



CODAN

19 February 2015

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

PO Box 96
Campbelltown SA 5074
Australia

COMPANY ANNOUNCEMENTS PLATFORM
AUSTRALIAN SECURITIES EXCHANGE

CODAN LIMITED LIFTS PROFIT 17% FOR HALF YEAR

Improved performance

- Profit after tax of \$5.6 million, up 17%.
- Earnings per share of 3.2 cents.
- Interim dividend declared of 1.5 cents fully franked.
- Codan Radio Communications had its best half year in three years and is well placed to continue delivering strong returns through new product releases and focused market development.
- Minelab completed development of two significant new product platforms and has now opened a retail and distribution centre in Dubai.
- Minetec successfully completed a pilot project for a first-tier miner.

Codan Limited today announced a 17% increase in net profit after tax of \$5.6 million for the half year ended 31 December 2014. Sales at \$68.2 million were 12% higher than in the previous corresponding period. Underlying net profit after tax for the half year ended 31 December 2014 was \$6.0 million, an increase of 33%.

Codan designs and manufactures a range of high value-added electronics products for global markets.

“While the result is lower than the Board’s aspirations for the business, it reflects strong management action on costs and significantly better performance from the Radio Communications business,” Chief Executive Officer Donald McGurk said today.

“Margins improved across all our businesses.”

Codan announced an interim dividend of 1.5 cents per share, fully franked. The dividend has a record date of 16 March 2015 and will be paid on 1 April 2015.

As a result of succession planning, the Board has changed significantly over recent months. Chairman Dr David Klingner retired from the Board on 18 February 2015 after more than ten years of service and was succeeded by Mr David Simmons. The Board also welcomed the recent appointments of Jim McDowell and Graeme Barclay.

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Codan Summary Financial Performance				
	Half Year ended			
	Dec-14		Dec-13	
	\$m	%	\$m	%
Revenue				
Communications products	36.6	53%	23.6	39%
Metal detection	27.1	40%	32.9	54%
Mining technology	2.5	4%	2.4	4%
Other	2.0	3%	2.2	3%
Total revenue	68.2	100%	61.1	100%
Underlying business performance				
EBITDA	13.7	20%	11.3	18%
EBIT	9.2	13%	6.5	11%
Interest	(1.3)		(1.3)	
Net profit before tax	7.9	12%	5.2	8%
Taxation	1.9		0.7	
Underlying net profit after tax	6.0	9%	4.5	7%
Non-recurring (income)/expenses after tax:				
Loss on closure of business	(0.4)		-	
Other Items	-		0.3	
Net profit after tax	5.6		4.8	
Underlying earnings per share, fully diluted	3.4 cents		2.5 cents	
Dividend per share	1.5 cents		1.5 cents	

Net borrowings increased by \$6.8 million to \$53.7 million from 30 June 2014 as a result of the continued substantial investment in product development and an increase in working capital. The investment in inventory relates to upcoming product releases and the increase in trade debtors reflects a return to a more traditional collection period as the Radio Communications business has become a bigger proportion of total sales. The company remains well within its debt facility limit of \$85 million.

During the half year, the company closed its printed circuit board manufacturing operations resulting in a one-off loss of \$0.4 million. This non-core business had contributed \$2.0 million in sales but no profit in the half-year results.

Performance by business unit:

Radio Communications – High Frequency (HF) Radios and Land Mobile Radios (LMR)

Codan Radio Communications is a leading designer and manufacturer of premium communications equipment for High Frequency (HF) and Land Mobile Radio (LMR) applications.

Segment contribution doubled to \$10.9 million on sales of \$36.6 million, which was up 55% on the prior year.

Demand for the software-defined Envoy™ HF radio continues to grow as customers recognise the quality of Codan Radio's digital voice and simple user interface. The business is now able to bid into larger communications projects because of its world-class voice clarity and turnkey approach incorporating land mobile radio.

The Envoy HF radio is now being used in multiple languages and has enhanced Codan Radio's position with government, humanitarian and aid organisations in emerging world markets.

