5 February 2016

Codan Limited
ABN 77 007 590 605
Technology Park
2 Second Avenue
Mawson Lakes SA 5095
Australia

PO Box 35
Salisbury South SA 5106
Australia

COMPANY ANNOUNCEMENTS PLATFORM
AUSTRALIAN SECURITIES EXCHANGE

CODAN LIFTS HALF YEAR PROFIT AND DIVIDEND

- Net profit after tax of $6.1 million, up 8%
- Increased interim dividend to 2.0 cents, up 33%, fully franked
- Earnings per share of 3.4 cents
- Metal detection revenue up 24% on the prior first half
- Land Mobile Radio (LMR) business continues to grow
- Successfully leveraging intellectual property to penetrate new markets

Australian-based global technology company, Codan Limited (ASX:CDA), today announced an 8% increase in statutory net profit after tax to $6.1 million for the half year ended 31 December 2015 compared to the same period last year. Underlying net profit after tax was $7.0 million, an increase of 16%.

Directors announced an increased interim dividend of 2.0 cents per share, up 33%, fully franked. The dividend has a record date of 15 March 2016 and will be paid on 1 April 2016.

“The result reflects strong sales growth in metal detection, improved margins in radio communications, continuing cost control and increasing market take up of our newest metal detecting and land mobile radio products,” Chief Executive Officer Donald McGurk said today.

“Codan develops advanced electronics products that perform well in harsh environments, making us the leading choice for governments, NGOs and consumers around the world to meet their critical safety, security and productivity requirements.

“Our strategy is to grow profitability by improving and broadening our product offerings while ensuring our value propositions remain relevant and leading-edge.”

Codan Summary Financial Performance				
	Half Year ended			
	Dec-15		Dec-14	
	$m	%	$m	%
Revenue				
Communications products	29.0	44%	36.6	53%
Metal detection products	33.6	52%	27.1	40%
Mining technology	2.3	4%	2.5	4%
Other (divested business unit)	-		2.0	3%
Total revenue	**65.0**	**100%**	**68.2**	**100%**
Underlying business performance				
EBITDA	14.7	23%	13.7	20%
EBIT	9.0	14%	9.2	13%
Interest	(0.8)		(1.3)	
Net profit before tax	**8.2**	**13%**	**7.9**	**12%**
Taxation	1.2		1.9	
Underlying net profit after tax	**7.0**	**11%**	**6.0**	**9%**
Non-recurring (income)/expenses after tax*:				
Loss on closure of business	-		(0.4)	
Restructuring expenses	(0.9)		-	
Net profit after tax	**6.1**		**5.6**	
Underlying earnings per share, fully diluted	3.9 cents		3.4 cents	
Dividend per share	2.0 cents		1.5 cents	

In December, the Company successfully negotiated the renewal of its $85 million debt facility for a further three years. Net borrowings increased by $5.4 million to $40.8 million from 30 June 2015 as working capital normalised from low 30 June 2015 levels; however, inventory levels are expected to reduce over the second half.

The Company continues to pursue the sale of its now vacant property at Newton, South Australia that has a carrying value of approximately $6 million. Proceeds will be used to reduce debt in the first instance. While the timing of this sale is uncertain, management anticipates that a transaction will be completed this calendar year.

Performance by business unit:

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

Radio Communications is a leading designer and manufacturer of premium communications equipment for High Frequency (HF) and Land Mobile Radio (LMR) applications. It provides communications solutions that allow customers to save lives, enhance security and support peacekeeping activities worldwide.

Segment contribution was $7.9 million on sales of $29.0 million. LMR order intake was strong and largely offset a lower sales result for HF in the half as forecast at our last AGM.

LMR performed strongly during the half due to the increased acceptance of our products by US government departments. This business is now performing at a level that is consistent with our initial acquisition assumptions and is well positioned for further growth.

Although the HF business softened in the first half, we did see strong demand from the UN and humanitarian customers. Given the level of instability and conflict in some of our key markets, we expect demand for our HF products to be stronger in the second half as we support our customers' ongoing efforts to promote security and peacekeeping in those regions.

The Radio Communications strategy is to profitably grow the business while reducing revenue variability. We are focused on broadening our addressable markets by leveraging our current technology, and there are several new product variants under development that will further diversify Radio Communications' revenue from FY17 onwards.

