MARKET ANNOUNCEMENT

CODAN LIMITED

FINANCIAL PERFORMANCE AND DIVIDEND`

The board of Codan Limited today announced a net profit after tax of $11.2m for FY07, 32% higher than the previous year. The improvement on the forecast of $10.9 million announced on 6 June 2007 resulted from better than expected orders received and shipped in June 2007. The profit arose from full year revenue of $121.6m, 3.7% greater than the previous year. Profit margins were significantly stronger in FY07 as a result of the restructuring and other profit improvement programs completed at the end of FY06.

Working capital management for FY07 was good. Following significant investment in previous years in expanding the Adelaide factory and implementation of a new IT business system, the level of capital expenditure for property, plant and equipment was very low. Excellent net cash generation of $25.7m was achieved from operating and investing activities, allowing the company to retire $9.2m of debt, pay dividends of $10.5m and finish the year with a surplus of cash over borrowings of $3.5m.

The board declared a final dividend of 3.5 cents per share bringing the dividend for the year to 6.5 cents per share fully franked, an increase of half a cent (8.3%) over the previous year. The final dividend has a record date of 17th September and will be paid on 2nd October.

As advised in the market announcement on 6 June 2007, revenue for the quarter ended June 2007 was affected by some contraction in the company's HF radio market. The security situations in Iraq and Afghanistan have resulted in deferral of reconstruction activity, communications upgrades for homeland security in the first world have not yet eventuated, and demand from aid and humanitarian organisations is flat. Thus revenue from HF radio sales in FY07 fell somewhat compared to the previous year. On the other hand revenue from satellite communications sales grew significantly year on year.

Profit margins in the second half were lower than in the first half principally as a result of the different mix of HF radio and satellite communications sales, a negative $0.7m EBIT impact arising from a stronger Australian dollar, and costs associated with the evaluation of potential acquisitions of $0.5m.

Codan Summary Financial Performance

	Year ended 30 June			
	Audited 2007		Audited 2006	
	$m	%	$m	%
Revenue				
Total Communications Products	$111.0		$106.7	
Total Other	$10.6		$10.6	
Total Revenue	$121.6	100%	$117.3	100%
EBITDA	$24.2	19.9%	$20.0	17.1%
Depreciation	($3.1)		($3.2)	
Amortisation of deferred R&D	($4.7)		($4.5)	
EBIT	$16.4	13.5%	$12.3	10.5%
Interest	($0.6)		($0.7)	
Net profit before tax	$15.8	13.0%	$11.6	9.9%
Tax	($4.6)		($3.1)	
Net profit after tax	$11.2	9.2%	$8.5	7.2%
Earnings per share, fully diluted (cents)	6.9		5.2	
Dividend per share (cents)	6.5		6.0	

Notes:

The company's average exchange rate for its exposure to the US dollar in FY07 was 77.4 US cents to the Australian dollar compared to a rate of 74.6 US cents to the Australian dollar in FY06. At the date of this announcement 100% of estimated FY08 US dollar exposure is hedged at an average rate of 83.8 US cents to the Australian dollar.

OPERATIONS AND OUTLOOK

The key initiatives for Codan in FY08 will be:

- Continuing improvements in efficiency and productivity
- Major market launches in HF radio, digital microwave radio and TV broadcast products to stimulate growth for which the company has ample manufacturing capacity
- Continued activity with respect to potential acquisitions

Communications Products

HF Radio

Codan expects to retain its market share in the contracting market described above. Order levels in July and August to date are good. Thus sales in the quarter to the end of September 2007 will be a marked improvement over those in the quarter ended June 2007. However the near term outlook for HF radio sales in our current market segment still remains uncertain.

In September this year the company will conduct a major launch of its excellent range of HF radio products into a global military market segment. This new segment for Codan is equivalent in size to the segment currently served and the company expects significant growth in sales from this initiative. Successful market entry will take some time so the benefits of the initiative in FY08 will be limited.

Satellite Communications

This market remains quite strong and Codan continues to improve market share via demand for its newer product family. More products are being added to this family progressively. Continued growth in US dollar revenue from sales of satellite communications products is expected. However, in FY08 this will be largely offset by the stronger Australian dollar, noting that Codan's exposure is hedged at 83.8 US cents to the Australian dollar.

Digital Microwave Radio

Sales of this product group were disappointing in FY07. Customers using the product are very satisfied, but to date the company has not grown the number of customers sufficiently. A major new marketing initiative focusing on specific markets in Africa, Middle East, Eastern Europe and CIS will be conducted in the first half of FY08. The company expects some benefit from this initiative this financial year.

Other Business Activities

TV Broadcast Products

Sales of this product group were still quite low, but improved operational efficiency resulted in contribution to Codan's consolidated profit that was positive and significantly improved in FY07. Sales in Australia were relatively strong and good work was done to expand and improve the company's sales and distribution capability in North America.

During FY08 the company will continue to strengthen Codan Broadcast's platform for growth. A major market launch of the company's world leading router product range will be conducted in September this year focused on North America and Europe. Sales and distribution capability will be expanded in Europe.

It is expected that these investments in the business will deliver significant profit growth in FY09 and beyond.

Printed Circuit Boards

This business continues to perform well and delivered positive contribution to Codan's consolidated profit in a tough marketplace.

Overall Outlook

Once again the company faces a strong currency headwind. The company has recently completed several hedge transactions, resulting in 100% of its expected net exposure to the US dollar for FY08, being hedged at an average exchange rate of 83.8 US cents to the Australian dollar.

Further improvements in productivity and efficiency have been implemented; continuous improvement is enshrined in Codan. The major marketing initiatives outlined above should deliver some sales growth in FY08 but the majority of the benefit will not be realised until FY09.

The company continues to be very active on several acquisition opportunities aimed at delivering medium to long term benefit to the group. This endeavour, by necessity, takes time. Caution is required to ensure that the company makes only the right acquisitions at the right price. In the short term such activities could increase or reduce profitability depending on success, timing, implementation expenses and the early performance of acquisitions.

Order intake in July and August to date is good, however, many variables will affect performance in FY08. Guidance from the board remains that NPAT for the full year ending 30 June 2008 could decline but at this time it is not possible to make an accurate forecast. However, noting the current orders and the company's cash position the maintenance of an interim dividend of 3.0 cents per share fully franked is expected.

The board will of course advise the market immediately the outlook becomes clearer and will continue to comment from time to time about developments affecting performance in FY08.

In accordance with the company's recently revised ten year plan, the board and management are focused on investment in new product and market development, and acquisitions in selected global communications products market segments, to deliver significant growth in the medium to long term.

RESULTS PRESENTATION AND AGM

Codan Limited's financial year 2007 audited annual financial report and presentation to investors are posted on the company's website, www.codan.com.au

A webcast to present the company's results will be held on Monday 20th August commencing at 10:30am Adelaide time (11:00am AEST) and will be presented by Codan's Chief Executive Officer and Managing Director, Mr Mike Heard.

To access the webcast, please go to the Codan Limited website at www.codan.com.au and on the front home page, click on the link entitled *"Investor Presentation Year End Results to 30 June 2007".* To listen and view the webcast click on the "*Click here to listen....*" link.

The company will hold its Annual General Meeting in Adelaide on Thursday, 18th October at the Hilton Adelaide, 233 Victoria Square, Adelaide, South Australia, at 11am.

On behalf of the Board

JMattsson

James Mattsson
Company Secretary
17 August 2007

Codan Limited
and its controlled entities

Appendix 4E
Preliminary Final Report under ASX Listing Rule 4.3A

For the year ended 30 June 2007

ABN	Previous corresponding period
77 007 590 605	30 June 2006

Results for announcement to the market				$A'000
Revenue from ordinary activities	Up	3.7%	to	121,591
Profit from ordinary activities after tax attributable to members	Up	32.4%	to	11,239
Net profit for the year attributable to members	Up	32.4%	to	11,239

Dividends	Amount per security	Franked amount per security at 30% tax
Final dividend	3.5 cents	3.5 cents
Interim dividend	3.0 cents	3.0 cents
Record date for determining entitlements to dividends:	17 September 2007	

Brief explanation of any figures disclosed above which is necessary to enable the figures to be understood:

The 30 June 2007 Financial Report and the Market Announcement dated 17 August 2007 form part of and should be read in conjunction with this Preliminary Final Report (Appendix 4E).

