CODAN

2015 CODAN ANNUAL REPORT

TRANSFORMING LIVES

TRANSFORMING LIVES

At Codan we believe technology has the power to transform people's lives. People all over the world risk their lives every day, working in harsh and dangerous conditions to make their communities safer and more secure — from large-scale miners to fire fighters, border security patrols, famine-relief workers and artisanal miners. We equip them with innovative and robust technology so they can get the job done safely and efficiently.

We have been achieving this for more than 50 years, since our founders engineered leading-edge radios for the School of the Air to help children in the farthest reaches of outback Australia gain access to education. Today, Codan works with customers in over 150 countries, and our technology continues to transform lives by creating solutions that solve communications, safety, security and productivity problems in some of the harshest environments on earth.

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2015_
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, 28 October 2015 at the Hilton Adelaide hotel, 233 Victoria Square, Adelaide, South Australia.

FY15 SUMMARY_

TOTAL REVENUE

$143.9M ↑

UNDERLYING NET PROFIT AFTER TAX

$12.7M ↑

ANNUAL DIVIDEND

3.5c ↑

- **Net profit after tax of $12.5 million, up 36% on 9% higher sales**
- **Earnings per share of 7.1 cents**
- **Annual fully franked dividend of 3.5 cents**
- **Balance sheet strengthened with net debt reduced by a further $18 million in the second half, to $35.4 million**
- **Investment in new product development maintained at historically high levels**
- **Radio Communications revenue increased 18% and segment contribution increased 33%**
- **Minelab revenue increased 70% over the first half with release of the GPZ 7000® gold detector in February and the GO-FIND® metal detector series in May**
- **Mining technology start-up business, Minetec, successfully completed pilot projects for a number of global mining companies**

CODAN LIMITED

Founded in 1959, Codan Limited (ASX:CDA) provides robust and leading-edge technology solutions that solve customers' communications, safety, security and productivity problems.

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

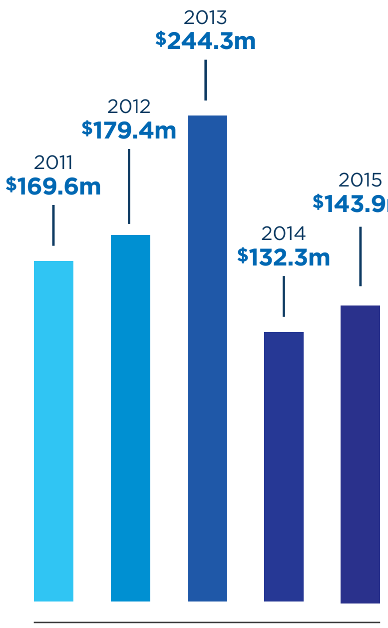
We work closely with our customers to seek innovative ways to solve their problems and add value to their operations.

The Codan brands are internationally established, well regarded in the markets we serve, and have an exceptional reputation for superior performance in harsh and remote environments.

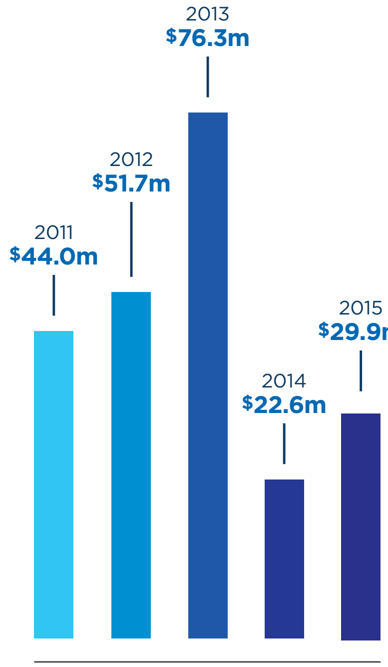
Our customers include leading aid and humanitarian organisations, mining companies, security and military groups, governments and major corporates, as well as individual customers and artisanal miners.

Our plan for growth is based on developing unique intellectual property, putting that know-how into an expanding range of electronics-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.

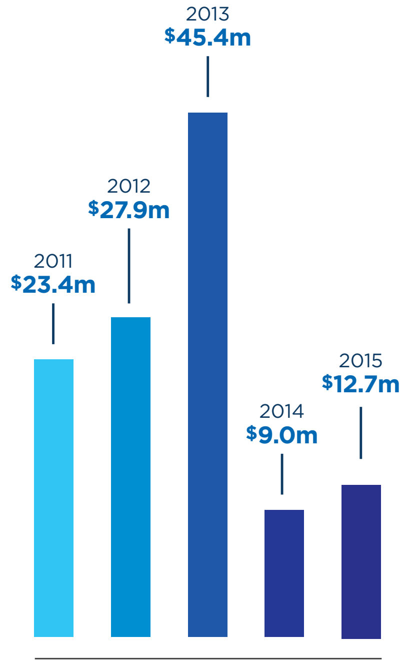
The business has approximately 375 employees located in Australia, Canada, the USA, UK, Ireland, China and the UAE. Our marketing reach, largely through a long-established network of staff and dealerships across the world, embraces activity in over 150 countries.



OPERATING REVENUE



EBITDA



UNDERLYING NPAT*

For year ended 30 June	Note	2015	% of sales	2014	% of sales	2013	% of sales	2012	% of sales	2011	% of sales
REVENUE	**Note**										
Communications											
- HF and LMR		$63.8m	44%	$53.9m	41%	$47.5m	20%	$47.7m	27%	$43.7m	26%
- Discontinued Satcom						$10.5m	4%	$18.7m	10%	$26.1m	15%
Metal detection		$73.3m	51%	$69.9m	53%	$166.3m	68%	$98.6m	55%	$92.1m	54%
Mining technology		$4.8m	3%	$4.0m	3%	$14.5m	6%	$9.3m	5%		
Other		$2.0m	2%	$4.5m	3%	$5.5m	2%	$5.1m	3%	$7.7m	5%
Total revenue		**$143.9m**	**100%**	**$132.3m**	**100%**	**$244.3m**	**100%**	**$179.4m**	**100%**	**$169.6m**	**100%**
EBITDA		**$29.9m**	**21%**	**$22.6m**	**17%**	**$76.3m**	**31%**	**$51.7m**	**29%**	**$44.0m**	**26%**
EBIT		**$19.3m**	**13%**	**$13.6m**	**10%**	**$64.7m**	**26%**	**$43.2m**	**24%**	**$35.0m**	**21%**
Interest		($2.5)m		($2.8)m		($1.7)m		($3.4)m		($3.0)m	
Net profit before tax		**$16.8m**	**12%**	**$10.8m**	**8%**	**$63.0m**	**26%**	**$39.8m**	**22%**	**$32.0m**	**19%**
Tax		($4.1)m		($1.8)m		($17.6)m		($11.9)m		($8.6)m	
Net profit after tax		**$12.7m**	**9%**	**$9.0m**	**7%**	**$45.4m**	**19%**	**$27.9m**	**16%**	**$23.4m**	**14%**
Earnings per share		7.1c		5.1c		25.8c		17.0c		14.3c	
Dividend per share		3.5c		3.0c		13.0c		9.5c		9.0c	
Return on equity	1	10%		7%		41%		37%		34%	
Gearing	2	22%		28%		17%		17%		26%	

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 2015, non-recurring items related to the closure of a non-core business. For the prior year, the net impact of non-recurring items on the profits of the company was immaterial.

You never know if or when you'll make a life-changing discovery. One of the most valuable things I've found is a hobby we can now enjoy as a family.

MINELAB INCREASED ITS FULL YEAR PROFIT CONTRIBUTION BY

↑20%

OVER FY14

CHAIRMAN'S LETTER TO SHAREHOLDERS_

In this, my first letter to shareholders, I am pleased to report improved results for Codan in FY15. This improvement was both welcome and necessary given the poor results achieved in FY14. The full details of the improvements in sales, net profit, dividend and debt levels are set out in this report.

Mr David Simmons
Chairman

The board and management team are very aware that shareholders will only reward consistent results with "no surprises". I can assure you that we are all very focused on this objective despite the challenges brought about by the nature of our business.

In June this year, I visited the majority of Codan's overseas operations with our CEO, Donald McGurk. I was impressed with the depth of talent, the enthusiasm and the commitment of every employee I met. Our ability to transact profitable business in some of the most challenging countries and markets around the world is a key competitive advantage.

We spent in the order of $16.5m, or 11.5% to sales, on new product development and engineering during the year, well above our long-term average rate of expenditure in this category.

We plan to spend a similar amount this year as we fast-track a number of key initiatives that will underwrite medium-term sales and profit growth. Donald has provided further details on the individual projects in his report. We expect to return to somewhere near the long-term average rate of expenditure in the following year. This accelerated spend has focused the entire business on cash flow management, particularly working capital efficiency – a good thing.

Given the commitment to accelerated new product development and engineering, which is a core capability across the group, we have no current plans to acquire further businesses. For now it is our strategy to expand our existing products and solutions and position our start-up business, Minetec, for success. As Donald has explained, during FY16 Minetec will become "product ready" for the first time, which is a significant milestone.

The process of board regeneration continues. At the AGM it will be my pleasure to introduce our newest board member, Graeme Barclay. You can read about Graeme's background and experience in this report. David Klingberg will retire at the upcoming AGM. David has been an excellent director over a number of years and it will be my pleasure to reflect on his input and that of David Klingner, our former chairman, at the AGM.

Peter Griffiths had also intended to retire at this year's AGM, but he has kindly agreed to postpone his retirement for six or so months to give us time to find an appropriate person to cover his considerable skills and corporate knowledge, particularly as chair of the Board Audit, Risk and Compliance Committee.

I would like to particularly draw your attention to this year's Remuneration Report. I am pleased that our policy of rewarding performance and aligning our executive team's objectives with those of the shareholders has been clearly demonstrated this year. I commend this report to you.

We will provide an update on our trading performance at the AGM. As mentioned, we are very much focused on consistent improvement, year on year.

Mr David Simmons
Chairman

"Our ability to transact profitable business in some of the most challenging countries and markets around the world is a key competitive advantage."

CEO'S REPORT_

I am pleased to report that significant progress across a number of fronts was made during the last 12 months, with the release to market of several new product platforms and improved performance in both Radio Communications and Minelab.

Mr Donald McGurk
Managing Director and CEO

Net profit after tax increased 36% to $12.5 million for the year on group sales of $143.9 million. The company declared a fully franked final dividend of 2.0 cents per share, following on from the 1.5 cent per share fully franked interim dividend. This resulted in a total dividend of 3.5 cents for the full year, an increase of 17% over FY14.

The balance sheet was strengthened, with net debt reduced by $11.5 million over the year and the company's gearing ratio reduced from 28% to 22%. Net debt remains well within the company's debt facility of $85 million.

The decision to maintain an increased level of engineering spend on new product development, despite the difficulties faced by the business, has delivered good returns during the year. Minelab made almost $20 million of sales in the second half of FY15 from the new GPZ 7000® super gold detector and stylish, low-cost GO-FIND® metal detector series. This has further reinforced the benefits of continuing to invest in new product development to create unique and protectable intellectual property.

Codan has a proud history of providing robust and leading-edge technology solutions that solve customers' problems, and we remain committed to exceeding customer expectations in all aspects of our business.

Radio Communications

Radio Communications had an excellent year, increasing both sales and profitability. Segment contribution of $15.2 million increased 33% over FY14 on sales of $63.8 million, up 18% on the prior year.

The Land Mobile Radio (LMR) product group, based in Victoria, Canada, increased sales for the second consecutive year as the North American economy showed signs of recovery and new product releases gained traction.

The decision taken last year to invest in a new, refreshed suite of LMR product solutions over a three-year period, aimed at broadening our offering to the market, has proven to be a good one. The first of these products, Stratus™, was released in March and has been very well received by government organisations in the USA. Stratus™ is a hybrid communications network solution which provides secure mobile voice communications anywhere with public cellular coverage. The product links the cellular network into an established LMR network to provide wide area coverage.

Demand for the software-defined Envoy® High Frequency (HF) radio continues to grow, and the business is now able to bid into larger communications projects on the back of its improved voice clarity and turnkey solutions incorporating both HF and LMR.

We continue to see significant opportunities to grow Radio Communications over the next two to three years by further integrating LMR and HF radio communications. The significant investment in new LMR solutions and extension of our Envoy® HF platform are expected to provide growth engines for this business.

Metal Detection

Over the past 20 years, Minelab has introduced more innovative technology to the metal detecting market than any of its competitors and has taken the industry to new levels of technological excellence.

This tradition has continued with the release of the GPZ 7000®, a significant new gold detection platform that has re-established our technological advantage in the lucrative gold detecting sector of the market. The GPZ 7000® is the world's best metal detector and utilises proprietary ZVT™ technology which detects gold at greater depths and across all ground types, including very highly mineralised soils.

In order to maximise the success of this product, we have established a Minelab retail and distribution centre in Dubai to enable us to deal directly with the African market and bring us closer to our customers. This has also served to help aggressively protect our intellectual property and disrupt the operations of those that seek to imitate us.

The Minelab consumer business remains very significant and more predictable, with key markets in Australia, the USA, Europe and Russia. The new GO-FIND® detector series was released in May 2015, taking us into a lower-priced and higher-volume segment. This is a significant new market for Minelab, and its introduction means there is now a premium quality Minelab product at every metal detecting price point.

Minelab's countermine business has always been strategically important in maintaining our position as the world's number one provider of metal detection technologies and solutions. Our continual development of leading-edge technology to rid the world of land mines and improvised explosive devices carries over to the business' other products and creates positive brand recognition globally.

In 2013, the business began working with a major US defence company, NIITEK, to integrate Minelab's leading-edge metal detection technology with their ground penetrating radar to produce the world's best dual-sensor handheld mine detector. We are excited about the potential that this joint venture brings.

Significant sales were also made to the Australian Department of Defence and the Canadian Department of National Defence (DND). DND's selection of the F3 Compact™ followed extensive comparative field trials to ensure compliance with their stringent operational requirements.

Mining Technology

Our start-up technology business, Minetec, continues to make good progress, albeit at a slower rate than originally hoped. Over the past three years, Codan has continued to invest in Minetec's technologies in order to transition the company to a high-value-add technology solutions provider to the mining industry.

During FY15, Minetec successfully completed a number of pilot projects for global mining companies, which demonstrated its tracking, safety and productivity technologies in operational environments. From a technology perspective, FY16 will see Minetec transition from the product development phase to systems integration of solutions that have been successfully demonstrated in operating mines.

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

South Africa is a key target market for Minetec, with a predominance of underground hard-rock mines and a regulatory environment that has legislated safety systems for operational mines. In FY15, Minetec established a local presence in South Africa in order to be closer to our key customers.

While management remains of the view that, in time, Minetec will become a significant division of Codan, it is still a start-up business and may take some time to achieve scale and acceptable levels of profitability.

Integration of Adelaide facilities

The company plans to consolidate and integrate its Adelaide operations in the Technology Park precinct at Mawson Lakes and sell its properties at Newton (Codan Radio) and Torrensville (Minelab). The Torrensville property was sold during the second half of FY15. The Newton property continues to be utilised by the business and will be sold after all operations have been relocated to Mawson Lakes in December 2015. The redeveloped, leased premises will provide great facilities for our staff and represents a long-term commitment to the electronics industry in South Australia.

Our people

Lastly, but most importantly, people and culture are at the heart of every organisation's success, and I am proud and delighted to say that our people have proven themselves to be among the best in the industry, and worked tirelessly to rebuild our market leadership position and propel us through the difficulties faced by the business during the past 24 months.

