes to the consolidated interim financial statements for the half year ended 31 December 2007

Codan Limited and its Controlled Entities

NOTE 3: CAPITAL AND RESERVES

Reconciliation of movement in capital and reserves

Consolidated	Share Capital \$'000	Translation Reserve \$'000	Hedging Reserve \$'000	Retained Earnings \$'000	Total \$'000
Balance as at 1 July 2007	23,685	(63)	462	46,439	70,523
Change in fair value of cash flow hedges	-	-	914	-	914
Exchange differences on translation of foreign operations	-	21	-	-	21
Profit for the period	-	-	-	4,684	4,684
Dividends recognised during the period	-	-	-	(5,672)	(5,672)
Balance at 31 December 2007	23,685	(42)	1,376	45,451	70,470

Dividends

Half - Year Ended 31 December 2007 \$'000	Half - Year Ended 31 December 2006 \$'000
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Codan Limited has provided or paid for dividends as follows:

- final fully franked dividend of 3.5 cent per share on ordinary shares paid on 3 October 2007	5,672	
- final fully franked dividend of 3.5 cent per share on ordinary shares paid on 3 October 2006		5,672

Subsequent Events

Since the end of the half year, the directors declared an interim fully franked dividend on ordinary shares payable on 1 April 2008. The financial impact of this interim dividend (\$4,861,364) has not been brought to account in the consolidated entity financial statements for the half year ended 31 December 2007 and will be recognised in subsequent financial reports.

NOTE 4: EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 31 December 2007 was based on the profit attributable to ordinary shareholders of \$4,684,000 (six months ended 31 December 2006 \$6,507,000) and as there have been no changes to the issued capital of the company the weighted average number of shares was 162,045,454 for the half year periods ending 31 December 2006 and 31 December 2007 respectively.

There are no dilutive potential ordinary shares, therefore diluted earnings per share has not been calculated or disclosed.

NOTE 5: ASSOCIATE ENTITIES

Codan Limited holds a 50% interest in PCB Contracting Services Pty Ltd. This business ceased operations during the year ended 30 June 2004 and there has been no impact on the reported results of the consolidated entity since this date.

Condensed notes to the consolidated interim financial statements for the half year ended 31 December 2007

Codan Limited and its Controlled Entities

	Half - Year Ended 31 December 2007 \$'000	Consolidated Year Ended 30 June 2007 \$'000
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NOTE 6: CAPITAL COMMITMENTS

The aggregate amount of contracts for capital expenditure on property, plant and equipment	94	185
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NOTE 7: CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Group enters into performance bonds in support of its obligations as a supplier of electronic equipment.

NOTE 8: EVENTS SUBSEQUENT TO REPORTING DATE

The company has reached agreement to acquire all the shares and options in Adelaide based Minelab Electronics Pty. Ltd. (Minelab) under a sale and purchase agreement.

The acquisition includes all of Minelab's metal detection technology and businesses, covering global consumer and countermine markets, and Minelab's wholly owned subsidiary Parketronics, which provides electronics manufacturing and testing services for Australian manufacturers. Minelab's Halcro business, which specialises in super high-end audio equipment, has been divested by Minelab and accordingly is not being acquired. The acquisition is scheduled for completion by 6 March 2008 at the latest, subject to various conditions being first satisfied.

The acquisition price of approximately \$70.5 million (maximum) will be entirely debt funded via facilities from major banks and the acquisition is anticipated to be earnings per share accretive for Codan shareholders in the financial years ending 30 June 2009 and beyond. The acquisition price is subject to various adjustments, which may decrease the maximum amount, and the final price payable by Codan will be determined after completion.

Other than the matters already disclosed in these financial statements, there has not arisen in the interval between the end of the financial period 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 consolidated entity, in future financial years.

NOTE 9: RELATED PARTIES

Arrangements with related parties continue to be in place. For details on these arrangements, refer to the 30 June 2007 annual financial report.

Directors' declaration

Codan Limited and controlled entities

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

- (a) the financial statements and notes, set out on 5 to 12, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2007 and of its performance, as represented by the results of its operations and cash flows, for the half year ended on that date; and
 - (ii) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Newton this 14th day of February 2008.

Signed in accordance with a resolution of the directors:



P R Griffiths
Director



M K Heard
Director



Independent auditor's review report to the members of Codan Limited

Report on the financial report

We have reviewed the accompanying interim financial report of Codan Limited, which comprises the consolidated interim balance sheet as at 31 December 2007, income statement, statement of recognised income and expense and cash flow statement for the interim period ended on that date, a statement of accounting policies and other explanatory notes 1 to 9 and the directors' declaration of the Group comprising the company and the entities it controlled at the half-year's end or from time to time during the interim period.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the interim financial report in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the interim 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.

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2007 and its performance for the interim period ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Codan Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Codan Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2007 and of its performance for the interim period ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001.

KPMG

KPMG

Gary Savage
Partner

Adelaide

14 February 2008