

CODAN LIMITED

ANNOUNCEMENT – HALF YEAR RESULTS to 31 DECEMBER 2004

PO Box 96
 Campbelltown SA 5074
 Australia

Overview

Following exceptional profit growth of 50% last year, Net Profit After Tax growth of 5% was achieved. There was a negative impact on revenue of approximately \$4m arising from the strengthening Australian dollar. Nevertheless good EBITDA margins were achieved.

Earnings per share grew and the fully franked dividend level was maintained.

The company completed, for release in the second half, development of significant new products in all product groups, and progressed with substantial capital expenditure on factory expansion and upgraded business systems.

Results of the Operations

	6 months ended 31 December 2004	6 months ended 31 December 2003	Change %
Total Revenue (\$000)	61,585	62,989	-2%
EBITDA	14,971	15,800	-5%
% to Revenue	24.3%	25.1%	
Net Profit After Tax (\$000)	8,195	7,814	+5%
% to Revenue	13.3%	12.4%	
Earnings per Share (cents)	5.06	4.82*	+5%

(* Note: Based on closing number of ordinary shares)

Interim Dividend

The Board has maintained an interim dividend of 2.5 cents per ordinary share fully franked from the first half profit of 5.06 cents per share (based on issued capital as at 31 December 2004). The dividend has a record date of 18 March 2005 and will be paid on 1 April 2005.

Commentary on the First Half Results

The first half results were quite pleasing given last year's strong performance and the negative impact of the exchange rate. Of significance was continuing product cost reduction activity and tight control of expenses resulting in good EBITDA margin.

Increased tax deductibility of substantial product development expenditure aided achievement of 5% growth in Net Profit After Tax.

The continuing environment of world insecurity influenced sales both positively and negatively. Government and aid agencies required communications products in support of their work in world trouble spots, but permanent communications infrastructure development was held back by the lack of security in some countries.

A hedge profile is in place for the 2004/05 year at an average rate of US\$0.62 and, in line with established practice, additional hedge contracts have been taken out for the first half of 2005/06, at an average rate of US\$0.75.

In line with previous announcements, during this period a technology acquisition delivering a new and expanded range of digital microwave radio products was concluded. These new products provide significant advantages in features and benefits over the previous product range, at a cost that provides a more competitive offering. These products are currently being released to the market and the positive market feedback is creating confidence about sales potential.

In addition, Provideo Systems Pty Ltd (a wholly owned subsidiary of Codan Limited) is expected to acquire, effective 1 March 2005, the assets and technology of a small company involved in the Broadcast Products market segment. Following completion, the acquisition will increase the range of products offered by Provideo Systems Pty Ltd to its TV broadcast markets. The name Provideo Systems Pty Ltd will be changed to Codan Broadcast Products Pty Ltd and the combined product range will be launched globally in March as "Codan Broadcast".

Other acquisition opportunities are being evaluated.

Second Half and Full Year Forecast

As previously advised, Codan is a capital products business and the timing of orders can affect the relative strengths of sales across reporting periods. The second half performance will depend upon the strength of orders in the March to May period. There is currently substantial marketing activity associated with four major new product launches to stimulate growth in the second half and beyond.

BY ORDER OF THE BOARD



David Hughes
COMPANY SECRETARY

25 February 2005

**Codan Limited
and its controlled entities**

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

Period ending on 31 December 2004

ABN
77 007 590 605

Previous corresponding period
31 December 2003

Results for announcement to the market				\$A'000
Revenue from ordinary activities	Down	2.2%	to	\$61,585
Profit from ordinary activities after tax attributable to members	Up	4.9%	to	\$8,195
Net profit for the half year attributable to members	Up	4.9%	to	\$8,195
Dividends	Amount per security		Franked amount per security at 30% tax	
Interim dividend	2.5 cents		2.5 cents	
Record date for determining entitlements to dividends:	18 March 2005			
<i>Brief explanation of any figures disclosed above which is necessary to enable the figures to be understood:</i>				
The 31 December 2004 Half Year Financial Report and the Market Announcement dated 25 February 2005 form part of and should be read in conjunction with this Half Year Report (Appendix 4D).				
This report is based on half-year financial statements that have been reviewed. The auditor's review report is included in the 31 December 2004 Half Year Financial Report.				