With great people and a "can-do" culture, coupled with an appetite from the board to support management's plans to drive profit growth during the next three years, the company is very well positioned to prosper over the medium to long term and increase shareholder value.

On behalf of the board, I would like to express our sincere thanks to all of our people for their enthusiastic support and valued contribution.

Mr Donald McGurk
Managing Director and CEO

OUR PEOPLE AND VALUES_

Core values are what support Codan's vision and culture, and reflect what the business values. The Codan Core Values have been embraced by employees globally as guiding principles to assist with forming the foundation on which we perform work and conduct business.

The values underlie our work, how we interact with each other, and which strategies we employ to fulfill our mission. They are the practices we use every day in everything we do.

For Codan, the company's core values underpin our core purpose of delivering superior shareholder value by growing a lasting and innovative organisation that consistently creates outstanding customer experiences.

An awards programme has been implemented to recognise those employees who have demonstrated that they embrace the core values and apply them in their daily work.

The 4 Codan Core Values are:

- Can-Do
- High Performing
- Customer Driven
- Openness & Integrity

LIST OF RECIPIENTS

Can-Do

Lina Iuliano
Accounts Receivable and Credit Officer, Corporate Services, Australia

Despatch Team, Group Operations, Australia
Steve Hilton, Albert Mylan, Sheela Prasad, Jimmy Wongcuarewan, Sam Robinson, Sue Dodds and Kiki Pokad

Wayne Hingston
Facilities Coordinator, Group Operations, Australia

Gloria Dubbioso
Accounts Payable Officer, Corporate Services, Australia

Shaun Borgas
Group Credit Controller, Corporate Services, Australia

Nino Caporrella
Radio Communications Product Manager, Group Operations, Australia

Natalie Ksiazkiewicz
Commercial and Finance Officer, Corporate Services, Australia

High Performing

Finbarr Lordan
EMEA Operations Support, Minelab, Ireland

SMT Team
Richard Bernard, Sheela Prasad, Aleli Santos and Priscilla Macalincag, Group Operations, Australia

Mark Ellis
Sales Manager, Radio Communications, UK

Dave Jarvis
Customer Service Manager, Minetec, Australia

Customer Driven

Carlos Gonzalez
Communications Engineer, Minetec, Australia

Richard Burley
Group Procurement Manager, Group Operations, Australia

Graham Winston
Business Analyst, Group Operations, Australia

Callum McEwen
HF Product Training and Customer Service Manager, Radio Communications, Australia

Tina Bowen
Business Systems Manager, Group Operations, Australia

Openness and Integrity

Ken Parks
Director System Design Integration, Radio Communications, Canada

Yuqing Chen
Graduate Test Engineer, Group Operations, Australia

Darren Toy
GM Project Services, Minetec, Australia

Can-Do Award

Lina Iuliano

Accounts Receivable and Credit Officer, Corporate Services, Australia

Lina consistently demonstrates determination to work with challenging customers to collect payments on time. Lina always has a happy disposition and great attitude towards her work.

Customer Driven Award

Carlos Gonzalez

Communications Engineer, Minetec, Australia

Carlos has performed miracles with our customers. His interaction with customers and drive to deliver a quality solution tailored to their needs has now made Minetec a preferred supplier with these customers.

High Performing Award

Finbarr Lordan

EMEA Operations Support, Minelab, Ireland

Finbarr's consistent high performing work ethic speaks volumes about him as a Minelab employee. He has been exemplary in his contribution to Minelab over the past 12 years and sets the bar higher than anyone else.

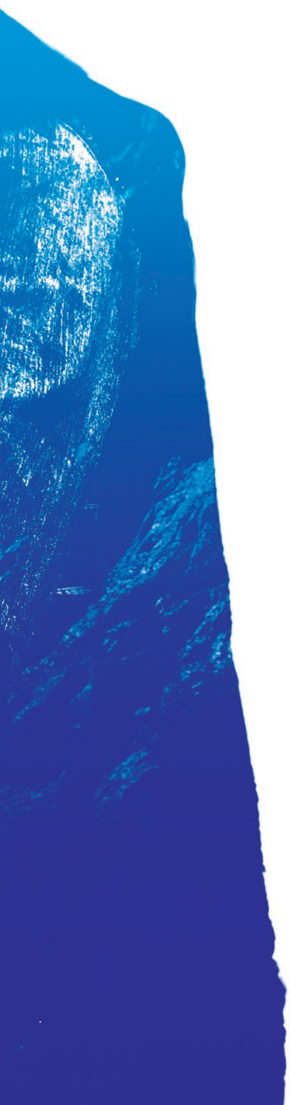
Openness and Integrity Award

Ken Parks

Director System Design Integration, Radio Communications, Canada

Ken wears many hats and many of them at the same time. He knows the company and the products, and he cares deeply about the people. He listens to others and encourages us all.

The advances in technology that integrate productivity, tracking and communication are staggering. But, most importantly, they're creating an even safer workplace for my guys.



IN FY15, MINETEC WORKED WITH SOME OF THE LARGEST GLOBAL MINERS

GLOBAL LOCATIONS_

CODAN DISTRIBUTES GLOBALLY AND HAS OPERATIONS AROUND THE WORLD

OPERATIONS_

_ RADIO COMMUNICATIONS
_ METAL DETECTION
_ MINING TECHNOLOGY
_ ENGINEERING AND OPERATIONS

RADIO COMMUNICATIONS_

Codan Radio Communications is a leading international designer and manufacturer of premium High Frequency (HF) radio 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 provide communication solutions that enable our customers to save lives, create security and support peacekeeping worldwide. 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.

FY15 SUMMARY

- Achieved strong turnaround in HF sales
- Delivered highest LMR sales since the acquisition of Daniels in 2012
- Increased profit contribution 33% on FY14
- Globally launched Stratus™ product and the Envoy® Release 2 digital radio

FY16 OBJECTIVES

- Embed Stratus™ as the leading LMR interoperability solution with key US customers
- Enhance Envoy® radio with smartphone capability for humanitarian and security customers
- Continue development of leading-edge LMR capabilities to deliver a full system solution
- Expand into adjacent markets and sectors with existing and new intellectual property

33%

INCREASED PROFIT CONTRIBUTION ON FY14

CODAN
RADIO COMMUNICATIONS

We have increased market share in all of our addressable markets, including key customer accounts and global one-off projects. The FY15 result was bolstered by significant one-off projects from oil-rich economies, which enhanced what would have already been a good level of growth from the previous financial year.

During the year we have continued to invest in the underlying technology and product portfolio. Stratus™, Envoy® Release 2 and Smartlink™ have made a significant improvement to our customers' communications capability and interoperability. These product launches, undertaken around the world, have kept the Codan brand at the forefront of people's minds. We have also made significant strides in brand recognition in the USA for Codan's radio portfolio, including a significant US government HF contract. We are working with major corporations in the USA to deliver further large programmes for both HF and LMR equipment.

The Envoy® Release 2 software cemented Codan as the radio provider of choice in the humanitarian and NGO marketplace. After the release of SmartLink™, Envoy® now has an extended suite of Wi-Fi networking functions which have made an already easy-to-use radio the best infrastructure-free communications tool on the market. It is unparalleled in voice quality, delivering market-leading capability at an affordable price to governments and agencies that need to operate in areas of the world without reliable secure communications infrastructure.

Stratus™ has made a big splash in the USA. It has been demonstrated live in front of large audiences, leaving potential customers in no doubt that this product can not only extend a local P25 network, but also create a worldwide network linked to any private or public network via 4G. We have delivered demonstration units to several key US agencies and potential customers around the world and we expect significant purchases during FY16. We are now fully engaged with the same customers to develop and extend the Stratus™ product further, which will diversify the offering and make it even more useful to the first-responder market.

Codan Radio Communications continues to enhance its world-class product design and development capability. Our focus is firmly fixed on delivery to our customers, and Radio Communications will continue to provide leading-edge systems and radio solutions with a customer-oriented service platform. We have the ability to deliver quality, best-value, dependable, field-supported systems, overcoming local or long-haul communication challenges, almost anywhere in the world. Codan Radio Communications provides the trusted platform for our customers and partners.

SUCCESS STORY

Long Range Digital Radio: The evolution of HF

High Frequency (HF) communications has the advantage of being able to cover vast distances without expensive infrastructure. However, traditional HF voice quality is quite variable, depending on a number of parameters, including time of day and solar activity. Today's customers expect a high-quality, dependable, clear communications service, similar to that provided by cellular and satellite services. Codan has developed new HF Digital Voice technology, which brings a quantum leap to the quality of service provided over HF.

Launched in July 2014, Codan's new HF Digital Voice capability, codenamed "Long Range Digital Radio" (LRDR™), is set to revolutionise the industry. In order to verify this capability in the real world, Codan recently worked closely with a local government public safety department in South Australia to conduct a state-wide field trial of the technology.

The field trials tested Codan's Envoy® software-defined radio, equipped with LRDR™ capability, under a variety of challenging conditions. LRDR™ proved to be a modern, clear, secure and effective tool that complements the radio suite which the public safety department vehicles currently carry. The field trial also proved LRDR™ to be superior to satellite communications in terms of voice quality, cost and availability. The field trial results were an outstanding success, demonstrating reliable communications over 1,250 km, with voice clarity unparalleled in the HF market, dispelling previous concerns that HF radio communications systems are hard to operate, noisy and unsecure.

Following the field trials, the department added Codan Envoys® to their future remote communications strategy, supported by a large purchase of Envoy® radios with LRDR™ capabilities, and are project scoping a gradual upgrade from analogue to LRDR™ across their entire fleet.

The department's progressive stance on LRDR™ technology is being echoed across the world by other government departments such as Police and Emergency Services. Notably, there have been recent sales, demonstrations and field trials in NSW into the Ambulance Service, SES and Queensland Rural Fire Service.

The renewed interest in HF communications across our international markets can be attributed to the release of LRDR™ technology. The new product suite has proven to be the most reliable and cost-effective platform for long range, secure communications among our peer competitors.

METAL DETECTION_

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.*

FY15 SUMMARY

- Released new top of range gold detector – the GPZ 7000®
- Released new detectors for the coin and treasure market – the GO-FIND® series
- Sales of these new detectors delivered a significantly stronger second half
- Increased the full-year profit contribution by 20% over FY14
- Opened new showroom and distribution centre in Dubai to better service the African gold market
- Received significant external funding to further develop Countermine product technology
- Achieved successful first year of the mid-priced SDC 2300® gold detector

FY16 OBJECTIVES

- Leverage our increased connectivity with the African small-scale gold mining market
- Grow retail distribution channels to maximise sales of the GO-FIND® detector series
- Continue to develop our product range to compete strongly against competitors
- Defend our intellectual property rights

THE WORLD LEADER

MINELAB

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

Minelab's profit contribution in FY15 of $19.2 million was an increase of 20% over FY14 and was achieved based on sales of $73.3 million. This improved profit result was made possible by the release of two potentially game-changing new product platforms – the world's best gold detector (GPZ 7000®) and a stylish new coin and treasure product series (GO-FIND®) targeted at the consumer market. These releases drove the improved performance in the second half.

Minelab employs the largest and world's best metal detection engineering team, developing technology that is consistently superior to Minelab's competitors. The GPZ 7000® gold machine was delivered ahead of schedule and, along with the GO-FIND®, is a reflection of the world-leading engineering development that is undertaken at Minelab.

Hobbyists and prospectors

The foundation of the Minelab business has been built on the success of selling metal detectors into the developed world economies of Australia, the USA, Europe and Russia, to individuals who metal detect for the fun of it and for whom metal detecting is an interest, a hobby, a sport or indeed primary and secondary sources of income.

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 business represents a significant portion of the total Minelab business, and is well placed for growth as the hobby of metal detection becomes increasingly familiar and accepted across the world and Minelab continues to release new products to the market.

A key driver of growth in this first-world market is the release of new products. FY15 has benefited from three major new product releases.

The SDC 2300® All-Terrain Gold Detector was released at the start of FY15 and is the most powerful mid-priced gold detector on the market. This gold detector is built to a military grade, is collapsible, compact and fully waterproof. The detector is lightweight and easy to use, with a real strength in finding small nuggets and fine threaded gold in highly mineralised soils. Sales in its first year of release have exceeded our expectations.

Minelab released its flagship gold detector in February 2015. The GPZ 7000® uses new metal detection technology developed by Minelab to find the deepest gold in mineralised ground. With up to a 40% improvement in gold detection capability against the previously best gold detector, Minelab's GPX 5000™, the GPZ 7000® has revolutionised the gold detecting market. The demand for this product has been excellent and drove a much improved second half profit result which pleasingly resulted in significant cash collections.

Minelab has for many years dominated the top-end price points of the metal detecting market and has fought hard against its competitors at mid-tier price points. Minelab has not sold products at the lower price end of the market, which has left this market space to Minelab's competitors. This has now changed with the release of the GO-FIND® series of detectors in May 2015. While these detectors will sell for a price point from US$150, the Minelab engineering team has designed them using Minelab's market-leading technology to produce a category-leading product. The GO-FIND® will become a higher volume consumer product, and Minelab has expanded its relationships with large retail chains in order to take this product to the large consumer markets of the USA, Europe, Russia and Australia.

Minelab now has products at all price points of the metal detecting market and we will continue to compete hard with our competitors to maximise our market share.

Small-scale gold mining

Minelab's world-leading gold detection technology continues to revolutionise how small-scale gold miners from around the world prospect for gold.

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

Minelab undertook a number of key actions in FY15 in order to maximise the potential of the large but unpredictable African gold detecting market.

A critical factor in being able to respond to and understand the African gold detecting market is to be as close to the market as possible. To meet this objective, Minelab established a retail and distribution centre in Dubai in January 2015 to enable us to deal directly with African dealers and retail customers who come to Dubai to trade for gold detecting equipment. This strategy is working, and we are very pleased with the development of key direct relationships with the African gold detecting market as direct sales build.

The release of the GPZ 7000® top-end gold machine has been eagerly awaited in the African gold fields, and FY16 will see the introduction of this product into our African gold markets.

We continue to invest in the development of small-scale gold mining markets outside of Africa, and believe that, in time, good markets will develop in Central and Latin America and Asia.

METAL DETECTION_

Countermine

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

Minelab's Countermine business has always been strategically important in maintaining our position as the world's number one provider of metal detection technologies and solutions. Our continual development of leading-edge technology to rid the world of landmines and improvised explosive devices carries over to the business' other products and creates positive brand recognition globally.

The world-leading engineering capability of the Countermine team is highlighted by the fact that Minelab has received external funding from a number of parties to further develop metal detection technology in order to advance the detection of landmines and unexploded ordnance.

As an example, the Countermine business has been working with a major US defence company, NIITEK, to integrate Minelab's leading-edge metal detection technology with their ground penetrating radar to produce the world's best dual-sensor handheld mine detector. We are excited about the potential that this joint venture brings.

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 Cambodia, Angola, Sri Lanka, Vietnam, Mozambique, Colombia, Lebanon and Afghanistan.

CASE STUDY

Minelab's commercial detector solves HALO's mine-clearing challenge in Mozambique

HALO Trust, a charity specialising in destroying the debris of war, works on some of the world's most difficult minefields. When they discovered minimum metal anti-personnel mines (M14s) under the Gumbane power lines in Mozambique, HALO began consultation with world-leading metal detection company, Minelab, to tackle the unique technical challenge.

