

19 February 2014

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

PO Box 96
Campbelltown SA 5074
Australia

COMPANY ANNOUNCEMENTS PLATFORM
AUSTRALIAN SECURITIES EXCHANGE

CODAN LIMITED HALF-YEAR RESULTS
PERIOD ENDED 31 DECEMBER 2013

Summary

- Reported profit of \$4.8 million.
- Earnings per share of 2.7 cents.
- Interim dividend declared of 1.5 cents.
- The trading environment for gold detection products into our three main African markets was depressed for the last nine months of calendar year 2013.
- The cost base of the organisation has been restructured and reduced by around \$10 million per annum.
- The current expense base now supports a baseline business of circa \$150 million revenue, with upside potential from future gold rushes.
- The release of our new Envoy software-defined radio and a strong pipeline of new products, coupled with on-the-ground market development, has the business well placed to deliver future profit growth.
- We continue to see long-term growth opportunities in each of our three business units.

The Board of Codan Limited has announced a net profit after tax of \$4.8 million for the half year ended 31 December 2013, compared to the prior year of \$26.5 million. The prior year period was a record half in what was a record year for the company, with significantly higher sales of metal detectors into Africa. Underlying net profit after tax for the half year ended 31 December 2013 was \$4.5 million from \$61.1 million of revenue.

Dividend

The company announced an interim dividend of 1.5 cents per share, fully franked. The dividend has a record date of 14 March 2014 and will be paid on 1 April 2014.

Financial Performance

	Half Year ended			
	Dec-13 \$m	%	Dec-12 \$m	%
Revenue				
Communications products*	23.6	39%	32.3	24%
Metal detection	32.9	54%	91.2	67%
Mining technology	2.4	4%	9.4	7%
Other	2.2	3%	3.0	2%
Total revenue	61.1	100%	135.9	100%
Underlying business performance				
EBITDA	11.3	18%	45.8	34%
EBIT	6.5	11%	39.9	29%
Interest	(1.3)		(0.9)	
Net profit before tax	5.2	8%	39.0	29%
Taxation	0.7		11.6	
Underlying net profit after tax	4.5	7%	27.4	20%
Non-recurring (income)/expenses after tax**	0.3		(0.9)	
Net profit after tax	4.8		26.5	
Underlying earnings per share, fully diluted	2.5 cents		15.8 cents	
Dividend per share	1.5 cents		6.0 cents	

* The prior period ended 31 December 2012 includes the discontinued satellite communications operation which contributed sales of \$7.8 million.

** Non-underlying income/(expenses) are considered to be outside of normal business activities of the group and for comparability reasons have been separately identified. The methodology of identifying and quantifying these items is consistently applied from year to year. Underlying profit is a non-IFRS measure used by management of the company to assess the operating performance of the business. The non-IFRS measures have not been subject to review or audit.

The company has produced record sales and profitability over the past four years, with significant growth in sales of metal detectors into Africa. In the latter half of FY13, a number of external factors reduced demand for our metal detection products in Africa. This lower demand has continued throughout the first half of FY14 and, as a result, sales have declined and the company's profitability has been adversely impacted during this period.

Profitability margins have decreased over the prior year as a result of the lower level of higher-margin gold detector sales into Africa.

In response to the lower sales performance in the first half, management restructured the expense base of the company. Despite this restructure, we have maintained investment levels in new product development to ensure that our new product platforms are brought to market as soon as possible.

Expense reductions of \$10 million per annum were implemented during the restructure and took effect early in the first half. In addition to these savings, a number of volume-related expense reductions were realised in the first half. Expenses in the second half are expected to be similar to the first.

Net borrowings have increased to \$64 million which is well inside the company's debt facility of \$85 million. This facility was renegotiated in the first half and has an expiry date of 31 October 2016. The payment of the final dividend and tax liabilities from the record FY13 year were major contributors to the increase in borrowings.

After a number of years of stock shortages and delivery delays, the company made a strategic decision in FY13 to invest in more metal detection inventory to ensure we maximised our competitive position in periods of high demand. This brought great success in FY13, however the decline in sales has resulted in higher levels of metal detection inventory than planned. Action is being taken to convert this inventory to cash in a controlled and appropriate manner.

