CODAN

CODAN LIMITED

ABN 77 007 590 605

AND CONTROLLED ENTITIES

2003 FINANCIAL STATEMENTS AND REPORTS

CODAN LIMITED
ABN 77 007 590 605

DIRECTORS:	J A Uhrig (Chairman) M K Heard (Managing Director) I J Bettison I B Wall A E R Wood B P Burns P M Wall (Alternate to I B Wall) A W Wood (Alternate to A E R Wood) L A Davis P R Griffiths
SECRETARY:	D J Hughes
BANKERS:	Westpac Banking Corporation
AUDITORS:	KPMG 115 Grenfell Street, Adelaide
REGISTERED OFFICE:	81 Graves Street, Newton Telephone (08) 8305.0311

CODAN LIMITED
ABN 77 007 590 605

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DIRECTORS' REPORT TO THE MEMBERS OF CODAN LIMITED

The Directors present their report together with the financial report of Codan Limited ("the Company")and of the consolidated entity, being the Company and its controlled entities, for the year ended 30 June 2003 and the auditors' report thereon.

Directors

The Directors of the Parent Entity in office at the date of this report are:-

Name	Year Appointed	
Mr J.A. Uhrig	1986	(Chairman since 1986)
Mr M. K. Heard	1991	(Managing Director since 1991)
Mr I. J. Bettison	1959	
Mr I. B. Wall	1959	
Mr A. E. R. Wood	1959	
Mr B. P. Burns	1996	
Mrs P.M. Wall		(Alternate for Mr IB Wall)
Mrs A.W. Wood		(Alternate for Mr AER Wood)
Mr L.A. Davis	2000	
Mr P.R. Griffiths	2001	

Principal Activities

The principal activities of the consolidated entity during the course of the financial year were the design, development, manufacture and marketing of communications equipment, electronic equipment used in the broadcast industry and the manufacture of printed circuit boards and general electronic equipment. Over 85% of the consolidated entity's sales are exported.

The company acquired 100% of Provideo Systems Pty Ltd, an Australian company that designs and manufactures television broadcast interfacing equipment. There were no other significant changes during the year in the nature of the activities of the economic entity.

Environmental Legislation

The consolidated entity's operations are subject to environmental regulations under both Commonwealth and State legislation in relation to it's manufacturing activities.

The Board believes that the consolidated entity has adequate systems in place for the management of its environmental requirements and is not aware of any significant breaches during the period covered by this report.

Review of Operations

The consolidated profit for the year attributable to the shareholders of the Company was:

	2003 $'000	2002 $'000
Operating profit/(loss) after income tax expense	$11,062	$10,280

All business units performed satisfactorily during the year. "One off" type expenditure affected the results of the year relating to the relocation of the HPSSPA production line and administration from Brisbane to Adelaide in November 2002, and a devaluation of land and buildings.

Dividends

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

- Fully franked dividend of $1.23 per share (total $3,472,375) was paid on 20 September 2002, as declared and provided for in last year's report
- Fully franked dividend of $1.14 per share (total $3,218,298) was paid on 1 April 2003.

The Directors have not declared or provided for a dividend as at 30 June 2003.

Directors' Declaration

In the opinion of the directors of Codan Limited:

a) the financial statements and notes, set out on pages 3 to 28, 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 2003 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date; and

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

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

Dated at Adelaide this 1st day of September 2003

Signed in accordance with a resolution of the directors:

Director

Director

CODAN LIMITED AND ITS CONTROLLED ENTITIES

STATEMENTS OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2003

	Note	Consolidated 2003 $000	Consolidated 2002 $000	The Company 2003 $000	The Company 2002 $000
Revenue from sale of goods	3	111,404	103,960	99,107	94,882
Other revenues from ordinary activities	3	1,667	678	1,591	4,213
Total Revenue		113,071	104,638	100,698	99,095
Less expenses from ordinary activities					
Cost of goods sold		58,463	57,404	51,235	50,684
Administrative expenses		9,803	7,915	10,126	8,564
Sales and Marketing expenses		17,599	15,749	17,439	15,039
Research and Engineering expenses		6,242	5,160	5,632	4,788
Borrowing costs	4	1,767	2,192	1,713	2,123
Share of net profits of associates accounted for using the equity method	34	12	(21)	-	-
Other expenses from ordinary activities		2,209	1,522	118	845
Profit from ordinary activities before related income tax expense		16,976	14,717	14,435	17,052
Income tax expense / (benefit) relating to ordinary activities	8(a)	5,914	4,437	4,439	3,770
Profit from ordinary activities after related income tax expense		11,062	10,280	9,996	13,282
Profit/(loss) from extraordinary items after related income tax		-	-	-	-
Net Profit		11,062	10,280	9,996	13,282
Net profit attributable to outside equity interests		-	-	-	-
Net Profit attributable to members of the parent entity	26	11,062	10,280	9,996	13,282
Non Owner transaction changes in equity					
Increase in Asset Revaluation Reserve	25	-	-	1,336	-
Net Exchange difference on translation of financial statements of self-sustaining foreign operations	25	(56)	(4)	-	-
Total revenues, expenses and valuation adjustments attributable to members of the parent entity recognised directly in equity		(56)	(4)	1,336	-
Total changes in equity from non-owner related transactions attributable to the members of the parent entity		11,006	10,276	11,332	13,282

The statements of financial performance are to be read in conjunction with the notes to and forming part of the financial statements set out on pages 6 to 28

CODAN LIMITED AND ITS CONTROLLED ENTITIES

STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2003

	Note	Consolidated 2003 $000	Consolidated 2002 $000	The Company 2003 $000	The Company 2002 $000
CURRENT ASSETS					
Cash	9	5,772	6,444	4,287	5,571
Receivables	10	14,734	15,074	14,646	21,007
Inventories	11	10,868	9,800	9,831	9,031
Current Tax Assets	8(b)	20	17	-	-
Other	12	10,308	898	10,067	691
TOTAL CURRENT ASSETS		41,702	32,233	38,831	36,300
NON-CURRENT ASSETS					
Receivables	10	74	14	33	14
Investments accounted for using the equity method	15	48	60	-	-
Other financial assets	16	50	-	33,649	28,313
Property, plant and equipment	17	17,349	18,108	11,466	9,456
Research and development	13	10,523	10,429	10,407	10,034
Intangible assets	14	21,339	17,388	-	-
Deferred tax assets	8(d)	2,963	2,763	2,623	2,268
TOTAL NON-CURRENT ASSETS		52,346	48,762	58,178	50,085
TOTAL ASSETS		94,048	80,995	97,009	86,385
CURRENT LIABILITIES					
Payables	18	15,105	14,225	13,379	12,841
Other payables	19	9,190	-	9,190	-
Interest bearing liabilities	20	5,409	8,243	9,303	15,449
Current tax liabilities	8(b)	2,858	845	2,561	572
Provisions	23	3,295	6,663	2,968	5,677
TOTAL CURRENT LIABILITIES		35,857	29,976	37,401	34,539
NON-CURRENT LIABILITIES					
Interest bearing liabilities	20	19,096	20,369	18,724	19,786
Deferred tax liabilities	8(c)	4,081	3,660	4,014	3,488
Provisions	23	2,058	1,822	1,880	1,696
TOTAL NON-CURRENT LIABILITIES		25,235	25,851	24,618	24,970
TOTAL LIABILITIES		61,092	55,827	62,019	59,509
NET ASSETS		32,956	25,168	34,990	26,876
EQUITY					
Contributed Equity	24	3,469	3,469	3,469	3,469
Reserves	25	57	137	1,370	58
Retained profits	26	29,430	21,562	30,151	23,349
TOTAL EQUITY		32,956	25,168	34,990	26,876

The statements of financial position are to be read in conjunction with the notes to and forming part of the financial statements set out on pages 6 to 28