Background

The Gumbane power line feeds Mozambique's capital, Maputo, and was mined during the Mozambican civil war when government forces used anti-personnel mines to defend key pieces of infrastructure from sabotage. After the war, the mines inhibited reconstruction and repairs by the national electric company, Electricidade de Moçambique (EDM). Accidents have occurred involving EDM workers trying to access the power lines, as well as civilians and livestock. As such, the clearance of the power lines was a high priority for the Government of Mozambique.

Challenges

During HALO's clearance operation, they encountered a new technical challenge with the discovery of M14 mines along the northern end of the Gumbane lines. These mines contain a very small amount of metal, which makes them difficult to detect with conventional metal detectors. Adding to the challenge, these mines were laid in mineralised soil, and overhead power lines created electromagnetic interference. These factors made it difficult for HALO's existing detectors to locate the M14 mines, and required a new technical solution.

Solution

In July 2013, Minelab proposed its GPX 5000™ commercial detector due to its ability to be programmed for a very broad range of conditions. A test demonstration was carried out at the Gumbane Power Line in August 2013 using a rendered-safe M14 mine as a target, and after a good performance HALO continued to test the unit until October 2013.

Outcomes

After purchasing and deploying three Minelab detectors, a total of 220 M14 mines were detected by HALO on six different tower locations by February 2014. This marked the first time globally that the GPX 5000™ detector had been used for mine clearance. In March 2014, the Government of Mozambique declared Maputo Province free of all known minefields.

Minelab's Hugh Graham, General Manager of Countermine, said, "The combined experience and cooperation between HALO and Minelab enabled a timely solution to a specific detection problem. Minelab takes great pleasure in its cooperation with HALO Trust and is extremely proud to be able to contribute to HALO's vitally important work."

Silvio Gemo from EDM remarked on the benefits of mine clearance from the Gumbane power lines: "Now we can conduct our maintenance free from the fear of mines, and start the installation of a new electricity line."

SUCCESS STORY

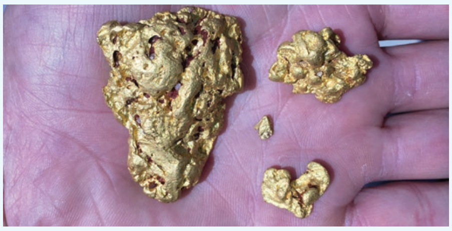
"With my new Minelab GPZ 7000® in hand, I thought I would try out some new areas.

"I'd already had a good morning detecting, but by now it was getting late and there wasn't much daylight left. I moved towards a large pile of debris and the GPZ gave an unusual sound. It was unlike any signal I'd heard before. I scratched away the leaf litter and swung again. The signal was still there, but stronger.

"I scratched off a few inches of soil and it got louder with an unusual tone. I was now confident it was gold. I dug down about eight inches and the GPZ was starting to overload as I brought it close to the target.

"I'd never experienced anything like this detecting so I was unsure of what would eventuate. Perhaps, I thought, it may be a really thin piece? Digging down even further, the detector was going crazy. I dug down just over a foot. I knelt down in the dirt to see what I'd uncovered. It felt heavy. I opened my fingers and then I saw it.

"I couldn't believe my eyes. It was a monster! After some solitary celebrations, I put it on the scales and found it was nearly four ounces. This far exceeded my expectations, I was over the moon!



"My GPZ had nearly paid for itself in one day.

"This was a day I'll never forget. I don't think it would have been possible without the GPZ 7000®. Thank you Minelab for designing such an amazing machine."

J.M. – Victoria, Australia

"Minelab has become the detector of choice for many humanitarian demining organisations and government bodies."

MINING TECHNOLOGY_

Minetec offers highly specialised safety and productivity-based solutions to serve underground and surface mining operations globally.

FY15 SUMMARY

- Completed pilot projects to demonstrate tracking, safety and productivity solutions
- Commenced operational deployments in Australia and South Africa
- Worked with some of the largest global miners
- Made major investment in product and technology development
- Legislation drove demand for safety products in South Africa
- Established office in key South African market
- Difficult economic environment for the global mining industry – focused on niche hard-rock underground mining

FY16 OBJECTIVES

- Minetec's baseline products "mine-ready and miner-proof"
- Transition to full-scale operational deployment
- Deliver on opportunities with key global mining customers
- Stabilise the financial performance of the business
- Continue to develop best-in-class products and technologies

MAJOR TECHNOLOGY INVESTMENT

MINETEC

Minetec was acquired by Codan in 2012 and is effectively a start-up technology business. The company has a history of providing communication services to the mining industry, however over the past three years Codan has invested in Minetec's intellectual property in order to transition the company to a high-value-add technology solutions provider.

Minetec's technology offering comprises proximity detection and collision avoidance (SafeDetect™), world-class sub-metre tracking of underground assets (TRAX™) and a suite of software productivity tools (SMARTS™) that incorporates day to day operational mine management and a long-term simulation capability. Uniquely, Minetec offers this capability as part of a unified technology platform enabling mining companies to combine safety and productivity solutions to give a return on investment.

Minetec has extended its product portfolio from applications in underground hard-rock mines to collision-avoidance and proximity-detection technologies for open-pit mining. During trials, Minetec's collision avoidance systems have set a new benchmark in the marketplace, offering high levels of precision and performance that cannot be met with legacy GPS-based solutions.

During FY15, Minetec successfully completed a number of pilot projects for global mining companies which demonstrated its tracking, safety and productivity technologies in operational environments. From a technology perspective, FY16 will see Minetec transition from the product development phase to the systems integration of solutions that have been successfully demonstrated in operating mines. For the first time, the business will become "product ready" during the course of this year.

Globally, resource companies are focused on improving operational performance in an environment of low commodity prices. As mining companies transition to higher levels of operational automation, Minetec provides the underlying capability to enable this transition. The ability to monitor assets in real time and communicate task changes directly to the operator will drive fundamental improvement to operational efficiency. Minetec's products assist mining companies in transitioning from conventional labour-intensive practices to safer and more efficient, mechanised mining.

Having now proven the technology and demonstrated our solutions, the challenge is to secure market acceptance and commitment to full-scale operational deployments.

South African market opportunity for mine safety solutions

The Department of Mineral Resources in South Africa (DMR) has legislated that a collision avoidance system must be installed on all underground and open-pit machinery. Collision avoidance automatically retards and stops a machine when in close proximity to a miner or another machine. This legislation will protect against a primary source of injuries and fatalities in mining.

Minetec has completed trials in South Africa and demonstrated compliance with the new legislation, which came into effect in May 2015. As a result, South Africa is a key target market for Minetec, and a local presence has now been established in Johannesburg. Minetec RSA (Pty) Ltd establishes a direct route to market and will build closer relationships with the South African customer base.

A number of significant procurement programmes have commenced as a direct consequence of this legislation. This allows Minetec to leverage its wider value proposition by proposing not only a DMR-compliant safety solution (SafeDetect™), but a system that also leverages sub-metre tracking of assets and the productivity gains that this enables.

The tracking information can be used by Minetec's productivity solution (SMARTS™) to provide real-time information to the mine controller in order to improve the productivity of the mine and hence achieve a return on investment over and above the provision of a safer mine environment.

CASE STUDY

Customer ALPHA

The Minetec value proposition is being demonstrated and deployed in a large underground gold mine in Australia. Initially assessed as a pilot programme, Minetec has commissioned high-precision machine and personnel tracking with a mean accuracy of 32cm. On the basis of this trial, the customer has chosen to operationally deploy this tracking capability.

Furthermore, the customer is in the process of extending the capability from productivity to safety using the same high-precision sensors to operate in a safety mode, providing proximity detection between vehicles, and between vehicles and mining personnel.

ENGINEERING AND OPERATIONS_

Engineering and Operations enhance Codan's growth and continuous improvement by driving technical excellence across the company. We operate highly disciplined and efficient engineering, advanced manufacturing and supply chain management to ensure programme success.

Engineering

Codan maintains a world-class team of research, engineering and technical staff, employing more than 100 engineers across the globe.

With teams in Adelaide, Perth and Victoria, Canada, our capabilities span a cross section of engineering disciplines, including software, electronic and mechanical engineering. We have a number of PhD qualified physicists and software, electronics and signal processing engineers on staff, recruited from Australia and overseas. Our engineering teams ensure that technology is released to specification, on schedule and with appropriate intellectual property (IP) protection.

We also utilise a number of field testers from around the world, as well as a network of service providers when required.

This combination of core competencies allows us to continuously develop unique IP to solve our customers' problems in communications, metal detection and mining.

Advanced manufacturing

The ability to manufacture high-level, high-quality electronics products and associated software is a core competency of Codan's, and remains a sustainable competitive advantage driving its future growth.

The company is committed to pursuing ongoing efficiencies, flexibility and investment in its production capabilities.

Codan's Adelaide manufacturing facility remains an integral and strategic element of the company's operations, serving as a technology hub, particularly for new product development and the manufacture of "IP-sensitive" and high-complexity products. Of particular note are Codan's security-featured radios, Minelab's landmine detectors and Minetec's mine safety products, which retain local manufacture.

Codan's relationship with one of the world's leading sub-contract electronics manufacturers, Plexus Corp, continues to remain a cornerstone in the company's manufacturing strategy. The majority of manufacturing continues in Malaysia, while manufacture of land mobile radio products takes place in a Plexus facility in Chicago, Illinois, for supply into the US market. In FY16, we expect the next generation land mobile radio product to be introduced into the Chicago site.

The partnership with Plexus, a US-owned company specialising in defence, aerospace and medical electronics manufacturing, will ensure 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.

Supply chain management

Codan has an extensive global supply chain in place, sourcing product and material from most regions in the world. We work with suppliers who meet stringent quality standards, are innovative and work in safe and responsible ways. Our dealings with our suppliers reflect Codan's core values, and as such we have built collaborative, honest and trusting relationships which have resulted in reliable supply over the long term.

Our supply chain is responsive to the changing needs of our customers and markets. All Codan suppliers must provide agility, flexibility and speed to market. At the end of our supply chain are five third-party-logistics global distribution centres, located in Ireland, Dubai, Chicago, Penang and Australia, which ensure product is regionally distributed for the fastest route to market.

Manufacturing and distributing our world-class products demands a strong, cohesive and responsible supply chain, and at Codan we have experienced professionals around the world dedicated to the delivery of supply chain excellence.

Continuous improvement

Continuous improvement remains core to the company's success and is a key strategy in the company's commitment to supplying high-quality electronics solutions, competitive pricing, excellent customer service and on-time delivery. Codan's continuous improvement ethos has been underpinned by the Codan Production System, our 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. Thousands of individual initiatives have been implemented, enabling Codan to dramatically lower production costs and reduce delivery lead times. Initiatives continue to this day, including improvements to global manufacturing sites run by Plexus and other key suppliers.

Workplace health, safety and environment

Codan is committed to a philosophy of zero harm to all persons in all areas of the business and the environment during the manufacture, distribution, use and disposal of our products. We are particularly conscious of exposing employees to critical risk, especially with respect to those travelling to remote locations. As such, Codan engages experts to ensure the safety and welfare of its travellers.

Codan is accredited to ISO14001 Environmental Management Systems and is due to achieve accreditation to ISO18001 Health & Safety Management Systems in early FY16.

Facilities

In December 2015, Codan will centralise its Adelaide operations at a new global head office located in the Technology Park precinct at Mawson Lakes, South Australia. Codan has entered into a long-term lease and will co-locate more than 250 Codan, Minelab and Minetec staff at the facility.

The facility is being refurbished and re-fitted to Codan's exact specifications with a focus on bringing a campus-feel to the workplace. It has been designed to foster a culture of collaboration and interaction by being predominantly open-plan, with minimal offices and extensive break-out and meeting spaces. The facility is also home to the company's world-class advanced manufacturing facilities focusing on new product development and manufacture of its security-featured radios and mine clearance products.

The facility allows capacity for future growth and includes extensive training and demonstration facilities which will be used to showcase our products to a global customer base.

Codan's existing head office at Newton will be divested after the relocation. The Minelab facility at Torrensville was sold in June 2015.

External front view


Courtyard


Minelab test facility

Codan warehouse

When you're dealing in critical situations, having the power of the latest radio communication equipment can be a life saving advantage. That means the right information, right when I need it.

CODAN DELIVERED ITS

HIGHEST

LMR SALES SINCE THE ACQUISITION OF DANIELS IN 2012

BOARD OF DIRECTORS_

Mr David Simmons

BA (Acc)

Chairman
Independent Non-Executive Director

Mr Simmons was appointed by the board as Chairman in February 2015 and has been a director of Codan since May 2008. He 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 and the Detmold Group.

Dr David Klingner

B.Sc (Hons), PhD, FAusIMM

Retired Chairman
Independent Non-Executive Director

Dr Klingner retired from the board in February 2015. He was appointed as Chairman in May 2007, having 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 Chairman of Karoon Gas Australia Limited, and a former chairman of Coal & Allied Industries Ltd, Bougainville Copper Limited, the World Coal Institute, Energy Resources of Australia Limited and Turquoise Hill Resources Ltd (formerly Ivanhoe Mines Ltd), Canada.

Mr Donald McGurk

HNC (Mech Eng), MBA, FAICD, Harvard AMP

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 board member of Bedford Phoenix Incorporated.

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.

BOARD OF DIRECTORS_

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. He is Chairman of Centrex Metals Limited and a director of E & A Limited. He has previously held the positions of Chairman of Barossa Infrastructure Limited and the South Australian Premier's Climate Change Council, and was a member of the boards of Snowy Hydro Limited and Invest in SA. He is a patron of the Cancer Council of South Australia and the St Andrew's Hospital Foundation. In 2009 Mr Klingberg 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.

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 Citadel Group Limited 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.
In August 2014, he was appointed to the Australian Federal Government's First Principles Review Team, an initiative designed to ensure that the Australian Department of Defence is fit for purpose and able to promptly respond to future challenges.

Mr Jim McDowell

LLB (Hons)

Independent Non-Executive Director

Mr McDowell was appointed to the board in September 2014. He joined British Aerospace in Singapore in August 1996 and, during his time with British Aerospace, served as the Managing Director – Asia and Chief Executive Officer of BAE Systems Australia Limited. He was Chief Executive Officer of BAE Systems Saudi Arabia from September 2011 until December 2013. Mr McDowell is Chair of Australian Nuclear Science & Technology Organisation and, in August 2014, was appointed to the Australian Federal Government's First Principles Review Team, an initiative designed to ensure that the Australian Department of Defence is fit for purpose and able to promptly respond to future challenges. He is Chairman of Total Construction and a director of Austal Limited. Mr McDowell is Chancellor-elect of the University of South Australia.

Mr Graeme Barclay

MAICD, F Fin, CA, MA (Hons)

Independent Non-Executive Director

Mr Barclay was appointed to the board in February 2015. He has 30 years of international business experience in professional services, broadcast and telecommunications, and extensive knowledge of business in the communications services, technology and infrastructure markets. He was Group Chief Executive Officer of the Broadcast Australia group for 11 years, following three years as Chief Financial Officer and Chief Operating Officer, retiring in April 2013. In his time with Broadcast Australia, the business grew domestically and expanded internationally and diversified into private networks, transit location communications and data centre operation and managed hosting services. From July 2010 until September 2013, he was Chairman of Transit Wireless LLP, which has the exclusive rights to install and operate cellular and Wi-Fi systems in the New York subway. From 2002 to 2009, he was an executive director in Macquarie Group's infrastructure team and was involved in several acquisitions and capital raising transactions for the then listed Macquarie Communications Infrastructure Group. He is currently Non-Executive Chairman and Director of Nextgen Group Holdings Pty Ltd, a Non-Executive Director of BSA Limited and the founder and Executive Director of First Horizon Advisory. Mr Barclay is a chartered accountant, holding membership of the Institute of Chartered Accountants of Scotland and of Chartered Accountants Australia and NZ.

