

21 February 2013



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 RESULTS
HALF YEAR ENDED 31 DECEMBER 2012

Review and results of operations

Half-year highlights:

- Highest half-year profit in the company's history
- Interim dividend increased by 50% to 6.0 cents
- Continued strong growth of metal detector sales
- Tough business conditions in Radio Communications, but a major product release achieved
- Successful acquisition of land mobile radio business and related capital raising
- Minetec business continues to transition to a technology solutions supplier to the mining industry
- Second-half profit for FY13 expected to be as strong as first half

The Board of Codan Limited has announced a net profit after tax of \$26.5 million for the half year ended 31 December 2012, compared to the prior period of \$9.9 million. Underlying net profit after tax was \$27.4 million from \$135.9 million of revenue, which compares to a profit of \$10.4 million in the prior period. The underlying net profit after tax excludes acquisition costs in relation to the acquisition of Daniels land mobile radio business, and a write down of head office building assets which have been partially offset by an insurance claim recovery in relation to the 2011 Queensland floods.

The company announced an interim dividend of 6.0 cents per share, fully franked, compared to 4.0 cents in the previous interim period, an increase of 50%.

Codan Summary Financial Performance				
	Half Year ended			
	Dec-12		Dec-11	
	\$m	%	\$m	%
Revenue				
Communications products*	32.3	24%	36.6	49%
Metal detection	91.2	67%	35.2	48%
Mining technology	9.4	7%	-	-
Other	3.0	2%	2.3	3%
Total revenue	135.9	100%	74.1	100%
Underlying business performance				
EBITDA	45.8	34%	20.0	27%
EBIT	39.9	29%	16.3	22%
Interest	(0.9)		(1.7)	
Net profit before tax	39.0	29%	14.6	20%
Taxation	11.6		4.2	
Underlying net profit after tax	27.4	20%	10.4	14%
Non-recurring (income)/ expenses after tax**:				
Integration and acquisition costs for Daniels	(0.8)		-	
Acquisition costs associated with Minetec acquisition	-		(0.5)	
Qld flood insurance recovery	0.7		-	
Newton building impairment	(0.8)		-	
Net profit after tax	26.5		9.9	
Underlying earnings per share, fully diluted	15.8 cents		6.3 cents	
Dividend per share	6.0 cents		4.0 cents	

* Inclusive of discontinued operation.

** 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.

The company continues to focus on the implementation of its strategic plan, which consists of three major initiatives: invest in ourselves, expand our businesses and make further acquisitions.

The foundation of our growth strategy is to ensure that we continue to invest heavily in new product development for each of our businesses to ensure we remain the number one or strong number two in each of our defined markets. The half year has seen an increase in new product development spending as we rapidly invest in the next wave of technologies. The company will also be proceeding with the redevelopment of its Radio Communications and Minelab engineering facilities and the corporate head office site at Newton, South Australia. This \$10 million dollar investment, to commence in FY14, is a statement of the company's commitment to advanced manufacturing and attracting the best people.

Secondly, we continue to seek opportunities to further strengthen profitability by expanding into related businesses offering complementary products and technologies. The acquisition of Daniels has significantly broadened our product offering to our radio communications customers, and we continue to seek out other opportunities to broaden our appeal in the markets we serve.

In addition to these core growth strategies, we are looking to identify acquisition opportunities that fit our strategy of further diversification. Codan is continuously on the lookout for profitable businesses that enable us to diversify into different products and industries, but around a common theme, enabling us to leverage off our core capabilities and strengths.

Metal Detection

The metal detection division has performed at a record level over the half year. Strong demand from our gold mining customer base has continued throughout the half year, and this has driven the high level of performance. We have also experienced excellent growth from our traditional consumer products over the half year, with significant growth in sales over the prior period. Minelab continues to strengthen its position as the global market leader for handheld metal detectors.

We continue to enjoy the benefits of our significant investment in new market development in Africa and South America. As we expand our footprint into new countries and customers embrace the technology and make more and more gold finds, our sales into these regions have surged.

Having taken our gold detector sales to a new level, the challenge is set to continue with our marketing efforts into other attractive untapped regions. While it is too early to know the potential size of these markets, we do know that sales to existing markets continue to grow, that there are many countries with promising geology which we have not yet fully addressed, that our products are the best available and we have a strong team and distribution system in place to maximise our success.

We believe that the ongoing level of new market development conducted during the past two years has placed the business in a strong position for the second half of FY13 and beyond.