CODAN LIMITED AND ITS CONTROLLED ENTITIES

STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2003

	Note	Consolidated 2003 $000	Consolidated 2002 $000	The Company 2003 $000	The Company 2002 $000
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash receipts in the course of operations		119,171	110,531	103,559	98,984
Cash payments in the course of operations		(92,533)	(77,227)	(72,800)	(62,070)
Interest received		164	227	129	210
Interest paid		(1,767)	(2,191)	(1,713)	(2,124)
Income taxes paid		(3,799)	(4,245)	(2,279)	(2,082)
Net cash provided by/(used in) operating activities	30(ii)	21,236	27,095	26,896	32,918
CASH FLOWS FROM INVESTING ACTIVITIES					
Payments for controlled entities	31 (b)	(4,234)	-	(5,337)	-
Payments for investments		(50)	-	-	-
Proceeds from sale of non-current assets		296	165	267	94
Payments for capitalised research and development	13	(3,714)	(4,099)	(3,714)	(4,099)
Payments for property, plant and equipment	17 (i)	(3,226)	(2,783)	(2,748)	(2,650)
Net cash provided by/(used in) investing activities		(10,928)	(6,717)	(11,532)	(6,655)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from borrowings		100	6,143	-	6,143
Repayment of borrowings		(3,352)	(21,006)	(3,049)	(20,347)
Proceeds / (Loans) to / from Associated companies		(59)	4	(6,909)	(5,369)
Dividends paid	7	(6,690)	(2,993)	(6,690)	(2,993)
Dividends paid to outside interests		(967)	-	-	-
Net cash provided by / (used in) financing activities		(10,968)	(17,852)	(16,648)	(22,566)
Net increase (decrease) in cash held		(660)	2,526	(1,284)	3,697
Cash at the beginning of the financial year		6,444	3,922	5,571	1,874
Effects of exchange rate changes on the balances of cash held in foreign currencies		(12)	(4)	-	-
Cash at the end of the financial year	30(i)	5,772	6,444	4,287	5,571

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 6 to 28

CODAN LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The significant policies which have been adopted in the preparation of these financial statements are:

(a) Basis of Preparation

The financial report is a general purpose financial report which has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. It has been prepared on the basis of historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. The accounting policies have been consistently applied by each entity in the consolidated entity and, except where there is a change in accounting policy, are consistent with those of the previous year.
Where necessary, comparative information has been reclassified to achieve consistency in disclosure with current financial year amounts and other disclosures.

(b) Revenue recognition

Revenues are recognised at fair value of the consideration received net of amount of goods and services tax (GST) Exchanges of goods or services of the same nature and value without cash consideration are not recognised as revenue.

Sale of goods

Sales revenue comprises revenue earned (net of returns, discounts and allowances) from the provision of products to other entities outside the consolidated entity. Sales revenue is recognised when the control of goods passes to the customer.

Rendering of services

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

Interest income

Interest income is recognised as it accrues, taking into account the effective yield on the financial asset.

Asset Sales

The gross proceeds of asset sales are included as revenue of the consolidated entity. The profit or loss on disposal of assets is brought to account at the date an unconditional contract of sale is signed.
The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.
Any related balance in the asset revaluation reserve is transferred to the capital profits reserve on disposal.

Dividends

Revenue from dividends and distributions from controlled entities are recognised by the parent entity when they are declared by the controlled entities.
Revenue from dividends from associates is recognised by the parent entity when dividends are received.
Dividends received from pre-acquisition reserves are eliminated against the carrying amount of the investment and are not recognised as revenue.

Contribution of assets

Contribution of assets and contributions to assist in the acquisition of assets, being non reciprocal transfers, are recognised as revenues at their fair value of the asset received when the consolidated entity gains control of the contribution, except when the contributions are by the owners.

(c) 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 as part of an item of the expense.
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 statement of financial position.
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.

(d) Inventories

Inventories are carried at the lower of cost and net realisable value. In the case of manufactured inventories and work in progress, costs comprise direct labour and materials and an appropriate amount for factory overheads. Work in progress comprises the cost of contracts and jobs in progress after making adequate provision for any anticipated losses.

(e) Employee entitlements

Wages, Salaries and Annual Leave

Liabilities for employee entitlements to wages, salaries and annual leave expected to be settled within 12 months of the year end represent present obligations to pay resulting from employees' services provided up to the balance date. The liability has been calculated at undiscounted amounts based on remuneration wage and salary rates that the consolidated entity expects to pay as at reporting date and includes related on-costs.

Long Service Leave

The provision for employee entitlements to long service leave represents the present value of the estimated future cash outflows to be made by the employer, including on-costs, resulting from the employees' services provided up to the balance date.

Provisions for employee entitlements which are not expected to be settled within twelve months are discounted using the rates attaching to national government securities at balance date, which most closely match the terms of maturity of the related liabilities.

In determining the provision for employee entitlements, consideration has been given to future increases in wage and salary rates, and the consolidated entity's experience with staff departures.

(f) Taxation

The consolidated entity adopts the liability method of tax effect accounting.

Income tax expense is calculated on operating profit adjusted for permanent differences between taxable and accounting income. The tax effect of timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, is carried forward in the balance sheet as a future income tax benefit or a provision for deferred income tax.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits relating to entities with tax losses are only brought to account when their realisation is virtually certain. The tax effect of capital losses is not recorded unless realisation is virtually certain.

(g) Property, Plant and Equipment

Items of property, plant and equipment are initially recorded at cost and depreciated as outlined below.

Depreciation is provided on property, plant and equipment on both a straight line and diminishing value basis using income tax depreciation rates, which are substantially in accordance with the estimated economic life of the assets.

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

Buildings	4% Straight line
Leasehold Improvements	4% Straight line
Plant and Equipment	13% to 40% Straight line
Minor Assets (Pooled)	37.5% Diminishing value

(h) Principles of Consolidation

The consolidated financial statements of the economic entity include the financial statements of the Company, being the parent entity, and its controlled entities, "the consolidated entity". The balances, and effects of transactions, between controlled entities have been eliminated. Where an entity began to be controlled during the year, the results are included only from the date control commenced.

Unrealised gains resulting from transactions with associates and joint ventures, including those related to contributions of non-monetary assets on establishment, are eliminated to the extent of the consolidated entities interest. Unrealised gains relating to associates and joint venture entities 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.

(i) Translation of Foreign Currency Financial Statements

The assets and liabilities of overseas controlled entities that are self-sustaining foreign operations are translated at the rates of exchange ruling at balance date. Equity items are translated at historical rates.

The statements of financial performance are translated at the approximate exchange rates current at the dates as at which those items were recognised in the accounts, in most cases the average exchange rate for the year has been used.

Exchange differences arising on translation are taken directly to the foreign currency translation reserve.

The balance of foreign currency translation reserve relating to a foreign operation that is disposed of, or partial disposed of, is transferred to retained profits in the year of disposal.

(j) Translation of Foreign Currency Transactions

Foreign currency transactions are translated to Australian currency at the rate of exchange ruling at the date of the transactions. Amounts receivable and payable in foreign currencies at balance date are translated at the rates of exchange ruling on that date.

Exchange differences relating to amounts payable and receivable in foreign currencies are brought to account as exchange gains or losses in the statements of financial performance in the financial year in which the exchange rates change, except where:

* hedging specific anticipated transactions or net investments in self-sustaining operations..
* relating to amounts payable or receivable in foreign currency forming part of a net investment in a self-sustaining foreign operation. In this case, the exchange difference, together with any related operation income tax expense / revenue, is transferred to the foreign currency translation reserve on consolidation.
* relating to acquisition of qualifying assets.

(k) Leased Assets
Leases of plant and equipment under which the Company or its controlled entities assume substantially all the risks and benefits of ownership are classified as finance leases. Other leases are classified as operating leases.
Finance leases are capitalised. A lease asset and a lease liability equal to the present value of the minimum lease payments are recorded at the inception of the lease. Contingent rentals are written off as an expense of the accounting period in which they are incurred. Capitalised leased assets are amortised on a straight line basis over the term of the relevant lease, or where it is likely the consolidated entity will obtain ownership of the asset, the life of the asset. Lease liabilities are reduced by repayments of principal. The interest components of the lease payments are charged to statements of financial performance. Payments made under operating leases are charged against profits in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property.

(l) Non-Current Assets
The carrying amounts of all non-current assets are reviewed to determine whether they are in excess of their recoverable amount. If the carrying amount of a non-current asset exceeds the recoverable amount, the asset is written down to the lower value. The write-down is expensed in the reporting period in which it occurs.
In assessing recoverable amounts of non-current assets the relevant cash flows have been discounted to their present value.
Each class of non-current asset is measured on either the cost or fair value basis. The economic entity has continued to adopt the cost basis for all classes of assets, except for land and buildings which are valued at the fair value basis.

(m) Investments
Investments in controlled entities are carried in the Company's financial statements at the lower of cost and recoverable amount. Dividends and distributions are brought to account in the statements of financial performance when they are proposed by the controlled entities.
Associates
An associate is an entity, other than a partnership, over which the consolidated entity 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.

(n) Research and Development Costs
Research and development expenditure is expensed as incurred except to the extent that its recoverability is assured beyond any reasonable doubt, in which case it is deferred and amortised on a straight line basis over the period (not exceeding five years) in which the benefits are expected to be realised.