In order to capitalise on these market opportunities, the Radio Communications team has adopted an agile engineering approach that leverages its core IP to develop products that are applicable to new market segments in a timely fashion.

The division has also strengthened its sales and marketing capability by supplementing an existing strong distribution network with additional sales resources in key markets, such as Africa. This has brought the business closer to its key customers and end users. In support of this approach, Radio Communications has shifted its sales hub for the African region from the United Kingdom to Dubai.

Metal Detection – Consumer, Gold Mining and Countermine

Minelab is the world leader in handheld metal detecting technologies for consumer, gold mining, demining and military needs. Over the past 30 years, Minelab has introduced more innovative technology than any of its competitors and has taken the metal detection industry to new levels of technological excellence.

Minelab sales in the first half were $33.6 million, up 24% or $6.5 million on the same period last year. Segment contribution increased 56% to $8.0 million. This was the result of strong growth across all three product groups, assisted by the release of two new product platforms in the second half of FY15.

The GPZ 7000® was successfully launched in our traditional first world markets in February 2015 and, after an initial wave of high demand, sales have settled at a solid baseline level. Priority is now focused on building sales of the GPZ 7000® in Africa.

Sales of the entry level GO-FIND® detector series strengthened over the period with the signing of a number of new distributors in the US and Europe. The product is gaining strong market recognition and, as a result, Minelab has broadened its markets and built significant market share since the product was released in April 2015.

The Countermine business also performed well during the first half as a result of increased demining activities undertaken by humanitarian and government organisations.

Minelab was recently awarded a US$1.35m contract by the US Army to develop a dual sensing detector that incorporates ground penetrating radar. If this development is successful, Minelab and its partner, NIITEK, may have the opportunity to tender for the contract to replace the existing US Army's Handheld Standoff Mine Detection System (HSTAMIDS) fleet in the future.

In order to grow the business, Minelab is pursuing a number of strategies that extend across all of its product groups. Further expansion is planned in Africa by working with new partners to take our gold detecting products into new markets. Focus in the second half will also be directed towards securing a number of major retail distribution customers to grow sales of our consumer products internationally.

While the key objective for this business is stable long term growth, we remain well positioned to take advantage of potential surges in demand for our gold detecting products in Africa, which are brought about by significant gold finds.

Mining Technology - Minetec

When Minetec was acquired in 2012 Codan faced two strategic challenges.

The first was to complete the development of the technology to ensure it was capable and robust enough to operate in the challenging and harsh environments associated with underground hard rock mines. We can report that through a succession of pilot projects and test sites over the past two years Minetec has successfully commercialised its products and made them robust enough to function well in these tough environments. The now proven technology enables mining companies to transition from conventional labour-intensive mining practices to more efficient mechanised mining techniques - a key long term safety and productivity objective of the industry.

The second challenge was around market acceptance and scale, and while we have successfully sold our technology to a number of global mining companies, the ongoing depressed state of the mining industry has slowed our progress.

Minetec incurred losses of $1.3 million in the first half and, as foreshadowed at the last AGM, continued losses at that level are unacceptable.

With the announcement of further mine closures by key customers late in 2015, management took action in January 2016 to more closely align Minetec's cost base with its revenues. We now expect a break-even result in the second half.

Minetec has unique intellectual property which we believe is of significant value to the global mining industry. The Board and management believe that Minetec has the potential to become a significant division of Codan, and therefore steps have been taken to preserve its value until the mining industry recovers.

Corporate

During the period, Codan completed the move of all Adelaide operations to its new global head office in the Technology Park precinct at Mawson Lakes, South Australia. The location is now home to over 250 staff. The co-location of engineering and sales teams, as well as cost efficiencies from operating on one site, are expected to largely offset the increase in rent expense.

The Board completed its succession planning with the appointment of Kathy Gramp in November. Ms Gramp has joined the Board Audit, Risk and Compliance Committee.

Outlook

Management remain confident of achieving long term growth as we continue to invest in new product development and build a more diversified product portfolio over the medium term.

Radio Communications is now well positioned to deliver a result in line with its excellent performance in FY15.