Communications Products

The acquisition of Daniels Electronics during the half year is seen as a critical element to diversify the business beyond HF products and to position ourselves to supply a more comprehensive and complete radio communications solution. The integration of the Daniels business is progressing well, and we continue to see great potential for this acquisition in our global markets.

The Radio Communications division has experienced frustrating delays associated with the awarding of major projects in Africa and Central Asia during the past six months and this, coupled with the divestment of our Satellite Communications business in June 2012, has resulted in a lower first-half sales result compared to last year.

The sales pipeline continues to grow, but there is a high dependence on the US and other western governments for funding into many of our developing world markets, and this has slowed our progress due to the economic pressures faced by many of these countries. While sales and profitability have not reached the

levels of the prior corresponding period, much work is being done to stay connected with the market to ensure we are well placed to capitalise on opportunities when government spending improves. The first shipment of the all-new software-defined radio was made in December, and we believe that we now hold a competitive advantage with this new product.

Mining Technology

The acquisition some twelve months ago of Minetec, a mining communications and technology company specialising in mine safety and productivity solutions, has diversified the company's revenue base into the mining industry. This business is in transition from the development of world-leading technology to now installing the technology in key reference sites. The half year results for this business unit are representative of this transition phase which we expect to continue through to FY14.

Outlook

The current record level performance creates a very solid platform as we enter the second half of FY13. While we expect the difficult economic environment to remain for Radio Communications and Minetec in the short term, the Board is confident that with stable market conditions, especially in Africa, Minelab's success will continue for the balance of FY13.

Therefore, based on current momentum, we would expect the company to deliver a second-half profit result for FY13 as strong as the record result that has been achieved in the first half.

On behalf of the Board



Michael Barton
Company Secretary
21 February 2013

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 Limited
and its controlled entities**

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

Period ended on 31 December 2012

ABN 77 007 590 605	Previous corresponding period 31 December 2011
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Results for announcement to the market				\$A'000
Revenue from ordinary activities*	Increased	83%	to	135,895
Profit from ordinary activities after tax attributable to members	Increased	169%	to	26,508
Underlying profit after tax	Increased	163%	to	27,363

*Revenue from ordinary activities includes the discontinued satellite communication operations

Dividends	Amount per security	Franked amount per security at 30% tax
Interim dividend	6.0 cents	6.0 cents
Record date for determining entitlements to dividends:	15 March 2013	

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

The profit from ordinary activities after tax of \$26.5 million is after integration and acquisition costs relating to an acquisition, impairment of head office building assets and an insurance recovery. It compares with \$9.9 million in the previous corresponding period.

The underlying net profit after tax before integration and acquisition costs, impairments and insurance recoveries was \$27.4 million compared with \$10.4 million in the previous corresponding period.

The Interim Financial Report for the half year ended 31 December 2012 dated 21 February 2013, forms part of and should be read in conjunction with this Half Year 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 2012.

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

**Interim Financial Report
for the half year ended
31 December 2012**

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 2012 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:

<i>Name</i>	<i>Period of Directorship</i>
David Klingner (Chairman)	Director since December 2004
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
Peter Leahy	Director since September 2008
Scott Davies	Director since May 2011
Corinne Namblard	Director since August 2011

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 and printed circuit boards.

Review and results of operations

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Therefore, based on current momentum, we would expect the company to deliver a second-half profit result for FY13 as strong as the record result that has been achieved in the first half.

State of Affairs

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

Dividends

The directors have declared an interim fully franked dividend of 6.0 cents per share, payable on 2 April 2013.

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 2012.

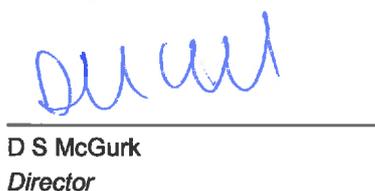
Rounding Off

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 21st day of February 2013.