(o) Receivables
Trade Debtors to be settled within agreed trading terms, typically less than 60 days, are carried at amounts due. The collectibility of debts is assessed at balance date and specific provision is made for any doubtful accounts.

(p) Payables
Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the company or consolidated entity. Trade accounts payable are normally settled within 60 days.

(q) Interest bearing liabilities
Bank Loans are recognised at their principal amount, subject to set-off arrangements. Interest expense is accrued at the contracted rate and included in "Other creditors and accruals".

(r) Provisions
A provision is recognised when there is a legal, equitable 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, the timing or amounts of which is uncertain.
If the effect is material, a provision is determined by discounting the expected future cash flows (adjusted for future expected risks) 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, being risk free rates on government bonds most closely matching the expected future payments, except where noted below. The unwinding of the discount is treated as part of the expense related to the particular provision.
When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the recovery receivable is recognised as an asset when it is probable that the recovery will be received and is measured on a basis consistent with the measurement of the related provision.
In the statement of financial performance, the expense recognised in respect of a provision, is presented net of the recovery. In the statement of financial position, the provision is recognised net of the recovery receivable only when the entity:

- has legally recognised right to set off the recovery receivable and the provision, and
- intends to settle on a net basis, or to realise the asset and settle the provision simultaneously

(r) Provisions (continued)

Dividends
A provision for dividends payable is recognised in the reporting period in which the dividends are declared, for the entire undistributed amount, regardless of the extent to which they will be paid in cash.
Restructuring and employee termination benefits
A provision for restructuring, including employee termination benefit, related to an acquired entity or operation is recognised at the date of acquisition where:
* the main features of the restructuring were announced, implementation of the restructuring commenced, or contracts were entered by the date of acquisition
* a detailed formal plan is developed by the earlier of three months after the date of acquisition and the completion of this financial report.

The provision relates to costs associated with the acquired entity, and is included in the determination of the fair value of the net assets acquired. The provision includes liabilities for termination benefits that will be paid to employees of the acquired entity as a result of the restructuring.
Other provisions for restructuring or termination benefits are only recognised when a detail plan has been approved and the restructuring or termination benefits has either commenced or been publicly announced, or firm contracts related to the restructuring or termination benefits have been entered into. Costs related to the ongoing activities are not provided for. The liabilities for termination benefits that will be paid as a result of these restructurings have been included for the provision for employee benefits.
Warranties
Provision is made for the consolidated entity's estimated liability on all products still under warranty and includes claims already received. The estimate is based on the consolidated entity's warranty costs experience over previous years.

(s) Goodwill
Goodwill, representing the excess of the purchase consideration plus incidental costs over the fair value of the identifiable net assets acquired on the acquisition of a controlled entity, is amortised over the period of time during which benefits are expected to arise, not exceeding 20 years.
The unamortised balance of goodwill is reviewed at least each reporting date. Where the balance exceeds the value of expected future benefits, the difference is charged to the statements of financial performance.

(t) Foreign exchange hedges
All non-specific hedge transactions are initially recorded at the relevant rate at the date of the transaction. Hedges outstanding at balance date are valued at the rates ruling on that date and any gains or losses are brought to account in the statements of financial performance. Costs or gains at the time of entering into the hedge are deferred and amortised over the life of the hedge.
Where hedge transactions are designated as a hedge of the specific purchase or sale of goods or services or an anticipated interest transaction, gains and losses arising up to the date of the anticipated transaction, together with any costs or gains arising at the time of entering into the hedge, are deferred and included in the measurement of the transaction. Any gains or losses on the hedge transaction after that date are included in the statements of financial performance.
Where a hedge transaction is terminated early and the anticipated transaction is still expected to occur, the deferred gains and losses that arose on the hedge prior to its termination continue to be deferred and are included in the measurement of the purchase or sale or interest transaction when it occurs. Where a hedge transaction is terminated early because the anticipated transaction is no longer expected to occur, deferred gains and losses that arose on the hedge prior to its termination are included in the statements of financial performance for the period.
Where a hedge is redesignated as a hedge of another transaction, gains and losses arising on the hedge prior to its redesignation are only deferred where the original anticipated transaction is still expected to occur. Where the original anticipated transaction is no longer expected to occur, any gains or losses relating to the hedge instrument are included in the statement of financial performance for the period.
Gains and losses that arise prior to and upon the maturity of transactions entered into under hedge rollover strategies are deferred and included in the measurement of the hedged anticipated transaction if the transaction is still expected to occur. If the forecasted transaction is no longer expected to occur, the gains and losses are recognised immediately in the statement of financial performance.

(v) Borrowing costs
Borrowing costs include interest, amortisation of discounts or premiums relating to borrowings, amortisation of ancillary costs incurred in connection with arrangement of borrowings, foreign exchange losses net of hedged amounts on borrowings, including trade creditors and leased financed charges.
Ancillary costs incurred in connection with the arrangement of borrowings are capitalised and amortised over the life of the borrowings. Borrowing costs are expensed as incurred unless they relate to qualifying assets. Qualifying assets are assets which take more than 12 months to get ready for their intended uses or sale. In these circumstances, borrowing costs are capitalised to the costs of the assets. Where funds are borrowed specifically for the acquisition, construction or production of a qualifying asset, the amount of borrowing costs capitalised is those incurred in relation to that borrowing, net of any interest earned on those borrowings.

2 CHANGES IN ACCOUNTING POLICY

(a) Foreign Currency Translation

The consolidated entity has applied the revised AASB 1012 "Foreign Currency Translation" for the first time from 1 July 2002

For hedges of specific purchases or sales, the gains or costs on entering the hedge and the exchange differences up to the date of the purchase or sale are now deferred and recognised as assets or liabilities on the statement of financial position from the inception of the hedge contract, not when the specific purchase or sale occurs.

At 1 July 2002, the consolidated entity recognised for foreign currency hedge contracts :

- deferred costs of $ 5,801,744 (the Company: $ 5,801,744)
- a net foreign currency payable of $ 5,801,744 (the Company: $ 5,801,744) on foreign currency hedge contracts

There is no impact on opening retained profits at 1 July 2002 or net profit for the current year to 30 June 2003.

b) Provisions, contingent liabilities and contingent assets

The consolidated entity has applied AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets" for the first time from 1 July 2002

Dividends are now recognised at the time they are declared, determined or publicly recommended. Previously, final dividends were recognised in the financial year to which they related, even though the dividends were announced after the end of that financial year.

The adjustment to the consolidated financial report as at 1 July 2002 as a result of this change are:

$3,472,375 increase in opening retained profits.

$3,472,375 decrease in provision for dividends.

There was no impact on profit or loss for the reporting period to 30 June 2003

c) Restatement of retained profits and provision for dividends

The restatement of retained profits and provision for dividends shown below, show the information that would have been disclosed had the new accounting policies disclosed in this note always been applied.

	Consolidated		The Company	
	2003 $000	2002 $000	2003 $000	2002 $000
Restatement of retained profits				
Reported retained profits at the end of the previous period	21,562	17,747	23,349	16,532
Increase / (decrease) in retained profits due to change in accounting policy on adoption of:				
AASB 1044 " Provisions, Contingent Liabilities and Contingent Assets"	3,472	-	3,472	-
Restated retained profits at beginning of the period	25,034	17,747	26,821	16,532
Net Profit attributable to members of the parent entity	11,062	10,280	9,996	13,282
Transfers from Reserves	24		24	
Dividend provided for or paid	(6,690)	(2,993)	(6,690)	(2,993)
Restated retained profits at end of the period	29,430	25,034	30,151	26,821
Restatement of provision for dividends				
Balance at end of period as previously reported	-	3,472	-	3,472
effect of change in accounting policy	-	(3,472)	-	(3,472)
Restated balance at end of period	-	-	-	-

d) Revaluation of non-current assets

The consolidated entity has elected under AASB 1041 "Revaluation of Non-Current Assets" to change the valuation basis for land and buildings. From 1 July 2002 land and buildings are carried at fair value, in prior years land and buildings have been carried at cost.

The initial adjustments to the consolidated financial report as a result of this change are:

- $713,817 decrease to land and buildings (the company $1,335,805 increase to land & buildings).
- $713,817 decrease in operating profit before tax (the company $1,335,805 increase to asset revaluation reserve).

The company has continued to apply the cost basis of valuation for all other classes of non-current assets.