Minelab has had a strong start to the second half on the back of an uptake in GPX sales in one African market during January. This, coupled with favourable seasonal conditions, will see Minelab deliver a better result than in the first half.

Given the above, Codan is well positioned to deliver an improved underlying and statutory net profit compared to last year. We anticipate full year one-off restructuring costs to be in the order of $2 million after tax, with $0.9 million already incurred in the first half.

While it is too early to provide definitive profit guidance for FY16, the Board intends to provide further outlook statements if and when appropriate.

On behalf of the Board

Michael Barton
Company Secretary

Codan is an industrial technology company that provides robust technology solutions that solve customers' communications, safety, security and productivity problems in some of the harshest environments around the world. Our customers include United Nations organisations, mining companies, security and military groups, government departments, major corporates as well as individual consumers and small-scale miners.

<u>**FOR ADDITIONAL INFORMATION, PLEASE CONTACT:-**</u>

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 2015

ABN	Previous corresponding period
77 007 590 605	31 December 2014

Results for announcement to the market				$A'000
Revenue from ordinary activities	Decreased	5%	to	64,978
Profit from ordinary activities after tax attributable to members	Increased	8%	to	6,081
Underlying profit after tax	Increased	16%	to	6,959

Dividends	Amount per security	Franked amount per security at 30% tax
Interim dividend	2.0 cents	2.0 cents
Record date for determining entitlements to dividends:	15 March 2016	

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

The 31 December 2015 Financial Report and the Market Announcement dated 4 February 2016 form part of, and should be read in conjunction with, this Preliminary Final Report (Appendix 4D).

Underlying profit is a non-IFRS measure used by management of the company to assess the operating performance of the business. The non-IFRS measures have not been subject to review or audit.

This report is based on half-year financial statements that have been externally reviewed. The auditor's review report is included in the Interim Financial Report for the half year ended 31 December 2015.

Codan Limited
ABN 77 007 590 605
and its Controlled Entities

Interim Financial Report
for the half year ended
31 December 2015

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 2015 and the auditor's review report thereon.

Directors

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

Name	*Period of Directorship*
David Simmons (Chairman)	Director since May 2008
Donald McGurk (Managing Director and Chief Executive Officer)	Director since May 2010
Peter Griffiths	Director since July 2001
David Klingberg	Director since July 2005, retired October 2015
Peter Leahy	Director since September 2008
Jim McDowell	Director since September 2014
Graeme Barclay	Director since February 2015
Kathy Gramp	Director since November 2015

Principal activities

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

Review and results of operations

Summary:

- Net profit after tax of $6.1 million, up 8%.
- Increased interim dividend to 2.0 cents, up 33% fully franked.
- Earnings per share of 3.4 cents.
- Metal detection revenue up 24% on the prior first half.
- Land Mobile Radio (LMR) business continues to grow.
- Successfully leveraging intellectual property to penetrate new markets.

Codan Limited today announced an 8% increase in net profit after tax of $6.1 million for the half year ended 31 December 2015. Underlying net profit after tax for the half year ended 31 December 2015 was $7.0 million, an increase of 16%.

The result reflects strong sales growth in metal detection, improved margins in radio communications, continuing cost control and increasing market take up of the company's newest metal detecting and land mobile radio products.

Codan develops advanced electronics products that perform well in harsh environments, making it the leading choice for governments, NGOs and consumers around the world to meet their critical safety, security and productivity requirements. Our strategy is to grow profitability by improving and broadening product offerings while ensuring value propositions remain relevant and leading-edge.

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Taxation	1.2		1.9	
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Non-recurring (income)/expenses after tax*:				
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Restructuring Expenses	(0.9)		-	
Net profit after tax	**6.1**		**5.6**	
Underlying earnings per share, fully diluted	3.9 cents		3.4 cents	
Dividend per share	2.0 cents		1.5 cents	

** 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.*

In December, the Company successfully negotiated the renewal of its $85 million debt facility for a further three years. Net borrowings increased by $5.4 million to $40.8 million from 30 June 2015 as working capital normalised from low 30 June 2015 levels; however, inventory levels are expected to reduce over the second half.

The Company continues to pursue the sale of its now vacant property at Newton, South Australia that has a carrying value of approximately $6 million. Proceeds will be used to reduce debt in the first instance. While the timing of this sale is uncertain, management anticipates that a transaction will be completed this calendar year.