LEADERSHIP TEAM_

Mr Donald McGurk

HNC (Mech Eng), MBA, FAICD, Harvard AMP

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 29

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 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

BEEEng (Hons), MBA, GAICD, Harvard AMP

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, is a Graduate Member of the Australian Institute of Company Directors and completed the Harvard University Advanced Management Program in Boston in 2014. Peter was appointed General Manager of the subsidiary, Minelab Electronics Pty Limited, in 2008 following the Codan acquisition of Minelab that same year. He joined Codan in 2003 as General Manager of Engineering, and subsequently 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 25 years.

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. In 2013, his responsibilities were extended to include information technology, business systems and security. 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 Rory Linehan

BSc (Hons), MSc, PhD

Executive General Manager, Minetec

Rory joined Codan in 2014, working across the group to leverage technology and market strategies. He has a technical background, with qualifications in physics, engineering and mathematics, coupled with a range of commercial skills including strategy, sales, marketing and business development. Prior to Codan, Rory held a number of business development positions for blue-chip companies, including McLaren, Cobham and Goodrich. He lived for five years in Seattle, working for Boeing on the product development for Sonic Cruiser and 787 flight control systems.

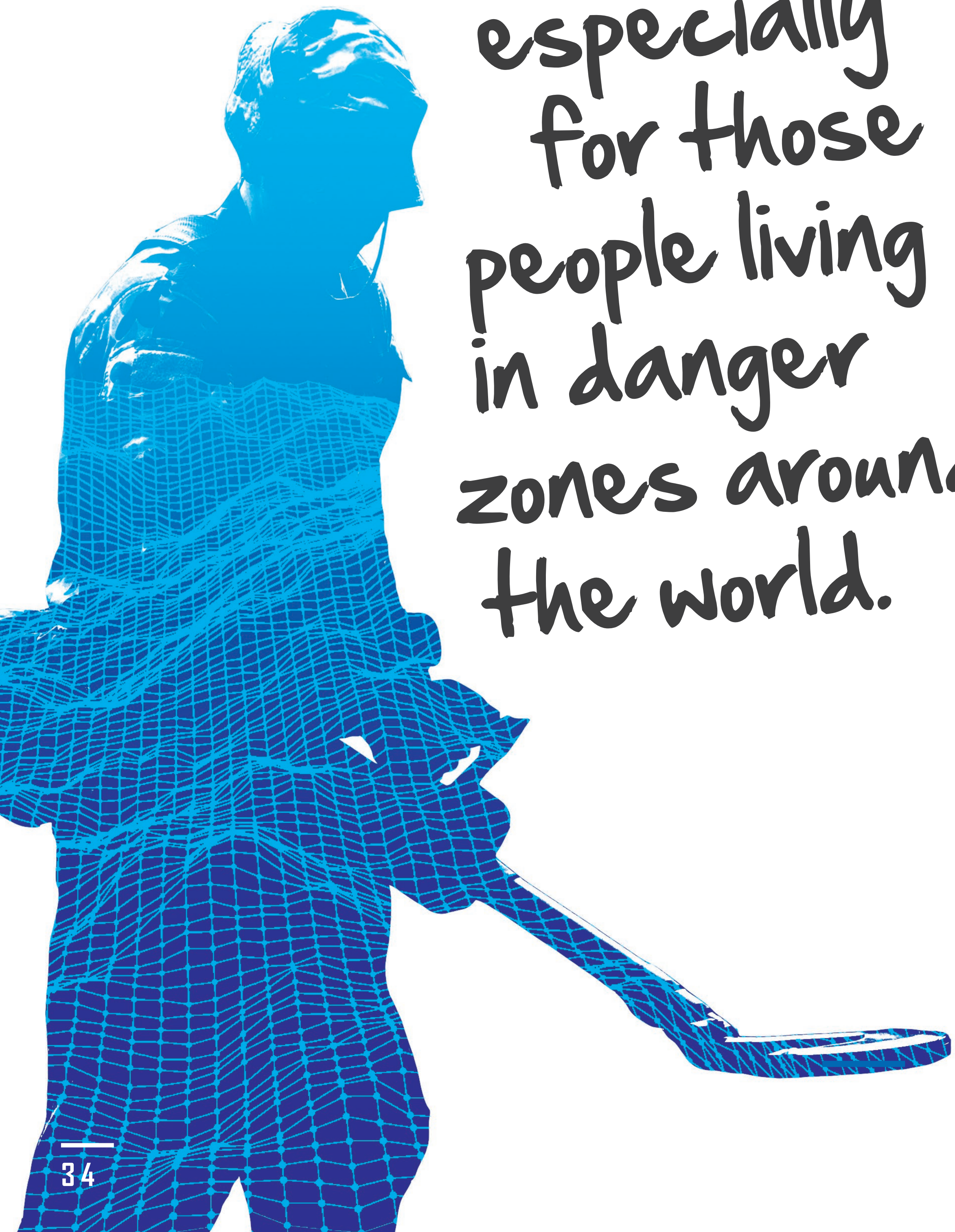
Mr Paul McCarter

BEng (Hons), MBA, CEng, MIET

Executive General Manager, Codan Radio Communications

Paul has over 26 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 business at Cobham.

Countermine development cannot be underestimated, especially for those people living in danger zones around the world.



FINANCIAL REPORT_

FOR THE YEAR ENDED 30 JUNE 2015

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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 2015 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:

David Simmons
Dr David Klingner
Donald McGurk
Peter Griffiths
David Klingberg AO
Lt-Gen Peter Leahy AC
Jim McDowell
Graeme Barclay

Details of directors and their qualifications and experience are set out on pages 28 to 31.

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 (including meetings of committees of directors) and number of meetings attended by each of the directors of the company during the financial year are set out below.

	Board meetings		Board Audit, Risk and Compliance Committee meetings		Remuneration Committee meetings		Nomination Committee meetings	
DIRECTOR	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**
Mr D J Simmons	10	10	-	-	2	2	3	3
Dr G D Klingner	6	6	-	-	2	2	-	-
Mr D S McGurk	10	10	-	-	-	-	-	-
Mr P R Griffiths	10	10	4	4	-	-	3	3
Mr D J Klingberg	10	10	4	4	-	-	3	3
Lt-Gen P F Leahy	10	10	-	-	2	2	-	-
Mr J W McDowell	9	9	3	3	-	-	-	-
Mr G R C Barclay	5	5	-	-	-	-	-	-

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 Nomination Committee, 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.

Director performance evaluation

The Nomination Committee is responsible for developing the board evaluation process. A performance evaluation took place during the year ended 30 June 2015.

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 independent directors;
- directors having extensive knowledge of the group's industries and/or extensive expertise in significant aspects of financial management or general management;
- an independent 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, including any 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. The board uses a skills matrix to ensure that the directors collectively have a combination of skills and experience in the areas of leadership, general management, listed company, finance, accounting, risk management, international business, equity markets and major transactions, as well as relevant industry and business knowledge in the areas of technology and engineering, communications, military and security, mining and government. The board considers that collectively the directors have the range of skills, knowledge, personal attributes and experience necessary to direct the company.

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.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Board of directors
(Continued)

Company secretary

The board is responsible for the appointment of the company secretary, who is accountable directly to the board, through the Chairman, on all matters to do with the proper functioning of the board.

Nomination Committee

The Nomination Committee assists the board in reviewing board composition, performance and succession planning. This includes identifying, evaluating and recommending candidates for appointment to the board. The duties of the committee include:

- reviewing the size and composition of the board, and succession plans, to enable an appropriate mix of skills, experience, expertise and diversity to be maintained;
- identifying, interviewing and evaluating board candidates, and recommending to the board individuals for board appointment;
- ensuring that there is an appropriate induction process in place for new directors, and reviewing its effectiveness;
- developing and carrying out the appropriate process for evaluation of the performance of the board and its committees, each non-executive director, the chairman and the chief executive officer;
- making recommendations to the board on the appointment and performance of directors; and
- ensuring that there is appropriate succession planning for the chief executive officer and the executive positions reporting to the chief executive officer.

The members of the Nomination Committee during the year were:

- Mr D J Klingberg (Chairman)
  Independent Non-Executive Director
- Mr P R Griffiths
  Independent Non-Executive Director
- Mr D J Simmons
  Independent Non-Executive Director

The Nomination Committee's charter is available on the company's website.

Remuneration report - audited

Response to shareholder comments

The Corporations Act requires that where comments were made on a remuneration report at an AGM and the resolution adopting that remuneration report at the annual general meeting received a "no" vote of 25% or more, the board must provide an explanation in the directors' report of the board's proposed action in response to those comments, or if the board does not propose any action, the board's reasons for the inaction. At last year's annual general meeting, the resolution for the adoption of the remuneration report received 29.32% of votes against the resolution, but no comments were received on the remuneration report. As such, there were no comments to which the board is required to respond.

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.

The Remuneration Committee's charter is available on the company's website.

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 achieve 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 2015 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	296,877	26 November 2014	64.0	-	30 June 2018	-
EXECUTIVES						
Mr M Barton	145,638	26 November 2014	64.0	-	30 June 2018	-
Mr P D Charlesworth	193,250	26 November 2014	64.0	-	30 June 2018	-
Mr R D Linehan	187,998	26 November 2014	64.0	-	30 June 2018	-
Mr P McCarter	259,952	26 November 2014	64.0	-	30 June 2018	-

The performance rights granted on 26 November 2014 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 2014 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.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Remuneration report - audited (Continued)

Performance rights (continued)

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

	Performance rights granted Number	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	139,981	5 November 2012	-	100%	n/a
	111,655	22 November 2013	-	-	2017
	296,877	26 November 2014	-	-	2018
EXECUTIVES					
Mr M Barton	66,211	5 November 2012	-	100%	n/a
	52,813	22 November 2013	-	-	2017
	145,638	26 November 2014	-	-	2018
Mr P D Charlesworth	90,988	5 November 2012	-	100%	n/a
	72,575	22 November 2013	-	-	2017
	193,250	26 November 2014	-	-	2018
Mr R D Linehan	187,998	26 November 2014	-	-	2018
Mr P McCarter	89,919	22 November 2013	-	-	2017
	259,952	26 November 2014	-	-	2018

The performance rights granted on 5 November 2012 lapsed on 30 June 2015, as the three-year aggregate performance target was not reached.

The movements during the reporting period in the number of performance rights over ordinary shares in Codan Limited, held directly, indirectly or beneficially by each key management person, including their related parties, is as follows:

	Held at 1 July 2014	Issued	Vested	Lapsed	Held at 30 June 2015
DIRECTORS					
Mr D S McGurk	251,636	296,877	-	139,981	408,532
EXECUTIVES					
Mr M Barton	119,024	145,638	-	66,211	198,451
Mr P D Charlesworth	163,563	193,250	-	90,988	265,825
Mr R D Linehan	-	187,998	-	-	187,998
Mr P McCarter	89,919	259,952	-	-	349,871

Other transactions with key management personnel

There have been no loans to key management personnel or their related parties 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.

Movements in shares

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

	Held at 1 July 2014	Received on exercise of rights	Other changes*	Held at 30 June 2015
DIRECTORS				
Mr D J Simmons	-	-	61,532	61,532
Dr G D Klingner	534,983	-	-	n/a
Mr D S McGurk	312,517	-	-	312,517
Mr P R Griffiths	199,416	-	-	199,416
Mr D J Klingberg	120,908	-	-	120,908
Lt-Gen P F Leahy	57,708	-	-	57,708
Mr J W McDowell	n/a	-	-	-
Mr G R C Barclay	n/a	-	-	-
SPECIFIED EXECUTIVES				
Mr M Barton	5,000	-	-	5,000
Mr P D Charlesworth	312,790	-	-	312,790
Mr R D Linehan	-	-	-	-
Mr P McCarter	-	-	-	-

* *Other changes represent shares that were purchased or sold during the year*

Dr G D Klingner retired as chairman of the board on 18 February 2015. Mr J W McDowell was appointed as a director on 1 September 2014 and Mr G R C Barclay was appointed as a director on 1 February 2015.

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		$	$	$	$
Mr D J Simmons	**2015**	**106,612**	**-**	**-**	**10,128**
	2014	87,082	-	-	8,055
Dr G D Klingner	**2015**	**98,302**	**-**	**3,943**	**9,339**
	2014	164,211	-	-	15,190
Mr P R Griffiths	**2015**	**84,662**	**-**	**-**	**8,043**
	2014	89,570	-	-	8,285
Mr D J Klingberg	**2015**	**77,606**	**-**	**-**	**7,373**
	2014	82,106	-	-	7,595
Lt-Gen P F Leahy	**2015**	**77,606**	**-**	**-**	**7,373**
	2014	82,106	-	-	7,595
Mr J W McDowell	**2015**	**64,672**	**-**	**-**	**6,144**
	2014	-	-	-	-
Mr G R C Barclay	**2015**	**32,336**	**-**	**-**	**3,072**
	2014	-	-	-	-
Total non-executives' remuneration	**2015**	**541,796**	**-**	**3,943**	**51,472**
	2014	505,075	-	-	46,720
EXECUTIVE		$	$	$	$
Mr D S McGurk	**2015**	**509,274**	**135,153**	**-**	**20,348**
	2014	497,281	-	-	17,775
Total directors' remuneration	**2015**	**1,051,070**	**135,153**	**3,943**	**71,820**
	2014	1,002,356	-	-	64,495

Other long term	Termination benefits	Performance rights	Total	Proportion of remuneration performance related
$	$	$	$	%
-	**-**	**-**	**116,740**	**-**
-	-	-	95,137	-
-	**-**	**-**	**111,584**	**-**
-	-	-	179,401	-
-	**-**	**-**	**92,705**	**-**
-	-	-	97,855	-
-	**-**	**-**	**84,979**	**-**
-	-	-	89,701	-
-	**-**	**-**	**84,979**	**-**
-	-	-	89,701	-
-	**-**	**-**	**70,816**	**-**
-	-	-	-	-
-	**-**	**-**	**35,408**	**-**
-	-	-	-	-
-	**-**	**-**	**597,211**	**-**
-	-	-	551,795	-
$	$	$	$	%
13,669	**-**	**68,592**	**747,036**	**27.3**
12,422	-	(219,234)*	308,244	(71.1)
13,669	**-**	**68,592**	**1,344,247**	**-**
12,422	-	(219,234)	860,039	-

* The expense relating to unvested performance rights granted to key management personnel was reversed in the prior year, as the rights were not expected to vest.

Dr G D Klingner retired as chairman of the board and Mr D J Simmons was appointed as chairman of the board on 18 February 2015. Mr J W McDowell was appointed as a director on 1 September 2014 and Mr G R C Barclay was appointed as a director on 1 February 2015.