CODAN LIMITED AND ITS CONTROLLED ENTITIES
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FOR THE YEAR ENDED 30 JUNE 2003

		Note	Consolidated 2003 $000	Consolidated 2002 $000	The Company 2003 $000	The Company 2002 $000
3	**REVENUE FROM ORDINARY ACTIVITIES**					
	Revenue from sale of goods					
	Sales of goods revenue from operating activities		111,404	103,960	99,107	94,882
	Other Revenues					
	From operating activities:					
	Interest Received		164	227	129	210
	Other Items		272	216	239	180
	Net foreign exchange gain		856	-	856	-
	Rental Income		79	70	100	100
	Dividends received from Controlled Entity		-	-	-	3,200
	From outside operating activities:					
	Proceeds from Sale of Property, Plant & Equipment		296	165	267	523
	Total other revenues		1,667	678	1,591	4,213
	Total revenue from ordinary activities		113,071	104,638	100,698	99,095
4	**PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE**					
	Profit from ordinary activities before income tax expense has been arrived at after charging/(crediting) the following items					
	Bad debts written off to profit and loss		295	76	293	76
	Depreciation of:					
	Buildings		260	221	161	96
	Leasehold Property		13	14	5	4
	Plant & Equipment		2,838	2,880	1,894	1,913
			3,111	3,115	2,060	2,013
	Amortisation of:					
	Leased plant and equipment		-	107	-	-
	Research and development costs		3,620	3,030	3,341	2,752
	Goodwill		1,352	1,087	-	-
			4,972	4,224	3,341	2,752
	Total depreciation and amortisation		8,083	7,339	5,401	4,765
	Borrowing costs:					
	Related parties		256	305	256	305
	Loans and Overdrafts		1,511	1,887	1,457	1,818
	Total borrowing costs		1,767	2,192	1,713	2,123
	Provided for Doubtful Debts		55	50	50	45
	Provided for Long Service Leave		370	338	325	311
	Slow moving stock		-	466	-	466
	Provided for Annual Leave		1,232	1,403	1,084	1,268
	Share of associates profit		12	(21)	-	-
	Devaluation of asset class	2 (d)	714	-	-	-
	Operating lease rental expense:					
	minimum lease payments		522	571	110	307
	Profit or (loss) on sale of property, plant and equipment		147	(10)	147	(19)
5	**AUDITORS' REMUNERATION**					
	Amounts received or due and receivable for audit services by:					
	- Auditors of the Company - KPMG		105	88	89	83
	- Other auditors		-	-	-	-
	Amounts received or due and receivable for other services by:					
	- Auditors of the Company - KPMG		129	107	112	107
	Total auditors' remuneration		234	195	201	190

CODAN LIMITED AND ITS CONTROLLED ENTITIES
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FOR THE YEAR ENDED 30 JUNE 2003

	Note	Consolidated 2003 $000	Consolidated 2002 $000	The Company 2003 $000	The Company 2002 $000

6 SEGMENT ACTIVITIES

The consolidated entity operates predominantly in Australia, and more than 90% of revenue, operating profit and segment assets related to operations in Australia. However, over 85% 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 income earning assets and revenue, interest bearing loans, borrowing and expenses and corporate assets and expenses. The details are disclosed in Note 36

Business Segments
The consolidated entity comprises of the following main business segments, based on the management reporting system:

Communication Equipment : Design, development, manufacture and marketing of communications equipment.
Other : Projects including defence equipment and design, manufacture and marketing of printed circuit boards and 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. Segment assets are based on the geographic location of the assets.
Australia : Manufacturing facilities and corporate office.
Other : Overseas representation companies wholly owned in United States of America and England.

7 DIVIDENDS

	Note	Consolidated 2003 $000	Consolidated 2002 $000	The Company 2003 $000	The Company 2002 $000
Dividends provided for or paid by the company are:					
(i) an ordinary interim dividend of $1.06 per share, franked to 100% with class C (30%) franking credits, was paid on 15th March 2002		-	2,993	-	2,993
(ii) an ordinary final dividend of $1.23 per share, franked to 100% with class C (30%) franking credits, was paid on 30th September 2002, which was provided for in June 2002	23	-	3,472	-	3,472
(iii) an ordinary interim dividend of $1.14 per share, franked to 100% with class C (30%) franking credits, was paid on 1st April 2003		3,218	-	3,218	-
		3,218	6,465	3,218	6,465

Dividend Franking Account
Balance of the franking account adjusted for franking credits which will arise from the payment of income tax provided for in the financial statements, and after deducting franking credits to be used in payment of the dividends provided.

	Consolidated 2003 $000	Consolidated 2002 $000	The Company 2003 $000	The Company 2002 $000
Class C (30%) franking credits			2,389	(932)

The ability to utilise the franking account credits is dependent upon there being sufficient available profits to declare dividends.

From 1 July 2002 the New Business Tax System (Imputation) Act 2002 requires measurement of franking credits based on the amount of income tax paid, rather than on after tax profits.
This change in the basis of measurement does not change the value of franking credits to shareholders who may be entitled to franking credit benefits.

CODAN LIMITED AND ITS CONTROLLED ENTITIES
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FOR THE YEAR ENDED 30 JUNE 2003

	Note	Consolidated 2003 $000	Consolidated 2002 $000	The Company 2003 $000	The Company 2002 $000
8 INCOME TAX					
(a) Income tax expense					
The prima facie income tax expense calculated at 30% on the profit from ordinary activities		5,093	4,415	4,330	5,116
Less: Tax effect of permanent differences					
Additional Deduction for Research & Development Expenditure		349	428	349	428
Over provision for Australian Taxation in previous years		220	161	217	52
Devaluation of land and buildings		(214)	-	-	-
Foreign Branch Income		-	598	-	598
Rebate on dividend income		-	-	-	960
Share of associates profit		(4)	6	-	-
Building depreciation		35	32	35	32
Sundry Items		3	7	3	7
		4,704	3,183	3,726	3,039
Add: Tax effect of permanent differences					
Amortisation of goodwill		406	326	-	-
Non-deductible expenses		22	91	21	15
Tax on foreign source income		-	573	-	573
Depreciation		50	65	50	55
Under provision for Foreign Taxation in previous years		642	199	642	88
Sundry Items		90	-	-	-
Income Tax Expense		5,914	4,437	4,439	3,770
Income tax expense / (benefit) is made up of:					
Current income tax (asset) /payable		5,475	4,042	4,268	3,175
Deferred income tax provision		421	577	526	655
Future income tax benefit		18	(182)	(355)	(60)
		5,914	4,437	4,439	3,770
(b) Current tax liabilities / asset					
Balance at the beginning of the year		(828)	(967)	(572)	551
Income tax paid / (received)		3,483	4,245	2,279	2,082
(Under) / over provided in prior years		(408)	(75)	(425)	(67)
Current years income tax expense on operating profit		(5,085)	(4,031)	(3,843)	(3,138)
		(2,838)	(828)	(2,561)	(572)
Disclosed in statement of financial position as:					
Income Tax Receivable		20	17	-	-
Income Tax Payable		(2,858)	(845)	(2,561)	(572)
		(2,838)	(828)	(2,561)	(572)
(c) Deferred tax liabilities					
Provision for deferred income tax comprises the estimated expense at the applicable rate of 30% on the following items :					
Timing differences in depreciation and amortisation of property, plant and equipment		19	146	20	146
Expenditure currently tax deductible but deferred and amortised for accounting purposes		3,221	3,182	3,153	3,010
Sundry items		841	332	841	332
		4,081	3,660	4,014	3,488
(d) Deferred tax assets					
Future income tax benefit comprises the estimated benefit at the applicable rate of 30% on the following items :					
Timing differences in depreciation and amortisation of property, plant and equipment		59	142	-	-
Provisions for employee entitlements not currently deductible		1,161	1,096	1,017	981
Provisions and accruals for operating expenses		1,347	1,412	1,250	1,174
Sundry items		396	113	356	113
		2,963	2,763	2,623	2,268

CODAN LIMITED AND ITS CONTROLLED ENTITIES
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FOR THE YEAR ENDED 30 JUNE 2003