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

**Half Year Financial Report
31 December 2004**

Directors' report

Codan Limited and its Controlled Entities

The directors present their report together with the consolidated financial report for the half-year ended 31 December 2004 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>
John Uhrig Chairman	Director since 1986
Michael Heard Managing Director and Chief Executive Officer	Director since 1991
Jim Bettison	Director since 1959
Brian Burns	Director since 1996
Leon Davis	Appointed as a director in 2000 and retired in December 2004
Peter Griffiths	Director since 2001
Ian Wall	Director since 1959
Alastair Wood	Director since 1959
David Klingner	Appointed as a director on 20 December 2004

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, printed circuit boards and electronic equipment for the broadcast industry.

There have not been any significant changes in the nature of the activities of the consolidated entity during the period.

Review and results of operations

The consolidated financial statements show a consolidated net profit attributable to members of \$8.2 million compared with \$7.8 million in 2003.

The consolidated entity's net assets increased by \$3.4 million (5.6%) to \$64.7 million over the period.

State of affairs

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

Dividends

The directors have declared an interim fully franked dividend of 2.5 cents per share, payable on 1 April 2005.

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

The lead auditor's independence declaration is set out on page 3 and forms part of the director's report for the half year ended 31 December 2004.

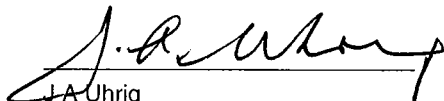
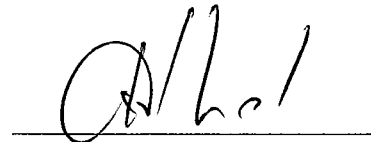
Directors' report

Codan Limited and its Controlled Entities

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:


J A Uhrig
Director
M K Heard
Director

Dated at Newton this 25th day of February 2005.



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 2004 there have been:

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

KPMG

A handwritten signature in black ink, appearing to read 'P D Robertson'.

P D Robertson
Partner

Adelaide

25 February 2005



Statement of financial performance for the period ended 31 December 2004

Codan Limited and its Controlled Entities

	Note	Consolidated	
		Half - Year	Half - Year
		Ended	Ended
		31 December 2004 \$'000	31 December 2003 \$'000
Revenue from the sale of goods		61,094	62,208
Other revenues from ordinary activities		491	781
Total revenue from ordinary activities		61,585	62,989
Cost of goods sold		32,320	33,823
Administrative expenses		3,574	3,671
Sales and marketing expenses		10,557	9,842
Research and engineering expenses		3,267	3,027
Borrowing costs		34	720
Share of net profits of associates accounted for using the equity method	5	-	5
Other expenses from ordinary activities		906	574
Profit from ordinary activities before income tax expense		10,927	11,327
Income tax expense relating to ordinary activities		2,732	3,513
Profit from ordinary activities after related income tax expense		8,195	7,814
Profit/(loss) from extraordinary items after related income tax		-	-
Net Profit attributable to members of the parent entity		8,195	7,814
Non owner transaction changes in equity			
Net exchange difference relating to self-sustaining foreign operations		11	14
Total changes in equity from non owner related transactions attributable to the members of the parent entity		8,206	7,828
Basic earnings per share:			
Ordinary shares (cents) - weighted average number of shares		5.06	5.51
Ordinary shares (cents) - number of shares at period end		5.06	4.81
Net tangible assets per share (cents)		19.2	16.9

The statement of financial performance is to be read in conjunction with the notes to the half-year financial statements set out on pages 7 to 10.