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

Radio Communications

Radio Communications is a leading designer and manufacturer of premium communications equipment for High Frequency (HF) and Land Mobile Radio (LMR) applications. It provides communications solutions that allow customers to save lives, enhance security and support peacekeeping activities worldwide.

Segment contribution was $7.9 million on sales of $29.0 million. LMR order intake was strong and largely offset a lower sales result for HF in the half as forecast at our last AGM.

LMR performed strongly during the half due to the increased acceptance of our products by US government departments. This business is now performing at a level that is consistent with our initial acquisition assumptions and is well positioned for further growth.

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The Radio Communications strategy is to profitably grow the business while reducing revenue variability. We are focused on broadening our addressable markets by leveraging our current technology and there are several new product variants under development that will further diversify Radio Communications' revenue from FY17 onwards.

In order to capitalise on these market opportunities, the Radio Communications team has adopted an agile engineering approach that leverages its core IP to develop products that are applicable to new market segments in a timely fashion.

The division has also strengthened its sales and marketing capability by supplementing an existing strong distribution network with additional sales resources in key markets, such as Africa. This has brought the business closer to its key customers and end users. In support of this approach, Radio Communications has shifted its sales hub for the African region from the United Kingdom to Dubai.

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In order to grow the business, Minelab is pursuing a number of strategies that extend across all of its product groups. Further expansion is planned in Africa by working with new partners to take our gold detecting products into new markets. Focus in the second half will also be directed towards securing a number of major retail distribution customers to grow sales of our consumer products internationally.

While the key objective for this business is stable long term growth, we remain well positioned to take advantage of potential surges in demand for our gold detecting products in Africa, which are brought about by significant gold finds.

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When Minetec was acquired in 2012 Codan faced two strategic challenges.

The first was to complete the development of the technology to ensure it was capable and robust enough to operate in the challenging and harsh environments associated with underground hard rock mines. We can report that through a succession of pilot projects and test sites over the past two years Minetec has successfully commercialised its products and made them robust enough to function well in these tough environments. The now proven technology enables mining companies to transition from conventional labour-intensive mining practices to more efficient mechanised mining techniques - a key long term safety and productivity objective of the industry.

The second challenge was around market acceptance and scale, and while we have successfully sold our technology to a number of global mining companies, the ongoing depressed state of the mining industry has slowed our progress.

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Outlook

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Radio Communications is now well positioned to deliver a result in line with its excellent performance in FY15.

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Given the above, Codan is well positioned to deliver an improved underlying and statutory net profit compared to last year. We anticipate full year one-off restructuring costs to be in the order of $2 million after tax, with $0.9 million already incurred in the first half.

While it is too early to provide definitive profit guidance for FY16, the Board intends to provide further outlook statements if and when appropriate.

Dividends

Codan announced an increased interim dividend to 2.0 cents per share, up 33% fully franked. The dividend has a record date of 15 March 2016 and will be paid on 1 April 2016.

State of Affairs

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

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

The lead auditor's independence declaration is set out on page 6 and forms part of the directors' report for the half year ended 31 December 2015.

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:

D Simmons	D S McGurk
Director	*Director*

Dated at Mawson Lakes this 4th day of February 2016.

KPMG

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 2015 there have been:

(i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and

(ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

Scott Fleming
Partner

Adelaide

4 February 2016

Consolidated interim income statement
for the half year ended 31 December 2015

Codan Limited and its Controlled Entities

	Note	Consolidated Half Year Ended 31 December 2015 $'000	Consolidated Half Year Ended 31 December 2014 $'000
Revenue		**64,978**	68,244
Cost of sales		**(29,585)**	(32,294)
Gross profit		**35,393**	35,950
Other (expenses)/income	3	**9**	429
Administrative expenses	4	**(7,049)**	(7,308)
Sales and marketing expenses		**(14,801)**	(16,138)
Engineering expenses		**(5,873)**	(4,702)
Net financing costs	5	**(774)**	(907)
Profit before tax		**6,905**	7,324
Income tax expense	8	**(820)**	(1,690)
Profit for the period		**6,085**	5,634
Attributable to:			
Equity holders of the company		6,081	5,634
Non-controlling interests		4	-
		6,085	5,634
Earnings per share for profit attributable to the ordinary equity holders of the company:	7		
Basic earnings per share		3.4 cents	3.2 cents
Diluted earnings per share		3.4 cents	3.2 cents

The consolidated interim income statement is to be read in conjunction with the notes to the interim financial statements set out on pages 12 to 16.