"This new technology allows us to expand the HF radio market as we demonstrate what a modern HF radio system can do to solve a range of communications needs," Mr McGurk said.

"We have made the decision to invest in a new, refreshed suite of LMR product solutions aimed at broadening our offering to the market. The first of these new products will be launched during the second half and will enable us to participate in larger, higher value-add communications programmes.

"The future growth of our Radio Communications business will be based on our ability to combine HF and LMR platforms to provide unique and resilient radio networks that connect over multiple communications platforms and make us more attractive in larger infrastructure projects."

Metal Detection

Minelab sales in the first half were \$27.1 million, down \$5.8 million on the prior corresponding period.

Sales into Africa remain low due to significant counterfeiting of our GPX gold detection product and ongoing issues in the region such as ebola, political instability and armed conflict.

We are addressing these issues by:

- releasing the revolutionary new GPZ 7000 gold detector which detects gold at greater depth and across all ground types including very highly mineralised soil,
- establishing a Minelab retail and distribution centre in Dubai to support the efforts of our dealers, and
- continuing to aggressively defend our intellectual property against counterfeiters.

Minelab launched the GPZ 7000 gold detector to the market in February. This is a significant new product platform that has taken five years to develop at a cost of over \$10 million. The market has been eagerly awaiting this revolutionary new product as its superior performance will find more gold for our customers and it will reopen existing gold-fields. The GPZ 7000 uses ground-breaking Zero Voltage Transmission (ZVT) technology to provide the deepest ground penetration available, and is the most significant advancement in gold detecting technology in years.

These features have been designed to make the GPZ 7000 a significantly higher performing, yet easy to use, gold detector and a game-changer in the gold prospecting and mining market.

On 25 January 2015, Minelab opened its own retail and distribution centre in Dubai to enable us to deal directly with the African market. This strategic imperative is designed to improve our market intelligence by bringing us closer to our customers, increase margins and stimulate demand.

We will continue to aggressively defend our intellectual property by pursuing counterfeiters, and we are committed to engineering our products to make them much more difficult to copy.

A major initiative to grow our Coin & Treasure business has been the development of the GO-FIND detector which will take us into the fast-growing, lower price point of the market, a significant new segment for Minelab. Our engineering programme is on track and this product will be released in April 2015.

Minelab's Countermine business also reached a significant milestone, working with a major US defence company, NIITEK, to integrate Minelab's advanced metal detection technology with NIITEK's ground-penetrating radar to produce the world's best dual-sensor handheld detector. By combining two complementary sensors, it provides superior performance for buried object location and subsurface inspection in challenging soil conditions. The product has begun selling and has sparked a high level of interest among military customers.

We expect Minelab sales and profitability to substantially improve in the second half.

Mining Technology

Minetec's sales in the first half were \$2.5 million, unchanged from the prior corresponding period.

During the half year, Minetec successfully completed a pilot project for a large global miner which demonstrated the mine simulation and productivity technology in a working mine environment. Other successful proof-of-concept trials have been conducted and management continue to pursue full-scale mine rollouts which we anticipate will occur within the next 18 months.

Minetec has developed technologies which the market views as best-in-class, and it remains well positioned to play a key role in assisting the mining industry to dramatically increase productivity and safety. Enabling mining companies to transition from conventional labour-intensive mining practices to more efficient mechanised mining is a key element of our value proposition. The business is

entrepreneurial and remains in start-up phase, requiring ongoing investment and engagement with the mining community to fully realise its significant potential.

Over the longer term, management is of the firm view that Minetec will become the third major arm of Codan; however, it will take time to fully establish ourselves in the market due to the leading-edge, innovative nature of our solutions and the current state of the mining industry.

Outlook

Sales and profitability have increased over the prior corresponding period and management remain confident of future growth as we launch new products and extend our global reach.

Codan has demonstrated an ability over many years to leverage its key technologies to many markets and customers across the globe. Our strategy and plans for the future are strong, we have excellent people and significant opportunities across all three business units.