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 2012 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

N T Faulkner
Partner

Adelaide

21 February 2013

**Consolidated interim income statement
for the half year ended 31 December 2012**

Codan Limited and its Controlled Entities

	Note	Half Year Ended 31 December 2012 \$'000	Consolidated Half Year Ended 31 December 2011 \$'000
Continuing operations			
Revenue		128,061	63,708
Cost of sales		<u>(49,084)</u>	<u>(24,771)</u>
Gross profit		78,977	38,937
Other income		1,033	372
Administrative expenses		(10,795)	(6,766)
Sales and marketing expenses		(21,296)	(13,023)
Engineering expenses		(7,664)	(2,591)
Net financing costs	3	(878)	(1,706)
Other expenses		<u>(1,167)</u>	<u>(6)</u>
Profit before tax		38,210	15,217
Income tax expense		<u>(11,563)</u>	<u>(4,422)</u>
Profit from continuing operations		<u>26,647</u>	<u>10,796</u>
Discontinued operation			
Satellite communications operating results, net of income tax	4	(139)	(927)
Profit for the period		<u>26,508</u>	<u>9,868</u>
Earnings per share for profit attributable to the ordinary equity holders of the company:			
	7		
Basic earnings per share		15.3 cents	6.0 cents
Diluted earnings per share		15.2 cents	6.0 cents
Earnings per share from continuing operations:			
	7		
Basic earnings per share		15.4 cents	6.6 cents
Diluted earnings per share		15.3 cents	6.5 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 2012**

Codan Limited and its Controlled Entities

	Half Year Ended 31 December 2012 \$'000	Consolidated Half Year Ended 31 December 2011 \$'000
Profit for the period	26,508	9,868
Other comprehensive income (loss)		
Changes in fair value of cash flow hedges, net of Income tax	13	(446)
Exchange differences on translation of foreign operations, net of income tax	1,186	(131)
Other comprehensive income (loss) for the period, net of income tax	1,199	(577)
Total comprehensive income for the period	27,707	9,291

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 2012

Codan Limited and Its Controlled Entities

	31 December	Consolidated
	2012	30 June
	\$'000	2012
		\$'000
CURRENT ASSETS		
Cash and cash equivalents	16,948	23,081
Trade and other receivables	29,113	22,785
Inventory	29,617	11,979
Current tax assets	172	75
Equipment held for sale	1,532	1,747
Other assets	3,891	2,206
TOTAL CURRENT ASSETS	81,273	61,873
NON-CURRENT ASSETS		
Property, plant and equipment	18,630	18,238
Product development	26,487	23,286
Intangible assets	87,174	66,886
TOTAL NON-CURRENT ASSETS	132,291	108,410
TOTAL ASSETS	213,564	170,283
CURRENT LIABILITIES		
Trade and other payables	36,740	33,186
Loans and borrowings	140	113
Current tax payable	9,611	4,226
Provisions	7,006	5,702
TOTAL CURRENT LIABILITIES	53,497	43,227
NON-CURRENT LIABILITIES		
Other payables	4,606	2,747
Loans and borrowings	34,764	39,168
Deferred tax liabilities	1,511	1,196
Provisions	4,702	4,536
TOTAL NON-CURRENT LIABILITIES	45,583	47,647
TOTAL LIABILITIES	99,080	90,874
NET ASSETS	114,484	79,409
EQUITY		
Share capital	41,935	24,839
Reserves	(1,736)	(2,935)
Retained earnings	74,285	57,505
TOTAL EQUITY	114,484	79,409

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 2012

Codan Limited and its Controlled Entities

For the six months ended 31 December 2012

	Share Capital	Translation	Consolidated Hedging	Retained	Total
	\$'000	Reserve \$'000	Reserve \$'000	Earnings \$'000	\$'000
Balance as at 1 July 2012	24,839	(3,271)	336	57,505	79,409
Change in fair value of cash flow hedges	-	-	13	-	13
Exchange differences on translation of foreign operations	-	1,186	-	-	1,186
Profit for the period	-	-	-	26,508	26,508
Dividends recognised during the period	-	-	-	(9,728)	(9,728)
Performance rights expense	436	-	-	-	436
Issue of share capital, net of issue costs	16,660	-	-	-	16,660
Balance at 31 December 2012	41,935	(2,085)	349	74,285	114,484

For the six months ended 31 December 2011

	Share Capital	Translation	Consolidated Hedging	Retained	Total
	\$'000	Reserve \$'000	Reserve \$'000	Earnings \$'000	\$'000
Balance as at 1 July 2011	24,609	(3,199)	1,337	49,132	71,879
Change in fair value of cash flow hedges	-	-	(446)	-	(446)
Exchange differences on translation of foreign operations	-	(131)	-	-	(131)
Profit for the period	-	-	-	9,868	9,868
Dividends recognised during the period	-	-	-	(8,207)	(8,207)
Performance rights expense	76	-	-	-	76
Issue of share capital, net of issue costs	-	-	-	-	-
Balance at 31 December 2011	24,685	(3,330)	891	50,793	73,039