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

Metal Detection

Minelab's key markets in Africa for the sale of gold detectors continue to be volatile. Over the past year, sales have been impacted by a number of factors, most notably civil unrest in Sudan, extreme weather conditions, counterfeits and a general level of political instability in Western Africa.

With the civil unrest in Sudan reducing the number of prospectors in that region, we are seeing a strong second-hand market of used detectors in and between our key markets, which has limited our ability to sell new detectors into these markets.

The combination of all these factors resulted in our gold detector sales in the first half being approximately \$50 million (or 80%) down on the prior year first half.

We remain confident that our on-the-ground approach to global business development and our world leading products have us better positioned than anyone else to take advantage of gold rushes as and where they occur.

A number of market-leading technology platforms are planned to be released, including a Low Cost Metal Detector in FY15, which will take us into a significant new market. Work on the next generation of gold and mine detecting technologies is also well underway. In addition, a new mid-priced, compact and fully waterproof gold detector will be released in April 2014.

The consumer market for metal detectors continues to be strong and relatively predictable, and has grown significantly in recent years. The release of our F3 compact mine detector has been very well received and we continue to see new opportunities for our mine detecting technology across a number of markets. Our consumer and mine detection products provide a solid foundation for the Minelab business and, with our ongoing investment in new technology and market development, we expect this to continue.

Radio Communications

Momentum continues to build in our Radio Communications business and we enter the second half of FY14 with our strongest order book for a number of years.

Demand for our new Envoy HF radio has grown rapidly over the past few months as customers recognise the quality of our digital voice and simple user interface. Due to

its world-class voice clarity and our turnkey approach incorporating land mobile radio, our HF solutions are now able to compete in communication projects that were previously not available to us.

The Envoy HF radio has now been deployed in multiple languages, which will enhance our position in emerging world markets and keep us ahead of the competition. We continue to see opportunities to grow our HF business by expanding into new geographic regions and taking market share.

Our land mobile radio products are predominantly sold into the US government market. Sales have been impacted by the well-publicised cuts in US government spending, and while sales are not yet back to expected levels, we have restructured the business and seen an improvement in the first half.

The future development of our radio communications business will leverage our well-established HF and land mobile radio platforms to enable us to follow global communications trends, which require resilient radio networks that have the ability to connect over multiple communications platforms.

Mining Technology

Minetec has made a number of breakthroughs in the last six months, working with five of the world's largest underground miners to establish key mine reference sites for its underground mine safety and productivity solutions.

Sales in the first half have declined versus the prior year corresponding period, as Minetec transitioned its focus from the supply of more traditional mining services to the commercialisation of its own technology solutions.

Minetec has won a competitive tender to install a fully operational proof-of-concept for its mine simulation software with one of the world's largest overseas mining groups. This installation is due to be completed in the second half, and success will lead to a pilot mine installation with subsequent rollout to multiple mine sites.

Minetec is now successfully commercialising its technology in a challenging industry environment against global competitors. We are well positioned to play a key role in assisting the mining industry to transition from conventional labour-intensive mining practices to more efficient mechanised mining, and then ultimately to autonomous mining techniques.

Outlook

Although sales have been softer during the past nine months, our baseline metal detection business remains strong, and we remain confident of future growth as we continue to develop new market-leading products and extend our global reach, all supplemented by the upside of future gold rushes.

Radio Communications continues to broaden its business by leveraging off the new Envoy product platform, expanding into new growth markets and offering an integrated solution incorporating our land mobile radio capability.

Although history shows our sales can sometimes be volatile due to the nature of our gold detector markets, where gold discoveries can occur at any time and anywhere,

we have a solid baseline business from which to grow and are supplementing this with heavy investment in new product development and entry into adjacent markets.

Codan has demonstrated an ability over many years to leverage its key technologies to many markets and customers across the globe, and to deliver excellent returns to shareholders. Our strategy and plans for the future are strong, we have excellent people and have significant opportunities across all three business units.

