



## CODAN LIMITED

### ANNOUNCEMENT – FY07 HALF YEAR RESULTS

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

#### FINANCIAL PERFORMANCE AND DIVIDEND

PO Box 96  
Campbelltown SA 5074  
Australia

The Board of Codan Limited announced today an After Tax Profit of \$6.5 million for the half year ended 31 December 2006. The profit reported for the same period last year was \$4.3 million.

Net cash generated from operating activities was \$13.7 million compared to \$2.4 million in the previous corresponding period.

Directors declared an interim dividend of 3.0 cents per share, a 20% increase on the same period last year. This dividend has a record date of 19 March 2007 and will be paid on 2 April 2007.

This profit result was achieved from revenue of \$62.2 million, a 10.0% increase over the same period last year. This increase was all obtained from trading in Communications products. Operating profit margins also increased significantly in the period.

Steps taken in previous periods to restructure and reduce the expense base of the business in response to the strong Australian dollar have been successful.

#### Results of the Operations

	6 months ended 31 December 2006	6 months ended 31 December 2005	Change %
Total Revenue (\$000)	62,207	56,553	+10.0%
EBIT (\$'000)	9,452	5,839	+61.9%
% to Revenue	15.2%	10.3%	
Net Profit After Tax (\$000)	6,507	4,318	+50.7%
% to Revenue	10.5%	7.6%	
Earnings per Share (cents)	4.0	2.7	+50.7%
Net cash generated from operations (\$000)	13,736	2,377	





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## OUTLOOK

Demand for high frequency radio remains strong. The company continues to improve market share in satellite communications following the release of the new product family. The increase in demand for these products has more than offset the impact of their lower unit selling prices so as to deliver revenue growth.

The order book for communications products is strong providing a base for a much improved second half compared to the same period last year.

Good progress has been made in reducing the company's exposure to variations in the US dollar to Australian dollar exchange rate and further progress is anticipated.

Following the improvements in the underlying performance of the business, it is now possible to further focus on long term growth including increased activity aimed at acquisitions.

David Hughes  
COMPANY SECRETARY  
BY ORDER OF THE BOARD

9 February 2007

**Codan Limited  
and its controlled entities**

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

**Period ending on 31 December 2006**

ABN  
77 007 590 605

Previous corresponding period  
31 December 2005

Results for announcement to the market					\$A'000
Revenue from ordinary activities	Increased	10.0%	to	\$62,207	
Profit from ordinary activities after tax attributable to members	Increased	50.7%	to	\$6,507	
Net profit for the half year attributable to members	Increased	50.7%	to	\$6,507	
Dividends		Amount per security		Franked amount per security at 30% tax	
Interim dividend		3.0 cents		3.0 cents	
Record date for determining entitlements to dividends:		19 March 2007			
<i>Brief explanation of any figures disclosed above which is necessary to enable the figures to be understood:</i>					
The 31 December 2006 Half Year Financial Report and the Market Announcement dated 8 February 2007 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 2006 Half Year Financial Report.					

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

**Interim Financial Report  
for the half year ended  
31 December 2006**

## 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 2006 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><b>Name</b></i>	<i><b>Period of directorship</b></i>
John Uhrig Chairman	Director since 1986
Michael Heard Managing Director and Chief Executive Officer	Director since 1991
Brian Burns	Director since 1996 (alternate director from 1990)
Peter Griffiths	Director since 2001
David Klingberg	Director since 2005
David Klingner	Director since 2004
Ian Wall	Director since 1959

### 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 Board of Codan Limited announced today an After Tax Profit of \$6.5 million for the half year ended 31 December 2006. The profit reported for the same period last year was \$4.3 million.

Net cash generated from operating activities was \$13.7 million compared to \$2.4 million in the previous corresponding period.

Directors declared an interim dividend of 3.0 cents per share, a 20% increase on the same period last year. This dividend has a record date of 19 March 2007 and will be paid on 2 April 2007.

This profit result was achieved from revenue of \$62.2 million, a 10.0% increase over the same period last year. This increase was all obtained from trading in Communications products. Operating profit margins also increased significantly in the period.

Steps taken in previous periods to restructure and reduce the expense base of the business in response to the strong Australian dollar have been successful.

## **Directors' report**

Codan Limited and its Controlled Entities

### **Review and results of operations (continued)**

#### **OUTLOOK**

Demand for high frequency radio remains strong. The company continues to improve market share in satellite communications following the release of the new product family. The increase in demand for these products has more than offset the impact of their lower unit selling prices so as to deliver revenue growth.