		Note	Consolidated 2003 $000	Consolidated 2002 $000	The Company 2003 $000	The Company 2002 $000
9	**CASH**					
	Petty Cash		6	7	4	6
	Cash at Bank		3,766	5,437	2,283	4,565
	Short Term Deposit		2,000	1,000	2,000	1,000
			5,772	6,444	4,287	5,571
10	**RECEIVABLES**					
	Current					
	Trade debtors		15,068	15,356	13,962	14,388
	Less: Provision for doubtful trade debtors		(368)	(313)	(329)	(279)
			14,700	15,043	13,633	14,109
	Other Debtors		34	31	5	10
	Loans to Controlled Entities		-	-	1,008	6,888
			14,734	15,074	14,646	21,007
	Non-Current					
	Loans to Associated Companies Entities		74	14	33	14
11	**INVENTORIES**					
	Current					
	Raw materials		8,175	6,485	7,389	6,311
	Work in progress		1,484	1,681	1,233	1,137
	Finished goods		1,209	1,634	1,209	1,583
			10,868	9,800	9,831	9,031
12	**OTHER ASSETS**					
	Prepayments		706	662	551	486
	Deferred foreign currency hedge exchange difference and costs	2 (a)	9,190	-	9,190	-
	Other		412	236	326	205
			10,308	898	10,067	691
13	**RESEARCH AND DEVELOPMENT**					
	Expenditure Brought Forward		16,505	12,722	15,112	11,329
	Write off fully amortised research and development		(2,609)	(316)	(2,609)	(316)
	Deferred in current period		3,714	4,099	3,714	4,099
			17,610	16,505	16,217	15,112
	Accumulated amortisation relating to fully amortised research and development		2,609	316	2,609	316
	Accumulated amortisation - research and development		(9,696)	(6,392)	(8,419)	(5,394)
			10,523	10,429	10,407	10,034
14	**INTANGIBLES**					
	Goodwill - at cost		27,043	21,735	-	-
	Accumulated amortisation - goodwill		(5,704)	(4,347)	-	-
			21,339	17,388	-	-
15	**INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD**					
	Shares in Associates	34	48	60	-	-
16	**OTHER FINANCIAL ASSETS**					
	Shares in controlled entities at cost		-	-	33,649	28,313
	Unlisted Shares at cost		50	-	-	-
			50	-	33,649	28,313

CODAN LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003

	Note	Consolidated 2003 $000	Consolidated 2002 $000	The Company 2003 $000	The Company 2002 $000
17 PROPERTY, PLANT AND EQUIPMENT					
Freehold land and buildings at cost		-	10,226	-	4,422
Freehold land and buildings at fair value		7,517	-	4,616	-
Accumulated depreciation		-	(1,759)	-	(1,005)
		7,517	8,467	4,616	3,417
Leasehold property at cost		351	351	147	149
Accumulated amortisation		(89)	(110)	(26)	(54)
		262	241	121	95
Plant and equipment at cost		32,306	30,897	18,949	17,650
Accumulated depreciation		(23,426)	(21,587)	(12,774)	(11,792)
		8,880	9,310	6,175	5,858
Capital Work in Progress at cost		690	90	554	86
Total Property, Plant and Equipment		17,349	18,108	11,466	9,456

(i) Reconciliations

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

	Note	Consolidated 2003 $000	Consolidated 2002 $000	The Company 2003 $000	The Company 2002 $000
Freehold land and buildings					
Carrying amount at beginning of year		8,467	8,513	3,417	3,424
Additions		24	175	24	89
Revaluations		(714)	-	1,336	-
Transfer from capital work in progress		-	-	-	-
Disposals		-	-	-	-
Depreciation		(260)	(221)	(161)	(96)
Carrying amount at end of year		7,517	8,467	4,616	3,417
Leasehold property improvements					
Carrying amount at beginning of year		241	255	95	99
Additions		38	-	35	-
Disposals		(4)	-	(4)	-
Depreciation		(13)	(14)	(5)	(4)
Carrying amount at end of year		262	241	121	95
Plant and equipment					
Carrying amount at beginning of year		9,310	9,491	5,858	5,468
Additions	17 (ii)	2,133	2,590	1,955	2,462
Acquisitions through entity acquired		43	-	-	-
Transfer from capital work in progress		431	384	371	383
Disposals	17 (ii)	(145)	(156)	(115)	(542)
Depreciation and amortisation		(2,838)	(2,987)	(1,894)	(1,913)
Net foreign currency differences on translation of controlled foreign entities		- (54)	(12)	- -	- -
Provision for asset write off		-	-	-	-
Carrying amount at end of year		8,880	9,310	6,175	5,858
Capital Work in Progress at cost					
Carrying amount at beginning of year		90	474	86	455
Additions		1,031	18	839	14
Disposals		-	(18)	-	-
Transfers to property, plant and equipment		(431)	(384)	(371)	(383)
Carrying amount at end of year		690	90	554	86
Total carrying amount at end of year		17,349	18,108	11,466	9,456

CODAN LIMITED AND ITS CONTROLLED ENTITIES
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FOR THE YEAR ENDED 30 JUNE 2003

17 PROPERTY, PLANT AND EQUIPMENT (continued)

(ii) Intercompany Additions / Disposals

A net amount of $428,771 of plant and equipment was transferred from Codan Limited to Codan (US) Inc on 1 April 2002.
A net amount of $105,966 of plant and equipment was transferred from Codan (US) Inc to Codan Limited on 30 June 2003.
There was no gain or loss on disposal due to transfer of these assets.
The transfers of these assets have been shown as disposals of plant and equipment in the above reconciliation for the Companies. The additions and disposals of the plant and equipment have been eliminated for Consolidation purposes.

(iii) Valuations of land and buildings

Freehold land and buildings are measured on a fair value basis, being the amount of which the assets could be exchanged between knowledgeable and willing parties in an arm's-length transaction, having regard to the best use of the asset for which other parties would be willing to pay. The current years valuation was determined by the directors, taking into account an independent valuation conducted in September 2002, additions and disposals, depreciation of buildings and market movements.

		Note	Consolidated 2003 $000	Consolidated 2002 $000	The Company 2003 $000	The Company 2002 $000
18	**PAYABLES**					
	Current					
	Trade creditors		8,027	7,145	7,464	6,813
	Other creditors and accruals		7,078	7,080	5,915	6,028
			15,105	14,225	13,379	12,841
19	**OTHER PAYABLES**					
	Current					
	Net foreign currency hedge payable	2 (a)	9,190	-	9,190	-
			9,190	-	9,190	-
20	**INTEREST BEARING LIABILITIES**					
	Current					
	Secured Loans		409	343	205	148
	Commercial Bills		1,000	2,000	1,000	2,000
	Unsecured Loans		4,000	5,900	4,000	5,900
	Loans from Controlled Entities		-	-	4,098	7,401
			5,409	8,243	9,303	15,449
	Non-Current					
	Secured Loans		643	1,059	281	486
	Commercial Bills		18,443	19,300	18,443	19,300
	Unsecured Loans		10	10	-	-
			19,096	20,369	18,724	19,786

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FOR THE YEAR ENDED 30 JUNE 2003

	Note	Consolidated 2003 $000	Consolidated 2002 $000	The Company 2003 $000	The Company 2002 $000
21 FINANCING ARRANGEMENTS					
The consolidated entity has access to the following lines of credit:					
Total facilities available at balance date:					
Bank overdraft		2,622	2,622	2,622	2,622
Commercial Bill		24,000	24,000	24,000	24,000
Foreign Currency Commercial Bill		4,443	5,300	4,443	5,300
Documentary Letters of Credit		562	562	562	562
Equipment Finance Facility		3,177	3,177	1,200	1,200
Forward Exchange Dealing Limits		13,000	13,000	13,000	13,000
Guarantee Facility		1,230	1,230	1,230	1,230
Commercial Credit Card		135	135	115	115
		49,169	50,026	47,172	48,029
Facilities utilised at balance date:					
Bank overdraft		-	-	-	-
Commercial Bill		15,000	16,000	15,000	16,000
Foreign Currency Commercial Bill		4,443	5,300	4,443	5,300
Documentary Letters of Credit		263	234	263	234
Equipment Finance Facility		1,052	1,402	486	634
Forward Exchange Dealing Limits		4,702	6,023	4,702	6,023
Guarantee Facility		735	744	735	744
Commercial Credit Card		-	-	-	-
		26,195	29,703	25,629	28,935
Facilities not utilised at balance date:					
Bank overdraft		2,622	2,622	2,622	2,622
Commercial Bill		9,000	8,000	9,000	8,000
Foreign Currency Commercial Bill		-	-	-	-
Documentary Letters of Credit		299	328	299	328
Equipment Finance Facility		2,125	1,775	714	566
Forward Exchange Dealing Limits		8,298	6,977	8,298	6,977
Guarantee Facility		495	486	495	486
Commercial Credit Card		135	135	115	115
		22,974	20,323	21,543	19,094

Bank Facilities

A component ($1,051,251) of the Equipment Finance facility is secured by an unregistered charge over the plant & equipment acquired thereunder. The Guarantee Facility ($734,698), Equipment finance facility ($1,051,251), and all other lines of credit, are secured by a registered equitable mortgage over the whole of the Company's assets and undertakings including uncalled capital.
The borrowings are supported by interlocking guarantees between Codan Limited and it's subsidiaries
All facilities are offered subject to certain financial covenants, and an annual review.