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 2012**

Codan Limited and its Controlled Entities

	Note	Half Year Ended 31 December 2012 \$'000	Consolidated Half Year Ended 31 December 2011 \$'000
Cash flows from operating activities			
Cash receipts from customers		138,259	67,304
Cash paid to suppliers and employees		(108,268)	(60,234)
Interest received		110	124
Interest paid		(1,043)	(1,644)
Income taxes paid		(6,257)	(6,325)
Net cash from operating activities		<u>22,801</u>	<u>(775)</u>
Cash flows from investing activities			
Acquisition of a subsidiary		(23,737)	-
Proceeds from disposal of property, plant and equipment		1,024	909
Payments for capitalised product development		(5,215)	(4,935)
Payments for intellectual property		(1,213)	(980)
Acquisition of property, plant and equipment		(1,551)	(1,127)
Acquisition of intangibles (computer software and licences)		(828)	(129)
Deposit paid for purchase of subsidiary		-	(250)
Net cash used in investing activities		<u>(31,520)</u>	<u>(6,512)</u>
Cash flows from financing activities			
Drawdowns (repayments) of borrowings		(4,428)	12,766
Issue of share capital		16,660	-
Dividends paid	6	(9,728)	(8,207)
Net cash from financing activities		<u>2,504</u>	<u>4,559</u>
Net increase/(decrease) in cash held		(6,215)	(2,728)
Cash and cash equivalents at the beginning of the financial year		23,081	8,643
Effects of exchange rate fluctuations on cash held		82	10
Cash and cash equivalents at the end of the half-year		<u>16,948</u>	<u>5,925</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 2012

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 2012 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 2012.

The consolidated annual financial report of the group as at and for the year ended 30 June 2012 is available on request from the company's registered office at 81 Graves Street, Newton, South Australia and 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 21 February 2013.

(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 2012.

(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 2012.

**Condensed notes to the consolidated interim financial statements
for the half year ended 31 December 2012**

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 2012 \$'000	Consolidated Half Year Ended 31 December 2011 \$'000
Segment revenue		
Communications*	32,296	36,506
Metal Detection	91,246	35,274
Mining Technology	9,389	-
Other	2,964	2,339
	135,895	74,119
Segment result		
Communications*	4,608	9,308
Metal Detection	45,313	13,007
Mining Technology	(259)	-
Other	(26)	(51)
	49,636	22,264
Unallocated revenues and expenses	(11,624)	(8,150)
Profit for the period before income tax expense	38,012	14,114

* Inclusive of discontinued operation, refer to Note 4

NOTE 3: NET FINANCING COSTS

Net financing costs:		
Interest income	(110)	(123)
Net foreign exchange (gain) / loss	(61)	112
Interest expense	1,049	1,717
	878	1,706

NOTE 4: DISCONTINUED OPERATION

On 30 June 2012, Codan sold its satellite communications assets to Communications & Power Industries Canada Inc and its related corporate entities (collectively CPI). The sale consisted of Codan's Australian-based satellite communications assets and 100% of the shares of Locus Microwave, Inc. Codan has assisted CPI with manufacturing, training and support through the half year to ensure continuous supply to customers, and has recognised sales of \$7.8 million in relation to these activities. In the half year ended 31 December 2011 sales in relation to the Satcom discontinued operation were \$10.4 million.

The satellite communication assets were not a discontinued operation, or classified as held for sale, as at 31 December 2011 and therefore the consolidated income statements have been re-presented to show the discontinued operation separately from continuing operations.

Condensed notes to the consolidated interim financial statements for the half year ended 31 December 2012

Codan Limited and its Controlled Entities

NOTE 5: ACQUISITION OF A SUBSIDIARY

On 20 August 2012, the company acquired all of the shares in Canadian-based land mobile radio company, Daniels Electronics Limited (Daniels), for an upfront cost of CAD \$25 million (approximately AUD \$24 million), with the possibility of CAD \$2 million (approximately AUD \$1.9 million) in additional payments if certain earn-out targets are achieved to the end of 2013. The acquisition of Daniels is consistent with Codan's stated strategic goal to expand the radio communications business by investing in adjacent markets and technologies. Codan's extensive international distribution network is expected to deliver significant growth opportunities to the Daniels business, which was focussed on the North America market.

From the acquisition date, Daniels has been consolidated within the group's results and reported in the communications segment in Note 2. The following summary provides current estimates of the major classes of consideration transferred, the expected recognised amounts of assets acquired and liabilities assumed and the estimated goodwill at the acquisition date.

