

21 September 2022

Company Announcements Office  
Australian Securities Exchange  
Level 4  
20 Bridge Street  
SYDNEY NSW 2000

Dear Sir

**FY22 Annual Report**

Please find attached a copy of Codan Limited's FY22 annual report for release to the market.

Yours faithfully



Michael Barton  
Company Secretary  
On behalf of the Board

This announcement was authorised for release to the market by the Board of Directors.

Codan is a technology company that develops robust technology solutions to solve customers' communications, safety, security and productivity problems in some of the harshest environments around the world.

**FOR ADDITIONAL INFORMATION, PLEASE CONTACT:-**

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# ANNUAL REPORT 2022



Innovation **wherever you are**



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**Annual General Meeting**  
The Annual General Meeting of Codan Limited will be held at 11:00 am on Wednesday, 26 October 2022 at Codan Limited, 2 Second Avenue, Mawson Lakes, South Australia. The meeting will also be held virtually via an online platform at <https://meetnow.global/MP74WFV>.

**Codan Limited**  
ABN 77 007 590 605



# CODAN FY22 SUMMARY

Record underlying net profit after tax

**\$100.5 million**

An increase of **3%**

Codan group sales increased by

**16% ↑**  
to  
**\$506.1 million**

Annual dividend

**28.0 cents**

fully franked  
(interim 13.0¢, final 15.0¢)

Earnings per share

**55.6 cents**

Return on equity

**30%**

DTC and Zetron exceeded first year acquisition targets

**achieving \$19 million and \$15 million EBITDA respectively**

DTC secured

**largest contract award in the company's history**

**More balanced and stable revenues**  
across the Codan group

## CODAN LIMITED

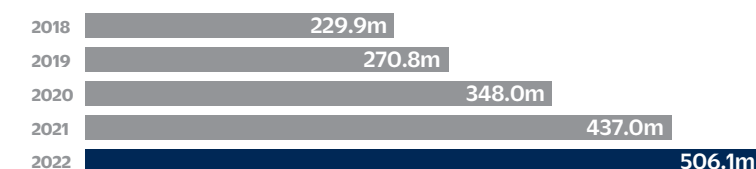
Founded in 1959 and headquartered in South Australia, Codan Limited (ASX:CDA) is an international company that develops rugged and reliable electronics solutions for government, corporate, NGO and consumer markets across the globe.

Codan's technologies include metal detection and communications.

We have approximately 730 employees located in Australia, Canada, the USA, the UK, Ireland, the UAE, Singapore, Denmark, Brazil, Mexico and India. Our marketing reach embraces activity in over 150 countries, with exports accounting for more than 85% of our sales.

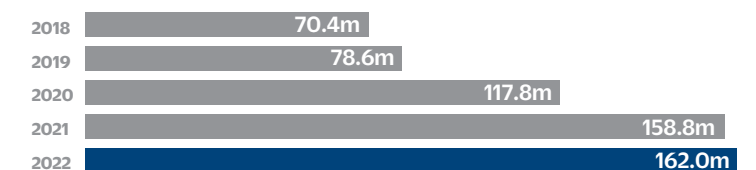
Operating revenue

**\$506.1m**



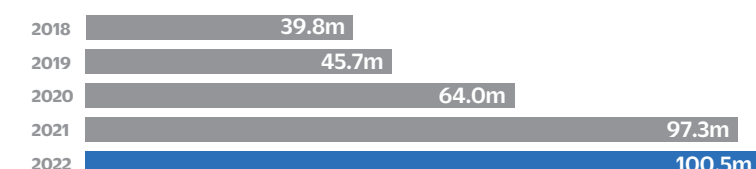
EBITDA

**\$162.0m**



UNDERLYING NPAT

**\$100.5m**



Results for the year ended 30 June	Note	2022	% of sales	2021	% of sales	2020	% of sales	2019	% of sales	2018	% of sales
<b>Revenue</b>											
Communications		\$241.7m	48%	\$95.5m	22%	\$104.0m	30%	\$77.6m	29%	\$56.5m	25%
Metal Detection		\$262.3m	52%	\$326.5m	75%	\$236.4m	68%	\$182.1m	67%	\$164.0m	71%
Other		\$2.1m	0%	\$15.0m	3%	\$7.6m	2%	\$11.1m	4%	\$9.4m	4%
<b>Total revenue</b>		<b>\$506.1m</b>	<b>100%</b>	<b>\$437.0m</b>	<b>100%</b>	<b>\$348.0m</b>	<b>100%</b>	<b>\$270.8m</b>	<b>100%</b>	<b>\$229.9m</b>	<b>100%</b>
<b>EBITDA</b>		<b>\$162.0m</b>	<b>32%</b>	<b>\$158.8m</b>	<b>36%</b>	<b>\$117.8m</b>	<b>34%</b>	<b>\$78.6m</b>	<b>29%</b>	<b>\$70.4m</b>	<b>31%</b>
<b>EBIT</b>		<b>\$137.4m</b>	<b>27%</b>	<b>\$139.8m</b>	<b>32%</b>	<b>\$89.6m</b>	<b>26%</b>	<b>\$63.4m</b>	<b>23%</b>	<b>\$53.7m</b>	<b>23%</b>
Interest		(\$1.7)m		(\$1.1)m		(\$0.6)m		(\$0.1)m		(\$0.5)m	
<b>Net profit before tax</b>		<b>\$135.7m</b>	<b>27%</b>	<b>\$138.7m</b>	<b>32%</b>	<b>\$89.0m</b>	<b>26%</b>	<b>\$63.3m</b>	<b>23%</b>	<b>\$53.2m</b>	<b>23%</b>
Taxation		(\$35.2)m		(\$41.4)m		(\$25.0)m		(\$17.6)m		(\$13.4)m	
<b>Underlying net profit after tax</b>		<b>\$100.5m</b>	<b>20%</b>	<b>\$97.3m</b>	<b>22%</b>	<b>\$64.0m</b>	<b>18%</b>	<b>\$45.7m</b>	<b>17%</b>	<b>\$39.8m</b>	<b>17%</b>
<b>Non-recurring income/(expenses) after tax*</b>											
Acquisition related expenses				(\$5.2)m							
Restructuring expenses				(\$1.9)m							
<b>Net profit after tax</b>		<b>\$100.5m</b>		<b>\$90.2m</b>		<b>\$64.0m</b>		<b>\$45.7m</b>		<b>\$39.8m</b>	
Earnings per share, fully diluted		<b>55.6c</b>		49.8c		35.3c		25.3c		22.1c	
Ordinary dividend per share		<b>28.0c</b>		27.0c		18.5c		9.0c		8.5c	
Special dividend per share		<b>– c</b>		– c		– c		5.0c		4.0c	
Return on equity	1	<b>30%</b>		36%		28%		23%		23%	

\* Non-underlying income/(expenses) are considered to be outside of normal business activities of the group and for comparability reasons have been separately identified. 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.

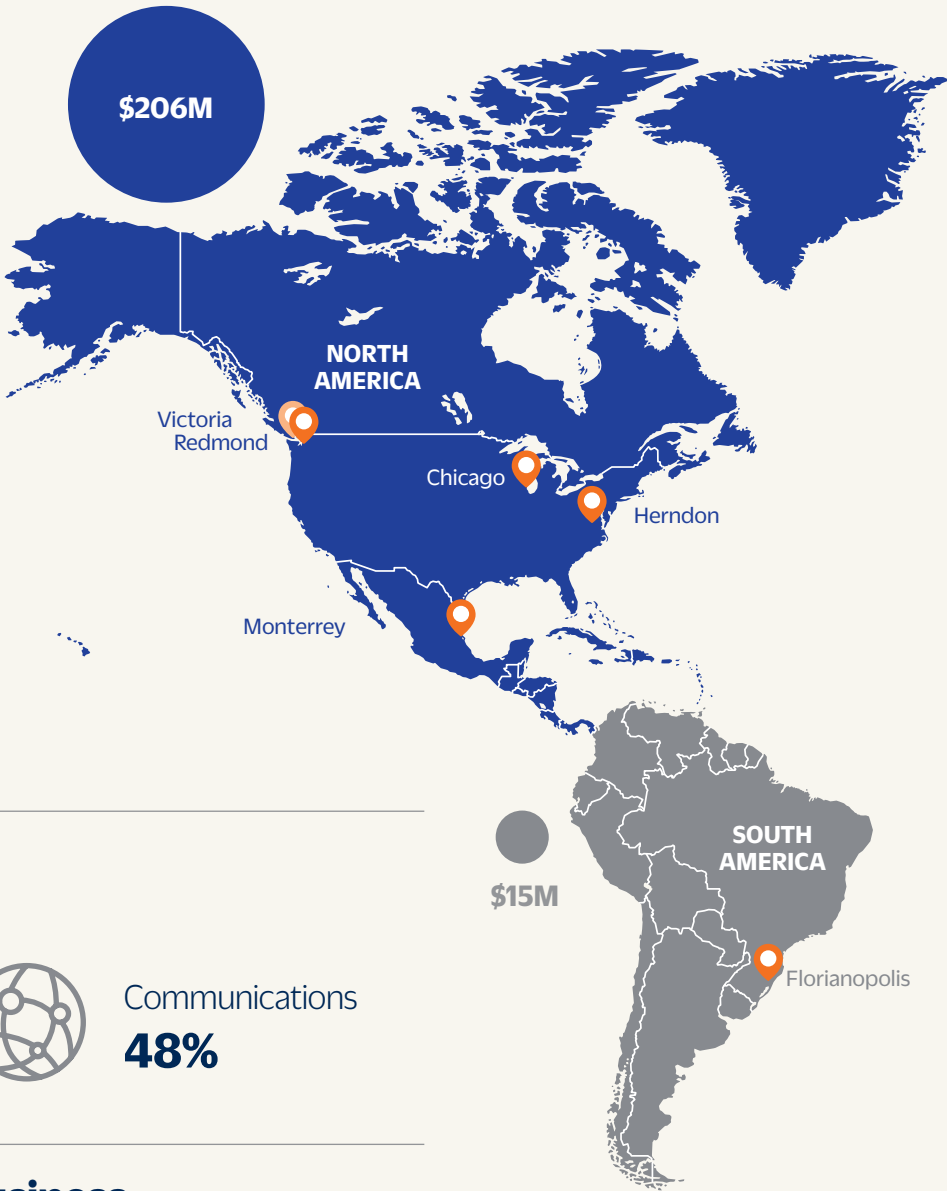
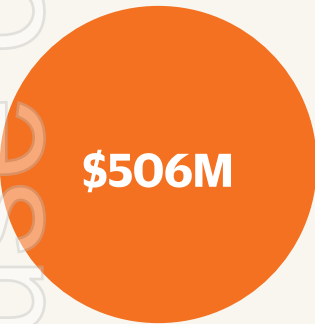
### Notes:

1. Return on equity is calculated as net profit after tax divided by average equity

# CODAN AT A SNAPSHOT

## Global sales

Total sales revenue



## Business segments



Metal Detection  
**52%**



Communications  
**48%**

## Our global technology business



total employees



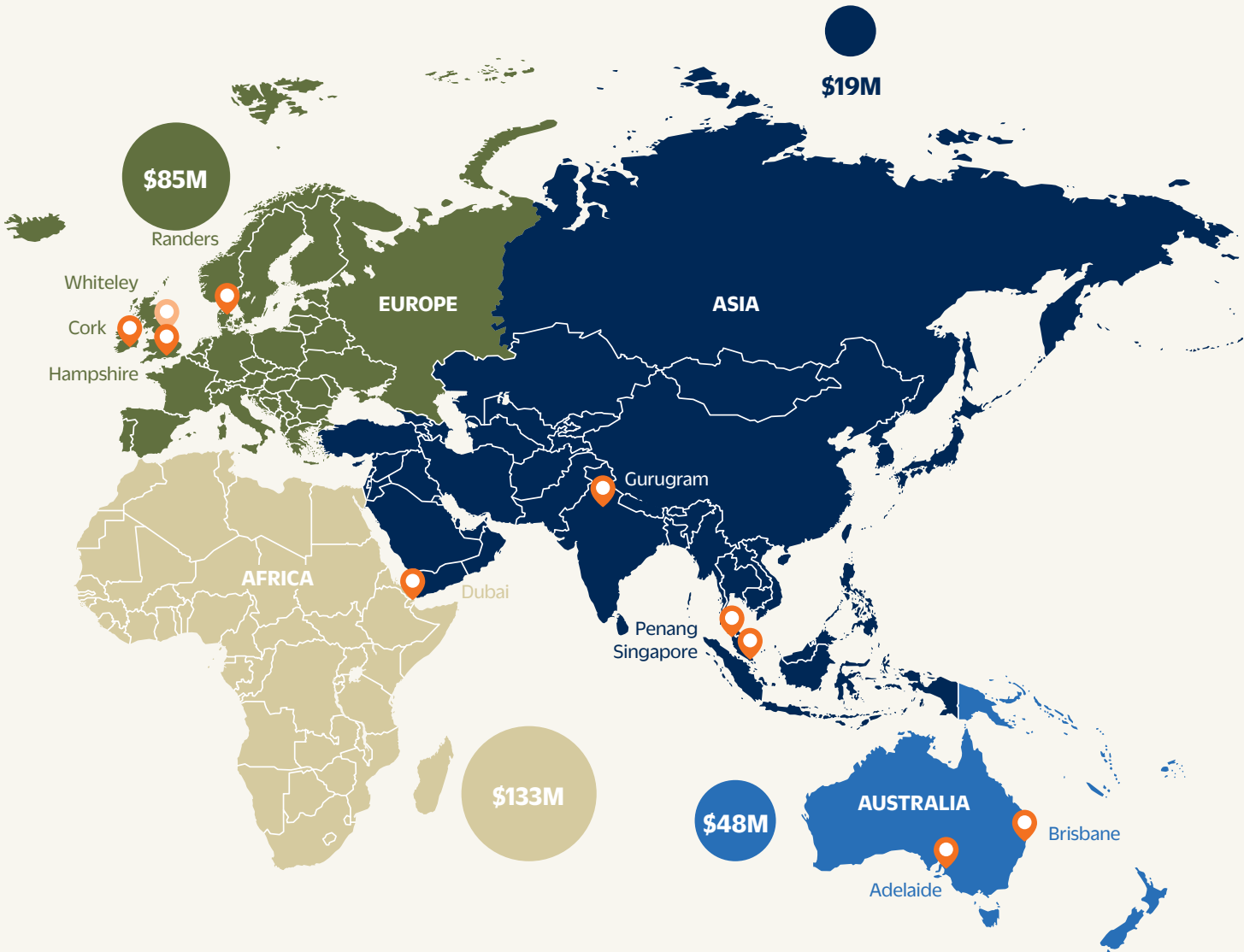
engineers



key manufacturing sites



sales offices



## Invest in ourselves



**\$46M**  
invested in R&D



**9%**  
engineering % to sales



# CHAIRMAN'S LETTER TO SHAREHOLDERS

It is pleasing to be able to comment on another successful year for our company. In FY21 we increased underlying NPAT by around 52%, so the challenge was always there to further improve profitability this year. I could go into all the issues and headwinds we faced but suffice to say it is very satisfying to report another year of record profitability.



**Our strategy remains clear. We will strengthen our core businesses through product development and partnerships. Acquisitions that allow us to evolve to a more integrated and more sustainable, balanced business will be pursued and we will invest in core and emerging technologies to provide a pipeline of truly differentiated market offerings.**



The DTC and Zetron businesses have been excellent acquisitions. The integration of new businesses is never easy, but our team has done a great job. “Acquire, integrate, grow” is the simple plan that we are following for both companies. I am pleased that we have a well-documented and executable M&A process right through from the investment thesis and valuation metrics to the integration plan.

In terms of revenues and profit, FY22 was Minelab's second best year ever, and we expect it to form a new base from which the business will grow in future years. The growth will come from continued penetration of new geographic markets and new product releases that will drive further market share increases. In other than the last two COVID-19 affected years, sales for Minelab has always been stronger in the second half. We will return to this pattern this year.

I am very conscious of the wide range that Codan shares have traded in during the last 2 years. The logic behind the very rapid growth in our share price in FY21 was never clear to me, nor the decline, particularly since the AGM last year. We are however clear in our approach. Deliver quality earnings with an executable growth strategy and the market will follow. We are working hard on our messaging to the market as our business is difficult to model and some of our products and markets are complex. We need to be clear on where we see the growth over time coming from.

At the AGM this year I will reflect on the excellent career of Donald McGurk. Donald left Codan in great shape for our new Managing Director, Alf Ianniello. The board is very confident that Alf will take Codan to new levels of innovation and profitability. Donald has been outstanding in introducing Alf to the business and Alf knows that he can reach out to Donald at any time. In terms of CEO transitions, this has been largely seamless, which is a credit to both individuals.

Faced with more supply chain and production uncertainties than any of us had ever experienced, we took the decision in July 2021 to aggressively build inventories as a key risk mitigation strategy. This obviously had a significant impact on cash generation for the year, but it has proven to be the correct decision. Inventory levels will gradually normalise over the next 12 months.

Earlier this year I was finally able to travel overseas and visit the majority of our operations. I am convinced that Codan is a better business today than at any time in the past. We can become a truly global business that just happens to have its head office in Australia.

Our strategy remains clear. We will strengthen our core businesses through product development and partnerships. Acquisitions that allow us to evolve to a more integrated and more sustainable, balanced business will be pursued and we will invest in core and emerging technologies to provide a pipeline of truly differentiated market offerings.

You will see from the annual report that we have provided a comprehensive update on our ESG initiatives. We have not delegated these responsibilities to a board sub-committee as we believe the whole board and management team need to be actively engaged. We are clear that outcomes are the measure, not words.

We really appreciate your support and look forward to providing an update on our current year trading at the AGM in October.

**David Simmons**  
Chairman



# CEO'S REPORT

Taking over as the CEO of Codan has been an exhilarating yet humbling experience. Humbling, as I have the opportunity to lead a long-standing successful company that has been well positioned by my predecessor Donald McGurk. I have found the move exhilarating as there is tremendous enthusiasm to capitalise on the opportunities that exist over the next three to five years in the Communications and Minelab businesses.



During my first seven months at Codan there have been several key observations. Firstly, our products are world class and with ongoing investment in product development we will continue to deliver great products and solutions to our customers. Secondly, we operate in harsh and difficult environments where we service our customers in a manner that differentiates us from our competitors. Lastly, we have exceptional people that live our core values and this is the foundation of our successful culture. All of this has been evident whilst I have travelled overseas to visit our businesses and customers.

Codan is positioning itself as a strong global technology business and has evolved into a very different business compared to 12 months ago. The recent acquisitions have not only increased our product and solutions portfolio but have significantly expanded our addressable markets both geographically and into adjacent markets. Our combined offering means that Codan can now compete globally with larger players.

Our FY22 results reflect the resilience of the business. Despite a challenging operating environment, Codan delivered another record profit year. Sales revenue increased 16% to \$506 million and we achieved 20% NPAT margins.

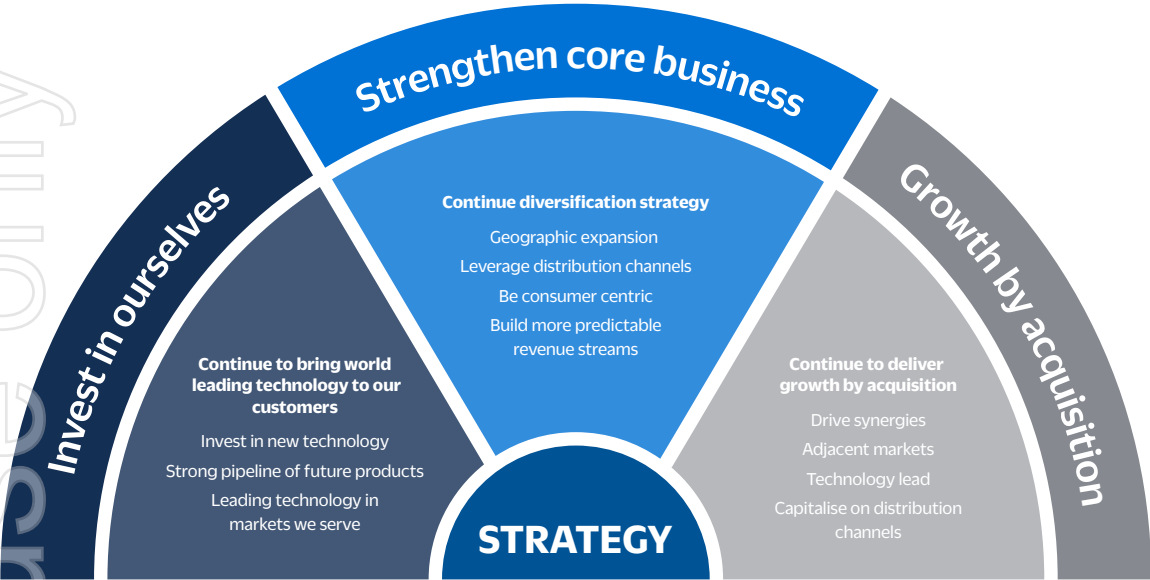
We have declared a fully franked dividend of 15.0 cents per share, following on from the 13.0 cent per share fully franked interim dividend. This resulted in a total dividend of 28.0 cents for the full year, an increase of 4% over FY21.

Cash conversion remains strong, with \$51.7 million operating cash generated in FY22 after the conscious decision to increase inventory holdings. The investment into inventory has enabled us to maintain supply to our customers and position ourselves to satisfy future demand. We were also able to reduce freight costs through increasing sea freight and, more importantly, we were able to largely mitigate the supply chain risks from the global shortage of electronic components.

FY22 has been a difficult year for many businesses as COVID-19 had an unprecedented impact on people and economies worldwide. The restrictions and government stimulus that impacted consumer demand patterns, logistics and supply chains, coupled with growing inflationary pressures, geopolitical disruptions and the Ukraine conflict, made FY22 a challenging year for Codan.

Despite the above, in FY22 we delivered another record profit and achieved the following:

- Maintained continuous supply to customers despite global supply chain challenges;
- Resumed in-country business development and geographic expansion initiatives post covid related travel restrictions;
- Minelab achieved its second highest sales result despite ongoing geopolitical disruptions and an unprecedented level of demand during FY21;
- Minelab achieved record sales in North America, LATAM and Countermining;
- Development of several new metal detector products has progressed well and we are on track for late first half FY23 product releases;
- Both DTC and Zetron exceeded year one EBITDA targets, with integration progressing ahead of plans;
- Codan via DTC was awarded its largest ever contract with a leading global technology company and we delivered our miniaturised mimo mesh radio against the first purchase order;
- Further strengthened our Communications segment by acquiring Broadcast Wireless Systems;
- Zetron exceeded \$100 million in sales as a result of securing numerous large contracts; and
- Increased the Communications orderbook of by 23% to \$149 million.