This report is based on financial statements that have been audited. The audit report is included in the 30 June 2007 Financial Report.

Codan Limited
ABN 77 007 590 605
and its Controlled Entities

Financial Report

30 June 2007

Contents

Page

Directors' report

Codan Limited and its Controlled Entities

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 2007 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:

Name and qualifications	*Age*	*Experience and special responsibilities*
Dr David Klingner B.Sc(Hons), PhD, FAusIMM Chairman Independent Non-Executive Director	63	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.
John Uhrig AC, BSc, DUniv, Hon. DEcon, FAIM Non-Executive Director	78	Mr Uhrig retired as Chairman and from the Board in May 2007. Mr Uhrig was appointed to the board as Chairman in 1986. He has broad industry and manufacturing experience and has participated in and contributed to a variety of government and community bodies. He was formerly a director of ASX listed companies Westpac Banking Corporation (1989 to 2000 and chairman 1992 to 2000), Santos Limited (1991 to 2001 and chairman 1994 to 2001) and Rio Tinto Limited (1983 to 2001 and chairman 1987 to 2001). He was formerly chairman of the Australian Manufacturing Council, deputy chairman of Rio Tinto plc, managing director of Simpson Holdings Limited and Brinsmead Electrical Industries Pty Ltd, a foundation member of the National Companies and Securities Commission and a director of B Seppelt & Sons Limited and the Export Finance and Insurance Commission.
Michael Heard BE (Hons), MBA, FIE Aust, CPEng Managing Director and Chief Executive Officer	59	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 is today 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	68	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.

Directors' report
Codan Limited and its Controlled Entities

Directors (continued)

Name and qualifications	*Age*	*Experience and special responsibilities*
Peter Griffiths B.Ec (Hons), CPA, FAICD Independent Non-Executive Director	**65**	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	**63**	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. He was based in Singapore during 1991 and 1992 responsible for the international activities of Kinhill. Mr Klingberg is currently Chancellor of the University of South Australia a position he has 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 the WorkCover Corporation of South Australia.
Ian Wall BE, FSASM, MIE Aust, CPEng Non-Executive Director	**76**	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 James Mattsson B Ec (Acc), CA, Grad Dip App Fin (Corp Fin), M Comm

Mr Mattsson was appointed to the position of company secretary in June 2007. Mr Mattsson has responsibility for the areas of Corporate Finance, Business Systems and Information Technology across the Codan group. Prior to joining Codan he held senior management positions at Southcorp Limited including General Manager Business Applications and Manager Project Accounting. Prior to that he was employed by KPMG Chartered Accountants as a Senior Manager.

The directors were pleased to announce on 7 August 2007 the appointment of Mr Rick Moody to fulfil the roles of Chief Financial Officer and Company Secretary commencing 3 October 2007. Mr Moody's most recent positions include Chief Financial Officer with Elders Australia Limited and Corporate Financial Controller and Group General Manager Finance and Administration with Adelaide Brighton Limited.

Mr David Hughes BA(Acc), CPA, AIMM, CPMgr was appointed to the position of company secretary in September 2000 and resigned from the Codan group in June 2007. Mr Hughes had responsibility for the financial control, reporting and information technology across the Codan group. Prior to joining Codan he was Executive General Manager, Information Services with Normandy Mining, Commercial Manager at Southcorp and Divisional Financial Controller at James Hardie.

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	10	11			5	5
John Uhrig	10	11				
Michael Heard	11	11				
Brian Burns	11	11	3	4	5	5
Peter Griffiths	11	11	4	4		
David Klingberg	10	11	3	4		
Ian Wall	11	11			5	5

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

In addition to the meetings disclosed above, the full Board of Directors have attended a number of full day strategy sessions which were held during the course of the financial year with the Executive team.

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.

Board of Directors *(continued)*

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 consolidated entity concerning performance of directors. Directors also have the opportunity to visit consolidated entity 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).

Board of Directors (continued)

Composition of the Board

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 ASX Corporate Governance Council's "Principles of Good Corporate Governance and Best Practice Recommendations" states that a majority of the board should be independent directors and the chairperson should be an independent director. During the course of the financial year, the company has not complied with these two recommendations. As a result of the appointment of Dr Klingner as Chairman in May 2007, the Chairman is now an independent director. Given the company's transition from a very successful privately owned company to a publicly listed company in November 2003 the board believe the current composition of directors is still appropriate for 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
Ian Wall – Non-Executive Director

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

Remuneration policies

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.

The remuneration structures explained below are designed to attract suitably qualified candidates, and to effect the broader outcome of increasing the consolidated entity'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 executive's remuneration.

Certain senior executives may receive bonuses based on the achievement of two specific performance hurdles.

Firstly, where the ratio of earnings before interest and taxes ("EBIT"), which is adjusted for the capitalisation of product development expenditure, to sales exceeds a predetermined threshold for the financial year a bonus is calculated based on a percentage of the executives normal salary package. This percentage is capped at a maximum of 35% of the salary package. For the year ended 30 June 2007 the bonus achieved under this performance condition was 16.47% of the executive's salary package.

Secondly, where growth of the group exceeds a predetermined threshold for the financial year a bonus is calculated based on a percentage of the executives normal salary package. This percentage is capped at a maximum of 35% of the salary package. Payments under this performance condition are dependent upon the achievement of the minimum threshold for the EBIT to sales ratio referred to above. For the year ended 30 June 2007 the growth performance measure was not achieved and as a result no payments under this performance condition will be made.

Where these calculations result in a bonus being available the payment of one half of the bonus would be dependent upon the appraisal rating of the specific executive. 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 considers that the above performance-linked remuneration structure is appropriate.

Remuneration report (continued)

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:

Directors	**Base emolument $**	**Bonuses $**	**Non-cash benefits $**	**Super contributions $**	**Retirement benefits $**	**Total $**
Non-executive						
Dr David Klingner	81,250			7,312		88,562
John Uhrig	149,875					149,875
Brian Burns	75,000			6,750		81,750
Peter Griffiths	75,000			6,750		81,750
David Klingberg	75,000			6,750		81,750
Ian Wall	81,750					81,750
Executive						
Michael Heard	505,957	94,731		45,886		646,574

Executive officers	**Base emolument $**	**Bonuses $**	**Non-cash benefits $**	**Super contributions $**	**Retirement benefits $**	**Total $**
Allan Gobolos	227,430	40,363		20,838		288,632
David Hughes	207,549			16,767		224,316
Peter Charlesworth	214,593	37,069		17,867		269,529
Donald McGurk	203,895	37,069		15,522		256,487
Gary Shmith	147,513	25,207		12,391		185,112

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.

Corporate Performance

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

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

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 International Financial Reporting Standards.

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 Finance and Information 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;

Board Audit, Risk and Compliance Committee (continued)

- 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. The committee is in the process of formalising an improved structured approach to business risk identification and management that will use Australian / New Zealand Standard Risk Management AS/NZS 4360 as a guide. The committee expect this revised approach to be implemented during the coming months.

Risk management and 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.

Risk management (continued)

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 Finance and Information Officer (up to the date of his resignation on 13 June 2007) 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. For the period from 14 June 2007 to the date of this report, the management that have been responsible for the financial matters of the company have made these declarations. 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 consolidated entity'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 consolidated entity.

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 Finance and Information Officer (up to the date of his resignation on 13 June 2007) 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. For the period from 14 June 2007 to the date of this report, the management that have been responsible for the financial matters of the company have made these declarations. 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. During the year the company reviewed and confirmed 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.

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 the 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.

Ethical standards (continued)

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 Finance and Information 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 including 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.

Directors' report

Codan Limited and its Controlled Entities

Principal activities

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

There has not been any significant change in the nature of the activities of the group during the year.

Operating and financial review

The board of Codan Limited has announced a net profit after tax of $11.2m for FY07, 32% higher than the previous year. The improvement on the forecast of $10.9 million announced on 6 June 2007 resulted from better than expected orders received and shipped in June 2007. The profit arose from full year revenue of $121.6m, 3.7% greater than the previous year. Profit margins were significantly stronger in FY07 as a result of the restructuring and other profit improvement programs completed at the end of FY06.

Working capital management for FY07 was good. Following significant investment in previous years in expanding the Adelaide factory and implementation of a new IT business system, the level of capital expenditure for property, plant and equipment was very low. Excellent net cash generation of $25.7m was achieved from operating and investing activities, allowing the company to retire $9.2m of debt, pay dividends of $10.5m and finish the year with a surplus of cash over borrowings of $3.5m.