Statement of financial position as at 31 December 2004

Codan Limited and its Controlled Entities

		Consolidated	
	Note	31 December	30 June
		2004	2004
		\$'000	\$'000
CURRENT ASSETS			
Cash		5,325	11,140
Receivables		16,627	14,391
Inventories		11,162	12,231
Current tax assets		-	6
Other		4,756	4,858
TOTAL CURRENT ASSETS		37,870	42,626
NON-CURRENT ASSETS			
Receivables		214	72
Investments accounted for using the equity method		-	-
Other financial assets		50	50
Property, plant and equipment		19,373	16,589
Product development		16,082	12,906
Intangible assets		18,648	19,457
Deferred tax assets		3,391	3,406
TOTAL NON-CURRENT ASSETS		57,758	52,480
TOTAL ASSETS		95,628	95,106
CURRENT LIABILITIES			
Payables		15,359	15,090
Other liabilities		3,014	3,740
Interest bearing liabilities		371	343
Current tax liabilities		1,377	3,942
Provisions		3,924	4,214
TOTAL CURRENT LIABILITIES		24,045	27,329
NON-CURRENT LIABILITIES			
Interest bearing liabilities		103	309
Deferred tax liabilities		4,565	4,108
Provisions		2,213	2,074
TOTAL NON-CURRENT LIABILITIES		6,881	6,491
TOTAL LIABILITIES		30,926	33,820
NET ASSETS		64,702	61,286
EQUITY			
Contributed equity		23,046	23,046
Reserves		27	17
Retained profits	3	41,629	38,223
TOTAL EQUITY		64,702	61,286

The statement of financial position is to be read in conjunction with the notes to the half-year financial statements set out on pages 7 to 10.

Statement of cash flows for the period ended 31 December 2004

Codan Limited and its Controlled Entities

	Consolidated	
	Half - Year	Half - Year
	Ended	Ended
	31 December	31 December
Note	2004	2003
	\$'000	\$'000
Cash flows from operating activities		
Cash receipts in the course of operations	61,854	67,527
Cash payments in the course of operations	(48,793)	(52,604)
Interest received	131	193
Interest paid	(34)	(720)
Income taxes paid	(4,819)	(3,902)
Net cash provided by operating activities	8,339	10,494
Cash flows from investing activities		
Proceeds from disposal of non-current assets	101	112
Payments for property, plant and equipment	(4,142)	(2,114)
Payments for capitalised product development	(4,976)	(2,904)
Net cash used in investing activities	(9,017)	(4,906)
Cash flows from financing activities		
Proceeds from borrowings	-	5,000
Repayment of borrowings	(178)	(22,078)
Loans to associated companies	(142)	-
Proceeds from issue of shares	-	19,981
Transaction costs from issue of shares	-	(2,130)
Dividends paid	(4,789)	(3,981)
Net cash used in financing activities	(5,109)	(3,208)
Net increase (decrease) in cash held	(5,787)	2,380
Cash at the beginning of the financial period	11,140	5,772
Effect of exchange rate changes on cash held in foreign currencies	(28)	(17)
Cash at the end of the financial period	5,325	8,135

The statement of cash flows is to be read in conjunction with the notes to the half-year financial statements set out on pages 7 to 10.

Notes to the financial statements for the half year ended 31 December 2004

Codan Limited and its Controlled Entities

NOTE 1: STATEMENT OF ACCOUNTING POLICY

(a) Basis of preparation of half-year financial report

The half-year consolidated financial report is a general purpose financial report and is prepared in accordance with Accounting Standard AASB 1029: "Interim Financial Reporting", the recognition and measurement requirements of applicable AASB standards, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. This half year financial report is to be read in conjunction with the 30 June 2004 Annual Financial Report and any public announcements made by Codan Limited and its controlled entities during the half-year in accordance with continuous disclosure obligations arising under the Corporations Act 2001.

It has been prepared on the basis of historical costs and except where stated, does not take into account changing money values or fair values of non-current assets.

The accounting policies have been consistently applied by each entity in the consolidated entity and are consistent with those applied in the 30 June 2004 Annual Financial Report.

