2013 CODAN ANNUAL REPORT

CODAN

CODAN CORE VALUES

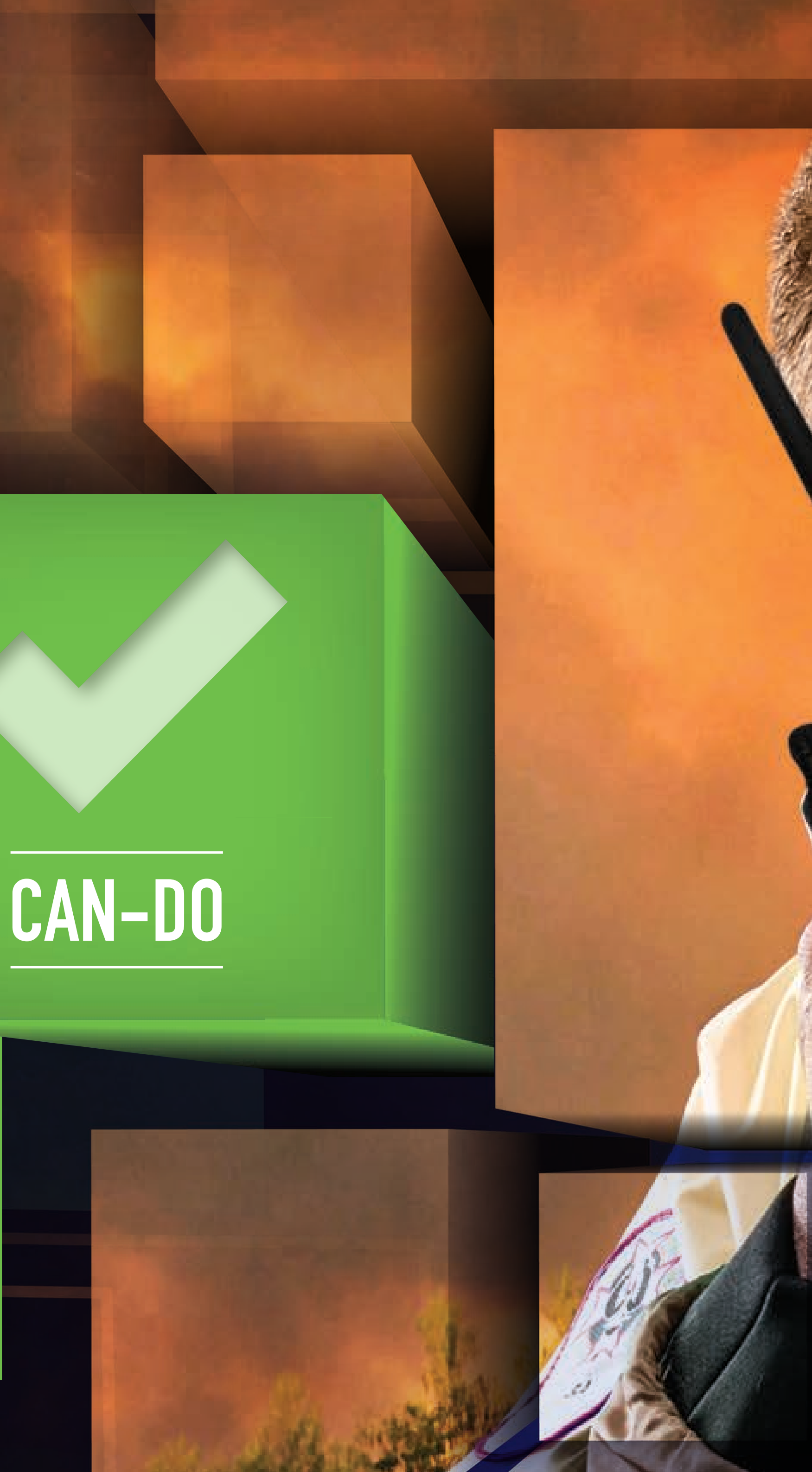
Codan has always been, and continues to be, a 'values'-driven company. Our values act as a foundation for our future success and are ingrained in our culture. They speak to what Codan is, set the benchmark as to how we will behave and hold ourselves accountable for our actions. Through extensive consultation with staff, we have updated our values to ensure that they are relevant and a reflection of who we are today. Our refreshed values embrace our great people, great products and outstanding strategic leadership.

2013 CODAN ANNUAL REPORT

Codan Limited
ABN 77 007 590 605

Annual General Meeting
The Annual General Meeting of Codan Limited will be held at 11:00 am on Wednesday, 23 October 2013 at the Hilton Adelaide hotel, 233 Victoria Square, Adelaide, South Australia.

CONTENTS



CAN-DO

- Show determination to take the right action to achieve sustained results
- Demonstrate the courage to commit and follow through, no matter the situation

FY13 HIGHLIGHTS

$244.3M
TOTAL REVENUE

13c
ANNUAL DIVIDEND

$45.4M
NET PROFIT AFTER TAX

- Highest reported profit of $45.4 million
- Earnings per share of 25.8 cents
- Annual dividend increased to 13 cents
- Strong growth of metal detector sales into new markets
- Major new product release in Radio Communications
- Strategic acquisition of land mobile radio business
- Delivery of key mining technology reference sites by Minetec
- Inclusion in the ASX 300 index

Codan Limited

Founded in 1959, Codan Limited (ASX:CDA) is a group of electronics-based businesses that capitalise on their fundamental design and manufacturing skills to provide best-in-class electronics solutions to global markets.

Our success has been driven by our ability to optimise the development and manufacture of sophisticated electronics products and associated software, which has enabled us to deliver cost-effective solutions to a range of customers in the communications, metal detection and mining technology markets.

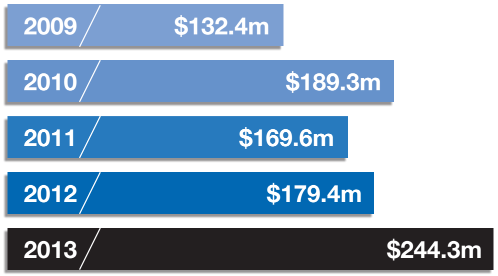
We work closely with our customers to seek innovative ways to solve their problems and add value to their operations.

The Codan brands are internationally established and well regarded in the markets we serve. Our customers include gold prospectors, metal detection hobbyists, aid agencies, miners, businesses and governments, including public safety, military and security organisations.

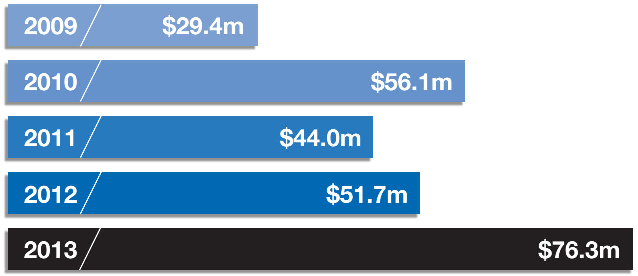
Our plan for growth is based on enhancing our unique intellectual property, putting that know-how into an expanding range of electronic-based product solutions, and then leveraging our operational excellence and marketing capability across the world. We continue to seek out opportunities to grow the business organically and by acquisition.

The business has approximately 420 employees located in Australia, Canada, USA, UK, Ireland, China and UAE. Our marketing reach, largely through a long-established network of staff and dealerships across the world, embraces activity in over 150 countries.

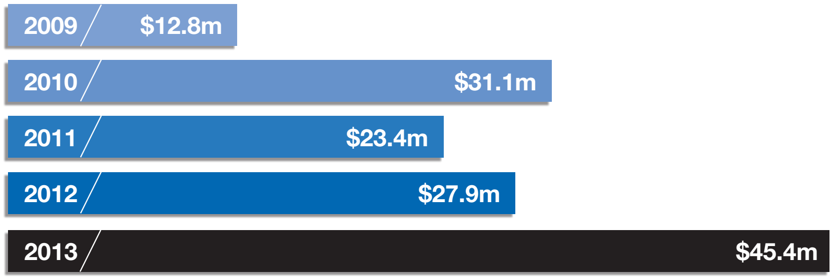
Operating revenue



EBITDA



NPAT



For year ended 30 June		2013	% of sales	2012	% of sales	2011	% of sales	2010	% of sales	2009	% of sales
REVENUE	**Note**										
Communications		$58.0m	24%	$66.4m	37%	$69.8m	41%	$70.1m	37%	$77.3m	58%
Metal detection		$166.3m	68%	$98.6m	55%	$92.1m	54%	$106.6m	56%	$41.7m	32%
Mining technology		$14.5m	6%	$9.3m	5%						
Other		$5.5m	2%	$5.1m	3%	$7.7m	5%	$12.6m	7%	$13.4m	10%
Total revenue		**$244.3m**	**100%**	**$179.4m**	**100%**	**$169.6m**	**100%**	**$189.3m**	**100%**	**$132.4m**	**100%**
EBITDA		**$76.3m**	**31%**	**$51.7m**	**29%**	**$44.0m**	**26%**	**$56.1m**	**30%**	**$29.4m**	**22%**
EBIT		**$64.7m**	**26%**	**$43.2m**	**24%**	**$35.0m**	**21%**	**$45.8m**	**24%**	**$21.5m**	**16%**
Interest		($1.7)m		($3.4)m		($3.0)m		($3.1)m		($4.6)m	
Net profit before tax		**$63.0m**	**26%**	**$39.8m**	**22%**	**$32.0m**	**19%**	**$42.7m**	**23%**	**$16.9m**	**13%**
Tax		($17.6)m		($11.9)m		($8.6)m		($11.6)m		($4.1)m	
Net profit after tax		**$45.4m**	**19%**	**$27.9m**	**16%**	**$23.4m**	**14%**	**$31.1m**	**16%**	**$12.8m**	**10%**
Earnings per share		25.8c		17.0c		14.3c		18.8c		7.9c	
Dividend per share		13.0c		9.5c		9.0c		8.0c		6.5c	
Return on equity	1	41%		37%		34%		48%		20%	
Gearing	2	17%		17%		26%		32%		48%	

Notes:
1. Return on equity is calculated as net profit after tax divided by average equity
2. Gearing is calculated as net debt divided by the sum of net debt and equity

The financial information shown above reflects the underlying business performance. Non-underlying income/(expenses) are considered to be outside of the normal business activities of the group. For 2013, the net impact of non-recurring items on the profits of the company were immaterial. Non-recurring items in the prior year related to the disposal of a discontinued operation and acquisition costs.

CHAIRMAN'S AND CEO'S REPORT

Dr David Klingner
Chairman

Mr Donald McGurk
Managing Director and CEO

Codan had an outstanding year in 2013. Sales of $244.3 million were an all-time record and the net profit after tax of $45.4 million was the highest in the company's history and nearly double the profit achieved in FY12.

This has enabled the company to declare a fully franked final dividend of 7 cents per share, following on from the 6 cents per share fully franked interim dividend, making a total dividend of 13 cents per share for the full year, an increase of 37% from the total dividend of 9.5 cents per share for FY12.

Net debt increased from $16 million to $25 million during the year, primarily as a result of higher investment in working capital and the acquisition of Daniels Electronics in Canada. The increase in working capital has been largely due to a planned increase in gold detector inventories which has allowed the company to move to a sea freight model and which has resulted in significant freight savings and ensured that we are well positioned to supply product during periods of peak demand.

The equity raising we undertook during the year to partly fund the Daniels acquisition led to a marked improvement in the liquidity of our shares. This, in combination with strong profit growth, led to Codan's inclusion in the ASX 300 index. These events have served to broaden our share register and create a more normalised trading environment for investors.

Our balance sheet remains strong, and we are energetically pursuing opportunities to broaden and further diversify the business through a combination of internal technology and product development, identification of adjacent products and markets, and new acquisitions that look for the gaps in technology and know-how that will open opportunity for the future and continue to create value for shareholders over the medium to long term.

The company has had a very successful year despite operating in an environment of economic uncertainty, and this serves to remind us that we must remain vigilant and continuously challenge each other to ensure that we do not become complacent. We have a clearly defined strategy for the future, have great products and people, and have moved to raise profitability to new levels over the past few years.

The metal detection business has again performed very well during the year, eclipsing the previous record sales result achieved in FY10. A significant investment in business development during the past two years, involving dedicated people and increased marketing and travel budgets, has served to significantly broaden the international footprint for our metal detection business.

Sales of our gold detector products into Africa grew significantly during the year as we began to see benefits from the business development work designed to open up new markets for our products in many new African countries. Our gold detector business now spans all continents as we successfully take our world's-best metal detection technology to new markets in Central and Latin America and Asia Pacific, as well as growing sales in our traditional Australian, US and European markets.

Although gold machines were the star of the show again this year, sales of our coin and treasure products also grew significantly as a direct result of a major new product release and an extensive marketing campaign. Minelab products are considered to be the best in the world, and we continue to move even further ahead of our competitors as a result of the relentless pursuit of new leading-edge technologies from our applied research capability and the significant investment in engineering to package that technology into our metal detectors.

We are currently working on three new major product platforms that each have exciting and unique technology and features, and that will ensure that we continue to be the number one metal detection company in the world for many years to come.

Our radio communications business has had a tough year, with the troubled economic conditions being experienced throughout the world bringing about tightening of US budgets and delays to major programs in the US and across emerging world markets in Africa and Central Asia.

In response to the difficult conditions, the acquisition of Daniels Electronics is a critical first step to broaden our business beyond High Frequency (HF) radio and to enable Codan to participate in the global Land Mobile Radio (LMR) market space, which is significantly larger than the HF market. We will further diversify our radio communications business by adding new partners, products and technologies that leverage off our HF and LMR products. This will enable Codan to enter higher growth markets and act as a prime in certain LMR programs to become a more profitable and comprehensive supplier of communications solutions globally.

The new Envoy™ software-defined radio was successfully released to the market during the year and is designed to provide a future-proofed HF solution to our customers. The new Envoy™ radio has positioned Codan ahead of its competitors and will form the foundation of our HF business growth strategy during the next few years. In addition to this, we seek to capitalise on the strong contract vehicles in the North American market, developed by Daniels to grow existing and new product solutions in North America and take them into the international market, by utilising our extensive global distribution network.

After a slower start than we had originally anticipated, the recently acquired Minetec business has made good progress in bringing its "game-changing" communications-based technologies to market. Minetec's best-in-class solutions are aimed at improving mine productivity and mine safety for blue-chip mining companies to improve their performance.

Minetec has successfully installed its collision avoidance and mine simulation solutions into a number of key customer reference mines, and is continuing to aggressively market to other local and international mining organisations.

Despite significant competition, we consider Minetec is better placed to offer a suite of completely integrated, cost-effective products with significantly higher specifications than our competitors. This is made possible because the designs are developed and manufactured in-house and all intellectual property is owned by Minetec.

Codan has consistently delivered exceptional returns to its shareholders over many years, averaging over 30% return on shareholders' funds during the past five years. Although the business can be lumpy on a year-by-year basis, due mainly to the nature of the markets in which we operate, the company has been able to progressively increase the dividends paid since the company was floated in 2003, demonstrating our commitment and intent to reward shareholders for their support.

Codan has consistently delivered exceptional returns to its shareholders over many years, averaging over 30% return on shareholders' funds during the past five years.

As always, Codan's people continue to be our greatest strength. We have created a culture in the organisation that seeks to continually challenge and improve every aspect of our business, we have hard-working and dedicated people right across the world and we are pleased to say that the business is in great hands.

We sincerely thank everyone for their contribution and support during FY13 as we look forward to the year ahead.

Dr David Klingner
Chairman

Mr Donald McGurk
Managing Director and CEO

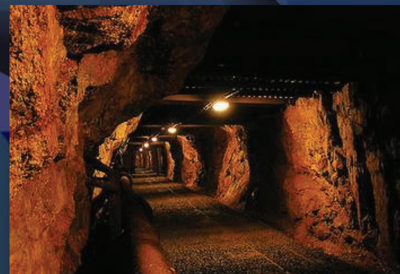

HIGH PERFORMING
• Commit to defining and achieving ambitious goals
• Drive continuous improvement and embrace change
• Encourage our colleagues and teams to achieve their full potential

GLOBAL LOCATIONS

Codan has operations around the world.

OPERATIONS

METAL DETECTION



MINING TECHNOLOGY

RADIO COMMUNICATIONS

OUR PEOPLE, VALUES & PROCESSES

RADIO COMMUNICATIONS

Codan Radio Communications is a leading international designer and manufacturer of premium High Frequency (HF) and Land Mobile Radio (LMR) communications systems. We deliver our capability worldwide for the security, military, humanitarian and public safety markets. Our mission is to deliver the world's-best radio communication solutions, at an affordable price, to all of our customers. With more than 50 years in the business, Radio Communications has garnered a reputation for reliability and customer satisfaction, producing innovative and industry-leading technology solutions.

FY13 SUMMARY

- Acquisition of LMR business
- Release of Envoy™ software-defined HF radio
- More advanced product features
- Multi-year contract awards with all major UN agencies
- Consolidated presence in emerging markets
- Integrated LMR business, generating supply chain efficiencies and reduced product costs

FY14 OBJECTIVES

- Compete more broadly in the LMR market and expand internationally
- Develop strategic technology road-map for higher growth markets
- Evolve and enhance Envoy™ product platform
- Deliver sales and profit growth

CODAN
RADIO COMMUNICATIONS

In August 2012, Codan acquired 100% of Daniels Electronics Ltd, a leading North American-based designer, manufacturer and supplier of LMR communications systems. The acquisition delivered on Codan's stated strategy of growing market share and diversifying the Radio Communications' product offering beyond HF. The acquisition of an established market leader in the LMR industry has enabled Codan Radio Communications to offer LMR solutions in conjunction with its HF products, leveraging Codan's strong brand and dealer networks to drive international sales growth for HF and LMR, particularly in the developing world.

As a result of the integration of the two businesses, Radio Communications has generated supply chain efficiencies, reduced product costs and implemented a more effective organisational structure. The redesign of the sales team has resulted in a more integrated sales channel for our LMR and HF products, and the opportunity to become more relevant in the communications industry by moving higher up the value chain to position Codan as a prime contractor for selected programs.

The acquisition of the LMR capability will enhance our ability to focus on organic growth this year. Our result, despite the combination of tough economic conditions and a dependence on US-government funding, demonstrates our customers' belief in our delivery and value for money. We expect the business to grow, as markets previously delaying orders release large opportunities for programs in Africa and Central Asia.

There are a number of positives as we look forward to FY14. We have made significant progress integrating the new LMR business and are now leveraging off our international distribution network, which is expected to result in an expansion of our sales into new international markets. We are looking to build on our Foreign Military Sales successes with the US government in Central Asia and Africa to further support HF radios and systems for the Afghan National Police, the Kazakhstan border guards and other countries in the regions that are now looking to expand their Codan-installed radio networks.

Radio Communications was awarded a significant LMR public safety contract in Australia, and was successful on a bid to support search and rescue in Australasia, providing an integrated transportable system including the new Envoy™ HF radio and LMR interoperability. The integrated product delivery represents a unique and differentiated product offering from Radio Communications.

Codan was also awarded an order to deliver vehicle and man-portable HF systems with secure voice and data in support of peacekeeping operations in Africa. The recent renewal of our contracts with all of the major UN agencies has positioned us as the radio of choice for humanitarian operations and, given the current level of political instability in Africa, has seen this segment of our business grow during the past 12 months, partially offsetting the delays experienced with major project awards in our security and military markets. We grew our market presence in Latin America, with an initial contract award following the placement of sales representatives conducting business development activities in the region.

Following its launch in June 2012, the new Envoy™ software-defined radio has received strong support from the humanitarian, security and public safety markets after the delivery of products for acceptance testing. Sales continue to grow for Envoy™ as customers recognise the value proposition and its unique features. Work will be ongoing to entrench this best-in-class product in our markets as the new standard in HF. The Envoy™ will also receive a range of enhanced software features and capabilities during the next 12 months as we continue to drive customer expectations.

Codan has developed a very strong brand name and a reputation for product excellence in its established markets worldwide, and we will seek to capitalise on these attributes as we develop a strong foundation for medium to long-term growth in our Radio Communications business.

Codan has developed a very strong brand name and a reputation for product excellence in its established markets worldwide.

CASE STUDY

Cutting-edge technology for Fiji Meteorological Services

When the Fiji Meteorological Service (METServices) decided they needed new cutting-edge technology to assist with their early warning weather system, they turned to the Codan Envoy™ for the solution. From 12 remote locations, the Codan Envoy HF radio enables meteorological service stations to send in their numeric weather codes every 3 hours to Nadi headquarters. In the past this was carried out by voice communications only. Now METServices have the ability to send this information using voice, radio text message and HF email, giving them greater flexibility and more reliable transfer of weather conditions across their coverage area.

With over 3,000 square miles of weather coverage required, the Codan Envoy™ provides METServices with a guaranteed communication link for transmitting the frequent weather information and radar imagery via email. The reliable HF link ensures METServices receive every code clearly, guaranteeing their early warning weather system is reliable, robust and always available amidst the most devastating weather conditions.

METAL DETECTION

Minelab is the world leader in providing metal detection technologies to small-scale gold miners, hobbyists and prospectors, and for demining and military needs.