The board declared a final dividend of 3.5 cents per share bringing the dividend for the year to 6.5 cents per share fully franked, an increase of half a cent (8.3%) over the previous year. The final dividend has a record date of 17th September and will be paid on 2nd October.

As advised in the market announcement on 6 June 2007, revenue for the quarter ended June 2007 was affected by some contraction in the company's HF radio market. The security situations in Iraq and Afghanistan have resulted in deferral of reconstruction activity, communications upgrades for homeland security in the first world have not yet eventuated, and demand from aid and humanitarian organisations is flat. Thus revenue from HF radio sales in FY07 fell somewhat compared to the previous year. On the other hand revenue from satellite communications sales grew significantly year on year.

Profit margins in the second half were lower than in the first half principally as a result of the different mix of HF radio and satellite communications sales, a negative $0.7m EBIT impact arising from a stronger Australian dollar, and costs associated with the evaluation of potential acquisitions of $0.5m.

The key initiatives for Codan in FY08 will be:

- Continuing improvements in efficiency and productivity
- Major market launches in HF radio, digital microwave radio and TV broadcast products to stimulate growth for which the company has ample manufacturing capacity
- Continued activity with respect to potential acquisitions

Communications Products

HF Radio

Codan expects to retain its market share in the contracting market described above. Order levels in July and August to date are good. Thus sales in the quarter to the end of September 2007 will be a marked improvement over those in the quarter ended June 2007. However the near term outlook for HF radio sales in our current market segment still remains uncertain.

Operating and financial review *(continued)*

In September this year the company will conduct a major launch of its excellent range of HF radio products into a global military market segment. This new segment for Codan is equivalent in size to the segment currently served and the company expects significant growth in sales from this initiative. Successful market entry will take some time so the benefits of the initiative in FY08 will be limited.

Satellite Communications

This market remains quite strong and Codan continues to improve market share via demand for its newer product family. More products are being added to this family progressively. Continued growth in US dollar revenue from sales of satellite communications products is expected. However, in FY08 this will be largely offset by the stronger Australian dollar, noting that Codan's exposure is hedged at 83.8 US cents to the Australian Dollar.

Digital Microwave Radio

Sales of this product group were disappointing in FY07. Customers using the product are very satisfied, but to date the company has not grown the number of customers sufficiently. A major new marketing initiative focusing on specific markets in Africa, Middle East, Eastern Europe and CIS will be conducted in the first half of FY08. The company expects some benefit from this initiative this financial year.

Broadcast Products

Sales of this product group were still quite low, but improved operational efficiency resulted in contribution to Codan's consolidated profit that was positive and significantly improved in FY07. Sales in Australia were relatively strong and good work was done to expand and improve the company's sales and distribution capability in North America.

During FY08 the company will continue to strengthen Codan Broadcast's platform for growth. A major market launch of the company's world leading router product range will be conducted in September this year focused on North America and Europe. Sales and distribution capability will be expanded in Europe.

It is expected that these investments in the business will deliver significant profit growth in FY09 and beyond.

Printed Circuit Boards

This business continues to perform well and delivered positive contribution to Codan's consolidated profit in a tough marketplace.

Outlook

Once again the company faces a strong currency headwind. The company has recently completed several hedge transactions, resulting in 100% of its expected net exposure to the US dollar for FY08, being hedged at an average exchange rate of 83.8 US cents to the Australian dollar.

Further improvements in productivity and efficiency have been implemented; continuous improvement is enshrined in Codan. The major marketing initiatives outlined above should deliver some sales growth in FY08 but the majority of the benefit will not be realised until FY09.

The company continues to be very active on several acquisition opportunities aimed at delivering medium to long term benefit to the group. This endeavour, by necessity, takes time. Caution is required to ensure that the company makes only the right acquisitions at the right price. In the short term such activities could increase or reduce profitability depending on success, timing, implementation expenses and the early performance of acquisitions.

Directors' report

Codan Limited and its Controlled Entities

Outlook ***(continued)***

Order intake in July and August to date is good, however, many variables will affect performance in FY08. Guidance from the board remains that NPAT for the full year ending 30 June 2008 could decline but at this time it is not possible to make an accurate forecast. However, noting the current orders and the company's cash position the maintenance of an interim dividend of 3.0 cents per share fully franked is expected.

The board will of course advise the market immediately the outlook becomes clearer and will continue to comment from time to time about developments affecting performance in FY08.

In accordance with the company's recently revised ten year plan, the board and management are focused on investment in new product and market development, and acquisitions in selected global communications products market segments, to deliver significant growth in the medium to long term.

State of affairs

In the opinion of the directors there were no significant changes in the state of affairs of the group that occurred during the financial year under review.

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 2006 ordinary	3.5	5,672	100%	3 October 2006
- Interim 2007 ordinary	3.0	4,861	100%	2 April 2007
■ Declared after the end of the year:				
- Final 2007 ordinary	3.5	5,672	100%	2 October 2007

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	3,666,268
Brian Burns	11,580,737
Peter Griffiths	10,000
Dr David Klingner	100,000
David Klingberg	58,700
Ian Wall	34,792,943

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.

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

Non-audit services (continued)

Details of the amounts paid 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	
	2007	2006
	$	$
Statutory audit:		
- audit and review of financial reports (KPMG Australia)	110,000	114,000
- audit of financial reports (overseas KPMG firms)	14,581	18,957
	124,581	132,957
Services other than statutory audit:		
Other assurance services		
- pre-implementation internal control systems review	-	62,515
- transition to International Accounting Standards	-	3,200
Other services		
- taxation compliance services (KPMG Australia)	52,111	54,664
- taxation compliance services (overseas KPMG firms)	22,688	27,046
	74,799	147,425

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 17th day of August 2007.

KPMG

Lead Auditor's Independence Declaration under Section 307 of the Corporations Act 2001 to the directors of Codan Limited

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 2007 there have been:

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

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

KPMG

KPMG

Gary Savage
Partner

Adelaide

17 August 2007

Income statements for the year ended 30 June 2007

Codan Limited and its Controlled Entities

	Note	Consolidated 2007 $000	Consolidated 2006 $000	The Company 2007 $000	The Company 2006 $000
Revenue		121,591	117,301	110,626	106,437
Cost of sales		(68,291)	(66,095)	(61,057)	(59,299)
Gross profit		53,300	51,206	49,569	47,138
Other income	5	426	179	386	207
Administrative expenses		(8,426)	(8,380)	(8,279)	(7,320)
Sales and marketing expenses		(20,016)	(22,620)	(18,421)	(21,352)
Engineering expenses		(7,980)	(7,490)	(7,517)	(6,647)
Net Financing costs	6	(1,353)	(524)	(1,248)	(571)
Share of net loss of associate	13	-	-	-	-
Other expenses		(80)	(798)	11	(112)
Profit before tax		15,871	11,573	14,501	11,343
Income tax expense	8	(4,632)	(3,085)	(4,237)	(2,994)
Profit for the year		11,239	8,488	10,264	8,349

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

	Note	Consolidated 2007	Consolidated 2006
Basic earnings per share	3	6.9 cents	5.2 cents
Net tangible assets per share		20.3 cents	17.6 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 23 to 51.

Statements of recognised income and expense
for the year ended 30 June 2007

Codan Limited and its Controlled Entities

	Note	Consolidated 2007 $000	Consolidated 2006 $000	The Company 2007 $000	The Company 2006 $000
Exchange differences on translation of foreign operations	23	121	(112)	128	(189)
Gains / (Losses) on cash flow hedges taken to / from hedging reserve	23	462	(127)	462	(127)
Net income recognised directly in equity		583	(239)	590	(316)
Profit for the period		11,239	8,488	10,264	8,349
Total recognised income and expense for the period		11,822	8,249	10,854	8,033

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 23 to 51.