The half year report does not include full note disclosures of the type normally included in an annual financial report.

Consolidated

Half - Year Ended 31 December 2004 \$'000	Half - Year Ended 31 December 2003 \$'000
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NOTE 2: SEGMENT REPORTING

Segment revenue

Communications	57,673	58,814
Other	<u>3,564</u>	<u>3,423</u>
	61,237	62,237
Other unallocated revenue	348	752
Total revenue	<u>61,585</u>	<u>62,989</u>

Segment result

Communications	13,806	14,407
Other	<u>150</u>	<u>199</u>
	13,956	14,606
Unallocated revenues and expenses	(3,029)	(3,279)
Profit from ordinary activities before related income tax expense	<u>10,927</u>	<u>11,327</u>

Notes to the financial statements for the half year ended 31 December 2004

Codan Limited and its Controlled Entities

	Consolidated	
	Half - Year Ended 31 December 2004 \$'000	Half - Year Ended 31 December 2003 \$'000
NOTE 3: RETAINED PROFITS		
Retained profits at the beginning of the half year	38,223	29,430
Net profit attributable to members of the parent entity	8,195	7,814
Dividends recognised during the period	(4,789)	(3,981)
Retained profits at the end of the half year	41,629	33,263

NOTE 4: DIVIDENDS

Codan Limited has provided or paid for dividends as follows:

- final fully franked dividend on ordinary shares paid on 1 October 2004	4,789	
- final fully franked dividend on ordinary shares paid on 1 October 2003		3,981

Subsequent Events

Since the end of the half year, the directors declared an interim fully franked dividend on ordinary shares payable on 1 April 2005. The financial impact of this interim dividend (\$4,051,136) has not been brought to account in the consolidated entity financial statements for the half year ended 31 December 2004 and will be recognised in subsequent financial reports.

NOTE 5: ASSOCIATE ENTITIES

Codan Limited holds a 50% interest in PCB Contracting Services Pty Ltd. This business ceased operations during the year ended 30 June 2004.

Share of net loss	-	(5)
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NOTE 6: CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

NOTE 7: EVENTS SUBSEQUENT TO REPORTING DATE

Acquisition

Provideo Systems Pty Ltd (a subsidiary of Codan Limited) is expected to acquire, effective 1 March 2005 the assets and trading name of a small company involved in the Broadcast Products market segment. The consideration paid is not a material sum in the context of Codan's financial position. The financial effect of this transaction has not been brought to account in the consolidated entity financial statements for the half year ended 31 December 2004.

Notes to the financial statements for the half year ended 31 December 2004

Codan Limited and its Controlled Entities

NOTE 7: EVENTS SUBSEQUENT TO REPORTING DATE (continued)

International Financial Reporting Standards

For reporting period commencing 1 July 2005 the consolidated entity must comply with International Financial Reporting Standards (IFRS) as issued by the Australian Accounting Standards Board.

The board has established a project to achieve transition to IFRS reporting, beginning with the half year ending 31 December 2005. The status of the Company's project to ensure compliance with IFRS will be monitored by the Board Audit, Risk and Compliance Committee. The Company's implementation project will consist of assessing the high level impact of IFRS, designing accounting policies and disclosures to comply with IFRS, determining the impact as at transition date of IFRS and implementing the required changes to processes, policies and systems to ensure compliance with IFRS.

This half year financial report has been prepared in accordance with Australian accounting standards and other financial reporting requirements (Australian GAAP). The differences between Australian GAAP and IFRS identified to date as potentially having a significant effect on the consolidated entity's financial performance and financial position are summarised below. The summary should not be taken as an exhaustive list of all the differences between Australian GAAP and IFRS. No attempt has been made to identify all disclosure, presentation or classification differences that would affect the manner in which transactions or events are presented.

The consolidated entity has not at this point in time quantified all the effects of the differences discussed below. Accordingly, there can be no assurances that the consolidated financial performance and financial position as disclosed in this half year financial report would not be significantly different if they were prepared in accordance with IFRS.