The Acquisitions

The acquisition of both DTC and Zetron has been very successful with both businesses exceeding year one EBITDA targets of \$14 million and \$8 million, achieving \$19 million and \$15 million respectively.

The acquisition of BWS was completed in December for a total payment of \$8.4 million inclusive of a \$4.8 million earn-out. BWS technology allows our customers to adopt a remote production capability, save costs and improve production quality. BWS is exceeding our year one expectations under DTC's ownership.

During FY22, DTC was awarded the largest ever order in Codan's history for the supply of software defined mesh radios. This first order for approximately \$38 million is part of a multi-year framework agreement, of which \$13 million was delivered in FY22.

We have successfully integrated our existing LMR business with the acquired Zetron business and the combined business exceeded \$100 million in sales in FY22, which was a great achievement. The business secured numerous large contracts including the upgrade and expansion of our emergency response system for Delta Air Lines and a renewal of up to 10 years for our contract with the State of Iowa for a hosted Next Generation 911 emergency call taking solution.

Strategy

We will remain disciplined in execution of our strategy with a significant focus on diversifying revenue and profitability of our businesses with an emphasis on revenue predictability within our Communications business. Our three strategic priorities are:

- Invest in ourselves;
- Strengthen the core business; and
- Growth by acquisition.

Our strategic plan is to invest and strengthen our core business by introducing new products and technologies and through geographic expansion, which is supplemented by acquisition growth. This strategy is working as the business today has much stronger foundations with a more balanced portfolio of sales.

Invest in Ourselves

We invest in our core business by introducing new products and technologies. During FY22, we spent in excess of \$40 million in new product development and engineering. We will continue to commit between 8 to 10% of our revenues back into product development and engineering. There is no shortage of product and development projects in the pipeline, as we continue to introduce leading edge technology in the future.

Strengthen the Core Business

The business continues its diversification strategy by expanding geographically and into adjacent markets. Minelab is developing an omni-channel distribution model, by penetrating big box retailers, leveraging existing distribution channels and more recently driving an e-Commerce strategy.

In Communications, the acquisition of DTC has significantly increased our Tactical addressable market. In the past we were focussed on the developing world but now our markets have expanded into Five Eyes intelligence communities. DTC's technology also allows us to access several market segments outside of Codan's traditional markets. These include Law Enforcement and Intelligence, Unmanned (drones) and Broadcast.

Zetron is one of only two providers globally that offers a full suite of integrated emergency response technologies, with an exceptionally strong brand in North America. Like Tactical, Zetron's technology is applicable to a wide range of market segments including transportation, utilities, domestic security, natural resources and institutions.

**Growth by Acquisition**

The last pillar to our strategic plan is to continue to deliver growth by acquisition. Our acquisition targets must be culturally and strategically aligned, be technology leaders with valuable IP and there must be synergies that can be realised through integration and leveraging distribution channels.

All of our businesses have a clear acquisition strategy, whether it is into adjacent markets or into products and services that are complementary to our existing solutions.

The DTC, Zetron and BWS acquisitions and integration processes have been a success and we now have a framework that is proven and repeatable for future acquisitions.

**Sustainability**

Codan continues to execute on its sustainability strategy and during FY22 the group established a sustainability council dedicated to identifying and managing risks, issues and opportunities that are important to the business and our stakeholders. The council will be focused on making a long-term and sustainable impact, with specific initiatives that will be closely aligned to Codan's purpose. Our sustainability report, now in its third year of production, will continue to evolve as we progress our sustainability journey.

Our People

The largest inhibitor to growth is being able to recruit, develop and retain good people. Therefore, the HR agenda will be pivotal to Codan's future success. Our people are one of our greatest assets who live our core values on a day-to-day basis. This is the key foundation to our successful culture and it is what sets us apart from our competitors.

The business is focused on investing in its people, growing our future leaders and building capability through high-quality learning experiences and development opportunities. We utilise a number of tailored training approaches, from online learning, external courses and a mentoring program that is now into its second year. This program has been extremely well received by both mentors and mentees.

Acknowledgements

We have achieved another excellent result in FY22 while still responding to the ongoing uncertainties brought on by COVID-19 and geopolitical challenges. Throughout this uncertainty there has been one constant, our people. On behalf of the Board and leadership I would like to thank our people for being adaptable, flexible, and resilient in helping Codan achieve success in a challenging global environment. This result would not have been possible without your commitment, skill and passion. We would also like to thank our business partners and shareholders for your continued support as we look forward to another successful year.

Alf Ianniello  
Managing Director and CEO





## FY22 Summary

- Maintained supply to our customers in a very difficult manufacturing and freight environment
- Established a sales office in India to concentrate our efforts in this emerging market
- Consecutive year of sales growth in Central and South America
- Record year of sales for North America and Countermines sales

## FY23 Objectives

- Further develop and expand distribution across Africa and improve customer service, training and support
- Continue our geographical and distribution expansion and reach to consumers worldwide including the expansion of our retail channels and e-commerce
- Improve tactical marketing to capitalise on our full suite of products across all categories
- Complete and launch the new products planned for FY23

Minelab is the world leading producer of in ground metal detection technologies for recreation, gold prospecting, humanitarian and military requirements. Our uniting purpose is to deliver innovative technology and exceptional support to all detectorists, the world over. For more than 30 years, Minelab have introduced more innovative and practical technology than any of our competitors and has taken metal detection technology to new levels of excellence through our dedication to research and development, innovative design and production quality.

Now with seven offices strategically located around the globe, we are positioned to expand the business further worldwide whilst improving existing market shares and distribution structures. We have increased investment across the Asia Pacific region with the recent establishment of a sales office in India which will focus on developing the market and our share in it. Following on from the success in establishing Minelab's presence into Central and South America via Brazil and Mexico, our objectives in India are to create a strong marketing campaign to build awareness and establish the recreational market, recruit an extensive dealer network and establish e-commerce trading platforms.

## Recreation – all targets, all soils, all the time

Minelab's complete range of recreation detectors, including the simple yet powerful VANQUISH, industry leading Equinox, and superior CTX 3030™, enables any user to unearth coins, jewellery, and relics. Our customer's interest ranges from metal detecting as a casual activity, as a hobby and passion, a sport, or in some cases, a source of income.

We have continued our strategy to expand the retail market in North America, which continues to experience growth year on year. In FY22 we have signed on more store fronts and increased our points of distribution, including online channels. We made a conscious decision to increase stock levels to protect against supply disruptions, minimise air freight and have product available to our customers on demand; a major advantage compared to our competitors in recent times. With international travel opening up, our sales and marketing team are actively engaging with the market, including attendance at detector rallies. Business development and marketing investment will be a continued focus for our business in the coming year.

Minelab has continued to invest and grow the LATAM market in the last 12 months. In Mexico, we have grown the dealer network more than threefold, and launched e-commerce to support the easy and convenient sale of our popular detectors to the consumer. In Brazil, our dealer network has increased, providing more points of distribution. E-commerce sales continue to grow, and the Vanquish, now in its third year, remains the detector of choice for new consumers.



Minelab have not sold any detectors into Russia in the second half of the financial year due to the conflict in eastern Europe. Whilst this challenging situation has had a flow on effect with a decrease in consumer spending and commercial trade, distribution has remained strong in Europe through our existing dealer network. Priorities for next year include a strong marketing program to keep Minelab products as the detector of choice and adding additional retail chains and stores.

## Small-scale gold mining – striking gold

Minelab manufactures a comprehensive range of innovative gold detectors to cater for the professional gold prospector, artisanal miner, and weekend enthusiast. Our detectors are the deepest and most able to adjust and track the varying soil conditions typically found in gold fields, finding gold in a chemical free manner, and delivering a rapid return on investment to the user.

The artisanal mining areas in Africa are the largest market for gold detectors. After a twelve month hiatus from entering Sudan due to travel restrictions in place for safety concerns, our sales team has recently returned to this strategically important country for Minelab. Our dealer in Mali, West Africa, has continued to grow its sales off the back of the record year in FY21. Contributing to this was the successful uptake of the premium gold detector, GPX 6000®, launched late in FY21. Uptake in other regions will now occur as the West African success with the machine spreads and as we are able to directly introduce the product into the various gold fields following the lifting of pandemic travel restrictions.



METAL DETECTION

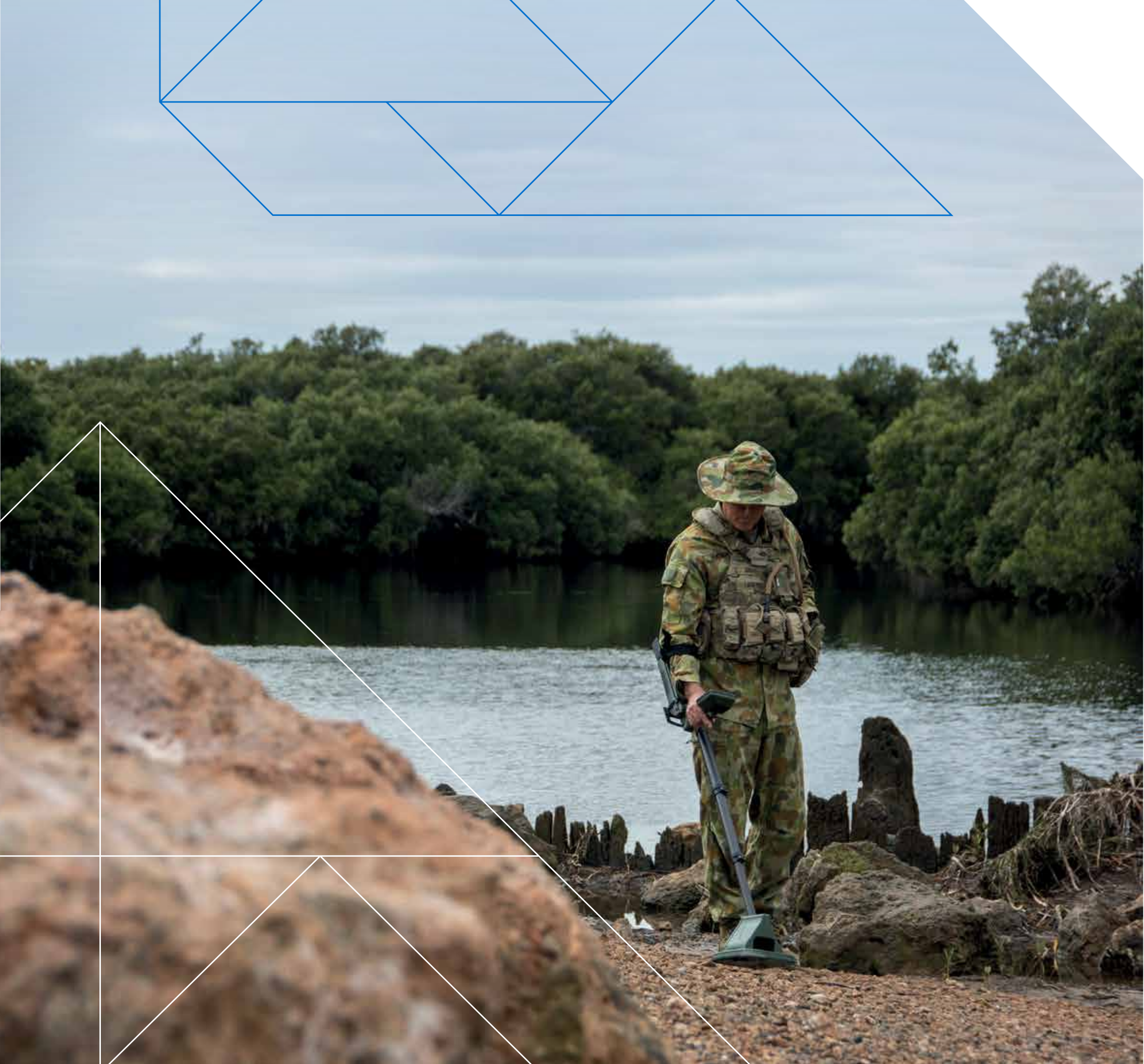
Countermine – all mines, all soils, all conditions

Minelab manufactures high-performance countermine metal detectors for landmine detection and UXO clearance. Used by humanitarian demining non-government organisations (NGOs), commercial demining companies and militaries, Minelab's range of countermine detectors include the industry-leading F3™ mine detector and the advanced MDS-10® and MF5® detectors. Minelab's countermine detectors are manufactured in Adelaide and are supplied to our customers across the globe.

The Countermine division has recorded its largest sales year on record in its 24 year history. The team have been able to establish significant share in both the military and humanitarian markets and will continue to focus on maintaining this share in the coming year.

Countermine secured several large contracts this year including a significant contract in Colombia. We supplied hundreds of F3Ci™ detectors to the Colombian Army Humanitarian Demining Brigade. Post the release of the MF5® last year, we have secured significant contracts into established countries with this new product.

We have also continued to strengthen our relationships with global humanitarian demining NGOs. These relationships have been built on our proven track record of detector performance coupled with exceptional customer service, which will continue to be a priority in the year ahead.





# Minelab: Transforming through e-commerce for the Global Consumer

The pandemic accelerated Minelab’s digital strategy as consumers further embraced e-commerce around the world. Prior to the pandemic we had a vision to generate long-term shareholder value through international e-commerce expansion and ongoing investment in our product range. While e-commerce adoption accelerated over the past two years, in many markets, the pandemic effect was to press “fast forward” on trends that were already gaining steam. Focusing on growth markets and these accelerating consumer habits became our priority. E-commerce embraces all aspects of engaging with the consumer electronically, from shopping sites such as Amazon through to social media and beyond.

Through the responsible use of data and e-commerce, we seek growth across our digital ecosystems; from partnerships with retailers and e-tailers through consumer-direct activities in selected markets.

We launched our first Minelab direct e-commerce store in Brazil, South America, in 2020. This e-commerce solution was chosen such that it is scalable, adaptable, and globally applicable. When deployed, this solution generated increased customer engagement while driving overall market expansion, driving increased business for both the new but also the existing channels. Through the use of e-commerce platforms, we are able to adapt and tailor the offering to suit the market specifics across all aspects of the experience, from delivery

through to payment and become properly aligned with each country’s specifics, thereby generating new opportunities and being able to delight our consumers.

We are harnessing the power of data to streamline our business practices, becoming more strategic and predictive while making changes in real-time. We continue to upgrade our analytics capabilities to measure the value of each consumer and customer touchpoint and the impact of every campaign. This allows us to make smarter, quicker decisions.

Minelab has expanded its online platforms now to five different countries and is continuing to pursue strategic growth opportunities.

## BRAZIL E-COMMERCE (July 1 2021 – June 30 2022)

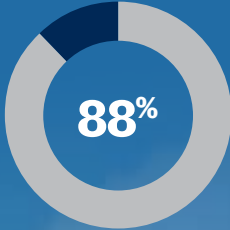
Average Order Value (AOV)



Customer Acquisition Cost (CAC)



Average Conversion Rate





Codan Communications, via the Tactical and Zetron divisions, offers a full suite of solutions to its addressable markets. With customers in more than 150 countries across all seven continents, Codan Communications continues to enhance its world-class design, development, and implementation capability. With more than 65 years in the business, Codan has earned a reputation for quality, reliability, and high customer satisfaction, by producing innovative, interoperable, and industry-leading technology.

### FY22 Summary

- Zetron and DTC's first year acquisition financial targets exceeded
- Successfully integrated Critical Communications' LMR and Zetron's Command and Control businesses into a single company now branded as Zetron
- Strengthened Tactical Communications' routes to market with key focus on business development
- Awarded largest contract win in Codan history

### FY23 Objectives

- Strengthen our core businesses through product development, routes to market, partnerships, and acquisitions
- Focus on front end business development in key growth markets with investments to address market requirements

### Tactical Communications

Our mission is to be a full communications solutions provider to our key customers in our core markets, servicing military, law enforcement and intelligence, unmanned, broadcast, commercial and NGO.

The DTC acquisition has exceeded its financial objectives for the fiscal year. The integration of its people continues, and will remain, a priority. The business has focused on strengthening the sales team to pursue opportunities in new and existing markets. With the integration of the global sales teams across DTC and Codan Tactical Communications, we have created new routes to market.

In the United States, our key focus has been on the execution of a multi-year contract to supply DTC software defined MANET mesh radios to a sensitive military program. Building on the success of this program, we have expanded our US business development efforts to address other potential opportunities.

Globally, we have experienced our largest growth in military opportunities with unprecedented sales in the unmanned markets. Both in the US and international markets we have expanded our support to law enforcement using our mesh ad-hoc networks in areas of interest such as urban cities and borders.

The most recent acquisition of Broadcast Wireless Systems (BWS) has expanded our portfolio to address customer broadcasting requirements. Rebranded as Domo Broadcast Systems (DBS), the business is scaled to offer turnkey solutions catering for live events and remote productions, including the V8 Supercars in Australia.



# DTC Broadcast – For the moments that matter

DTC and Gravity demonstrate enhanced capability in live Broadcast solutions for the Australian Supercars Championship

DTC has received a significant order to supply Gravity Media (a leading provider of complex live broadcast facilities and production services) with enhanced capability in live broadcast solutions for its global customers including an initial deployment at the Repco Supercars Championship – Australia’s touring car racing series.

The order includes 55 Broadcast Nano Transmitters, 55 SOL7NAMP Mini Robust 1W Amplifiers and 12 PRORXD-1RU Broadcast Receiver Decoders, adding to Gravity Media’s already impressive stock of communications kit. To ensure the equipment is set up for the best performance at the Supercars Championship and beyond, the DTC team worked closely with Gravity Media to customise the configuration of the equipment.

Australian racing fans will be provided with more camera angles than ever before at the Repco Supercars Championship – Australia’s touring car racing series.

Greg Littrich, Gravity Media’s Director of Media Services and Facilities commented: “The Supercars Championship represents the best of Australian

motorsport, and Gravity Media is committed to ensuring that loyal fans continue to receive an unbeatable viewer experience, with the very best live in-car camera coverage. That’s why we’ve significantly invested in new DTC equipment to support our live broadcast solution. Given its 35 years’ experience at the cutting edge of transmitting and receiving in live broadcast environments, DTC is a partner we can rely on.”

Gareth James, DTC’s APAC Sales Manager, added: “We are proud of our partnership with Gravity Media as a leading provider of production services worldwide. The Supercars project endorses our belief that DTC’s Broadcast equipment range has become the prime choice for motor racing and other speciality camera applications and has been verified time and time again as the best in its field for RF coverage.”

The new equipment made its debut at the last round of the Supercars Championship 2021 season at the highly anticipated “Repco Bathurst 1000”, which took place in New South Wales from 30 November to 5 December 2021.





For personal use only

**Zetron**

Through our Zetron business, our purpose is firmly on providing communications solutions that save lives and enable critical operations. The integration of the two legacy LMR and Zetron businesses has pleasingly outperformed the financial and operational milestones that were set. Most importantly, our people are united and engaged, motivated by quarterly town halls and monthly updates communicated by the leadership team. The global sales teams have been streamlined and brought together under one go to market sales strategy. Customers, including public safety, transport and utilities, can partner with Zetron for a full suite of products that provide an end-to-end solution. This strategy has produced record revenue across all regions, and a strong order book, including the award of a \$7 million contract to provide an ACOM console system for

existing customer, Delta Air Lines Inc, a \$5 million contract for a major US utility to provide a MAX call taking solution, and execution of a multi-year extension to Iowa's homeland security emergency management division hosting next generation 911 emergency call taking solutions.

We have also accelerated the engineering integration across the three offices. The creation of these 'centres of excellence' has ensured consolidated development and testing facilities so that each site can effectively expand their automation and development capacity.

The final stages of integration will be completed by the end of calendar year 2022 including an ERP implementation, and two facility relocations to better accommodate our workforce.





### About this report

This Sustainability Report seeks to provide information regarding the material aspects of Codan’s sustainability practises across the Codan Group including all its controlled entities during the year ended 30 June 2022 (FY22). The Sustainability Report (report) is published on 21 September 2022 and forms part of Codan’s Annual Report.

This report has been prepared in accordance with the Global Reporting Initiative (GRI) Standards: Core option. For a full list of disclosures referenced in this report, please refer to the GRI Content Index available within the **Sustainability Report** published on our website. The information contained within this report has been compiled with the contribution of various leaders across the business and has been approved by the board. Please note this report has not been externally assured. We welcome any feedback and questions you may have on the information presented and encourage you to contact us at [sustainability@codan.com.au](mailto:sustainability@codan.com.au).

In FY21, we engaged the assistance of an external consultant to facilitate a series of workshops with employees across the company to identify the material topics to form the focus of this report. We assessed this materiality on two criteria; namely: (1) what is material to our business; and (2) the industry in which we, and our stakeholders, operate. Codan’s stakeholders include employees, customers, suppliers, investors and key regulatory, government and industry bodies (e.g., ASIC, ASX).

#### List of Material Topics

- Innovation – Our Culture
- Innovation – Our Intellectual Property
- Social – Our People
- Social – Our Customers
- Social – Our Community
- Environment
- Governance – Corporate Governance Statement
- Governance – Business Ethics / Behaviour / Compliance
- Governance – Our Supply Chain
- Governance – Cyber Security
- Governance – Tax

*All data referenced in this report is in AUD unless otherwise specified. Note that FY22 data is inclusive of DTC and Zetron businesses acquired in May 2021, and FY21 data is exclusive.*

### CEO’s statement

In the current global environment businesses have an obligation to lead on Environment Social and Governance (ESG) issues and make them part of the organisation’s long term success.

As an organisation, the Codan values drive our approach to ESG and as such we have challenged our approach to addressing sustainability, with the purpose to build a framework that can drive greater impact for all internal and external stakeholders.

The newly created cross functional sustainability committee has gained inspiration from Codan’s rich history of innovation and developed a forward looking framework that endeavours to make an impact that is applicable in the markets and communities we are involved in. Our current initiatives are focussed on outcomes that directly align to the framework presented below, and build upon the work we already do within the community to provide greater impact.

To provide greater transparency regarding the compilation of this report, we have been guided by recognised standards of sustainability reporting and have aligned our FY22 report utilising the GRI Standards: Core option.

In FY23 we look forward to providing further updates throughout the year on the progress of our initiatives.



**Alf Ianniello**  
Managing Director and CEO

### Sustainability Framework

#### PILLARS



INNOVATION



Promote a culture of innovation and protect our intellectual property.



SOCIAL



Encourage, promote, and develop all students, regardless of gender, age, family status, culture, ethnicity, and religion to pursue a career in STEM.