While management and the Board believe we will achieve a stronger second half, the nature of some of our markets makes it difficult to provide profit guidance at this point in time.

On behalf of the Board



Michael Barton
Company Secretary

FOR ADDITIONAL INFORMATION, PLEASE CONTACT:-

Donald McGurk
Managing Director & CEO
Codan Limited
(08) 8305 0392

Michael Barton
Company Secretary & CFO
Codan Limited
(08) 8305 0392

Codan's Envoy™ smart radio provides High Frequency (HF) digital voice and data communications without the need for existing infrastructure. A true software-defined radio (SDR), Envoy enables users to download and upgrade new capabilities through software and is therefore a scalable and affordable solution. It has a multi-language user interface, embedded software modem and is IP capable.

Minelab's GPZ 7000 uses ZVT (Zero Voltage Transmission) technology which creates ultra-constant high-power opposite-polarity magnetic fields, increasing gold sensitivity. This innovative technology detects gold nuggets at extreme depths.

**Codan Limited
and its controlled entities**

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

Period ended on 31 December 2014

ABN 77 007 590 605	Previous corresponding period 31 December 2013
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Results for announcement to the market				\$A'000
Revenue from ordinary activities	Increased	12%	to	68,244
Profit from ordinary activities after tax attributable to members	Increased	17%	to	5,634
Underlying profit after tax	Increased	33%	to	6,005
Dividends	Amount per security		Franked amount per security at 30% tax	
Interim dividend	1.5 cents		1.5 cents	
Record date for determining entitlements to dividends:	16 March 2015			
<i>Brief explanation of any figures disclosed above which is necessary to enable the figures to be understood:</i>				
The 31 December 2014 Financial Report and the Market Announcement dated 18 February 2015 form part of, and should be read in conjunction with, this Preliminary Final Report (Appendix 4D).				
Underlying profit is a non-IFRS measure used by management of the company to assess the operating performance of the business. The non-IFRS measures have not been subject to review or audit.				
This report is based on half-year financial statements that have been externally reviewed. The auditor's review report is included in the Interim Financial Report for the half year ended 31 December 2014.				

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

**Interim Financial Report
for the half year ended
31 December 2014**

Directors' report

Codan Limited and its Controlled Entities

The directors present their report together with the consolidated interim financial report for the half year ended 31 December 2014 and the auditor's review report thereon.

Directors

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

Name	Period of Directorship
David Klingner (Chairman)	Director since December 2004, retired 18 February 2015
Donald McGurk (Managing Director and Chief Executive Officer)	Director since May 2010
Peter Griffiths	Director since July 2001
David Klingberg	Director since July 2005
David Simmons	Director since May 2008, appointed as Chairman 18 February 2015
Peter Leahy	Director since September 2008
Jim McDowell	Director since September 2014
Graeme Barclay	Director since February 2015

Principal activities

The principal activities of the consolidated entity during the course of the half year were the design, development, manufacture and sale of communications equipment and solutions, metal detection equipment, mining technology and printed circuit boards.

Review and results of operations

Summary:

- Profit after tax of \$5.6 million, up 17%.
- Earnings per share of 3.2 cents.
- Interim dividend declared of 1.5 cents fully franked.
- Codan Radio Communications had its best half year in three years and is well placed to continue delivering strong returns through new product releases and focused market development.
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While the result is lower than the Board's aspirations for the business, it reflects strong management action on costs and significantly better performance from the Radio Communications business. Margins improved across all business units.

As a result of succession planning, the Board has changed significantly over recent months. Chairman Dr David Klingner retired from the Board on 18 February 2015 after more than ten years of service and was succeeded by Mr David Simmons. The Board also welcomed the recent appointments of Jim McDowell and Graeme Barclay.

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* Non-underlying (income)/expenses are considered to be outside of normal business activities of the group and for comparability reasons have been separately identified. The methodology of identifying and quantifying these items is consistently applied from year to year. Underlying profit is a non-IFRS measure used by management of the company to assess the operating performance of the business. The non-IFRS measures have not been subject to review or audit.