A record sales and profitability year was achieved in FY13, with strong growth recorded across traditional markets and significant growth in the small-scale gold markets across Africa, and Central and Latin America.

WHY we do what we do:
We change people's fortunes.

HOW we do it:
By creating innovative technologies and products that allow people to explore every surface of the planet and discover what lies beneath, knowing our experts are supporting them every step of the way.

WHAT we do:
We make the world's best metal detectors.

FY13 SUMMARY

- Record sales and profits achieved
- Expanded gold detector sales into more regions
- Increased marketing support in new and established markets
- Fast-tracked extensive product development road-map
- Successful launch of flagship CTX 3030 treasure detector
- Action taken against counterfeiters

FY14 OBJECTIVES

- Expand gold detector sales into even more regions
- Grow large retail chain customer base
- Continue with exciting new product developments
- Win key demining projects

Small-scale gold mining

Minelab's world-leading gold-finding metal detection technology continues to drive strong interest from small-scale gold miners around the world.

The record profitability in FY13 has been largely driven by the ongoing growth of metal detector sales into the small-scale gold mining fields, particularly in Africa. As reported by the board in June 2013, some of these markets have been impacted by civil unrest and political instability.

While uncertainty in the markets into which we sell can impact the level of metal detectors sold, there are a number of other factors that influence the general level of demand for gold detectors in Africa.

The primary driver of demand for gold detection machines in Africa is the adoption of metal detection technology by the large number of small-scale gold miners, and the demonstrated success they have in finding gold. These small-scale gold miners have previously used traditional and often environmentally damaging mining techniques to find gold. Minelab's world-leading metal detectors are revolutionising the way gold is found by these miners.

Climate and religious events also impact metal detector sales into Africa. From April to June, West Africa experiences its wet season and North East Africa experiences its hottest months, with average temperatures of over 40 degrees. These extreme weather months do impact the number of small-scale miners who are prospecting, and therefore lead to a lower level of demand for detectors over this period. Ramadan, which

MINELAB

currently occurs in July and August, also reduces the number of miners prospecting for gold during this period.

Small-scale gold miners in Africa are searching for gold as their primary income source, and therefore another variable to the number of detectors sold is the price of gold which, although not at its recent record high, still rewards prospectors well. Our analysis of Minelab's previous years' sales history shows little correlation between gold detectors sold and the price of gold, however it is clear that a high gold price is a positive factor for the business. The recent fall in the value of gold may influence the short-term buying decisions of miners in Africa. However, the longer-term underlying demand from small-scale gold miners in Africa is not expected to be materially impacted by a fall in the price of gold as has occurred in recent months.

Minelab has been dealing with the threat of counterfeit products for a number of years, and a number of key actions continue to be taken to minimise the impact of counterfeits in the African market. These key actions include increasing the use of security labels and a new SMS verification system to give customers the ability to ensure that they are buying a genuine Minelab metal detector. The company has also conducted a number of successful raids on counterfeit operations, seizing counterfeit products and having charges laid against the counterfeit operators.

During FY13, the operations of Minelab have been re-organised to increase the number of staff and resources that are dedicated to this small-scale gold mining market. With strong business development activities now occurring in a number of countries across Africa, Central and Latin America, and Asia, Minelab is well placed to continue with the development of this gold mining segment.

Hobbyists and Prospectors

Minelab continues to successfully sell metal detectors into the mainly developed world economies of Australia, United States, Europe and Asia for individuals who metal detect for the fun of it and for whom metal detecting is an interest, a hobby and a sport. These metal detectors include those aimed at finding gold and those that are for the detection of coin and treasure such as jewellery and artefacts. This part of the Minelab business represents approximately one third of the total Minelab business and has achieved strong and steady growth in recent years, as the hobby of metal detection becomes increasingly familiar and accepted across the world and Minelab continues to take market share from competitors.

Minelab successfully released the CTX 3030 all-terrain treasure detector in June 2012, and this product has set a new standard, with integrated GPS, wireless audio, a high-resolution colour display and improved target recognition in a fully waterproof platform.

Minelab continues to invest in growing this consumer market, and excellent progress has been made with large retail chains across the globe to have them carry and promote our metal detectors to their customers.

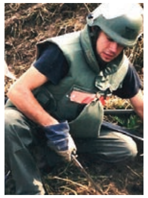
Countermine

Minelab's detectors are also considered to be the best in the world for locating landmines and explosive remnants of war. Consequently, Minelab has become the detector of choice for many humanitarian demining organisations and military and government bodies.

Minelab's countermine detectors are manufactured in Adelaide and exported to more than 55 countries around the world where landmines remain a threat. These include Angola, Sri Lanka, Vietnam, Mozambique, Colombia, Lebanon and Afghanistan, just to name a few.

Darren Mitry
(Smolensk, Russia)

Darren made significant discoveries over the course of 18 days of snorkelling and wading with his Excalibur – a large haul of valuable gold rings!



Robert Lukacevic
(Florida, USA)

Robert saved his own life and the lives of countless others using his Minelab Countermine detector to find and decommission over a thousand mines, grenades and explosives from around churches, schools and kindergartens in the clean-up of war torn Croatia.

Apanga Teme
(AFR, Burkina Faso)

Apanga has changed his and his family's future - in one hour, using his X-TERRA 705, he found a nugget in the same area where they had been panning for gold for the last 3 weeks without success.

CASE STUDY

The Ballarat Nugget

The story of the GPX 5000 find!

When one of Cordell Kent's regular gold prospecting clients walked through the door of The Mining Exchange Gold Shop in Ballarat on Wednesday 16th January, he could never have predicted that this was the moment he'd been waiting for over the last 20 years…

"We had a general greeting and then he looked at me with a smile and a glint in his eye. He said, 'Mate, I found a good one'." This massive gold nugget, weighing slightly more than five kilograms (177 ounces), is potentially worth upwards of half a million dollars to a collector. It was discovered, 60 centimetres below the surface, in gravelly soil, using a Minelab GPX 5000 state-of-the-art gold detector.

Mr Kent said, "I've got no doubt there will be a lot of people who will be very enthusiastic about the goldfields again; it gives people hope. There's nothing like digging up money; it's good fun."

MINING TECHNOLOGY

Minetec supplies cutting-edge products, systems and technology to the mining industry. This technology is aimed at improving mine productivity and safety.

FY13 SUMMARY

- Successfully installed pilots with blue-chip mining customers
- Established relationships with additional key mining customers
- Major investment in product and technology road-map
- Commercialised products and solutions

FY14 OBJECTIVES

- Transition business from product development stage to a commercial entity
- Deliver on the value proposition to key mining customers
- Expand customer base
- Invest in new products and technologies

MINETEC

The acquisition of Perth-based mining communications and technology company, Minetec Pty Ltd, in January 2012 has allowed Codan to enter the mining communications and technology services industry. This industry offers significant opportunities for further growth, and Minetec provides an ideal foundation to this strategy.

The Minetec business continues to transition from the development of "game-changing" communications-based technologies that improve mine productivity and mine safety to having the technology installed in mining environments. Over the year, much progress has been achieved by having the technology installed into a key customer reference mine, but more work is still required for the mining industry to recognise the "game-changing" qualities of this technology.

The communications technologies developed by Minetec are well suited to underground hard rock mining and, as a result, the customer base of Minetec includes gold mining companies. The recent fall in the price of gold has caused a number of key customers to reassess their operations and capital spending, and this is impacting the current performance of this business unit.

There are three key points which indicate the mining technology sector is well placed for growth in future years. Firstly, the turbulence of commodity prices, skills shortages and need for cost reductions are driving the mining industry to seek productivity improvements, and an increased use of mining-related technology will drive this. Secondly, the ongoing demand for commodities by emerging economies is forcing miners to expand from surface mining to underground operations, and Minetec's technologies are well suited to an underground mine environment. Finally, Australia is considered the world's most innovative mining technology community, and Minetec will be well placed to take advantage of this.

CASE STUDY

Minetec Toguraci SMARTS™ solution

Aerial view of Toguraci Gold Mine

Toguraci is an underground gold mine located on Halmehera Island, in the Republic of Indonesia, approximately 2,450 kilometres north east of the capital, Jakarta. Opened in 2011 with an expected mine life of at least five years, Toguraci is part of the Gosowong family of gold mines, owned by PT Aneka Tambang (25%) and Newcrest (75%), an Australian gold mining company with operations in Australia and around the world.

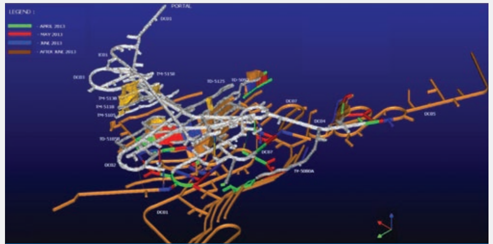
Prior to Minetec involvement at Toguraci, mine activities were based on manual procedures using whiteboards and Excel spreadsheets. Mine crews, organised in shifts, were assigned specific responsibilities within the mining cycle. These activities were dependent on each other and often resulted in crews not achieving their objectives due to another crew's delay or failure to complete tasks. Consequently, mine development and production was inconsistent and very difficult for supervisors to manage.

Minetec's SMARTS™ Control (MMC) system

In April 2013, the Toguraci mine implemented Minetec's SMARTS™, a Mine Management & Control (MMC) system fully integrated with underground mine infrastructure, communications and tracking capabilities. The implementation of SMARTS™ provided powerful enhancement of mining processes, through simulations for long-term and short-term planning, to achieve mining development goals. Since its implementation, SMARTS™ has achieved critical acclaim, and has proven its ability to significantly increase efficiency and meet mining production targets. In addition to achieving Newcrest's outlined objectives, SMARTS™ has also improved site communications, safety, accountability and on-site coordination.

Minetec and Newcrest have worked closely together to ensure that SMARTS™ was adopted by staff and adapted to the mine's specific needs and objectives to ensure maximum effectiveness.

Delivered as a suite of Minetec products, including Mine Office™, Trax+Tags™ and ELF™, the complete Minetec SMARTS™ solution has provided Toguraci with optimised planning capability, centralised data acquisition and reporting, real-time situation awareness for traffic management and a complete underground mine communication infrastructure for digital voice and Wi-Fi. Minetec's SMARTS™ solution is unparalleled in the market place, providing a one-of-a-kind complete mine management solution.



Mine Map of Toguraci Gold Mine

"Such a system strives to make all levels of tasks in the mine measurable and all personnel in the mine accountable. I really like the transparency. Whether in my office, or in the muster area, at mine control or at home in Melbourne, I can see at a glance what is going on in the mine. I can see status reports and real-time icons of machines and personnel moving about the mine. It is a new world."

John Lean
Mine Manager, Toguraci Gold Mine

OPENNESS & INTEGRITY

- Respect others' views and willingly consider new ideas
- Treat others with dignity
- Speak and act honestly and ethically at all times
- Provide and receive open and constructive feedback regularly


CODAN
MINELAB

OUR PEOPLE, VALUES AND PROCESSES

Core Values

All employees across the company have been engaged in refreshing the core values under which we operate. These core values underpin our core purpose of delivering superior shareholder value by growing a lasting and innovative organisation that consistently creates outstanding customer experiences.

CAN-DO

"**Can-do** to me means that we are solution orientated... it's very easy for us to get into a room and all talk about problems but if you've got a can-do attitude we can focus on the solutions."

Romeo Lauriello
Customer Service Technician
Codan Radio Communications

OPENNESS & INTEGRITY

"When there's **openness and integrity**, people feel valued and their opinions respected, they have confidence and feel comfortable to voice their concerns."

Laura Forni
Creative Services Coordinator
Codan Radio Communications

HIGH PERFORMING

"A **high performing** value is about focusing on goals, on setting and achieving ambitious, aggressive goals... it's also about creating a team around you, to help you achieve more than you could as a group of individuals."

Phil Beck
Engineering Operations Manager
Minelab

CUSTOMER DRIVEN

"What **customer driven** means to me is, ensuring that every single sale that we make to a customer is a sale that I can use as a reference for another customer."

Ben Pearce
Director of Sales
Codan Radio Communications

Manufacturing

Codan's ability to manufacture high-level, high-quality electronics products and associated software remains a sustainable competitive advantage in its future growth. The company is committed to pursuing ongoing efficiencies, flexibility and investment in its supply chain and production capabilities for global markets.

Record demands for gold prospecting products and the commencement of the integration of the newly acquired land mobile radio operations in Canada have ensured a busy and successful FY13 for manufacturing operations.

While FY12 saw a significant increase in throughput at Codan's Australian and Malaysian facilities, the FY13 increases were greater again in response to increased global demand.

Codan's Adelaide facility remains integral to the company's operations, serving as a technology hub, particularly for new product development. To ensure that the company has the in-house capability to develop advanced intellectual property-sensitive product prototypes, an additional $0.5 million was invested in state-of-the-art surface-mount assembly equipment during FY13, equipping Codan with some of the most advanced electronics prototyping capability in Australia.

To ensure the company remains cost competitive in international markets, Codan has a relationship with one of the world's leading sub-contract electronics manufacturers, Plexus, in Malaysia. The partnership with Plexus, a US-owned company specialising in defence, aerospace and medical electronics manufacturing, ensures that Codan's well-proven manufacturing processes and exceptional performance, quality and delivery standards continue.

Codan has adopted stringent testing and quality control procedures, and both Codan and Plexus maintain quality assurance systems approved to International Standard ISO9001.

Continuous improvement

Continuous improvement is a key strategy in the company's commitment to supplying high-quality electronics solutions, competitive pricing, excellent customer service and on-time delivery.

14 years ago, Codan introduced the Codan Production System, its own highly successful version of lean manufacturing, which harnesses the ideas and creativity of all employees in order to generate continuous improvement in systems, processes and culture. The implementation of thousands of individual initiatives has enabled Codan to dramatically lower product costs and reduce delivery lead times.

A new chapter in continuous improvement is being driven through Codan's Business Excellence Program, which was established in FY13. The objectives of the program are three-fold:

- to define, analyse and solve problems and challenges within the business, where there is not currently a clear solution;
- to continue to drive and build upon a systematic continuous improvement and business excellence process and ethos throughout the entire business; and
- to identify, develop and prepare capable employees for leadership roles into the future.

A Lean Six Sigma methodology will be employed to solve problems in a systematic way that will result in bottom-line business improvement.

This program will deliver measurable business improvement in FY14.

Occupational Health and Safety

Codan is committed to a vision of zero harm to all persons in all areas of the business and the environment during the manufacturing, distribution, use and disposal of our products. We are particularly conscious of employee exposure to critical risk, especially with respect to our employees venturing to all corners of the globe and to remote locations. Codan engages experts in this field to ensure the safety of its travellers.

Environment

While the business is a "low-impact industry" from an environmental point of view, Codan continues to look at ways to minimise its effect on the environment.

In FY13, Codan engaged leading Adelaide architectural and engineering firms to design its new world-class headquarters to be built at its current address in Newton. The design includes a new two-storey, energy-efficient office and engineering building, and extensive renovations to its existing manufacturing facilities. The new facilities are designed to be open and airy and to provide a creative and exciting environment for staff as they develop Codan's technology of the future. The facility is planned to be completed in FY15.

BOARD OF DIRECTORS

Dr David Klingner

B.Sc (Hons), PhD, FAusIMM

Chairman, Independent Non-Executive Director

Dr Klingner was appointed by the board as Chairman in May 2007. Dr Klingner has been a director with Codan since December 2004. Dr Klingner, a geologist, was previously employed by Rio Tinto in a number of senior roles involving business leadership, project development and worldwide exploration activities, gaining extensive experience in the establishment and management of overseas operations. He is a former chairman of Coal & Allied Industries Ltd, Bougainville Copper Limited, the World Coal Institute and Energy Resources of Australia Limited. He was appointed Chairman of the board of Turquoise Hill Resources Ltd (formerly Ivanhoe Mines Ltd), Canada in May 2012.

Mr Donald McGurk

HNC (Mech Eng), MBA, FAICD

Managing Director and Chief Executive Officer

Mr McGurk was appointed to the board as Director in May 2010, and was appointed as Managing Director in November 2010. Mr McGurk joined Codan in December 2000 and had executive responsibility for group-wide manufacturing until his transition into the role of CEO. In addition to his manufacturing role, from 2005 to 2007 Mr McGurk held executive responsibility for sales of the company's communications products, and from 2007 to 2010, executive responsibility for the business performance of the company's HF radio products. Mr McGurk came to Codan with an extensive background in change management applied to manufacturing operations, and held senior manufacturing management positions in several industries. Mr McGurk holds a Masters Degree in Business Administration from Adelaide University and completed the Advanced Management Program at Harvard University in 2010. He is a member of the South Australian Government's Advanced Manufacturing Council and a board member of the Phoenix Society.

Mr Peter Griffiths

B.Ec (Hons), CPA, FAICD

Independent Non-Executive Director

Mr Griffiths was appointed to the Codan board in July 2001. He is a former senior executive of Coca-Cola Amatil Limited, with 10 years of experience working in Central and Eastern Europe and South East Asia. He had previously held the positions of Company Secretary, Chief Financial Officer and Managing Director of C-C Bottlers Limited and held board positions in Australia, New Zealand and the USA. Mr Griffiths is a Certified Practising Accountant and a former President of the South Australian branch of the Financial Executives Institute, as well as State and Federal President of the Australian Softdrink Association Ltd. Mr Griffiths has also been a director of several not-for-profit organisations.

Mr David Klingberg AO

FTSE, BTech (Civil), DUniSA, FIEAust, FAusIMM, FAICD

Independent Non-Executive Director

Mr Klingberg was appointed to the board in July 2005. He is an engineer with extensive national and international experience, having been Managing Director of Kinhill Limited from 1986 to 1998, where he played a major role in developing the small, Adelaide-based group into one of the largest and most successful firms of professional engineers in Australia and South East Asia. Mr Klingberg was Chancellor of the University of South Australia for 10 years, retiring in 2008. His private sector and government appointments include Chairman of Centrex Metals Limited and directorships of Snowy Hydro Limited and E & A Limited, and he is a former chairman of Barossa Infrastructure Limited. He is a member of the board of Invest in SA and a former chairman of the South Australian Premier's Climate Change Council. He is a patron of the Cancer Council of South Australia and the St Andrew's Hospital Foundation. In 2009 David was made an Officer of the Order of Australia for his contributions to governance policy in the tertiary education sector and to commercial and economic development and infrastructure projects.

BOARD OF DIRECTORS

Mr David Simmons

BA (Acc)

Independent Non-Executive Director

Mr Simmons was appointed to the board in May 2008. Mr Simmons has worked in the manufacturing industry throughout his career and has extensive financial and general management experience.

Mr Simmons joined Hills Industries Limited in 1984, where he was appointed Finance Director in 1987 and Managing Director in 1992. He retired from Hills Industries Limited in June 2008.

He is Chairman of Commercial Motor Vehicles Group and a board member of Lighting Investments Australia Holdings Pty Ltd, Thomsons Lawyers and Detmold Group. He is a former director of Gunns Limited and a former chairman of the SA Government Economic Development Board, Korvest Ltd and Innovate SA.

Lt-Gen Peter Leahy AC

BA (Military Studies), MMAS, GAICD

Independent Non-Executive Director

Lieutenant General Leahy was appointed to the board in September 2008. He retired from the Army in July 2008 after a 37-year career and 6 years as Chief of Army. His distinguished service was recognised with his 2007 appointment as Companion of the Order of Australia. Since leaving the Army he has been appointed as Professor and Foundation Director of the National Security Institute at the University of Canberra. He is a member of the Defence South Australia Advisory Board, a director of the Kokoda Foundation and a director of Electro Optic Systems Holdings Limited.

Lieutenant General Leahy holds a Master of Military Arts and Science from the US Army Command and General Staff College, where he also served as an instructor, and is a graduate of the Australian Institute of Company Directors.

Mr Scott Davies

LLB

Independent Non-Executive Director

Mr Davies was appointed to the board in May 2011. In July 2011 he was appointed to the position of Global Head of Infrastructure for AMP Capital Investors. A commercial lawyer by profession, Mr Davies was Chief Executive Officer of Macquarie Communications Infrastructure Group, a leading global provider of communications infrastructure, from 2002 to 2009. Prior to that, Mr Davies held roles with Macquarie Capital and Hambros Bank, where he gained valuable experience in relation to business development and mergers and acquisitions. Mr Davies is an alternate director of Australia Pacific Airports Corporation Limited and a former director of the DUET Group.

Mrs Corinne Namblard

PhD (Pol Sci), HEC CAP

Independent Non-Executive Director

Mrs Namblard was appointed to the board in August 2011. Mrs Namblard has more than 30 years of experience in large projects in finance, infrastructure and related industries and has worked in the USA, Canada, Australia and Europe. Most recently Mrs Namblard was Chief Executive Officer of Galaxy Fund, a dedicated transportation infrastructure equity fund. Prior to that, Mrs Namblard spent 19 years with Banque Nationale de Paris, rising to the role of Vice President and Head of Financial Advisory in the Project Finance team, before becoming the Executive Vice President of leading international French engineering firm, Egis Group, where she led their worldwide strategy and business development activities. Mrs Namblard has previously held a number of board positions including Flinders Ports Pty Ltd, Qantas Airways Ltd and Chair of the Geneva-based United Nations PPP Alliance. She also sits on the Council of the University of South Australia, is a member of the Economic Development Board of South Australia and a director of Invest in SA.