While management and the Board are focussed on achieving a stronger second half right across the business, the challenge presented by some of our markets makes it difficult to provide profit guidance at this point in time.

On behalf of the Board

Michael Barton
Company Secretary

FOR ADDITIONAL INFORMATION, PLEASE CONTACT:-

Donald McGurk
Managing Director & CEO
Codan Limited
(08) 8305 0392

Michael Barton
Company Secretary & CFO
Codan Limited
(08) 8305 0392

**Codan Limited
and its controlled entities**

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

Period ended on 31 December 2013

ABN	Previous corresponding period
77 007 590 605	31 December 2012

Results for announcement to the market				\$A'000
Revenue from ordinary activities	Decreased	55%	to	61,117
Profit from ordinary activities after tax attributable to members	Decreased	82%	to	4,816
Underlying profit after tax	Decreased	84%	to	4,506
Dividends	Amount per security		Franked amount per security at 30% tax	
Interim dividend	1.5 cents		1.5 cents	
Record date for determining entitlements to dividends:	14 March 2014			
<i>Brief explanation of any figures disclosed above which is necessary to enable the figures to be understood:</i>				
The 31 December 2013 Financial Report and the Market Announcement dated 19 February 2014 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 2013.				

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

**Interim Financial Report
for the half year ended
31 December 2013**

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 2013 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 Klingner (Chairman)	Director since December 2004
Donald McGurk (Managing Director and Chief Executive Officer)	Director since May 2010
Peter Griffiths	Director since July 2001
David Klingberg	Director since July 2005
David Simmons	Director since May 2008
Peter Leahy	Director since September 2008
Scott Davies	Director from May 2011 to December 2013
Corinne Namblard	Director since August 2011

Principal activities

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

Review and results of operations

Summary:

- Reported profit of \$4.8 million
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- The current expense base now profitably supports a baseline business of circa \$150 million revenue, with upside potential from future gold rushes.
- The release of our new Envoy software-defined radio and a strong pipeline of new products, coupled with on-the-ground market development, has the business well placed to deliver future profit growth.
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Codan Summary Financial Performance				
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Net profit before tax	5.2	8%	39.0	29%
Taxation	0.7		11.6	
Underlying net profit after tax	4.5	7%	27.4	20%
Non-recurring (income) / expenses after tax**:				
Recovery from legal dispute	0.9		-	
Recovery from onerous contract	1.0		-	
Integration and restructuring costs	(1.7)		-	
Minetec acquisition earn-out	0.6		-	
Impairment of product development	(0.5)		-	
Integration and acquisition costs for Daniels	-		(0.8)	
Qld flood insurance recovery	-		0.7	
Newton building impairment	-		(0.8)	
Net profit after tax	4.8		26.5	
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While management and the Board are focussed on achieving a stronger second half right across the business, the challenge presented by some of our markets makes it difficult to provide profit guidance at this point in time.

Dividends

The directors have declared an interim fully franked dividend of 1.5 cents per share, payable on 1 April 2014.

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 2013.

Rounding Off

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

This report is made with a resolution of the directors:



Dr G D Klingner

Director



D S McGurk

Director

Dated at Newton this 19th day of February 2014.



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 2013 there has 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.

A handwritten signature in blue ink, appearing to be 'KPMG'.

KPMG

A handwritten signature in blue ink, appearing to be 'S. H. Fleming'.