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)	**2015**	**241,489**	**73,668**	**-**	**22,478**
	2014	219,398	-	-	20,958
Mr P D Charlesworth (Executive General Manager, Minelab)	**2015**	**328,709**	**100,534**	**-**	**18,783**
	2014	310,842	-	-	17,775
Mr R D Linehan ** (Executive General Manager, Business Development and Minetec)	**2015**	**329,318**	**85,423**	**1,297**	**24,119**
	2014	81,043	42,425	400	1,886
Mr P McCarter ** (Executive General Manager, Codan Radio Communications)	**2015**	**443,391**	**222,186**	**1,229**	**37,701**
	2014	426,183	305,789	2,129	35,368
Total executive officers' remuneration	**2015**	**1,342,907**	**481,811**	**2,526**	**103,081**
	2014	1,037,466	348,214	2,529	75,987

Other long term	Termination benefits	Performance rights	Total	Proportion of remuneration performance related
$	$	$	$	%
8,484	**-**	**33,649**	**379,768**	**28.3**
5,545	-	(103,698)*	142,203	(72.9)
8,947	**-**	**44,650**	**501,623**	**28.9**
7,741	-	(142,503)*	193,855	(73.5)
-	**-**	**43,436**	**483,593**	**26.6**
-	-	-	125,754	33.7
-	**-**	**60,061**	**764,568**	**36.9**
-	-	-	769,469	39.7
17,431	**-**	**181,796**	**2,129,552**	**-**
13,286	-	(246,201)	1,231,281	-

* The expense relating to unvested performance rights granted to key management personnel was reversed in the prior year, as the rights were not expected to vest.

** Mr R D Linehan and Mr P McCarter are paid in UK pounds with the above Australian dollar equivalents calculated using an average exchange rate.

Mr R D Linehan was appointed to the position of Executive General Manager, Business Development on 31 March 2014.

Short-term incentives which vested during the year are as follows: Mr D S McGurk 43% (57% forfeited), Mr M Barton 47% (53% forfeited), Mr P D Charlesworth 49% (51% forfeited), Mr R D Linehan 47% (53% forfeited) and Mr P McCarter 94% (6% forfeited).

The remuneration amounts disclosed above have been calculated based on the expense to the company for the financial year. Therefore items such as performance rights, annual leave and long service leave taken and provided for, have been included in the calculations. 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:

	2015	2014	2013	2012	2011
	$	$	$	$	$
Profit attributable to shareholders	12,507,609	9,196,580	45,416,716	23,146,736	21,792,328
Dividends paid	5,310,509	15,039,383	20,343,012	14,773,138	13,952,408
Share price at 30 June	1.15	0.75	1.52	1.40	1.20
Change in share price at 30 June	0.40	(0.77)	0.12	0.20	(0.26)

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
- Mr J W McDowell Independent Non-Executive Director (appointed on 29 October 2014)

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.

The Board Audit, Risk and Compliance Committee's charter is available on the company's website.

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 programmes 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. During the year ended 30 June 2015, the committee reviewed the company's risk management framework in order to ensure the effective management of the group's material business risks.

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. A performance evaluation of all executives and senior employees took place during the year ended 30 June 2015.

Financial reporting

The managing director and the chief financial officer have provided assurance in writing to the board that the company's financial records have been properly maintained and that the 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.

Economic, environmental and social sustainability risks

The group is exposed to material economic risks associated with global economic conditions, developing countries, government spending and exchange rate movements. The Board Audit, Risk and Compliance Committee regularly reviews all material business risks and is satisfied that appropriate risk treatment strategies and controls have been developed and implemented. The company is not exposed to material environmental or social sustainability risks.

Environmental regulation

The group's operations are not subject to significant environmental regulation under either Commonwealth or State legislation. However, formal accreditation to ISO14001, Environmental Management Systems, was achieved in the 2014-15 financial year. 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.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Risk management (Continued)

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.

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 company's code of conduct. The code of conduct is available on the company's website and 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, and their closely related parties, 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;
- prohibiting employees from entering into transactions which would have the effect of limiting their exposure to risk relating to unvested Codan securities or vested Codan securities which are subject to holding locks; 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 is available on the company's website;
- 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 2015		30 June 2014	
Gender representation	**Female (%)**	**Male (%)**	**Female (%)**	**Male (%)**
Board representation	0%	100%	17%	83%
Senior executive representation *	0%	100%	0%	100%
Senior management representation	22%	78%	28%	72%
Group representation	25%	75%	24%	76%
Group graduate programme	0%	0%	0%	0%

* Senior executives are defined as those executives who report directly to the CEO.

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; and
- a female candidate considered for the Group Graduate Programme.

As a result of the introduction of a number of cost-cutting initiatives during the prior year, the group did not run a Graduate Programme during the year ended 30 June 2015, but intends to commence this programme again in 2016.

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 375 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.

FY15 highlights:

- Net profit after tax of $12.5 million, up 36% on 9% higher sales
- Earnings per share of 7.1 cents
- Annual fully franked dividend of 3.5 cents
- Balance sheet strengthened with net debt reduced by a further $18 million in the second half, to $35.4 million
- Investment in new product development maintained at historically high levels
- Radio Communications revenue increased 18% and segment contribution increased 33%
- Minelab revenue increased 70% over the first half with release of the GPZ 7000® gold detector in February and the GO-FIND® metal detector series in May
- Mining technology start-up business, Minetec, successfully completed pilot projects for a number of global mining companies

The net profit after tax attributable to shareholders increased by 36% to $12.5 million for the year ended 30 June 2015. Group sales of $143.9 million were 9% higher than in the prior year. Underlying net profit after tax for the year ended 30 June 2015 was $12.7 million, a 41% increase over FY14.

In an uncertain global economy, Codan has delivered on its commitment to build a stronger, more profitable international company with leading positions in its chosen markets. The result reflects increased productivity, significant debt reduction and strong ongoing cost control, while at the same time maintaining high levels of investment to create unique and protectable intellectual property. The company achieved a significantly better performance from the Radio Communications business and a much stronger second half in Minelab.

Dividend

The company announced a final dividend of 2.0 cents per share, fully franked, bringing the full year dividend to 3.5 cents. The dividend has a record date of 15 September 2015 and will be paid on 1 October 2015.

Financial performance and other matters

Codan generated $25.1 million cash from operations in the second half and reduced net borrowings by a further $18 million. As at 30 June 2015, net debt was $35.4 million, well inside the company's debt facility of $85 million. The company's gearing ratio has reduced from 30% in December 2014 to 22%.

As previously announced, Codan closed its printed circuit board manufacturing operations resulting in a one-off loss of $0.3 million. This non-core business contributed $2.0 million in sales during FY15 but no profit.

The company has announced plans to consolidate and integrate its Adelaide operations in the Technology Park precinct at Mawson Lakes and sell its properties at Newton (Codan Radio) and Torrensville (Minelab). The Torrensville property was sold during the second half of FY15, with net proceeds of approximately $4 million applied to debt reduction. The Newton property continues to be utilised by the business and will be sold after all operations have been relocated to Mawson Lakes in December 2015.

The Board has embarked on a regeneration process which has resulted in a new Chairman and the appointment of two new directors with highly relevant industry experience and a track record of success in their respective fields. The management team has been further strengthened and now has a greater depth of knowledge and experience in relevant international technology markets.

	FY15		FY14	
	$m	% of sales	$m	% of sales
REVENUE				
Communications	**63.8**	**44%**	53.9	41%
Metal detection	**73.3**	**51%**	69.9	53%
Mining technology	**4.8**	**3%**	4.0	3%
Other	**2.0**	**2%**	4.5	3%
Total revenue	**143.9**	**100%**	132.3	100%
UNDERLYING BUSINESS PERFORMANCE				
EBITDA	**29.9**	**21%**	22.6	17%
EBIT	**19.3**	**13%**	13.6	10%
Interest	**(2.5)**	**-**	(2.8)	-
Net profit before tax	**16.8**	**12%**	10.8	8%
Taxation	**(4.1)**	**-**	(1.8)	-
Underlying net profit after tax	**12.7**	**9%**	9.0	7%
Non-recurring income/(expenses) after tax:*				
Loss on closure of business	**(0.3)**	**-**	-	-
Other	**-**	**-**	0.2	-
Net profit after tax	**12.4**	**-**	9.2	-
Underlying earnings per share, fully diluted	**7.1 cents**	**-**	5.1 cents	-
Dividend per share	**3.5 cents**	**-**	3.0 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 audit.*

Performance by business unit:

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

Radio Communications is a leading designer of premium communications equipment for HF and LMR applications. It provides communications solutions that allow customers to save lives, enhance security and support peacekeeping worldwide.

Radio Communications had an excellent year, increasing both sales and profitability. Segment contribution of $15.2 million increased 33% over FY14 on sales of $63.8 million, up 18% on the prior year. While the second half didn't benefit from as many new projects, the sales pipeline remains strong. Communications projects can be lumpy in nature and often have long lead times, resulting in sales variability from half to half.

We continued to invest in the High Frequency (HF) software defined Envoy® radio platform by adding a suite of improved functions, including digital voice and multiple language capability. Demand for the Envoy® has continued to grow and the business is now able to bid into larger communications projects on the back of improved voice clarity and turnkey solutions incorporating both HF and LMR.

The LMR product group, based in Victoria, Canada, increased sales for the second consecutive year as the North American economy showed signs of recovery and new product releases gained traction.

During FY15, the company made the decision to invest in a new, refreshed suite of LMR product solutions aimed at broadening our offering to the market. This programme is also well advanced, with the first of these category-leading products, Stratus™, launched in the second half of FY15.

Further product releases are planned during the coming year in order to enter new markets and further increase profitability over the next two to three years.

Stratus™ is a hybrid communications network solution which provides secure mobile voice communications anywhere with public cellular network coverage. The product links the cellular network into an established land mobile radio network to provide wide area coverage.

We continue to see significant opportunities to grow Radio Communications over the next two to three years by more completely integrating the LMR and HF radio communications platforms. The significant investment in new LMR solutions is expected to provide a growth engine for this division.

OPERATING AND FINANCIAL REVIEW (CONTINUED)

Financial performance and other matters (Continued)

Metal Detection – Consumer, Gold Mining and Countermine

Minelab is the world leader in handheld metal detecting technologies for consumer, gold mining, demining and military needs. Over the past 20 years, Minelab has introduced more innovative technology than any of its competitors and taken the metal detection industry to new levels of technological excellence.

Minelab released two significant new product platforms with the potential to be game changers in metal detecting, the world's best gold detector (GPZ 7000®) and a stylish new coin and treasure product (GO-FIND®) targeted at the consumer market. This drove the improved performance in the second half.

The release of the GPZ 7000® and GO-FIND® in Australia, USA and Europe in the second half helped generate a segment contribution of $19.2 million for the year, an increase of 20% over the previous year on relatively flat sales.

Minelab has undertaken a number of initiatives to grow gold detector sales into Africa, including:

- establishing a Minelab retail and distribution centre in Dubai in January 2015 to enable us to deal directly with the African market and bring us closer to our customers,
- re-establishing our technological advantage by releasing the GPZ 7000® gold detector in February 2015, utilising proprietary ZVT™ technology which detects gold at greater depth and across all ground types including very highly mineralised soil, and
- continuing to aggressively protect our intellectual property.

These initiatives have improved our positioning in the African gold detecting market and work continues to ensure that Minelab maximises the potential of this large but unpredictable market.

The Minelab consumer business remains very significant and more predictable, with key markets in Australia, the USA, Europe and Russia. The new GO-FIND® detector series was released in May 2015, taking us into a lower price and higher volume market segment. This is a significant new market for Minelab and its introduction means there is now a premium quality Minelab product at every metal detecting price point.

We continue to develop our global retail network by partnering with some of the biggest names in the industry, a critical success factor in maximising GO-FIND® distribution and sales.

Minelab's Countermine business has always been strategically important in maintaining our position as the world's number one provider of metal detection technologies and solutions. Our continual development of leading edge technology to rid the world of land mines and improvised explosive devices carries over to the division's other products and creates positive brand recognition globally.

In 2013, the Countermine business began working with a major US defence company, NIITEK, to integrate Minelab's metal detection technology with their ground penetrating radar to produce the world's best dual-sensor handheld mine detector. We are excited about the potential that this joint venture brings.

Significant sales also occurred to the Australian Department of Defence and the Canadian Department of National Defence (DND). DND's selection of the F3 Compact™ followed extensive comparative field trials to ensure compliance with their stringent operational requirements.

As a result of the new product releases and initiatives described above, we expect Minelab sales and profitability to strengthen.

Mining Technology

Minetec offers highly specialised safety and productivity-based solutions to serve underground and surface mining operations globally.

With all resource companies focusing on improving operational performance in a low commodity price environment, our products will assist mining companies in transitioning from conventional labour-intensive practices to safer and more efficient mechanised mining.

Minetec was acquired by Codan in 2012 and is effectively a start-up technology business. It had a history of providing relatively basic communication services to the mining industry. However, over the past three years Codan has invested in the best of Minetec's IP in order to transition the company to a high-value-add technology solutions provider. We have also developed completely new product platforms such as the Wasp SafeDetect™ product that utilises CSIRO's world leading tracking technology.

During FY15, Minetec progressed the technical maturity of its products and made significant progress with blue-chip mining customers by successfully completing a number of pilot projects which demonstrated its tracking, safety and productivity technologies in operational environments. From a technology perspective, FY16 will see Minetec transition from the product development phase to the systems integration of solutions that have been successfully demonstrated in operating mines. For the first time, the business will become "product ready" during the course of this year.

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

South Africa is a key target market for Minetec, with a predominance of underground hard-rock mines and a regulatory environment that has recently legislated safety systems for operational mines. In FY15, Minetec established a local presence in South Africa in order to be closer to our key customers.

While the board and management remain of the view that in time Minetec will become a significant division of Codan, it is still a start-up business and will take some time to achieve scale and acceptable levels of profitability.

Outlook

Throughout its 55-year history, Codan has demonstrated an ability to successfully develop technology which solves our customers' problems. We have compelling value propositions in all of our markets, excellent people across the business and a product roadmap that will ensure significant opportunities for growth over the coming years.

The board and management are confident that they can continue to deliver new products and technologies on time and on budget in order to maintain market leadership and create a sustainable foundation for growth over the next two to three years.

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 2015:				
Final 2014 ordinary	1.5	2,655	100%	1 October 2014
Interim 2015 ordinary	1.5	2,656	100%	1 April 2015
DECLARED AFTER THE END OF THE YEAR:				
Final 2015 ordinary	2.0	3,541	100%	1 October 2015

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 and to seek opportunities to further strengthen profitability by expanding into related businesses offering complementary products and technologies.

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
Mr D J Simmons	**61,532**
Mr D S McGurk	**312,517**
Mr P R Griffiths	**199,416**
Mr D J Klingberg	**120,908**
Lt-Gen P F Leahy	**57,708**
Mr J W McDowell	**-**
Mr G R C Barclay	**-**

INDEMNIFICATION AND INSURANCE OF OFFICERS

Indemnification

The company has agreed to indemnify the current and former directors and officers 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 57 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 2015 $	Consolidated 2014 $
STATUTORY AUDIT		
Audit and review of financial reports (KPMG Australia)	**185,000**	185,000
Audit of financial reports (overseas KPMG firms)	**15,293**	39,604
	200,293	224,604
SERVICES OTHER THAN STATUTORY AUDIT		
Other assurance services		
Due diligence and corporate finance services	**-**	-
Other	**-**	-
Other services		
Taxation compliance services (KPMG Australia)	**123,563**	231,650
Taxation compliance services (overseas KPMG firms)	**101,367**	164,818
	224,930	396,468

ROUNDING OFF

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

This report is made with a resolution of the directors:

D J Simmons
Director

D S McGurk
Director

Dated at Newton this
21st day of August 2015.