<i>Estimated fair value of consideration transferred</i>	<u>\$'000</u>
Cash paid on completion	24,192
Completion adjustments	(455)
Contingent consideration at net present value	1,685
	<u>25,422</u>

Contingent consideration

The earn-out payable (capped at CAD \$2.0 million) to the former shareholders is contingent on the achievement of profit targets over a two-year period.

Estimated fair value of identifiable assets acquired and liabilities assumed, on a provisional basis

Trade and other receivables	3,449
Inventories	3,691
Other assets	164
Property, plant and equipment	857
Intangible assets	1,174
Trade and other payables	(2,434)
Provisions	(503)
Taxes payable	(355)
	<u>6,043</u>

Estimated Goodwill as a result of the acquisition

Estimated fair value of consideration	25,422
Less estimated fair value of identifiable net assets assumed	(6,043)
	<u>19,379</u>

This goodwill amount is not expected to be deductible for tax purposes.

Acquisition-related costs

During the half year the group incurred acquisition-related costs of \$320,000 relating to external legal fees, consulting and due diligence costs, and wrote off brand name and other intangible assets of \$500,000. These costs have been included as administrative expenses within the consolidated interim income statement but have been excluded from the underlying profit result of the company. No other acquisition-related costs were incurred.

Contribution to half-year results

Since acquisition, Daniels has contributed approximately \$6 million in revenue and about \$0.4 million in profit before tax. Had Daniels been part of the group for the entire six months, contributed revenue would have been approximately \$9.1 million and profit before tax would have been approximately \$0.9 million.

Half Year Ended 31 December 2012 \$'000	Half Year Ended 31 December 2011 \$'000
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NOTE 6: DIVIDENDS

Codan Limited has provided or paid for dividends as follows:

- final fully-franked dividend of 5.5 cent per share on ordinary shares paid on 2 October 2012	9,728	
- final fully-franked dividend of 5.0 cent per share on ordinary shares paid on 3 October 2011		8,207

Subsequent Events

Since the end of the half year, the directors declared an interim fully-franked dividend of 6.0 cents per share payable on 2 April 2013 (2012: 4.0 cents). The financial impact of this interim dividend (\$10,611,754) has not been brought to account in the group financial statements for the half year ended 31 December 2012 and will be recognised in subsequent financial reports.

Condensed notes to the consolidated interim financial statements for the half year ended 31 December 2012

Codan Limited and its Controlled Entities

NOTE 7: EARNINGS PER SHARE

The calculation of basic earnings per share (EPS) for the six months ended 31 December 2012 was based on the profit attributable to ordinary shareholders of \$26,508,000 (six months ended 31 December 2011 \$9,868,000) and the issued capital of the company outstanding during the period. The weighted average number of shares outstanding was 173,304,458 for the half-year period ending 31 December 2012 (2011: 164,145,980)

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 1,248,921 performance rights granted to employees.

NOTE 8: ISSUE OF SHARE CAPITAL

In August 2012, the company issued 8,928,571 shares at \$1.40 through an Institutional Placement, raising \$12,039,732 in equity, net of transaction costs. In September 2012, the company issued 3,413,626 shares at \$1.40 through a Share Purchase Plan, raising \$4,620,272 in equity, net of transaction costs. The proceeds of the share capital raisings were used to fund the acquisition of Daniels Electronics Limited (see Note 5).

As the maximum earnings per share target had been achieved at 30 June 2012 in relation to the FY10 performance rights on issue to executives, these performance rights (374,396) became qualifying performance rights and were converted to shares and issued to the relevant executives in August 2012.

Half Year Ended 31 December 2012 \$'000	Year Ended 30 June 2012 \$'000
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NOTE 9: CAPITAL COMMITMENTS

The aggregate amount of contracts for capital expenditure on property, plant and equipment	197	481
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NOTE 10: CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

NOTE 11: 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 12: RELATED PARTIES

Arrangements with related parties continue to be in place. For details on these arrangements, refer to the 30 June 2012 annual financial report.

Half Year Ended 31 December 2012	Year Ended 30 June 2012
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NOTE 13: NET TANGIBLE ASSET/(LIABILITY) PER SHARE

Net tangible asset/(liability) per share	1.3 cents	(5.8 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 2012 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 21st day of February 2013.

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 (the company), which comprises the consolidated interim balance sheet as at 31 December 2012, 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 13 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 2012 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 2012 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

N F Faulkner
Partner

Adelaide

21 February 2013