Target Community Programs that assist disadvantaged groups within the communities our businesses operate.

Empower a connected and high-performing workforce to deliver long term value creation.



ENVIRONMENT



Review our environmental footprint to establish the timeframe and financial implication of making a net zero statement.



GOVERNANCE



Committed to conducting business in an honest, ethical, and accountable way in accordance with our core values.

Upholding a strong governance program, including a Sustainability Council, dedicated to identifying and managing risks, issues and opportunities that are important to our business and stakeholders for long term value.



Innovation

Our Culture

Promoting a culture of innovation is embedded in the way Codan does business. Our capabilities span across multiple engineering disciplines, including software, electronics and mechanical engineering. We also have several PhD-qualified physicists in our engineering teams. Our engineering teams ensure that technology is released to specification, on schedule and with the appropriate Intellectual Property (IP) protection. This combination of core competencies allows us to continuously develop unique IP to solve our customers' communications and detecting problems in some of the harshest environments in the world.

To continuously boost its innovative edge, the engineering team pursue new recruits who share a similar attitude, fit and desire to learn. Continuous improvement is facilitated through training, coaching, regular innovation and product review forums, (where staff can put forth novel ideas), and regular one-to-one communication. This ensures an optimum path for our people to be "the best that they can be", promoting freedom of thought and the desire to innovate and succeed. When designing new or improved products, the team looks beyond its own innovative ideas and strengths and seeks broad market research to help balance product capabilities. We also routinely seek customer feedback through our sales and distribution network, as well as talking directly to users, fuelling further thoughts for both innovation and product improvement.

Codan's reputation for quality is paramount to its success, and this is a testament to the efforts put into the research & development phase, along with the rigorous testing undertaken.

	FY22	FY21
Total R&D investment (\$M)	46	30
Number of products brought to market	4	5

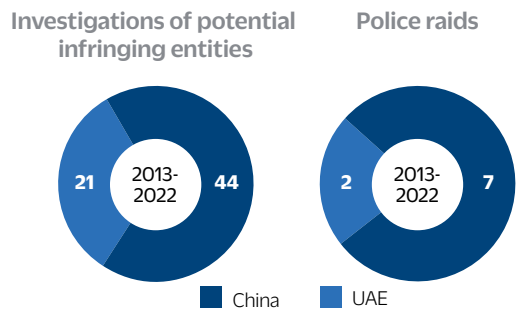
Our IP

Great lengths are taken to protect our IP, with the use of patents, designs and trade marks. Broadly, registered IP provides us with a legal right to exclusively use our novel ideas. A registered patent provides our business with the exclusive right to use or commercialise a product or invention for the life of the patent. Registered designs protect the shape, configuration, pattern or ornamentation of a product, that is, what gives a product a unique appearance. Registered trade marks provide protection for our brands/logos.



We also have a strong anti-counterfeit strategy. The purpose of this is to protect the integrity of our brand and products. We enforce this by using a third party to actively search for and pursue on-line B2B sites, platforms and marketplaces selling counterfeit Minelab products. Utilising numerous investigation firms across the world, in China we have successfully criminally prosecuted six serious infringers and have ongoing civil actions against three of the six entities, with a further 11 people serving prison sentences for counterfeit offences. We have ongoing civil actions against three of the six entities in China. In Dubai, we removed the biggest trader of counterfeit Minelab products and, since 2016 with the cooperation from the Dubai Economic Department raided over 20 traders. We have proactively trained multiple customs officials both in Dubai and China with respect to our products.

	FY22	FY21
Online marketplace listings analysed	38,875	14,925
Number of removed infringement listings	16,838	12,694







Social  
Our People

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

Codan's core values are a shared set of principles that shape our company culture and ultimately enable us to achieve our organisational goals. We strive for our values to help guide our day-to-day decisions and provide the framework for not only what we do, but more importantly, how we do it. Our 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.

Codan seeks to employ individuals who align to and genuinely relate to our core values and encourages all staff to help bring these values to life through their everyday interactions with one another.

Throughout another year of disruption, the health, safety and wellbeing of our people remains of utmost importance. During periods of shut down due to COVID-19 our staff were swiftly and safely moved to a work from home arrangement. For production staff who were unable to work from home, we continued to pay wages in full if those staff had to isolate. We encourage staff to remain connected to one another and look after their mental health, with access to confidential counselling support also available. Specific online training sessions focused on mental health have also been provided to staff. Head office provides voluntary free flu shots for staff, hosts an onsite gym, and an in-house café with subsidised meals to encourage staff to socialise with others and enjoy our state-of-the-art canteen and courtyard facilities. The office also caters for parents when flexible working arrangements are required; there is a dedicated meeting room configured with dual AV, phone, game console, child friendly games and toys so both children and parents can continue to work when necessary.

Codan continues to focus on growing its own future leaders and building capability by providing all employees with high-quality learning experiences and development opportunities. We utilise several tailored training approaches, including short courses on our online Learning Management System, a platform which houses various mandatory and

optional training content for all staff to access, as well as providing select staff with professional management and various other leadership programs to build our own internal capabilities. We have a license to The Growth Faculty, which provides live and library online content from change-making leaders.

Spend on external training courses was down compared to prior year as we opted for more online training, as the pandemic disrupted face to face training. In addition, the spend reduction reflects the organisation's focus on the integration of the DTC and Zetron businesses with staff across the globe working on integration projects which has provided many development opportunities.

Codan's mentoring program has continued into its second year after the success from last year, with registrations more than doubling and some mentors volunteering their time for a second consecutive year. Participation in the program provides our team with additional support in their professional development and assists to broaden their networks across the Codan group. This aligns with our culture of collaboration and leadership development. The mentoring partnership runs for 12 months and includes a mix of formal and informal meetings.

	FY22	FY21
Learning & Development (\$000)	361	504



"To be effective in our roles, careers, and lives, we need to listen to understand, learn, and be empathetic. Building a rapport and practicing my communication skills while transferring knowledge to the mentee has been a very positive learning experience."

"Having time set aside to pursue new things that I don't normally find time for. Getting fresh ideas from my mentor".







In an effort to attract talent to build our future capability, Codan offers selected candidates a four year apprenticeship at our head office, and also offer internships across the business, including paid co-op placements at Zetron. Zetron has also paid the university fees for one co-op placement on the provision they will work for us once they graduate. Codan also supports the South Australian Node of the Australian National Fabrication Facility (ANFF-SA) Microengineering School as part of the industry tour groups to demonstrate career opportunities in manufacturing.

The pandemic has presented its challenges on the workforce, and talent retention has proved to be one of these. Dubbed “The Great Resignation”, the increased number of voluntary resignations post COVID-19 is widely reported and Codan has similarly experienced this. We are currently working on a strategy to actively retain key talent, by investing in our employees and providing development opportunities and identifying career pathways.

	FY22	FY21
Voluntary turnover	12%	6%

Codan recognises that our success is directly related to our people. Our people reflect a growing diversity, with different gender, ages, family status, cultures, ethnicities, and religions represented among our employees. Research shows that a diverse work force is strongly linked to high performing teams, and we see evidence of that at Codan through innovation, product development and our global workforce. Codan’s purpose to “deliver innovation wherever you are”, can only be achieved through the wide range of talent, experience, skills and perspectives of our employees.

Codan continues to monitor our diversity profile, review our recruitment and development processes and challenge ourselves to understand our employees better, so that all our employees have the ability to succeed and meet their potential. Codan is committed to sustaining an inclusive working environment where our people feel part of the team and contribute to Codan’s wider success. On International Women’s Day our staff had access to curated content with top diversity and inclusion thought leaders heading up a week long event to help leaders become more aware and inclusive. Throughout the year we introduced diversity training and team building in our Mawson Lakes production facility. Facilitated by an external inclusion expert, the three sessions were well received and will be an ongoing program.

The board work with management to set specific gender equity targets ahead of each financial year. All objectives were met for FY22, with an increase in female applications for technical and leadership roles versus the previous year. The board have set an objective to achieve a minimum of 30% female directorship by FY26.

The decrease in overall female representation in our workforce is due to the acquisition of Zetron and DTC which have a high number of engineers. Engineers Australia has produced a report which tracks females studying STEM degrees, which helps to explain the lower proportion of female engineers. This is why Codan is committed to investing more time and resources into educating and promoting a STEM career for all minority diversities.

Gender representation	FY22		FY21	
	Female %	Male %	Female %	Male %
Board	20%	80%	20%	80%
Senior Executive	0%	100%	0%	100%
Senior Management	23%	77%	27%	73%
Other	27%	73%	30%	70%
Whole workforce	26%	74%	29%	71%

Three years ago, we introduced a paid maternity leave program, and since its introduction, we have had 31 staff utilise this, and had 100% of female staff return to work.

We maintain an effective Work Health and Safety System that is integral to our business processes and are accredited to OHSAS 18001 and AS/NZS 4801 Occupational Health and Safety Management Systems.

Workplace Health & Safety Statistics	FY22	FY21
Lost Time Injuries	3	3
Near Misses	17	14
Incidents	17	24



Our Customers

Codan is a customer driven organisation. We pride ourselves in ensuring we offer premium customer satisfaction. We aim to get as close as possible to the end users of our products. To achieve this, we have established offices in all of our key regional markets, and spend time on the ground with our customers no matter how harsh the environment.

In FY22, we incurred no product recalls, and warranty costs were less than 1% of sales.

Zetron provides essential communication services to US government agencies to keep our first responders and our environment safe

The customers

The United States Forest Service (USFS) deploys over 1,500 Zetron radio systems into the field to provide essential communication services to keep our first responders and our environment safe. The USFS manages a system of 154 national forests and 20 national grasslands encompassing 193 million acres (78 million hectares).

The United States National Park Service (USNPS) has over 500 Zetron radio systems in place across the 400 parks, monuments and other areas of national interest in land that encompasses 84 million acres (34 million hectares).

The Bureau of Land Management (BLM) is responsible for administering federal lands across the United States, with over 700 Zetron radio systems, with oversight over 247.3 million acres (100 million hectares), governing one eighth of the country's landmass.

How our technologies are deployed

The lands managed by these agencies include specially designated wilderness areas, wild and scenic rivers, national monuments, research and experimental areas, and other unique natural and cultural treasures. These radio networks are used

by maintenance, protection and law enforcement employees and are used to keep the millions of visitors safe within the boundaries of the forests and parks. A major aspect of these land management agencies, and their use of the radio networks is for preventative measures against, and fighting, wildland fires.

The National Interagency Incident Communications Division (NIICD) is a multi-agency partnership between the USFS, USNPS and BLM. The NIICD maintains a cache of 400 Zetron repeaters in transportable cases for rapid deployment anywhere in the country. The NIICD's major focus is wildland fire suppression, however their equipment and personnel have been utilised on hurricanes, floods, earthquakes, volcanic eruptions, oil spills, and other man-made and natural disasters where federal assistance is required.

Zetron is honoured that we can fulfil our purpose to provide communications solutions that save lives and enable these critical operations, and most importantly our customers trust us to protect one of our greatest resources, our environment.

'Wildfires continue to plague our national parks and forests and the safety of those that combat those fires is foremost in our minds when we design, deliver and service communications solutions. Zetron is proud to be the primary provider of communications technology for every major forestry agency and national park in North America.'

Scott French  
Executive General Manager, Zetron





Our Community

Being a socially conscious and responsible organisation is a part of Codan's corporate identity. We endeavour to foster a sense of awareness through our charitable programs and product donations as well as giving our time and resources to support our community.

We proudly participated in the University of South Australia's STEM Girls Conference in September 2021, where we hosted female students at our head office facilities and have similarly hosted secondary school tours. Codan has exhibited at various career fairs hosted by local universities. It is mutually beneficial to meet the up-and-coming generation interested in tech, and to discuss the vast opportunities we have within the Codan Group.

	FY22	FY21
Donations (\$000) inclusive of product donations	263	280

Zetron are the proud title sponsor of Shoot for the Stars, an annual public safety golf fundraiser with all proceeds directly benefiting Behind the Badge Foundation, an organisation supporting the agencies, families, and communities of law

enforcement officers that are seriously injured or killed in the line of duty.

Shoot for the Stars has consistently grown each year and is now the largest public safety charity golf tournament in the region. The event has raised \$275,000 for Behind the Badge Foundation to date. Beyond the golf course, many lasting relationships have been formed with public safety first responders, along with our sponsors. Zetron supports and provides volunteers to Behind the Badge Foundation well beyond the golf event.

Codan is a long-time proud supporter of Variety – the Children's Charity (Variety). 2022 marks our 34th year of gold sponsorship of the Variety Bash, Australia's largest and longest running charity motoring event through the Australian outback. Codan participates in the event with our own Variety Bash vehicle and oversees the radio communications in the lead up to the event. In addition, Codan is responsible for manning the control centre to facilitate the communication and tracking of all official vehicles, mobile workshops and mobile doctors, for a safe and successful Variety Bash.

"Through Zetron's unwavering support for Behind the Badge Foundation, we are able to expand officer wellness programs into new communities across Washington State. This generous donation also provides immediate and adaptable resources for families, agencies and communities grieving the loss of their fallen officer. Behind the Badge Foundation is honored to be the recipient of the challenging work and dedication this company shows the community."

Tracy! Michel, Community Engagement,  
Behind the Badge Foundation



Codan employees conduct site surveys ahead of the Variety Bash to ensure the remote site provides reliable communications along the Variety Bash route, as well as provide HF radio operator training, assist with radio installations and attend Variety Bash meetings.

Codan hosted its second annual charity golf day in South Australia, where key stakeholders were invited to register a team to participate in a fun filled day on the course. Over \$180,000 was raised inclusive of key stakeholder and Codan donations, and this amount was donated and distributed evenly amongst three chosen charities, Variety, Hutt St Centre and KickStart for Kids. Variety, who invests into the wellbeing of children who are sick, disadvantaged or living with a disability, has been able to use the funds to assist specialist schools via a 22-seat wheelchair accessible Sunshine Coach that takes children to and from school and transports them to social and sporting experiences.

"Codan's support over so many years has been invaluable in changing the lives of children in need in our community. Beyond the balance sheet, we have enjoyed the personal engagement of senior management and staff who live the values of the company and are authentic in their care for the outcomes we achieve" said Mark McGill CEO.

KickStart for Kids creates extensive programs within schools to serve breakfast, lunch, mentoring, school holiday care programs, and period poverty. Codan's donation has allowed 30 schools to access these programs for the year. These funds give many disadvantaged children the opportunity to achieve favourable educational outcomes, with the end goal of breaking out of the unemployment and poverty cycle that their families have lived in for generations.

The Hutt St Centre provides a welcoming and safe place with the purpose to end homelessness. The golf day donation has helped 850 people each month experiencing homelessness with:

- Essential health and wellbeing services including meals, bathrooms, laundry and locker facilities, phone charging, mail collection and pastoral care;
- Connections to more than 20 visiting services including daily healthcare appointments with a RDNS nurse, twice-weekly GP clinics, eye clinics and dental care, as well as professional services such as financial counselling and legal aid; and
- Pathways Program which creates opportunities for education, training and employment through individual coaching and group sessions, supporting people to learn new skills and qualifications, prepare resumes, practice job interviews, and obtain or renew important identification documents.

Other initiatives across our head office and regional offices include a charitable giving matching program, where the company matches staff contributions dollar for dollar, with proceeds benefiting employee chosen charities, such as the MS Society of SA & NT, Queensland SES to assist with the 2022 Eastern Australia Floods Donation Drive, the American Red Cross, and supporting Hopelink with holiday food and donations drives to assist families in our local community who are in need.



I have been playing in Zetron's "Shoot for the Stars" tournament since 2016. It is such a positive and uplifting event. The golf course is so beautiful, and the event is so well organized, that I am honored to participate. But more importantly, it means so much to me that Zetron is doing this for the Behind the Badge Foundation. Especially now, in these tough times, it feels so good to know that the people at Zetron appreciate what we do. To know that they have our backs and appreciate the sacrifices that so many Officers and their families have made, really means the world. I don't think people realize how touching it is just to have someone say "Thank you" which is what Zetron, its sponsors, and supporters are doing when they honor us with this event. For this, I say, "Thank you Zetron for making this such a special gift for all of us."

**Detective Fran Smith**  
Seattle Police Department – 37 year veteran  
Internet Crimes Against Children Task Force







Environment

Codan is conscious of our impact on the environment during the manufacture, distribution, use and disposal of our products. We maintain an effective Environmental Management System that is integral to our business processes and are accredited to AS/NZS ISO 14001 Environmental Management Systems. Our direct environmental impact largely relates to the energy to run our global offices and our travel footprint. Our scope 1 and 2 emissions increased in FY22 due to the additional office locations acquired from Zetron and DTC. As part of our recent board approved initiatives, we have committed to review our environmental footprint to establish the timeframe and financial implication of making a net zero statement.

Our global head office located in the Technology Park precinct, South Australia, houses around 240 staff, and is currently awarded a 5 star Nabers energy rating. Our consumption decreased by 32% this financial year, which is attributed to solar panel gains. Head office is fitted with multiple recycling stations and organic waste bins in staff kitchen areas to enable sustainable disposal of organic materials.

Scope 1 and 2 emissions	FY22	FY21 <sup>1</sup>
Total emissions (CO <sub>2</sub> e)	1,104 tonnes	623 tonnes
Emissions intensity (CO <sub>2</sub> e) per FTE	1.51 tonnes	1.65 tonnes
Solar panels (head office) consumption reduction	35%	25%

<sup>1</sup> Excludes DTC and Zetron

We are mindful of our indirect environmental impact within our supply chain. Our [Supplier Code of Conduct](#), encourages our suppliers to develop a more sustainable business by minimising their environmental impact. Our two largest contract manufacturers, Plexus Corp and Venture, are accredited with ISO 14001 Environmental Management Systems. Both contract manufacturers have confirmed their sites reported no environmental incidences for FY22.

Codan has adopted stringent testing and quality control procedures. It is accredited to AS 9100 Quality Management System – Requirements for Aviation, Space and Defence and maintains quality assurance systems approved to International Standard AS/NZS ISO 9001.

Codan's commitment extends to our supply chain, with both our largest contract manufacturers also holding these same accreditations. As part of our ISO certification process, we continually review and update our business risk management register and can confirm we encountered no environmental incidences in FY22.

Codan products are RoHS (Restriction of Hazardous Substances) certified. The goal of RoHS is to reduce the environmental effect and health impact of electronics. The legislation's primary purpose is to make electronics manufacturing safer at every stage of an electronic device's life cycle. Codan products are also fitted with a Waste Electrical and Electronic Equipment (WEEE) sticker which encourages consumers to dispose of the product thoughtfully when at the end of its lifecycle.



Governance

Corporate Governance Statement

Codan's [Corporate Governance Statement](#), which was approved by the board on 17 August 2022, is available on the company's website.

Business Ethics / Behaviour

Codan's Code of Conduct provides a framework for employee conduct, with guidance around expected and acceptable standards of behaviour that are aligned with our core values, and which allow us to work together to achieve the goals of the business. The Code of Conduct and Core Values are included in induction packs for new starters.

An essential part of our culture of "Openness & Integrity", one of Codan's four Core Values, is underpinned by our "Speak Up" framework. This framework encourages staff to raise issues or conduct that concerns them. Our Speak Up framework is reinforced by our [Code of Conduct](#), [Core Values](#), and [Whistleblower Protection Policy](#). We take all reports of harassment, discrimination, bullying and any form of misconduct very seriously. Our grievance procedure facilitates the appropriate investigation and resolution of complaints. There were two workplace grievances registered globally during FY22, and both have been resolved. One of these grievances was reported through our externally managed hotline.

At Codan, we take compliance seriously. We have a strong, fit for purpose compliance program run by our in house Legal & Compliance department. Staff training is a critical part of this program and is compulsory for all employees and forms part of our induction program. This includes training on Anti-Bribery and Anti-Corruption, Modern Slavery, Whistleblower Protection and Code of Conduct. Our training program is risk-appropriate, with additional tailored training sessions conducted for staff in high-risk roles.

Anti-Bribery and Anti-Corruption (ABAC) remains a material topic for our business, as we acknowledge some of our businesses operate in high-risk environments. Our program and [ABAC Policy](#) is reviewed annually to ensure it remains fit for purpose and in line with best in practice anti-bribery compliance programs. Key aspects of the program involve a risk driven due diligence process for third party business partners, regular training for high-risk staff and third parties, and an approval based Gratuities Register. Internal audits are conducted on our high risk transactions.

Codan's sanctions compliance program is a group-wide approach that uses enhanced due diligence measures, external resources, monitoring and approval procedures to ensure we meet our global sanctions obligations.

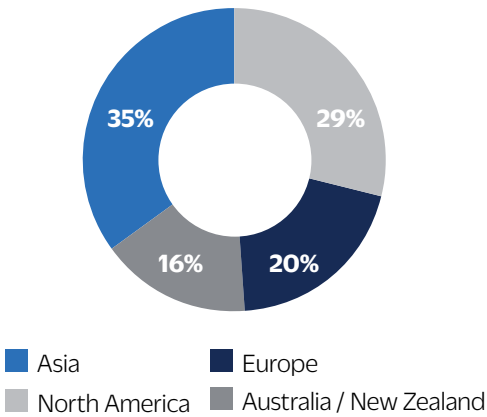
	FY23 Target	FY22	FY21
ABAC Policy violations	NIL	NIL	NIL
ABAC Internal audits	3	2	1
Sanction breaches and fines	NIL	NIL	NIL

Our Supply Chain

Codan has an extensive global supply chain in place, sourcing product and material from most regions in the world. We partner 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 global distribution centres located in the UAE, USA, Netherlands, Malaysia, Poland, Brazil, Mexico, India and Australia, which ensure product is regionally distributed for the fastest route to market.

Codan Group supplier spend



There are 1,000 active suppliers across the Codan Group, with supplier spend circa \$161 million across mostly electronic components, as well as cables, antennas, plastics, and packaging.



Codan produces a [Modern Slavery Statement](#) designed to meet the disclosure requirements of the *Australian Commonwealth Modern Slavery Act 2018*. In undertaking its risk assessment with respect to Modern Slavery, Codan has again identified that its main risk lies with its major third-party contract manufacturers. Presently, this includes Venture and Plexus Corp. Both are based in Penang, Malaysia and manufacture up to 41% of Codan product.

Codan's supply and procurement team are in consistent contact with Plexus and Venture and have undertaken numerous discussions around their approaches to Modern Slavery. More recently, Codan's compliance team has reached out independently to both contract manufacturers to have a discussion around the procedures, policies and practises they have in place to allow Codan's compliance team full visibility of their modern slavery programs. It was pleasing to learn that both contract manufacturers' programs were in line with Codan's expectations. Importantly, both conduct appropriate training and awareness programs internally, and conduct ongoing internal audits across their site.