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An update on the trading conditions being experienced by each of the company's key business units is as follows:

Radio Communications

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Dividends

Codan announced an interim dividend of 1.5 cents per share, fully franked. The dividend has a record date of 16 March 2015 and will be paid on 1 April 2015.

State of Affairs

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

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

The lead auditor's independence declaration is set out on page 5 and forms part of the directors' report for the half year ended 31 December 2014.

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 G D Klingner

Director



D S McGurk

Director

Dated at Newton this 18th day of February 2015.



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

To: the directors of Codan Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2014 there have been:

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

KPMG

Scott Fleming
Partner

Adelaide

18 February 2015

Consolidated interim income statement for the half year ended 31 December 2014

Codan Limited and its Controlled Entities

	Note	Half Year Ended 31 December 2014 \$'000	Consolidated Half Year Ended 31 December 2013 \$'000
Revenue		68,244	61,117
Cost of sales		<u>(32,294)</u>	<u>(29,530)</u>
Gross profit		35,950	31,587
Other income / (expenses)	3	429	2,238
Administrative expenses	4	(7,308)	(7,952)
Sales and marketing expenses		(16,138)	(14,708)
Engineering expenses		(4,702)	(4,572)
Net financing costs	5	<u>(907)</u>	<u>(1,636)</u>
Profit before tax		7,324	4,957
Income tax expense	6	<u>(1,690)</u>	<u>(141)</u>
Profit for the period		<u>5,634</u>	<u>4,816</u>
Earnings per share for profit attributable to the ordinary equity holders of the company:	9		
Basic earnings per share		3.2 cents	2.7 cents
Diluted earnings per share		3.2 cents	2.7 cents

The consolidated interim income statement is to be read in conjunction with the notes to the interim financial statements set out on pages 11 to 14.

**Consolidated interim statement of comprehensive income
for the half year ended 31 December 2014**

Codan Limited and its Controlled Entities

	Half Year Ended 31 December 2014 \$'000	Consolidated Half Year Ended 31 December 2013 \$'000
Profit for the period	5,634	4,816
Items that may be reclassified subsequently to profit or loss		
Changes in fair value of cash flow hedges	(326)	(117)
less tax effect	98	35
Changes in fair value of cash flow hedges, net of income tax	(228)	(82)
Exchange differences on translation of foreign operations	1,809	3,277
Other comprehensive income for the period, net of income tax	1,581	3,195
Total comprehensive income for the period	7,215	8,011

The consolidated interim statement of comprehensive income is to be read in conjunction with the notes to the interim financial statements set out on pages 11 to 14.

Consolidated interim balance sheet as at 31 December 2014

Codan Limited and Its Controlled Entities

	Consolidated	
	31 December 2014 \$'000	30 June 2014 \$'000
CURRENT ASSETS		
Cash and cash equivalents	6,258	13,031
Trade and other receivables	26,497	22,141
Inventory	32,963	31,298
Current tax assets	833	1,112
Other assets	2,025	1,847
TOTAL CURRENT ASSETS	68,576	69,429
NON-CURRENT ASSETS		
Property, plant and equipment	20,726	20,128
Product development	39,398	34,879
Intangible assets	88,266	87,993
Deferred tax assets	-	-
TOTAL NON-CURRENT ASSETS	148,390	143,000
TOTAL ASSETS	216,966	212,429
CURRENT LIABILITIES		
Trade and other payables	22,040	23,391
Loans and borrowings	66	33
Current tax payable	546	57
Provisions	6,337	6,426
TOTAL CURRENT LIABILITIES	28,989	29,907
NON-CURRENT LIABILITIES		
Other payables	-	-
Loans and borrowings	59,934	59,947
Deferred tax liabilities	2,562	1,601
Provisions	630	683
TOTAL NON-CURRENT LIABILITIES	63,126	62,231
TOTAL LIABILITIES	92,115	92,138
NET ASSETS	124,851	120,291
EQUITY		
Share capital	41,560	41,560
Reserves	52,056	50,475
Retained earnings	31,235	28,256
TOTAL EQUITY	124,851	120,291

The consolidated interim balance sheet is to be read in conjunction with the notes to the interim financial statements set out on pages 11 to 14.