Scott Fleming
Partner

Adelaide

19 February 2014

Consolidated interim income statement for the half year ended 31 December 2013

Codan Limited and Its Controlled Entities

		Consolidated	
	Note	Half Year Ended 31 December 2013 \$'000	Half Year Ended 31 December 2012 \$'000
Continuing operations			
Revenue		61,117	128,061
Cost of sales		<u>(29,530)</u>	<u>(49,084)</u>
Gross profit		31,587	78,977
Other income / (expenses)	3	2,238	(134)
Administrative expenses	4	(7,952)	(10,795)
Sales and marketing expenses		(14,708)	(21,296)
Engineering expenses		(4,572)	(7,664)
Net financing costs	5	<u>(1,636)</u>	<u>(878)</u>
Profit before tax		4,957	38,210
Income tax expense	6	<u>(141)</u>	<u>(11,563)</u>
Profit from continuing operations		<u>4,816</u>	<u>26,647</u>
Discontinued operation			
Satellite communications operating results, net of income tax			(139)
Profit for the period		<u>4,816</u>	<u>26,508</u>
Earnings per share for profit attributable to the ordinary equity holders of the company:			
	9		
Basic earnings per share		2.7 cents	15.3 cents
Diluted earnings per share		2.7 cents	15.2 cents
Earnings per share from continuing operations:			
	9		
Basic earnings per share		2.7 cents	15.4 cents
Diluted earnings per share		2.7 cents	15.3 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 15.

Consolidated interim statement of comprehensive income for the half year ended 31 December 2013

Codan Limited and its Controlled Entities

	Half Year Ended 31 December 2013 \$'000	Consolidated Half Year Ended 31 December 2012 \$'000
Profit for the period	4,816	26,508
Items that may be reclassified subsequently to profit or loss		
Changes in fair value of cash flow hedges	(117)	19
less tax effect	<u>35</u>	<u>(6)</u>
Changes in fair value of cash flow hedges, net of income tax	(82)	13
Exchange differences on translation of foreign operations	<u>3,277</u>	<u>1,186</u>
Other comprehensive income for the period, net of Income tax	3,195	1,199
Total comprehensive income for the period	<u>8,011</u>	<u>27,707</u>

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 15.

Consolidated interim balance sheet as at 31 December 2013

Codan Limited and its Controlled Entities

	Consolidated	
	31 December 2013 \$'000	30 June 2013 \$'000
CURRENT ASSETS		
Cash and cash equivalents	6,478	8,638
Trade and other receivables	20,112	21,137
Inventory	43,606	43,336
Current tax assets	3,249	226
Other assets	2,683	2,244
TOTAL CURRENT ASSETS	76,128	75,581
NON-CURRENT ASSETS		
Property, plant and equipment	20,499	19,940
Product development	29,970	27,498
Intangible assets	89,481	88,519
TOTAL NON-CURRENT ASSETS	139,950	135,957
TOTAL ASSETS	216,078	211,538
CURRENT LIABILITIES		
Trade and other payables	15,444	29,357
Loans and borrowings	160	201
Current tax payable	87	11,370
Provisions	6,906	10,448
TOTAL CURRENT LIABILITIES	22,597	51,376
NON-CURRENT LIABILITIES		
Other payables		600
Loans and borrowings	70,900	33,641
Deferred tax liabilities	2,088	332
Provisions	583	857
TOTAL NON-CURRENT LIABILITIES	73,571	35,430
TOTAL LIABILITIES	96,168	86,806
NET ASSETS	119,910	124,732
EQUITY		
Share capital	41,425	41,873
Reserves	38,148	34,953
Retained earnings	40,337	47,906
TOTAL EQUITY	119,910	124,732

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 15.

Consolidated interim statement of changes in equity for the half year ended 31 December 2013

Codan Limited and its Controlled Entities

For the six months ended 31 December 2013

	Share Capital	Translation	Hedging	Consolidated Profit	Retained	Total
	Reserve	Reserve	Reserve	Reserve	Earnings	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance as at 1 July 2013	41,873	1,405	(1,125)	34,673	47,906	124,732
Profit for the period	-	-	-	-	4,816	4,816
Performance rights expensed (recovered)	(526)	-	-	-	-	(526)
Change in fair value of cash flow hedges	-	-	(82)	-	-	(82)
Exchange differences on translation of foreign operations	-	3,277	-	-	-	3,277
Transactions with owners of the company	41,347	4,682	(1,207)	34,673	52,722	132,217
Dividends recognised during the period	-	-	-	-	(12,385)	(12,385)
Employee share plan, net of issue costs	78	-	-	-	-	78
Balance at 31 December 2013	41,425	4,682	(1,207)	34,673	40,337	119,910