LEADERSHIP TEAM

Mr Donald McGurk

HNC (Mech Eng), MBA, FAICD

Managing Director and Chief Executive Officer

Donald was appointed to the board as Director in May 2010, and was appointed as Managing Director in November 2010. Mr McGurk joined Codan in December 2000 and had executive responsibility for group-wide manufacturing until his transition into the role of CEO.

For more details of Mr McGurk's qualifications and experience please see page 22.

Mr Michael Barton

BA (Acc), CA

Chief Financial Officer and Company Secretary

Michael holds a Bachelor of Arts in Accountancy from the University of South Australia and is a member of the Institute of Chartered Accountants in Australia. He was appointed to the position of Company Secretary in May 2008. Reporting to the Chief Financial Officer, Mr Barton had responsibility for the areas of Finance and Business Systems across the Codan group. In September 2009, Mr Barton was appointed to the position of Chief Financial Officer and Company Secretary, and has responsibility for the financial control and reporting across the Codan group. Prior to joining Codan in May 2004, he was a senior manager with KPMG Chartered Accountants.

Mr Peter Charlesworth

BEE (Hons), MBA, GAICD

Executive General Manager, Minelab

Peter holds a Degree in Electrical and Electronic Engineering with First Class Honours and a Masters Degree in Business Administration, both from Adelaide University, and is a Graduate Member of the Australian Institute of Company Directors. He was appointed General Manager of the subsidiary, Minelab Electronics Pty Ltd, in 2008 following the Codan acquisition of Minelab that same year. Peter joined Codan in 2003 as General Manager of Engineering, and then held various roles such as New Business Manager and HF Radio Business Development Manager. Prior to Codan, he was a business unit manager at Tenix Defence - Electronic Systems Division and he has worked in the electronics industry for more than 20 years.

Mr Paul McCarter

BEng (Hons), MBA, CEng, MIET

Executive General Manager, Codan Radio Communications

Paul is an entrepreneurial director and communications professional with over 24 years of experience in the technology and communications sectors. He served 12 years in the military as a Royal Signals Officer, and has since held executive positions in operations, strategy, marketing and general management with several large multinational companies, including British Telecom, Racal, Thales and Cobham. He has a Bachelor Degree in Software Engineering, a Masters Degree/MBA from London Business School, and is a Chartered Engineer with the IET. Prior to Codan, Paul was Managing Director of the Technology Group, and the Group Managing Director of Tactical Communications and Surveillance International at Cobham. Paul is actively involved in charity work for expeditions and is Sir Ranulph Fiennes' communications and technology advisor.

Mr Andrew (Andy) Sheppard

BSc (Eng), BSc (Hons), CEng

General Manager, Minetec

Andy took up his position at Minetec in 2013, having spent 5 years as Vice President and General Manager of Codan Radio Communications, based in Rochester, NY, USA, with responsibility for North America, Latin America, Europe, Middle East, Central Asia and the global UN and Humanitarian business. Prior to Codan, Andy worked at Harris Corporation, McDowell Research and L-3 Communications. Andy spent 20 years as a communications officer in the British Army, serving worldwide in a number of operational theatres. Andy is a Chartered Engineer and holds advanced degrees in Telecomms Systems Engineering and in Systems Management.

Mr Matthew Csortan

BEng (Mech Eng) (Hons), MEng (Mfg Mgmt)

General Manager Group Operations

Matthew holds a Degree in Mechanical Engineering with Honours and a Masters Degree in Manufacturing Management, both from the University of South Australia. In 2009, he was appointed Codan's General Manager for Group Operations. Matthew joined Codan in 1999 and held various roles in manufacturing and production, until his appointment as Production Manager of Communications Products in 2004. In 2006, Matthew became Manufacturing Manager of Codan, and was appointed General Manager of Parketronics in 2008. Prior to joining Codan, Matthew gained experience in manufacturing and project engineering through his employment at Gerard Industries and ASC Engineering.

Mr Allan Morichaud

MSc (Economics), MBA

General Manager Corporate Development & Systems

Allan holds a Masters Degree in Science (Economics) from the University of Copenhagen, and a Masters Degree in Business Administration from Adelaide University. Allan joined Codan in 2008 as Senior Business Analyst, and soon became the Manager for IT and Business Analysis. He was appointed General Manager for Business Systems and Analysis in 2009, followed by General Manager Corporate Development & Systems in early 2012. Prior to joining Codan, Allan was Finance Manager at Hardi Australia, and both Finance Manager and Business Analyst during his five years working for Copenhagen Airports in Denmark.

Mr Simon Porter

B.App.Sci (Physio), MBA

General Manager Human Resources & Business Excellence

Simon holds a Bachelor of Applied Science in Physiotherapy from the University of South Australia and an MBA from the University of Adelaide. Prior to joining Codan in 2010, Simon served as the General Manager, Human Resources at Clipsal Australia, with executive roles in Quality and Customer Satisfaction, as well as in Health, Safety & Environmental Management. From May 2012 to January 2013, Simon acted as the General Manager of Minetec, leading the operational review and integration of the newly acquired company. Simon continues to act in the role as General Manager, Human Resources and is now also responsible for leading the Business Excellence function, which is focussed upon driving an enterprise-wide continuous improvement and business excellence program.

- Engage with target customers to build long-term relationships that will develop and enhance brand loyalty
- Exceed customers' / internal stakeholders' expectations today and into the future with innovative and focussed solutions

CUSTOMER DRIVEN

FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2013

DIRECTORS' REPORT

Codan Limited and its Controlled Entities

The directors present their report together with the financial statements of the group comprising Codan Limited ("the company") and its subsidiaries for the financial year ended 30 June 2013 and the auditor's report thereon.

DIRECTORS

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

Dr David Klingner
Donald McGurk
Peter Griffiths
David Klingberg AO
David Simmons
Lt-Gen Peter Leahy AC
Scott Davies
Corinne Namblard

Details of directors and their qualifications and experience are set out on pages 22 to 25.

COMPANY SECRETARY

Mr Michael Barton BA (Acc), CA

Mr Barton was appointed to the position of Company Secretary in May 2008. Reporting to the Chief Financial Officer, Mr Barton had responsibility for the areas of Finance and Business Systems across the Codan group. In September 2009, Mr Barton was appointed to the position of Chief Financial Officer and Company Secretary, and has responsibility for the financial control and reporting across the Codan group. Prior to joining Codan in May 2004, he was a senior manager with KPMG Chartered Accountants.

DIRECTORS' MEETINGS

The number of directors' meetings of the company, and of meetings of board committees held, and the number of those meetings attended by each of the directors of the company during the financial year are:

	Board meetings		Board Audit, Risk and Compliance Committee meetings		Remuneration Committee meetings	
DIRECTOR	A	B	A	B	A	B
Dr G D Klingner	12	12	-	-	1	1
Mr D S McGurk	12	12	-	-	-	-
Mr P R Griffiths	11	12	4	4	-	-
Mr D J Klingberg	11	12	4	4	-	-
Mr D J Simmons	12	12	-	-	1	1
Lt-Gen P F Leahy	12	12	-	-	1	1
Mr S W Davies	11	12	-	-	-	-
Mrs C S Namblard	12	12	4	4	-	-

A - Number of meetings attended B – Number of meetings held during the time the director held office during the year

CORPORATE GOVERNANCE STATEMENT

This statement outlines the main corporate governance practices in place throughout the financial year, which comply with the ASX Corporate Governance Council recommendations, unless otherwise stated.

Board of Directors

Role of the board

The board's primary role is the protection and enhancement of long-term shareholder value.

To fulfil this role, the board is responsible for the overall corporate governance of the group, including formulating its strategic direction, approving and monitoring the annual plan, budget and capital expenditure, setting senior executive and director remuneration, establishing and monitoring the achievement of management's goals and ensuring the integrity of risk management, internal control, legal compliance and management information systems. It is also responsible for approving and monitoring financial and other reporting.

The board has delegated responsibility for operation and administration of the company to the managing director.

Board processes

To assist in the execution of its responsibilities, the board has established a Remuneration Committee and a Board Audit, Risk and Compliance Committee. These committees have written mandates and operating procedures, which are reviewed on a regular basis. The board has also established a framework for the management of the group, including a system of internal control, a business risk management process and the establishment of appropriate ethical standards.

The full board currently holds ten scheduled meetings each year, plus strategy meetings and any extraordinary meetings at such other times as may be necessary to address any specific significant matters that may arise.

The agenda for meetings is prepared in conjunction with the chairman, managing director and company secretary. Standing items include the managing director's report, occupational health and safety report, financial reports, strategic matters, governance and compliance. Submissions are circulated in advance. Executives are regularly involved in board discussions, and directors have other opportunities, including visits to business operations, for contact with a wider group of employees.

Director and executive education

The group has a process to educate new directors about the nature of the business, current issues, the corporate strategy and the expectations of the group concerning performance of directors. Directors also have the opportunity to visit group facilities and meet with management to gain a better understanding of business operations. Directors are given access to continuing education opportunities to update and enhance their skills and knowledge.

The group also has a process to educate new executives upon taking such positions. This process includes reviewing the group's structure, strategy, operations, financial position and risk management policies. It also familiarises the individual with the respective rights, duties, responsibilities and roles of the individual and the board.

Independent professional advice and access to company information

Each director has the right of access to all relevant company information and to the company's executives and, subject to prior consultation with the chairman, may seek independent professional advice from a suitably qualified adviser at the group's expense. The director must consult with an adviser suitably qualified in the relevant field. A copy of the advice received by the director is made available to all other members of the board.

Composition of the board

The composition of the board is determined using the following principles:

- a broad range of expertise both nationally and internationally;
- a majority of non-executive directors;
- directors having extensive knowledge of the group's industries and/or extensive expertise in significant aspects of financial management or general management;
- a non-executive director as chairman;
- enough directors to serve on various committees without overburdening the directors or making it difficult for them to fully discharge their responsibilities; and
- at each annual general meeting, one-third of the directors and any other director who has held office for three years or more since last being elected must stand for re-election (except for the managing director).

The board's policy is to seek a diverse range of directors who have a range of ages and genders which mirrors the environment in which the group operates.

An independent director is a director who is not a member of management (a non-executive director) and who:

- holds less than five percent of the voting shares of the company and is not an officer of, or otherwise associated, directly or indirectly, with a shareholder of more than five percent of the voting shares of the company;
- has not within the last three years been employed in an executive capacity by the company or another group member, or been a director after ceasing to hold any such employment;
- within the last three years has not been a principal or employee of a material professional adviser or a material consultant to the company or another group member;
- is not a material supplier or customer of the company or another group member, or an officer of or otherwise associated, directly or indirectly, with a material supplier or customer;
- has no material contractual relationship with the company or another group member other than as a director of the company; and
- is free from any interest and any business or other relationship that could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the company.

The board is regularly addressing succession in order to ensure that its composition going forward is appropriate.

Nomination Committee

The ASX Corporate Governance Council's "Principles of Good Corporate Governance and Best Practice Recommendations" recommend the establishment of a nomination committee. The role of nomination of proposed directors is conducted by the full board.

CORPORATE GOVERNANCE STATEMENT (continued)

Remuneration report – audited

Remuneration Committee

The Remuneration Committee reviews and makes recommendations to the board on remuneration packages and policies applicable to the managing director, senior executives and directors themselves. It is also responsible for share schemes, incentive performance packages, superannuation entitlements, retirement and termination entitlements and fringe benefits policies.

The members of the Remuneration Committee during the year were:

- Mr D J Simmons (Chairman) Independent Non-Executive Director
- Dr G D Klingner Independent Non-Executive Director
- Lt-Gen P F Leahy Independent Non-Executive Director

The managing director is invited to Remuneration Committee meetings, as required, to discuss executives' performance and remuneration packages

Principles of remuneration

Key management personnel comprise the directors and executives of the group. Key management personnel have authority and responsibility for planning, directing and controlling the activities of the group.

Remuneration levels are competitively set to attract and retain appropriately qualified and experienced executives. The Remuneration Committee may obtain independent advice on the appropriateness of remuneration packages, given trends in comparative companies both locally and internationally. Remuneration packages can include a mix of fixed remuneration and performance-based remuneration.

The remuneration structures explained below are designed to attract suitably qualified candidates, and to effect the broader outcome of increasing the group's net profit. The remuneration structures take into account:

- the overall level of remuneration for each director and executive;
- the executive's ability to control the relevant segment's performance; and
- the amount of incentives within each key management person's remuneration.

Certain executives may receive incentive payments based on the achievement of performance hurdles. The performance hurdles relate to measures of profitability. The bonus payable to certain executives may relate to the qualitative performance of the executive against objectives agreed as part of the budget and strategic planning processes. The potential incentive payable to certain executives is based on up to 60% of the executives' fixed salary inclusive of superannuation, but can exceed this level if performance hurdles are exceeded.

These performance conditions have been established to encourage the profitable growth of the group. The board considered that for the year ended 30 June 2013 the above performance-linked remuneration structure was appropriate.

Total remuneration for all non-executive directors, last voted upon by shareholders at the 2010 AGM, is not to exceed $850,000 per annum. Non-executive directors do not receive any performance-related remuneration nor are they issued options on securities. Directors' fees cover all main board activities and membership of committees.

Service contracts

It is the group's policy that service contracts for key management personnel are unlimited in term but capable of termination on one to six months' notice, and that the group retains the right to terminate the contract immediately by making payment in lieu of notice. The group has entered into a service contract with each key management person.

The key management personnel are also entitled to receive on termination of employment their statutory entitlements of accrued annual and long service leave, as well as any entitlement to incentive payments and superannuation benefits.

Performance rights

At the 2004 AGM, shareholders approved the establishment of a Performance Rights Plan (Plan). The Plan is designed to provide nominated executives with an incentive to maximise the return to shareholders over the long term, and to assist in the attraction and retention of key executives.

The number of performance rights issued represents 40% of the nominated executives' fixed pay divided by the volume weighted average of the company's share price in the five days after the release of the group's annual results.

Details of performance rights granted to executives during the year are as follows:

	Number of performance rights granted during year	Grant date	Fair value per right at grant date (cents)	Exercise price per right (cents)	Expiry date	Number of rights vested during year
DIRECTORS						
Mr D S McGurk	139,981	5 November 2012	177.4	-	30 June 2016	-
EXECUTIVES						
Mr M Barton	66,211	5 November 2012	177.4	-	30 June 2016	-
Mr P D Charlesworth	90,988	5 November 2012	177.4	-	30 June 2016	-
Mr K J Kane	72,790	5 November 2012	177.4	-	30 June 2016	-

Details of vesting profiles of performance rights granted to executives are detailed below:

	Performance rights granted Number	Performance rights granted Date	Percentage vested in year	Percentage forfeited in year	Financial years in which shares will be issued if vesting achieved
DIRECTORS					
Mr D S McGurk	132,850	23 October 2009	100%	-	2013
	136,733	14 December 2010	-	100%	n/a
	161,551	7 November 2011	-	-	2015
	139,981	5 November 2012	-	-	2016
EXECUTIVES					
Mr M Barton	64,675	14 December 2010	-	100%	n/a
	76,414	7 November 2011	-	-	2015
	66,211	5 November 2012	-	-	2016
Mr P D Charlesworth	132,850	23 October 2009	100%	-	2013
	88,877	14 December 2010	-	100%	n/a
	105,008	7 November 2011	-	-	2015
	90,988	5 November 2012	-	-	2016
Mr K J Kane	84,006	7 November 2011	-	100%	n/a
	72,790	5 November 2012	-	100%	n/a

The performance rights granted on 5 November 2012 become exercisable if certain performance requirements are achieved. The performance requirements are based on growth of the group's earnings per share over a three-year period using the group's earnings per share for the year ended 30 June 2012 as the base. For the maximum available number of performance rights to vest, the group's earnings per share must increase in aggregate by at least 15% per annum over the three-year period from the base earnings per share. The threshold level of the group's earnings per share before vesting is an increase in aggregate of 10% per annum over the three-year period from the base earnings per share. A pro-rata vesting will occur between the 10% and 15% levels of earnings per share for the three-year period.

If achieved, performance rights are exercisable into the same number of ordinary shares in the company.

In relation to the performance rights granted on 23 October 2009, the performance requirements were based on cumulative annual compounding growth of the group's earnings per share over a three-year performance period, with a maximum earnings per share target of 29.551 cents per share. As the maximum earnings per share target was exceeded, on 6 August 2012 the board determined that the performance rights would immediately become qualifying performance rights, exercisable at any time during the 12 months ended 6 August 2013. All of the rights were exercised, and shares were issued on 22 August 2012.

The performance rights granted on 14 December 2010 lapsed on 30 June 2013, as the three-year aggregate performance target was not reached.

Mr Kane's performance rights lapsed on 29 March 2013 upon his separation from the company.

CORPORATE GOVERNANCE STATEMENT (continued)

Remuneration report - audited (continued)

Directors' and senior executives' remuneration

Details of the nature and amount of each major element of the remuneration paid or payable to each director of the company and other key management personnel of the group are:

Directors	Year	Salary & fees	Short-term incentives	Other short term	Post-employment and superannuation contributions
NON-EXECUTIVE		$	$	$	$
Dr G D Klingner	**2013**	**172,562**	**-**	**-**	**15,531**
	2012	165,000	-	-	14,850
Mr P R Griffiths	**2013**	**102,596**	**-**	**-**	**-**
	2012	94,050	-	-	4,050
Mr D J Klingberg	**2013**	**86,281**	**-**	**-**	**7,766**
	2012	82,500	-	-	7,425
Mr D J Simmons	**2013**	**91,510**	**-**	**-**	**8,236**
	2012	87,500	-	-	7,875
Lt-Gen P F Leahy	**2013**	**86,281**	**-**	**-**	**7,766**
	2012	82,500	-	-	7,425
Mr S W Davies	**2013**	**86,281**	**-**	**-**	**7,766**
	2012	82,500	-	-	7,425
Mrs C S Namblard	**2013**	**86,281**	**-**	**-**	**7,766**
	2012	75,625	-	-	6,806
Total non-executives' remuneration	**2013**	**711,792**	**-**	**-**	**54,831**
	2012	669,675	-	-	55,856
EXECUTIVE		$	$	$	$
Mr D S McGurk	**2013**	**488,644**	**469,401**	**-**	**16,470**
	2012	489,173	334,910	-	20,000
Total directors' remuneration	**2013**	**1,200,436**	**469,401**	**-**	**71,301**
	2012	1,158,848	334,910	-	75,856

Other long term	Termination benefits	Performance rights	Total	Proportion of remuneration performance related	Value of performance rights as proportion of remuneration
$	$	$	$	%	%
-	**-**	**-**	**188,093**	**-**	**-**
-	-	-	179,850	-	-
-	**-**	**-**	**102,596**	**-**	**-**
-	-	-	98,100	-	-
-	**-**	**-**	**94,047**	**-**	**-**
-	-	-	89,925	-	-
-	**-**	**-**	**99,746**	**-**	**-**
-	-	-	95,375	-	-
-	**-**	**-**	**94,047**	**-**	**-**
-	-	-	89,925	-	-
-	**-**	**-**	**94,047**	**-**	**-**
-	-	-	89,925	-	-
-	**-**	**-**	**94,047**	**-**	**-**
-	-	-	82,431	-	-
-	**-**	**-**	**766,623**	**-**	**-**
-	-	-	725,531	-	-
$	$	$	$	%	%
17,635	**-**	**96,864**	**1,089,014**	**52.0**	**8.9**
12,211	-	87,151	943,445	44.7	9.2
17,635	**-**	**96,864**	**1,855,637**	**-**	**-**
12,211	-	87,151	1,668,976	-	-

Mrs Namblard was appointed as a director on 1 August 2011.

CORPORATE GOVERNANCE STATEMENT (continued)

Remuneration report – audited (continued)

Directors' and senior executives' remuneration (continued)

Executive Officers	Year	Salary & fees	Short-term incentives	Other short term	Post-employment and superannuation contributions
		$	$	$	$
Mr M Barton (Chief Financial Officer and Company Secretary)	**2013**	**228,038**	**222,026**	**-**	**20,332**
	2012	219,013	158,412	-	19,437
Mr P D Charlesworth (Executive General Manager, Minelab)	**2013**	**331,745**	**378,788**	**-**	**16,470**
	2012	317,516	238,150	-	15,200
Mr K J Kane (President and Executive General Manager, Radio Communications)	**2013**	**208,046**	**-**	**100,606**	**-**
	2012	264,579	147,965	51,783	-
Mr P McCarter (Executive General Manager, Codan Radio Communications)	**2013**	**96,713**	**-**	**-**	**-**
Total executive officers' remuneration	**2013**	**864,542**	**600,814**	**100,606**	**36,802**
	2012	801,108	544,527	51,783	34,637

Other long term	Termination benefits	Performance rights	Total	Proportion of remuneration performance related	Value of performance rights as proportion of remuneration
$	$	$	$	%	%
7,908	**-**	**45,817**	**524,121**	**51.1**	**8.7**
5,626	-	41,222	443,710	45.0	9.3
11,721	**-**	**62,962**	**801,686**	**55.1**	**7.9**
9,258	-	56,648	636,772	46.3	8.9
(9,466)	**295,210**	**(26,272)**	**568,124**	**(4.6)**	**(4.6)**
5,585	-	26,272	496,184	35.1	5.3
-	**-**	**-**	**96,713**	**-**	**-**
10,163	**295,210**	**82,507**	**1,990,644**	**-**	**-**
20,469	-	124,142	1,576,666	-	-

Mr Kane ceased employment with Codan on 29 March 2013. Costs associated with the relocation of Mr Kane and his family back to the USA, his contracted notice period and an appropriate share of entitlements are included in termination benefits. Mr McCarter was appointed to the position of Executive General Manager, Codan Radio Communications on 3 June 2013.