Consolidated interim statement of changes in equity for the half year ended 31 December 2014

Codan Limited and its Controlled Entities

For the six months ended 31 December 2014

	Consolidated					Total \$'000
	Share Capital	Translation Reserve	Hedging Reserve	Profit Reserve	Retained Earnings	
	\$'000	\$'000	\$'000	\$'000	\$'000	
Balance as at 1 July 2014	41,560	1,994	-	48,481	28,256	120,291
Profit for the period	-	-	-	-	5,634	5,634
Performance rights expensed (recovered)	-	-	-	-	-	-
Change in fair value of cash flow hedges	-	-	(228)	-	-	(228)
Exchange differences on translation of foreign operations	-	1,809	-	-	-	1,809
Transactions with owners of the company	41,560	3,803	(228)	48,481	33,890	127,506
Dividends recognised during the period	-	-	-	-	(2,655)	(2,655)
Employee share plan, net of issue costs	-	-	-	-	-	-
Balance at 31 December 2014	41,560	3,803	(228)	48,481	31,235	124,851

For the six months ended 31 December 2013

	Consolidated					Total \$'000
	Share Capital	Translation Reserve	Hedging Reserve	Profit Reserve	Retained Earnings	
	\$'000	\$'000	\$'000	\$'000	\$'000	
Balance as at 1 July 2013	41,873	1,405	(1,125)	34,673	47,906	124,732
Profit for the period	-	-	-	-	4,816	4,816
Performance rights expensed (recovered)	(526)	-	-	-	-	(526)
Change in fair value of cash flow hedges	-	-	(82)	-	-	(82)
Exchange differences on translation of foreign operations	-	3,277	-	-	-	3,277
Transactions with owners of the company	41,347	4,682	(1,207)	34,673	52,722	132,217
Dividends recognised during the period	-	-	-	-	(12,385)	(12,385)
Issue of share capital, net of issue costs	78	-	-	-	-	78
Balance at 31 December 2013	41,425	4,682	(1,207)	34,673	40,337	119,910

The consolidated interim statement of changes in equity is to be read in conjunction with the notes to the interim financial statements set out on pages 11 to 14.

Consolidated interim statement of cash flows for the for the half year ended 31 December 2014

Codan Limited and its Controlled Entities

	Note	Half Year Ended 31 December 2014 \$'000	Consolidated Half Year Ended 31 December 2013 \$'000
Cash flows from operating activities			
Cash receipts from customers		63,555	64,454
Cash paid to suppliers and employees		(56,826)	(67,413)
Interest received		41	33
Interest paid		(1,358)	(1,299)
Income taxes (paid) / refunded		171	(12,649)
Net cash from operating activities		<u>5,583</u>	<u>(16,874)</u>
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		1,256	-
Proceeds from sale of IMP business		85	-
Payments for capitalised product development		(6,870)	(5,341)
Payments for intellectual property		(743)	(1,750)
Acquisition of property, plant and equipment		(2,337)	(1,951)
Acquisition of intangibles (computer software and licences)		(188)	(1,028)
Net cash used in investing activities		<u>(8,797)</u>	<u>(10,070)</u>
Cash flows from financing activities			
Drawdowns / (repayments) of borrowings		(994)	37,285
Dividends paid	7	(2,655)	(12,385)
Net cash from financing activities		<u>(3,649)</u>	<u>24,900</u>
Net increase / (decrease) in cash held		<u>(6,863)</u>	<u>(2,044)</u>
Cash and cash equivalents at the beginning of the financial year		13,031	8,638
Effects of exchange rate fluctuations on cash held		90	(116)
Cash and cash equivalents at the end of the half year		<u>6,258</u>	<u>6,478</u>

The consolidated interim statement of cash flows is to be read in conjunction with the notes to the interim financial statements set out on pages 11 to 14.