For the six months ended 31 December 2012

	Share Capital	Translation	Hedging	Consolidated Profit	Retained	Total
	Reserve	Reserve	Reserve	Reserve	Earnings	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance as at 1 July 2012	24,839	(3,271)	336	-	57,505	79,409
Profit for the period	-	-	-	-	26,508	26,508
Performance rights expensed (recovered)	436	-	-	-	-	436
Change in fair value of cash flow hedges	-	-	13	-	-	13
Exchange differences on translation of foreign operations	-	1,186	-	-	-	1,186
Transactions with owners of the company	25,275	(2,085)	349	-	84,013	107,552
Dividends recognised during the period	-	-	-	-	(9,728)	(9,728)
Issue of share capital, net of issue costs	16,660	-	-	-	-	16,660
Balance at 31 December 2012	41,935	(2,085)	349	-	74,285	114,484

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 15.

Consolidated interim statement of cash flows for the for the half year ended 31 December 2013

Codan Limited and its Controlled Entities

		Consolidated	
	Note	Half Year Ended 31 December 2013 \$'000	Half Year Ended 31 December 2012 \$'000
Cash flows from operating activities			
Cash receipts from customers		64,454	138,259
Cash paid to suppliers and employees		(67,413)	(108,268)
Interest received		33	110
Interest paid		(1,299)	(1,043)
Income taxes paid		(12,649)	(6,257)
Net cash from operating activities		<u>(16,874)</u>	<u>22,801</u>
Cash flows from investing activities			
Acquisition of a subsidiary		-	(23,737)
Proceeds from disposal of property, plant and equipment		-	1,024
Payments for capitalised product development		(5,341)	(5,215)
Payments for intellectual property		(1,750)	(1,213)
Acquisition of property, plant and equipment		(1,951)	(1,551)
Acquisition of intangibles (computer software and licences)		(1,028)	(828)
Net cash used in Investing activities		<u>(10,070)</u>	<u>(31,520)</u>
Cash flows from financing activities			
Drawdowns / (repayments) of borrowings		37,285	(4,428)
Issue of share capital		-	16,660
Dividends paid	7	(12,385)	(9,728)
Net cash from financing activities		<u>24,900</u>	<u>2,504</u>
Net increase / (decrease) in cash held		<u>(2,044)</u>	<u>(6,215)</u>
Cash and cash equivalents at the beginning of the financial year		8,638	23,081
Effects of exchange rate fluctuations on cash held		(116)	82
Cash and cash equivalents at the end of the half year		<u><u>6,478</u></u>	<u><u>16,948</u></u>

The consolidated interim statement of cash flows is to be read in conjunction with the notes to the interim financial statements set out on pages 12 to 15.

Condensed notes to the consolidated interim financial statements for the half year ended 31 December 2013

Codan Limited and Its Controlled Entities

NOTE 1: STATEMENT OF ACCOUNTING POLICY

(a) Reporting entity

Codan Limited (the "company") is a company domiciled in Australia. The consolidated interim financial report of the company for the six months ended 31 December 2013 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 2013.

The consolidated annual financial report of the group as at and for the year ended 30 June 2013 is available on request from the company's registered office at 81 Graves Street, Newton, 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 19 February 2014.

(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 2013.

(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 2013.

Condensed notes to the consolidated interim financial statements for the half year ended 31 December 2013

Codan Limited and its Controlled Entities

NOTE 2: SEGMENT REPORTING

The group comprises four business segments. The communications equipment segment includes the design, development, manufacture and marketing of communications equipment. The metal detection segment includes the design, development, manufacture and marketing of metal detection equipment. The mining technology segment includes the design, manufacture, maintenance and support of a range of electronic products and associated software for the mining sector. The "other" business segment includes the manufacture and marketing of printed circuit boards.

	Half Year Ended 31 December 2013 \$'000	Consolidated Half Year Ended 31 December 2012 \$'000
Segment revenue		
Communications*	23,624	32,296
Metal detection	32,900	91,246
Mining technology	2,358	9,389
Other	2,235	2,964
	<u>61,117</u>	<u>135,895</u>
Segment result		
Communications	5,442	4,608
Metal detection	9,155	45,313
Mining technology	(245)	(259)
Other	(111)	(26)
	<u>14,241</u>	<u>49,636</u>
Unallocated revenues and expenses	(9,284)	(11,624)
Profit for the period before income tax expense	<u>4,957</u>	<u>38,012</u>

* Comparative is inclusive of discontinued operation sales of \$7.8 million. The prior period sales for the comparable segment were \$24,462,000.