Short-term incentives which vested during the year are as follows: Mr D S McGurk 100%, Mr M Barton 100% and Mr P D Charlesworth 100%.

The remuneration amounts disclosed above have been calculated based on the expense to the company for the financial year, therefore items such as annual leave and long service leave, taken and provided for, have been considered. As a result the remuneration disclosed may not equal the salary package as agreed with the executive in any one year.

Other than performance rights, no options or shares were issued during the year as compensation for any key management personnel.

CORPORATE GOVERNANCE STATEMENT (continued)

Remuneration report – audited (continued)

Corporate Performance

As required by the Corporations Act 2001 the following information is presented:

	2013	2012	2011	2010	2009
	$	$	$	$	$
Net profit after tax	45,416,716	23,146,736	21,792,328	14,394,218	12,006,000
Dividends paid	20,343,012	14,773,138	13,952,408	11,490,222	10,532,955
Share price at 30 June	1.52	1.40	1.20	1.46	0.64
Change in share price at 30 June	0.12	0.20	(0.26)	0.82	0.04

Board Audit, Risk and Compliance Committee

The Board Audit, Risk and Compliance Committee has a documented charter, approved by the board. All members must be non-executive directors. The chairman may not be the chairman of the board. The committee advises on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the group.

The members of the Board Audit, Risk and Compliance Committee during the year were:

- Mr P R Griffiths (Chairman)
  Independent Non-Executive Director
- Mr D J Klingberg
  Independent Non-Executive Director
- Mrs C S Namblard
  Independent Non-Executive Director

The external auditors, the managing director and the chief financial officer are invited to Board Audit, Risk and Compliance Committee meetings at the discretion of the committee.

The responsibilities of the Board, Audit, Risk and Compliance Committee include reporting to the board on:

- reviewing the annual and half-year financial reports and other financial information distributed externally. This includes approving new accounting policies to ensure compliance with Australian Accounting Standards and generally accepted accounting principles, and assessing whether the financial information is adequate for shareholder needs;
- assessing management processes supporting external reporting;
- assessing corporate risk assessment processes;
- assessing and establishing an appropriate internal audit function;
- establishing procedures for selecting, appointing and, if necessary, removing the external auditor;
- assessing whether non-audit services provided by the external auditor are consistent with maintaining the external auditor's independence; the external auditor provides an annual independence declaration in relation to the audit;
- assessing the adequacy of the internal control framework and the company's code of ethical standards;
- monitoring the procedures to ensure compliance with the Corporations Act 2001 and the ASX Listing Rules and all other regulatory requirements; and
- addressing any matters outstanding with auditors, Australian Taxation Office, Australian Securities and Investments Commission, ASX and financial institutions.

The Board Audit, Risk and Compliance Committee reviews the performance of the external auditors on an annual basis and meets with them during the year to:

- discuss the external audit plan, identifying any significant changes in structure, operations, internal controls or accounting policies likely to affect the financial statements, and to review the fees proposed for the audit work to be performed;
- review the half-year and preliminary final report prior to lodgement with the ASX, and any significant adjustments required as a result of the auditor's findings, and to recommend board approval of these documents prior to announcement of results;
- review the results and findings of the auditor, the adequacy of accounting and financial controls, and monitor the implementation of any recommendations made; and
- as required, organise, review and report on any special reviews or investigations deemed necessary by the board.

Risk Management

Material business risks arise from such matters as actions by competitors, government policy changes, the impact of exchange rate movements on the price of raw materials and sales, difficulties in sourcing raw materials, environment, occupational health and safety, property, product quality, interruptions to production, changes in international quality standards, financial reporting and the purchase, development and use of information systems.

Oversight of the risk management system

The board has in place a number of arrangements and internal controls intended to identify and manage areas of significant business risk. These include the establishment of committees, regular budget, financial and management reporting, established organisational structures, procedures, manuals and policies, external financial and safety audits, insurance programs and the retention of specialised staff and external advisers.

The Board Audit, Risk and Compliance Committee considers risk management in order to ensure risks are identified, assessed and appropriately managed. The committee reports to the board on these matters on an ongoing basis.

Risk management and compliance and control

The group strives to ensure that its products are of the highest standard. Towards this aim it has certification to AS/NZS ISO 9001.

The board is responsible for the overall internal control framework, but recognises that no cost-effective internal control system will preclude all errors and irregularities. Comprehensive practices have been established to ensure:

- capital expenditure and revenue commitments above a certain size obtain prior board approval;
- financial exposures are controlled, including the use of derivatives;
- occupational health and safety standards and management systems are monitored and reviewed to achieve high standards of performance and compliance with regulations;
- business transactions are properly authorised and executed;
- the quality and integrity of personnel;
- financial reporting accuracy and compliance with the financial reporting regulatory framework; and
- environmental regulation compliance.

Quality and integrity of personnel

Appraisals are conducted at least annually for all senior employees. Training and development and appropriate remuneration and incentives with regular performance reviews create an environment of co-operation and constructive dialogue with employees and senior management.

Financial reporting

The managing director and the chief financial officer have provided assurance in writing to the board that the company's financial reports are founded on a sound system of internal compliance and control and risk management practices which implements the policies adopted by the board. This declaration includes stating that the financial reports present a true and fair view, in all material respects, of the company's financial condition and operational results and are in accordance with relevant accounting standards. This statement is required annually.

Monthly actual results are reported against budgets approved by the directors, and revised forecasts for the year are prepared regularly.

Environmental regulation

The group's operations are not subject to significant environmental regulation under either Commonwealth or State legislation. However, the board believes that the group has adequate systems in place for the management of its environmental requirements, and is not aware of any breach of those environmental requirements as they apply to the group.

Internal audit

The Board Audit, Risk and Compliance Committee is responsible for determining the need for an internal audit function for the group. The committee has implemented an internal audit function whereby internal control reviews are completed on the high risk areas of the business as identified on the company's risk register.

Assessment of effectiveness of risk management

The managing director and the chief financial officer have declared, in writing to the board, that the financial reporting risk management and associated compliance and controls have been assessed and found to be operating efficiently and effectively. Operational and other compliance risk management processes have also been assessed and found to be operating efficiently and effectively. All risk assessments covered the whole financial year and the period up to the signing of the annual financial report for all material operations in the group.

CORPORATE GOVERNANCE STATEMENT (continued)

Ethical standards

All directors, managers and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the group. Every employee has a nominated supervisor to whom they may refer any issues arising from their employment. The company continues to review and confirm its processes for seeking to ensure that it does not trade with parties proscribed due to illegal or undesirable activities.

Conflict of interest

Directors must keep the board advised, on an ongoing basis, of any interest that could potentially conflict with those of the company. The board has developed procedures to assist directors to disclose potential conflicts of interest.

Where the board believes that a significant conflict exists for a director on a board matter, the director concerned does not receive the relevant board papers and is not present at the meeting whilst the item is considered.

Code of conduct

The group has advised each director, manager and employee that they must comply with the entity's code of conduct. The code of conduct covers the following:

- aligning the behaviour of the board and management with the code of conduct by maintaining appropriate core company values and objectives;
- fulfilling responsibilities to shareholders by delivering shareholder value;
- fulfilling responsibilities to clients, customers and consumers by maintaining high standards of professionalism, product quality and service;
- acting at all times with fairness, honesty, consistency and integrity;
- employment practices such as occupational health and safety and anti-discrimination;
- responsibilities to the community, such as environmental protection;
- responsibilities to the individual in respect of the use of confidential information;
- compliance with legislation including compliance in countries where the legal systems and protocols are significantly different from Australia's;
- conflicts of interest;
- responsible and proper use of company property and funds; and
- reporting of unlawful behaviour.

Trading in general company securities by directors and employees

The key elements of the company's Share Trading Policy are:

- identification of those restricted from trading – directors, officers, executives and senior managers may acquire shares in the company, but are prohibited from dealing in company shares:
  - between 1 January and the close of trading on the next ASX trading day after the half-year results are released to the ASX:
  - between 1 July and the close of trading on the next ASX trading day after the full-year results are released to the ASX;
  - during any additional blackout periods imposed by the board from time to time; or
  - whilst in possession of price-sensitive information not yet released to the market;
- an additional approval process for directors, officers and executives;
- raising the awareness of legal prohibitions in respect of insider trading;
- prohibiting short-term or speculative trading in the company's shares; and
- identification of processes for unusual circumstances where discretion may be exercised in cases such as financial hardship.

The policy also details the insider trading provisions of the Corporations Act 2001 and is reproduced in full on the company's website and in the announcements provided to the ASX.

Communication with shareholders

The board provides shareholders with information in accordance with Continuous Disclosure requirements, which include identifying matters that may have a material effect on the price of the company's securities, notifying them to the ASX, posting them on the company's website and issuing media releases.

In summary, the Continuous Disclosure policy operates as follows:

- the managing director and the chief financial officer and company secretary are responsible for interpreting the company's policy and where necessary informing the board. The chief financial officer and company secretary is responsible for all communications with the ASX. Reportable matters are promptly advised to the ASX;
- the annual report is provided via the company's website and distributed to all shareholders who request a copy. It includes relevant information about the operations of the group during the year, changes in the state of affairs and details of future developments;
- the half-yearly report contains summarised financial information and a review of the operations of the group during the period. The half-year reviewed financial report is lodged with the ASX, and sent to any shareholder who requests it;
- all announcements made to the market, and related information (including information provided to analysts or the media during briefings), are placed on the company's website after they are released to the ASX; and
- the full texts of notices of meetings and associated explanatory material are placed on the company's website.

All of the above information, including that of the previous years, is made available on the company's website.

The board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the group's strategy and goals. The external auditor is requested to attend the annual general meetings to answer any questions concerning the audit and the content of the auditor's report.

The shareholders are requested to vote on the appointment and aggregate remuneration of directors, the granting of performance rights to directors and changes to the Constitution. A copy of the Constitution is available to any shareholder who requests it.

Diversity

The board is strongly committed to the principles of diversity and to promoting a culture that supports the development of a diverse mix of employees throughout all levels of the organisation. It is considered that this will ensure the achievement of an appropriate blend of diversity at board, executive and senior management levels within the group.

The board has established a group Diversity and Equity Policy, which is available on the company's website.

The key elements of the policy include:

- ensuring all positions are filled by the best candidates with no discrimination by way of gender, age, ethnicity and cultural background; and
- annual assessment by the board of board gender diversity objectives and performance against objectives.

The group's performance against the Diversity and Equity Policy objectives is as follows:

	30 June 2013		30 June 2012	
Gender Representation	**Female (%)**	**Male (%)**	**Female (%)**	**Male (%)**
Board representation	14%	86%	14%	86%
Executive & senior management representation	18%	82%	17%	83%
Group representation	26%	74%	30%	70%
Group graduate program	0%	100%	0%	100%

The board has the following initiatives in place to progress the objectives of its Diversity and Equity Policy:

- qualified candidates considered for any new board, executive or senior management positions will include both genders;
- a target of at least 30% female candidates interviewed for all salaried positions in the group;
- an equal balance of genders in the Group Graduate Program; and
- the provision of an Accelerated Leadership Development Program for identified female employees and senior managers.

The objective of achieving an equal balance of genders in the Group Graduate Program was not achieved in the current year as, of the 45 applicants for the position, only one was female.

The board will report on progress in achieving its objectives on an annual basis.

DIRECTORS' REPORT

Codan Limited and its Controlled Entities

OPERATING AND FINANCIAL REVIEW

Codan is a group of electronics-based businesses that capitalise on their fundamental design and manufacturing skills to provide best-in-class electronics solutions to global markets. Codan employs approximately 450 people, located in Australia, USA, UK, Ireland, Canada, China and United Arab Emirates, and has a network of dealerships across the world.

Our marketing reach embraces over 150 countries and our customers include gold prospectors, metal detection hobbyists, aid agencies, miners, businesses and governments, including public safety, military and security organisations. We work closely with our customers to seek innovative ways to solve their problems and add value to their operations.

FY13 highlights

- Highest reported profit of $45.4 million
- Earnings per share of 25.8 cents
- Annual dividend increased to 13 cents
- Strong growth of metal detector sales into new markets
- Major new product release in Radio Communications
- Strategic acquisition of land mobile radio business
- Delivery of key mining technology reference sites by Minetec
- Inclusion in the ASX 300 index

The board of Codan Limited has announced a net profit after tax of $45.4 million for the year ended 30 June 2013 compared to the prior year of $23.1 million, an increase of 97% over FY12 and an increase of 46% over the previous highest underlying profit recorded by the company.

Dividend

The company announced a final dividend of 7 cents per share, fully franked, bringing the full year dividend to 13 cents compared to 9.5 cents for FY12, an increase of 37%. The dividend has a record date of 13 September 2013 and will be paid on 1 October 2013.

Codan has a long history of delivering a sustainable and progressive fully franked dividend payment to shareholders. Since the company listed in November 2003, the company's yearly dividend has increased from 5.5 cents per share to 13.0 cents per share for the year ended 30 June 2013.

The board's objective is to pay a dividend that is considered sustainable and that has a payout ratio of at least 50%.

Financial Performance

The record revenue and profitability of the company in FY13 has been driven by the spike in growth of metal detector sales into the small-scale gold mining fields of Africa. Profitability margins have increased over the prior year as the sale of Minelab's highly valued metal detectors represents a greater proportion of sales. The company also continues to leverage its continuous improvement culture to reduce manufacturing costs.

The increase over the prior year in Engineering and Sales and Marketing expense has been partly driven by the acquisition of Minetec in January 2012 and Daniels in August 2012. However, investing in the business is the foundation of our growth strategy and we continue to invest at record levels in the development of the next wave of our technologies. Sales and marketing expenses have increased as a result of the higher business activity over the year and as we continue to invest in broadening the markets and customer base that we serve.

Net borrowings increased over the year by $9 million to $25 million, which compares to the company's total available bank facilities of $85 million. The increase in net borrowings was the result of a higher investment in inventory and the acquisition of Daniels Electronics.

Our metal detection inventory levels at the end of the prior year were critically low resulting in product shortages and delivery delays to our customers so there has been an investment in gold detector inventory. This has allowed the company to move to a sea freight distribution model, with significant freight savings, and to ensure that we are well positioned to supply product during periods of peak demand.

The acquisition of Canadian based company, Daniels Electronics Limited, a leading designer, manufacturer and supplier of land mobile radio communications solutions, was completed in August 2013. The $24 million acquisition was partly funded from a successful capital raising of $17 million.

The company has commenced the redevelopment of its engineering facility and corporate head office at Newton, South Australia. This $10 million dollar investment in FY14 is a statement of the company's commitment to advanced manufacturing and the desire to attract the best people to the business.

Codan remains committed to maintaining a significant advanced manufacturing centre of excellence in Adelaide. In recent years, increased investment has been made in engineering, product design, business development and marketing, where employee numbers have grown from approximately 160 to 190 during the past 12 months.

In order to remain globally competitive, Codan must continually seek opportunities to increase the productivity and flexibility of its operations. As the company strives to become even more competitive, outsourcing of more high-volume, low-complexity products to our manufacturing partner in Malaysia has become necessary. This is expected to deliver savings of at least $2 million per annum from our Australian and Canadian operations. Our Adelaide facility remains an essential part of our overall manufacturing strategy by providing a world-class environment for new product development, low-volume, high-complexity production and manufacturing of security and military products.

	FY13		FY12	
	$m	% of sales	$m	% of sales
REVENUE				
Communications	**58.0**	**24%**	66.4	37%
Metal detection	**166.3**	**68%**	98.6	55%
Mining technology	**14.5**	**6%**	9.3	5%
Other	**5.5**	**2%**	5.1	3%
Total Revenue	**244.3**	**100%**	179.4	100%
UNDERLYING BUSINESS PERFORMANCE				
EBITDA	**76.3**	**31%**	51.7	29%
EBIT	**64.7**	**26%**	43.2	24%
Interest	**(1.7)**		(3.4)	
Net profit before tax	**63.0**	**26%**	39.8	22%
Underlying net profit after tax	**45.4**	**19%**	27.9	16%
Non-recurring income/(expenses) after tax:*			(4.8)	
Net profit after tax	**45.4**		23.1	
Underlying earnings per share, fully diluted	**25.8 cents**		17.0 cents	
Dividend per share	**13.0 cents**		9.5 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. For the year ended 30 June 2013, the net impact of non-recurring items on the profits of the company were immaterial. Non-recurring items in the prior year related to the disposal of a discontinued operation and acquisition costs; refer to the 2012 Annual Report for a full reconciliation.*

OPERATING AND FINANCIAL REVIEW (continued)

Financial Performance (continued)

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

Metal Detection

Over the past four years, Minelab has delivered excellent financial results, with FY13 being another record sales and profit year. While all areas of the Minelab business have grown over this period, it has been the sale of metal detectors into the small-scale gold mining markets of Africa that has dominated the results.

As reported by the board in June 2013, some of these markets have been impacted by civil unrest, which contributed to the lower sales level experienced in the last two months of FY13. There are also a number of other factors that influence the general level of demand for gold detectors in Africa.

The primary driver of demand for gold detection machines in Africa is the adoption of metal detection technology by small-scale gold miners and the success they have in finding gold. These small-scale gold miners have previously used primitive and environmentally damaging mining techniques to find gold. Minelab's world-leading metal detectors are revolutionising the way that gold is found by these miners.

Climate and religious events, such as Ramadan which currently occurs in July/August, also impact metal detector sales in Africa. From April to June, West Africa experiences its wet season and North East Africa experiences its hottest months, with average temperatures over 40 degrees. These extreme weather months impact the number of prospectors and therefore lead to lower demand for gold detectors over this period.

Another variable which may affect the number of detectors sold is the price of gold which, although not at its recent record high, still rewards prospectors well. Our analysis of Minelab's previous years' sales history shows little correlation between the number of gold detectors sold and the price of gold; however, it is clear that a high gold price is a positive factor for the business.

A number of key actions have been taken which we believe have significantly reduced the impact of gold machine counterfeits, including the use of security labels and SMS systems to give comfort to customers that they are buying a genuine Minelab metal detector.

During FY13, the operations of Minelab have been reorganised to increase the number of staff and resources that are dedicated to this small-scale gold mining market. With strong business development activities now occurring in a number of countries across Africa, Central and Latin America, and Asia, Minelab is well placed to continue with the medium-term development of this gold mining segment.

In addition to the sale of gold detectors into Africa, Minelab continues to sell metal detectors into the developed world economies of Australia, United States, Europe and Asia. This part of the Minelab business represents approximately one third of Minelab sales and has achieved strong and steady growth in recent years.

Minelab continues to invest in growing this consumer market, and excellent progress has been made with large retail chains across the globe to have them carry and promote our metal detectors to their customers.

Radio Communications

Our radio communications business had a tough year, with the troubled economic conditions being experienced throughout the world bringing about tightening of US budgets and delays to major programs in the US and across emerging world markets in Africa and Central Asia.

In response to the difficult conditions, the acquisition of Daniels Electronics is a critical first step to broaden our business beyond High Frequency (HF) radio and to enable Codan to participate in the global Land Mobile Radio (LMR) market space, which is significantly larger than the HF market. We will further diversify our radio communications business by adding new partners, products and technologies that leverage off our HF and LMR products. This will enable Codan to enter higher growth markets and act as a prime in certain LMR programs to become a more profitable and comprehensive supplier of communications solutions globally.

As a result of the integration of the two businesses, Radio Communications has generated supply chain efficiencies, reduced product costs and implemented a more effective organisational structure. The integrated product delivery represents a unique and differentiated product offering from Radio Communications.

There are a number of positives as we look forward to FY14. We have made significant progress in integrating the new LMR business and are now leveraging off our international distribution network, which is expected to result in an expansion of our sales into new international markets.

The recent renewal of our contracts with all of the major UN agencies has positioned us as the radio of choice for humanitarian operations and, given the current level of political instability in Africa, has seen this segment of our business grow during the past 12 months, partially offsetting the delays experienced with major project awards in our security and military markets.

Following its launch in June 2012, the new Envoy™ software-defined radio has received strong support from the humanitarian, security and public safety markets, after the delivery of products for acceptance testing. Sales continue to grow for Envoy™ as customers recognise the value proposition and its unique features. Work will be ongoing to entrench this best-in-class product in our markets as the new standard in HF. The Envoy™ will also receive a range of enhanced software features and capabilities during the next 12 months as we continue to get out in front of and drive customer expectations.