Weighted Average Interest rates

	Consolidated 2003	Consolidated 2002	The Company 2003	The Company 2002
Bank overdraft	8.50%	9.20%	8.50%	9.20%
Commercial Bill	4.99%	4.84%	4.99%	4.84%
Documentary Letters of Credit				
Equipment Finance Facility	7.39%	7.01%	7.38%	7.36%
Forward Exchange Dealing Limits				
Guarantee Facility				
Commercial Credit Card	15.90%	15.90%	15.90%	15.90%

CODAN LIMITED AND ITS CONTROLLED ENTITIES
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FOR THE YEAR ENDED 30 JUNE 2003

		Note	Consolidated 2003 $000	Consolidated 2002 $000	The Company 2003 $000	The Company 2002 $000
22	**AMOUNTS PAYABLE/ RECEIVABLE IN FOREIGN CURRENCIES**					
	The Australian dollar equivalents of unhedged amounts payable or receivable in foreign currencies, calculated at year end exchange rates, are as follows:					
	US Dollars					
	Amounts payable					
	current		307	117	-	-
	Amounts receivable					
	current		10	-	-	-
	English pounds					
	Amounts payable					
	current		661	805	6	103
	Amounts receivable					
	current		95	369	66	335
	Japanese Yen					
	Amounts payable					
	current		32	37	32	37
	Singapore Dollars					
	Amounts payable					
	current		5	10	5	10
	European Euro					
	Amounts payable					
	current		-	11	-	11
	Amounts receivable					
	current		431	369	431	335
	New Zealand dollars					
	Amounts payable					
	current		35	65	35	65
	Canadian Dollars					
	Amounts payable					
	current		-	1	-	1
23	**PROVISIONS**					
	Current					
	Dividends		-	3,472	-	3,472
	Employee entitlements	35	1,721	1,824	1,494	1,555
	Warranty repairs		1,574	1,367	1,474	650
			3,295	6,663	2,968	5,677
	Non-Current					
	Employee entitlements	35	2,058	1,822	1,880	1,696
			2,058	1,822	1,880	1,696
	Reconciliations					
	Reconciliations of the carrying amounts of each class of provision, except for employee entitlements, are set out below					
	Warranty					
	Carrying amount at beginning of year		1,367	827	650	650
	Provisions made during the year		1,526	1,136	2,143	596
	Payments made during the year		(1,319)	(596)	(1,319)	(596)
			1,574	1,367	1,474	650

CODAN LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003

	Note	Consolidated 2003 $000	Consolidated 2002 $000	The Company 2003 $000	The Company 2002 $000
24 CONTRIBUTED EQUITY					
Issued and paid-up capital					
2,822,985 ordinary shares, fully paid ordinary shares, fully paid.					
120,000 ordinary shares, partly paid to 1 cent	24 (i)	3,469	3,469	3,469	3,469
Movements in ordinary share capital					
Balance at the beginning of the financial year		3,469	3,469	3,469	3,469
Shares issued		-	-	-	-
		3,469	3,469	3,469	3,469

(i) Details of shares issued under the Codan Executive Share Plan are as follows:

75,000 shares were issued on 24 May 1999 at a market value of $13.65 per share with $750 being received from the participant.
30,000 shares were issued on 29 October 1999 at a market value of $15.65 per share with $300 being received from the participant.
15,000 shares were issued on 25 February 2000 at a market value of $15.65 per share with $150 being received from the participant.

The unpaid issue price of the shares is payable by the participant upon a call from the Company not later than five years from the date of issue of the shares.

The eligibility of executive employees to participate in the plan and the number of shares offered to each executive is determined with the absolute discretion of the Board of the Company. The shares issued under the Plan are issued at their market value as determined at the date of the offer.

	Note	Consolidated 2003 $000	Consolidated 2002 $000	The Company 2003 $000	The Company 2002 $000
25 RESERVES					
Asset Revaluation		34	58	1,370	58
Foreign Currency Translation		23	79	-	-
		57	137	1,370	58
Asset Revaluation Reserve					
Balance at beginning of year		58	58	58	58
Revaluation of land and buildings		-	-	1,336	-
Transfer to retained profits		(24)	-	(24)	-
Balance at end of year		34	58	1,370	58
Foreign Currency Translation					
Balance at beginning of year		79	83	-	-
Less: Translation adjustment on controlled foreign entities' financial statement		(56)	(4)	-	-
Balance at end of year		23	79	-	-
26 RETAINED PROFITS					
Retained profits at the beginning of the financial year		21,562	17,747	23,349	16,532
Transfers from Reserves		24	-	24	-
Net profit attributable to members of the parent entity		11,062	10,280	9,996	13,282
Total available for appropriation		32,648	28,027	33,369	29,814
Dividends provided for or paid	7	3,218	6,465	3,218	6,465
Retained profits at the end of the financial year		29,430	21,562	30,151	23,349

CODAN LIMITED AND ITS CONTROLLED ENTITIES
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FOR THE YEAR ENDED 30 JUNE 2003

	Note	Consolidated 2003 $000	Consolidated 2002 $000	The Company 2003 $000	The Company 2002 $000
27 COMMITMENTS					
The estimated maximum amount of commitments not provided for in the accounts are:					
(i) Capital Expenditure Commitments					
The aggregate amount of contracts for capital expenditure on plant & equipment		556	101	489	90
(ii) Commitments in relation to non-cancellable operating leases are payable as follows:					
not later than one year		522	542	110	180
later than one year but not later than five years		229	311	66	175
later than five years		-	-	-	-
		751	853	176	355

The consolidated entity leases vehicles under operating leases. Leases generally provide the consolidated entity with a right of renewal at which time all terms are renegotiated. Lease payments comprise a base amount plus an incremental contingent rental.

	Consolidated 2003 $000	Consolidated 2002 $000	The Company 2003 $000	The Company 2002 $000
(iii) Commitments in relation to finance leases and hire purchase loans are payable as follows:				
not later than one year	472	434	234	190
later than one year but not later than five years	691	1,199	302	536
later than five years	-	-	-	-
	1,163	1,633	536	726
Less: Future Lease Finance Charge	111	231	50	92
	1,052	1,402	486	634
Lease and hire purchase liabilities provided for in the financial statements:				
Current	409	343	205	148
Non-Current	643	1,059	281	486
Total Lease and Hire Purchase Liability	1,052	1,402	486	634

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

28 CONTINGENT LIABILITIES

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

CODAN LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003

29 ADDITIONAL FINANCIAL INSTRUMENTS DISCLOSURE

(A) *Interest Rate Risk*

The consolidated entity's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities is set out below:

2003	Weighted Average Rate	Floating	Fixed interest maturing in < 1 Year	1 to 5 Years	None	Total
Financial Assets						
Cash Assets	3.33%	4,665			1,107	5,772
Receivables	1.36%		4	71	14,733	14,808
Investments						
Totals		4,665	4	71	15,840	20,580
Financial Liabilities						
Payables	0.00%				15,105	15,105
Bank Overdrafts and Loans	5.52%		4,409	643	10	5,062
Commercial Bills	4.98%		1,000	18,443		19,443
Dividends Payable						
Employee Entitlements	0.00%				3,780	3,780
Totals			5,409	19,086	18,895	43,390
2002						
Financial Assets						
Cash Assets	2.32%	4,227			2,218	6,445
Receivables	3.07%		4	10	15,074	15,088
Investments						
Totals		4,227	4	10	17,292	21,533
Financial Liabilities						
Payables	0.00%				14,225	14,225
Bank Overdrafts and Loans	5.52%		6,243	1,059	10	7,312
Commercial Bills	4.84%		2,000	19,299		21,299
Dividends Payable					3,472	3,472
Employee Entitlements					3,646	3,646
Totals			8,243	20,358	21,353	49,954

(B) *Foreign exchange risk*

The consolidated entity enters into forward foreign exchange contracts to hedge certain anticipated sale commitments denominated in foreign currencies (principally US dollars).

The terms of these commitments are rarely more than two years.