The board does not expect a significant detrimental business impact as a result of adopting IFRS. Lending covenants will not be significantly impacted and the company's dividend policy will not be adversely impacted.

The key potential implications of the conversion to IFRS on the consolidated entity are as follows:

Financial Instruments

The forward exchange contracts held by the company will be considered financial instruments and will be required to be recognised at fair value on the balance sheet. The company expects to meet the hedge accounting requirements and as a result does not expect any significant detrimental impact on the operating profits of the company as a result of adopting this standard.

Intangibles

Internally generated intangibles are not to be recognised as assets, other than certain development expenditure. As a result any research (rather than development) expenditure previously capitalised as Research and Development expenditure will have to be written off and the related amortisation amended accordingly. As the company is focused on product development rather than research activities no material adjustments are expected as a result of this change in accounting policy.

Goodwill will not be amortised but will be tested annually for impairment. The amortisation of goodwill expensed in the half year to 31 December 2004 was \$808,511.

Notes to the financial statements for the half year ended 31 December 2004

Codan Limited and its Controlled Entities

NOTE 7: EVENTS SUBSEQUENT TO REPORTING DATE (continued)

International Financial Reporting Standards (continued)

Impairment

Impairment testing will be performed at an asset or cash generating unit level. The recoverable amount will largely be based on the discounted value of cash inflows and outflows from continuing use of the asset and cash flows associated with disposal of the asset. These cash flows are estimated for the asset in its current condition and therefore will not include cash inflows and outflows expected to arise from future restructurings which are not yet committed.

The consolidated entity currently adopts a discounted cash flow methodology in relation to assessing the carrying value of goodwill.

Property, Plant and Equipment

Revaluation increments and decrements are monitored on an asset by asset basis rather than class of asset basis. The land and buildings class of asset is the only asset class that is currently recorded on a fair value basis. If this asset class continues to be recorded on a fair value basis then any future impairments or revaluation decrements may result in increased volatility through the income statement.

Income Tax

The accounting treatment will change from an income statement liability approach to a balance sheet approach. Additional deferred tax liabilities may be recognised relating to revalued assets. In addition, as tax effects follow the underlying transaction, certain tax effects will be recognised in equity.

Directors' declaration

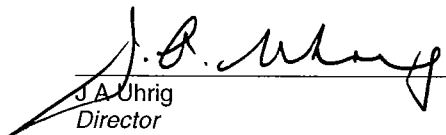
Codan Limited and controlled entities

In the opinion of the directors of Codan Limited ("the Company"):


- (a) the financial statements and notes, set out on 4 to 10, 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 2004 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 1029 "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 25th day of February 2005.

Signed in accordance with a resolution of the directors:



J. A. Uhrig
Director



M K Heard
Director



Independent review report to the 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 set out on pages 4 to 11 for the Codan Limited consolidated entity ("the Consolidated Entity"), for the half-year ended 31 December 2004. The Consolidated Entity comprises Codan Limited ("the Company") and the entities it controlled during that half-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.

Review approach

We conducted an independent review in order for the Company to lodge the financial report with the Australian Securities and Investments Commission. Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements.

We performed procedures in order to state whether on the basis of the procedures described anything has come to our attention that would indicate the financial report does not present fairly, in accordance with the Corporations Act 2001, Australian Accounting Standard AASB 1029 "Interim Financial Reporting" and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Consolidated Entity's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our statement on the basis of the review procedures performed, which were limited primarily to:

- enquiries of company personnel; and
- analytical procedures applied to the financial data.

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

The procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

A review cannot guarantee that all material misstatements have been detected.

Independence

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





Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe the half-year financial report of Codan Limited is not in accordance with:

- a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2004 and of its performance for the half-year ended on that date; and
 - (ii) complying with Australian Accounting Standard AASB 1029 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- b) other mandatory professional reporting requirements in Australia.

KPMG

P D Robertson
Partner

Adelaide

25 February 2005