Plexus is in full compliance with the UK Modern Slavery Act, and are a member of the Responsible Business Alliance (RBA), being the world's largest industry coalition dedicated to corporate social responsibility in global supply chains. Moving forward, we will continue to work with both organisations to ensure that they comply with the standards we expect. We will also extend this requirement to relevant DTC and Zetron contract manufacturers.

More generally, we have created a Supplier Code of Conduct and have updated our Supplier Terms and Conditions to include additional Modern Slavery clauses. We have systems in place to carry out daily online searches on our highest risk suppliers for any adverse media, including modern slavery topics, and to date we have had no adverse "hits". In FY22, we had no breaches of our [Modern Slavery Policy](#).

Cyber Security

As a global technology company, safeguarding our intellectual property and confidential information is paramount to maintaining trust with our customers, suppliers and partners. As the probability of cyber-attacks increase and become more complex, Codan has adopted a risk-based framework to protect our assets. Cyber risks are regularly reported to the Codan Board and Board Audit, Risk and Compliance Committee. Relevant organisational policies and standard operating procedures are in place and are regularly reviewed to ensure they remain commensurate with the external risk.

During FY22 Codan completed penetration testing and regular vulnerability assessments to highlight potential system vulnerabilities. Codan has implemented additional technologies to further segregate our assets, along with increased security awareness training for all employees.

In FY22, Codan had no known major security incidents or events that resulted in loss of confidential information or intellectual property.

Tax

As part of our commitment to meeting our global taxation obligations in a transparent and open manner, we conduct our tax affairs within a robust tax risk management policy and framework overseen by the Board.

Codan's tax governance process is documented in our Tax Risk Management Policy and Framework. This framework is based on the philosophy of managing tax risk through a well-planned approach built around the following principles:

- A transparent and accountable relationship with local country tax authorities;
- The payment of the legally correct amount of tax in a timely manner;
- The systematic identification of significant tax sensitive transactions ahead of time;
- The documentation of tax processes to facilitate review and minimise the impact of changes in personnel;
- Defined channels for the reporting of tax information to the Board;
- Internal controls, with effectiveness of those controls assessed on a regular basis;
- Codan should not enter any transaction where there is a material risk that any legislative general anti-avoidance provisions will be applied by a Court; and
- Codan will not promote tax exploitation schemes.

The Board has delegated oversight of Codan's taxation affairs and the framework to the Board Audit Risk and Compliance Committee. The framework requires the Committee to attest to the Board on a yearly basis that it has effective policies and processes in place to manage tax risk.

The Chief Financial Officer has overall responsibility for the group's taxation affairs, including enforcing policies and implementing strategies approved by the Board, developing and implementing systems that identify, assess, manage and monitor tax risks, monitoring the appropriateness, adequacy and effectiveness of tax risk management systems and reporting on tax risk and management thereof to the Board. The Chief Financial Officer is also responsible for the maintenance of in-house tax resources with appropriate qualifications and experience in taxation matters, to oversee that Codan's obligations globally are discharged in a legally correct and timely basis and that the tax risk management controls set out in the framework operate in an effective and robust manner.

The framework requires management to consult with reputable local country external tax advisors where appropriate to ensure compliance with local country obligations. KPMG is engaged to review the numbers disclosed in the Tax Note in the Annual Report each year, as part of the half-year review and full-year audit. We apply arms'-length principles to our international related party dealings, engaging with external advisors with appropriate expertise to ensure our compliance with transfer pricing laws globally.

As part of our commitment to our tax risk management policy and framework, we adopted the recommendations of the Board of Taxation's Tax Transparency Code with effect from June 30 2021. To this end, the Board has directed that each year the Annual Report should contain sufficient information to comply with Part A of the Code. The Part A disclosures required of Codan by the Code are:

- Codan's Australian and Global effective tax rates;
- a reconciliation of the accounting profit to income tax expense; a reconciliation from income tax expense to current year income tax payable; and
- Identification of material temporary and non-temporary differences.

The Part A financial information can be found in the Taxation Note (Note 7) of the Notes to the Financial Report on page 80 of this Annual Report. As most of the activities and assets which generate our income are in Australia, Codan pays most of its taxes here. In 2022, we paid \$38.0 million corporate income tax in Australia, or 99% of our global corporate income tax contribution. As a result, our shareholders can benefit from the generation of Australian franking credits notwithstanding that a high proportion of our sales are to overseas customers.





**DAVID SIMMONS**  
BA (Acc)  
Chairman, Independent Non-Executive Director  
Chair of Remuneration and Nomination Committee

David was appointed Chairman of the board in 2015 and has been a director of Codan since 2008. Prior to joining the Codan board, David was the Managing Director of Hills Industries Limited (Hills) for 16 years. On appointment, Hills had a turnover of around \$200 million. On his retirement in 2008, Hills turnover and market capitalisation were both in excess of \$1 billion. Hills was in the ASX200 index and under David's leadership, profit increased every year for 16 years. Hills grew through a combination of internal growth and via acquisitions. During his time as Managing Director, David led around 30 successful acquisitions and joint ventures. David has strong people, financial, capital markets and M&A skills and has significant international experience, particularly focused on China, the USA and the UK. Hills employed 4,000 people globally at its peak.

Since David was appointed Chairman, Codan's net profit after tax has grown from less than \$16 million to more than \$100 million. This has been achieved by investing in people, having a commitment to continuous learning, encouraging entrepreneurship, rewarding performance and sensible diversification via acquisitions. In his role on the Board Audit Risk and Compliance Committee, David has a particular focus on the ever-present cyber threats and will continue to push and support best in class defenses.

David has chaired several charitable and government related organisations since retiring from Hills. He is currently the Chair of the Kickstart for Kids charity based in South Australia and is a former Chair of the South Australian Economic Development board.



**ALF IANNIELLO**  
Wharton GCP, GradCertMgmt, BEng (Electronics)  
Managing Director and Chief Executive Officer

Alf joined Codan as the Managing Director and CEO in January 2022, bringing with him extensive international experience in the packaging, defence and automotive industries, most notably holding senior positions with Schefenacker Vision Systems and British Aerospace. This international experience saw Alf manage major facilities in China, Vietnam, Singapore, Indonesia, and South Africa.

Prior to this appointment, Alf was CEO of the Adelaide-based Detmold Group for 14 years

and positioned Detmold to become a leading international packaging solutions provider with revenues reaching US\$450 million. Alf has also held board positions with SMEs, Tertiary Institutions and Local Government.

Alf attended the Wharton Business School Global CEO Program at the University of Pennsylvania in 2012. He also holds a Graduate Certificate in Management and Bachelor of Engineering (Electronic Engineering) from the University of South Australia.



**DONALD MCGURK**  
HNC (Mech Eng), MBA, FAICD, Harvard AMP  
Managing Director and Chief Executive Officer

Donald joined Codan in December 2000 and had executive responsibility for group-wide operations until his transition into the role of CEO in 2010. From 2005 to 2007, he also held executive responsibility for sales of the company's communications products and, from 2007 to 2010, executive responsibility for the business performance of the communications business. He was appointed to the board as a director in May 2010 and became Managing Director in November 2010. He retired as Managing Director of Codan on 28 February 2022.



**PETER LEAHY AC**  
BA (Military Studies), MMAS, GAICD  
Independent Non-Executive Director

Peter Leahy retired from the Australian Army in 2008 as a Lieutenant General after a six-year appointment as Chief of Army. He was appointed to the Codan board in September 2008. In his board appointments since then he has been on the boards of Codan, Electro Optic Systems Holdings Limited and Citadel Group Limited, including one year as Chair of CGL prior to its acquisition to go private. He is the current Chair of Electro Optic Systems Holdings Limited.

In addition, to his board activities, he has been an advisor to both the Queensland and South Australian Governments, was a member of the First Principles Review of the Department of Defence, Chair of the Invictus Games in Australia and is an active supporter of veteran's charities. As a Professor at the University of Canberra he lectures on National Security, which includes terrorism, cybersecurity, and digital disruption. He will retire as a director of Codan effective on 26 October 2022.



**GRAEME BARCLAY**  
MAICD, F Fin, CA, MA (Hons)  
Independent Non-Executive Director

Graeme Barclay is a former CEO and qualified chartered accountant with more than 37 years' experience in professional services, investment banking, broadcast and telecommunications infrastructure businesses.

Over the past 21 years Graeme has held Executive Chairman or Group CEO roles at BAI Communications, Transit Wireless LLC (New York), Nextgen Group (including Nextgen Networks & Metronode data centres) and Axicom (formerly Crown Castle Australia), and for 8 years was also an executive director in Macquarie Group's infrastructure team. In these roles, Graeme was responsible for all aspects of strategy, M&A, sales and business development, contract delivery and operations, as well as implementing the appropriate capital structure and raising third party debt for these businesses in Australia, UK, Hong Kong, Singapore, Canada, USA and New Zealand. Over the past 21 years in these businesses, Graeme led and completed more than 20 acquisition and divestment transactions including the sale of Nextgen Networks to Vocus for \$820 million in 2016 and the sale of Metronode to Equinix for \$1.04 billion in 2018.

Included in his prior board appointments are Arqiva Limited (institutionally owned UK telecommunications infrastructure, BSA Limited (ASX:BSA, until December 2019) and Chairman of the main board and of the audit and risk committee for the Nextgen group (Ontario Teachers' majority owned telecommunications infrastructure business).

His current public company board appointments are Codan (ASX:CDA, since 2015) and until August 2022 he was chairman of Uniti Group Limited (ASX:UWL). As chairman of Uniti, Graeme oversaw an IPO in 2019, ten business acquisitions and several associated equity and debt capital raisings and significant organic growth. In just over 3 years as a public company, Uniti grew from a loss making business to circa \$145 million in EBITDA and its enterprise value grew from around \$30 million at the time of listing to \$3.8 billion in August 2022 when the business was sold to a consortium of financial investors. Uniti's principal business was the ownership and operation of a private fibre to the premise network in Australia, delivering super fast wholesale broadband services to connected premises.

Graeme holds an honours economics degree, is a qualified CA, a fellow of FINSIA and a member of AICD.



**KATHY GRAMP**  
BA (Acc), CA, FAICA, FAICD  
Independent Non-Executive Director  
Chair of Board Audit, Risk and Compliance Committee

Kathy was appointed to the board of Codan in November 2015. She has had a long and distinguished executive career and over 24 years of board experience across a diverse range of complex organisations and industry sectors. She has significant experience as Chair of Audit & Risk Committees.

Prior to joining Codan, Kathy was CFO of Austereo Ltd. Joining in 1989, retiring June 2011. In that time the company grew from 2 radio stations to the largest commercial radio network in Australia, and the leader in Digital and Online Media. Leadership roles and responsibilities included business planning & re-engineering, debt & equity raising, acquisitions & integration, capital investment, major IT projects, corporate governance, risk management, financial management, tax & accounting, change management and investor & key stakeholder relations. Further experience was gained through exposure to international markets such as Greece, UK, USA, South Africa, Argentina, Malaysia, and New Zealand.

Kathy was a Director of Uniti Group Limited (ASX:UWL), Chair of Audit & Risk Committee and member of the Nomination & Remuneration Committee until August 2022. Uniti, a diversified provider of telecommunication services, listed in February 2019 and through acquisition and organic growth, increased its enterprise value from around \$30 million at the time of listing to \$3.8 billion in August 2022 when the business was sold to a consortium of financial investors. She is also a Director of QANTM IP Limited (ASX:QIP), appointed 11 May 2022. QANTM is the owner of a group of leading intellectual property and trademark services businesses operating in Australia, New Zealand, Singapore, and Malaysia. Kathy is a Council member of Flinders University and Chair of its Audit & Risk Committee.

Kathy holds a BA Accounting, is a Chartered Accountant and a Fellow of the Australian Institute of Company Directors and the Institute of Chartered Accountants in Australia & New Zealand and is a member of Chief Executive Women.





**ALF IANNIELLO**  
Wharton GCP, GradCertMgmt, BEng (Electronics)  
Managing Director and Chief Executive Officer

Alf joined Codan as the Managing Director and CEO in January 2022, bringing with him extensive international experience in the packaging, defence and automotive industries.

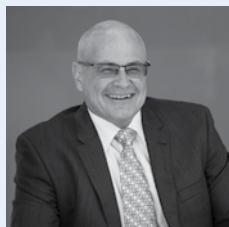
Prior to this appointment, Alf was CEO of the Adelaide-based Detmold Group for 14 years and has held board positions with SME's, Tertiary Institutions and Local Government.

Alf attended the Wharton Business School Global CEO Program at the University of Pennsylvania in 2012. He also holds a Graduate Certificate in Management and Bachelor of Engineering (Electronic Engineering) from the University of South Australia



**MICHAEL BARTON**  
BA (Acc), FCA  
Chief Financial Officer and Company Secretary

Michael joined Codan in May 2004 as Group Finance Manager after a 14 year career with KPMG in their assurance division. He was appointed Company Secretary in May 2008 and in September 2009, Michael was promoted to the position of Chief Financial Officer and Company Secretary. Michael leads a team responsible for managing Codan's financial operations as well as legal and commercial matters, investor relations, information technology and business systems. He holds a Bachelor of Arts in Accountancy from the University of South Australia and was recently made a fellow of Chartered Accountants Australia and New Zealand.



**PETER CHARLESWORTH**  
BEEEng (Hons), MBA, GAICD, Harvard AMP  
Executive General Manager, Minelab

Peter brings extensive knowledge and experience to Codan from more than 30 years in the electronics industry, including more than 19 years at Codan and formerly in management and technical roles at Tenix Defence and Vision Systems.

Peter joined Codan in December 2002 as General Manager of Engineering and subsequently held various roles including New Business Manager and HF Radio Business Development Manager. He was appointed Executive General Manager of Minelab in 2008, following its acquisition by Codan in that same year. Peter is presently leading the management of Codan's strategy for acquisitions.

Peter holds a degree in Electrical and Electronic Engineering with First Class Honours, and a Masters of Business Administration, both from The University of Adelaide. He is also a Graduate Member of the Australian Institute of Company Directors and completed the Advanced Management Program at Harvard University in 2014. He was Chairman of the Technology Industry Association from 2006 to 2011 and was on The University of Adelaide ARI Advisory Board from 2009 to 2015.



**SCOTT FRENCH**  
BSc  
Executive General Manager, Zetron

Scott was appointed to the role of Executive General Manager, Codan Critical Communications in February 2019. With the acquisition of Zetron in May 2021, Scott is now leading Zetron, headquartered in the USA with operations in Canada, Australia and the UK.

Scott came to Codan highly recommended for his lateral thinking, strategic approach to business and for his strong leadership. He brings a wealth of experience gained from almost 30 years with world-class organisations such as Motorola, Panasonic and Zetron. During his time at Motorola, Scott made the transition from engineering leadership to overall go-to-market leadership for several lines of business, helping to transform Motorola into a solutions provider beyond land mobile radio (LMR). Throughout his journey, Scott gained a high-level appreciation of LMR technology, solutions, services and associated markets. At Panasonic, he continued his leadership by transforming the company from product to solutions sales, with focus on mobile devices and security, before assuming the role of General Manager, Americas for two years with Zetron, a command and control company.

In addition, Scott served as Vice Chairman on the state and local board of directors of TechAmerica, representing both Motorola and Panasonic, and was also the Chair of the State and Local Government and Education Executive Council of IT Alliance for Public Sector.

Scott holds a Bachelor of Science in Industrial and Systems Engineering from Virginia Tech, and undertook MBA studies with a focus on leadership at Loyola University Maryland.



**PAUL SANGSTER**  
BS, Chicago Booth AMP  
Executive General Manager, Tactical Communications

Paul Sangster is the Executive General Manager of the Tactical Communications segment for Codan and has over 25 years of industry experience. He is responsible for business strategy, financial performance and operational execution covering a broad portfolio of products and services. Prior to leading the Tactical Communications segment, he led the global business development efforts for the Communications Division. Paul joined Codan in 2013.

Prior to Codan, Paul spent 12 years at Cobham Tactical Communications and Surveillance as the Vice President of Sales and Marketing, based in Washington DC.

Paul holds a Bachelor of Science in Management Studies from University of Maryland, Global Campus. He also completed the Executive Development Program and the Advanced Management Program at University of Chicago's Booth Business School.



# FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2022

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DIRECTORS' REPORT

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 2022 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
- Alf Ianniello
- Donald McGurk
- Peter Leahy AC
- Graeme Barclay
- Kathy Gramp

Details of directors and their qualifications and experience are set out on pages 40 to 41.

COMPANY SECRETARY

Mr Michael Barton BA (Acc), FCA

Michael joined Codan in May 2004 as Group Finance Manager after a 14-year career with KPMG in their assurance division. He was appointed Company Secretary in May 2008 and in September 2009, Michael was promoted to the position of Chief Financial Officer and Company Secretary. Michael leads a team responsible for managing Codan’s financial operations as well as legal and commercial matters, investor relations, information technology and business systems. He holds a Bachelor of Arts in Accountancy from the University of South Australia and was recently made a fellow of Chartered Accountants Australia and New Zealand.

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 and Nomination Committee meetings	
Director	A	B	A	B	A	B
Mr A Ianniello	5	5				
Mr D J Simmons	10	10	5	5	2	2
Mr D S McGurk	6	6				
Lt-Gen P F Leahy	10	10				
Mr G R C Barclay	10	10	5	5	2	2
Ms K J Gramp	10	10	5	5		

A – Number of meetings attended

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

REMUNERATION REPORT – AUDITED

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 and Nomination Committee has reference to trends in comparative companies both locally and internationally and may obtain independent advice on the appropriateness of remuneration packages. Remuneration packages 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 over the longer term and to ensure that Codan continues to operate in a manner that is aligned to our Core Values and our Sustainability objectives. The remuneration structures consider:

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

In 2020 the Remuneration and Nomination Committee completed a review of executive remuneration packages to ensure alignment with shareholders’ interests. This review resulted in the establishment of a new short-term incentive (STI) plan for Executives. The STI plan is based on a pooled approach with a percentage of Codan group EBIT being contributed to an STI pool with key Executives then sharing in that pool subject to achieving a threshold level of profitability. From the board’s perspective, what was most pleasing with this STI plan structure in its first year of operation in FY21 was the heightened level of teamwork and camaraderie across our executive team, which resulted in a significant increase in cooperation across business units.

In FY21 the STI pool was calculated at 2.4% of the Codan group EBIT, with this percentage being in line with the average of total executive STI’s to EBIT over the preceding 2 to 3 years. In FY22 the STI pool percentage was reduced to 2.0% and the individual cap for each executive (which was one times fixed salary) was removed.

Our key executives share, in the STI pool, at different percentages and these percentages are set by the Remuneration and Nomination Committee each year. No STI’s are paid to executives unless a minimum threshold level of profitability is achieved, with this threshold currently being set at 80% of the record level of EBIT that was achieved in the prior year.

A key improvement to the STI program in FY22 has been the inclusion of stage gates for each executive, the achievement of which will determine what percentage of that executives STI will be paid. The stage gates have 50% of each executive’s STI being at risk and dependent on the achievement of clearly defined objectives for the individual’s business unit or the company overall. The remaining 50% of the STI for each executive is based on group EBIT achievement as detailed above. In FY22 the stage gates related to the integration and success of the DTC and Zetron businesses and a threshold level of profitability for Minelab. Pleasingly all stage gates were achieved. It is not our intention to publish the specific stage gates each year for each executive as they will largely reflect key strategic and other competitively sensitive initiatives. We will however report the reasoning behind any decisions to pay an element of STI, in the event that a stage gate is not achieved.

As always, the payment of an STI to an executive is subject to the Board’s overriding discretion, having considered the executives compliance with Codan’s core values, objectives, and policies.

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 executives are unlimited in term but capable of termination on three 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.



DIRECTORS' REPORT (continued)

REMUNERATION REPORT – AUDITED (continued)

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 50% 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.

Performance rights granted become exercisable if certain performance requirements are achieved. The performance requirements are based on Codan achieving earnings per share targets over a three-year period. For the maximum available number of performance rights to vest, Codan's earnings per share must achieve a certain target level set by the Board. For any of the performance rights to vest Codan's earnings per share must achieve a certain threshold level. A pro-rata vesting of performance rights occurs between the threshold and target levels of earnings per share.

If achieved, performance rights are exercisable into the same number of ordinary shares in the company in the twelve-month period following vesting.

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

	Number of performance rights granted during year	Grant date	Average fair value per right at grant date	Exercise price per right	Expiry date	Number of rights vested during year
			(\$)	(\$)		
<b>Directors</b>						
Mr A Ianniello*	–	–	–	–	–	–
<b>Executives</b>						
Mr M Barton	10,124	6 December 2021	8.17	–	30 June 2025	–
Mr P D Charlesworth	13,774	6 December 2021	8.17	–	30 June 2025	–
Mr S A French	12,688	6 December 2021	8.34	–	30 June 2025	–
Mr S P Sangster	12,126	6 December 2021	8.17	–	30 June 2025	–

\* Mr A Ianniello was appointed as a director on 4 January 2022.

Of the performance rights granted to Codan's Australian based executives, 90% remain restricted for a further two years after vesting whereby executives are prohibited from trading the shares. This two-year restriction period does not apply to our overseas based executives (such as Mr S A French) due to local taxation requirements. The remaining 10% of performance rights are subject to a "good leaver" clause such that they remain at risk of forfeiture at the Board's discretion until 12 months after the executive leaves the employment of Codan.

The Board conducted a review of the performance rights plan in 2021 and has made the following changes to the plan for FY22 and following years.

- The earnings per share targets will be based on the average of the last three years earnings per share results
- This three-year average will then be increased by a growth rate that the Board considers to be appropriate
- For FY22, the target earnings per share will be calculated using an 8% per annum growth rate and the threshold earnings per share will be calculated using a 2% per annum growth rate
- The plan was amended so that the automatic vesting of performance rights as a result of a take-over bid for Codan was removed with the vesting of any rights in this situation now being at the Board's discretion.

