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COMPANY ANNOUNCEMENTS PLATFORM
AUSTRALIAN SECURITIES EXCHANGE

CODAN LIMITED ANNUAL RESULTS – YEAR ENDED 30 JUNE 2010

Codan Limited (ASX: “CDA”) today announced a record performance in the year ended 30 June 2010. Underlying net profit after tax was \$31.1 million from \$189.3 million of revenue. This compares to a \$12.8 million underlying NPAT from \$132.4 million of revenue in the previous year, a 142% profit increase.

The audited net profit after tax is \$14.4 million compared to \$12.0 million in the previous year.

Cash flow during the year was very strong and net debt was reduced from \$59 million to \$30 million over the period.

The company announced a final dividend of 4.5 cents per share, bringing the full year dividend to 8.0 cents compared to 6.5 cents for FY09, an increase of 23%.

The difference between the audited and the underlying net profit after tax arises from \$1.8 million of expenses post tax associated with the integration and restructuring of recently acquired Minelab Electronics Pty Ltd and US-based Locus Microwave Inc, and a \$14.9 million non cash impairment charge against goodwill associated with the company's satellite communications product group (as previously announced to the market).

The non cash impairment charge relates to goodwill associated with the acquisition, in 1997, of Mitec Limited in Queensland. Since this acquisition the global satellite communications market, and Codan's approach to the market, has changed considerably. In addition the global financial crisis significantly impacted the market.

The company very substantially increased manufacturing capacity during the year to meet a boom in demand for Minelab metal detectors. Output of detectors was 75% greater than in FY09. While building additional capacity the manufacturing group was stretched to the limit. Indeed more metal detectors and satellite communications products could have been sold had we had capacity earlier. The business is now very well positioned to address such booms in the future.



Codan Summary Financial Performance				
Full year results	Year ended 30 June			
	FY10		FY09	
	\$m	%	\$m	%
Revenue				
Communication Products	\$70.1	37.0%	\$77.3	58.4%
Metal Detection	\$106.6	56.3%	\$41.7	31.5%
Other	\$12.6	6.7%	\$13.4	10.1%
Total Revenue	\$189.3	100.0%	\$132.4	100.0%
Underlying business performance				
EBITDA	\$56.1	29.6%	\$29.4	22.2%
EBIT	\$45.8	24.2%	\$21.5	16.2%
Interest	(\$3.1)		(\$4.6)	
Underlying net profit before tax	\$42.7	22.6%	\$16.9	12.8%
Underlying net profit after tax	\$31.1	16.4%	\$12.8	9.7%
Net non-recurring expense after tax*	\$1.8		\$0.8	
Impairment of goodwill	\$14.9		-	
Net profit after tax	\$14.4		\$12.0	
Underlying earnings per share, fully diluted	18.8 cents		7.9 cents	
Dividend per share	8.0 cents		6.5 cents	

* Integration and restructuring expenses following the acquisition of Minelab and Locus Microwave.

Metal Detection

The company's record performance was driven by the exceptional performance of Minelab Electronics Pty Ltd, contributing 56% of total group revenue. The business was strong in the consumer and mine clearance markets. Minelab benefited in particular from a boom in demand for its detectors in the artisanal gold mining market.

Communications Products

The company continued to improve its position in the newly targeted global security and protection, peacekeeping and military market segments and the pipeline of sales opportunities grew strongly during the year. Sales of HF radio products were buoyant in the first half but below expectations in the second half. Given the strong pipeline, much stronger sales are expected in FY11.

Satellite communications products experienced difficult business conditions all year as a continuation of the effects of budgetary cutbacks from Codan's customers due to the Global Financial Crisis. In addition the technology-driven shift in demand to Codan's new, lower-priced product family resulted in increased unit sales but at significantly reduced unit price. The demands on the Adelaide factory also limited production capacity. In the fourth quarter the recovering global market, and the release of some important new products, saw order intake levels improve significantly.

Integration and Restructuring

The integration and restructuring expenses arose from two acquisitions, Minelab in Adelaide (acquired in March 2008) and Locus Microwave in the US (acquired in May 2009).

For Minelab the activities related to the closure of Minelab's manufacturing facility in Ireland and transfer of production to Codan's outsourcing partner in Malaysia, and the rollout of the company's SAP enterprise resource planning system to all Minelab sites and activities. The latter activity was completed by the end of the financial year. The outsourcing activity will be completed by December 2010 with all Minelab manufacturing occurring in Adelaide and Malaysia. Restructuring and integration of Minelab will then be complete.

Integration work began during the year with Locus Microwave. Codan's sales office in Washington DC was closed and the satellite communications activities of that office are being transferred to the Locus site in Pennsylvania. Work is underway to convert Locus to the company's IT and SAP systems.

These activities have already significantly reduced costs and expanded production capacity.

Management

The company announced in April that Mike Heard, Codan Limited's managing director for more than 19 years, intended to retire at the company's AGM in November 2010. It was also announced that he would be replaced by Donald McGurk, General Manager - HF Radio and an executive of the company for nearly ten years. Mr. McGurk has now appointed, from outside the company, his own replacement and Mr Heard and Mr McGurk are progressing very effectively with the transition of responsibilities.

Outlook

Minelab Metal Detectors

The business is expected to continue strong trend line growth with excellent prospects in its three market segments of consumer, mine clearance and artisanal gold mining. Sales for artisanal gold mining will be achieved in a greater number of countries where Minelab is marketing its technology to make such mining much more efficient. However, the exceptional peak in artisanal sales achieved from the FY10 boom is unlikely to be reached in FY11. Thus, while overall Minelab sales are expected to decline in FY11, revenues are expected to be well above those achieved in FY09.

Codan Communication Products

Because of the strong sales opportunity pipeline built in FY10, the company expects to further penetrate the global security and protection, peacekeeping and military market segments and grow HF radio sales in FY11. For satellite communications, indications are positive for stronger overall market demand,

and for success in sales of Locus Microwave branded products, principally at X-band, for US government applications and new Codan branded products for commercial applications. Thus good growth is expected after two very difficult years.

Overall

A very good result is expected in FY11. It is unlikely that the company will achieve the exceptional level of performance that has been the case in FY10, however annual sales in the region of \$160 million and underlying NPAT in the region of \$20 million are expected for FY11. This result would deliver in excess of 20% compound growth per annum in underlying profit after tax since FY08.

Results Presentation and AGM

Codan Limited's financial year 2010 audited annual financial report is posted on the company's website, www.codan.com.au

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

On behalf of the Board



Michael Barton
Company Secretary
11 August 2010

FOR ADDITIONAL INFORMATION, PLEASE CONTACT:-

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