Consolidated interim statement of comprehensive income

for the half year ended 31 December 2015

Codan Limited and its Controlled Entities

	Consolidated	
	Half Year Ended 31 December 2015 $'000	Half Year Ended 31 December 2014 $'000
Profit for the period	**6,085**	5,634
Items that may be reclassified subsequently to profit or loss		
Changes in fair value of cash flow hedges	**(63)**	(326)
less tax effect	**19**	98
Changes in fair value of cash flow hedges, net of income tax	**(44)**	(228)
Exchange differences on translation of foreign operations	**900**	1,809
Other comprehensive income for the period, net of income tax	**856**	1,581
Total comprehensive income for the period	**6,941**	7,215
Attributable to:		
Equity holders of the company	6,937	7,215
Non-controlling interests	4	-
	6,941	7,215

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 12 to 16.

Consolidated interim balance sheet as at 31 December 2015

Codan Limited and its Controlled Entities

	Consolidated	
	31 December 2015 $'000	30 June 2015 $'000
CURRENT ASSETS		
Cash and cash equivalents	9,491	7,156
Trade and other receivables	21,389	20,437
Inventory	33,287	31,309
Current tax assets	163	472
Assets held for sale	6,061	-
Other assets	2,640	1,593
Total current assets	73,031	60,967
NON-CURRENT ASSETS		
Property, plant and equipment	10,594	16,019
Product development	43,976	42,429
Intangible assets	87,531	89,254
Total non-current assets	142,101	147,702
Total Assets	215,132	208,669
CURRENT LIABILITIES		
Trade and other payables	20,456	25,195
Loans and borrowings	31	36
Current tax payable	35	54
Provisions	6,134	6,684
Total current liabilities	26,656	31,969
NON-CURRENT LIABILITIES		
Loans and borrowings	50,263	42,505
Deferred tax liabilities	5,765	5,198
Provisions	694	642
Total non-current liabilities	56,722	48,345
Total liabilities	83,378	80,314
Net assets	131,754	128,354
EQUITY		
Share capital	41,856	41,856
Reserves	62,501	61,645
Retained earnings	27,397	24,853
Total equity	131,754	128,354
Total equity attributable to the equity holders of the company	131,849	128,453
Non-controlling interests	(95)	(99)
	131,754	128,354

The consolidated interim balance sheet is to be read in conjunction with the notes to the interim financial statements set out on pages 12 to 16.

Consolidated interim statement of changes in equity
for the half year ended 31 December 2015
Codan Limited and its Controlled Entities

For the six months ended 31 December 2015	Share Capital $'000	Translation Reserve $'000	Consolidated Hedging Reserve $'000	Profit Reserve $'000	Retained Earnings $'000	Total $'000
Balance as at 1 July 2015	**41,856**	**2,732**	**(68)**	**58,981**	**24,853**	**128,354**
Profit for the period attributable to:						
Equity holders of the company	-	-	-	-	6,081	6,081
Non-controlling interests	-	-	-	-	4	4
Performance rights expensed/(recovered)	-	-	-	-	-	-
Change in fair value of cash flow hedges	-	-	(44)	-	-	(44)
Exchange differences on translation of foreign operations	-	900	-	-	-	900
Transactions with owners of the company	41,856	3,632	(112)	58,981	30,938	135,295
Dividends recognised during the period	-	-	-	-	(3,541)	(3,541)
Employee share plan, net of issue costs	-	-	-	-	-	-
Balance at 31 December 2015	41,856	3,632	(112)	58,981	27,397	131,754

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

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 12 to 16.