LEAD AUDITOR'S INDEPENDENCE DECLARATION_

FOR THE YEAR ENDED 30 JUNE 2015

CODAN LIMITED AND ITS CONTROLLED ENTITIES

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 2015 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

Scott Fleming
Partner

Adelaide

21 August 2015

CONSOLIDATED INCOME STATEMENT_

FOR THE YEAR ENDED 30 JUNE 2015

CODAN LIMITED AND ITS CONTROLLED ENTITIES

	Note	Consolidated 2015 $000	2014 $000
CONTINUING OPERATIONS			
Revenue	2	**143,863**	132,268
Cost of sales		**(65,519)**	(67,792)
Gross profit		**78,344**	64,476
Administrative expenses		**(15,043)**	(14,464)
Sales and marketing expenses		**(35,258)**	(29,646)
Engineering expenses		**(11,088)**	(9,327)
Net financing costs	3	**(1,386)**	(3,291)
Other (expenses)/income	4	**615**	2,522
Profit before tax		**16,184**	10,270
Income tax expense	7	**(3,775)**	(1,073)
Profit for the period		**12,409**	9,197
Attributable to:			
Equity holders of the company		**12,508**	9,197
Non-controlling interests		**(99)**	-
		12,409	9,197
EARNINGS PER SHARE FOR PROFIT ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic earnings per share	6	**7.1 cents**	5.2 cents
Diluted earnings per share	6	**7.0 cents**	5.2 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 63 to 96.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2015

CODAN LIMITED AND ITS CONTROLLED ENTITIES

	Note	Consolidated 2015 $000	2014 $000
Profit for the period		**12,409**	9,197
Items that may be reclassified subsequently to profit or loss			
Changes in fair value of cash flow hedges		**(97)**	1,607
less tax effect		**29**	(482)
Changes in fair value of cash flow hedges, net of income tax	20	**(68)**	1,125
Exchange differences on translation of foreign operations	20	**738**	589
Other comprehensive income for the period, net of income tax		**670**	1,714
Total comprehensive income for the period		**13,079**	10,911
Attributable to:			
Equity holders of the company		**13,178**	10,911
Non-controlling interests		**(99)**	-
		13,079	10,911

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 63 to 96.

CONSOLIDATED BALANCE SHEET

FOR THE YEAR ENDED 30 JUNE 2015

CODAN LIMITED AND ITS CONTROLLED ENTITIES

	Note	Consolidated 2015 $000	2014 $000
CURRENT ASSETS			
Cash and cash equivalents	8	**7,156**	13,031
Trade and other receivables	11	**20,437**	22,141
Inventory	12	**31,309**	31,298
Current tax assets	7	**472**	1,112
Other assets	13	**1,593**	1,847
Total current assets		**60,967**	69,429
NON-CURRENT ASSETS			
Property, plant and equipment	14	**16,019**	20,128
Product development	15	**42,429**	34,879
Intangible assets	16	**89,254**	87,993
Total non-current assets		**147,702**	143,000
Total assets		**208,669**	212,429
CURRENT LIABILITIES			
Trade and other payables	17	**25,195**	23,391
Loans and borrowings	9	**36**	33
Current tax payable	7	**54**	57
Provisions	18	**6,684**	6,426
Total current liabilities		**31,969**	29,907
NON-CURRENT LIABILITIES			
Loans and borrowings	9	**42,505**	59,947
Deferred tax liabilities	7	**5,198**	1,601
Provisions	18	**642**	683
Total non-current liabilities		**48,345**	62,231
TOTAL LIABILITIES		**80,314**	92,138
Net assets		**128,354**	120,291
EQUITY			
Share capital	19	**41,856**	41,560
Reserves	20	**61,645**	50,475
Retained earnings		**24,853**	28,256
Total equity		**128,354**	120,291
Total equity attributable to the equity holders of the company		**128,453**	120,291
Non-controlling interests		**(99)**	-
		128,354	120,291

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 63 to 96.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY_

FOR THE YEAR ENDED 30 JUNE 2015

CODAN LIMITED AND ITS CONTROLLED ENTITIES

2015				Consolidated		
	Share capital $000	Translation reserve $000	Hedging reserve $000	Profit reserve $000	Retained earnings $000	Total $000
Balance as at 1 July 2014	**41,560**	**1,994**	**-**	**48,481**	**28,256**	**120,291**
Profit for the period attributable to:						
Equity holders of the company	**-**	**-**	**-**	**-**	**12,508**	**12,508**
Non-controlling interests	**-**	**-**	**-**	**-**	**(99)**	**(99)**
Performance rights expensed	**296**	**-**	**-**	**-**	**-**	**296**
Change in fair value of cash flow hedges	**-**	**-**	**(68)**	**-**	**-**	**(68)**
Exchange differences on translation of foreign operations	**-**	**738**	**-**	**-**	**-**	**738**
Transfers to and from reserves	**-**	**-**	**-**	**10,500**	**(10,500)**	**-**
	41,856	**2,732**	**(68)**	**58,981**	**30,164**	**133,665**
Transactions with owners of the company						
Dividends recognised during the period	**-**	**-**	**-**	**-**	**(5,311)**	**(5,311)**
Employee share plan, net of issue costs	**-**	**-**	**-**	**-**	**-**	**-**
	-	**-**	**-**	**-**	**(5,311)**	**(5,311)**
Balance at 30 June 2015	**41,856**	**2,732**	**(68)**	**58,981**	**24,853**	**128,354**

2014				Consolidated		
	Share capital $000	Translation reserve $000	Hedging reserve $000	Profit reserve $000	Retained earnings $000	Total $000
Balance as at 1 July 2013	41,873	1,405	(1,125)	34,673	47,906	124,732
Profit for the period	-	-	-	-	9,197	9,197
Performance rights expense reversed	(391)	-	-	-	-	(391)
Change in fair value of cash flow hedges	-	-	1,125	-	-	1,125
Exchange differences on translation of foreign operations	-	589	-	-	-	589
Transfers to and from reserves	-	-	-	13,808	(13,808)	-
	41,482	1,994	-	48,481	43,295	135,252
Transactions with owners of the company						
Dividends recognised during the period	-	-	-	-	(15,039)	(15,039)
Employee share plan, net of issue costs	78	-	-	-	-	78
Balance at 30 June 2014	41,560	1,994	-	48,481	28,256	120,291

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 63 to 96.

CONSOLIDATED STATEMENT OF CASH FLOWS_

FOR THE YEAR ENDED 30 JUNE 2015

CODAN LIMITED AND ITS CONTROLLED ENTITIES

	Note	Consolidated 2015 $000	2014 $000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		**157,366**	142,037
Cash paid to suppliers and employees		**(123,677)**	(115,524)
Interest received		**86**	67
Interest paid		**(2,470)**	(2,832)
Income taxes paid		**(633)**	(12,326)
Net cash from operating activities	10	**30,672**	11,422
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		**5,369**	27
Payments for capitalised product development		**(12,890)**	(12,467)
Payments for intellectual property		**(1,138)**	(2,251)
Acquisition of property, plant and equipment		**(3,493)**	(3,112)
Acquisition of intangibles (computer software and licences)		**(1,281)**	(1,014)
Net cash used in investing activities		**(13,433)**	(18,817)
CASH FLOWS FROM FINANCING ACTIVITIES			
Drawdowns/(repayments) of borrowings		**(17,929)**	26,800
Dividends paid		**(5,311)**	(15,039)
Net cash provided by/(used in) financing activities		**(23,240)**	11,761
Net increase/(decrease) in cash held		**(6,001)**	4,366
Cash and cash equivalents at the beginning of the financial year		**13,031**	8,638
Effects of exchange rate fluctuations on cash held		**126**	27
Cash and cash equivalents at the end of the financial year	8	**7,156**	13,031

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 63 to 96.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS_

FOR THE YEAR ENDED 30 JUNE 2015

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 2015 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 2015.

(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 2015, 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.

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 (refer note 16).

Changes in accounting policies

For the year ended 30 June 2015, 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. 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.

Non-controlling interests are measured at their proportionate share of the subsidiaries' net assets.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 re-measurement 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. 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.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 has a finite useful life and 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, and has an indefinite useful life. 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.

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.

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	10%
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

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Impairment (continued)

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 high quality corporate bond rates 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 which vest.

GROUP PERFORMANCE

2. 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. 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.

Segment results relate to the underlying operations of a segment and are as reported to the CEO and include the expense from functions that are 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), corporate expenses, non-underlying other income and expense, 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, China, United Arab Emirates, South Africa and Ireland.

GROUP PERFORMANCE (continued)

2. SEGMENT ACTIVITIES (continued)

Information about reportable segments

	Communications		Metal detection	
	2015 $000	2014 $000	2015 $000	2014 $000
REVENUE				
External segment revenue	**63,841**	53,875	**73,262**	69,895
Inter-segment revenue	-	716	-	-
Total segment revenue	**63,841**	54,591	**73,262**	69,895
RESULT				
Segment result	**15,212**	11,474	**19,204**	16,029
Unallocated income and expenses				
Profit from operating activities				
Income tax expense				
Net Profit				
NON-CASH ITEMS INCLUDED ABOVE				
Depreciation and amortisation	**4,296**	3,200	**4,923**	4,374
Unallocated depreciation and amortisation				
Total depreciation and amortisation				
ASSETS				
Segment assets	**60,832**	52,828	**107,863**	109,382
Unallocated corporate assets				
Consolidated total assets				

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 $30,078,925 (2014: $15,334,118), the United States of America totalling $29,268,017 (2014: $31,087,193) and United Arab Emirates totalling $15,933,018 (2014: $3,153,021).

The group's non-current assets, excluding financial instruments and deferred tax assets, were located as follows: Australia $121,421,258 (2014: $120,244,534), the United States of America $185,084 (2014: $178,892), Ireland $210,495 (2014: $528,480), England $99,045 (2014: $76,061), Canada $25,811,482 (2014: $22,102,419) and United Arab Emirates $222,203 (2014: $141,440).

During the year the company ceased to manufacture printed circuit boards and sold its printed circuit board import business. The total loss incurred on the business after tax was $0.3 million, which is included in the "other" segment.

Mining technology		Other		Elimination		Consolidated	
2015	2014	2015	2014	2015	2014	2015	2014
$000	$000	$000	$000	$000	$000	$000	$000
4,751	4,007	**2,009**	4,491	**-**	-	**143,863**	132,268
-	-	**103**	267	**(103)**	(983)	**-**	-
4,751	4,007	**2,112**	4,758	**(103)**	(983)	**143,863**	132,268
(3,320)	(2,917)	**(564)**	(122)	**-**	-	**30,531**	24,464
						(14,347)	(14,194)
						16,184	10,270
						(3,775)	(1,073)
						12,409	9,197
209	239	**48**	146	**-**	-	**9,476**	7,959
						1,091	1,072
						10,567	9,031
17,420	14,170	**20**	2,296	**-**	-	**186,135**	178,676
						22,534	33,753
						208,669	212,429

GROUP PERFORMANCE (continued)

3. EXPENSES

	Consolidated 2015 $000	2014 $000
Net financing costs:		
Interest income	**(86)**	(67)
Net foreign exchange (gain)/loss	**(1,120)**	511
Interest expense	**2,592**	2,847
	1,386	3,291
Depreciation of:		
Buildings	**473**	543
Leasehold property	**29**	36
Plant and equipment	**2,176**	2,042
	2,678	2,621
Amortisation of:		
Product development	**5,340**	4,312
Intellectual property	**1,175**	1,170
Computer software	**761**	498
Licences	**613**	430
	7,889	6,410
Personnel expenses:		
Wages and salaries	**35,479**	33,163
Other associated personnel expenses	**2,499**	2,578
Contributions to defined contribution superannuation plans	**2,877**	2,660
Increase in liability for long service leave	**377**	117
Increase in liability for annual leave	**1,659**	1,604
	42,891	40,122
Additional expenses disclosed:		
Impairment of trade receivables	**(57)**	(294)
Operating lease rental expense	**2,717**	2,634
(Gain)/loss on sale of property, plant and equipment	**(299)**	(10)
Acquisition, integration and restructuring	**197**	2,701

4. OTHER EXPENSES / (INCOME)

	Consolidated 2015 $000	2014 $000
Insurance recoveries	-	(38)
Mining technology earn-out liability no longer required	-	(600)
Communications acquisition retention recovery	-	(328)
Impairment of building	-	272
Provision for onerous contract no longer required	-	(990)
Provision for legal dispute no longer required	-	(1,284)
Impairment of mining technology product development	-	774
Product development income	-	(255)
(Gain)/loss on sale of property, plant and equipment	**(299)**	(10)
Other expenses/(income)	**(316)**	(63)
	(615)	(2,522)

5. DIVIDENDS

i. An ordinary final dividend of 1.5 cents per share, franked to 100% with 30% franking credits, was paid on 1 October 2014	**2,655**	-
ii. An ordinary interim dividend of 1.5 cents per share, franked to 100% with 30% franking credits, was paid on 1 April 2015	**2,656**	-
iii. An ordinary final dividend of 7.0 cents per share, franked to 100% with 30% franking credits, was paid on 1 October 2013	-	12,385
iv. An ordinary interim dividend of 1.5 cents per share, franked to 100% with 30% franking credits, was paid on 1 April 2014	-	2,654
	5,311	15,039

Subsequent events

Since the end of the financial year, the directors declared an ordinary final dividend of 2.0 cents per share, franked to 100% with 30% franking credits. Based upon the shares on issue at 30 June 2015, the dividend would be $3,541,265 and is expected to be paid on 1 October 2015. The financial effect of this dividend has not been brought to account in the financial statements for the year ended 30 June 2015 and will be recognised in subsequent financial reports.

Dividend franking account

Franking credits available to shareholders for subsequent financial years (30%)	**12,864**	14,052

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 declared 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 $1,517,685 (2014: $1,137,664).

GROUP PERFORMANCE (continued)

6. 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 2015 $000	2014 $000
Net profit used for the purpose of calculating basic and diluted earnings per share	**12,508**	9,197

The weighted average number of shares used as the denominator number for basic earnings per share was 177,014,155 (2014: 176,955,157).

The calculation of diluted earnings per share at 30 June 2015 was based on profit attributable to shareholders of $12.5 million and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 177,985,408 (2014: 177,886,599).