The order book for communications products is strong providing a base for a much improved second half compared to the same period last year.

Good progress has been made in reducing the company's exposure to variations in the US dollar to Australian dollar exchange rate and further progress is anticipated.

Following the improvements in the underlying performance of the business, it is now possible to further focus on long term growth including increased activity aimed at acquisitions.

#### **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 3.0 cents per share, payable on 2 April 2007.

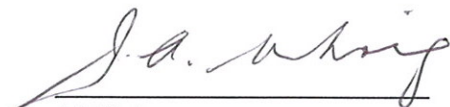
#### **Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001**

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 2006.

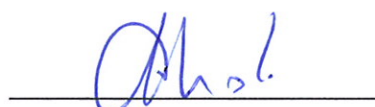
#### **Rounding off**

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 8th day of February 2007.



***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 2006 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*

KPMG

A handwritten signature in black ink, appearing to read 'Gary Savage', written over the printed name.

Gary Savage  
*Partner*

Adelaide

*8th* February 2007

# Consolidated interim income statement for the half year ended 31 December 2006

Codan Limited and its Controlled Entities

		Consolidated	
	Note	Half - Year Ended 31 December 2006 \$'000	Half - Year Ended 31 December 2005 \$'000
Revenue		62,207	56,553
Cost of goods sold		<u>(34,541)</u>	<u>(32,975)</u>
<b>Gross Profit</b>		27,666	23,578
Other operating income		438	149
Administrative expenses		(3,992)	(4,053)
Sales and marketing expenses		(9,660)	(10,457)
Research and engineering expenses		(4,214)	(3,682)
Financing costs		(1,111)	(21)
Share of net profits of associates	5	-	-
Other operating expenses		<u>(26)</u>	<u>-</u>
<b>Profit before income tax expense</b>		9,101	5,514
Income tax expense		<u>(2,594)</u>	<u>(1,196)</u>
<b>Profit for the period attributable to equity holders of the parent</b>		<u>6,507</u>	<u>4,318</u>
<b>Basic earnings per share:</b>			
Ordinary shares - weighted average number of shares		<u>4.0 cents</u>	<u>2.7 cents</u>
<b>Net tangible assets per share</b>		<u>19.1 cents</u>	<u>17.0 cents</u>

The income statement is to be read in conjunction with the notes to the interim financial statements set out on pages 8 to 11.



# Consolidated interim statement of recognised income and expense for the half year ended 31 December 2006

Codan Limited and its Controlled Entities

Note	Consolidated	
	Half - Year Ended 31 December 2006 \$'000	Half - Year Ended 31 December 2005 \$'000
Change in fair value of cash flow hedges	101	(127)
Exchange differences on translation of foreign operations	<u>7</u>	<u>(27)</u>
<b>Net income recognised directly in equity</b>	108	(154)
<b>Profit for the period</b>	<u>6,507</u>	<u>4,318</u>
<b>Total recognised income and expense for the period attributable to equity holders of the parent</b>	<u>6,615</u>	<u>4,164</u>

Other movements in equity arising from transactions with owners as owners are set out in note 3.

The statement of recognised income and expense is to be read in conjunction with the notes to the interim financial statements set out on pages 8 to 11.

# Consolidated interim balance sheet as at 31 December 2006

Codan Limited and its Controlled Entities

	Note	31 December 2006 \$'000	Consolidated 30 June 2006 \$'000
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		5,657	1,336
Trade and other receivables		18,467	22,045
Inventories		15,233	17,273
Current tax assets		510	613
Other		1,540	1,318
<b>TOTAL CURRENT ASSETS</b>		<b>41,407</b>	<b>42,585</b>
<b>NON-CURRENT ASSETS</b>			
Receivables		-	-
Investments accounted for using the equity method		-	-
Other financial assets		50	50
Property, plant and equipment		18,579	19,594
Product development		15,342	16,437
Intangible assets		25,449	25,888
Deferred tax assets		64	26
<b>TOTAL NON-CURRENT ASSETS</b>		<b>59,484</b>	<b>61,995</b>
<b>TOTAL ASSETS</b>		<b>100,891</b>	<b>104,580</b>
<b>CURRENT LIABILITIES</b>			
Payables		12,699	15,087
Other liabilities		-	-
Interest bearing liabilities		10,662	12,927
Current tax liabilities		164	109
Provisions		3,224	3,290
<b>TOTAL CURRENT LIABILITIES</b>		<b>26,749</b>	<b>31,413</b>
<b>NON-CURRENT LIABILITIES</b>			
Interest bearing liabilities		29	53
Deferred tax liabilities		1,664	1,689
Provisions		2,272	2,191
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>3,965</b>	<b>3,933</b>
<b>TOTAL LIABILITIES</b>		<b>30,714</b>	<b>35,346</b>
<b>NET ASSETS</b>		<b>70,177</b>	<b>69,234</b>
<b>EQUITY</b>			
Issued capital	3	23,685	23,685
Reserves	3	(76)	(184)
Retained profits	3	46,568	45,733
<b>TOTAL EQUITY</b>		<b>70,177</b>	<b>69,234</b>