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

	Performance rights granted		Percentage vested in year	Percentage forfeited in year	Financial years in which shares will be issued if vesting achieved
	Number	Date			
<b>Directors</b>					
Mr D S McGurk*	91,972	16 November 2018	100	–	2022
	63,647	15 November 2019	–	–	2023
	27,809	13 November 2020	–	–	2024
<b>Executives</b>					
Mr M Barton	48,421	16 November 2018	100	–	2022
	33,509	15 November 2019	–	–	2023
	14,641	13 November 2020	–	–	2024
	10,124	6 December 2021	–	–	2025
Mr P D Charlesworth	59,881	16 November 2018	100	–	2022
	41,431	15 November 2019	–	–	2023
	18,102	13 November 2020	–	–	2024
	13,774	6 December 2021	–	–	2025
Mr S A French	42,696	15 November 2019	–	–	2023
	17,788	13 November 2020	–	–	2024
	12,688	6 December 2021	–	–	2025
Mr S P Sangster	31,208	16 November 2018	100	–	2022
	35,996	15 November 2019	–	–	2023
	17,536	13 November 2020	–	–	2024
	12,126	6 December 2021	–	–	2025

\* Mr D S McGurk ceased to be a director on 28 February 2022.

Performance rights issued on 15 November 2019

The company issued 257,897 performance rights in November 2019 to executives. The fair value of the rights was on average \$5.22 based on the Black-Scholes formula. The model inputs were: the share price of \$6.31, no exercise price, expected volatility 31%, dividend yield 2.2%, a term of three years and a risk-free rate of 1.2%. During FY22, 40,618 performance rights have been cancelled.

The performance rights 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 a non-statutory target earnings per share of 16.2 cents as set by the board. 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.

As the earnings per share target has been exceeded to 30 June 2022, it is expected that the performance rights will vest and be converted into shares before the end of August 2022.



DIRECTORS' REPORT (continued)

REMUNERATION REPORT – AUDITED (continued)

Performance rights (continued)

Performance rights issued on 13 November 2020

The company issued 113,623 performance rights in November 2020 to executives. The fair value of the rights was on average \$10.18 based on the Black-Scholes formula. The model inputs were: the share price of \$11.17, no exercise price, expected volatility 60%, dividend yield 1.7%, a term of three years and a risk-free rate of 0.9%. During FY22, 17,747 performance rights have been cancelled.

The performance rights 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 a non-statutory target earnings per share of 27.8 cents as set by the board. For the maximum available number of performance rights to vest, the group's earnings per share must increase in aggregate by at least 10% per annum over the three-year period from the base earnings per share.

Performance rights issued on 6 December 2021

The company issued 48,712 performance rights in December 2021 to executives. The fair value of the rights was on average \$8.20 based on the Black-Scholes formula. The model inputs were: the share price of \$9.11, no exercise price, expected volatility 45%, dividend yield 3.0%, a term of three years and a risk-free rate of 1.6%.

The performance rights 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 a non-statutory target earnings per share of 38.15 cents as set by the board. For the maximum available number of performance rights to vest, the group's earnings per share must increase in aggregate by at least 8% per annum over the three-year period from the base earnings per share. The threshold earnings per share will be calculated using a 2% per annum growth rate.

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 2021	Issued	Vested	Lapsed	Held at 30 June 2022
<b>Directors</b>					
Mr A Ianniello*	–	–	–	–	–
Mr D S McGurk**	183,428	–	91,972	–	91,456
<b>Executives</b>					
Mr M Barton	96,571	10,124	48,421	–	58,274
Mr P D Charlesworth	119,414	13,774	59,881	–	73,307
Mr S A French	60,484	12,688	–	–	73,172
Mr S P Sangster	84,740	12,126	31,208	–	65,658

\* Mr A Ianniello was appointed as a director on 4 January 2022.

\*\* Mr D S McGurk ceased to be a director on 28 February 2022. The closing balance disclosed reflects the numbers held the day he ceased being a director.

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.

Director share ownership

The Directors' Shareholding Policy requires directors to build a minimum shareholding in the company. For non-executive directors this minimum shareholding should equate to their annual director fee and for executive directors, their annual fixed remuneration. Under the policy, directors have five years to reach the minimum holding.

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 2021	Received on exercise of rights	Other changes *	Held at 30 June 2022
<b>Directors</b>				
Mr D J Simmons	86,636	–	13,364	100,000
Mr A Ianniello**	N/A	–	41,120	41,120
Mr D S McGurk***	600,948	91,972	–	692,920
Lt-Gen P F Leahy	57,708	–	–	57,708
Mr G R C Barclay	38,829	–	24,923	63,752
Ms K J Gramp	12,500	–	3,000	15,500
<b>Specified executives</b>				
Mr M Barton	207,145	48,421	(45,000)	210,566
Mr P D Charlesworth	445,891	59,881	(53,221)	452,551
Mr S A French	–	–	–	–
Mr S P Sangster	4,377	31,208	2,613	38,198

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

\*\* Mr A Ianniello was appointed as a director on 4 January 2022.

\*\*\* Mr D S McGurk ceased to be a director on 28 February 2022. The closing balance disclosed reflects the numbers held the day he ceased being a director.



DIRECTORS' REPORT (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 and fees	Short-term incentives	Other short-term	Post-employment and superannuation contributions	Other long-term	Termination benefits	Performance rights	Total	Proportion of remuneration performance related
		\$	\$	\$	\$	\$	\$	\$	\$	%
Non-Executive										
Mr D J Simmons	2022	189,935	–	–	18,993	–	–	–	208,928	–
	2021	185,751	–	–	17,646	–	–	–	203,397	–
Lt-Gen P F Leahy	2022	94,968	–	–	9,497	–	–	–	104,465	–
	2021	92,876	–	–	8,823	–	–	–	101,699	–
Mr G R C Barclay	2022	94,968	–	–	9,497	–	–	–	104,465	–
	2021	92,876	–	–	8,823	–	–	–	101,699	–
Ms K J Gramp	2022	103,601	–	–	10,360	–	–	–	113,961	–
	2021	101,319	–	–	9,625	–	–	–	110,944	–
Total non-executives' remuneration	2022	483,472	–	–	48,347	–	–	–	531,819	–
	2021	472,822	–	–	44,917	–	–	–	517,739	–
Executive										
Mr A Ianniello*	2022	518,872	150,308	–	13,750	11,850	–	30,000	724,780	24.9
	2021	–	–	–	–	–	–	–	–	–
Mr D S McGurk**	2022	350,148	563,657	–	15,712	10,092	–	154,050	1,093,659	65.6
	2021	585,031	609,153	–	23,502	17,469	–	280,087	1,515,242	58.7
Total directors' remuneration	2022	1,352,492	713,965	–	77,809	21,942	–	184,050	2,350,258	–
	2021	1,057,853	609,153	–	68,419	17,469	–	280,087	2,032,981	–

\* Mr A Ianniello was appointed as a director on 4 January 2022. Subject to shareholder approval at the 2022 AGM, performance rights to the value of 15% of fixed remuneration will be issued under the FY22 performance rights plan.

\*\* Mr D S McGurk ceased to be a director on 28 February 2022.



DIRECTORS' REPORT (continued)

REMUNERATION REPORT – AUDITED (continued)

Directors' and senior executives' remuneration (continued)

Executive officers	Year	Salary and fees	Short-term incentives	Other short-term*	Post-employment and superannuation contributions	Other long-term	Termination benefits	Performance rights	Total	Proportion of remuneration performance related
		\$	\$	\$	\$	\$	\$	\$	\$	%
Mr M Barton (Chief Financial Officer and Company Secretary)	2022	306,042	409,932	–	27,500	11,084	–	139,816	894,374	61.5
	2021	289,069	320,708	–	27,551	10,408	–	147,460	795,196	58.7
Mr P D Charlesworth (Executive General Manager, Minelab)	2022	422,791	478,254	–	23,568	34,361	–	175,123	1,134,097	57.6
	2021	365,471	396,525	–	21,694	12,438	–	182,332	978,460	58.9
Mr S A French (Executive General Manager, Zetron)	2022	406,025	409,932	22,760	20,912	–	–	188,812	1,048,441	57.1
	2021	398,514	383,604	21,743	–	–	–	144,974	948,835	55.7
Mr S P Sangster (Executive General Manager, Tactical Communications)	2022	406,607	409,932	2,809	–	10,730	–	159,394	989,472	57.5
	2021	400,615	384,131	24,993	–	12,661	–	146,892	969,292	54.8
Total executive officers' remuneration	2022	1,541,465	1,708,050	25,569	71,980	56,175	–	663,145	4,066,384	–
	2021	1,453,669	1,484,968	46,736	49,245	35,507	–	621,658	3,691,783	–

\* Other short-term benefits relate to costs incurred for arrangements made following the executives' relocation from an overseas country to the location of their employment with Codan.

Executive officers outside of Australia are paid in their local currencies. The Australian dollar equivalents are calculated using average exchange rates.

Short-term incentives which vested during the year are as follows: Mr A Ianniello 50%, Mr D S McGurk 75%, Mr M Barton 100%, Mr P D Charlesworth 100%, Mr S A French 100%, and Mr S P Sangster 100%.

Codan conducts an annual salary review process with an effective date of 1 January. As part of this process, Directors and Executives received a 2.5% pay increase on 1 January 2022.

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 performance

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

	2022	2021	2020	2019	2018
Profit attributable to shareholders (\$000)	\$100,736	\$90,351	\$63,795	\$45,665	\$41,575
Dividends paid (\$000)	\$53,361	\$38,809	\$26,999	\$26,873	\$19,593
Share price at 30 June	\$6.96	\$18.03	\$7.09	\$3.47	\$3.00
Change in share price at 30 June	(\$11.07)	\$10.94	\$3.62	\$0.47	\$0.66
Earnings per share, fully diluted	55.6c	49.8c	35.3c	25.3c	22.1c



DIRECTORS' REPORT (continued)

OPERATING AND FINANCIAL REVIEW

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

FY22 highlights:

- Record underlying net profit after tax of \$100.5 million, representing an increase of 3% over FY21
- Codan group sales increased 16% to \$506 million
- More balanced and stable revenues across the Codan group
- DTC and Zetron exceeded first year acquisition targets achieving \$19 million and \$15 million EBITDA respectively
- DTC secured largest contract award in the company’s history
- Annual dividend 28.0 cents, fully franked (interim 13.0 cents, final 15.0 cents)
- Statutory earnings per share 56 cents
- Return on equity of 30%

Despite a challenging operating environment, Codan delivered another record profit year. We have been able to successfully execute on our strategy and as a result, the business has grown and diversified its sales base. The business today has much stronger foundations and with a well-balanced portfolio of sales, there is more stability in the business.

DTC and Zetron both delivered results exceeding our year one expectations. The DTC and Zetron acquisition and integration processes have been a success and we now have a framework that is proven and repeatable.

FY22 in summary:

- Maintained 20% NPAT margins despite global inflationary pressures;
- In-country business development and geographic expansion initiatives are underway post covid travel restrictions;
- Maintained continuous supply to customers despite global supply chain challenges;
- Minelab achieved its second highest sales result despite ongoing geopolitical disruptions and an unprecedented level of demand during FY21;
- Minelab Countermine business achieved record sales of \$22 million;
- Development of several new metal detector products has progressed well and we are on track for late first half FY23 product releases;
- Codan, via DTC, was awarded its largest ever contract with a leading global technology company and we have delivered against the first purchase order;
- Further strengthened our Communications segment by acquiring Broadcast Wireless Systems;
- Zetron exceeded \$100 million in sales as a result of securing numerous large contracts; and
- Increased the Communications orderbook by 23% to \$149 million.

Dividend

The company announced a final dividend of 15.0 cents per share, fully franked, bringing the full-year dividend to 28.0 cents, up 4% for the year. This dividend has a record date of 26 August 2022 and will be paid on 7 September 2022.

Financial performance and other matters

	FY22		FY21	
	\$m	% of sales	\$m	% of sales
Revenue				
Communications	241.7	48%	95.5	22%
Metal Detection	262.3	52%	326.5	75%
Other	2.1	0%	15.0	3%
Total revenue	506.1	100%	437.0	100%
Business performance				
EBITDA	162.0	32%	158.8	36%
EBIT	137.4	27%	139.8	32%
Interest	(1.7)		(1.1)	
Net profit before tax	135.7	27%	138.7	32%
Taxation (excluding tax on restructuring expenses)	(35.2)		(41.4)	
Underlying net profit after tax	100.5	20%	97.3	22%
Non-recurring income/(expenses) after tax*:				
Acquisition related expenses	–		(5.2)	
Restructuring expenses	–		(1.9)	
Net profit after tax	100.5		90.2	
Underlying earnings per share, basic	55.6 cents		54.0 cents	
Statutory earnings per share, basic	55.6 cents		50.1 cents	
Ordinary dividend per share	28.0 cents		27.0 cents	

\* Non-recurring income/(expenses) are considered to be outside of normal business activities of the group and for comparability reasons have been separately identified. 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.

The decision to invest in production capacity and inventory across all business units impacted cash generation in FY22. As inventory levels have reached targeted levels and supply chains normalise, cash generation will gradually improve in FY23. Notwithstanding the substantial inventory investment, the second half cash generation improved significantly, generating \$65 million of cash from operating activities in comparison to cash outflow of \$13 million in the first half.



DIRECTORS' REPORT (continued)

OPERATING AND FINANCIAL REVIEW (continued)

Performance by business unit:

Metal Detection

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

Covid has had an unprecedented impact on people and economies worldwide and the restrictions and government stimulus impacted consumer demand patterns, particularly in FY21 and the early months of FY22. So, while FY22 sales of \$262 million did not reach the record highs of FY21, they were Minelab's second best year and represented growth of 11% over FY20. In FY22, Minelab had a clear focus on improving profit margins and cost efficiencies by passing on price increases to customers and reducing freight expenses. As a result, Minelab increased its profit margin percentage from 44% in FY21 to 46% in FY22, which was a remarkable achievement given the operating environment.

Gold mining sales in FY22 did not reach the record highs of FY21. This was primarily due to lower sales into the Northeast African market. This market was impacted by a number of factors, including geopolitical unrest and a decline in the number of artisanal miners as they returned to more traditional forms of employment post covid. With travel restrictions being lifted, business development activities have fully resumed and we are confident of continuing Minelab's historical success of establishing new regions and countries to sell our market leading gold detectors, but it will take some time as we have effectively been out of the market for over 2 years.

Recreational markets held up throughout FY22 and were remarkably resilient despite returning to a normalised demand profile post covid, growing inflationary pressures impacting consumer sentiment and the cessation of sales into Russia. Despite these headwinds, sales in North America grew 9% and LATAM grew 35%, largely attributable to the ongoing success in penetrating retail distribution channels and the establishment of e-commerce channels. The business remains well positioned to drive further market share growth with new product releases in FY23, new geographies being established and e-commerce distribution channels continuing to develop.

As a result of winning numerous large tenders in both established and emerging markets, Countermine achieved record sales in FY22. The new products that have been introduced in recent years have been very well accepted, particularly by a number of global humanitarian demining agencies.

The challenging business conditions outlined above have continued into the start of FY23. In FY22, we experienced a very strong start to the year through a combination of the tail end of abnormal covid related demand and the supply of some orders that could not be fulfilled due to stock shortages. These factors increased sales in July 2021 by approximately \$15 million. This, coupled with the fact that sales into Russia have ceased, means that FY23 first half sales may not reach the \$138 million achieved in FY22. We do however expect improvement in the second half of FY23, as we generate sales from new product releases and realise the benefits of our business development and marketing initiatives. There is a clear global strategy that will be executed over the next three years focussed on marketing, business development and the introduction of our next generation range of products. Since FY18, Minelab sales achieved a compound annual growth rate of 12% and we are confident that the business will continue to grow as we enter new geographies and introduce our world leading metal detection technology.

Communications

Codan Communications comprises our Tactical (including DTC) and Zetron businesses which designs and manufactures mission-critical communications solutions for global military, public safety and commercial applications. Its solutions allow customers to save lives, enhance security and support communications activities worldwide.

Codan Communications sales increased by \$146 million on FY21, with this increase driven by our newly acquired businesses. Both DTC and Zetron exceeded year one EBITDA targets of \$14 million and \$8 million, achieving \$19 million and \$15 million respectively. The business remains well positioned as we enter FY23 with a strong order book of \$149 million, representing a 23% increase from June 2021.

The Communications division is now a much more globally relevant, robust and diversified business and is well positioned to serve high growth markets. This division will continue to evolve and grow by penetrating new geographies, introducing new products, leveraging technologies into adjacent markets and continuing with a clear acquisition strategy.

The business completed the acquisition of Broadcast Wireless Systems (BWS) on 1 December 2021 for a total consideration of \$8.4 million inclusive of a \$4.8 million earn-out. BWS is exceeding our year one expectations under DTC's ownership.

Tactical Communications (including DTC)

The acquisition of DTC has been a strategically important one for Tactical Communications, transitioning us from a traditional voice only platform to now include data and video. A key differentiator of Tactical Communication's technology relates to the tailored waveforms and the size, weight, and power of our products. This technology also allows us to access several market segments outside of Codan's traditional markets. These include Law Enforcement and Intelligence, Unmanned (drones) and Broadcast. Tactical Communications is well positioned to serve these growing market segments from participating in large military programs of record through to servicing the remote broadcast production industry.

During FY22, there has been strong demand in military markets with Tactical Communications being awarded the largest ever order in Codan's history for the supply of software defined mesh radios. This first order for approximately \$38 million is part of a multi-year framework agreement, of which \$13 million was delivered in FY22.

Zetron

Zetron is one of only two providers globally that offers a full suite of integrated emergency response technologies, with an exceptionally strong brand in North America. Like Tactical, Zetron's technology is applicable to a wide range of market segments including transportation, utilities, domestic security, natural resources and institutions.

Zetron has successfully integrated the legacy LMR business and the acquired Zetron business and this combined business exceeded \$100 million in sales in FY22, which was a great achievement. The business secured numerous large contracts including the upgrade and expansion of our emergency response system for Delta Air Lines and a renewal of up to 10 years for our contract with the State of Iowa for a hosted Next Generation 911 emergency call taking solution. FY22 focussed on the consolidation and integration of the business, and as we enter FY23, we expect to realise greater sales synergies by investing in marketing and the go-to market strategy.

Sustainability

Developing a more sustainable business is at the heart of what we do, as is demonstrated by our ongoing investment in innovation and our people for over 60 years. Codan continues to execute on its sustainability strategy and during FY22, the group established a sustainability committee dedicated to identifying and managing risks, issues and opportunities that are important to the business and our stakeholders. In FY23, additional areas of focus include specific objectives to promote and develop diversity amongst students pursuing a career in STEM (including females and students from low socio-economic backgrounds) and to establish a targeted approach to giving back to the disadvantaged groups in the communities in which our businesses operate.

Now in its third year of production, Codan's Sustainability Report continues its evolution and will be published as part of Codan's Annual report on 21 September 2022.

Outlook

While general business conditions remain challenging, we continue to focus on building a more predictable and diversified sales base, delivering long term shareholder value. In relation to the FY23 outlook:

- Sales and marketing initiatives and global business development activities have resumed across all businesses;
- The business conditions Minelab experienced in the second half of FY22 are expected to continue into the first half of FY23;
- We expect Minelab's second half sales to improve as business development activities continue and additional new Minelab products are released;
- We have a strong Communications orderbook of \$149 million and a growing pipeline of quality opportunities;
- Tactical Communications is focussed on business development opportunities, in particular military programs, given the increased instability in the world;
- Zetron is now successfully integrated and the business expects to realise greater sales synergies in FY23; and
- The business will continue to manage inflationary pressures to maintain profitability, maximise cash generation and seek to execute on its acquisition strategy.

We believe that our Communications business will achieve strong growth in FY23. As explained above, Minelab's sales in the first half of FY23 may not reach the level achieved in FY22, however with new product releases we are confident of a stronger second half.

The Board will provide a further business update at the Annual General Meeting on October 26 2022, which will be a hybrid meeting with in-person and virtual attendance, to provide all shareholders with the ability to participate.



DIRECTORS' REPORT (continued)

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
<b>Declared and paid during the year ended 30 June 2022:</b>				
FY21 final	16.5	29,846	100%	10 September 2021
FY22 interim	13.0	23,515	100%	10 March 2022
<b>Declared after the end of the year:</b>				
FY22 final	15.0	27,133	100%	7 September 2022

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

EVENTS SUBSEQUENT TO REPORTING DATE

Except for the declaration of the FY22 final dividend detailed in note 5, 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	100,000
Mr A Ianniello	41,120
Lt-Gen P F Leahy	57,708
Mr G R C Barclay	63,752
Ms K J Gramp	15,500

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 62 for a copy of the auditor's independence declaration as required under Section 307C of the *Corporations Act 2001*.

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 below. Included in the audit fees for the year ended 30 June 2022 is an amount of \$49,975 related to the acquisitions of DTC and Zetron which was agreed after completion of the 30 June 2021 Directors' Report.

	Consolidated	
	2022 \$	2021 \$
<b>STATUTORY AUDIT</b>		
Audit and review of financial reports	327,551	218,644
	327,551	218,644
<b>SERVICES OTHER THAN STATUTORY AUDIT</b>		
Taxation advice and compliance services	24,607	22,997
	24,607	22,997

ROUNDING OFF

The company is of a kind referred to in *ASIC Legislative Instrument 2016/191* dated 1 April 2016 and, in accordance with that Legislative Instrument, 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



A Ianniello  
Director

Dated at Mawson Lakes  
this 17th day of August 2022.



LEAD AUDITOR'S  
INDEPENDENCE DECLARATION  
under Section 307c of the Corporations Act 2001




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 of Codan Limited for the financial year ended 30 June 2022 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.



  
Paul Cenko  
Partner

Adelaide  
17 August 2022

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CONSOLIDATED INCOME STATEMENT  
for the year ended 30 June 2022

	Note	Consolidated	
		2022	2021
		\$000	\$000
CONTINUING OPERATIONS			
Revenue	2	506,145	437,049
Cost of sales		(219,796)	(193,911)
Gross profit		286,349	243,138
Other income	4	1,744	49
Administrative expenses		(36,151)	(23,151)
Sales and marketing expenses		(78,864)	(53,463)
Engineering expenses		(33,288)	(26,234)
Net financing costs	3	(2,396)	(1,612)
Other expenses	4	(1,727)	(7,913)
Profit before tax		135,667	130,814
Income tax expense	7	(35,137)	(40,617)
Profit for the period		100,530	90,197
Attributable to:			
Equity holders of the company		100,736	90,351
Non-controlling interests		(206)	(154)
		100,530	90,197
EARNINGS PER SHARE FOR PROFIT ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic earnings per share	6	55.7 cents	50.1 cents
Diluted earnings per share	6	55.6 cents	49.8 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 68 to 106.



## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2022

	Note	Consolidated	
		2022 \$000	2021 \$000
<b>Profit for the period</b>		<b>100,530</b>	90,197
<b>Items that may be reclassified subsequently to profit or loss</b>			
Changes in fair value of cash flow hedges		(2,339)	(1,441)
less tax effect		702	433
Changes in fair value of cash flow hedges, net of income tax	20	(1,637)	(1,008)
Exchange differences on translation of foreign operations	20	17,837	4,097
<b>Other comprehensive income/(loss) for the period, net of income tax</b>		<b>16,200</b>	3,089
<b>Total comprehensive income for the period</b>		<b>116,730</b>	93,286
<b>Attributable to:</b>			
Equity holders of the company		116,936	93,440
Non-controlling interests		(206)	(154)
		<b>116,730</b>	93,286

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 68 to 106.

## CONSOLIDATED BALANCE SHEET

for the year ended 30 June 2022

	Note	Consolidated	
		2022 \$000	2021 \$000
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	8	22,613	22,362
Trade and other receivables	11	59,775	34,189
Inventory	12	102,488	62,770
Current tax assets	7	767	122
Assets held for sale		–	17,762
Other assets	13	17,852	15,273
<b>Total current assets</b>		<b>203,495</b>	152,478
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	14	19,732	17,580
Right-of-use assets	31	25,067	26,989
Product development	15	92,261	74,569
Intangible assets	16	250,377	231,229
<b>Total non-current assets</b>		<b>387,437</b>	350,367
<b>Total assets</b>		<b>590,932</b>	502,845
<b>CURRENT LIABILITIES</b>			
Trade and other payables	17	95,812	101,542
Lease liabilities	31	4,592	6,950
Current tax payable	7	6,806	14,785
Liabilities held for sale		–	1,043
Provisions	18	14,987	13,214
<b>Total current liabilities</b>		<b>122,197</b>	137,534
<b>NON-CURRENT LIABILITIES</b>			
Trade and other payables	17	5,676	4,973
Lease liabilities	31	25,651	25,170
Loans and borrowings	9	52,000	24,000
Deferred tax liabilities	7	9,482	4,746
Provisions	18	7,970	2,812
<b>Total non-current liabilities</b>		<b>100,779</b>	61,701
<b>Total liabilities</b>		<b>222,976</b>	199,235
<b>Net assets</b>		<b>367,956</b>	303,610
<b>EQUITY</b>			
Share capital	19	47,059	45,842
Reserves	20	86,431	70,471
Retained earnings		234,466	187,297
<b>Total equity</b>		<b>367,956</b>	303,610
Total equity attributable to the equity holders of the company		368,276	303,724
Non-controlling interests		(320)	(114)
		<b>367,956</b>	303,610

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 68 to 106.

Comparative information has been restated due to finalisation of fair values recognised in the balance sheet as at 30 June 2021 previously accounted for on a provisional basis, refer note 32.



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2022

2022	Consolidated						
	Share capital	Foreign currency translation reserve	Hedging reserve	Equity based payment reserve	Profit reserve	Retained earnings*	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Balance as at 1 July 2021	45,842	8,649	(655)	3,496	58,981	187,297	303,610
Profit for the period	–	–	–	–	–	100,530	100,530
Performance rights expensed	–	–	–	750	–	–	750
Change in fair value of cash flow hedges	–	–	(1,637)	–	–	–	(1,637)
Exchange differences on translation of foreign operations	–	17,837	–	–	–	–	17,837
	45,842	26,486	(2,292)	4,246	58,981	287,827	421,090
<b>Transactions with owners of the company</b>							
Dividends recognised during the period	–	–	–	–	–	(53,361)	(53,361)
Issue of shares from performance rights	990	–	–	(990)	–	–	–
Employee share plan, net of issue costs	227	–	–	–	–	–	227
	1,217	–	–	(990)	–	(53,361)	(53,134)
<b>Balance at 30 June 2022</b>	<b>47,059</b>	<b>26,486</b>	<b>(2,292)</b>	<b>3,256</b>	<b>58,981</b>	<b>234,446</b>	<b>367,956</b>

\*The amounts in retained earnings includes the portion for non-controlling interests with an opening retained loss as at 1 July 2021 of \$0.114 million, FY22 loss after tax of \$0.206 million (FY21 loss: \$0.154 million) which results in a closing balance of \$0.320 million retained loss as at 30 June 2022.

2021	Consolidated						
	Share capital	Foreign currency translation reserve	Hedging reserve	Equity based payment reserve	Profit reserve	Retained earnings	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Balance as at 1 July 2020	44,746	4,552	353	2,802	58,981	135,909	247,343
Profit for the period	–	–	–	–	–	90,197	90,197
Performance rights expensed	–	–	–	1,537	–	–	1,537
Change in fair value of cash flow hedges	–	–	(1,008)	–	–	–	(1,008)
Exchange differences on translation of foreign operations	–	4,097	–	–	–	–	4,097
	44,746	8,649	(655)	4,339	58,981	226,106	342,166
<b>Transactions with owners of the company</b>							
Dividends recognised during the period	–	–	–	–	–	(38,809)	(38,809)
Issue of shares from performance rights	843	–	–	(843)	–	–	–
Employee share plan, net of issue costs	253	–	–	–	–	–	253
	1,096	–	–	(843)	–	(38,809)	(38,556)
<b>Balance at 30 June 2021</b>	<b>45,842</b>	<b>8,649</b>	<b>(655)</b>	<b>3,496</b>	<b>58,981</b>	<b>187,297</b>	<b>303,610</b>

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 68 to 106.

## CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 June 2022

	Note	Consolidated	
		2022 \$000	2021 \$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash receipts from customers		486,313	450,231
Cash paid to suppliers and employees		(394,657)	(281,501)
Interest received		14	385
Interest paid		(1,063)	(741)
Finance charge on lease liabilities	31	(686)	(718)
Income taxes paid (net)		(38,200)	(36,356)
<b>Net cash from operating activities</b>	10	<b>51,721</b>	<b>131,300</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of subsidiaries (net of cash acquired)	32	(3,606)	(159,774)
Proceeds from disposal of property, plant and equipment		240	2
Payments for capitalised product development	4	17,773	–
Payments for intellectual property	15	(27,572)	(18,566)
Acquisition of property, plant and equipment		(6,087)	(4,139)
Acquisition of intangibles (computer software and licences)		(501)	(244)
<b>Net cash used in investing activities</b>		<b>(19,753)</b>	<b>(182,721)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Drawdowns/(repayments) of borrowings	9	28,000	24,000
Payment of lease liabilities (principle)	31	(7,317)	(4,195)
Dividends paid	5	(53,361)	(38,809)
<b>Net cash provided by/(used in) financing activities</b>		<b>(32,678)</b>	<b>(19,004)</b>
<b>Net increase/(decrease) in cash held</b>		<b>(710)</b>	<b>(70,425)</b>
Cash and cash equivalents at the beginning of the financial year		22,362	92,830
Effects of exchange rate fluctuations on cash held		961	351
Cash reclassified to asset held for sale		–	(394)
<b>Cash and cash equivalents at the end of the financial year</b>	8	<b>22,613</b>	<b>22,362</b>

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 68 to 106.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
for the year ended 30 June 2022

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 2022 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 17 August 2022.

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) 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) 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.

The group is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and, in accordance with that Legislative Instrument, 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 judgements 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).
- measurement of inventory net realisable value (refer note 1 (I))
- measurement of expected credit loss allowance for trade receivables (refer note 26(a))

Changes in accounting policies

The accounting policies applied in these financial statements are the same as those applied in the group's consolidated financial statements as at and for the year ended 30 June 2021.

(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.

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

(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 performance obligations are satisfied and 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 as performance obligations are satisfied. 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 costs incurred comparing with total estimated costs. 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 over time as the services are provided. The stage of completion for determining the amount of revenue to recognise is assessed by reference to costs incurred comparing with total estimated costs. If the services are provided under a single arrangement, then the consideration is allocated based on their relative stand-alone selling prices. The stand-alone selling price is determined based on the list prices at which the group sells the services in separate transactions.

(e) Net financing costs

Net financing costs include interest paid relating to borrowings, interest received on funds invested, unwinding of discounts and foreign exchange gains and losses. 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.



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
for the year ended 30 June 2022

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Derivative financial instruments (cont'd)

Hedging (cont'd)

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a highly probable forecast 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.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve remains in equity until, for a hedge of a transaction resulting in the recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss. If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve and the cost of hedging reserve are immediately reclassified to profit or loss.

(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 a 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 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 the 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 Consolidated 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 Consolidated Statement of Cash Flows.

(k) Trade and other receivables

Trade debtors are to be settled within agreed trading terms, typically less than 60 days, and are initially recognised at fair value and then subsequently at amortised cost, less any expected credit loss allowances. Under the "lifetime expected credit loss" model, the allowance for credit losses is calculated by considering on a discounted basis the cash shortfalls it would incur in various default scenarios for prescribed future periods and multiplying the shortfalls by the probability weighted outcomes. Significant receivables are individually assessed. Non-significant receivables are not individually assessed; instead, credit loss testing is performed by considering the risk profile of that group of receivables. All allowances for credit 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 represents the selling price that could be achieved in the ordinary course of business, and is calculated having regard to the quantity of stock on hand in comparison to past usage. 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 or groups of 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, as well as the fair value of any pre-existing non-controlling interest, 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 recognised as an assumed liability 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.

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
for the year ended 30 June 2022

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Intangible assets (continued)

Amortisation

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

Amortisation is charged to the income statement on either a straight-line or units of production basis. Intangible assets are amortised over their estimated useful lives from the date that they are available for use, but goodwill is only written down if there is an impairment.

The estimated useful lives in the current and comparative periods are as follows:

	Straight-line	Units of production
Product development, licences & intellectual property	2–15 years	5–10 years
Computer software	3–7 years	
Brand names	20 years	
Customer relationships	5 years	

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

(o) Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets are generally measured at the lower of their carrying amount and fair value less costs to sell. Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortised or depreciated.

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.

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.

(p) Property, plant and equipment

Subsequent costs

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

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

Right-of-use assets	7% to 25%
Leasehold property	6% to 10%
Plant and equipment	7% to 40%

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

(q) 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 non-financial assets is the greater of their fair value, less costs of disposal and 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 non-financial assets in the cash-generating unit on a pro-rata basis.

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

(r) 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.

(s) 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.

(t) Employee benefits

Wages, salaries and annual leave

Liabilities for employee benefits for wages, salaries, incentives and annual leave represent current 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 superannuation, 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.

(u) 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.

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.

(v) Leases

A lease arrangement is one that conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The group does not recognise lease arrangements in respect of intangible assets. The payments associated with short-term lease arrangements and leases of low-value assets are recognised on a straight-line basis in the Income Statement. Short-term leases are leases with a lease term of 12 months or less. The group applies the requirements of the leasing standard on a lease-by-lease basis. The main type of leases of the group are leases for offices, warehouses and manufacturing facilities.

Right-of-use assets

The group recognises a right-of-use asset and a lease liability at the commencement date of the lease arrangement. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and estimates of costs to dismantle or remediate the underlying asset, less any lease incentives received. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset. In addition, the right-of-use asset may be adjusted periodically due to remeasurements of the lease liability.



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
for the year ended 30 June 2022

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Leases (continued)

Lease liabilities

The lease liability is initially measured at the present value of the outstanding lease payments at the commencement date of the arrangement, discounted using the borrowing rate implicit in the lease or, if that rate cannot be readily determined, the group's incremental borrowing rate. Generally, the group uses its incremental borrowing rate as the discount rate.

Some property leases contain extension options exercisable by the group. The group assesses at lease commencement whether it is reasonably certain to exercise the extension options. The group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

The lease liability is subsequently measured through increasing the carrying amount to reflect interest on the lease liability, less lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate or if the group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in the profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

(w) 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.

(x) 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.

(y) Future Australian Accounting Standards requirements

A number of new standards are effective after 2022 and earlier application is permitted; however, the group has not early adopted the new or amended standards in preparing these consolidated financial statements. The group does not expect that these new accounting standards will have a material impact on the consolidated financial statements.

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 cash balances), corporate expenses, 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

The group comprises three business segments.

The communications 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 "Other" business segment relates to the Tracking Solutions business that was sold on 1 July 2021 and the ongoing manufacturing and sale of tracking products to Caterpillar Inc.

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

The Communications segment comprises of the following operating segments: DTC, Tactical Communications and Zetron, which are aggregated because they have similar characteristics such as long-term average gross margins, nature of products, production process and regulatory environment, type of customers and distribution methods.

Geographical areas

In presenting information on the basis of geographical areas, 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, Canada, Denmark, United Kingdom and United States, with overseas representative offices in Brazil, India, Ireland, Mexico, Singapore and the United Arab Emirates.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2022

## GROUP PERFORMANCE (continued)

Information about reportable segments	Communications		Metal detection		Tracking solutions		Consolidated	
	2022 \$000	2021 \$000	2022 \$000	2021 \$000	2022 \$000	2021 \$000	2022 \$000	2021 \$000
<b>Revenue</b>								
External segment revenue	241,736	95,490	262,252	326,564	2,157	14,995	506,145	437,049
<b>Result</b>								
Segment result	49,952	16,206	121,372	142,384	865	3,111	172,189	161,701
Unallocated net financing costs							(1,710)	(895)
Unallocated income and expenses							(34,812)	(22,079)
Underlying Profit from operating activities							135,667	138,727
Income tax expense (excluding tax on restructuring expenses)							(35,137)	(41,438)
<b>Underlying net profit</b>							100,530	97,289
Acquisition related expenses							–	(5,177)
Restructuring expenses							–	(1,915)
<b>Statutory net profit</b>							100,530	90,197
<b>Non-cash items included above</b>								
Depreciation and amortisation	14,184	7,743	9,467	9,461	–	1,071	23,651	18,275
Unallocated depreciation and amortisation							949	754
<b>Total depreciation and amortisation</b>							24,600	19,029
<b>Assets</b>								
Capital expenditure	2,059	335	2,578	2,226	–	16	4,637	2,577
Unallocated capital expenditure							1,450	1,541
<b>Total capital expenditure</b>							6,087	4,118
Segment assets	351,409	294,043	190,558	130,879	1,998	17,762	543,965	442,684
Unallocated corporate assets							46,967	60,875
<b>Consolidated total assets</b>							590,932	503,559

The group derived its revenues from a number of countries. The two significant countries where revenue was 10% or more of total revenue were the United States of America totalling \$198.754 million (2021: \$102.134 million) and United Arab Emirates totalling \$69.650 million (2021: \$133.487 million).

The group's non-current assets, excluding financial instruments and deferred tax assets, were located as follows: the United States of America \$172.882 million (2021: \$151.371 million), Australia \$141.295 million (2021: \$137.902 million), Canada \$51.882 million (2021: \$47.694 million), United Kingdom \$18.568 million (2021: \$2.948 million), Denmark \$2.554 million (2021: \$1.463 million), United Arab Emirates \$0.137 million (2021: \$0.268 million), Brazil \$0.103 million (2021: \$0.150 million) and Ireland \$0.016 million (2021: \$0.019 million).

## 3. EXPENSES

	Consolidated	
	2022 \$000	2021 \$000
<b>Net financing costs:</b>		
Interest income	(14)	(385)
Net foreign exchange (gain)/loss	661	538
Interest expense	1,063	741
Finance charge on lease liabilities	686	718
	2,396	1,612
<b>Depreciation of:</b>		
Right-of-use assets	7,281	3,554
Leasehold property	292	119
Plant and equipment	3,853	3,023
	11,426	6,696
<b>Amortisation of:</b>		
Product development - straight-line	7,478	7,746
Product development - units of production	4,120	3,678
Intellectual property	410	409
Computer software	417	306
Licences	178	168
Customer Relationships	247	–
Brand names	324	26
	13,174	12,333
<b>Personnel expenses:</b>		
Wages and salaries	85,039	55,766
Other associated personnel expenses	13,794	4,425
Contributions to defined contribution superannuation plans	8,119	4,943
Long service leave expense	(45)	856
Annual leave expense	5,605	3,198
Performance rights plan	750	1,537
Employee share plan	228	253
	113,490	70,978



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2022

**GROUP PERFORMANCE (continued)**

	<b>Consolidated</b>	
	<b>2022</b>	<b>2021</b>
	<b>\$000</b>	<b>\$000</b>
<b>4. OTHER EXPENSES / (INCOME)</b>		
<b>Other income:</b>		
Gain on sale of Tracking Solutions business	<b>1,582</b>	–
Other income	<b>162</b>	49
	<b>1,744</b>	49
As disclosed in the 30 June 2021 annual financial report, Codan Limited sold 100% of the shares in its wholly-owned subsidiary Minetec Pty Ltd to Caterpillar Holdings Australia Pty. Ltd on 1 July 2021. The consideration comprised cash received of \$17.773 million and a holdback amount of \$1.662 million, and the net assets disposed were \$17.853 million, which resulted in a gain on sale of \$1.582 million.		
<b>Other expenses:</b>		
Acquisition related expenses	–	5,177
Restructuring expenses	<b>1,610</b>	2,736
Loss on sale of property, plant and equipment	<b>117</b>	–
	<b>1,727</b>	7,913
<b>5. DIVIDENDS</b>		
Codan Limited has provided or paid for dividends as follows:		
▪ ordinary final fully-franked dividend of 16.5 cents per ordinary share paid on 10 September 2021	<b>29,846</b>	–
▪ ordinary interim fully-franked dividend of 13.0 cents per ordinary share paid on 10 March 2022	<b>23,515</b>	–
▪ ordinary final fully-franked dividend of 11.0 cents per ordinary share paid on 11 September 2020	–	19,856
▪ ordinary interim fully-franked dividend of 10.5 cents per ordinary share paid on 11 March 2021	–	18,953
	<b>53,361</b>	38,809

**Subsequent events**

Since the end of the financial year, the directors declared a final ordinary fully franked dividend of 15.0 cents per share, payable on 7 September 2022. The financial impact of this final dividend of \$27.133 million has not been brought to account in the group financial statements for the year ended 30 June 2022 and will be recognised in subsequent financial reports.

**Dividend franking account**

Franking credits available to shareholders for subsequent financial years (30%)	<b>69,191</b>	64,894
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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 \$11.628 million (2021: \$12.764 million).

**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.

Net profit used for the purpose of calculating basic and diluted earnings per share	<b>100,736</b>	90,351
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The weighted average number of shares used as the denominator number for basic earnings per share was 180,826,994 (2021: 180,424,509). The movement in the year is as a consequence of the shares issued under the performance rights plan and employee shares plan. The calculation of diluted earnings per share at 30 June 2022 was based on a weighted average number of ordinary shares outstanding, after adjustment for the effects of all dilutive potential ordinary shares of 181,312,097 (2021: 181,255,390). The movement in the year relates to the shares issued under the performance rights granted and employee share plan.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2022

## TAXATION

	Consolidated	
	2022	2021
	\$000	\$000
<b>7. INCOME TAX</b>		
<b>A. Income tax expense</b>		
<b>Current tax expense:</b>		
Current tax paid or payable for the financial year	30,922	39,675
Adjustments for prior years	(610)	(70)
	30,312	39,605
<b>Deferred tax expense:</b>		
Origination and reversal of temporary differences	4,825	1,012
<b>Total income tax expense in income statement</b>	<b>35,137</b>	<b>40,617</b>
<b>Reconciliation between tax expense and pre-tax net profit:</b>		
The prima facie income tax expense calculated at 30% on the profit from ordinary activities	40,700	39,244
<b>Decrease in income tax expense due to:</b>		
Additional deduction for research and development expenditure	(1,531)	(958)
Effect of tax rates in foreign jurisdictions	(1,769)	–
(Over)/under provision for taxation in previous years	(610)	(70)
Non-assessable amounts	(475)	–
Other deductible expenses	(825)	–
Recognition of tax losses	(468)	(47)
	35,022	38,169
<b>Increase in income tax expense due to:</b>		
Capital expenses relating to acquisitions and disposals	18	1,633
Non-deductible expenses	97	556
Non-assessable amounts	–	121
Effect of tax rates in foreign jurisdictions	–	138
<b>Income tax expense</b>	<b>35,137</b>	<b>40,617</b>
<b>B. Current tax liabilities / assets</b>		
Balance at the beginning of the year	(14,663)	(11,615)
Net foreign currency differences on translation of foreign entities	(19)	(124)
Income tax paid (net)	38,200	36,356
Adjustments from prior year	1,365	395
Current year's income tax paid or payable on operating profit	(30,922)	(39,675)
	(6,039)	(14,663)
<b>Disclosed in balance sheet as:</b>		
Current tax asset	767	122
Current tax payable	(6,806)	(14,785)
	(6,039)	(14,663)

	Consolidated	
	2022	2021
	\$000	\$000
<b>C. Deferred tax liabilities</b>		
<b>Provision for deferred income tax comprises the estimated expense at the applicable tax rate of the following items:</b>		
Expenditure currently tax deductible but deferred and amortised for accounting (intangible assets)	23,922	21,277
Liabilities recognised from the identifiable intangible assets acquired from business combination	2,299	2,351
<b>Set-off of tax in relation to deferred tax assets:</b>		
Difference in depreciation of property, plant and equipment	(780)	(776)
Payments for intellectual property not currently deductible	(591)	(1,183)
Provisions for employee benefits not currently deductible	(2,305)	(2,552)
Provisions and accruals not currently deductible	(5,327)	(6,820)
Sundry items	(1,538)	(747)
Carry forward overseas tax losses	(247)	(2,082)
Carry forward overseas R&D tax credits	(5,951)	(4,722)
	9,482	4,746
<i>Comparative information were restated due to finalisation of fair values recognised in the balance sheet as at 30 June 2021 previously accounted for on a provisional basis, refer note 32.</i>		
<b>D. Effective tax rates</b>		
	2022	2021
Global operations - total consolidated tax expense	26%	31%
Australian operations - Australian company income tax expense	27%	31%



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
for the year ended 30 June 2022

CASH MANAGEMENT

	Consolidated	
	2022	2021
	\$000	\$000

8. CASH AND CASH EQUIVALENTS

Cash on hand	192	179
Cash at bank	22,421	22,183
	22,613	22,362

9. LOANS AND BORROWINGS

<b>Non-Current</b>		
Cash advance	52,000	24,000
	52,000	24,000
<b>The group has access to the following lines of credit:</b>		
<b>Total facilities available at balance date:</b>		
Multi-option facility	100,921	80,645
Commercial credit card	1,307	1,133
	102,228	81,778
<b>Facilities utilised at balance date:</b>		
Multi-option facility - cash advance	52,000	24,000
Multi-option facility - guarantees	1,464	1,427
Commercial credit card	344	230
	53,808	25,657
<b>Facilities not utilised at balance date:</b>		
Multi-option facility	47,457	55,218
Commercial credit card	962	903
	48,419	56,121

In addition to these facilities, the group has cash at bank and short-term deposits of \$22.613 million as set out in note 8.