Balance sheets as at 30 June 2007

Codan Limited and its Controlled Entities

	Note	Consolidated 2007 $000	Consolidated 2006 $000	The Company 2007 $000	The Company 2006 $000
CURRENT ASSETS					
Cash and cash equivalents	9	5,862	1,336	4,820	732
Trade and other receivables	10	15,724	22,045	16,321	23,270
Inventories	11	14,122	17,273	12,546	15,726
Current tax assets	8	-	613	-	542
Other assets	12	1,866	1,318	1,567	947
Total current assets		37,574	42,585	35,254	41,217
NON-CURRENT ASSETS					
Investments in equity accounted investees	13	-	-	-	-
Investments	14	50	50	33,649	33,649
Property, plant and equipment	15	17,777	19,594	15,843	17,293
Product development	16	14,438	16,437	14,438	16,437
Intangible assets	17	25,039	25,888	4,126	4,975
Deferred tax assets	8	28	26	-	-
Total non-current assets		57,332	61,995	68,056	72,354
Total assets		94,906	104,580	103,310	113,571
CURRENT LIABILITIES					
Trade and other payables	18	12,750	15,087	10,438	13,058
Other liabilities	19	-	-	11,499	10,803
Loans and borrowings	20	2,363	12,927	2,357	12,900
Current tax payable	8	1,769	109	1,611	-
Provisions	21	3,527	3,290	3,198	2,943
Total current liabilities		20,409	31,413	29,103	39,704
NON-CURRENT LIABILITIES					
Loans and borrowings	20	26	53	-	-
Deferred tax liabilities	8	1,850	1,689	2,129	2,046
Provisions	21	2,098	2,191	1,873	1,937
Total non-current liabilities		3,974	3,933	4,002	3,983
Total liabilities		24,383	35,346	33,105	43,687
Net assets		70,523	69,234	70,205	69,884
EQUITY					
Share capital	22	23,685	23,685	23,685	23,685
Reserves	23	399	(184)	462	(128)
Retained earnings	24	46,439	45,733	46,058	46,327
Total equity		70,523	69,234	70,205	69,884

The balance sheets are to be read in conjunction with the notes to and forming part of the financial statements set out on pages 23 to 51.

Statements of cash flows for the year ended 30 June 2007

Codan Limited and its Controlled Entities

	Note	Consolidated 2007 $000	Consolidated 2006 $000	The Company 2007 $000	The Company 2006 $000
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash receipts from customers		129,242	118,720	117,718	107,764
Cash payments to suppliers and employees		(97,690)	(105,700)	(79,746)	(86,340)
Interest received		118	69	125	83
Interest paid		(596)	(828)	(591)	(821)
Income taxes paid		(2,191)	(5,023)	(2,178)	(4,722)
Net cash from operating activities	28(ii)	28,883	7,238	35,328	15,964
CASH FLOWS FROM INVESTING ACTIVITIES					
Payments for goodwill		-	-	-	-
Proceeds from sale of property, plant and equipment		80	59	15	57
Dividends received		44	41	-	-
Payments for capitalised product development		(2,729)	(3,207)	(2,729)	(3,207)
Acquisition of property, plant and equipment		(596)	(2,319)	(379)	(2,578)
Acquisition of intangibles (computer software)		(18)	(1,853)	(18)	(1,853)
Net cash used in investing activities		(3,219)	(7,279)	(3,111)	(7,581)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from borrowings		-	9,500	-	9,500
Repayments of borrowings		(9,191)	(230)	(9,143)	(138)
Proceeds / (Loans) to / from related companies		-	-	(7,053)	(8,066)
Dividends paid		(10,533)	(9,723)	(10,533)	(9,723)
Net cash used in financing activities		(19,724)	(453)	(26,729)	(8,427)
Net increase / (decrease) in cash held		5,940	(494)	5,488	(44)
Cash and cash equivalents at the beginning of the financial year		(64)	409	(668)	(624)
Effects of exchange rate fluctuations on cash held		(14)	21	-	-
Cash and cash equivalents at the end of the financial year	28(i)	5,862	(64)	4,820	(668)

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 23 to 51.

Notes to and forming part of the financial statements

for the year ended 30 June 2007

Codan Limited and its Controlled Entities

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 2007 comprises the company and its subsidiaries (together referred to as the "Group"). The financial report was authorised for issue by the directors on 17 August 2007.

(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.

International Financial Reporting Standards ("IFRS") form the basis of Australian Accounting Standards adopted by the AASB, being Australian equivalents to IFRS ("AIFRS").

(b) Basis of preparation

The financial report is prepared in Australian dollars on the historical costs basis except that derivative financial instruments are stated at their fair value. The following standards and amendments were available for early adoption but have not been applied by the group in these financial statements:

AASB 7 *Financial Instruments: Disclosures* (August 2005) replaces the presentation requirements of financial instruments in AASB 132. AASB 7 is applicable for annual reporting periods beginning on or after 1 January 2007, and may require extensive additional disclosures with respect to the Group's financial instruments and share capital.

AASB 2005-10 Amendments to Australian Accounting Standards (September 2005) makes consequential amendments to AASB 132 *Financial Instruments: Disclosure and Presentation,* AASB 101 *Presentation of Financial Statements,* AASB 117 *Leases,* AASB 133 *Earnings Per Share,* AASB 139 *Financial Instruments: Recognition and Measurement,* AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards,* AASB 4 *Insurance Contracts,* AASB 1023 *General Insurance Contracts* and AASB 1038 *Life Insurance Contracts* arising from the release of AASB 7. AASB 2005-10 is applicable for annual reporting periods beginning on or after 1 January 2007 and is expected to only impact disclosures contained within the consolidated financial report.

AASB 8 *Operating Segments* replaces the presentation requirements of segment reporting in AASB 114 *Segment Reporting.* AASB 8 is applicable for annual reporting periods beginning on or after 1 January 2009 and is not expected to have an impact on the financial results of the Company and the Group as the standard is only concerned with disclosures.

AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8 makes amendments to AASB 102 *Inventories,* AASB 107 *Cash Flow Statements,* AASB 119 *Employee Benefits,* AASB 127 *Consolidated and Separate Financial Statements,* AASB 134 *Interim Financial Reporting,* AASB 136 *Impairment of Assets and* AASB 1023 *General Insurance Contracts.* AASB 2007-3 is applicable for annual reporting periods beginning on or after 1 January 2009 and must be adopted in conjunction with AASB 8 *Operating Segments.* This standard is only expected to impact disclosures contained within the financial report.

Interpretation 10 *Interim Financial Reporting and Impairment* prohibits the reversal of an impairment loss recognised in a previous interim period in respect of goodwill, an investment in an equity instrument or a financial asset carried at cost. Interpretation 10 will become mandatory for the Group's 2008 financial statements, and will apply to goodwill, investments in equity instruments, and financial assets carried at cost prospectively from the date that the Group first applied the measurement criteria of AASB 136 and AASB 139 respectively (i.e., 1 July 2004 and 1 July 2005, respectively)

The Group plans to adopt these standards in line with the standards application date. The adoption of these standards is not expected to have a material impact on the financial results of the Group.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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.

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.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 unless they relate to qualifying assets. 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 as it accrues, using the effective interest method.

(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.

Exchange differences arising from the translation of the net investment in foreign operations are taken to the foreign currency translation reserve on consolidation. They are released into the income statement upon disposal.

(g) Derivative financial instruments

The Group has used derivative financial instruments to hedge its exposure to foreign exchange. 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. 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. Attributable costs are recognised in the income statement when incurred.

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.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 and 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.

Tax consolidation

The Company is the head entity in the tax consolidated group comprising all the Australian wholly owned subsidiaries. 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 consolidated entity'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.

(l) Inventories

Raw materials and stores, work in progress and finished goods are carried at the lower of cost 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.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 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.

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.

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 costs	2 - 5 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.

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.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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. The main depreciation rates used for each class of asset are as follows:

Buildings	4%
Leasehold property	33%
Plant and equipment	13% 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.

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 flows that are largely independent from other asset 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.

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 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.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

(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.

(v) Accounting estimates and judgments

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.

	Consolidated 2007 $000	Consolidated 2006 $000	The Company 2007 $000	The Company 2006 $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 2005	-	5,672	-	5,672
(ii) an ordinary interim dividend of 2.5 cents per share, franked to 100% with 30% franking credits, was paid on 3 April 2006	-	4,051	-	4,051
(iii) 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	-
(iv) an ordinary interim dividend of 3 cents per share, franked to 100% with 30% franking credits, was paid on 2 April 2007	4,861	-	4,861	-
	10,533	9,723	10,533	9,723

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 2 October 2007. The financial effect of this dividend has not been brought to account in the financial statements for the year ended 30 June 2007 and will be recognised in subsequent financial reports.