The consolidated entity's policy is to enter into forward foreign exchange contracts to hedge a proportion of foreign currency sales expected in each month within the following two years, within Board instructions and limits. The amount of anticipated future sales are forecast in light of current conditions in foreign markets, commitments from customers and experience.

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

	Consolidated 2003	2002	Consolidated 2003	2002
	Weighted average rate		$000	$000
Sell US Dollars				
Not later than one year	0.5404	0.5112	34,236	50,859
Later than one year but not later than two years	0.5739	0.5262	15,683	12,353

As these contracts are hedging anticipated sales and purchases, any unrealised gains and losses in the contracts, together with the costs of the contracts, will be recognised in the financial statements at the time the underlying transaction occurs.

The gross unrecognised gains and losses on hedges of anticipated foreign currency purchases and sales are:

	Consolidated 2003 Gains	2003 Losses	Consolidated 2002 Gains	2002 Losses
Not Later than 1 year	6,836	-	4,931	-
Later than one but no later than two years	2,354	-	871	-
	9,190	-	5,802	-

Where the underlying transaction has occurred, the effect of the hedge has been recognised in the financial statements

CODAN LIMITED AND ITS CONTROLLED ENTITIES
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FOR THE YEAR ENDED 30 JUNE 2003

29 ADDITIONAL FINANCIAL INSTRUMENTS DISCLOSURE (cont.)

(C) *Credit risk exposures*

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

Recognised Financial Instruments

The credit risk on financial assets, excluding investments, of the consolidated entity which have been recognised on the balance sheet, is the carrying amount, net of any provision for doubtful debts.
The consolidated entity minimises concentrations of credit risk by undertaking transactions with a large number of customers and counterparties in various countries and by credit insuring a substantial portion of overseas account indebtedness.
The consolidated entity is not materially exposed to any individual overseas country or individual customer.

(D) *Net fair values of financial assets and liabilities*

Valuation approach

Net fair values of financial assets and liabilities are determined by the consolidated entity on the following bases:

On-Balance Sheet Financial Instruments

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 bank term deposits, accounts receivable, accounts payable, bank loans and dividends payable approximate net fair value.

Net fair values

On-Balance Sheet Financial Instruments

The carrying amounts and net fair values of financial assets and liabilities as at the reporting date are as follows:

		Consolidated		Consolidated
	2003 Carrying Amount $000	2003 Net fair value $000	2002 Carrying Amount $000	2002 Net fair value $000
Financial Assets				
Cash	5,772	5,772	6,444	6,444
Receivables	14,808	14,808	15,088	15,088
Financial Liabilities				
Bank Overdrafts and loans	5,062	5,062	7,313	7,313
Accounts Payable	15,105	15,105	14,225	14,225
Commercial Bills	19,443	19,443	21,300	21,300
Dividends Payable	-	-	3,472	3,472

CODAN LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003

	Note	Consolidated 2003 $000	Consolidated 2002 $000	The Company 2003 $000	The Company 2002 $000

30 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 sheets as follows:

	Consolidated 2003	Consolidated 2002	The Company 2003	The Company 2002
Petty Cash	6	7	4	6
Cash	3,766	5,440	2,283	4,565
Short term deposits	2,000	1,000	2,000	1,000
Bank overdraft	-	(3)	-	-
	5,772	6,444	4,287	5,571

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

	Consolidated 2003	Consolidated 2002	The Company 2003	The Company 2002
Operating Profit/(Loss) After Tax	11,062	10,280	9,996	13,282
Add/(less) items classified as investing or financing activities:				
(Profit)/Loss on sale of non-current assets	(147)	10	(147)	19
Add /(less) non-cash items:				
Write back of provision for diminution of investment in subsidiary company	-	-	-	-
Unrealised foreign currency loss / (gain)	(856)	-	(856)	-
Depreciation of:				
Buildings	260	221	161	96
Leasehold Property	13	14	5	4
Plant & Equipment	2,838	2,880	1,894	1,913
Amortisation	4,972	4,224	3,341	2,752
Revaluation of land and buildings	714	-	-	-
(Decrease)/increase in income tax payable/receivable	1,679	(139)	1,989	1,123
(Decrease)/increase in deferred tax payable	423	562	526	678
Decrease/(increase) in deferred tax assets	16	(235)	(355)	(530)
Share of associates net profit	12	(21)	-	-
Non cash intercompany transactions	-	-	9,361	8,001
(Increase)/decrease in Translation reserves	(56)	(4)	-	-
Increase/(decrease) on Net Assets affected by translation	54	6	-	-
Net cash provided by operating activities before changes in assets and liabilities	20,984	17,798	25,915	27,338
Change in assets and liabilities during the financial year:				
Reduction/(increase) in receivables	813	893	478	(1,539)
Reduction/(increase) in inventories	(380)	5,515	(799)	2,041
Reduction/(increase) in other assets	79	66	(72)	(80)
Increase/(reduction) in trade creditors	2	2,491	651	3,373
Increase/(reduction) in other creditors and provisions	72	(538)	(225)	1,256
Increase/(reduction) in provision for employee entitlements	(542)	330	124	529
Increase/(reduction) in warranty	208	540	824	-
Net cash inflow provided by/(used in) operating activities	21,236	27,095	26,896	32,918

CODAN LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003

31 CONTROLLED ENTITIES

(a) Particulars in relation to controlled entities

Name/Country of incorporation	NOTE	Class of Share	Interest Held 2003 %	Interest Held 2002 %
Parent Entity				
Codan Limited Australia	(i)	Ordinary		
Controlled Entities				
IMP Printed Circuits Pty Ltd Australia	(ii)	Ordinary	100	100
Codan (UK) Ltd England	(iii)	Ordinary	100	100
Codan (Qld) Pty Ltd Australia	(iv)	Ordinary	100	100
Codan (US) Inc United States of America	(v)	Ordinary	100	100
Codan Telecommunications Pty Ltd Australia	(vi)	Ordinary	100	100
Codan Executive Share Plan Pty Ltd Australia	(vii)	Ordinary	100	100
Provideo Systems Pty Ltd Australia	(viii)	Ordinary	100	-

(i) On 6th April 2001, the parent entity, Codan Pty Ltd, converted from a private company to an unlisted public company, and hence a change of name to Codan Limited.

(ii) IMP Printed Circuits Pty Ltd, an Australian controlled entity, is a small proprietary company as defined by the Corporations Law.

(iii) Codan (UK) Ltd is audited by KPMG.

(iv) Codan (Qld) Pty Ltd, an Australian controlled entity, is a small proprietary company as defined by the Corporations Law.

(v) Codan (US) Inc was incorporated in the United States of America on 1 April 2002.

(vi) Codan Telecommunications Pty Ltd, an Australian controlled entity, was incorporated on 11 June 1998. It is a small proprietary company as defined by the Corporations Law.

(vii) Codan Executive Share Plan Pty Ltd was incorporated on 3 February 1999.

(viii) Provideo Systems Pty Ltd, acquired at 1 July 2002 is an Australian controlled entity and also a small proprietary company as defined by the Corporations Law.

31 **CONTROLLED ENTITIES (Continued)**

(b) Acquisition/disposal of controlled entities
The following controlled entities were acquired or disposed of during the financial year

Acquisition of Entities
During the financial year the consolidated entity purchased 100% of the voting shares of Provideo Systems Pty Ltd.
Details of the acquisition are as follows :

	Note	Consolidated 2003 $000	Consolidated 2002 $000	The Company 2003 $000	The Company 2002 $000
Consideration		5,337	-	5,337	-
Cash acquired		(1,103)	-	-	-
Outflow of cash		4,234	-	5,337	-
Fair value of net assets of entity acquired					
Property, plant and equipment		42	-	42	-
Deferred tax asset		203	-	203	-
Cash assets		1,103	-	1,103	-
Inventories		688	-	688	-
Receivables		662	-	662	-
Payables		(693)	-	(693)	-
Current tax liability		(329)	-	(329)	-
Other Provisions		(1,642)	-	(1,642)	-
		34	-	34	-
Goodwill on Acquisition		5,303		5,303	
Consideration (cash)		5,337	-	5,337	-

Provideo Systems Pty Ltd was acquired on the 1 July 2002 and the operating results of the entity from that date have been included in consolidated operating profit.

Disposal of Entities
No disposals of entities were made by the consolidated entity during the financial year.

