



## **Codan Limited**

2004 AGM

1<sup>st</sup> November 2004

### **CHAIRMAN'S ADDRESS**

Ladies and Gentlemen,

Let me turn now to a brief but broad commentary on the company's activities and operations during the recently completed financial year.

I should begin with the fact that Codan's Board of Directors considers the conversion to a public company has been accomplished smoothly and with a minimum of fuss. There were, of course, insufficient shares available to satisfy every potential shareholder at the time of the issue. It is in the nature of things, however, that with the company now listed on the Stock Exchange, all needs can be met, although, thankfully for some and regrettably for others, not at the issue price.

No doubt you will all be aware that performance for the full financial year was not only a record, but exceeded our

expectations as expressed in the prospectus published in October 2003. A dividend of 5.5 cents per share has been paid.

The implementation of capital expenditure plans is well under way. These involve the construction of a major factory extension in Adelaide and the installation of a new Enterprise Resource Planning Business System.

Programs remain on track for the development and launch of important new High Frequency, Satellite Communications, Digital Microwave Radio and Television Broadcast products to be completed during this financial year. Some of these products have already been released.

In some cases design or design work has been purchased externally in other countries. This is in keeping with the company's philosophical approach which does not oblige it to "re-invent the wheel" so to speak. It helps the organisation to move more quickly and allows its own resources to be used more efficaciously.

The design of new, lower cost product variants for the marketplace, coupled with sensible currency hedging and other financial techniques are important elements in Codan's approach to the issue of dealing with a fluctuating Australian dollar value. Management is also very well tuned in to the

general proposition that any product change, no matter what is the reason for it, is an opportunity to improve design in terms of marketplace needs, increase quality level and manufacturability and lower cost. Such change also provides opportunity for further progress towards implementing the company's determination to be the global brand of choice in each of its chosen market niches.

Among other points relating to governance I would like to make shareholders aware of the Codan commitment to employee safety. The need for boards to take a close interest in this subject is generating a great deal of discussion and criticism at the moment.

I am pleased to be able to say that through people at all levels in the company working together constructively, Codan has achieved an outstanding performance in this regard. Because the world, and particularly some of the parts of it, in which the company's sales are made is no longer as safe as it used to be, this program has been extended to embrace a higher level of discipline in relation to travel. In this regard an international security firm has been engaged to provide continuous advice in relation to travel in high risk areas and also emergency response if necessary. Travel itself in doubtful areas is subject to specific approval on safety grounds. In the case of any country deemed too high a risk, travel will not be approved at all.

I believe it is important to draw your attention to the fact that Codan has responded to all of the ASX Corporate Governance Council Best Practice Recommendations through its disclosure in the 2004 Annual Report which is already in your possession.

Succession planning is one of the most important factors in any growing company if it is to be continuously successful in an ever changing business environment. A recognition in Codan of the constant need to address this issue in management ranks has been one of the principal reasons for its success so far. Finding the right people in a company operating from a base which is so far from most of its customers has often been difficult.

Nonetheless we are able to feel that the standards of management professionalism in Codan compare favourably with its peers around the world.

Our task now is to provide shareholders with a similar outcome in governance terms as we navigate the transition from the requirements of closely held private ownership to those of public ownership. Fortunately, we commenced this task long before listing. However, it will be obvious to any observer that succession planning at board level is an issue to be managed. Clearly, there is a need for the progressive recruitment of new and appropriate board members to bring about a generational change as well as to inject more independence. Neither I nor, I

believe, any other director has any concern about the ability of the present board to provide shareholders with appropriate and objective governance of the company.

However, in delivering the necessary change over time we want to maintain the very high standards we have always required of ourselves in every aspect of the work of this relatively small but global company. This process must be accomplished by a reduction in average age of board members and an increase in the proportion of independent membership in a governance sense. I want to assure you that we are fully engaged in this regard, even though we must ask you to be patient.

Having said all of that I have to inform you that Leon Davis, who has been a very special contributor to our work, has indicated his desire to retire at the end of this year.

I am also pleased to say that Dr David Klingner has agreed to be appointed to the board at a date to be determined later this year. Dr Klingner, a Geologist, recently retired from Rio Tinto Limited where he was responsible for Rio's worldwide exploration activities. He has had a great deal of experience in the mining industry around the world, including responsibility for the establishment and management of major mining operations in Indonesia.

Finally, let me say that the business is performing to plan in the current financial year. Feedback from the market about products already in the market on a trial basis and ready for launch soon is very positive.

However, as we have said in earlier comments about the immediate outlook, we do not expect gains this year to be of the same order as was the case in the 2004 financial year. Our objective continues to be the production of 15% per annum cumulative growth over the medium to long term.

John Uhrig, AC  
Chairman