Bank Facilities

The multi-option facility has a number of components that are supported by interlocking guarantees between Codan Limited and its subsidiaries and are subject to compliance with certain financial covenants. The first multi-option facility is for \$80 million and has a term of three years expiring in April 2024 and the second facility is for \$20 million and has a term of 12 months expiring in March 2023. A third multi-option facility for \$20 million may be available subject to our financial institution's approval.

	Consolidated	
	2022	2021
	%	%
<b>Weighted average interest rates:</b>		
Cash at bank	0.22	0.42
Cash advance	1.36	1.35

10. NOTES TO THE STATEMENT OF CASH FLOWS

	Consolidated	
	2022	2021
	\$000	\$000
<b>Reconciliation of profit after income tax to net cash provided by operating activities</b>		
<b>Profit after income tax</b>	100,530	90,197
<b>Add/(less) items classified as investing or financing activities:</b>		
Gain on sale of Tracking Solutions business	(1,582)	–
(Gain)/loss on sale of non-current assets	117	(2)
<b>Add/(less) non-cash items:</b>		
Depreciation	11,426	6,696
Amortisation	13,174	12,333
Performance rights and employee share plan expensed	977	1,790
Increase/(decrease) in income taxes	(3,063)	4,261
Increase/(decrease) in net assets affected by foreign currency translation	1,977	(747)
<b>Net cash from operating activities before changes in assets and liabilities</b>	123,556	114,528
<b>Change in assets and liabilities during the financial year:</b>		
Reduction/(increase) in receivables	(24,466)	9,239
Reduction/(increase) in inventories	(39,718)	(16,441)
Reduction/(increase) in other assets	(2,579)	(418)
Increase/(reduction) in trade and other payables	(7,168)	24,205
Increase/(reduction) in provisions	2,096	187
<b>Net cash from operating activities</b>	51,721	131,300

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2022

## OPERATING ASSETS AND LIABILITIES

	Consolidated	
	2022	2021
	\$000	\$000
<b>11. TRADE AND OTHER RECEIVABLES</b>		
<b>Current</b>		
Trade receivables	60,939	37,185
Less: expected credit loss provision	(2,950)	(3,019)
Other debtors	1,786	23
	59,775	34,189

Comparative information has been restated due to finalisation of fair values recognised in the balance sheet as at 30 June 2021 previously accounted for on a provisional basis, refer note 32.

## 12. INVENTORY

Raw materials	35,944	29,325
Work in progress	18,287	16,146
Finished goods	48,257	17,299
	102,488	62,770

In FY22, inventories of \$179.483 million (2021: \$169.540 million) were recognised as an expense and included in cost of sales. As at 30 June 2022, \$52.511 million of inventory has been written down to net realisable value less cost to sell.

Comparative information has been restated due to finalisation of fair values recognised in the balance sheet as at 30 June 2021 previously accounted for on a provisional basis, refer note 32.

## 13. OTHER ASSETS

Prepayments	10,258	7,334
Project work in progress	5,231	4,392
Other	2,363	3,547
	17,852	15,273

## 14. PROPERTY, PLANT AND EQUIPMENT

	Consolidated	
	2022	2021
	\$000	\$000
Leasehold property at cost	6,659	7,149
Accumulated depreciation	(6,049)	(6,321)
	610	828
Plant and equipment at cost	57,610	58,254
Accumulated depreciation	(42,406)	(43,282)
	15,204	14,972
Capital work in progress at cost	3,918	1,780
<b>Total property, plant and equipment</b>	<b>19,732</b>	<b>17,580</b>

## Reconciliations

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

**Leasehold property improvements**

Carrying amount at beginning of year	828	522
Acquisitions through entities acquired (net value)	–	607
Adjustment on prior year's acquisitions	–	(183)
Additions	8	10
Transfers	–	5
Disposals	–	–
Depreciation	(292)	(119)
Net foreign currency differences on translation of foreign entities	66	(14)
<b>Carrying amount at end of year</b>	<b>610</b>	<b>828</b>

**Plant and equipment**

Carrying amount at beginning of year	14,972	11,696
Acquisitions through entities acquired (net value)	–	1,701
Additions	3,465	3,060
Transfers	578	1,799
Reclassification to asset held for sale	–	(315)
Disposals	(357)	–
Depreciation	(3,853)	(3,023)
Net foreign currency differences on translation of foreign entities	399	54
<b>Carrying amount at end of year</b>	<b>15,204</b>	<b>14,972</b>

**Capital work in progress at cost**

Carrying amount at beginning of year	1,780	1,958
Acquisitions through entities acquired (net value)	–	557
Additions	2,614	1,069
Transfers	(578)	(1,804)
Net foreign currency differences on translation	102	–
<b>Carrying amount at end of year</b>	<b>3,918</b>	<b>1,780</b>
<b>Total carrying amount at end of year</b>	<b>19,732</b>	<b>17,580</b>



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2022

**OPERATING ASSETS AND LIABILITIES (continued)****14. PROPERTY, PLANT AND EQUIPMENT (continued)**

	<b>Consolidated</b>	
	<b>2022</b>	<b>2021</b>
	<b>\$000</b>	<b>\$000</b>

Comparative information has been restated due to finalisation of fair values recognised in the balance sheet as at 30 June 2021 previously accounted for on a provisional basis, refer note 32.

**15. PRODUCT DEVELOPMENT**

Product development at cost	<b>201,402</b>	171,739
Accumulated amortisation and impairment losses	<b>(109,141)</b>	(97,170)
	<b>92,261</b>	<b>74,569</b>
<b>Reconciliation</b>		
Carrying amount at beginning of year	<b>74,569</b>	67,777
Acquisitions through entities acquired (net value)	–	1,455
Capitalised in current period	<b>27,572</b>	18,566
Reclassification to asset held for sale	–	(2,094)
Amortisation	<b>(11,598)</b>	(11,424)
Net foreign currency differences on translation of foreign entities	<b>1,718</b>	289
	<b>92,261</b>	<b>74,569</b>

**16. INTANGIBLE ASSETS**

Intellectual property at cost	<b>22,051</b>	21,986
Accumulated amortisation	<b>(21,245)</b>	(20,740)
	<b>806</b>	<b>1,246</b>
Computer software at cost	<b>15,439</b>	15,096
Accumulated amortisation	<b>(14,569)</b>	(14,296)
	<b>870</b>	<b>800</b>
Licences at cost	<b>5,396</b>	5,442
Accumulated amortisation	<b>(4,935)</b>	(4,826)
	<b>461</b>	<b>616</b>
Brand names	<b>7,335</b>	6,674
Accumulated amortisation	<b>(418)</b>	(26)
	<b>6,917</b>	<b>6,648</b>
Customer relationships	<b>1,161</b>	1,064
Accumulated amortisation	<b>(261)</b>	–
	<b>900</b>	<b>1,064</b>
Goodwill	<b>240,423</b>	220,855
<b>Total intangible assets</b>	<b>250,377</b>	<b>231,229</b>

	<b>Consolidated</b>	
	<b>2022</b>	<b>2021</b>
	<b>\$000</b>	<b>\$000</b>
<b>Reconciliations</b>		
<b>Intellectual property</b>		
Carrying amount at beginning of year	<b>1,246</b>	1,704
Amortisation	<b>(410)</b>	(409)
Net foreign currency differences on translation of foreign entities	<b>(30)</b>	(49)
	<b>806</b>	<b>1,246</b>
<b>Computer software</b>		
Carrying amount at beginning of year	<b>800</b>	753
Acquisitions through entities acquired (net value)	–	403
Adjustment on prior year's acquisitions	–	(275)
Additions	<b>501</b>	237
Transfers from capital work in progress	–	–
Amortisation	<b>(417)</b>	(306)
Net foreign currency differences on translation of foreign entities	<b>(14)</b>	(12)
	<b>870</b>	<b>800</b>
Comparative information has been restated due to finalisation of fair values recognised in the balance sheet as at 30 June 2021 previously accounted for on a provisional basis, refer note 32.		
<b>Licences</b>		
Carrying amount at beginning of year	<b>616</b>	473
Acquisitions through entities acquired (net value)	–	312
Additions	–	7
Reclassification to asset held for sale	–	(9)
Amortisation	<b>(178)</b>	(168)
Net foreign currency differences on translation of foreign entities	<b>23</b>	1
	<b>461</b>	<b>616</b>
<b>Brand names</b>		
Carrying amount at beginning of year	<b>6,648</b>	–
Acquisitions through entities acquired (net value)	–	6,442
Amortisation	<b>(324)</b>	(26)
Net foreign currency differences on translation of foreign entities	<b>593</b>	232
	<b>6,917</b>	<b>6,648</b>
<b>Customer Relationships</b>		
Carrying amount at beginning of year	<b>1,064</b>	–
Acquisitions through entities acquired (net value)	–	1,064
Amortisation	<b>(247)</b>	–
Net foreign currency differences on translation of foreign entities	<b>83</b>	–
	<b>900</b>	<b>1,064</b>

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2022

## OPERATING ASSETS AND LIABILITIES (continued)

### 16. INTANGIBLE ASSETS (CONTINUED)

	Consolidated	
	2022	2021
	\$000	\$000
<b>Goodwill</b>		
Carrying amount at beginning of year	220,855	83,816
Acquisitions through entities acquired (net value)	7,826	138,047
Adjustment on prior year's acquisitions	–	4,177
Reclassification to asset held for sale	–	(8,538)
Net foreign currency differences on translation of foreign entities	11,742	3,353
	240,423	220,855
The following divisions have significant carrying amounts of goodwill:		
Tactical Communications*	124,906	108,826
Zetron	61,560	58,072
Minelab	53,957	53,957
	240,423	220,855

\*Tactical Communications goodwill includes \$7.416 million that relates to the BWS acquisition (refer note 32). The BWS goodwill is also tested for impairment annually.

#### Goodwill

The recoverable amount of cash generating units or groups of cash generating units has been determined using value-in-use calculations. The approach to the value-in-use calculations for these units or groups of units is similar. The first year of the cash flow forecasts is based on the oncoming year's budget, and cash flows are forecast for a five-year period. The key assumption driving the value-in-use valuation is the level of sales, which is based on management assessment having regard to the demand expected from customers, the global economy and the businesses' competitive position. Other assumptions relate to the level of gross margins achieved on sales and the level of expense required 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% (FY21: 10%) has been applied to the forecast cash flows. Management's sensitivity analysis indicates that there is not a reasonable possibility that changes in the assumptions used would result in an impairment in the cash-generating units.

Comparative information has been restated due to finalisation of fair values recognised in the balance sheet as at 30 June 2021 previously accounted for on a provisional basis, refer note 32.

### 17. TRADE AND OTHER PAYABLES

<b>Current</b>		
Trade payables	41,705	42,423
Other payables and accruals*	50,831	58,183
Net foreign currency hedge payable	3,276	936
	95,812	101,542
<b>Non-Current</b>		
Other payables and accruals*	5,676	4,973

\* In the prior year financial report deferred income was classified as current liabilities in full. In the current year \$5.676 million of the deferred income has been classified as non-current liabilities. The prior period non-current other payables and accruals has been increased and the current portion decreased by \$4.973 million for comparability purposes.

### 18. PROVISIONS

	Consolidated	
	2022	2021
	\$000	\$000
<b>Current</b>		
Employee benefits	10,142	9,774
Warranty repairs	3,914	3,440
Other	931	–
	14,987	13,214
<b>Reconciliation of warranty provision</b>		
Carrying amount at beginning of year	3,440	1,921
Acquisitions through entities acquired (net value)	–	627
Provisions made	2,020	2,039
Payments made	(1,546)	(1,147)
	3,914	3,440
<b>Non-Current</b>		
Employee benefits	1,046	1,469
Other	6,924	1,343
	7,970	2,812

Comparative information has been restated due to finalisation of fair values recognised in the balance sheet as at 30 June 2021 previously accounted for on a provisional basis, refer note 32.



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
for the year ended 30 June 2022

CAPITAL MANAGEMENT

	Consolidated	
	2022	2021
	\$000	\$000

19. SHARE CAPITAL

Share capital		
Opening balance (180,506,054 ordinary shares fully paid)	45,842	44,746
Issue of share capital through vested performance rights	990	843
Issue of share capital through employee share plan	227	253
Closing balance (180,883,935 ordinary shares fully paid)	47,059	45,842

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 reserve	26,486	8,649
Hedging reserve	(2,292)	(655)
Equity based payment reserve	3,256	3,496
Profit reserve	58,981	58,981
	86,431	70,471

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	8,649	4,552
Net translation adjustment	17,837	4,097
Balance at end of year	26,486	8,649

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	(655)	353
Gains/(losses) on cash flow hedges taken to/from hedging reserve	(1,637)	(1,008)
Balance at end of year	(2,292)	(655)

Equity based payment reserve

The equity based payment reserve comprises Codan Limited's accumulated expenses in relation to unvested performance rights.		
Balance at beginning of year	3,496	2,802
Performance rights expensed	750	1,537
Performance rights vested	(990)	(843)
Balance at end of year	3,256	3,496

Profit reserve

The profit reserve comprises a portion of Codan Limited's accumulated profits.		
Balance at beginning of year	58,981	58,981
Balance at end of year	58,981	58,981

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 is subject to externally imposed capital requirements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
for the year ended 30 June 2022

GROUP STRUCTURE

22. GROUP ENTITIES

Name	Country of incorporation	Class of share	Interest held	
			2022 %	2021 %
Parent Entity				
Codan Limited	Australia	Ordinary		
Controlled Entities				
Broadcast Wireless Systems Limited*	UK	Ordinary	100	
Codan Defence Electronics Pty Ltd	Australia	Ordinary	100	100
Codan Executive Share Plan Pty Ltd	Australia	Ordinary	100	100
Codan Radio Communications ME DMCC	UAE	Ordinary	100	100
Codan Radio Communications Pty Ltd	Australia	Ordinary	100	100
Codan RSA (Pty) Ltd	South Africa	Ordinary	100	100
Codan (UK) Limited	UK	Ordinary	100	100
Codan (US), Inc	USA	Ordinary	100	100
Corp Ten International, Inc.	USA	Ordinary	100	100
Daniels Electronics Ltd	Canada	Ordinary	100	100
Domo Tactical Communications (DTC) Limited	UK	Ordinary	100	100
Domo Tactical Communications (DTC) PTE limited	Singapore	Ordinary	100	100
DTC Communications, Inc	USA	Ordinary	100	100
DTC Group Holdings, LLC	USA	Ordinary	100	100
DTC International Holdings Ltd	UK	Ordinary	100	100
DTC North America Holdings, LLC	USA	Ordinary	100	100
MEP Surveillance Midco, Inc	USA	Ordinary	100	100
Minelab Americas, Inc	USA	Ordinary	100	100
Minelab de Mexico SA de CV	Mexico	Ordinary	100	100
Minelab do Brasil Equipamentos Para Mineração Ltda	Brazil	Ordinary	100	100
Minelab Electronics Pty Limited	Australia	Ordinary	100	100
Minelab India Private Limited**	India	Ordinary	100	-
Minelab International Limited	Ireland	Ordinary	100	100
Minelab MEA General Trading LLC	UAE	Ordinary	49	49
Minetec Pty Ltd***	Australia	Ordinary	–	100
Spectronic Denmark A/S	Denmark	Ordinary	100	100
Zetron Air Systems Pty Ltd	Australia	Ordinary	100	100
Zetron Australasia Pty Ltd	Australia	Ordinary	100	100
Zetron, Inc. (US)	USA	Ordinary	100	100
Zetron Inc. (UK)	UK	Ordinary	100	100
Zetron Limited	UK	Ordinary	100	100

\* Broadcast Wireless Systems Limited was acquired by the group on 1 December 2021. Refer note 32 for details.  
\*\* Minelab India Private Limited was incorporated on 13 October 2021.  
\*\*\* Minetec Pty Ltd was disposed on 1 July 2022. Refer note 4 for details.

23. DEED OF CROSS GUARANTEE

Pursuant to ASIC Corporations (Wholly owned Companies) Instrument 2016/785, the wholly-owned subsidiary listed below is relieved from the Corporations Act 2001 requirements for preparation, audit and lodgement of financial and directors' reports.

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:

	Consolidated	
	2022 \$000	2021 \$000
<b>Summarised income statement and retained earnings</b>		
Revenue	243,783	308,476
Net finance costs	(1,918)	(149)
Other expenses	(120,091)	(197,221)
<b>Profit before tax</b>	<b>121,774</b>	111,106
Income tax expense	(30,353)	(38,634)
<b>Profit after tax</b>	<b>91,421</b>	72,472
<b>Retained earnings at beginning of year</b>	<b>148,248</b>	114,585
<b>Retained earnings at end of year</b>	<b>186,308</b>	148,248
<b>Balance sheet</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	7,380	4,834
Trade and other receivables	50,000	20,835
Inventories	64,455	34,527
Other assets	3,210	1,303
<b>Total current assets</b>	<b>125,045</b>	61,499
<b>NON-CURRENT ASSETS</b>		
Investments	202,262	207,088
Right-of-use assets	19,006	21,264
Property, plant and equipment	14,177	13,215
Product development	52,336	47,537
Intangible assets	54,651	54,958
<b>Total non-current assets</b>	<b>342,432</b>	344,062
<b>Total assets</b>	<b>467,477</b>	405,561
<b>CURRENT LIABILITIES</b>		
Trade and other payables	76,071	68,650
Current tax payable	3,610	14,401
Lease Liability	4,592	6,950
Provisions	9,070	9,321
<b>Total current liabilities</b>	<b>93,343</b>	99,322



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
for the year ended 30 June 2022

GROUP STRUCTURE (continued)

23. DEED OF CROSS GUARANTEE (continued)

	Consolidated	
	2022	2021
	\$000	\$000
<b>NON-CURRENT LIABILITIES</b>		
Loans and borrowings	52,000	24,000
Lease Liability	19,441	19,266
Deferred tax liabilities	6,652	4,201
Provisions	182	613
<b>Total non-current liabilities</b>	<b>78,275</b>	<b>48,080</b>
<b>Total liabilities</b>	<b>171,618</b>	<b>147,402</b>
<b>Net assets</b>	<b>295,859</b>	<b>258,159</b>
<b>EQUITY</b>		
Share capital	47,059	45,842
Reserves	62,492	64,069
Retained earnings	186,308	148,248
<b>Total equity</b>	<b>295,859</b>	<b>258,159</b>

24. PARENT ENTITY DISCLOSURES

As at, and throughout, the financial year ending 30 June 2022, the parent company of the group was Codan Limited.

<b>Result of parent entity</b>		
Profit after tax for the period	94,003	81,092
Other comprehensive income/(loss)	(2,135)	(568)
<b>Total comprehensive income for the period</b>	<b>91,868</b>	<b>80,524</b>
<b>Financial position of parent entity at year end</b>		
Current assets	127,920	48,818
Total assets	442,687	370,503
Current liabilities	75,427	67,452
Total liabilities	155,813	123,113
<b>Total equity of the parent entity comprising:</b>		
Share capital	47,059	45,842
Reserves	60,022	62,397
Retained earnings	179,793	139,151
<b>Total equity</b>	<b>286,874</b>	<b>247,390</b>

As at 30 June 2022, Codan Limited entered into contracts to purchase plant and equipment for \$0.789 million (2021: \$1.857 million).

OTHER NOTES

25. AUDITOR'S REMUNERATION

	2022	2021
	\$	\$
<b>Audit services:</b>		
KPMG - audit and review of financial reports - Group	327,551	218,644
Other firms - audit and review of financial reports	311,741	64,916
<b>Other Services</b>		
KPMG - taxation advice and compliance services	24,607	22,997
KPMG - other services	–	–
Other firms - taxation advice and compliance services	83,275	13,802
Other firms - other services	25,799	12,061
	<b>772,973</b>	<b>332,420</b>

26. 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 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 and bank accounts.

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

The group minimises concentration of credit risk by undertaking transactions with a large number of customers in various countries.

As at 30 June 2022, the customer with the group's highest trade and other receivable balance accounted for \$5.3 million (2021: \$2.2 million)

Trade and other receivables

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

The group has established a credit policy under which new customers are analysed for credit worthiness before the group's 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.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2022

## OTHER NOTES (continued)

## 26. ADDITIONAL FINANCIAL INSTRUMENTS DISCLOSURE (continued)

## (a) Credit risk (continued)

The group has established an allowance for expected credit losses (ECL) based on the lifetime ECL approach that represents its estimate of 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 determining the lifetime ECL, management uses both historical credit loss experience and forecasts of future economic conditions for trade receivables. The need to consider forward-looking information means that the group exercises judgement as to how changes in macroeconomic factors will affect the ECL on trade receivables.

## Guarantees

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

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

	Note	Consolidated	
		2022 \$000	2021 \$000
Cash and cash equivalents	8	22,613	22,362
Trade and other receivables	11	59,775	34,189
Project work in progress	13	5,231	4,392
The group's gross trade receivables at the reporting date by geographic region was:			
Australia/Oceania		3,091	3,173
Europe		9,044	5,608
Americas		36,334	20,411
Asia		3,253	4,178
Africa/Middle East		9,217	3,815
		60,939	37,185

## Impairment losses

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

	Consolidated			
	Gross 2022 \$000	Impairment 2022 \$000	Gross 2021 \$000	Impairment 2021 \$000
Not past due	48,272	(1,276)	24,476	(1,438)
Past due 0-30 days	7,310	(26)	4,362	(24)
Past due 31-60 days	2,056	(188)	2,992	(16)
Past due 61-120 days	1,660	(195)	2,415	(25)
More than 120 days	1,641	(1,265)	2,940	(1,516)
	60,939	(2,950)	37,185	(3,019)

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	
	2022 \$000	2021 \$000
Balance at 1 July	3,019	2,234
Acquisition through entities acquired	–	692
Adjustment on prior year's acquisitions	–	303
Impairment loss/(reversal) recognised	93	(164)
Trade receivables written off to the allowance for impairment	(162)	(46)
<b>Balance at 30 June</b>	<b>2,950</b>	<b>3,019</b>

Comparative information has been restated due to finalisation of fair values recognised in the balance sheet as at 30 June 2021 previously accounted for on a provisional basis, refer note 32.