TAXATION

7. INCOME TAX

A. INCOME TAX EXPENSE		
Current tax expense:		
Current tax paid or payable for the financial year	**346**	701
Adjustments for prior years	**(458)**	(587)
	(112)	114
Deferred tax expense:		
Origination and reversal of temporary differences	**3,887**	959
Total income tax expense in income statement	**3,775**	1,073
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)	**4,855**	3,081
Decrease in income tax expense due to:		
Additional deduction for research and development expenditure	**930**	964
Over/(under) provision for taxation in previous years	**458**	587
Effect of tax rates in foreign jurisdictions	**5**	-
Non-assessable income	**-**	635
Sundry items	**-**	29
	3,462	866

	Consolidated 2015 $000	2014 $000
Increase in income tax expense due to:		
Non-deductible expenses	**289**	127
Effect of tax rates in foreign jurisdictions	**-**	80
Sundry items	**24**	-
Income tax expense	**3,775**	1,073
B. CURRENT TAX LIABILITIES / ASSETS		
Balance at the beginning of the year	**1,055**	(11,144)
Net foreign currency differences on translation of foreign entities	**102**	(13)
Income tax paid	**(633)**	12,326
Adjustments from prior year	**240**	587
Current year's income tax paid or payable on operating profit	**(346)**	(701)
	418	1,055
Disclosed in balance sheet as:		
Current tax asset	**472**	1,112
Current tax payable	**(54)**	(57)
	418	1,055
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	**12,204**	9,899
Sundry items	**153**	-
Set-off of tax in relation to deferred tax assets:		
Difference in depreciation of property, plant and equipment	**(79)**	(119)
Payments for intellectual property not currently deductible	**(2,293)**	(2,969)
Provisions for employee benefits not currently deductible	**(1,761)**	(1,641)
Provisions and accruals not currently deductible	**(1,721)**	(1,922)
Sundry items	**-**	(131)
Carry forward tax losses	**(1,305)**	(1,516)
	5,198	1,601

CASH MANAGEMENT

8. CASH AND CASH EQUIVALENTS

Petty cash	**52**	27
Cash at bank	**7,104**	13,004
	7,156	13,031

CASH MANAGEMENT (continued)

9. LOANS AND BORROWINGS

	Consolidated 2015 $000	2014 $000
CURRENT		
Finance lease liabilities	**36**	33
	36	33
NON-CURRENT		
Cash advance	**42,492**	59,898
Finance lease liabilities	**13**	49
	42,505	59,947
The group has access to the following lines of credit:		
Total facilities available at balance date:		
Multi-option facility	**85,000**	85,000
Commercial credit card	**200**	200
	85,200	85,200
Facilities utilised at balance date:		
Multi-option facility - cash advance	**42,492**	59,898
Multi-option facility - other	**2,410**	2,686
Commercial credit card	**26**	15
	44,928	62,599
Facilities not utilised at balance date:		
Multi-option facility	**40,098**	22,416
Commercial credit card	**174**	185
	40,272	22,601

In addition to these facilities, the group has cash at bank and short-term deposits of $7,156,000 as set out in note 8.

Bank Facilities

Facilities are supported by interlocking guarantees between the company and its subsidiaries. The facilities have a term of three years expiring in October 2016, and are subject to compliance with certain financial covenants over that term.

	Consolidated 2015 %	2014 %
WEIGHTED AVERAGE INTEREST RATES:		
Cash at bank	**1.12**	1.59
Cash advance	**3.00**	3.55

10. NOTES TO THE STATEMENT OF CASH FLOWS

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

	Consolidated 2015 $000	2014 $000
Profit after income tax	**12,409**	9,197
Add/(less) items classified as investing or financing activities:		
(Gain)/loss on sale of non-current assets	**(299)**	(10)
Add/(less) non-cash items:		
Depreciation of:		
Buildings	**473**	543
Leasehold property	**29**	36
Plant and equipment	**2,176**	2,042
Impairment of building	**-**	273
Amortisation	**7,889**	6,410
Performance rights and employee share plan expensed/(reversed)	**295**	(312)
Impairment of mining technology product development	**-**	774
Increase/(decrease) in income taxes	**4,264**	(11,530)
Increase/(decrease) in net assets affected by translation	**(239)**	705
Net cash from operating activities before changes in assets and liabilities	**26,997**	8,128
Change in assets and liabilities during the financial year:		
Reduction/(increase) in receivables	**1,704**	(1,004)
Reduction/(increase) in inventories	**(11)**	12,037
Reduction/(increase) in other assets	**255**	397
Increase/(reduction) in trade and other payables	**1,510**	(3,940)
Increase/(reduction) in provisions	**217**	(4,196)
Net cash from operating activities	**30,672**	11,422

OPERATING ASSETS AND LIABILITIES

11. TRADE AND OTHER RECEIVABLES

CURRENT		
Trade receivables	**20,808**	22,326
Less: Provision for impairment losses	**(600)**	(741)
	20,208	21,585
Other debtors	**229**	556
	20,437	22,141

OPERATING ASSETS AND LIABILITIES (continued)

12. INVENTORY

	Consolidated 2015 $000	2014 $000
Raw materials	**2,680**	2,678
Work in progress	**12,202**	10,859
Finished goods	**16,427**	17,761
	31,309	31,298

13. OTHER ASSETS

	2015 $000	2014 $000
Prepayments	**1,214**	1,327
Project work in progress	**27**	267
Other	**352**	253
	1,593	1,847

14. PROPERTY, PLANT AND EQUIPMENT

	2015 $000	2014 $000
Freehold land and buildings at cost	**9,462**	16,263
Accumulated depreciation	**(3,374)**	(5,837)
	6,088	10,426
Leasehold property at cost	**599**	675
Accumulated amortisation	**(289)**	(423)
	310	252
Plant and equipment at cost	**28,972**	30,486
Accumulated depreciation	**(20,057)**	(22,403)
	8,915	8,083
Capital work in progress at cost	**706**	1,367
Total property, plant and equipment	**16,019**	20,128

	Consolidated 2015 $000	2014 $000
Reconciliations		
Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:		
Freehold land and buildings		
Carrying amount at beginning of year	**10,426**	9,315
Additions	**2**	1,438
Transfers	**546**	488
Impairment of building	**-**	(272)
Disposals	**(4,413)**	-
Depreciation	**(473)**	(543)
Carrying amount at end of year	**6,088**	10,426
Leasehold property improvements		
Carrying amount at beginning of year	**252**	146
Additions	**140**	132
Transfers	**-**	7
Disposals	**(74)**	-
Depreciation	**(29)**	(36)
Net foreign currency differences on translation of foreign entities	**21**	3
Carrying amount at end of year	**310**	252
Plant and equipment		
Carrying amount at beginning of year	**8,083**	8,931
Additions	**3,330**	857
Transfers	**137**	371
Disposals	**(584)**	(17)
Depreciation	**(2,176)**	(2,042)
Net foreign currency differences on translation of foreign entities	**125**	(17)
Carrying amount at end of year	**8,915**	8,083
Capital work in progress at cost		
Carrying amount at beginning of year	**1,367**	1,548
Additions, net of transfers	**(661)**	(181)
Carrying amount at end of year	**706**	1,367
Total carrying amount at end of year	**16,019**	20,128

15. PRODUCT DEVELOPMENT

Product development at cost	**85,864**	72,974
Accumulated amortisation	**(43,435)**	(38,095)
	42,429	34,879
Reconciliation		
Carrying amount at beginning of year	**34,879**	27,498
Capitalised in current period	**12,890**	12,467
Impairment of mining technology product development	**-**	(774)
Amortisation	**(5,340)**	(4,312)
	42,429	34,879

OPERATING ASSETS AND LIABILITIES (continued)

16. INTANGIBLE ASSETS

	Consolidated 2015 $000	2014 $000
Goodwill	**83,525**	82,396
Intellectual property at cost	**14,277**	12,872
Accumulated amortisation	**(12,552)**	(11,377)
	1,725	1,495
Computer software at cost	**12,894**	12,474
Accumulated amortisation	**(12,047)**	(11,658)
	847	816
Licences at cost	**5,003**	4,503
Accumulated amortisation	**(1,846)**	(1,217)
	3,157	3,286
Total intangible assets	**89,254**	87,993
Reconciliations		
Goodwill		
Carrying amount at beginning of year	**82,396**	83,130
Net foreign currency differences on translation of foreign entities	**1,129**	(734)
	83,525	82,396
Intellectual property		
Carrying amount at beginning of year	**1,495**	1,373
Additions	**1,335**	1,348
Amortisation	**(1,175)**	(1,170)
Net foreign currency differences on translation of foreign entities	**70**	(56)
	1,725	1,495
Computer software		
Carrying amount at beginning of year	**816**	824
Additions	**92**	199
Transfers from capital work in progress	**705**	291
Amortisation	**(761)**	(498)
Disposals	**(5)**	-
	847	816

	Consolidated 2015 $000	2014 $000
Licences		
Carrying amount at beginning of year	**3,286**	3,192
Acquisitions	**412**	524
Transfers	**72**	-
Amortisation	**(613)**	(430)
	3,157	3,286
The following segments have significant carrying amounts of goodwill:		
Mining technology	**8,538**	8,538
Metal detection	**53,957**	53,957
Communications	**21,030**	19,901
	83,525	82,396

Goodwill

The recoverable amount of cash generating units has been determined using value-in-use calculations.

The Communications and Metal Detection cash generating units are well established businesses, and the approach to the value-in-use calculations for these units is consistent. The first year of the cash flow forecasts is based on the oncoming year's budget, and cash flows are forecasted for a 5-year period. The key assumption driving the cash flow forecast is the level of sales, which is based on management assessments, having regard to the demand expected from customers, the global economy and the units' competitive position. Other assumptions relate to the level of gross margins achieved on sales and the level of expense to run the business. These assumptions reflect past experience. A terminal value has been determined at the conclusion of five years assuming a long term growth rate of 3%. A pre-tax discount rate of 12% has been applied to the forecast cash flows.

The Mining Technology cash generating unit was acquired by Codan in 2012 and is in the early stages of developing a mining technology business. It had a history of providing relatively basic communication services to the mining industry. However, over the past three years Codan has invested in the best of Minetec's intellectual property in order to transition the company to a high-value-add technology solutions provider.

During FY15, Minetec progressed the technical maturity of its products and made significant progress with blue-chip mining customers by successfully completing a number of pilot projects which demonstrated its tracking, safety and productivity technologies in operational environments. From a technology perspective, FY16 will see Minetec transition from the product development phase to the systems integration of solutions that have been successfully demonstrated in operating mines. For the first time, the business will become "product ready" during the course of this year.

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

In performing the value-in-use calculations for the mining technology unit, the first year of the cash flow forecasts is based on the oncoming year's budget, and cash flows are forecasted for a 5-year period. As the business is in the early stage of its development, historical data is not reflective of the possible future outcomes of this business. A number of valuation scenarios have been prepared in order to understand a range of valuation outcomes which have then been assessed to determine a weighted average recoverable amount. The key assumption to the valuation scenarios is the level of sales achieved by this unit. To prepare the sales forecasts, management have determined the number of mines that will adopt productivity and safety technology, the average sales value expected per mine and the market share that will be won by Minetec. Other assumptions relate to the level of gross margins achieved on sales, the level of expense to run the business and working capital requirements, and these assumptions are reflective of Codan's past experience with technology-based businesses. A terminal value has been determined at the conclusion of five years assuming a long term growth rate of 3%. A pre-tax discount rate of 16% has been applied to the forecast cash flows.

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

The valuation scenarios identify the number of mines in the three most prospective countries for Minetec's safety and productivity solutions. Over the five year forecast period, the weighted average valuation has Minetec achieving 11% of that market. If that share were to reduce to 5%, the recoverable amount of the Minetec cash generating unit would be approximately equal to its carrying amount.

OPERATING ASSETS AND LIABILITIES (continued)

16. INTANGIBLE ASSETS (continued)

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 for 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. Licence payments are being made as technology is delivered to the company. The licenced technology allows the company access to next-generation radio waveforms for high-speed data transmission, automatic link establishment and digital voice.

17. TRADE AND OTHER PAYABLES

	Consolidated	
	2015 $000	2014 $000
CURRENT		
Trade payables	**11,935**	11,670
Other payables and accruals	**13,163**	11,721
Net foreign currency hedge payable	**97**	-
	25,195	23,391

18. PROVISIONS

	2015 $000	2014 $000
CURRENT		
Employee benefits	**5,287**	5,005
Warranty repairs	**1,077**	1,101
Other	**320**	320
	6,684	6,426
NON-CURRENT		
Employee benefits	**642**	683
Reconciliation of warranty provision		
Carrying amount at beginning of year	**1,101**	2,842
Provisions made/(released)	**637**	(596)
Payments made	**(671)**	(1,145)
	1,067	1,101

	Consolidated 2015 $000	2014 $000
Reconciliation of other provision		
Carrying amount at beginning of year	**320**	1,310
Provisions made/(reversed) during the year	**-**	(990)
	320	320

CAPITAL MANAGEMENT

19. SHARE CAPITAL

SHARE CAPITAL		
Opening balance (176,969,924 ordinary shares fully paid)	**41,560**	41,873
Performance rights expensed/(reversed)	**296**	(391)
Issue of share capital through employee share plan	**-**	78
Closing balance (177,063,244 ordinary shares fully paid)	**41,856**	41,560

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.

20. RESERVES

Foreign currency translation	**2,732**	1,994
Hedging reserve	**(68)**	-
Profit reserve	**58,981**	48,481
	61,645	50,475

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	**1,994**	1,405
Net translation adjustment	**738**	589
Balance at end of year	**2,732**	1,994

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	**-**	(1,125)
Gains/(losses) on cash flow hedges taken to/from hedging reserve	**(68)**	1,125
Balance at end of year	**(68)**	-

Profit reserve

The profit reserve comprises Codan Limited's accumulated profits.

Balance at beginning of year	**48,481**	34,673
Transfer of current year profit after tax attributed to the parent entity	**10,500**	13,808
Balance at end of year	**58,981**	48,481

CAPITAL MANAGEMENT (continued)

21. 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.

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

GROUP STRUCTURE

22. GROUP ENTITIES

Name	Country of incorporation	Class of share	Interest held 2015 %	Interest held 2014 %
PARENT ENTITY				
Codan Limited	Australia	Ordinary		
CONTROLLED ENTITIES				
Codan (Qld) Pty Ltd	Australia	Ordinary	**100**	100
Codan (UK) Limited	England	Ordinary	**100**	100
Codan Executive Share Plan Pty Ltd	Australia	Ordinary	**100**	100
Codan US Inc	USA	Ordinary	**100**	100
Codan Radio Communications ME JLT	UAE	Ordinary	**100**	100
Codan Radio Communications Pty Ltd	Australia	Ordinary	**100**	100
Codan Holdings US Inc	USA	Ordinary	**100**	100
Daniels Electronics Ltd	Canada	Ordinary	**100**	100
IMP Printed Circuits Pty Ltd	Australia	Ordinary	**100**	100
Minelab Americas Inc	USA	Ordinary	**100**	100
Minelab Electronics Pty Limited	Australia	Ordinary	**100**	100
Minelab International Limited	Ireland	Ordinary	**100**	100
Minelab MEA General Trading LLC*	UAE	Ordinary	**49**	-
Minetec Pty Ltd	Australia	Ordinary	**100**	100
Minetec RSA (Pty) Ltd*	South Africa	Ordinary	**100**	-
Minetec Wireless Technologies Pty Ltd	Australia	Ordinary	**100**	100
Parketronics Pty Ltd	Australia	Ordinary	**100**	100

** Minelab MEA General Trading LLC was incorporated on 24 September 2014, and Minetec RSA (Pty) Ltd was incorporated on 24 June 2015.*

23. 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 Limited is the only subsidiary subject to the Deed. Minelab Electronics Pty Limited 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

	Consolidated	
	2015	**2014**
	$000	**$000**
Profit before tax	**15,163**	7,920
Income tax expense	**(4,379)**	(64)
Profit after tax	**10,784**	7,856
Retained earnings at beginning of the year	**6,069**	27,062
Retained earnings at end of the year	**1,043**	6,069

Balance sheet

CURRENT ASSETS		
Cash and cash equivalents	**2,612**	10,757
Trade and other receivables	**48,988**	36,854
Inventories	**17,000**	13,031
Other assets	**1,467**	2,120
Total current assets	**70,067**	62,762
NON-CURRENT ASSETS		
Investments	**26,458**	26,388
Property, plant and equipment	**14,357**	18,256
Product development	**35,973**	32,951
Intangible assets	**56,722**	57,019
Deferred tax assets	**5,732**	7,542
Total non-current assets	**139,242**	142,156
Total assets	**209,309**	204,918
CURRENT LIABILITIES		
Trade and other payables	**18,071**	15,849
Other liabilities	**45,922**	32,776
Provisions	**5,015**	4,894
Total current liabilities	**69,008**	53,519
NON-CURRENT LIABILITIES		
Loans and borrowings	**24,104**	42,000
Deferred tax liabilities	**11,327**	9,897
Provisions	**549**	596
Total non-current liabilities	**35,980**	52,493
Total liabilities	**104,988**	106,012
Net assets	**104,321**	98,906
EQUITY		
Share capital	**42,970**	42,674
Reserves	**60,308**	50,163
Retained earnings	**1,043**	6,069
Total equity	**104,321**	98,906

GROUP STRUCTURE (continued)

24. PARENT ENTITY DISCLOSURES

As at, and throughout, the financial year ending 30 June 2015 the parent company of the group was Codan Limited.