The balance sheet is to be read in conjunction with the notes to the interim financial statements set out on pages 8 to 11.

# Consolidated interim statement of cash flows for the half year ended 31 December 2006

Codan Limited and its Controlled Entities

		Consolidated	
	Note	Half - Year Ended 31 December 2006 \$'000	Half - Year Ended 31 December 2005 \$'000
<b>Cash flows from operating activities</b>			
Cash receipts from customers		66,706	61,677
Cash paid to suppliers and employees		<u>(50,117)</u>	<u>(55,952)</u>
		16,589	5,725
Interest received		55	38
Interest paid		(407)	(325)
Income taxes paid		(2,501)	(3,061)
<b>Net cash from operating activities</b>		<u>13,736</u>	<u>2,377</u>
<b>Cash flows from investing activities</b>			
Proceeds from disposal of non-current assets		65	9
Payments for property, plant and equipment		(233)	(1,984)
Payments for capitalised product development		(1,288)	(1,922)
Payments for intangibles (computer software)		(2)	(1,438)
<b>Net cash used in investing activities</b>		<u>(1,458)</u>	<u>(5,335)</u>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		-	13,000
Repayment of borrowings		(1,224)	(94)
Loans to associated companies		-	-
Dividends paid	3	(5,672)	(5,672)
<b>Net cash provided by / (used in) financing activities</b>		<u>(6,896)</u>	<u>7,234</u>
<b>Net increase (decrease) in cash held</b>		5,382	4,276
Cash at the beginning of the financial period		(64)	409
Effect of exchange rate changes on cash held in foreign currencies		4	3
<b>Cash at the end of the financial period</b>		<u>5,322</u>	<u>4,688</u>

The statement of cash flows is to be read in conjunction with the notes to the interim financial statements set out on pages 8 to 11.

# Condensed notes to the consolidated interim financial statements for the half year ended 31 December 2006

Codan Limited and its Controlled Entities

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## 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 2006 comprises the company and its subsidiaries (together referred to as the "consolidated entity").

### (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 consolidated entity as at and for the year ended 30 June 2006.

The consolidated annual financial report of the consolidated entity as at and for the year ended 30 June 2006 is available on request from the company's registered office at 81 Graves Street, Newton, South Australia.

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 8 February 2007.

### (c) Significant accounting policies

The accounting policies applied by the consolidated entity in this consolidated interim financial report are the same as those applied by the consolidated entity in its consolidated financial report as at and for the year ended 30 June 2006.

### (d) Estimates

The preparation of the 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 consolidated entity'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 2006.

# Condensed notes to the consolidated interim financial statements for the half year ended 31 December 2006

Codan Limited and its Controlled Entities

## NOTE 2: SEGMENT REPORTING

The consolidated entity comprises of two business segments based on the management reporting system. The communications equipment segment includes the design, development, manufacture and marketing of communications equipment. The other business segment includes the manufacture and marketing of printed circuit boards and the manufacture of electronic equipment for the broadcast industry.