Dividend franking account

	Consolidated 2007 $000	Consolidated 2006 $000	The Company 2007 $000	The Company 2006 $000
Franking credits available to shareholders for subsequent financial years (30%)			7,583	7,750

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 (2006: $2,430,681).

3 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 2007 $000	Consolidated 2006 $000	The Company 2007 $000	The Company 2006 $000
Net profit used for the purpose of calculating basic earnings per share	11,239	8,488		

The weighted average number of shares used as the denominator number for basic earnings per share was 162,045,454 (2006: 162,045,454). There are no dilutive potential ordinary shares, therefore diluted EPS has not been calculated or disclosed.

4 SEGMENT ACTIVITIES

The Group operates predominantly in Australia, and more than 90% of revenue, operating profit and segment assets related to operations in Australia. However approximately 90% of the consolidated entity's sales are exported.

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 comprises 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.

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 its manufacturing and corporate offices in Australia with overseas representation offices in the United States of America, England, India and China.

4. SEGMENT REPORTING

Business segments	Communications		Other		Eliminations		Consolidated	
	2007	2006	2007	2006	2007	2006	2007	2006
	$000	$000	$000	$000	$000	$000	$000	$000
Revenue								
External segment revenue	110,966	106,639	10,625	10,662	-	-	121,591	117,301
Inter segment revenue	-	-	1,421	1,587	(1,421)	(1,587)	-	-
Total segment revenue	110,966	106,639	12,046	12,249	(1,421)	(1,587)	121,591	117,301
Other unallocated revenue							-	-
Total revenue							121,591	117,301
Result								
Segment result	21,805	18,377	1,118	(231)	(13)	72	22,910	18,218
Share of associates net loss							-	-
Unallocated corporate expenses							(7,039)	(6,645)
Profit from operating activities							15,871	11,573
Income tax expense							(4,632)	(3,085)
Net Profit							11,239	8,488
Non Cash Items								
Depreciation and amortisation	7,508	7,422	307	315	-	-	7,815	7,737
Assets								
Segment assets	76,260	90,492	10,867	10,744	-	-	87,127	101,236
Investments							50	50
Unallocated corporate assets							7,729	3,294
Consolidated total assets							94,906	104,580
Liabilities								
Segment liabilities	16,772	18,929	1,630	1,642	-	-	18,402	20,571
Unallocated corporate liabilities							5,981	14,775
Consolidated total liabilities							24,383	35,346

Geographical segments	Europe		Americas		Asia		Australia / Oceania		Africa		Consolidated	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
External segment revenue by location of customers	31,992	36,642	47,599	31,892	16,295	13,488	12,520	13,520	13,185	21,759	121,591	117,301
Segment assets by location of assets	2,130	2,038	1,412	969	-	-	91,364	101,573	-	-	94,906	104,580
Acquisitions of non current assets	-	76	55	95	-	-	3,288	7,208	-	-	3,343	7,379

Notes to and forming part of the financial statements
for the year ended 30 June 2007

Codan Limited and its Controlled Entities

		Consolidated		The Company	
		2007	2006	2007	2006
		$000	$000	$000	$000
5	**OTHER INCOME**				
	Dividend income	44	41	-	-
	Other items	382	138	286	107
	Rental income	-	-	100	100
		426	179	386	207
6	**EXPENSES**				
	Net financing costs:				
	Interest income	(162)	(110)	(125)	(83)
	Net foreign exchange (gain) / loss	919	(194)	782	(167)
	Interest expense	596	828	591	821
		1,353	524	1,248	571
	Depreciation of:				
	Buildings	352	349	352	349
	Leasehold property	35	99	22	83
	Plant and equipment	1,833	2,180	1,450	1,772
		2,220	2,628	1,824	2,204
	Amortisation of:				
	Product development costs	4,728	4,549	4,728	4,549
	Computer software	867	560	867	560
		5,595	5,109	5,595	5,109
	Personnel expenses:				
	Wages and salaries	22,246	21,906	16,371	15,873
	Other associated personnel expenses	1,878	2,043	1,261	1,481
	Contributions to defined contribution superannuation plans	1,873	2,150	1,450	1,692
	Increase in liability for long service leave	267	131	254	112
	Increase in liability for annual leave	1,371	1,534	1,194	1,331
		27,635	27,765	20,530	20,489
	Impairment of trade receivables	249	63	216	58
	Operating lease rental expense	466	680	50	157
	(Profit) or loss on sale of property, plant and equipment	80	125	(11)	112
	Restructuring costs expensed as incurred	-	1,778	-	1,204

	Consolidated 2007 $	Consolidated 2006 $	The Company 2007 $	The Company 2006 $
7 AUDITORS' REMUNERATION				
Audit services:				
KPMG Australia - audit and review of financial reports	110,000	114,000	110,000	114,000
Overseas KPMG firms - audit of financial reports	14,581	18,957	-	-
Other services:				
KPMG Australia - taxation services	57,397	54,664	57,397	54,664
KPMG Australia - other assurance services	-	65,715	-	65,715
Overseas KPMG firms - taxation services	17,402	27,046	-	12,089
KPMG related practices - due diligence services	-	-	-	-
	199,380	280,382	167,397	246,468

	Consolidated 2007 $000	Consolidated 2006 $000	The Company 2007 $000	The Company 2006 $000
8 INCOME TAX				
(a) Income tax expense				
Current tax expense:				
Current tax payable for the financial year	4,988	3,534	4,658	3,308
Adjustments for prior years	(151)	(383)	(129)	(381)
	4,837	3,151	4,529	2,927
Deferred tax expense:				
Origination and reversal of temporary differences	(205)	(66)	(292)	67
Total income tax expense in income statement	4,632	3,085	4,237	2,994
Reconciliation between tax expense and pre tax net profit:				
The prima facie income tax expense calculated at 30% on the profit from ordinary activities	4,762	3,472	4,350	3,403
Decrease in income tax expense due to:				
Additional deduction for research and development expenditure	137	151	137	151
Over provision for taxation in previous years	151	383	129	381
Share of associates profit	-	-	-	-
Sundry items	18	12	-	-
	4,456	2,926	4,084	2,871
Increase in income tax expense due to:				
Non-deductible expenses	136	41	127	38
Depreciation	26	85	26	85
Sundry items	14	33	-	-
Income tax expense	4,632	3,085	4,237	2,994

	Consolidated 2007 $000	Consolidated 2006 $000	The Company 2007 $000	The Company 2006 $000
8 INCOME TAX (continued)				
(b) Current tax liabilities / asset				
Balance at the beginning of the year	504	(1,237)	542	(1,090)
Net foreign currency differences on translation of foreign entities	10	(12)	-	-
Tax payable transferred by entities in the tax consolidated group	-	-	(178)	(44)
Income tax paid / (received)	2,191	5,024	2,178	4,722
Adjustments from prior year	514	263	505	262
Current years income tax expense on operating profit	(4,988)	(3,534)	(4,658)	(3,308)
	(1,769)	504	(1,611)	542
Disclosed in balance sheet as:				
Current tax asset	-	613	-	542
Income tax payable	(1,769)	(109)	(1,611)	-
	(1,769)	504	(1,611)	542
(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	4,331	4,931	4,331	4,931
Sundry items	21	140	8	86
Set off of tax in relation to deferred tax assets:				
Difference in depreciation of property, plant and equipment	660	(32)	661	(32)
Provisions for employee benefits not currently deductible	(1,150)	(1,155)	(990)	(978)
Provisions and accruals not currently deductible	(2,006)	(2,191)	(1,881)	(1,961)
Sundry items	(6)	(4)	-	-
	1,850	1,689	2,129	2,046
(d) Deferred tax assets				
Future income tax benefit comprises the estimated benefit at the applicable rate of 30% on the following items:				
Sundry items	28	26	-	-
	28	26	-	-
9 CASH AND CASH EQUIVALENTS				
Petty cash	4	4	2	2
Cash at bank	4,358	1,332	3,318	730
Short term deposit	1,500	-	1,500	-
	5,862	1,336	4,820	732

		Note	Consolidated 2007 $000	Consolidated 2006 $000	The Company 2007 $000	The Company 2006 $000
10	**TRADE AND OTHER RECEIVABLES**					
	Current					
	Trade receivables		16,204	22,310	14,233	20,693
	Less: Impairment losses recognised		(758)	(693)	(694)	(641)
			15,446	21,617	13,539	20,052
	Other debtors		278	428	257	396
	Loans to controlled entities		-	-	2,525	2,822
			15,724	22,045	16,321	23,270
11	**INVENTORIES**					
	Current					
	Raw materials		10,932	13,689	9,706	12,261
	Work in progress		821	1,210	471	1,091
	Finished goods		2,369	2,374	2,369	2,374
			14,122	17,273	12,546	15,726
12	**OTHER ASSETS**					
	Prepayments		730	834	529	606
	Deferred foreign currency hedge exchange difference	23	462	-	462	-
	Other		674	484	576	341
			1,866	1,318	1,567	947
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.