Codan has developed a very strong brand name and a reputation for product excellence in its established markets worldwide, and we will seek to capitalise on these attributes as we develop a strong foundation for medium to long-term growth in our Radio Communications business.

Mining Technology

Minetec supplies industry-leading communications systems to the mining industry, aimed at improving mine productivity and safety. Minetec's innovative product solutions provide an ideal platform to enter this market and grow future revenues.

The Minetec business continues to transition from the development of "game-changing" communications-based technologies that improve mine productivity and safety, to installing the technology in a number of blue-chip mine reference sites. More work is still required for the mining industry to recognise the safety and productivity improvements delivered by these solutions.

After a slower start than we had originally anticipated, Minetec is well positioned to deliver its best-in-class solutions to blue-chip mining companies to improve their performance.

Outlook

The Minelab business remains strong, although the previous record level of gold detector sales into the African market is being temporarily depressed by a number of external factors. The key fundamentals of our metal detection business are stronger than ever as we continue to develop and expand our markets across the world.

Radio Communications has broadened its business through the acquisition of Daniels Electronics and will further diversify by adding new partners, products and technologies that leverage the existing business and position it to move into higher growth markets. Like our efforts with Minetec, the benefits of our actions will develop over the medium to longer term.

Our sales can sometimes be volatile, particularly as gold discoveries can occur at any time and anywhere, and communications projects can often have long lead times. In FY12, our second half was significantly stronger than the first and we carried that momentum into FY13, resulting in sales and profits much higher than previous levels. While sales and profits were lower in the second half of FY13, particularly late in the year, we still delivered the second best half-year result in Codan's history.

We enter FY14 without the record level of sales momentum of gold detectors, and therefore we expect to return to profit levels more consistent with the first half of both FY11 and FY12, with net profit in the range of $10 million to $12 million. While we remain confident of delivering another good result in FY14, it's still early in the year and therefore we plan to provide a further business update at the company's annual general meeting in October 2013.

We continue to pursue opportunities to broaden and further diversify the business through the development of internal technologies, product development and identification of adjacent products and markets. We seek acquisitions that look for the gaps in technology and know-how that will open opportunity for the future and create value for shareholders over the medium to long term.

DIRECTORS' REPORT

Codan Limited and its Controlled Entities

DIVIDENDS

Dividends paid or declared by the company to members since the end of the previous financial year were:

	Cents per share	Total amount $000	Franked	Date of payment
DECLARED AND PAID DURING THE YEAR ENDED 30 JUNE 2013:				
Final 2012 ordinary	5.5	9,727	100%	2 October 2012
Interim 2013 ordinary	6.0	10,616	100%	2 April 2013
DECLARED AFTER THE END OF THE YEAR:				
Final 2013 ordinary	7.0	12,385	100%	1 October 2013

All dividends paid or declared by the company since the end of the previous financial year were fully franked.

EVENTS SUBSEQUENT TO REPORTING DATE

There has not arisen in the interval between the end of the financial year 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.

LIKELY DEVELOPMENTS

The group will continue with its strategy of continuing to invest in new product development, to seek opportunities to further strengthen profitability by expanding into related businesses offering complementary products and technologies, and to identify acquisition opportunities that fit our strategy of further diversification.

Further information about likely developments in the operations of the group and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the group.

DIRECTORS' INTERESTS

The relevant interest of each director in the shares issued by the company as notified by the directors to the Australian Securities Exchange in accordance with S205G(1) of the Corporations Act 2001, at the date of this report is as follows:

	Ordinary shares
Dr G D Klingner	**534,983**
Mr D S McGurk	**312,517**
Mr P R Griffiths	**199,416**
Mr D J Klingberg	**120,908**
Mr D J Simmons	-
Lt-Gen P F Leahy	**57,708**
Mr S W Davies	**12,420**
Mrs C S Namblard	-

INDEMNIFICATION AND INSURANCE OF OFFICERS

Indemnification

The company has agreed to indemnify the current and former directors and secretaries of the company and certain controlled entities against all liabilities to another person (other than the company or a related body corporate) that may arise from their position as directors and secretaries of the company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith. The Deed of Access, Indemnity and Insurance stipulates that the company and certain controlled entities will meet the full amount of any such liabilities, including costs and expenses.

Insurance premiums

The directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors' and officers' liability and legal expenses insurance contracts, as such disclosure is prohibited under the terms of the contract.

NON-AUDIT SERVICES

During the year KPMG, the company's auditor, has performed certain other services in addition to their statutory duties.

The board has considered the non-audit services provided during the year by the auditor and is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the company and have been reviewed by the Board Audit, Risk and Compliance Committee to ensure that they do not have an impact on the integrity and objectivity of the auditor; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as an advocate for the company or jointly sharing risks and rewards.

Refer page 51 for a copy of the auditor's independence declaration as required under Section 307C of the Corporations Act.

Details of the amounts paid or payable to the auditor of the company, KPMG, and its related practices for audit and non-audit services provided during the year are as follows:

	Consolidated 2013 $	Consolidated 2012 $
STATUTORY AUDIT		
Audit and review of financial reports (KPMG Australia)	**242,450**	181,300
Audit of financial reports (overseas KPMG firms)	**37,091**	33,581
	279,541	214,881
SERVICES OTHER THAN STATUTORY AUDIT		
Other assurance services		
Due diligence and corporate finance services	**312,503**	272,239
Other	**12,000**	38,229
Other services		
Taxation compliance services (KPMG Australia)	**268,215**	144,799
Taxation compliance services (overseas KPMG firms)	**346,519**	100,807
	939,237	556,074

DIRECTORS' REPORT

Codan Limited and its Controlled Entities

ROUNDING OFF

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

This report is made with a resolution of the directors:

Dr G D Klingner
Director

D S McGurk
Director

Dated at Newton this
21st day of August 2013.

LEAD AUDITOR'S INDEPENDENCE DECLARATION

FOR THE YEAR ENDED 30 JUNE 2013

Codan Limited and its Controlled Entities

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 audit for the financial year ended 30 June 2013 there have been:

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

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

KPMG

KPMG

N T Faulkner
Partner

Adelaide

21 August 2013

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2013

Codan Limited and its Controlled Entities

	Note	Consolidated 2013 $000	Consolidated 2012 $000
CONTINUING OPERATIONS			
Revenue	3	**233,836**	160,732
Cost of sales		**(90,722)**	(63,301)
Gross profit		**143,114**	97,431
Administrative expenses		**(19,116)**	(15,032)
Sales and marketing expenses		**(42,029)**	(29,986)
Engineering expenses		**(15,741)**	(8,117)
Net financing costs	6	**(1,941)**	(3,236)
Other (expenses) / income	7	**(766)**	459
Profit before tax		**63,521**	41,519
Income tax expense	9	**(17,749)**	(12,346)
Profit from continuing operations		**45,772**	29,173
DISCONTINUED OPERATION			
Satellite communications operating results, net of income tax	4	**(355)**	(6,027)
Profit for the period		**45,417**	23,146
Earnings per share for profit attributable to the ordinary equity holders of the company:			
Basic earnings per share	29	**25.9 cents**	14.1 cents
Diluted earnings per share	29	**25.8 cents**	14.0 cents
Earnings per share from continuing operations:			
Basic earnings per share	29	**26.1 cents**	17.8 cents
Diluted earnings per share	29	**26.0 cents**	17.7 cents

The consolidated income statement is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 57 to 102.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2013

Codan Limited and its Controlled Entities

		Consolidated	
	Note	2013 $000	2012 $000
Profit for the period		**45,417**	23,146
Items that may be reclassified subsequently to profit or loss			
Changes in fair value of cash flow hedges		**(2,087)**	(150)
less tax effect		**626**	45
Changes in fair value of cash flow hedges, net of income tax	21	**(1,461)**	(105)
Exchange differences on translation of foreign operations	21	**3,697**	(413)
Recognised through sale of discontinued operation	21	**979**	(555)
Other comprehensive income for the period, net of income tax		**3,215**	(1,073)
Total comprehensive income for the period		**48,632**	22,073

The consolidated statement of comprehensive income is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 57 to 102.

CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2013

Codan Limited and its Controlled Entities

	Note	Consolidated 2013 $000	Consolidated 2012 $000
CURRENT ASSETS			
Cash and cash equivalents	10	**8,638**	23,081
Trade and other receivables	11	**21,137**	22,785
Inventory	12	**43,336**	11,979
Current tax assets	9	**226**	75
Equipment held for sale		**-**	1,747
Other assets	13	**2,244**	2,206
Total current assets		**75,581**	61,873
NON-CURRENT ASSETS			
Property, plant and equipment	14	**19,940**	18,238
Product development	15	**27,498**	23,286
Intangible assets	16	**88,519**	66,886
Total non-current assets		**135,957**	108,410
TOTAL ASSETS		**211,538**	170,283
CURRENT LIABILITIES			
Trade and other payables	17	**29,357**	33,186
Loans and borrowings	18	**201**	113
Current tax payable	9	**11,370**	4,226
Provisions	19	**10,448**	9,469
Total current liabilities		**51,376**	46,994
NON-CURRENT LIABILITIES			
Other payables		**600**	2,747
Loans and borrowings	18	**33,641**	39,168
Deferred tax liabilities	9	**332**	1,196
Provisions	19	**857**	769
Total non-current liabilities		**35,430**	43,880
TOTAL LIABILITIES		**86,806**	90,874
Net assets		**124,732**	79,409
EQUITY			
Share capital	20	**41,873**	24,839
Reserves	21	**34,953**	(2,935)
Retained earnings		**47,906**	57,505
Total equity		**124,732**	79,409

The consolidated balance sheet is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 57 to 102.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2013

Codan Limited and its Controlled Entities

2013	Consolidated Share capital $000	Translation reserve $000	Hedging reserve $000	Profit reserve $000	Retained earnings $000	Total $000
Balance as at 1 July 2012	24,839	(3,271)	336	-	57,505	79,409
Profit for the period	-	-	-	-	45,417	45,417
Performance rights expensed	204	-	-	-	-	204
Change in fair value of cash flow hedges	-	-	(1,461)	-	-	(1,461)
Reserves through sale of discontinued operation	-	979	-	-	-	979
Exchange differences on translation of foreign operations	-	3,697	-	-	-	3,697
Transfers to and from reserves	-	-	-	34,673	(34,673)	-
	25,043	1,405	(1,125)	34,673	68,249	128,245
Transactions with owners of the company						
Dividends recognised during the period	-	-	-	-	(20,343)	(20,343)
Issue of share capital, net of issue costs	16,660	-	-	-	-	16,660
Employee share plan, net of issue costs	170	-	-	-	-	170
	16,830	-	-	-	(20,343)	(3,513)
Balance at 30 June 2013	41,873	1,405	(1,125)	34,673	47,906	124,732

2012	Consolidated Share capital $000	Translation reserve $000	Hedging reserve $000	Profit reserve $000	Retained earnings $000	Total $000
Balance as at 1 July 2011	24,609	(3,199)	1,337	-	49,132	71,879
Profit for the period	-	-	-	-	23,146	23,146
Performance rights expensed	230	-	-	-	-	230
Change in fair value of cash flow hedges	-	-	(105)	-	-	(105)
Reserves through sale of discontinued operation	-	341	(896)	-	-	(555)
Exchange differences on translation of foreign operations	-	(413)	-	-	-	(413)
	24,839	(3,271)	336	-	72,278	94,182
Transactions with owners of the company						
Dividends recognised during the period	-	-	-	-	(14,773)	(14,773)
Balance at 30 June 2012	24,839	(3,271)	336	-	57,505	79,409

The consolidated statement of changes in equity is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 57 to 102.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2013

Codan Limited and its Controlled Entities

	Note	Consolidated 2013 $000	Consolidated 2012 $000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		258,221	169,272
Cash paid to suppliers and employees		(209,498)	(115,201)
Interest received		206	245
Interest paid		(1,896)	(3,626)
Income taxes paid		(10,751)	(10,613)
Net cash from operating activities	25(II)	36,282	40,077
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of a subsidiary		(23,417)	(7,004)
Proceeds from disposal of property, plant and equipment		1,060	1,277
Payments for capitalised product development		(10,248)	(10,330)
Payments for intellectual property		(3,669)	(1,523)
Acquisition of property, plant and equipment		(4,340)	(2,429)
Acquisition of intangibles (computer software and licences)		(1,706)	(1,349)
Proceeds from disposal of discontinued operation		-	8,606
Net cash used in investing activities		(42,320)	(12,752)
CASH FLOWS FROM FINANCING ACTIVITIES			
Drawdowns/(repayments) of borrowings		(5,439)	1,887
Issue of share capital		16,660	-
Dividends paid		(20,343)	(14,773)
Net cash used in financing activities		(9,122)	(12,886)
Net increase/(decrease) in cash held		(15,160)	14,439
Cash and cash equivalents at the beginning of the financial year		23,081	8,643
Effects of exchange rate fluctuations on cash held		717	(1)
Cash and cash equivalents at the end of the financial year	25(I)	8,638	23,081

The consolidated statement of cash flows is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 57 to 102.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

Codan Limited and its Controlled Entities

1. SIGNIFICANT ACCOUNTING POLICIES

Codan Limited (the "company") is a company domiciled in Australia and is a for-profit entity. The consolidated financial report of the company as at and for the year ended 30 June 2013 comprises the company and its subsidiaries (together referred to as the "group" and individually as "group entities"). The financial report was authorised for issue by the directors on 21 August 2013.

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001.

The consolidated financial report of the group complies with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

(b) Basis of preparation

The consolidated financial report is prepared in Australian dollars (the company's functional currency and the functional currency of the majority of the group) on the historical costs basis except that derivative financial instruments are stated at their fair value.

A number of new standards, amendments to standards and interpretations, effective for annual periods beginning after 1 July 2013, were available for early adoption, and have not been applied in preparing these consolidated financial statements. None of these standards is expected to have a significant effect on the consolidated financial statements of the group, except for AASB 9 Financial Instruments, which could change the classification and measurement of financial assets. The amendments to AASB 119 Employee Benefits alter the definitions for short-term and long-term benefits which may impact the current versus non-current split, and require leave not expected to be taken within a year to be discounted, which might impact the valuation of the group's employee benefits. AASB 119 will become mandatory for the group's 2014 consolidated financial statements, while AASB 9 is expected to become mandatory in the following year.

The group 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.

Use of estimates and judgements

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. The estimates and judgments that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year relate to impairment assessments of non-current assets, including product development and goodwill.

Changes in accounting policies

For the year ended 30 June 2013 the group has not changed any of its significant accounting policies.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by group entities.

(c) Basis of consolidation

Subsidiaries are entities controlled by the group. Control exists when the group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date control commences until the date control ceases.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Basis of consolidation (continued)

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the group.

Unrealised gains and losses and inter-entity balances resulting from transactions with or between subsidiaries are eliminated in full on consolidation.

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the group. Transaction costs, other than those associated with the issue of debt or equity securities, that the group incurs in connection with a business combination are expensed as incurred.

Upon the loss of control, the group derecognises the assets and liabilities of the subsidiary, and non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in the income statement.

(d) Revenue recognition

Revenues are recognised at the fair value of the consideration received or receivable, net of the amount of goods and services tax (GST) payable to taxation authorities.

Sale of goods

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable (net of rebates, returns, discounts and other allowances). Revenue is recognised when the significant risks and rewards of ownership pass to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably. Control usually passes when the goods are shipped to the customer.

Construction contracts

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliably, contract revenue is recognised in the income statement in proportion to the stage of completion of the contract. Contract expenses are recognised as incurred unless they create an asset related to future contract activity.

The stage of completion is assessed by reference to professional judgement of work performed. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in the income statement.

Rendering of services

Revenue from rendering services is recognised in the period in which the service is provided.

(e) Expenses

Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense, and are spread over the lease term.

Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Net financing costs

Net financing costs include interest paid relating to borrowings, interest received on funds invested, unwinding of discounts, foreign exchange gains and losses, and gains and losses on hedging instruments that are recognised in the income statement. Qualifying assets are assets that take more than 12 months to get ready for their intended use or sale. In these circumstances, borrowing costs are capitalised to the cost of the qualifying assets. Interest income and borrowing costs are recognised in the income statement on an accruals basis, using the effective-interest method. Foreign currency gains and losses are reported on a net basis.

(f) Foreign currency

Foreign currency transactions are translated to Australian dollars at the rates of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Australian dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement, except for differences arising on the retranslation of a financial liability designated as a hedge of a net investment in a foreign operation, or qualifying cash flow hedges, which are recognised in other comprehensive income and presented within equity, to the extent that the hedge is effective.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair-value adjustments arising on acquisition, are translated to Australian dollars at the foreign exchange rates ruling at the reporting date. Equity items are translated at historical rates. The income and expenses of foreign operations are translated to Australian dollars at the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on translation are taken directly to the foreign currency translation reserve until the disposal, or partial disposal, of the foreign operations.

Foreign exchange gains and losses arising from a monetary item receivable or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and on consolidation they are recognised in other comprehensive income, and are presented within equity in the foreign currency translation reserve.

Foreign currency differences arising on the retranslation of a financial liability designated as a hedge of a net investment in a foreign operation are recognised directly in other comprehensive income to the extent that the hedge is effective, and are presented within equity in the hedging reserve. To the extent that the hedge is ineffective, such differences are recognised in the income statement. When the hedged part of a net investment is disposed of, the associated cumulative amount in equity is transferred to the income statement as an adjustment to the income statement on disposal.

(g) Derivative financial instruments

The group has used derivative financial instruments to hedge its exposure to foreign exchange and interest rate movements. In accordance with its policy, the group does not hold derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments. Derivative financial instruments are recognised initially at fair value. Attributable transaction costs are recognised in the income statement when incurred. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on remeasurement to fair value is recognised immediately in the income statement unless the derivative qualifies for hedge accounting.

Hedging

On initial designation of the hedge, the group formally documents the relationship between the hedging instrument and hedged item, including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship.

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a highly probable forecasted transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in comprehensive income and presented within equity. When the forecast transaction subsequently results in the recognition of a financial asset or liability, then the associated gains and losses that were recognised directly in equity are reclassified into the income statement.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, then the unrealised gain or loss recognised in equity is recognised immediately in the income statement.

(h) Taxation

Income tax expense on the income statement comprises a current and deferred tax expense. Income tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity, or in other comprehensive income.

Current tax expense is the expected tax payable on the taxable income for the year using tax rates enacted or substantially enacted at the reporting date, adjusted for any prior year under or over provision. The movement in deferred tax assets and liabilities results in the deferred tax expense, unless the movement results from a business combination, in which case the tax entry is recognised in goodwill, or a transaction has impacted equity, in which case the tax entry is also reflected in equity.

Deferred tax assets and liabilities arise from temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis, or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Taxation (continued)

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Tax consolidation

The company is the head entity in the tax consolidated group comprising all the Australian wholly owned subsidiaries. The company recognises the current tax liability of the tax consolidated group. The tax consolidated group has determined that subsidiaries will account for deferred tax balances and will make contributions to the head entity for the current tax liabilities as if the subsidiary prepared its tax calculation on a stand-alone basis.

The company recognises deferred tax assets arising from unused tax losses of the tax consolidated group to the extent that it is probable that future taxable profits of the tax consolidated group will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability, are recognised by the head entity only.

(i) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or is expensed.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recovered from, or payable to, the ATO are classified as operating cash flows.

(j) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of three months or less. Bank overdrafts form an integral part of the group's cash management and are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows.

(k) Trade and other receivables

Trade debtors are to be settled within agreed trading terms, typically less than 60 days, and are initially recognised at fair value and then subsequently at amortised cost, less any impairment losses. Impairment of receivables is not recognised until objective evidence is available that a loss event may occur. Significant receivables are individually assessed for impairment. Non-significant receivables are not individually assessed, instead impairment testing is performed by considering the risk profile of that group of receivables. All impairment losses are recognised in the income statement.

(l) Inventories

Raw materials and stores, work in progress and finished goods are measured at the lower of cost (determined on a first-in first-out basis) and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. In the case of manufactured inventories and work in progress, costs comprise direct materials, direct labour, other direct variable costs and allocated factory overheads necessary to bring the inventories to their present location and condition.

(m) Project work in progress

Project work in progress represents the gross unbilled amount expected to be collected from customers for project work performed to date. It is measured at cost plus profit recognised to date less progress billings and recognised losses. Cost includes all expenditure related directly to specific projects. Project work in progress is presented as part of other assets in the balance sheet for all projects in which costs incurred plus recognised profits exceed progress billings.

(n) Intangible assets

Product development costs

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the income statement as an expense when incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products, is capitalised only if development costs can be measured reliably, the product is technically and commercially feasible, future economic benefits are probable and the group intends to and has sufficient resources to complete development and to use or sell the asset.

The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads that are directly attributable to preparing the asset for its intended use less accumulated amortisation and accumulated impairment losses. Other development expenditure is recognised in the income statement when incurred.

Goodwill

All business combinations are accounted for by applying the acquisition method and goodwill may arise upon the acquisition of subsidiaries. Goodwill is stated at cost, less any accumulated impairment losses. It is allocated to cash-generating units and is not amortised but is tested annually for impairment.