Condensed notes to the consolidated interim financial statements for the half year ended 31 December 2014

Codan Limited and its Controlled Entities

NOTE 1: STATEMENT OF ACCOUNTING POLICY

(a) Reporting entity

Codan Limited (the "company") is a company domiciled in Australia. The consolidated interim financial report of the company for the six months ended 31 December 2014 comprises the company and its subsidiaries (together referred to as the "group").

(b) Statement of compliance

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

The consolidated interim financial report does not include all of the information required for a full annual financial report and should be read in conjunction with the consolidated annual financial report of the group as at and for the year ended 30 June 2014.

The consolidated annual financial report of the group as at and for the year ended 30 June 2014 is available on request from the company's registered office at 81 Graves Street, Newton, South Australia and is also available on the company's website (www.codan.com.au).

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

The consolidated interim financial report was authorised for issue by the directors on 18 February 2015.

(c) Significant accounting policies

The accounting policies applied by the group in this consolidated interim financial report are the same as those applied by the group in its consolidated financial report as at and for the year ended 30 June 2014.

(d) Estimates

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

In preparing this consolidated interim financial report, the significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report as at and for the year ended 30 June 2014

Condensed notes to the consolidated interim financial statements for the half year ended 31 December 2014

Codan Limited and Its Controlled Entities

NOTE 2: SEGMENT REPORTING

The group comprises four business segments. The communications equipment segment includes the design, development, manufacture and marketing of communications equipment. The metal detection segment includes the design, development, manufacture and marketing of metal detection equipment. The mining technology segment includes the design, manufacture, maintenance and support of a range of electronic products and associated software for the mining sector. The "other" business segment includes the manufacture and marketing of printed circuit boards.

	Half Year Ended 31 December 2014 \$'000	Consolidated Half Year Ended 31 December 2013 \$'000
Segment revenue		
Communications	36,648	23,624
Metal detection	27,139	32,900
Mining technology	2,488	2,358
Other	1,969	2,235
	68,244	61,117
Segment result		
Communications	10,916	5,442
Metal detection	5,129	9,155
Mining technology	(1,408)	(245)
Other	(461)	(111)
	14,176	14,241
Unallocated revenues and expenses	(6,852)	(9,284)
Profit for the period before income tax expense	7,324	4,957

During the year the company ceased to manufacture printed circuit boards and sold its printed circuit board import business. The total loss incurred on the closure and exit from this business after tax was \$0.4 million, which is included in the "other" segment.

The Mining technology segment loss of \$245,184 in the prior comparative period included the benefit of a recovery from a legal dispute of \$1,314,497. Excluding this one-off amount the segment loss was \$1,559,681.

NOTE 3: OTHER INCOME / (EXPENSES)

Recovery from legal dispute	-	1,314
Mining technology earn-out liability no longer required	-	600
Recovery from onerous contract	-	990
Impairment of mining technology product development	-	(774)
Gain on sale of property, plant and equipment	125	-
Sale of IMP business	85	-
Other income / (expenses)	219	108
	429	2,238

NOTE 4: ADMINISTRATIVE EXPENSES

Within administrative expenses the group incurred \$936,776 (2013: \$2,368,170) relating to integration and restructuring activities.

NOTE 5: NET FINANCING COSTS

Interest income	(41)	(33)
Net foreign exchange (gain) / loss	(351)	290
Interest expense	1,299	1,379
	907	1,636

Condensed notes to the consolidated interim financial statements for the half year ended 31 December 2014

Codan Limited and its Controlled Entities

	Consolidated Half Year Ended 31 December 2014 \$'000	Consolidated Half Year Ended 31 December 2013 \$'000
NOTE 6: INCOME TAX EXPENSE		
Reconciliation between tax expense and pre-tax net profit:		
The prima facie income tax expense calculated at 30% on the profit from ordinary activities	2,197	1,487
Increase / (decrease) in income tax expense due to:		
Non-deductible expenses	119	159
Additional deduction for research and development expenditure	(359)	(348)
(Over) / under provision for taxation in previous years	(450)	(583)
Non-assessable income	-	(635)
Other	183	61
Income tax expense	1,690	141