32 **DIRECTORS' REMUNERATION**

Directors' Income

The number of directors of the company whose income from the company or any related party falls within the following bands:

	No.	No.
$ 30,000 - $ 39,999	-	4
$ 40,000 - $ 49,999	5	1
$ 70,000 - $ 79,999	-	-
$ 80,000 - $ 89,000	1	1
$110,000 - $119,999	-	-
$170,000 - $179,999	-	-
$180,000 - $189,999	-	-
$210,000 - $219,999	1	1
$420,000 - $429,999	-	-
$430,000 - $439,999	-	1
$440,000 - $459,999	-	-
$460,000 - $489,999	1	-

	Consolidated 2003 $	Consolidated 2002 $	The Company 2003 $	The Company 2002 $
Total income paid or payable, or otherwise made available, to all directors of the Company and controlled entities from the Company or any related party.	983,740	913,724	983,740	913,724
Retirement Benefits Retirement benefits paid to directors of the company and controlled entities, being amounts that have been previously approved by the members of the company in a general meeting.	-	-	-	-

No amounts were paid by the company during the year to indemnify directors. Directors' Income does not include insurance premiums paid by the company or related parties in respect of Directors' and Offices' Liabilities and Legal Expenses insurance contracts, as the insurance policies do not specify premiums paid in respect of individual directors. Details of the insurance premiums paid are set out in the Director's Report.

CODAN LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003

33 RELATED PARTY DISCLOSURE

Directors
The names of each person holding the position of director of Codan Limited during the financial year are Messrs J.A. Uhrig, M.K. Heard, B.P. Burns, L.A. Davis, P.R. Griffiths, I.J. Bettison, I.B. Wall, P.M. Wall (alternate to I.B. Wall), A.E.R. Wood, A.W. Wood (alternate to A.E.R. Wood).

Details of directors' remuneration and retirement benefits are set out in Note 32.

Apart from the details disclosed in this note, no director has entered into a material contract with the Company or the Consolidated Entity since the end of the previous financial year and there were no material contracts involving directors' interests subsisting at year end.

There are no loans to directors.

The Company has the following loans from directors -
(i) $1,000,000 - 180 day terms and interest is payable at the market rate for commercial bills
(ii) $3,000,000 - 90 day terms and interest is payable at the market rate for commercial bills

Directors' holdings of shares
The interests of directors of the entity and their director-related entities in shares of entities within the consolidated entity at year end are set out below.

	The Company	
	No. Held	No. Held
Codan Limited		
Ordinary shares	2,822,043	2,822,043

Directors' transactions in shares
There have been no transactions in shares with directors in the 2002 and 2003 years.

Other transactions with the Company or its Controlled Entities
Other than outlined above, the terms and conditions of the transactions with directors and their director related entities were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on an arm's length basis.
From time to time directors of the company or its controlled entities, or their director-related entities, may purchase goods from the consolidated entity. These purchases are on the same terms and conditions as those entered into by other consolidated entity employees or customers and are trivial or domestic in nature.
Wholly-owned group
Details of interests in wholly-owned controlled entities are set out at Note 31. Details of dealings with these entities are set out below.
Loans
Loans between entities in the wholly owned group are repayable at call. No interest has been charged in the 2002 and 2003 years.
Loans between the parent company and associated companies are charged nominal interest rates and are payable within 5 years.

Other Transactions
The company purchases materials from IMP Printed Circuits Pty Ltd, pays marketing fees to Codan (UK) Ltd and Codan (US) Inc, and charges rent to IMP Printed Circuits Pty Ltd for their premises. Codan Limited pays rent to Codan (Qld) Pty Ltd for premises, plant and equipment, and a fee for intellectual property. Provideo Systems Pty Ltd purchases materials from IMP Printed Circuits Pty Ltd.
These transactions are in the normal course of business and on normal terms and conditions.

Balances with entities within the wholly-owned group and associated companies
The aggregate amounts receivable from, and payable to, wholly-owned controlled entities and associated companies by the company at balance date

	Note	Consolidated 2003 $000	Consolidated 2002 $000	The Company 2003 $000	The Company 2002 $000
Receivables					
Current		-	-	1,008	6,888
Non Current		74	14	33	14
Payables					
Current		-	-	4,098	7,401
Dividends					
Dividends received by the company from wholly-owned controlled entities		-	-	-	3,200

These amounts include trade debtors and trade creditors as well as loans.

	Note	Consolidated 2003 $000	Consolidated 2002 $000	The Company 2003 $000	The Company 2002 $000

34 INVESTMENTS IN ASSOCIATES

Codan Limited holds a 50% interest in PCB Contracting Services Pty Ltd.

	Consolidated 2003 $000	Consolidated 2002 $000
Results of Associates		
Share of associates operating profit before income tax	(18)	30
Share of associates income tax expense attributable to operating profit	(6)	9
Share of associates net profit - equity accounted	(12)	21
Movements in carrying amount of investments		
Carrying amount of investments in associates at the beginning of the financial year	60	39
Share of associates net profit	(12)	21
Initial investment in associate		
Carrying amount of investments in associates at the end of the financial year	48	60

35 EMPLOYEE ENTITLEMENTS

Aggregate liability for employee entitlements, including on costs

	Note	Consolidated 2003	Consolidated 2002	The Company 2003	The Company 2002
Current	23	1,721	1,824	1,494	1,555
Non-current	23	2,058	1,822	1,880	1,696
Bonuses and Terminations (Accruals)	18	1,019	930	992	930
		3,779	3,646	3,374	3,251

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

	Consolidated 2003	Consolidated 2002	The Company 2003	The Company 2002
Assumed rate of increase in wage and salary rates	3.50%	3.50%	3.50%	3.50%
Discount rate	4.87%	5.86%	4.87%	5.86%
Settlement term (years)	20 years	20 years	20 years	20 years
Number of Employees at year end	397	395	314	328

36. SEGMENT REPORTING

Primary Reporting

Business Segments	Communications 2003	Communications 2002	Other 2003	Other 2002	Eliminations 2003	Eliminations 2002	Consolidated 2003	Consolidated 2002
Revenue								
External Segment Revenue	99,121	95,168	12,408	9,062	-	-	111,529	104,230
Inter Segment Revenue	-	-	1,681	1,280	(1,681)	(1,280)	-	-
Total Segment Revenue	99,121	95,168	14,089	10,342	(1,681)	(1,280)	111,529	104,230
Other Unallocated Revenue							1,542	408
Total Revenue							113,071	104,638
Result								
Segment Result	21,549	20,658	3,065	1,829	(641)	(1,481)	23,973	21,006
Share of net profit/(loss) as a result of equity accounted investments							(12)	21
Unallocated corporate expenses							(6,985)	(6,310)
Profit from ordinary activities							16,976	14,717
Income tax expense							(5,914)	(4,437)
Profit from ordinary activities after income tax							11,062	10,280
Extraordinary items after tax							-	-
Net Profit							11,062	10,280
Non Cash Items								
Depreciation and amortisation	7,073	5,980	1,010	1,359	-	-	8,083	7,339
Unallocated Depreciation and amortisation							-	-
Total depreciation and amortisation							8,083	7,339
Assets								
Segment assets	62,019	60,899	12,868	9,914	-	-	74,887	70,813
Equity accounted investments							98	60
Unallocated corporate assets							19,063	10,122
Consolidated total assets							94,048	80,995
Liabilities								
Segment liabilities	19,256	21,191	1,202	1,519	-	-	20,458	22,710
Unallocated corporate liabilities							40,634	33,117
Consolidated total liabilities							61,092	55,827

Secondary Reporting

Geographical segments	Europe 2003	Europe 2002	North America 2003	North America 2002	Asia 2003	Asia 2002	Australia / Oceania 2003	Australia / Oceania 2002	Other 2003	Other 2002	Consolidated 2003	Consolidated 2002
External segment revenue by location of customers	45,233	34,376	16,343	22,768	15,771	17,238	20,315	17,092	15,409	13,164	113,071	104,638
Segment assets by location of assets	570	956	585	627	-	-	92,893	79,412	-	-	94,048	80,995
Acquisitions of non current assets	43	28	23	519	-	-	6,874	6,335	-	-	6,940	6,882

Note : The geographical segments represent customers locations, however the final location of the products use is often unknown.

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Independent audit report to members of Codan Limited

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for both Codan Limited ("the Company") and the Consolidated Entity, for the year ended 30 June 2003. The Consolidated Entity comprises both the company and the entities it controlled during that year.

The directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the Company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

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

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

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

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

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

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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 Consolidated Entity's financial position as at 30 June 2003 and of their performance for the financial year ended on that date; and

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

b) other mandatory professional reporting requirements in Australia.

KPMG

P D Robertson
Partner

Adelaide
1 September 2003