Measuring goodwill

The group measures goodwill as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired (including intangible assets) and liabilities assumed, all measured as of the acquisition date.

Consideration transferred includes the fair values of the assets transferred, liabilities incurred by the group to the previous owners of the acquiree, and equity interests issued by the group. Consideration transferred also includes the fair value of any contingent consideration and share-based payment awards of the company.

Contingent liabilities

A contingent liability of the acquiree is assumed in a business combination only if such a liability represents a present obligation and arises from a past event, and its fair value can be measured reliably.

Non-controlling interest

The group measures any non-controlling interest at its proportionate interest in the identifiable net assets of the acquiree.

Transaction costs

Transaction costs that the group incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees, and other professional and consulting fees, are expensed as incurred.

Licences and other intangible assets

Licences and other intangible assets that are acquired by the group, which have finite useful lives, are stated at cost, less accumulated amortisation and accumulated impairment losses. Expenditure on internally generated goodwill and brands is recognised in the income statement as incurred.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in the income statement as incurred.

Amortisation

Amortisation is calculated on the cost of the asset, less its residual value.

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives in the current and comparative periods are as follows:

Product development, licences and intellectual property:	2 - 15 years
Computer software:	3 - 7 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date.

(o) Property, plant and equipment

Owned assets

Items of property, plant and equipment are measured at cost, less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour and any other costs directly attributable to bringing the asset to a working condition for its intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Land and buildings that had been revalued to fair value prior to the transition to AIFRS, being 1 July 2004, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" or "other expenses" in the income statement.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statement as incurred.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Property, plant and equipment (continued)

Leased assets

Leases in terms of which the group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognised in the balance sheet.

Depreciation

Depreciation is calculated on the depreciable amount, which is the cost of an asset, less its residual value.

Depreciation is charged to the income statement on property, plant and equipment on a straight-line basis over the estimated useful life of the assets. Capitalised leased assets are amortised on a straight-line basis over the term of the relevant lease, or where it is likely the group will obtain ownership of the asset, the life of the asset. Land is not depreciated.

The main depreciation rates used for each class of asset for current and comparative periods are as follows:

Buildings	4%
Leasehold property	33%
Plant and equipment	5% to 40%

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

(p) Impairment

The carrying amounts of the group's assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. If any such impairment exists, the asset's recoverable amount is estimated.

For goodwill and intangible assets that have an indefinite useful life or are not yet available for use, the recoverable amount is estimated annually.

The recoverable amount of assets is the greater of their fair value less costs to sell pre-tax, or their value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

The group's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the cash-generating units to which the corporate asset belongs.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash inflows that are largely independent from other assets or groups of assets. Impairment losses are recognised in the income statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill and then to reduce the carrying amount of the other assets in the cash-generating unit on a pro-rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimate used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(q) Payables

Liabilities are recognised for amounts to be paid in the future for goods or services received. Trade accounts payable are normally settled within 60 days.

(r) Interest bearing borrowings

Interest bearing borrowings are recognised initially at their fair value less attributable transaction costs. Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost, with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective-interest basis.

(s) Employee benefits

Wages, salaries and annual leave

Liabilities for employee benefits for wages, salaries, incentives and annual leave represent present obligations resulting from employees' services provided to the reporting date, calculated at undiscounted amounts based on remuneration rates that the group expects to pay as at the reporting date, including related on-costs such as workers' compensation insurance and payroll tax.

Long service leave

The provision for employee benefits for long service leave represents the present value of the estimated future cash outflows resulting from the employees' services provided to the reporting date. The provision is calculated using expected future increases in wage and salary rates, including related on-costs, and expected settlement dates based on turnover history, and is discounted using the rates attaching to Commonwealth Government bonds at the reporting date which most closely match the terms of maturity of the related liabilities.

Defined contribution superannuation plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. The group contributes to defined contribution superannuation plans and these contributions are expensed in the income statement as incurred.

(t) Provisions

A provision is recognised when there is a present legal or constructive obligation as a result of a past event, it can be estimated reliably, and it is probable that a future sacrifice of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows required to settle the obligation at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

Dividends

A provision for dividends payable is recognised in the reporting period in which the dividends are declared.

Restructuring and employee termination benefits

A provision for restructuring is recognised when the group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

Warranty

A provision is made for the group's estimated liability on all products sold and still under warranty, and includes claims already received. The estimate is based on the group's warranty cost experience over previous years.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract.

(u) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

(v) Share-based payment transactions

Share-based payments in which the group receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained from the group.

The grant-date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met.

(w) Discontinued operations

Classification as a discontinued operation occurs on disposal or when the operation is determined to be held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative income statement is re-presented as if the operation had been discontinued from the start of the comparative year.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

Codan Limited and its Controlled Entities

2. DIVIDENDS

	Consolidated 2013 $000	2012 $000
i. An ordinary final dividend of 5.5 cents per share, franked to 100% with 30% franking credits, was paid on 2 October 2012	**9,727**	-
ii. An ordinary interim dividend of 6.0 cents per share, franked to 100% with 30% franking credits, was paid on 2 April 2013	**10,616**	-
iii. An ordinary final dividend of 5.0 cents per share, franked to 100% with 30% franking credits, was paid on 3 October 2011	**-**	8,207
iv. An ordinary interim dividend of 4.0 cents per share, franked to 100% with 30% franking credits, was paid on 2 April 2012	**-**	6,566
	20,343	14,773

Subsequent events

Since the end of the financial year, the directors declared an ordinary final dividend of 7.0 cents per share, franked to 100% with 30% franking credits. Based upon the shares on issue at 30 June 2013, the dividend would be $12,384,827 and is expected to be paid on 1 October 2013. The financial effect of this dividend has not been brought to account in the financial statements for the year ended 30 June 2013 and will be recognised in subsequent financial reports.

Dividend franking account

	2013	2012
Franking credits available to shareholders for subsequent financial years (30%)	**22,104**	13,856

The franking credits available are based on the balance of the dividend franking account at year-end, adjusted for the franking credits that will arise from the payment of the current tax liability. The ability to utilise the franking account credits is dependent upon there being sufficient available profits to declare dividends. Based upon the above assumed dividend, the impact on the dividend franking account of dividends proposed after the balance sheet date but not recognised as a liability is to reduce it by $5,307,783 (2012: $3,869,155).

3. SEGMENT ACTIVITIES

The group determines and presents operating segments based on the information that is internally provided to the CEO, who is the group's chief operating decision-maker.

An operating segment is a component of the group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the group's other components. All operating segments' results are regularly reviewed by the group's CEO to make decisions about resources to be allocated to the segments and assess their performance, and for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the company's headquarters and cash balances), head office expenses and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

The group's primary format for segment reporting is based on business segments.

Business segments

Two or more operating segments may be aggregated into a single operating segment if they are similar in nature. 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.

Geographical segments

In presenting information on the basis of geographical segments, segment revenue has been based on the geographic location of the invoiced customer. Segment assets are based on the geographic location of the assets.

The group has manufacturing and corporate offices in Australia and Canada, with overseas representative offices in the United States of America, England, India, China, United Arab Emirates and Ireland.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

Codan Limited and its Controlled Entities

3. SEGMENT ACTIVITIES (continued)

Information about reportable segments

	Communications		Metal detection	
	2013 $000	2012 $000	2013 $000	2012 $000
REVENUE				
External segment revenue	**47,581**	47,674	**166,258**	98,639
Discontinued operation (refer Note 4)	**10,500**	18,665	**-**	-
Inter-segment revenue	**-**	-	**-**	-
Total segment revenue	**58,081**	66,339	**166,258**	98,639
RESULT				
Segment result before loss on disposal of discontinued operation	**8,891**	13,582	**78,645**	41,966
Loss on disposal of discontinued operation	**-**	(2,586)	**-**	-
Segment result	**8,891**	10,996	**78,645**	41,966
Unallocated corporate expenses and other income				
Profit from operating activities				
Income tax expense				
Net Profit				
NON-CASH ITEMS INCLUDED ABOVE				
Depreciation and amortisation	**3,041**	2,980	**7,035**	3,587
Unallocated depreciation and amortisation				
Total depreciation and amortisation				
ASSETS				
Segment assets	**56,951**	33,078	**113,658**	85,478
Unallocated corporate assets				
Consolidated total assets				

Mining technology		Other		Elimination		Consolidated	
2013 $000	2012 $000	2013 $000	2012 $000	2013 $000	2012 $000	2013 $000	2012 $000
14,480	9,330	**5,517**	5,089	**-**	-	**233,836**	160,732
-	-	**-**	-	**-**	-	**10,500**	18,665
-	-	**369**	358	**(369)**	(358)	**-**	-
14,480	9,330	**5,886**	5,447	**(369)**	(358)	**244,336**	179,397
(2,577)	501	**172**	73	**-**	-	**85,131**	56,122
-	-	**-**	-	**-**	-	**-**	(2,586)
(2,577)	501	**172**	73	**-**	-	**85,131**	53,536
						(22,117)	(18,586)
						63,014	34,950
						(17,597)	(11,804)
						45,417	23,146
247	165	**150**	149	**-**	-	**10,474**	6,881
						1,169	1,660
						11,643	8,541
14,885	15,690	**2,621**	1,985	**-**	-	**188,115**	136,231
						23,423	34,052
						211,538	170,283

The group derived its revenues from a number of countries. The three significant countries where revenue was 10% or more of total revenue were Australia totalling $29,972,235 (2012: $22,426,735), the United States of America totalling $38,041,994 (2012: $41,412,244) and Turkey totalling $86,682,585 (2012: $29,780,874).

The group's non-current assets, excluding financial instruments and deferred tax assets, were located as follows: Australia $114,193,645 (2012: $110,163,547), the United States of America $220,232 (2012: $161,043), Ireland $594,559 (2012: $485,992), United Kingdom $93,421 (2012: $102,712) and Canada $20,854,850 (2012: $nil).

4. DISCONTINUED OPERATION

Effective 30 June 2012, Codan sold its satellite communications assets to Communications & Power Industries Canada Inc and its related corporate entities (collectively CPI). The sale consisted of Codan's Australian-based satellite communications assets and 100% of the shares of Locus Microwave, Inc.

Through most of this financial year, Codan assisted CPI with manufacturing, training and support to ensure continuous supply to customers.

	Consolidated 2013 $000	2012 $000
RESULTS OF DISCONTINUED OPERATION		
Revenue	**10,500**	18,665
Expenses	**(11,007)**	(21,898)
Loss from operating activities	**(507)**	(3,233)
Tax	**152**	652
Loss from operating activities, net of tax	**(355)**	(2,581)
Non-operating activities, net of tax		
Loss on sale of discontinued operation	**-**	(2,850)
Transaction and restructure costs relating to sale	**-**	(596)
Loss for the year	**(355)**	(6,027)
Basic earnings/(loss) per share (cents)	**(0.2)**	(3.7)
Diluted earnings/(loss) per share (cents)	**(0.2)**	(3.7)
CASH FLOWS FROM/(USED IN) DISCONTINUED OPERATION		
Net cash from operating activities	**224**	2,004
Net cash used in investing activities	**-**	(1,485)
Net cash from financing activities	**-**	-
Net cash flows for the year	**224**	519

5. ACQUISITION OF A SUBSIDIARY

On 20 August 2012, the company acquired all of the shares in Canadian-based land mobile radio company, Daniels Electronics Ltd (Daniels), for an upfront cost of CAD $25 million (approximately AUD $24 million), with the possibility of CAD $2 million (approximately AUD $1.9 million) in additional payments if certain earn-out targets are achieved to the end of calendar year 2013. The acquisition of Daniels is consistent with Codan's stated strategic goal to expand the radio communications business by investing in adjacent markets and technologies. Codan's extensive international distribution network is expected to deliver significant growth opportunities to the Daniels business, which was focussed on the North American market.

From the acquisition date, Daniels has been consolidated within the group's results and reported in the communications segment in Note 3. The following summary provides current estimates of the major classes of consideration transferred, the expected recognised amounts of assets acquired and liabilities assumed and the estimated goodwill at the acquisition date.

	$000
ESTIMATED FAIR VALUE OF CONSIDERATION TRANSFERRED	
Cash paid on completion	24,192
Completion adjustments	(446)
Contingent consideration, at net present value	1,685
	25,431
ESTIMATED FAIR VALUE OF IDENTIFIABLE ASSETS ACQUIRED AND LIABILITIES ASSUMED, ON A PROVISIONAL BASIS	
Trade and other receivables	3,450
Inventories	3,690
Other assets	164
Property, plant and equipment	857
Intangible assets	1,210
Trade and other payables	(2,434)
Provisions	(503)
Taxes payable	(355)
	6,079
ESTIMATED GOODWILL AS A RESULT OF THE ACQUISITION	
Estimated fair value of consideration	25,431
Less estimated fair value of identifiable net assets assumed	(6,079)
	19,352

This goodwill is not expected to be deductible for tax purposes.

Contingent consideration

The earn-out payable (capped at CAD $2.0 million) to the former shareholders is contingent on the achievement of profit targets over a two-year period.

As at 30 June 2013, the current forecast results indicate that the earn-out is unlikely to be paid and therefore, in accordance with accounting standards, the liability recognised on acquisition has been brought to account as income.

Acquisition-related costs

During the year the group incurred acquisition-related costs of $399,000 relating to external legal fees, consulting and due diligence costs, and impaired brand name and other intangible assets of $510,000. The due diligence costs have been included as administrative expenses within the consolidated income statement, while the impairment has been included in other expenses. No other acquisition-related costs were incurred.

Contribution to year-end results

Since acquisition, Daniels has contributed approximately $12.1 million in revenue and about $0.7 million in profit before tax. Had Daniels been part of the group for the entire 12 months, contributed revenue would have been approximately $15.2 million and profit before tax would have been approximately $1.2 million.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

Codan Limited and its Controlled Entities

6. EXPENSES

	Consolidated 2013 $000	2012 $000
Net financing costs:		
Interest income	**(206)**	(245)
Net foreign exchange (gain) / loss	**251**	(147)
Interest expense	**1,896**	3,628
	1,941	3,236
Depreciation of:		
Buildings	**531**	524
Leasehold property	**15**	49
Plant and equipment	**1,906**	1,813
	2,452	2,386
Amortisation of:		
Product development	**4,430**	2,728
Intellectual property	**3,694**	1,899
Computer software	**615**	1,194
Licences	**452**	335
	9,191	6,156
Personnel expenses:		
Wages and salaries	**40,804**	36,166
Other associated personnel expenses	**3,134**	2,555
Contributions to defined contribution superannuation plans	**3,128**	2,569
Increase in liability for long service leave	**336**	1,250
Increase in liability for annual leave	**2,314**	2,077
	49,716	44,617
Additional expenses disclosed:		
Impairment of trade receivables	**504**	267
Operating lease rental expense	**2,265**	1,515
(Gain)/loss on sale of property, plant and equipment	**(42)**	34
Acquisition, integration and restructuring	**1,784**	2,228

7. OTHER EXPENSES / (INCOME)

	Consolidated 2013 $000	2012 $000
Insurance recoveries	**(1,009)**	(256)
Mining technology earn-out liability no longer required	**(2,465)**	-
Communications earn-out liability no longer required	**(1,789)**	-
Impairment of building	**1,100**	-
Provision for onerous contract	**1,310**	-
Provision for legal dispute	**1,450**	-
Impairment of mining technology product development	**1,606**	-
Impairment of acquired communications brand name	**510**	-
Other expenses/(income)	**53**	(203)
	766	(459)

8. AUDITOR'S REMUNERATION

	Consolidated 2013 $	Consolidated 2012 $
Audit services:		
KPMG Australia - audit and review of financial reports	**242,450**	181,300
Overseas KPMG firms - audit of financial reports	**37,091**	33,581
Other services:		
KPMG Australia - taxation services	**268,215**	144,799
KPMG Australia - other assurance services	**12,000**	38,229
Overseas KPMG firms - taxation services	**346,519**	100,807
KPMG related practices - due diligence and corporate finance services	**312,503**	272,239
	1,218,778	770,955

9. INCOME TAX

	Consolidated 2013 $000	Consolidated 2012 $000
A. INCOME TAX EXPENSE		
Current tax expense:		
Current tax paid or payable for the financial year	**17,672**	10,205
Adjustments for prior years	**(185)**	269
	17,487	10,474
Deferred tax expense:		
Origination and reversal of temporary differences	**110**	1,330
Total income tax expense in income statement	**17,597**	11,804
Income tax expense from continuing operations	**17,749**	12,346
Income tax recovery from discontinuing operation	**(152)**	(542)
	17,597	11,804

	Consolidated 2013 $000	Consolidated 2012 $000
Reconciliation between tax expense and pre-tax net profit:		
The prima facie income tax expense calculated at 30% on the profit from ordinary activities (including discontinued operations)	**18,904**	10,485
Decrease in income tax expense due to:		
Additional deduction for research and development expenditure	**961**	703
Over/(under) provision for taxation in previous years	**185**	(269)
Non-assessable income	**1,276**	-
Sundry items	**63**	17
	16,419	10,034
Increase in income tax expense due to:		
Non-deductible expenses	**1,010**	557
Non-deductible overseas losses	**-**	437
Effect of tax rates in foreign jurisdictions	**168**	-
Capital loss through sale of discontinued operation	**-**	776
Income tax expense	**17,597**	11,804

B. CURRENT TAX LIABILITIES / ASSETS

	2013 $000	2012 $000
Balance at the beginning of the year	**(4,151)**	(3,776)
Acquired through business combination	**(250)**	-
Net foreign currency differences on translation of foreign entities	**(6)**	21
Income tax paid	**10,751**	10,613
Adjustments from prior year	**185**	(804)
Current year's income tax paid or payable on operating profit	**(17,672)**	(10,205)
	(11,144)	(4,151)
Disclosed in balance sheet as:		
Current tax asset	**226**	75
Current tax payable	**(11,370)**	(4,226)
	(11,144)	(4,151)

9. INCOME TAX (continued)

	Consolidated 2013 $000	Consolidated 2012 $000
C. DEFERRED TAX LIABILITIES		
Provision for deferred income tax comprises the estimated expense at the applicable rate of 30% on the following items:		
Expenditure currently tax deductible but deferred and amortised for accounting	**8,605**	6,962
Sundry items	**(25)**	(71)
Hedging reserve	**(482)**	382
Difference in depreciation of property, plant and equipment	**(242)**	(246)
Set-off of tax in relation to deferred tax assets:		
Payments for intellectual property not currently deductible	**(2,939)**	(1,748)
Provisions for employee benefits not currently deductible	**(2,104)**	(2,089)
Provisions and accruals not currently deductible	**(2,481)**	(1,993)
	332	1,196

10. CASH AND CASH EQUIVALENTS

	2013	2012
Petty cash	**28**	30
Cash at bank	**8,610**	23,051
	8,638	23,081

11. TRADE AND OTHER RECEIVABLES CURRENT

	Consolidated 2013 $000	Consolidated 2012 $000
Trade receivables	**23,196**	22,516
Less: Provision for impairment losses	**(2,424)**	(506)
	20,772	22,010
Other debtors	**365**	775
	21,137	22,785

12. INVENTORY

Raw materials	**4,861**	3,224
Work in progress	**10,489**	5,401
Finished goods	**27,986**	3,354
	43,336	11,979

13. OTHER ASSETS

Prepayments	**573**	907
Net foreign currency hedge receivable	**-**	670
Project work in progress	**785**	498
Other	**886**	131
	2,244	2,206

14. PROPERTY, PLANT AND EQUIPMENT

	Consolidated 2013 $000	2012 $000
Freehold land and buildings at cost	**15,554**	15,182
Accumulated depreciation	**(6,239)**	(4,674)
	9,315	10,508
Leasehold property at cost	**532**	494
Accumulated amortisation	**(386)**	(385)
	146	109
Plant and equipment at cost	**31,281**	25,158
Accumulated depreciation	**(22,350)**	(17,700)
	8,931	7,458
Capital work in progress at cost	**1,548**	163
Total property, plant and equipment	**19,940**	18,238

Reconciliations

Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:

	Consolidated 2013 $000	2012 $000
Freehold land and buildings		
Carrying amount at beginning of year	**10,508**	10,869
Additions	**438**	163
Impairment of building	**(1,100)**	-
Disposals	**-**	-
Depreciation	**(531)**	(524)
Carrying amount at end of year	**9,315**	10,508
Leasehold property improvements		
Carrying amount at beginning of year	**109**	153
Acquisitions through entity acquired	**45**	17
Additions	**5**	-
Disposals	**-**	(6)
Depreciation	**(15)**	(49)
Net foreign currency differences on translation of foreign entities	**2**	(6)
Carrying amount at end of year	**146**	109

	Consolidated 2013 $000	Consolidated 2012 $000
Plant and equipment		
Carrying amount at beginning of year	**7,458**	9,457
Acquisitions through entity acquired	**847**	880
Additions	**2,512**	2,218
Transfers	**-**	23
Transfer to equipment held for sale	**-**	(1,747)
Disposals	**(120)**	(1,497)
Depreciation	**(1,906)**	(1,813)
Net foreign currency differences on translation of foreign entities	**140**	(63)
Carrying amount at end of year	**8,931**	7,458
Capital work in progress at cost		
Carrying amount at beginning of year	**163**	212
Additions, net of transfers	**1,385**	(49)
Carrying amount at end of year	**1,548**	163
Total carrying amount at end of year	**19,940**	18,238