NOTE 3: OTHER INCOME / (EXPENSES)

Insurance recoveries	-	1,009
Recovery from legal dispute	1,314	-
Mining technology earn-out liability no longer required	600	-
Recovery from onerous contract	990	-
Impairment of mining technology product development	(774)	-
Impairment of building	-	(1,100)
Other income / (expenses)	108	(43)
	<u>2,238</u>	<u>(134)</u>

NOTE 4: ADMINISTRATIVE EXPENSES

Within administrative expenses the group incurred \$2,368,170 (2012: \$1,448,851) relating to integration and restructuring activities.

NOTE 5: NET FINANCING COSTS

Interest income	(33)	(110)
Net foreign exchange (gain) / loss	290	(61)
Interest expense	1,379	1,049
	<u>1,636</u>	<u>878</u>

Condensed notes to the consolidated interim financial statements for the half year ended 31 December 2013

Codan Limited and its Controlled Entities

NOTE 6: 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	1,487	11,463
Increase / (decrease) in income tax expense due to:		
Non-deductible expenses	159	433
Additional deduction for research and development expenditure	(348)	(348)
(Over) / under provision for taxation in previous years	(583)	-
Non-assessable income	(635)	-
Other	61	15
Income tax expense	141	11,563

NOTE 7: DIVIDENDS

Codan Limited has provided or paid for dividends as follows:

- final fully-franked dividend of 7.0 cent per share on ordinary shares paid on 1 October 2013	12,385	
- final fully-franked dividend of 5.5 cent per share on ordinary shares paid on 2 October 2012		9,728

Subsequent Events

Since the end of the half year, the directors declared an interim fully-franked dividend of 1.5 cents per share payable on 1 April 2014 (2013: 6.0 cents). The financial impact of this interim dividend (\$2,654,549) has not been brought to account in the group financial statements for the half year ended 31 December 2013 and will be recognised in subsequent financial reports.

NOTE 8: 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 \$1,857,000, for which a valuation was obtained from the relevant banking institution.

NOTE 9: EARNINGS PER SHARE

The calculation of basic earnings per share (EPS) for the six months ended 31 December 2013 was based on the profit attributable to ordinary shareholders of \$4,816,000 (six months ended 31 December 2012 \$26,508,000) and the issued capital of the company outstanding during the period. The weighted average number of shares outstanding was 176,940,631 for the half-year period ending 31 December 2013 (2012: 173,304,458).

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 804,552 performance rights granted to employees.

Condensed notes to the consolidated interim financial statements for the half year ended 31 December 2013

Codan Limited and its Controlled Entities

	Half Year Ended 31 December 2013 \$'000	Year Ended 30 June 2013 \$'000
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NOTE 10: CAPITAL COMMITMENTS

The aggregate amount of contracts for capital expenditure on property, plant and equipment	1,350	4,148
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NOTE 11: CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

NOTE 12: 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 13: RELATED PARTIES

Arrangements with related parties continue to be in place. For details on these arrangements, refer to the 30 June 2013 annual financial report.

	Half Year Ended 31 December 2013	Year Ended 30 June 2013
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NOTE 14: NET TANGIBLE ASSET PER SHARE

Net tangible asset per share	1.4 cents	5.1 cents
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Directors' declaration


Codan Limited and controlled entities


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

- (a) the financial statements and notes, set out on pages 7 to 15, 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 2013 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 19th day of February 2014.

Signed in accordance with a resolution of the directors:



Dr G D Klingner
Director

D S McGurk
Director



Independent auditor's review report to the members of Codan Limited

We have reviewed the accompanying interim financial report of Codan Limited, which comprises the consolidated interim balance sheet as at 31 December 2013, 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 14 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 2013 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 2013 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

19 January 2014