NOTE 7: DIVIDENDS

Codan Limited has provided or paid for dividends as follows:

- final fully-franked dividend of 1.5 cent per share on ordinary shares paid on 1 October 2014	2,655	
- final fully-franked dividend of 7.0 cent per share on ordinary shares paid on 1 October 2013	-	12,385

Subsequent Events

Since the end of the half year, the directors declared an interim fully-franked dividend of 1.5 cents per share payable on 1 April 2015 (2014: 1.5 cents). The financial impact of this interim dividend (\$2,655,949) has not been brought to account in the group financial statements for the half year ended 31 December 2014 and will be recognised in subsequent financial reports.

NOTE 8: FINANCIAL INSTRUMENTS

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

The group's financial instruments carried at fair value have been valued by using a "level 2" valuation method. Level 2 valuations are obtained from inputs, other than quoted prices, that are observable for the asset or liability either directly or indirectly. At the end of the half year, financial instruments valued at fair value were limited to net foreign currency hedge payables of \$360,000, for which a valuation was obtained from the relevant banking institution.

NOTE 9: EARNINGS PER SHARE

The calculation of basic earnings per share (EPS) for the six months ended 31 December 2014 was based on the profit attributable to ordinary shareholders of \$5,634,000 (six months ended 31 December 2013 \$4,816,000) and the issued capital of the company outstanding during the period. The weighted average number of shares outstanding was 176,969,924 for the half-year period ending 31 December 2014 (2013: 176,940,631).

Diluted EPS is determined by adjusting the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise 929,493 performance rights granted to employees.

Condensed notes to the consolidated interim financial statements for the half year ended 31 December 2014

Codan Limited and Its Controlled Entities

Half Year Ended 31 December 2014 \$'000	Year Ended 30 June 2014 \$'000
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NOTE 10: CAPITAL COMMITMENTS

The aggregate amount of contracts for capital expenditure on property, plant and equipment	1,750	2,204
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NOTE 11: CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The group enters into performance bonds with customers to support its delivery obligations as a supplier of electronic equipment.

NOTE 12: EVENTS SUBSEQUENT TO REPORTING DATE

Other than the matters already disclosed in these financial statements, there has not arisen in the interval between the end of the financial period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the company, to affect significantly the operations of the group, the results of those operations, or the state of affairs of the group, in future financial years.

NOTE 13: RELATED PARTIES

Arrangements with related parties continue to be in place. For details on these arrangements, refer to the 30 June 2014 annual financial report.

Half Year Ended 31 December 2014	Year Ended 30 June 2014
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NOTE 14: NET TANGIBLE ASSET / LIABILITY PER SHARE

Net tangible asset / (liability) per share	(0.1 cents)	(0.6 cents)
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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 pages 6 to 14, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2014 and of its performance, as represented by the results of its operations and cash flows, for the half year ended on that date; and
 - (ii) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Dated at Newton this 18th day of February 2015.

Signed in accordance with a resolution of the directors:



Dr G D Klingner
Director



D S McGurk
Director



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

We have reviewed the accompanying interim financial report of Codan Limited, which comprises the consolidated interim balance sheet as at 31 December 2014, consolidated interim income statement and consolidated interim statement of comprehensive income, consolidated interim statement of changes in equity and consolidated interim statement of cash flows for the half-year ended on that date, notes 1 to 14 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the group comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the consolidated interim financial report

The directors of the company are responsible for the preparation of the consolidated interim financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the consolidated interim financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the consolidated interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the consolidated interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the group's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Codan Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

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

- a) giving a true and fair view of the group's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



KPMG



Scott Fleming
Partner

Adelaide

18 February 2015