	Consolidated 2007 $000	Consolidated 2006 $000	The Company 2007 $000	The Company 2006 $000
14 INVESTMENTS				
Shares in controlled entities at cost	-	-	33,649	33,649
Unlisted shares at cost	50	50	-	-
	50	50	33,649	33,649
15 PROPERTY, PLANT AND EQUIPMENT				
Freehold land and buildings at cost	9,200	9,326	9,200	9,326
Accumulated depreciation	(863)	(511)	(863)	(511)
	8,337	8,815	8,337	8,815
Leasehold property at cost	338	350	147	147
Accumulated amortisation	(163)	(140)	(147)	(125)
	175	210	-	22
Plant and equipment at cost	26,623	27,329	20,325	20,293
Accumulated depreciation	(17,453)	(16,762)	(12,911)	(11,839)
	9,170	10,567	7,414	8,454
Capital work in progress at cost	95	2	92	2
Total property, plant and equipment	17,777	19,594	15,843	17,293

Reconciliations

Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:

	Consolidated 2007 $000	Consolidated 2006 $000	The Company 2007 $000	The Company 2006 $000
Freehold land and buildings				
Carrying amount at beginning of year	8,815	4,282	8,815	4,282
Additions	3	13	3	13
Transfers	(129)	4,869	(129)	4,869
Disposals	-	-	-	-
Depreciation	(352)	(349)	(352)	(349)
Carrying amount at end of year	8,337	8,815	8,337	8,815
Leasehold property improvements				
Carrying amount at beginning of year	210	328	22	146
Additions	-	28	-	-
Disposals	-	(47)	-	(41)
Depreciation	(35)	(99)	(22)	(83)
Carrying amount at end of year	175	210	-	22

	Consolidated 2007 $000	Consolidated 2006 $000	The Company 2007 $000	The Company 2006 $000
15 PROPERTY, PLANT AND EQUIPMENT (continued)				
Plant and equipment				
Carrying amount at beginning of year	10,567	11,286	8,454	8,493
Additions	499	1,128	284	1,415
Transfers	130	600	130	591
Disposals	(160)	(281)	(4)	(273)
Depreciation	(1,833)	(2,180)	(1,450)	(1,772)
Net foreign currency differences on translation of foreign entities	(33)	14	-	-
Impairment charge	-	-	-	-
Carrying amount at end of year	9,170	10,567	7,414	8,454
Capital work in progress at cost				
Carrying amount at beginning of year	2	4,321	2	4,313
Additions	94	1,150	91	1,150
Disposals	-	-	-	-
Transfers	(1)	(5,469)	(1)	(5,461)
Carrying amount at end of year	95	2	92	2
Total carrying amount at end of year	17,777	19,594	15,843	17,293
16 PRODUCT DEVELOPMENT				
Product development - at cost	38,364	35,635	38,364	35,635
Accumulated amortisation	(23,926)	(19,198)	(23,926)	(19,198)
	14,438	16,437	14,438	16,437
Reconciliation				
Carrying amount at beginning of year	16,437	17,779	16,437	17,779
Capitalised in current period	2,729	3,207	2,729	3,207
Amortisation	(4,728)	(4,549)	(4,728)	(4,549)
	14,438	16,437	14,438	16,437
17 INTANGIBLES ASSETS				
Goodwill - at cost	20,913	20,913	-	-
Computer software - at cost	8,488	8,470	8,488	8,470
Accumulated amortisation	(4,362)	(3,495)	(4,362)	(3,495)
	4,126	4,975	4,126	4,975
Total intangible assets	25,039	25,888	4,126	4,975

	Consolidated 2007 $000	Consolidated 2006 $000	The Company 2007 $000	The Company 2006 $000
17 INTANGIBLES ASSETS (continued)				
Reconciliations				
Goodwill				
Carrying amount at beginning of year	20,913	20,891	-	-
Acquisitions	-	22	-	-
Impairment charge	-	-	-	-
	20,913	20,913	-	-
Computer Software				
Carrying amount at beginning of year	4,975	3,683	4,975	3,683
Acquisitions	18	1,853	18	1,853
Amortisation	(867)	(560)	(867)	(560)
Disposals	-	(1)	-	(1)
Impairment charge	-	-	-	-
	4,126	4,975	4,126	4,975

Impairment tests for cash generating units containing goodwill

The following units have significant carrying amounts of goodwill:

	Consolidated 2007 $000	Consolidated 2006 $000	The Company 2007 $000	The Company 2006 $000
Satellite communications products	15,214	15,214	-	-
Broadcast products	5,699	5,699	-	-
	20,913	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 a five year business plan. A terminal value has been determined at the conclusion of this five year period assuming a growth rate of 2.5%. A pre-tax discount rate of 16.7% has been used in discounting the projected cash flows. No impairment write down was deemed necessary.

	Consolidated 2007 $000	Consolidated 2006 $000	The Company 2007 $000	The Company 2006 $000
18 TRADE AND OTHER PAYABLES				
Current				
Trade payables	7,428	9,508	6,354	8,461
Other trade payables and accruals	5,322	5,579	4,084	4,597
	12,750	15,087	10,438	13,058
19 OTHER LIABILITIES				
Current				
Loans from controlled entities	-	-	11,499	10,803
Net foreign currency hedge payable	-	-	-	-
	-	-	11,499	10,803

	Consolidated 2007 $000	Consolidated 2006 $000	The Company 2007 $000	The Company 2006 $000
20 LOANS AND BORROWINGS				
Current				
Bank overdrafts - secured	-	1,400	-	1,400
Secured loans	6	27	-	-
Commercial bills - secured	2,357	11,500	2,357	11,500
Unsecured loans	-	-	-	-
	2,363	12,927	2,357	12,900
Non-Current				
Secured loans	16	43	-	-
Commercial bills - secured	-	-	-	-
Unsecured loans	10	10	-	-
	26	53	-	-

The group has access to the following lines of credit:

	Consolidated 2007 $000	Consolidated 2006 $000	The Company 2007 $000	The Company 2006 $000
Total facilities available at balance date:				
Bank overdraft	3,034	2,622	3,034	2,622
Multi option facility	17,000	17,000	17,000	17,000
Documentary letters of credit	682	682	682	682
Equipment finance facility	478	1,080	200	200
Guarantee facility	1,350	1,350	1,230	1,230
Commercial credit card	135	135	115	115
	22,679	22,869	22,261	21,849
Facilities utilised at balance date:				
Bank overdraft	-	1,400	-	1,400
Multi option facility	2,357	11,500	2,357	11,500
Documentary letters of credit	156	156	156	156
Equipment finance facility	-	602	-	-
Guarantee facility	835	835	735	735
Commercial credit card	99	85	83	80
	3,447	14,578	3,331	13,871
Facilities not utilised at balance date:				
Bank overdraft	3,034	1,222	3,034	1,222
Multi option facility	14,643	5,500	14,643	5,500
Documentary letters of credit	526	526	526	526
Equipment finance facility	478	478	200	200
Guarantee facility	515	515	495	495
Commercial credit card	36	50	32	35
	19,232	8,291	18,930	7,978

	Consolidated		The Company	
	2007	2006	2007	2006
	$000	$000	$000	$000

20 LOANS AND BORROWINGS (continued)

Bank Facilities

The equipment finance facility is secured by an unregistered charge over the plant and equipment acquired through that facility. The guarantee facility, equipment finance facility and all other lines of credit, are secured by a registered equitable mortgage over the whole of the Company's assets and undertakings.

The borrowings are supported by interlocking guarantees between Codan Limited and its subsidiaries. The multi option facility is subject to certain financial covenants and expires on 30 June 2008.