	Company 2015 $000	Company 2014 $000
Result of parent entity		
Profit after tax for the period	**10,968**	13,808
Other comprehensive income	**(2,830)**	280
Total comprehensive income for the period	**8,138**	14,088
Financial position of parent entity at year-end		
Current assets	**74,270**	71,718
Total assets	**190,953**	189,738
Current liabilities	**60,918**	45,966
Total liabilities	**92,126**	94,421
Total equity of the parent entity comprising:		
Share capital	**42,970**	42,674
Reserves	**56,431**	48,374
Retained earnings	**(574)**	4,269
Total equity	**98,827**	95,317

During the year Codan Limited entered into contracts to purchase plant and equipment for $340,799 (2014:$446,427).

OTHER NOTES

25. AUDITOR'S REMUNERATION

	Consolidated 2015 $	Consolidated 2014 $
Audit services:		
KPMG Australia - audit and review of financial reports	**185,000**	185,000
Overseas KPMG firms - audit of financial reports	**15,293**	39,604
Other services:		
KPMG Australia - taxation services	**123,563**	231,650
Overseas KPMG firms - taxation services	**101,367**	164,818
	425,223	621,072

26. COMMITMENTS

	Consolidated 2015 $000	Consolidated 2014 $000
I. CAPITAL EXPENDITURE COMMITMENTS		
Aggregate amount of contracts for capital expenditure on property, plant and equipment and intangibles:		
Within one year	**805**	988
One year or later and no later than five years	**349**	1,216
	1,154	2,204
II. NON-CANCELLABLE OPERATING LEASE EXPENSE AND OTHER COMMITMENTS		
Future operating lease commitments not provided for in the financial statements which are payable:		
Within one year	**2,748**	2,588
One year or later and no later than five years	**10,854**	4,893
Later than five years	**24,962**	552
	38,564	8,033

During the year the company announced plans to consolidate and integrate its Adelaide operations in the Technology Park precinct at Mawson Lakes. A contractual commitment to lease premises at Mawson Lakes has been entered into and is included in the operating lease expense commitments.

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

	2015 $000	2014 $000
III. FINANCE LEASE AND HIRE PURCHASE PAYMENT COMMITMENTS		
Within one year	**39**	39
One year or later and no later than five years	**13**	52
Later than five years	**-**	-
	52	91
Less: future finance charges	**(3)**	(9)
	49	82
Finance lease and hire purchase liabilities provided for in the financial statements:		
Current	**36**	33
Non-current	**13**	49
	49	82

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.

OTHER NOTES (continued)

27. 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. For the year ended 30 June 2015, the group did not have any customers that represented greater than 10% of sales.

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.

(a) Credit risk (continued)

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 2015 $000	2014 $000
Cash and cash equivalents	8	**7,156**	13,031
Trade and other receivables	11	**20,437**	22,141

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

Australia/Oceania	**5,600**	3,962
Europe	**3,888**	2,753
Americas	**6,272**	7,322
Asia	**1,142**	1,212
Africa/Middle East	**3,906**	7,077
	20,808	22,326

Impairment losses

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

	Consolidated			
	Gross 2015 $000	Impairment 2015 $000	Gross 2014 $000	Impairment 2014 $000
Not past due	**10,725**	**(40)**	13,564	(38)
Past due 0-30 days	**7,498**	**(8)**	6,145	(23)
Past due 31-120 days	**1,622**	**-**	1,024	(4)
More than 120 days	**963**	**(552)**	1,593	(676)
	20,808	**(600)**	22,326	(741)

Trade receivables 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.

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

	Consolidated 2015 $000	2014 $000
Balance at 1 July	**741**	2,424
Provision for legal dispute	**-**	(1,284)
Impairment loss/(reversal) recognised	**(57)**	(294)
Trade receivables written off to the allowance for impairment	**(84)**	(105)
Balance at 30 June	**600**	741

OTHER NOTES (continued)

27. ADDITIONAL FINANCIAL INSTRUMENTS DISCLOSURE (continued)

(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 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 9 for a summary of banking facilities available.

The following are the contractual maturities of financial liabilities:

30 June 2015	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	**25,098**	**(25,098)**	**(25,098)**	**-**	**-**
Finance leases	**49**	**(52)**	**(39)**	**(13)**	**-**
Cash advance	**42,492**	**(43,657)**	**(1,165)**	**(42,492)**	**-**
	67,639	**(68,807)**	**(26,302)**	**(42,505)**	**-**
Derivative financial liabilities					
Net foreign currency hedge payable	**97**	**(97)**	**(97)**	**-**	**-**
	97	**(97)**	**(97)**	**-**	**-**
30 June 2014					
Non-derivative financial liabilities					
Trade and other payables	23,391	(23,391)	(23,391)	-	-
Finance leases	82	(91)	(39)	(52)	-
Cash advance	59,898	(62,192)	(2,294)	(59,898)	-
	83,371	(85,674)	(25,724)	(59,950)	-

(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 2015 $000	2014 $000
FIXED RATE INSTRUMENTS		
Financial assets	**-**	-
Financial liabilities	**(52)**	(91)
	(52)	(91)
VARIABLE RATE INSTRUMENTS		
Financial assets	**7,156**	13,031
Financial liabilities	**(42,492)**	(59,898)
	(35,336)	(46,867)

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 2014.

	Profit/(loss) before tax		Reserve	
	100 bp increase $000	100 bp decrease $000	100 bp increase $000	100 bp decrease $000
30 JUNE 2015				
Variable rate instruments	**(353)**	**353**	**-**	**-**
30 JUNE 2014				
Variable rate instruments	(469)	469	-	-

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). The terms of these commitments are usually less than 12 months. As at the reporting date, the group has entered into an effective collar hedge instrument structure which will limit the foreign exchange risk on USD $20,000,000 of FY16 cashflows. The collars give protection above 80 cents and participation down to 71 cents.

OTHER NOTES (continued)

27. ADDITIONAL FINANCIAL INSTRUMENTS DISCLOSURE (continued)

(c) Market risk (continued)

Currency risk (continued)

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

	Consolidated			
	EUR $000	GBP $000	USD $000	CAD $000
30 JUNE 2015				
Cash and cash equivalents	**290**	**-**	**2,341**	**-**
Trade receivables	**111**	**-**	**8,830**	**-**
Trade payables	**(21)**	**(18)**	**(6,112)**	**(15)**
Gross balance sheet exposure	**380**	**(18)**	**5,059**	**(15)**
Hedge transactions relating to balance sheet exposure	**-**	**-**	**(2,170)**	**-**
Net exposure at the reporting date	**380**	**(18)**	**2,889**	**(15)**
30 JUNE 2014				
Cash and cash equivalents	464	5	7,601	-
Trade receivables	78	(1)	16,377	9
Trade payables	(5)	(18)	(6,328)	(37)
Gross balance sheet exposure	537	(14)	17,650	(28)
Hedge transactions relating to balance sheet exposure	-	-	-	-
Net exposure at the reporting date	537	(14)	17,650	(28)

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
2015		
EUR	**-**	**(35)**
GBP	**-**	**2**
USD	**(6)**	**(262)**
CAD	**-**	**1**
	(6)	**(294)**
2014		
EUR	-	(49)
GBP	-	1
USD	-	(1,605)
CAD	-	3
	-	(1,650)

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 $97,000, for which an independent valuation was obtained from the relevant banking institution.

28. EMPLOYEE BENEFITS

	Consolidated 2015 $000	2014 $000
Aggregate liability for employee benefits, including on-costs:		
Current - other creditors and accruals	**3,848**	1,971
Current - employee entitlements	**5,287**	5,005
Non-current - employee entitlements	**642**	683
	9,777	7,659

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:

Assumed rate of increase in wage and salary rates	**3.50%**	3.50%
Discount rate	**4.20%**	3.47%
Settlement term	**10 years**	10 years

Recent research has concluded that a deep market for high quality corporate bond rates now exists in Australia. Where such a market exists, AASB 119 *Employee Benefits* requires that the rate used to discount employee benefit liabilities shall reflect those market yields. In prior years, the group has used a government bond rate on the basis that a deep market for corporate bonds did not exist, however now that it does exist, a corporate bond rate has been used for the current reporting period.

OTHER NOTES (continued)

28. EMPLOYEE BENEFITS (continued)

Employee Share Plan

On 19 December 2012, the directors approved the establishment of an Employee Share Plan (ESP). The ESP is designed to recognise the contribution made by employees to the group, and provides eligible employees with an opportunity to share in the future growth and profitability of the company by offering them the opportunity to acquire shares in the company.

ESP shares issued in financial year 2013

The company issued 63,531 shares to eligible employees in February 2013. The fair value of the shares was $2.75 per share, based on the volume weighted average price at which Codan shares were traded on the ASX for the five days immediately preceding the date of issue of the shares. The exercise price was nil. The shares are restricted from sale until the earlier of three years from the acquisition date, or upon the date on which an employee is no longer employed by the group.

ESP shares issued in financial year 2014

The company issued 43,820 shares to eligible employees in November 2013. The fair value of the shares was $1.78 per share, based on the volume weighted average price at which Codan shares were traded on the ASX for the five days immediately preceding the date of issue of the shares. The exercise price was nil. The shares are restricted from sale until the earlier of three years from the acquisition date, or upon the date on which an employee is no longer employed by the group.

ESP shares issued in financial year 2015

There were no ESP shares issued in financial year 2015.

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 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 in FY13, 72,790 performance rights were cancelled. The total expense recognised as employee costs in 2015 in relation to the performance rights issued was nil (2014: $197,643 recovery).

The group's earnings per share over the three-year period to 30 June 2015 have not met the performance target and therefore these performance rights have lapsed and no shares will be issued.

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 2015 in relation to the performance rights issued was $45,411 (2014: $75,686 expense).

The performance rights were exercised and converted to shares during 2015.

Performance rights issued in financial year 2014

The company issued 326,962 performance rights in November 2013 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 $1.51, no exercise price, expected volatility 86%, dividend yield 8.6%, a term of three years and a risk-free rate of 4.2%. The total expense recognised as employee costs in 2015 in relation to the performance rights issued was nil (2014: nil).

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 2015

The company issued 1,083,715 performance rights in November 2014 to certain executives. The fair value of the rights was on average $0.64 based on the Black-Scholes formula. The model inputs were: the share price of $0.80, no exercise price, expected volatility 77%, dividend yield 3.75%, a term of three years and a risk-free rate of 3.1%. The total expense recognised as employee costs in 2015 in relation to the performance rights issued was $250,389.

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.

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.

OTHER NOTES (continued)

29. KEY MANAGEMENT PERSONNEL DISCLOSURES

Transactions with key management personnel

(a) Loans to directors

There have been no loans to directors during the financial year.

(b) Key management personnel compensation

The key management personnel compensation included in "personnel expenses" (refer note 3) is as follows:

	Consolidated 2015 $	2014 $
Short-term employee benefits	**3,017,410**	2,515,885
Post-employment benefits	**174,901**	152,074
Share-based payments	**250,388**	(465,435)
Other long term	**31,100**	25,708
	3,473,799	2,228,232

(c) Key management personnel transactions

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

30. 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.

31. NET TANGIBLE ASSET / LIABILITY PER SHARE

	2015	2014
Net tangible asset/(liability) per share	**1.0 cents**	(0.6 cents)

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 58-96, 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 2015 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 23 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 2015.

Dated at Newton this 21st day of August 2015.

Signed in accordance with a resolution of the directors:

D J Simmons
Director

D S McGurk
Director

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CODAN LIMITED

KPMG

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 balance sheet as at 30 June 2015, 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 31 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 2015 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 38-46 of the directors' report for the year ended 30 June 2015. 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 2015, complies with Section 300A of the *Corporations Act 2001*.

KPMG

Scott Fleming
Partner

Adelaide

21 August 2015

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 19 August 2015

Substantial shareholders

The numbers 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, Dareel Pty Ltd and Pinara Group Pty Ltd	**24,089,386**
Interests associated with Kynola Pty Ltd and Warren Glen Pty Ltd	**12,320,566**

Distribution of equity security holders

Number of shares held	Number of equity security holders Ordinary shares
1 - 1,000	**1,234**
1,001 - 5,000	**1,585**
5,001 - 10,000	**783**
10,001 - 100,000	**911**
100,001 - over	**115**
Total	**4,628**

The number of shareholders holding less than a marketable parcel of ordinary shares is 740.

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%**
Starform Pty Ltd	**11,404,224**	**6.5%**
Kynola Pty Ltd	**9,118,356**	**5.1%**
Dareel Pty Ltd	**8,854,251**	**5.0%**
RBC Investor Services Australia Nominees Pty Limited	**6,511,689**	**3.7%**
Griffinna Pty Ltd	**6,000,000**	**3.4%**
National Nominees Limited	**5,308,161**	**3.0%**
M K and M C Heard	**4,764,585**	**2.7%**
J P Morgan Nominees Australia Limited	**3,858,878**	**2.2%**
G Bettison	**3,562,125**	**2.0%**
A Bettison	**3,562,124**	**2.0%**
Warren Glen Pty Ltd	**3,202,210**	**1.8%**
Fruehling Pty Ltd	**2,999,050**	**1.7%**
Citicorp Nominees Pty Limited	**2,722,142**	**1.5%**
Mitranikitan Pty Ltd	**2,522,458**	**1.4%**
Pinara Group Pty Ltd	**2,067,687**	**1.2%**
HSBC Custody Nominees (Australia) Limited	**1,931,805**	**1.1%**
Bond Street Custodians Limited	**1,815,746**	**1.0%**
Equitas Nominees Pty Limited	**1,783,947**	**1.0%**
Cedara Pty Ltd	**1,314,508**	**0.7%**
Total	**118,112,097**	**66.7%**

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_

Directors

Mr David Simmons (Chairman)
Mr Donald McGurk (Managing Director and Chief Executive Officer)
Mr Peter Griffiths
Mr David Klingberg AO
Lt-Gen Peter Leahy AC
Mr Jim McDowell
Mr Graeme Barclay

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

We don't simply protect borders, we protect individuals. Our response times depend on hearing that message as soon and as clearly as possible.

AT CODAN WE BELIEVE TECHNOLOGY HAS THE POWER TO TRANSFORM PEOPLE'S LIVES. PEOPLE FROM ALL OVER THE WORLD RISK THEIR LIVES EVERY DAY, WORKING IN HARSH AND DANGEROUS CONDITIONS TO MAKE THEIR COMMUNITIES SAFER AND MORE SECURE.

codan.com.au