Consolidated interim statement of cash flows for the for the half year ended 31 December 2015

Codan Limited and its Controlled Entities

	Note	Consolidated Half Year Ended 31 December 2015 $'000	Half Year Ended 31 December 2014 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		69,979	63,555
Cash paid to suppliers and employees		(65,071)	(56,826)
Interest received		14	41
Interest paid		(907)	(1,358)
Income taxes (paid)/refunded		272	171
Net cash from operating activities		4,287	5,583
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		121	1,256
Proceeds from sale of IMP business		-	85
Payments for capitalised product development		(4,818)	(6,870)
Payments for intellectual property		(750)	(743)
Acquisition of property, plant and equipment		(1,549)	(2,337)
Acquisition of intangibles (computer software and licences)		(30)	(188)
Net cash used in investing activities		(7,026)	(8,797)
CASH FLOWS FROM FINANCING ACTIVITIES			
Drawdowns/(repayments) of borrowings		8,878	(994)
Dividends paid	6	(3,541)	(2,655)
Net cash from financing activities		5,337	(3,649)
Net increase/(decrease) in cash held		2,598	(6,863)
Cash and cash equivalents at the beginning of the financial year		7,156	13,031
Effects of exchange rate fluctuations on cash held		(263)	90
Cash and cash equivalents at the end of the half year		9,491	6,258

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 12 to 16.

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 2015 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 2015.

The consolidated annual financial report of the group as at and for the year ended 30 June 2015 is available on request from the company's registered office at 2 Second Avenue, Mawson Lakes, South Australia and is also available on the company's website (www.codan.com.au).

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

The consolidated interim financial report was authorised for issue by the directors on 4 February 2016.

(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 2015.

(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 2015.

GROUP PERFORMANCE

NOTE 2: SEGMENT REPORTING

The group comprises three 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 included the manufacture and marketing of printed circuit boards. This business was sold in the prior financial year.

	Consolidated Half Year Ended 31 December 2015 $'000	Consolidated Half Year Ended 31 December 2014 $'000
Segment revenue		
Communications	**29,044**	36,648
Metal detection	**33,617**	27,139
Mining technology	**2,317**	2,488
Other	**-**	1,969
	64,978	68,244
Segment result		
Communications	**7,909**	10,916
Metal detection	**7,984**	5,129
Mining technology	**(1,299)**	(1,408)
Other	**-**	(461)
	14,594	14,176
Unallocated revenues and expenses	**(7,689)**	(6,852)
Profit for the period before income tax expense	**6,905**	7,324

NOTE 3: OTHER (EXPENSES)/INCOME

	2015	2014
Gain on sale of property, plant and equipment	**70**	125
Sale of IMP business	**-**	85
Other income/(expenses)	**(61)**	219
	9	429

NOTE 4: ADMINISTRATIVE EXPENSES

Within administrative expenses the group incurred $1,248,656 (2014: $936,776) relating to integration and restructuring activities.

NOTE 5: NET FINANCING COSTS

	2015	2014
Interest income	**(14)**	(41)
Net foreign exchange gain	**(93)**	(351)
Interest expense	**881**	1,299
	774	907

	Consolidated Half Year Ended 31 December 2015 $'000	Consolidated Half Year Ended 31 December 2014 $'000

GROUP PERFORMANCE (continued)

NOTE 6: DIVIDENDS

Codan Limited has provided or paid for dividends as follows:		
- final fully-franked dividend of 2.0 cent per share on ordinary shares paid on 1 October 2015	3,541	
- final fully-franked dividend of 1.5 cent per share on ordinary shares paid on 1 October 2014	-	2,655

Subsequent Events

Since the end of the half year, the directors declared an interim fully-franked dividend of 2.0 cents per share payable on 1 April 2016 (2015 1.5 cents). The financial impact of this interim dividend ($3,541,265) has not been brought to account in the group financial statements for the half year ended 31 December 2015 and will be recognised in subsequent financial reports.

NOTE 7: EARNINGS PER SHARE

The calculation of basic earnings per share (EPS) for the six months ended 31 December 2015 was based on the profit attributable to ordinary shareholders of $6,081,000 (six months ended 31 December 2014 $5,634,000) and the issued capital of the company outstanding during the period. The weighted average number of shares outstanding was 177,063,244 for the half-year period ending 31 December 2015 (2014: 176,969,924).

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 1,108,453 performance rights granted to employees.