Weighted Average Interest rates

	Consolidated 2007	Consolidated 2006	The Company 2007	The Company 2006
Cash at bank	5.25%	4.54%	5.25%	4.54%
Short term deposits	6.15%	-	6.15%	-
Bank overdraft	9.25%	8.80%	9.25%	8.80%
Commercial bill	6.15%	5.81%	6.15%	5.81%

21 PROVISIONS

	Consolidated 2007 $000	Consolidated 2006 $000	The Company 2007 $000	The Company 2006 $000
Current				
Employee benefits	1,750	1,672	1,421	1,325
Warranty repairs	1,777	1,618	1,777	1,618
	3,527	3,290	3,198	2,943
Non-Current				
Employee benefits	2,098	2,191	1,873	1,937
Reconciliation of warranty provision				
Carrying amount at beginning of year	1,618	2,010	1,618	2,010
Provisions made during the year	1,687	926	1,687	926
Payments made during the year	(1,528)	(1,318)	(1,528)	(1,318)
	1,777	1,618	1,777	1,618

22 SHARE CAPITAL

	Consolidated 2007 $000	Consolidated 2006 $000	The Company 2007 $000	The Company 2006 $000
Share capital				
162,045,454 (2006: 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.

	Consolidated		The Company	
	2007	2006	2007	2006
	$000	$000	$000	$000

23 RESERVES

Foreign currency translation	(63)	(184)	-	(128)
Hedging reserve	462	-	462	-
	399	(184)	462	(128)

Foreign currency translation

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

Balance at beginning of year	(184)	(72)	(128)	61
Net translation adjustment	121	(112)	128	(189)
Balance at end of year	(63)	(184)	-	(128)

Hedging reserve

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

Balance at beginning of year	-	-	-	-
Adjustment on change in accounting policy	-	127	-	127
Gains / (Losses) on cash flow hedges taken to / from hedging reserve	462	(127)	462	(127)
Balance at end of year	462	-	462	-

24 RETAINED EARNINGS

Retained earnings at beginning of year	45,733	46,968	46,327	47,701
Transfers from reserves	-	-	-	-
Net profit attributable to members of the parent entity	11,239	8,488	10,264	8,349
Dividends recognised during the year	(10,533)	(9,723)	(10,533)	(9,723)
Retained earnings at end of year	46,439	45,733	46,058	46,327

	Consolidated		The Company	
	2007	2006	2007	2006
	$000	$000	$000	$000

25 COMMITMENTS

(i) Capital expenditure commitments

Aggregate amount of contracts for capital expenditure on plant and equipment:				
Within one year	-	32	-	32

(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	967	997	551	566
One year or later and no later than five years	302	1,130	130	664
Later than five years	-	-	-	-
	1,269	2,127	681	1,230

The consolidated entity leases property under non-cancellable operating leases expiring from one to five 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	31	-	-
One year or later and no later than five years	17	48	-	-
Later than five years	-	-	-	-
	24	79	-	-
Less: future finance charges	2	9	-	-
	22	70	-	-

Lease and hire purchase liabilities provided for in the financial statements:				
Current	6	27	-	-
Non-current	16	43	-	-
	22	70	-	-

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

(a) Interest Rate Risk

The group's exposure to interest rate risk for classes of financial assets and financial liabilities is set out below:

2007	Floating $000	Fixed interest maturing in: One year or less $000	Fixed interest maturing in: One to five years $000	No interest $000	Total $000
Financial assets					
Cash assets	5,862	-	-	-	5,862
Receivables	-	-	-	15,724	15,724
Other assets	-	-	-	1,866	1,866
Other financial assets	-	-	-	50	50
	5,862	-	-	17,640	23,502
Financial liabilities					
Payables	-	-	-	12,750	12,750
Other liabilities	-	-	-	-	-
Bank overdraft	-	-	-	-	-
Secured loans	-	6	16	10	32
Commercial bills	2,357	-	-	-	2,357
Employee benefits	-	-	-	4,986	4,986
	2,357	6	16	17,746	20,125

2006	Floating $000	Fixed interest maturing in: One year or less $000	Fixed interest maturing in: One to five years $000	No interest $000	Total $000
Financial assets					
Cash assets	1,336	-	-	-	1,336
Receivables	-	-	-	22,045	22,045
Other assets	-	-	-	1,318	1,318
Other financial assets	-	-	-	50	50
	1,336	-	-	23,413	24,749
Financial liabilities					
Payables	-	-	-	15,087	15,087
Other liabilities	-	-	-	-	-
Bank overdraft	1,400	-	-	-	1,400
Secured loans	-	27	43	10	80
Commercial bills	11,500	-	-	-	11,500
Employee benefits	-	-	-	3,863	3,863
	12,900	27	43	18,960	31,930

(b) Foreign exchange risk

The group entered into forward foreign exchange contracts to hedge certain anticipated sale commitments denominated in foreign currencies (principally US dollars). The terms of these commitments were less than twelve months.

26 ADDITIONAL FINANCIAL INSTRUMENTS DISCLOSURE - Foreign exchange risk (continued)

The following table sets out the gross value to be received under forward foreign currency contracts, the weighted average contracted exchange rates and the settlement periods of outstanding contacts for the consolidated entity.

	Consolidated		Consolidated	
	2007	2006	2007	2006
	Weighted average rate		$000	$000
Sell US Dollars				
Not later than one year	0.83	-	21,082	-

The group classifies its forward exchange contracts, hedging forecasted transactions, as cash flow hedges and states them at fair value. Where the underlying transaction has occurred, the effect of the hedge has been recognised in the financial statements.

(c) Credit risk

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 country or individual customer.

(d) Net fair values of financial assets and liabilities

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 contractual future cash flows on amounts due from customers (reduced for expected credit losses) or due to suppliers. The carrying amounts of financial assets and financial liabilities approximate their net fair values.

27 GROUP ENTITIES

Name / Country of incorporation	Class of Share	Interest Held 2007 %	Interest Held 2006 %
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

	Consolidated 2007 $000	Consolidated 2006 $000	The Company 2007 $000	The Company 2006 $000

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 2007 $000	Consolidated 2006 $000	The Company 2007 $000	The Company 2006 $000
Petty cash	4	4	2	2
Cash at bank	4,358	1,332	3,318	730
Short term deposits	1,500	-	1,500	-
Bank overdraft	-	(1,400)	-	(1,400)
	5,862	(64)	4,820	(668)

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

	Consolidated 2007 $000	Consolidated 2006 $000	The Company 2007 $000	The Company 2006 $000
Profit from ordinary activities after income tax	11,239	8,488	10,264	8,349
Add/(less) items classified as investing or financing activities:				
(Profit) / loss on sale of non-current assets	80	125	(11)	112
Dividend income	(44)	(41)	-	-
Add /(less) non-cash items:				
Depreciation of:				
Buildings	352	349	352	349
Leasehold property	35	99	22	83
Plant and equipment	1,833	2,180	1,450	1,772
Amortisation	5,595	5,109	5,595	5,109
(Decrease)/increase in income taxes	2,441	(1,928)	2,059	(1,726)
Share of associates net profit	-	-	-	-
Non cash intercompany transactions	-	-	8,351	8,628
Increase/(decrease) on net assets affected by translation	168	(146)	-	-
Net cash from operating activities before changes in assets and liabilities	21,699	14,235	28,082	22,676
Change in assets and liabilities during the financial year:				
Reduction/(increase) in receivables	6,171	698	6,514	755
Reduction/(increase) in inventories	3,151	(1,716)	3,179	(2,213)
Reduction/(increase) in other assets	64	440	(20)	518
Increase/(reduction) in payables	(2,337)	(5,260)	(2,618)	(4,729)
Increase/(reduction) in provisions	135	(1,159)	191	(1,043)
Net cash from operating activities	28,883	7,238	35,328	15,964

	Consolidated		The Company	
	2007	2006	2007	2006
	$000	$000	$000	$000

29 EMPLOYEE BENEFITS

Aggregate liability for employee benefits, including on costs:

Current - other creditors and accruals	1,138	537	572	248
Current - employee entitlements	1,750	1,672	1,421	1,325
Non-current - employee entitlements	2,098	2,191	1,873	1,937
	4,986	4,400	3,866	3,510

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:

Assumed rate of increase in wage and salary rates	4.00%	4.00%	4.00%	4.00%
Discount rate	6.30%	5.76%	6.30%	5.76%
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 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 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 (2006: $18,839) 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 2006 or 2007 financial years.