	Half - Year Ended 31 December 2006 \$'000	Consolidated Half - Year Ended 31 December 2005 \$'000
<b>Segment revenue</b>		
Communications	56,718	50,818
Other	<u>5,489</u>	<u>5,735</u>
	<u>62,207</u>	<u>56,553</u>
<b>Segment result</b>		
Communications	12,988	8,409
Other	<u>545</u>	<u>494</u>
	13,533	8,903
Unallocated revenues and expenses	<u>(4,432)</u>	<u>(3,389)</u>
<b>Profit for the period before income tax expense</b>	<u>9,101</u>	<u>5,514</u>

# Condensed notes to the consolidated interim financial statements for the half year ended 31 December 2006

Codan Limited and its Controlled Entities

## NOTE 3: CAPITAL AND RESERVES

Reconciliation of movement in capital and reserves

Consolidated	Share Capital	Translation Reserve	Hedging Reserve	Retained Earnings	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance as at 1 July 2006	23,685	(184)	-	45,733	69,234
Change in accounting policy					-
Change in fair value of cash flow hedges			101		101
Exchange differences on translation of foreign operations		7			7
Profit for the period				6,507	6,507
Dividends recognised during the period				(5,672)	(5,672)
Shares issued					-
Balance at 31 December 2006	23,685	(177)	101	46,568	70,177

## Dividends

Half - Year Ended 31 December 2006 \$'000	Half - Year Ended 31 December 2005 \$'000
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Codan Limited has provided or paid for dividends as follows:

- final fully franked dividend of 3.5 cent per share on ordinary shares paid on 3 October 2006	5,672	
- final fully franked dividend of 3.5 cent per share on ordinary shares paid on 3 October 2005		5,672

## Subsequent Events

Since the end of the half year, the directors declared an interim fully franked dividend on ordinary shares payable on 2 April 2007. The financial impact of this interim dividend (\$4,861,364) has not been brought to account in the consolidated entity financial statements for the half year ended 31 December 2006 and will be recognised in subsequent financial reports.

## NOTE 4: EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 31 December 2006 was based on the profit attributable to ordinary shareholders of \$6,507,000 (six months ended 31 December 2005 \$4,318,000) and as there have been no changes to the issued capital of the company the weighted average number of shares was 162,045,454 for the half year periods ending 31 December 2005 and 31 December 2006 respectively.

There are no dilutive potential ordinary shares, therefore diluted earnings per share has not been calculated or disclosed.

## 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 and there has been no impact on the reported results of the consolidated entity since this date.

# Condensed notes to the consolidated interim financial statements for the half year ended 31 December 2006

Codan Limited and its Controlled Entities

## 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. During the year ended 30 June 2005, Codan Broadcast Products Pty Ltd acquired the assets of Talia Sound and Vision. Under this acquisition contract Codan Broadcast Products Pty Ltd is required to pay additional consideration of \$661,000 if specified products exceed certain sales thresholds in the twelve month period ending 31 March 2007. No liability has been recorded for this possible payment and it is expected that any such payment under the terms of this contract will be accounted for as goodwill.

Half - Year Ended 31 December 2006 \$'000	Year Ended 30 June 2006 \$'000
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## NOTE 7: CAPITAL COMMITMENTS

The aggregate amount of contracts for capital expenditure on property, plant and equipment	185	32
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## NOTE 8: 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 consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial years.

## NOTE 9: RELATED PARTIES

Arrangements with related parties continue to be in place. For details on these arrangements, refer to the 30 June 2006 annual financial report.

## Directors' declaration

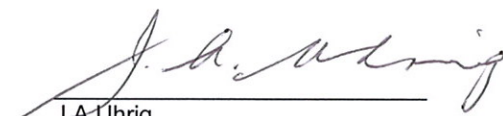
Codan Limited and controlled entities

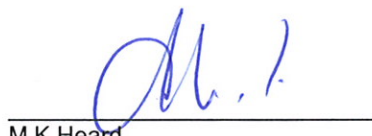
In the opinion of the directors of Codan Limited ("the Company"):

- (a) the financial statements and notes, set out on 4 to 11, 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 2006 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 8th day of February 2007.

Signed in accordance with a resolution of the directors:

  
\_\_\_\_\_  
J A Uhrig  
Director

  
\_\_\_\_\_  
M K Heard  
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 2006, and the consolidated interim income statement, statement of changes in equity and cash flow statement for the interim period ended on that date, a statement of accounting policies, other explanatory notes 1 to 9 and the directors' declaration set out on pages 5 to 13 of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the interim period.

### *Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation and fair presentation of the interim financial report in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the interim financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim 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 interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and its performance for the interim 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 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.

### *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 consolidated entity's financial position as at 31 December 2006 and of their performance for the interim ended on that date; and
- (b) complying with Australian Accounting AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001.

  
KPMG

  
Gary Savage  
Partner

Adelaide

February 2007