15. PRODUCT DEVELOPMENT

Product development at cost	**60,508**	50,269
Accumulated amortisation	**(33,010)**	(26,983)
	27,498	23,286
Reconciliation		
Carrying amount at beginning of year	**23,286**	20,340
Capitalised in current period	**10,248**	10,330
Disposals	**-**	(4,656)
Impairment of mining technology product development	**(1,606)**	-
Amortisation	**(4,430)**	(2,728)
	27,498	23,286

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

Codan Limited and its Controlled Entities

16. INTANGIBLE ASSETS

	Consolidated 2013 $000	2012 $000
Goodwill	**83,130**	62,748
Intellectual property at cost	**11,790**	6,875
Accumulated amortisation	**(10,417)**	(6,133)
	1,373	742
Computer software at cost	**12,125**	11,463
Accumulated amortisation	**(11,301)**	(10,182)
	824	1,281
Licences at cost	**3,979**	2,450
Accumulated amortisation	**(787)**	(335)
	3,192	2,115
Total intangible assets	**88,519**	66,886
Reconciliations		
Goodwill		
Carrying amount at beginning of year	**62,748**	53,957
Acquisitions through entity acquired	**19,352**	8,791
Adjustment on prior year's acquisition	**(253)**	-
Net foreign currency differences on translation of foreign entities	**1,283**	-
	83,130	62,748
Intellectual property		
Carrying amount at beginning of year	**742**	402
Acquisitions through entity acquired	**1,210**	246
Additions	**3,608**	1,993
Amortisation	**(3,694)**	(1,899)
Net foreign currency differences on translation of foreign entities	**17**	-
Impairment of acquired Communications brand name	**(510)**	-
	1,373	742

	Consolidated 2013 $000	Consolidated 2012 $000
Computer software		
Carrying amount at beginning of year	**1,281**	2,217
Acquisitions through entity acquired	**17**	83
Additions	**177**	199
Transfers from capital work in progress	**49**	73
Amortisation	**(615)**	(1,194)
Disposals	**(87)**	(97)
Net foreign currency differences on translation of foreign entities	**2**	-
	824	1,281
Licences		
Carrying amount at beginning of year	**2,115**	1,300
Acquisitions	**1,529**	1,150
Amortisation	**(452)**	(335)
	3,192	2,115
The following segments have significant carrying amounts of goodwill:		
Mining technology	**8,538**	8,791
Metal detection	**53,957**	53,957
Communications	**20,635**	-
	83,130	62,748

Goodwill

The recoverable amount of a cash-generating unit is the higher of its fair value less costs to sell and its value-in-use. The value-in-use calculations use cash flow projections based on the oncoming year's budget. Key assumptions for future years relate to sales, gross margin and expense levels. Sales are based on management assessments which allow for future growth. Gross margins and expense levels are largely consistent with past experience. A terminal value has been determined at the conclusion of five years assuming a growth rate of 3.0%. Pre-tax discount rates of 12% to 13% (2012: 12% to 16%) have been used in discounting the projected cash flows.

In assessing the recoverable amount of the Mining Technology business, a number of valuation scenarios have been considered. The recoverable amount has been estimated to exceed the business unit's carrying amount of $14 million by $7 million. Given the products and technologies developed by this business are at the early stage of adoption by the mining industry, the key variable to the recoverable amount assessments is the level of future sales.

If, from the current low sales base, growth averages less than 16% per annum, the business unit may be impaired unless the expense base of the business was reduced.

Intellectual Property

Subsequent to the acquisition of Minelab Electronics Pty Ltd by Codan Limited in 2008, Minelab Electronics Pty Ltd acquired ownership of the intellectual property that forms the basis for its metal detection products. The consideration payable under the agreement is based on the sales of metal detection products over a ten-year period. An asset in relation to the acquired intellectual property will be recognised as Minelab Electronics Pty Ltd becomes liable to the payments under the contract.

Licences

The company entered into a licence agreement on 30 June 2011 with a leading provider of advanced technology for high frequency radio communication products. Over a three-year period, licence payments will be made as technology is delivered to the company. The licenced technology will allow the company access to implementations of next-generation radio waveforms for high-speed data transmission, automatic link establishment and digital voice.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

Codan Limited and its Controlled Entities

17. TRADE AND OTHER PAYABLES

	Consolidated 2013 $000	Consolidated 2012 $000
CURRENT		
Trade payables	**13,909**	14,884
Other payables and accruals	**13,719**	18,302
Net foreign currency hedge payable	**1,729**	-
	29,357	33,186

18. LOANS AND BORROWINGS

	Consolidated 2013 $000	Consolidated 2012 $000
CURRENT		
Finance lease liabilities	**201**	113
	201	113
NON-CURRENT		
Cash advance	**33,559**	38,879
Finance lease liabilities	**82**	289
	33,641	39,168

The group has access to the following lines of credit:

	2013 $000	2012 $000
Total facilities available at balance date:		
Multi-option facility	**10,000**	10,000
Commercial credit card	**200**	120
Cash advance facility	**75,000**	75,000
	85,200	85,120
Facilities utilised at balance date:		
Multi-option facility	**2,371**	3,039
Commercial credit card	**13**	8
Cash advance facility	**33,559**	38,879
	35,943	41,926

	Consolidated 2013 $000	Consolidated 2012 $000
Facilities not utilised at balance date:		
Multi-option facility	**7,629**	6,961
Commercial credit card	**187**	112
Cash advance facility	**41,441**	36,121
	49,257	43,194

In addition to these facilities, the group has access to cash at bank and short-term deposits of $8,638,000 as set out in note 10.

	Consolidated 2013 %	Consolidated 2012 %
WEIGHTED AVERAGE INTEREST RATES:		
Cash at bank	**1.84**	2.28
Short-term deposits		4.16
Bank overdraft		9.50
Cash advance	**3.51**	5.56

Bank Facilities

Facilities are supported by interlocking guarantees between the company and its subsidiaries. The facilities have a term of three years expiring July 2014, and are subject to compliance with certain financial covenants over that term. The facilities are currently being renewed, which is expected to be completed by November 2013.

19. PROVISIONS

	Consolidated 2013 $000	Consolidated 2012 $000
CURRENT		
Employee benefits	**6,296**	6,709
Warranty repairs	**2,842**	2,760
Other	**1,310**	-
	10,448	9,469
NON-CURRENT		
Employee benefits	**857**	769
Reconciliation of warranty provision		
Carrying amount at beginning of year	**2,760**	2,846
Provisions made during the year	**846**	1,216
Payments made during the year	**(764)**	(1,302)
	2,842	2,760

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

Codan Limited and its Controlled Entities

20. SHARE CAPITAL

	Consolidated 2013 $000	2012 $000
SHARE CAPITAL		
Opening balance (164,145,980 ordinary shares fully paid)	**24,839**	24,609
Performance rights expensed	**204**	230
Issue of share capital, net of $619,000 in issue costs	**16,660**	-
Issue of share capital through employee share plan, net of $4,000 in issue costs	**170**	-
Closing balance (176,926,104 ordinary shares fully paid)	**41,873**	24,839

Terms and conditions

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. In the winding up of the company, ordinary shareholders rank after all creditors and are fully entitled to any proceeds on liquidation.

21. RESERVES

Foreign currency translation	**1,405**	(3,271)
Hedging reserve	**(1,125)**	336
Profit reserve	**34,673**	-
	34,953	(2,935)

Foreign currency translation

The foreign currency translation reserve records the foreign currency differences arising from the translation of foreign operations.

Balance at beginning of year	**(3,271)**	(3,199)
Reserves recognised through sale of discontinued operation	**979**	341
Net translation adjustment	**3,697**	(413)
Balance at end of year	**1,405**	(3,271)

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in fair value of cash flow hedging instruments (net of tax) related to hedged transactions that have not yet occurred.

Balance at beginning of year	**336**	1,337
Reserves recognised through discontinued operation	**-**	(896)
Gains/(losses) on cash flow hedges taken to/from hedging reserve	**(1,461)**	(105)
Balance at end of year	**(1,125)**	336

	Consolidated 2013 $000	Consolidated 2012 $000
Profit reserve		
The profit reserve comprises Codan Limited's accumulated profits.		
Balance at beginning of year	-	-
Current year profit after tax attributed to the parent entity	34,673	-
Balance at end of year	34,673	-

22. COMMITMENTS

I. CAPITAL EXPENDITURE COMMITMENTS

	2013 $000	2012 $000
Aggregate amount of contracts for capital expenditure on property, plant and equipment and intangibles:		
Within one year	3,348	1,281
One year or later and no later than five years	800	2,180
	4,148	3,461

II. NON-CANCELLABLE OPERATING LEASE EXPENSE AND OTHER COMMITMENTS

	2013 $000	2012 $000
Future operating lease commitments not provided for in the financial statements which are payable:		
Within one year	2,796	1,515
One year or later and no later than five years	6,769	1,220
Later than five years	1,227	297
	10,792	3,032

The group leases property under non-cancellable operating leases expiring from one to ten years. Leases generally provide the group with a right of renewal, at which time all terms are renegotiated. Lease payments comprise a base amount and an adjustment for the consumer price index.

III. FINANCE LEASE AND HIRE PURCHASE PAYMENT COMMITMENTS

	2013 $000	2012 $000
Within one year	218	151
One year or later and no later than five years	91	309
Later than five years	-	-
	309	460
Less: future finance charges	(26)	(58)
	283	402
Finance lease and hire purchase liabilities provided for in the financial statements:		
Current	201	113
Non-current	82	289
	283	402

Finance leases and hire purchase agreements are entered into as a means of funding the acquisition of plant and equipment. Repayments are generally fixed and no leases have escalation clauses other than in the event of payment default. No lease arrangements create restrictions on other financing transactions.

23. ADDITIONAL FINANCIAL INSTRUMENTS DISCLOSURE

Financial risk management

Overview

The group has exposure to the following risks from its use of financial instruments

- credit risk
- liquidity risk
- market risk
- operational risk

This note presents information about the group's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk, and its management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The board of directors has overall responsibility for the establishment and oversight of the risk management framework. The Board Audit, Risk and Compliance Committee is responsible for developing and monitoring risk management policies. The committee reports regularly to the board on its activities.

Risk management policies are established to identify and analyse the risks faced by the group, to set appropriate risk limits and controls, and to monitor risk and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the group's activities. The group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board Audit, Risk and Compliance Committee oversees how management monitors compliance with the group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the group.

(a) Credit risk

Credit risk is the risk of financial loss to the group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the group's receivables from customers.

The credit risk on the financial assets of the consolidated entity is the carrying amount of the asset, net of any impairment losses recognised.

The group minimises concentration of credit risk by undertaking transactions with a large number of customers in various countries. As at 30 June 2013, the group had one customer with a trade receivable balance of greater than $2 million.

Trade and other receivables

The group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the group's customer base, including the default risk of the industry and country in which customers operate, has less of an influence on credit risk.

The group has established a credit policy under which each new customer is analysed individually for credit worthiness before the group's standard payment and delivery terms and conditions are offered.

Goods are sold subject to retention of title clauses, so that in the event of non-payment the group may have a secured claim. The group does not normally require collateral in respect of trade and other receivables.

The group has established an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified.

Guarantees

Group policy is to provide financial guarantees only to wholly owned subsidiaries.

The carrying amount of the group's financial assets represents the maximum credit exposure. The group's maximum exposure to credit risk at the reporting date was:

	Note	Carrying amount Consolidated 2013 $000	2012 $000
Cash and cash equivalents	10	**8,638**	23,081
Trade and other receivables	11	**21,137**	22,785
Forward exchange contracts used for hedging	13	**-**	670

The group's maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

Australia / Oceania	**5,958**	6,194
Europe	**3,362**	4,253
Americas	**6,133**	4,641
Asia	**1,847**	5,730
Africa / Middle East	**5,896**	1,698
	23,196	22,516

Impairment losses

The aging of the group's trade receivables at the reporting date was:

	Consolidated			
	Gross 2013 $000	Impairment 2013 $000	Gross 2012 $000	Impairment 2012 $000
Not past due	**14,999**	**(182)**	18,460	(181)
Past due 0-30 days	**2,622**	**(86)**	2,358	(10)
Past due 31-120 days	**3,499**	**(11)**	1,255	(65)
More than 120 days	**2,076**	**(2,145)**	443	(250)
	23,196	**(2,424)**	22,516	(506)

Trade receivables that are not past due have been reviewed, taking into consideration letters of credit held and the credit assessment of the individual customers. The impairment recognised is considered appropriate for the credit risk remaining.

23. ADDITIONAL FINANCIAL INSTRUMENTS DISCLOSURE (continued)

(a) Credit risk (continued)

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	Consolidated 2013 $000	2012 $000
Balance at 1 July	**506**	365
Provision for legal dispute	**1,450**	-
Impairment loss recognised as an expense	**504**	268
Trade receivables written off to the allowance for impairment	**(36)**	(127)
Balance at 30 June	**2,424**	506

(b) Liquidity risk

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due. The group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions and without incurring unacceptable losses or risking damage to the group's reputation. Refer to note 18 for a summary of banking facilities available.

The following are the contractual maturities of financial liabilities:

30 June 2013	Carrying amount $000	Contractual cash flows $000	12 months or less $000	1-5 years $000	More than 5 years $000
Non-derivative financial liabilities					
Trade and other payables	**28,228**	**(28,228)**	**(27,628)**	**(600)**	**-**
Finance leases	**283**	**(309)**	**(218)**	**(91)**	**-**
Cash advance	**33,559**	**(34,806)**	**(1,247)**	**(33,559)**	**-**
	62,070	**(63,343)**	**(29,093)**	**(34,250)**	**-**
Derivative financial liabilities					
Net foreign currency hedge payable	**1,729**	**(1,729)**	**(1,729)**	**-**	**-**
	1,729	**(1,729)**	**(1,729)**	**-**	**-**
30 June 2012					
Non-derivative financial liabilities					
Trade and other payables	35,933	(35,933)	(33,186)	(2,747)	-
Finance leases	402	(460)	(151)	(309)	-
Cash advance	38,879	(42,266)	(1,693)	(40,572)	-
	75,214	(78,659)	(35,030)	(43,628)	-

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The group enters into derivatives, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the policy set by the board. Generally the group seeks to apply hedge accounting in order to manage volatility in the income statement.

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.

Profile

At the reporting date, the interest rate profile of the group's interest-bearing financial instruments was:

	Carrying amount Consolidated 2013 $000	2012 $000
FIXED RATE INSTRUMENTS		
Financial assets	**-**	-
Financial liabilities	**(309)**	(460)
	(309)	(460)
VARIABLE RATE INSTRUMENTS		
Financial assets	**8,638**	23,081
Financial liabilities	**(33,559)**	(38,879)
	(24,921)	(15,798)

Cash flow sensitivity

If interest rates varied by 100 basis points for the full financial year, then based on the balance of variable rate instruments held at the reporting date, profit and equity would have been affected as shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2012.

	Profit / (loss) before tax		Reserve	
	100 bp increase $000	100 bp decrease $000	100 bp increase $000	100 bp decrease $000
30 JUNE 2013				
Variable rate instruments	**(249)**	**249**	-	-
30 JUNE 2012				
Variable rate instruments	(158)	158	-	-

23. ADDITIONAL FINANCIAL INSTRUMENTS DISCLOSURE (continued)

(c) Market risk (continued)

Currency risk

The group is exposed to currency risk on sales, purchases and balance sheet accounts that are denominated in a currency other than the respective functional currencies of group entities, primarily the Australian dollar (AUD). The currencies in which these transactions are denominated are primarily USD, EUR, CAD and GBP.

The group enters into foreign currency hedging instruments or borrowings denominated in a foreign currency to hedge certain anticipated highly probable sales denominated in foreign currency (principally USD and EUR). The terms of these commitments are less than 12 months. As at the reporting date, the group has entered into effective collar and forward exchange cash flow hedge instruments which will limit the foreign exchange risk on USD $40,000,000 of FY14 cashflows. The collars give protection above parity and participation down to 91 cents, while forward exchange contracts have been entered into at 97 cents.

The group's exposure to foreign currency risk (in AUD equivalent) after taking into account hedge transactions at reporting date was as follows:

	Consolidated			
	Euro $000	GBP $000	USD $000	CAD $000
30 JUNE 2013				
Cash and cash equivalents	703	43	4,567	668
Trade receivables	355	2	12,663	924
Trade payables	(293)	(44)	(10,004)	(195)
Gross balance sheet exposure	**765**	**1**	**7,226**	**1,397**
Hedge transactions relating to balance sheet exposure	-	-	(1,855)	-
Net exposure at the reporting date	**765**	**1**	**5,371**	**1,397**
30 JUNE 2012				
Cash and cash equivalents	797	94	7,021	-
Trade receivables	246	14	11,997	-
Trade payables	(217)	(51)	(9,270)	-
Cash advance	-	-	(7,879)	-
Gross balance sheet exposure	826	57	1,869	-
Hedge transactions relating to balance sheet exposure	-	-	(3,925)	-
Net exposure at the reporting date	826	57	(2,056)	-

Sensitivity analysis

Given the foreign currency balances included in the balance sheet as at reporting date, if the Australian dollar at that date strengthened by 10%, then the impact on profit and equity arising from the balance sheet exposure would be as follows:

	Consolidated	
	Reserve Credit (debit) $000	Profit/(loss) before tax $000
2013		
EUR	-	(70)
GBP	-	-
USD	812	(590)
CAD	-	(127)
	812	(786)
2012		
EUR	-	(75)
GBP	-	(5)
USD	974	529
CAD	-	-
	974	449

A 10% weakening of the Australian dollar against the above currencies at 30 June would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

(d) Fair value hierarchy

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 current year, financial instruments valued at fair value were limited to net foreign currency hedge payables of $1,729,000, for which an independent valuation was obtained from the relevant banking institution.

24. GROUP ENTITIES

Name	Country of incorporation	Class of share	Interest held 2013 %	Interest held 2012 %
PARENT ENTITY				
Codan Limited	Australia	Ordinary		
CONTROLLED ENTITIES				
IMP Printed Circuits Pty Ltd	Australia	Ordinary	**100**	100
Codan (UK) Ltd	England	Ordinary	**100**	100
Codan (Qld) Pty Ltd	Australia	Ordinary	**100**	100
Codan (US) Inc	United States of America	Ordinary	**100**	100
Codan Radio Communications Pty Ltd (previously Codan Telecommunications Pty Ltd)	Australia	Ordinary	**100**	100
Daniels Electronics Ltd*	Canada	Ordinary	**100**	-
Codan Radio Communications ME JLT**	United Arab Emirates	Ordinary	**100**	-
Minetec Pty Ltd	Australia	Ordinary	**100**	100
Minetec Wireless Technologies Pty Ltd	Australia	Ordinary	**100**	100
Minelab Electronics Pty Ltd	Australia	Ordinary	**100**	100
Minelab Americas Inc (previously Minelab USA Inc)	United States of America	Ordinary	**100**	100
Minelab International Ltd	Ireland	Ordinary	**100**	100
Parketronics Pty Ltd	Australia	Ordinary	**100**	100
Codan Holdings US Inc	United States of America	Ordinary	**100**	100
Codan Executive Share Plan Pty Ltd	Australia	Ordinary	**100**	100

* On 20 August 2012, the company acquired all of the shares in Daniels Electronics Ltd in an arm's length transaction. The financial result of the group's interest in this entity has been accounted for from this date. Refer to note 5.

** On 27 June 2013, the company incorporated a new entity within the Dubai Multi Commodities Centre to establish a Dubai-based office. As at the end of the financial year there have been no operations within this entity.