30 KEY MANAGEMENT PERSONNEL DISCLOSURES

Remuneration of key management personnel by the consolidated entity

Remuneration levels are competitively set to attract and retain appropriately qualified and experienced senior executives. The Remuneration Committee considers comparative companies, economic conditions and independent advice in assessing the remuneration packages of directors and senior executives. Remuneration packages can include a mix of fixed remuneration and performance based remuneration.

The remuneration structures explained below are designed to attract suitably qualified candidates, and to effect the broader outcome of increasing the consolidated entity'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 executives remuneration.

Key management personnel may receive bonuses based on the achievement of two specific performance hurdles.

Firstly, where the ratio of earnings before interest and taxes ("EBIT"), which is adjusted for the capitalisation of product development expenditure, to sales exceeds a predetermined threshold for the financial year a bonus is calculated based on a percentage of the executives normal salary package. This percentage is capped at a maximum of 35% for the salary package. For the year ended 30 June 2007 the bonus achieved under this performance condition was 16.47% of the executive's salary package.

Secondly, where sales growth of the consolidated entity exceeds a predetermined threshold for the financial year a bonus is calculated based on a percentage of the executives normal salary package. This percentage is capped at a maximum of 35% of the salary package. Payments under this performance condition are dependent upon the achievement of the minimum threshold for the EBIT to sales ratio referred to above. For the year ended 30 June 2007 the growth performance measure was not achieved and as a result no payments under this performance condition will be made.

Where these calculations result in a bonus being available the payment of one half of the bonus would be dependent upon the appraisal rating of the specific executive.

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. Non-executive directors do not receive any performance related remuneration.

Total remuneration for all non-executive directors, last voted upon by shareholders at the 2003 AGM, is not to exceed $750,000 per annum. Director's fees are determined based on the position held by the director and the additional company committees that the director is a member of.

No executive directors or senior executives have entered into employment contracts greater than one year and there is no pre-determined compensation payable to executive directors or senior executives on their voluntary or involuntary retirement.

Amounts disclosed for remuneration of directors and specified executives exclude insurance premiums paid by the company in respect of directors' and officers' liability insurance contracts which cover current and former directors and officers. The premiums have not been allocated to the individuals covered by the insurance policy as, based on all available information, there is no reasonable basis for such an allocation.

The remuneration amounts disclosed 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.

30 KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

The following table provides the nature and amount of all remuneration received by all directors of the Company for the year ended 30 June 2007.

		Primary				Post-employment		Other compensation		
		Salary and fees $	Bonus $	Long term incentive bonus $	Non-monetary benefits $	Superannuation $	Other post employment benefits $	Termination benefits $	Insurance premiums $	Total $
Non-executive directors										
Dr D Klingner (Chairperson)	2007	81,250	-	-	-	7,312	-	-	-	88,562
	2006	*75,000*	-	-	-	*6,750*	-	-	-	*81,750*
Mr J A Uhrig (retired Chairperson)	2007	149,875	-	-	-	-	-	-	-	149,875
	2006	*163,500*	-	-	-	-	-	-	-	*163,500*
Mr I J Bettison	*2006*	*27,250*	-	-	-	-	-	-	-	*27,250*
Mr B P Burns	2007	75,000	-	-	-	6,750	-	-	-	81,750
	2006	*75,000*	-	-	-	*6,750*	-	-	-	*81,750*
Mr P R Griffiths	2007	75,000	-	-	-	6,750	-	-	-	81,750
	2006	*75,000*	-	-	-	*6,750*	-	-	-	*81,750*
Mr D Klingberg	2007	75,000	-	-	-	6,750	-	-	-	81,750
	2006	*68,750*	-	-	-	*6,188*	-	-	-	*74,938*
Mr I B Wall	2007	81,750	-	-	-	-	-	-	-	81,750
	2006	*81,750*	-	-	-	-	-	-	-	*81,750*
Mr A E R Wood	*2006*	*27,250*	-	-	-	-	-	-	-	*27,250*
Executive directors										
Mr M K Heard (Managing Director)	2007	505,958	94,731	-	-	45,886	-	-	-	646,574
	2006	*445,050*	-	-	-	*44,530*	-	-	-	*489,580*
Total, all directors	2007	1,043,833	94,731	-	-	73,448	-	-	-	1,212,011
	2006	*1,038,550*	-	-	-	*70,968*	-	-	-	*1,109,518*

Mr A E R Wood and Mr I J Bettison retired as directors in October 2005.

30 KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

The following table provides the nature and amount of all remuneration received by the key management personnel, other than directors, of the consolidated entity with for the year ended 30 June 2007.

		Primary				Post-employment		Other compensation		
		Salary and fees $	Bonus $	Long term incentive bonus $	Non-monetary benefits $	Superannuation $	Other post employment benefits $	Termination benefits $	Insurance premiums $	Total $
Executives										
Mr P Charlesworth	2007	214,593	37,069	-	-	17,867	-	-	-	269,529
Divisional General Manager - New Business	*2006*	*184,568*	-	-	-	*16,545*	-	-	-	*201,113*
Mr A Gobolos	2007	227,431	40,363	-	-	20,838	-	-	-	288,632
Divisional General Manager - Microwave Radio Business Development	*2006*	*207,450*	-	-	-	*18,933*	-	-	-	*226,383*
Mr D Hughes	2007	207,549	-	-	-	16,767	-	-	-	224,316
Chief Finance and Information Officer	*2006*	*206,252*	-	-	-	*16,843*	-	-	-	*223,095*
Mr D McGurk	2007	203,896	37,069	-	-	15,522	-	-	-	256,487
Divisional General Manager - Communications Products	*2006*	*204,293*	-	-	-	*15,361*	-	-	-	*219,654*
Mr C Nesbitt	2007	144,814	25,536	-	-	12,438	-	-	-	182,788
General Manager - Operations Codan Broadcast Products	*2006*	*131,258*	*18,750*	-	-	*11,089*	-	-	-	*161,097*
Mr G Shmith	2007	147,514	25,207	-	-	12,391	-	-	-	185,112
Divisional General Manager - Satcom Business Development										
Total, all specified executives	2007	1,145,797	165,244	-	-	95,823	-	-	-	1,406,864
	2006	*933,821*	*18,750*	-	-	*78,771*	-	-	-	*1,031,342*

As all key management personnel are employed by Codan Limited the remuneration information disclosed is relevant for both the consolidated entity and company required disclosures.

30 KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

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	-	-	100,000
Mr J A Uhrig	12,169,336	-	-	12,169,336
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	35,200	23,500	-	58,700
Mr I B Wall	34,792,943	-	-	34,792,943
Specified executives				
Mr P Charlesworth	14,000	5,500	(13,600)	5,900
Mr A Gobolos	778,407	-	-	778,407
Mr D Hughes	15,000	-	-	15,000
Mr D McGurk	1,000	-	-	1,000
Mr C Nesbitt	5,000	-	-	5,000
Mr G Smith	14,000	-	-	14,000

Mr J A Uhrig retired as a director on 25 May 2007 and Mr D Hughes left the employment of Codan Limited on 13 June 2007. The information disclosed above is up to those dates.

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 significance 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.

Mr A E R Wood provided consulting services up to 31 March 2007 of $75,000 (2006: $100,000) to the company. The consulting terms were based on market rates for these types of services.

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.

30 OTHER RELATED PARTIES

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

The Company and Codan Broadcast Products Pty Ltd purchase materials from IMP Printed Circuits Pty Ltd. The Company also pays marketing fees to Codan (UK) Ltd and Codan (US) Inc. The Company charges rent to IMP Printed Circuits Pty Ltd for their premises.

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

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 19 to 51, 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 2007 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) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

(c) the directors have been given the declaration required by Section 295A of the Corporations Act 2001 from the chief executive officer for the year ended 30 June 2007. The chief financial officer has provided the same declaration up to the date of his resignation on 13 June 2007. From 14 June 2007, management that have been responsible for the financial matters of the company have made these declarations.

Dated at Newton this 17th day of August 2007.

Signed in accordance with a resolution of the directors:

Dr D Klingner
Director

M K Heard
Director

Independent audit report to the members of Codan Limited

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 2007, 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 and the directors' declaration set out on pages 19 to 52 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 the 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.

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 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.

KPMG

Audit opinion

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

(a) 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 2007 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.

KPMG

KPMG

Gary Savage
Partner

Adelaide
17 August 2007