TAXATION

NOTE 8: INCOME TAX EXPENSE

Reconciliation between tax expense and pre-tax net profit:

The prima facie income tax expense calculated at 30% on the profit from ordinary activities	**2,071**	2,197
Increase/(decrease) in income tax expense due to:		
Non-deductible expenses	**137**	119
Additional deduction for research and development expenditure	**(428)**	(359)
(Over)/under provision for taxation in previous years	**(922)**	(450)
Other	**(38)**	183
Income tax expense	**820**	1,690

OPERATING ASSETS AND LIABILITIES

NOTE 9: MINING TECHNOLOGY - CARRYING AMOUNT

The carrying amount of this cash generating unit of $17 million has been assessed for impairment.

The Mining Technology cash generating unit was acquired by Codan in 2012 and is in the early stages of developing a mining technology business.

As reported in the 30 June 2015 annual report Minetec has progressed the technical maturity of its products and made significant progress with blue-chip mining customers by successfully completing a number of pilot projects which demonstrated its tracking, safety and productivity technologies in operational environments. From a technology perspective, FY16 will see Minetec transition from the product development phase to the systems integration of solutions that have been successfully demonstrated in operating mines. For the first time, the business will become "product ready" during the course of this year.

Having now proven the technology and demonstrated our solutions, the challenge is to secure market acceptance and commitment to full-scale operational deployments. This task is being made more difficult by low commodity prices and cuts to miners' capital expenditure budgets. Notwithstanding this, the Minetec value proposition is well aligned to the challenges of sectors such as underground hard-rock mining, which is moving toward increased mechanisation.

As the business is in the early stage of its development historical data is not reflective of the possible future outcomes for this business. A number of valuation scenarios have been prepared in order to understand a range of valuation outcomes which have then been assessed to determine a weighted average recoverable amount. The key assumption to the valuation scenarios is the level of sales forecast to be achieved by this unit. To prepare the sales forecasts management have estimated the number of mines that will adopt productivity and safety technology, an average sale value per mine and the market share that is forecast to be won by Minetec. Other assumptions relate to the level of gross margins achieved on sales, the level of expense to run the business and working capital requirements and these assumptions are reflective of Codan's past experience with technology based businesses. A terminal value has been determined at the conclusion of five years assuming a long term growth rate of 3%. A pre-tax discount rate of 15% has been applied to the forecast cash flows.

A key risk to the value in use calculations is that the mining industry does not adopt the productivity and safety solutions that are being developed and offered by Minetec, and this possibility has been included as one of the valuation scenarios.

The valuation scenarios now identify the number of mines in the two most prospective countries for Minetec's safety and productivity solutions. Over the five year forecast period, the weighted average valuation has Minetec achieving 7% of that market. If that share were to reduce to 5%, the recoverable amount of the Minetec cash generating unit would be approximately equal to its carrying amount.

OTHER NOTES

NOTE 10: FINANCIAL INSTRUMENTS

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

The group's financial instruments carried at fair value have been valued by using a "level 2" valuation method. Level 2 valuations are obtained from inputs, other than quoted prices, that are observable for the asset or liability either directly or indirectly. At the end of the half year, financial instruments valued at fair value were limited to net foreign currency hedge payables of $166,847, for which a valuation was obtained from the relevant banking institution.

	Half Year Ended 31 December 2015 $'000	Year Ended 30 June 2015 $'000
NOTE 11: CAPITAL COMMITMENTS		
The aggregate amount of contracts for capital expenditure on property, plant and equipment, and intangibles.	**1,531**	1,750

NOTE 12: CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

NOTE 13: 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 14: RELATED PARTIES

Arrangements with related parties continue to be in place. For details on these arrangements, refer to the 30 June 2015 annual financial report.

	Half Year Ended 31 December 2015	Year Ended 30 June 2015
NOTE 15: NET TANGIBLE ASSET / LIABILITY PER SHARE		
Net tangible asset/(liability) per share	**3.4 cents**	1.0 cents

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 7 to 16, 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 2015 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 4th day of February 2016.

Signed in accordance with a resolution of the directors:

D Simmons	D S McGurk
Director	*Director*

KPMG

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 2015, 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 15 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 2015 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 2015 and of its performance for the half-year ended on that date; and

b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

KPMG

Scott Fleming
Partner

Adelaide

4 February 2016