25. NOTES TO THE STATEMENT OF CASH FLOWS

I. Reconciliation of cash

For the purposes of the statement of cash flows, cash includes cash on hand and at bank and short-term deposits, net of outstanding bank overdrafts. Cash as at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:

	Consolidated	
	2013 $000	2012 $000
Petty cash	**28**	30
Cash at bank	**8,610**	23,051
Short-term deposits	**-**	-
	8,638	23,081

25. NOTES TO THE STATEMENT OF CASH FLOWS (continued)

II. Reconciliation of profit after income tax to net cash provided by operating activities

	Consolidated 2013 $000	2012 $000
Profit after income tax	**45,417**	23,146
Add/(less) items classified as investing or financing activities:		
Insurance recoveries	**(1,009)**	-
(Gain)/loss on sale of non-current assets	**(42)**	34
Loss on sale of discontinued operation	**-**	2,850
Performance rights and employee share plan expensed	**374**	230
Add/(less) non-cash items:		
Depreciation of:		
Buildings	**531**	524
Leasehold property	**15**	49
Plant and equipment	**1,906**	1,813
Impairment of building	**1,100**	-
Amortisation	**9,191**	6,156
Impairment of mining technology product development	**1,606**	-
Impairment of acquired communications brand name	**510**	-
Increase/(decrease) in income taxes	**6,491**	439
Increase/(decrease) on net assets affected by translation	**(717)**	1
Net cash from operating activities before changes in assets and liabilities	**65,373**	35,241
Change in assets and liabilities during the financial year:		
Reduction/(increase) in receivables	**5,411**	(7,698)
Reduction/(increase) in inventories	**(27,663)**	7,641
Reduction/(increase) in other assets	**(544)**	329
Increase/(reduction) in trade and other payables	**(6,859)**	3,312
Increase/(reduction) in provisions	**565**	1,252
Net cash from operating activities	**36,282**	40,077

26. EMPLOYEE BENEFITS

	Consolidated 2013 $000	Consolidated 2012 $000
Aggregate liability for employee benefits, including on-costs:		
Current - other creditors and accruals	**4,993**	4,220
Current - employee entitlements	**6,296**	6,709
Non-current - employee entitlements	**857**	769
	12,146	11,698

The present values of employee entitlements not expected to be settled within 12 months of the reporting date have been calculated using the following weighted averages:

	2013	2012
Assumed rate of increase in wage and salary rates	**4.00%**	4.00%
Discount rate	**3.55%**	2.95%
Settlement term	**10 years**	10 years

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

Codan Limited and its Controlled Entities

26. EMPLOYEE BENEFITS (continued)

Performance Rights Plan

At the 2004 AGM, shareholders approved the establishment of a Performance Rights Plan (Plan). The Plan is designed to provide executives with an incentive to maximise the return to shareholders over the long term, and to assist in the attraction and retention of key executives.

Performance rights issued in financial year 2010

The group's earnings per share over the three year period to 30 June 2012 exceeded the performance target and therefore the remaining 374,396 shares were issued to the relevant executives on 22 August 2012.

Performance rights issued in financial year 2011

The company issued 358,652 performance rights in December 2010 to certain executives. The fair value of the rights was on average $1.11 based on the Black-Scholes formula. The model inputs were: the share price of $1.46, no exercise price, expected volatility 48%, dividend yield 5%, a term of three years and a risk-free rate of 5.6%. The total expense/recovery recognised as employee costs in 2013 in relation to the performance rights issued was a recovery of $188,456 (2012: $96,076 expense).

The group's earnings per share over the three-year period to 30 June 2013 has not met the performance target and therefore these performance rights have lapsed and no shares will be issued.

Performance rights issued in financial year 2012

The company issued 426,979 performance rights in November 2011 to certain executives. The fair value of the rights was on average $0.98 based on the Black-Scholes formula. The model inputs were: the share price of $1.31, no exercise price, expected volatility 41%, dividend yield 7%, a term of three years and a risk-free rate of 4.3%. Due to the departure of an executive, 84,006 performance rights have been cancelled. The total expense recognised as employee costs in 2013 in relation to the performance rights issued was $134,261 (2012: $133,531).

The performance rights become exercisable if certain performance thresholds are achieved. The performance threshold is based on growth of the group's earnings per share over a three-year period. For executives to receive the total number of performance rights, the group's earnings per share must increase by at least 15% per annum over the three-year period.

Performance rights issued in financial year 2013

The company issued 369,970 performance rights in November 2012 to certain executives. The fair value of the rights was on average $1.77 based on the Black-Scholes formula. The model inputs were: the share price of $2.25, no exercise price, expected volatility 37%, dividend yield 4.2%, a term of three years and a risk-free rate of 3.1%. Due to the departure of an executive, 72,790 performance rights have been cancelled. The total expense recognised as employee costs in 2013 in relation to the performance rights issued was $197,643.

The performance rights become exercisable if certain performance thresholds are achieved. The performance threshold is based on growth of the group's earnings per share over a three-year period. For executives to receive the total number of performance rights, the group's earnings per share must increase by at least 15% per annum over the three-year period.

Additional performance rights issued in financial year 2013

The company issued 93,320 performance rights in December 2012 to an employee. The fair value of the rights was on average $1.95 based on the Black-Scholes formula. The model inputs were: the share price of $2.37, no exercise price, expected volatility 38.3%, dividend yield 4.01%, a term of two years and a risk-free rate of 3.3%. The total expense recognised as employee costs in 2013 in relation to the performance rights issued was $60,549.

The performance rights become exercisable if the employee remains with the group until 31 December 2014, and there is no performance hurdle.

If achieved, performance rights are exercisable into the same number of ordinary shares in the company. No performance rights have been issued since the end of the financial year.

27. KEY MANAGEMENT PERSONNEL DISCLOSURES

Key management personnel compensation

The key management personnel compensation included in “personnel expenses” (refer note 6) is as follows:

	Consolidated	
	2013 $	2012 $
Short-term employee benefits	**3,235,799**	3,239,564
Post-employment benefits	**108,103**	110,493
Share-based payments	**179,371**	211,293
Other long term	**27,798**	32,680
Termination benefits	**295,210**	134,147
	3,846,281	3,728,177

Individual directors’ and executives’ compensation disclosures

Information regarding individual directors’ and executives’ compensation, and some equity instruments disclosures as permitted by Corporations Regulation 2M.3.03, is provided in the remuneration report section of the directors’ report.

Apart from the details disclosed in this note, no director has entered into a material contract with the group since the end of the previous financial year and there were no material contracts involving directors’ interest existing at year-end.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

Codan Limited and its Controlled Entities

27. KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

Equity holdings and transactions

The movement during the reporting period in the number of ordinary shares of Codan Limited, held directly, indirectly or beneficially by key management personnel, including their personally related entities is as follows:

	Held at 1 July 2012	Purchases	Received on exercise of rights	Sales	Held at 30 June 2013
Directors					
Dr G D Klingner	467,840	67,143	-	-	534,983
Mr D S McGurk	147,667	32,000	132,850	-	312,517
Mr P R Griffiths	148,065	51,351	-	-	199,416
Mr D J Klingberg	66,765	54,143	-	-	120,908
Mr D J Simmons	-	-	-	-	-
Lt-Gen P F Leahy	44,065	13,643	-	-	57,708
Mr S W Davies	-	12,420	-	-	12,420
Mrs C S Namblard	-	-	-	-	-
Specified executives					
Mr M Barton	5,000	-	-	-	5,000
Mr P D Charlesworth	172,797	7,143	132,850	-	312,790
Mr K J Kane	3,500	7,143	-	-	n/a
Mr P McCarter	n/a	-	-	-	-

Mr K J Kane ceased employment on 29 March 2013. Mr P McCarter was appointed to the position of Executive General Manager, Codan Radio Communications on 3 June 2013.

	Held at 1 July 2011	Purchases	Received on exercise of rights	Sales	Held at 30 June 2012
Directors					
Dr G D Klingner	467,840	-	-	-	467,840
Mr D S McGurk	1,000	-	146,667	-	147,667
Mr P R Griffiths	138,065	10,000	-	-	148,065
Mr D J Klingberg	66,765	-	-	-	66,765
Mr D J Simmons	-	-	-	-	-
Lt-Gen P F Leahy	44,065	-	-	-	44,065
Mr S W Davies	-	-	-	-	-
Mrs C S Namblard	n/a	-	-	-	-
Specified executives					
Mr M Barton	5,000	-	-	-	5,000
Mr R R Carpenter	-	-	-	-	-
Mr P D Charlesworth	26,130	-	146,667	-	172,797
Mr K J Kane	-	3,500	-	-	3,500

Mrs C S Namblard was appointed as a director on 1 August 2011.

Mr R R Carpenter ceased employment on 30 June 2012 as a result of the sale of the company's satellite communications assets.

27. KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

Performance rights

The movements during the reporting period in the number of performance rights held directly, indirectly or beneficially by key management personnel, including their personally related entities is as follows:

	Held at 1 July 2012	Issued	Vested	Lapsed	Held at 30 June 2013
Specified executives					
Mr D S McGurk	**431,134**	**139,981**	**132,850**	**136,733**	**301,532**
Mr M Barton	**141,089**	**66,211**	**-**	**64,675**	**142,625**
Mr P D Charlesworth	**326,735**	**90,988**	**132,850**	**88,877**	**195,996**
Mr K J Kane	**84,006**	**72,790**	**-**	**156,796**	**n/a**
Mr P McCarter	**n/a**	**-**	**-**	**-**	**-**

	Held at 1 July 2011	Issued	Vested	Lapsed	Held at 30 June 2012
Specified executives					
Mr D S McGurk	416,250	161,551	146,667	-	431,134
Mr M Barton	64,675	76,414	-	-	141,089
Mr P D Charlesworth	368,394	105,008	146,667	-	326,735
Mr K J Kane	-	84,006	-	-	84,006

Other transactions with the company or its controlled entities

There have been no loans to key management personnel during the financial year.

From time to time, directors and specified executives, or their personally related entities, may purchase goods from the group. These purchases occur within a normal employee relationship and are considered to be trivial in nature.

28. OTHER RELATED PARTIES

All transactions with non-key management personnel related parties are on normal terms and conditions.

Companies within the group purchase materials from other group companies. These transactions are on normal commercial terms.

Loans between entities in the wholly owned group are repayable at call and no interest is charged.

29. EARNINGS PER SHARE

The group presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise performance rights granted to employees.

	Consolidated	
	2013 $000	2012 $000
Net profit used for the purpose of calculating basic and diluted earnings per share	**45,417**	23,146

The weighted average number of shares used as the denominator number for basic earnings per share was 175,095,002 (2012: 164,145,980).

The calculation of diluted earnings per share at 30 June 2013 was based on profit attributable to shareholders of $45.4 million and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 176,039,493 (2012: 165,155,514).

30. NET TANGIBLE ASSET / LIABILITY PER SHARE

	2013	2012
Net tangible asset/(liability) per share	**5.1 cents**	(5.8 cents)

31. CAPITAL MANAGEMENT

The board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The board of directors monitors the level of dividends paid to ordinary shareholders and the overall return on capital.

The board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings, and the advantages and security afforded by a sound capital position. This approach has not changed from previous years.

During the year the group's gearing level improved as net debt levels remained low and new share capital was issued.

Neither the company nor any of its subsidiaries are subject to externally imposed capital requirements.

32. DEED OF CROSS GUARANTEE

Pursuant to ASIC Class Order 98/1418 (as amended) dated 13 August 1998, the wholly owned subsidiary listed below is relieved from the Corporations Act 2001 requirements for preparation, audit and lodgement of financial reports and directors' report.

It is a condition of the Class Order that the company and its subsidiary enter into a Deed of Cross Guarantee. The effect of the Deed is that the company guarantees to each creditor payment in full of any debt in the event of the winding up of the subsidiary under certain provisions of the Corporations Act 2001. If a winding up occurs under the provisions of the Act, the company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiary has also given similar guarantees in the event that the company is wound up.

Minelab Electronics Pty Ltd is the only subsidiary subject to the Deed. Minelab Electronics Pty Ltd became a party to the Deed on 22 June 2009, by virtue of a Deed of Assumption.

A summarised consolidated income statement and a consolidated balance sheet, comprising the company and controlled entity which is a party to the Deed, after eliminating all transactions between the parties to the Deed of Cross Guarantee, is set out as follows:

Summarised income statement and retained earnings

	2013 $000	2012 $000
Profit before tax	**25,933**	26,195
Income tax expense	**(18,648)**	(11,013)
Profit after tax	**7,285**	15,182
Retained earnings at beginning of the year	**40,120**	39,711
Retained earnings at end of the year	**27,062**	40,120

Balance sheet

	2013 $000	2012 $000
CURRENT ASSETS		
Cash and cash equivalents	5,017	16,904
Trade and other receivables	36,354	17,458
Inventories	20,107	7,713
Equipment held for sale	-	1,747
Other assets	2,046	1,031
Total current assets	63,524	44,853
NON-CURRENT ASSETS		
Investments	26,388	21,087
Property, plant and equipment	16,941	15,890
Product development	28,720	23,641
Intangible assets	57,195	57,351
Deferred tax assets	7,069	6,255
Total non-current assets	136,313	124,224
Total assets	199,837	169,077
CURRENT LIABILITIES		
Trade and other payables	23,864	29,185
Other liabilities	26,660	14,109
Current tax payable	12,474	4,091
Provisions	7,787	8,545
Total current liabilities	70,785	55,930
NON-CURRENT LIABILITIES		
Loans and borrowings	15,000	38,879
Deferred tax liabilities	8,766	7,735
Provisions	757	631
Total non-current liabilities	24,523	47,245
Total liabilities	95,308	103,175
Net assets	104,529	65,902
EQUITY		
Share capital	42,986	25,951
Reserves	34,481	(169)
Retained earnings	27,062	40,120
Total equity	104,529	65,902

33. PARENT ENTITY DISCLOSURES

As at, and throughout, the financial year ending 30 June 2013, the parent company of the group was Codan Limited.

	Company 2013 $000	Company 2012 $000
Result of parent entity		
Profit for the period	**34,673**	17,573
Other comprehensive income	**(387)**	(893)
Total comprehensive income for the period	**34,286**	16,680
Financial position of parent entity at year-end		
Current assets	**50,999**	32,226
Total assets	**168,021**	141,447
Current liabilities	**51,349**	31,276
Total liabilities	**71,473**	74,472
Total equity of the parent entity comprising:		
Share capital	**42,986**	25,951
Reserves	**33,392**	78
Retained earnings	**20,171**	40,946
Total equity	**96,549**	66,975

DIRECTORS' DECLARATION

Codan Limited and its Controlled Entities

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

(a) the consolidated financial statements and notes, set out on pages 52 to 102, 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 30 June 2013 and its performance, as represented by the results of its operations and its cash flows, for the financial year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(a);

(c) the remuneration disclosures that are contained in the Remuneration report in the Directors' report comply with Australian Accounting Standards AASB 124 *Related Party Disclosures*, the *Corporations Act 2001* and the *Corporations Regulations 2001;*

(d) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;

(e) there are reasonable grounds to believe that the company and the group entity identified in Note 32 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the company and the group entity pursuant to ASIC Class Order 98/1418; and

(f) the directors have been given the declaration required by Section 295A of the *Corporations Act 2001* by the chief executive officer and the chief financial officer for the financial year ended 30 June 2013.

Dated at Newton this 21st day of August 2013.

Signed in accordance with a resolution of the directors:

Dr G D Klingner
Director

D S McGurk
Director

INDEPENDENT AUDITOR'S REPORT

To the members of Codan Limited

Independent auditor's report to the members of Codan Limited

Report on the financial report

We have audited the accompanying financial report of Codan Limited (the company), which comprises the consolidated statement of financial position as at 30 June 2013, and consolidated income statement and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 33 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 year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the 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 financial report that is free from material misstatement whether due to fraud or error. In note 1(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion:
(a) the financial report of the Group is in accordance with the *Corporations Act 2001,* including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2013 and of its performance for the year ended on that date; and
(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1(a).

Report on the remuneration report

We have audited the Remuneration Report included in page 34 to 40 of the directors' report for the year ended 30 June 2013. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Codan Limited for the year ended 30 June 2013, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

N T Faulkner
Partner

Adelaide

21 August 2013

ASX ADDITIONAL INFORMATION

Codan Limited and its Controlled Entities

Additional information required by the Australian Stock Exchange Limited Listing Rules not disclosed elsewhere in this report is set out below.

Shareholdings as at 14 August 2013

Substantial Shareholders

The number of shares held by substantial shareholders and their associates are set out below:

Shareholder	Number of ordinary shares
I B Wall and P M Wall	**34,808,151**
Interests associated with Starform Pty Ltd, Pinara Pty Ltd and Pinara Group Pty Ltd	**23,927,636**
Interests associated with Kynola Pty Ltd and Warren Glen Pty Ltd	**12,320,566**
National Nominees Limited	**12,151,253**

Distribution of equity security holders

Number of shares held	Number of equity security holders Ordinary shares
1 - 1,000	**1,523**
1,001 - 5,000	**2,454**
5,001 - 10,000	**947**
10,001 - 100,000	**891**
100,001 - over	**70**
Total	**5,885**

The number of shareholders holding less than a marketable parcel of ordinary shares is 505.

Securities Exchange

The company is listed on the Australian Securities Exchange. The home exchange is Sydney.

Other Information

Codan Limited, incorporated and domiciled in Australia, is a publicly listed company limited by shares.

On-Market Buy-Back

There is no current on-market buy-back.

Twenty largest shareholders

Name	Number of ordinary shares held	Percentage of capital held
I B Wall and P M Wall	34,808,151	19.7%
National Nominees Limited	12,151,253	6.9%
Starform Pty Ltd	11,404,224	6.4%
Kynola Pty Ltd	9,118,356	5.2%
Dareel Pty Ltd	8,854,251	5.0%
Griffinna Pty Ltd	8,276,003	4.7%
J P Morgan Nominees Australia Limited	6,221,487	3.5%
Citicorp Nominees Pty Limited	5,997,074	3.4%
M K and M C Heard	4,764,585	2.7%
G Bettison	3,562,125	2.0%
A Bettison	3,562,124	2.0%
Orley Pty Ltd	3,420,812	1.9%
Warren Glen Pty Ltd	3,202,210	1.8%
Bond Street Custodians Limited	2,806,395	1.6%
Mitranikitan Pty Ltd	2,522,458	1.4%
HSBC Custody Nominees (Australia) Limited	1,924,945	1.1%
Pinara Group Pty Ltd	1,537,502	0.9%
RBC Investor Services Australia Nominees Pty Limited	1,662,440	0.9%
BNP Paribas Nominees Pty Ltd	1,560,979	0.9%
J A Uhrig	1,365,143	0.8%
Total	128,722,517	72.8%

Offices and officers

Company Secretary

Mr Michael Barton BA (ACC), CA

Principal registered office

81 Graves Street
Newton South Australia 5074
Telephone: (08) 8305 0311
Facsimile: (08) 8305 0411
Internet address: www.codan.com.au

Location of share registry

Computershare Investor Services Pty Limited
GPO Box 1903
Adelaide South Australia 5001

CORPORATE DIRECTORY

Codan Limited and its Controlled Entities

Directors

Dr David Klingner (Chairman)
Mr Donald McGurk (Managing Director and Chief Executive Officer)
Mr Peter Griffiths
Mr David Klingberg AO
Mr David Simmons
Lt-Gen Peter Leahy AC
Mr Scott Davies
Mrs Corinne Namblard

Company Secretary

Mr Michael Barton

Principal registered office

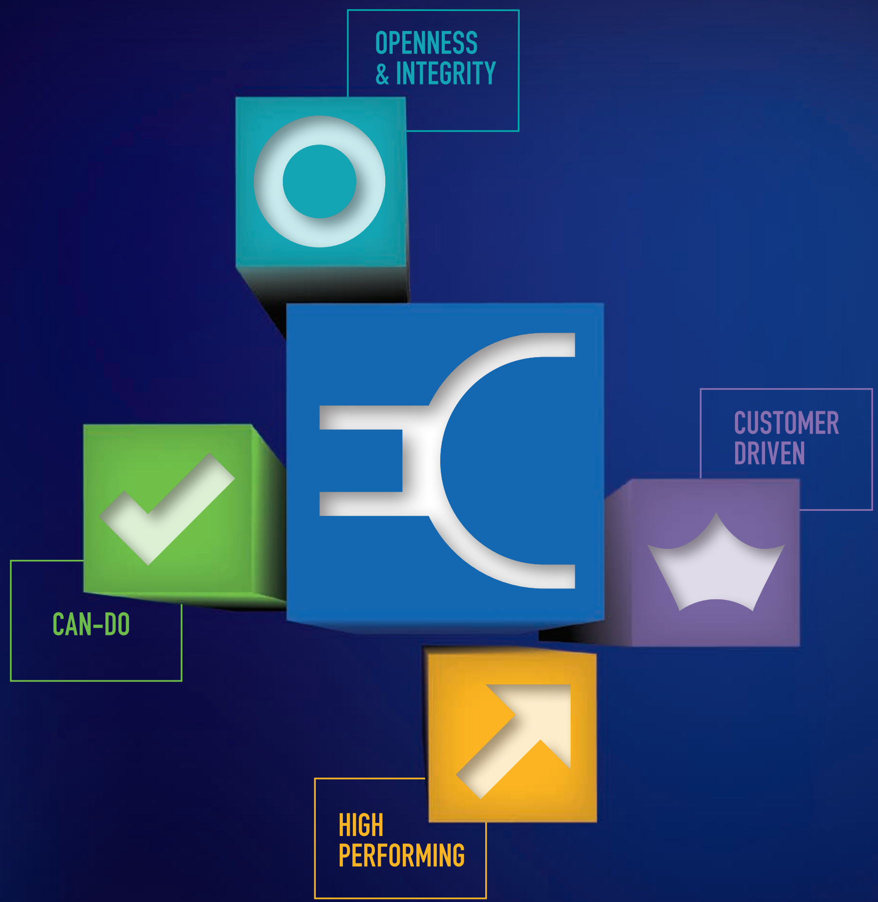
81 Graves Street
Newton South Australia 5074

Auditor

KPMG
151 Pirie Street
Adelaide South Australia 5000

Location of share registry

Computershare Investor Services Pty Limited
GPO Box 1903
Adelaide South Australia 5001



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