## (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 note 9 for a summary of banking facilities available.

The following are the contractual maturities of financial liabilities:

	Carrying amount \$000	Contractual cash flows \$000	12 months or less \$000	1-5 years \$000	More than 5 years \$000
<b>30 June 2022</b>					
<b>Non-derivative financial liabilities</b>					
Trade and other payables	98,212	(98,212)	(92,536)	(5,676)	–
Lease liabilities	30,243	(30,243)	(4,592)	(14,004)	(11,647)
Cash advance	52,000	(52,708)	(708)	(52,000)	–
	180,455	(181,163)	(97,836)	(71,680)	(11,647)
<b>Derivative financial liabilities</b>					
Net foreign currency hedge payables	3,276	(3,276)	(3,276)	–	–
	3,276	(3,276)	(3,276)	–	–

## 30 June 2021

## Non-derivative financial liabilities

Trade and other payables	105,579	(105,579)	(100,606)	(4,973)	–
Lease liabilities	32,120	(36,395)	(6,950)	(14,666)	(14,778)
Cash advance	24,000	(24,312)	(312)	(24,000)	–
	161,699	(166,286)	(107,868)	(43,639)	(14,778)

## Derivative financial liabilities

Net foreign currency hedge payables	936	(936)	(936)	–	–
	936	(936)	(936)	–	–



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2022

OTHER NOTES (continued)

26. ADDITIONAL FINANCIAL INSTRUMENTS DISCLOSURE (continued)

(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.

Interest rate risk

Profile

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

	Consolidated	
	2022	2021
	\$000	\$000
<b>Fixed rate instruments</b>		
Financial assets	–	416
Financial liabilities	–	–
	–	416
<b>Variable rate instruments</b>		
Financial assets	22,613	21,946
Financial liabilities	(52,000)	(24,000)
	(29,387)	(2,054)

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 2022.

	Profit/(loss) before tax		Reserve	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
	\$000	\$000	\$000	\$000
<b>30 June 2022</b>				
Variable rate instruments	(294)	294	–	–
<b>30 June 2021</b>				
Variable rate instruments	(21)	21	–	–

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 and EUR.

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 in USD). The terms of these commitments are usually less than 12 months. As at the reporting date, the group has entered into a number of forward exchange contracts which will limit the foreign exchange risk on USD \$71.900 million of FY22 cash flows. The average forward exchange contract rate is 1AUD:0.71USD.

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	USD
	\$000	\$000
<b>30 June 2022</b>		
Cash and cash equivalents	986	8,177
Trade receivables	747	15,490
Trade payables	(19)	(28,163)
<b>Gross balance sheet exposure</b>	<b>1,714</b>	<b>(4,496)</b>
Hedge transactions relating to balance sheet exposure	–	(7,258)
<b>Net exposure at the reporting date</b>	<b>1,714</b>	<b>(11,754)</b>

30 June 2021

Cash and cash equivalents	1,192	4,890
Trade receivables	2,250	13,498
Trade payables	(1,059)	(22,085)
<b>Gross balance sheet exposure</b>	<b>2,383</b>	<b>(3,697)</b>
Hedge transactions relating to balance sheet exposure	–	(3,990)
<b>Net exposure at the reporting date</b>	<b>2,383</b>	<b>(7,687)</b>

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)	Profit/(loss) before tax
	\$000	\$000
<b>2022</b>		
EUR	–	(156)
USD	298	1,069
	298	913
<b>2021</b>		
EUR	–	(217)
USD	85	699
	85	482

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
for the year ended 30 June 2022

OTHER NOTES (continued)

26. ADDITIONAL FINANCIAL INSTRUMENTS DISCLOSURE (continued)

(c) Market risk (continued)

Currency risk (continued)

Sensitivity analysis (continued)

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 payable of \$3.276 million, for which an independent valuation was obtained from the relevant banking institution.

27. EMPLOYEE BENEFITS

	Consolidated	
	2022	2021
	\$000	\$000
Aggregate liability for employee benefits, including on-costs:		
Current - short-term incentives and other accruals	11,465	9,097
Current - employee entitlements	10,142	9,774
Non-current - employee entitlements	1,046	1,254
	22,653	20,125
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	3.00%	3.00%
Discount rate	5.07%	2.46%
Settlement term	10 years	10 years

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.

The company issued 13,908 shares to eligible employees in August 2021. The fair values of the shares was \$16.34 per share, based on the volume weighted average price at which Codan shares were traded on the ASX for the five trading days immediately preceding the date of issue of the shares. The exercise price was nil. The total expense recognised as employee costs in FY22 in relation to the ESP shares issued was \$227,000. The shares are restricted from sale until the earlier of three years from the issue date or the date an employee is no longer employed by the group.

Performance Rights Plan

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

Performance rights issued in financial year 2020

The company issued 349,991 performance rights in November 2019 to certain employees. The fair value of the rights was on average \$5.22 based on the Black-Scholes formula. The model inputs were: the share price of \$6.31, no exercise price, expected volatility 31%, dividend yield 2.2%, a term of three years and a risk-free rate of 1.2%. Due to the departure of employees, 47,347 performance rights have been cancelled. The total recovery recognised as employee costs in FY22 in relation to the performance rights issued was \$207,845.

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 using a non-statutory target earnings per share as set by the board, which was 16.2 cents. For employees 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.

The group's earnings per share over the three-year period to 30 June have exceeded the performance target. Therefore, it is expected that 302,644 shares will be issued to the relevant employees by the end of August 2022.

Performance rights issued in financial year 2021

The company issued 154,830 performance rights in November 2020 to certain employees. The fair value of the rights was on average \$10.18 based on the Black-Scholes formula. The model inputs were: the share price of \$11.17, no exercise price, expected volatility 60%, dividend yield 1.7%, a term of three years and a risk-free rate of 0.9%. Due to the departure of employees, 17,747 performance rights have been cancelled. The total expense recognised as employee costs in FY22 in relation to performance rights issued was \$685,546.

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 using a non-statutory target earnings per share as set by the board, which was 27.8 cents. For employees to receive the total number of performance rights, the group's earnings per share must increase by at least 10% per annum over the three-year period.

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

Performance rights issued in financial year 2022

The company issued 80,011 performance rights in November 2021 to certain employees. The fair value of the rights was on average \$8.20 based on the Black-Scholes formula. The model inputs were: the share price of \$9.11, no exercise price, expected volatility 45%, dividend yield 3.0%, a term of three years and a risk-free rate of 1.6%. The total expense recognised as employee costs in FY22 in relation to performance rights issued was \$271,848.

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 using a non-statutory target earnings per share as set by the board, which was 38.15 cents. For employees to receive the total number of performance rights, the group's earnings per share must increase by at least 8% per annum over the three-year period. The threshold earnings per share will be calculated using a 2% per annum growth rate.

No performance rights have been issued since the end of the financial year.



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2022

## OTHER NOTES (continued)

## 28. 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	
	2022	2021
	\$	\$
Short-term employee benefits	5,341,541	5,416,210
Post-employment benefits	149,789	139,358
Share-based payments	847,195	1,080,489
Other long term benefits	78,117	62,915
	6,416,642	6,698,972

## (c) Key management personnel transactions

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

## 29. 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.

## 30. NET TANGIBLE ASSET PER SHARE

	2022	2021
Net tangible asset per share (including right of use assets)	19.2 cents	1.4 cents
Net tangible asset per share (excluding right of use assets)	5.4 cents	(13.5) cents

Comparative information has been restated due to finalisation of fair values recognised in the balance sheet as at 30 June 2021 previously accounted for on a provisional basis, refer note 32.

## 31. LEASES AND COMMITMENTS

	Consolidated	
	2022	2021
	\$000	\$000
<b>Reconciliations</b>	43,058	37,565
Right-of-use assets at cost	43,058	37,565
Accumulated depreciation	(17,991)	(10,576)
	25,067	26,989
<b>Right-of-use assets</b>		
Carrying amount at beginning of year	26,989	25,367
Acquisitions through entities acquired (net value)	–	5,183
Additions	4,671	–
Reclassification to asset held for sale	–	(103)
Depreciation	(7,281)	(3,554)
Net foreign currency differences on translation of foreign entities	688	96
<b>Carrying amount at end of year</b>	25,067	26,989
<b>Lease Liabilities</b>		
Carrying amount at beginning of year	32,120	30,554
Assumed liabilities through entities acquired	–	5,871
Additions	5,140	–
Finance charge on lease liabilities	686	718
Reclassification to liabilities held for sale	–	(110)
Lease payments	(8,003)	(4,913)
Net foreign currency differences on translation	300	–
	30,243	32,120
<b>of which are:</b>		
Current lease liabilities	4,592	6,950
Non-current lease liabilities	25,651	25,170
<b>Capital expenditure commitments</b>		
<b>Aggregate amount of contracts for capital expenditure</b>		
Within one year	6,184	2,034
One year or later and no later than five years	–	–
	6,184	2,034

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
for the year ended 30 June 2022

OTHER NOTES (continued)

32. ACQUISITIONS OF SUBSIDIARIES

On 1 December 2021, Codan Limited's subsidiary Domo Tactical Communications (DTC) acquired all of the shares in UK-based company, Broadcast Wireless Systems Limited (BWS) for an upfront cost of \$5.475 million noting that cash of \$1.869 million was held by the business (net cash paid: \$3.606 million). If certain gross margin targets are achieved over the three-year period after completion, there is the possibility of additional earn-out payments of up to \$4.836 million. This potential earn-out (contingent consideration) is recognised as another provision in the group's Consolidated Balance Sheet as at 30 June 2022.

From the acquisition date, BWS has been consolidated within the group's results and has been reported in the Communications segment in Note 2. The following summary provides current estimates of the major classes of consideration transferred, the expected recognised amounts of assets acquired and liabilities assumed and the estimated goodwill at the acquisition date.

	\$000
<b>Estimated fair value of consideration transferred</b>	
Cash paid	5,475
Contingent consideration	4,836
Acquiree's cash balance at acquisition date	(1,869)
	8,442
<b>Estimated fair value of identifiable assets acquired and liabilities assumed, on a provisional basis</b>	
Total assets	1,120
Total liabilities	(504)
	616
<b>Estimated goodwill as a result of the acquisition</b>	
Estimated fair value of consideration transferred	8,442
Estimated fair value of identifiable assets acquired and liabilities assumed, on a provisional basis	(616)
	7,826

The goodwill is mainly attributable to the synergies that will be realised by incorporating BWS into DTC's broadcasting business. BWS's technology enables access to the growing remote broadcast industry more quickly than developing this technology internally. The goodwill is not expected to be deductible for tax purposes.

The company acquired all of the shares in US-based company, Domo Tactical Communications (DTC) on 12 May 2021 and initially recognised the acquired assets and liabilities of DTC at their provisional fair values as disclosed in the FY21 annual report. Subsequently the company conducted detailed valuations of the assets and liabilities acquired as at the acquisition date which resulted in the following adjustments:

	Provisional fair value recognised \$000	Fair value adjustment \$000	Final fair value \$000
<b>Consideration transferred</b>			
Cash paid on completion	113,950	(899)	113,051
Acquiree's cash balance at acquisition date	(4,612)	–	(4,612)
	109,338	(899)	108,439
<b>Identifiable assets acquired and liabilities assumed</b>			
Trade and other receivables	5,031	(466)	4,565
Inventories	8,813	(316)	8,497
Other assets	5,042	–	5,042
Property, plant and equipment	1,551	(183)	1,368
Right-of-use assets	2,222	–	2,222
Product development	1,455	–	1,455
Intangible assets	5,716	(275)	5,441
Trade and other payables	(14,373)	–	(14,373)
Lease liabilities	(2,489)	–	(2,489)
Provisions	(2,208)	(1,343)	(3,551)
Taxes	(755)	2,272	1,517
	10,005	(311)	9,694
<b>Goodwill as a result of the acquisition</b>			
Consideration transferred	109,338	(899)	108,439
Identifiable assets acquired and liabilities assumed	(10,005)	311	(9,694)
	99,333	(588)	98,745

The company acquired all of the shares in US-based company, Zetron on 30 April 2021 and initially recognised the acquired assets and liabilities of Zetron at their provisional fair values as disclosed in the FY21 annual report. Subsequently the company conducted detailed valuations of the assets and liabilities acquired as at the acquisition date which resulted in the following adjustments:



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2022

## OTHER NOTES (continued)

## 32. ACQUISITIONS OF SUBSIDIARIES (continued)

	Provisional fair value recognised \$000	Fair value adjustment \$000	Final fair value \$000
<b>Consideration transferred</b>			
Cash paid on completion	60,216	(1,114)	59,102
Acquiree's cash balance at acquisition date	(9,780)	–	(9,780)
	50,436	(1,114)	49,322
<b>Identifiable assets acquired and liabilities assumed</b>			
Trade and other receivables	19,151	(303)	18,849
Inventories	8,574	(3,347)	5,226
Other assets	4,415	–	4,415
Property, plant and equipment	1,314	–	1,314
Right-of-use assets	2,961	–	2,961
Intangible assets	2,505	–	2,505
Trade and other payables	(20,005)	–	(20,005)
Lease liabilities	(3,382)	–	(3,382)
Provisions	(2,946)	(215)	(3,161)
Taxes	(865)	–	(865)
	11,722	(3,865)	7,856
<b>Goodwill as a result of the acquisition</b>			
Consideration transferred	50,436	(1,114)	49,322
Identifiable assets acquired and liabilities assumed	(11,722)	3,865	(7,856)
	38,714	2,751	41,466

As a result of the revision to the fair values recognised, the comparative information in the balance sheet at 30 June 2021 has been restated as follows:

Consolidated balance sheet at 30 June 2021	As previously reported \$000	Adjustment \$000	Restated \$000
<b>CURRENT ASSETS</b>			
Trade and other receivables	34,958	(769)	34,189
Inventory	66,433	(3,663)	62,770
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	17,763	(183)	17,580
Intangible assets	227,328	3,901	231,229
<b>Total assets</b>	503,559	(714)	502,845
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities	7,018	(2,272)	4,746
Provisions	1,254	1,558	2,812
<b>Total liabilities</b>	199,949	(714)	199,235
<b>Net assets</b>	303,610	–	303,610

## DIRECTORS' DECLARATION

- In the opinion of the directors of Codan Limited ("the company"):
  - the consolidated financial statements and notes that are set out on pages 63 to 106 and the remuneration report on pages 47 to 55 in the directors' report, are in accordance with the *Corporations Act 2001*, including:
    - giving a true and fair view of the group's financial position as at 30 June 2022 and of its performance for the financial year ended on that date; and
    - complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*; and
  - there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
- There are reasonable grounds to believe that the company and the group entities identified in note 22 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 those group entities pursuant to *ASIC Corporations (Wholly owned Companies) Instrument 2016/785*.
- The directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2022.
- The directors draw attention to note 1 to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors:

Dated at Mawson Lakes this 17th day of August 2022.



D J Simmons  
Director



A Ianniello  
Director

INDEPENDENT AUDITOR'S REPORT



Independent Auditor's Report

To the shareholders of Codan Limited

Report on the audit of the Financial Report

Opinion

We have audited the **Financial Report** of Codan Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Group's** financial position as at 30 June 2022 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Financial Report** comprises:

- Consolidated balance sheet as at 30 June 2022;
- Consolidated income statement, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year ended 30 June 2022;
- Notes including a summary of significant accounting policies; and
- Directors' Declaration.

The **Group** consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Key Audit Matters

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

The Key Audit Matter we identified was the valuation of goodwill relating to Tactical Communications and Zetron.

This matter was addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

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Tactical Communications and Zetron Goodwill (\$186.5 million)

Refer to Note 16 to the financial report

The key audit matter	How the matter was addressed in our audit
<p>A key audit matter for us was the annual impairment testing of goodwill allocated to Tactical Communications and Zetron operating segments, given the size of the balance (being 32% of total assets) and the recency of the two significant acquisitions that resulted in the recognition of the large majority of this goodwill balance (\$140.2 million).</p> <p>The Group acquired Domo Tactical Communications and Zetron in FY21. These acquisitions and subsequent integration into existing operations of the Group necessitate ongoing consideration of the Group's determination of cash generating units ("CGUs"), and the level at which goodwill should be allocated and measured for impairment testing purposes.</p> <p>We focussed on the significant forward-looking assumptions the Group applied in the value in use models for Tactical Communications and Zetron, including:</p> <ul style="list-style-type: none"><li>Forecast cashflows, growth rates and terminal growth rates – the Group's models are highly sensitive to small changes in these assumptions, reducing available headroom. This drives additional audit effort specific to their feasibility and consistency of application to the strategy of the Tactical Communications and Zetron operating segments.</li><li>Forecast foreign exchange rates – the Tactical Communications and Zetron operating segments transact in several foreign countries therefore the Group uses forecast foreign exchange rates to translate these foreign operations into Australian Dollar.</li><li>Discount rate – these are complicated in nature and vary according to the conditions and environment the specific CGU's are subject to from time to time.</li><li>The Group's modelling is highly sensitive to small changes in the discount rate. We involve our valuations specialists with the assessment.</li></ul> <p>The Group uses complex models to perform their annual testing of goodwill for impairment. The models are largely manually developed, use adjusted historical performance, and a range of internal and external sources as inputs to the assumptions. Complex modelling using forward-looking assumptions tend to be prone to greater risk for potential bias, error and inconsistent application. These conditions necessitate additional scrutiny by us, in particular to address the objectivity of sources used for assumptions, and their consistent application.</p> <p>We involved valuation specialists to supplement our senior audit team members in assessing this key audit matter.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"><li>We considered the Group's determination of their CGUs based on our understanding of the operations of the Group's business, the impact of Zetron and Domo Tactical Communications acquisition, and, how independent cash inflows were generated, against the requirements of the accounting standards.</li><li>We analysed the Group's internal reporting to assess the Group's monitoring and management of activities, and the consistency of the allocation of goodwill to CGUs or groups of CGU's.</li><li>We considered the appropriateness of the value in use method applied by the Group to perform the annual test of goodwill for impairment against the requirements of the accounting standards.</li><li>We assessed the integrity of the value in use models used, including the accuracy of the underlying calculation formulas.</li><li>We assessed the Group's determination of CGU assets for consistency with the assumptions used in the forecast cash flows and the requirements of the accounting standards.</li><li>We compared the forecast cash flows contained in the value in use models to Board approved forecasts.</li><li>We assessed the accuracy of previous Group forecasts to inform our evaluation of forecasts incorporated in the models.</li><li>We assessed the Group's underlying methodology and documentation for the allocation of corporate costs to the forecast cash flows contained in the value in use model, for consistency with our understanding of the business and the criteria in the accounting standards.</li><li>We assessed the Group's allocation of corporate assets to CGUs for reasonableness and consistency based on the requirements of the accounting standards.</li><li>We checked the consistency of the growth rates to the Group's stated plan and strategy, past performance of the Group, and our experience regarding the feasibility of these in the industry and economic environment in which they operate.</li><li>Working with our valuation specialists we compared the foreign exchange rates to published views of market commentators on future trends.</li><li>Working with our valuation specialists we independently developed a discount rate range considered comparable using publicly available market data for comparable entities, adjusted by risk factors.</li><li>We considered the sensitivity of the models by varying key assumptions, such as forecast growth rates, terminal growth rates and discount rates, within a reasonably possible range. We did this to identify whether the models had a higher risk of impairment and to identify those assumptions at higher risk of bias or inconsistency in application and to focus our further procedures.</li><li>We assessed the disclosures in the financial report against the requirements of the accounting standards.</li></ul>



INDEPENDENT AUDITOR'S REPORT (continued)



Other Information

Other Information is financial and non-financial information in Codan Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

The Other Information we obtained prior to the date of this Auditor's Report was the Director's Report and Remuneration Report. The Chairman's Letter to Shareholders, CEO's Report, Operations Report, Sustainability Report and ASX Additional Information are expected to be made available to us after the date of the Auditor's Report.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not and will not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*;
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: [https://www.auasb.gov.au/admin/file/content102/c3/ar1\\_2020.pdf](https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf). This description forms part of our Auditor's Report.



Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Codan Limited for the year ended 30 June 2022, complies with *Section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

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 responsibilities

We have audited the Remuneration Report included in pages 3 to 11 of the Directors' report for the year ended 30 June 2022.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.



Paul Cenko  
Partner

Adelaide  
17 August 2022

This is the original version of the audit report over the financial statements signed by the directors on 17 August 2022. Page references should be read as follows to reflect the correct references now that the financial statements have been presented in the context of the annual report in its entirety: the Remuneration Report is set out on pages 47 to 55, as opposed to pages 3 to 11 outlined above.

ASX ADDITIONAL INFORMATION

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

Shareholdings as at 12 August 2022

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	27,894,135

Distribution of equity security holders

Number of shares held	Number of equity security holders Ordinary shares	Issued Capital %
1 - 1,000	6,751	1.5%
1,001 - 5,000	4,163	5.7%
5,001 - 10,000	964	4.0%
10,001 - 100,000	802	10.7%
100,001 and Over	65	78.0%
Total	12,745	100%

The number of shareholders holding less than a marketable parcel of ordinary shares is 631.

Securities exchange

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

Other securities on issue

The company has performance rights on issue in addition to ordinary shares. The detail of the securities held as at 12 August 2022 are as follows:

Class of security	Number of holders	Number of securities
Performance Rights	22	545,820

No voting rights attach to the above securities, however, any ordinary shares that are allotted to the holders of the securities upon vesting or conversion of the above mentioned securities will have the same voting rights as all other ordinary Codan shares.

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	Issued Capital %
I B Wall and P M Wall	34,808,151	19.2%
Dareel Pty Ltd	18,762,576	10.4%
Citicorp Nominees Pty Limited	15,112,587	8.4%
HSBC Custody Nominees (Australia) Limited	14,117,681	7.8%
J P Morgan Nominees Australia Limited	12,570,867	6.9%
National Nominees Limited	6,627,630	3.7%
Kynola Pty Ltd	6,627,548	3.7%
Starform Pty Ltd	6,404,224	3.5%
A Bettison	3,562,124	2.0%
BNP Paribas Nominees Pty Ltd	3,090,231	1.7%
M K and M C Heard	2,400,000	1.3%
Mitranikitan Pty Ltd	1,778,194	1.0%
M Choate	1,575,690	0.9%
J A Uhrig	1,237,673	0.7%
Rosevine Pty Ltd	1,107,254	0.6%
Cedara Pty Ltd	1,107,254	0.6%
G Bettison	1,070,485	0.6%
Warren Glen Pty Ltd	800,000	0.4%
Griffina Pty Ltd	742,000	0.4%
D Uhrig and L Uhrig	610,000	0.3%
Total	134,112,169	74.1%

Offices and officers

Company Secretary

Mr Michael Barton BA (ACC), CA

Principal registered office

Technology Park  
2 Second Avenue  
Mawson Lakes, South Australia 5095

**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

- David Simmons (Chairman)
- Alf Ianniello (Managing Director and Chief Executive Officer)
- Peter Leahy AC
- Graeme Barclay
- Kathy Gramp

Company Secretary

Michael Barton

Principal registered office

Technology Park  
2 Second Avenue  
Mawson Lakes, South Australia 5095

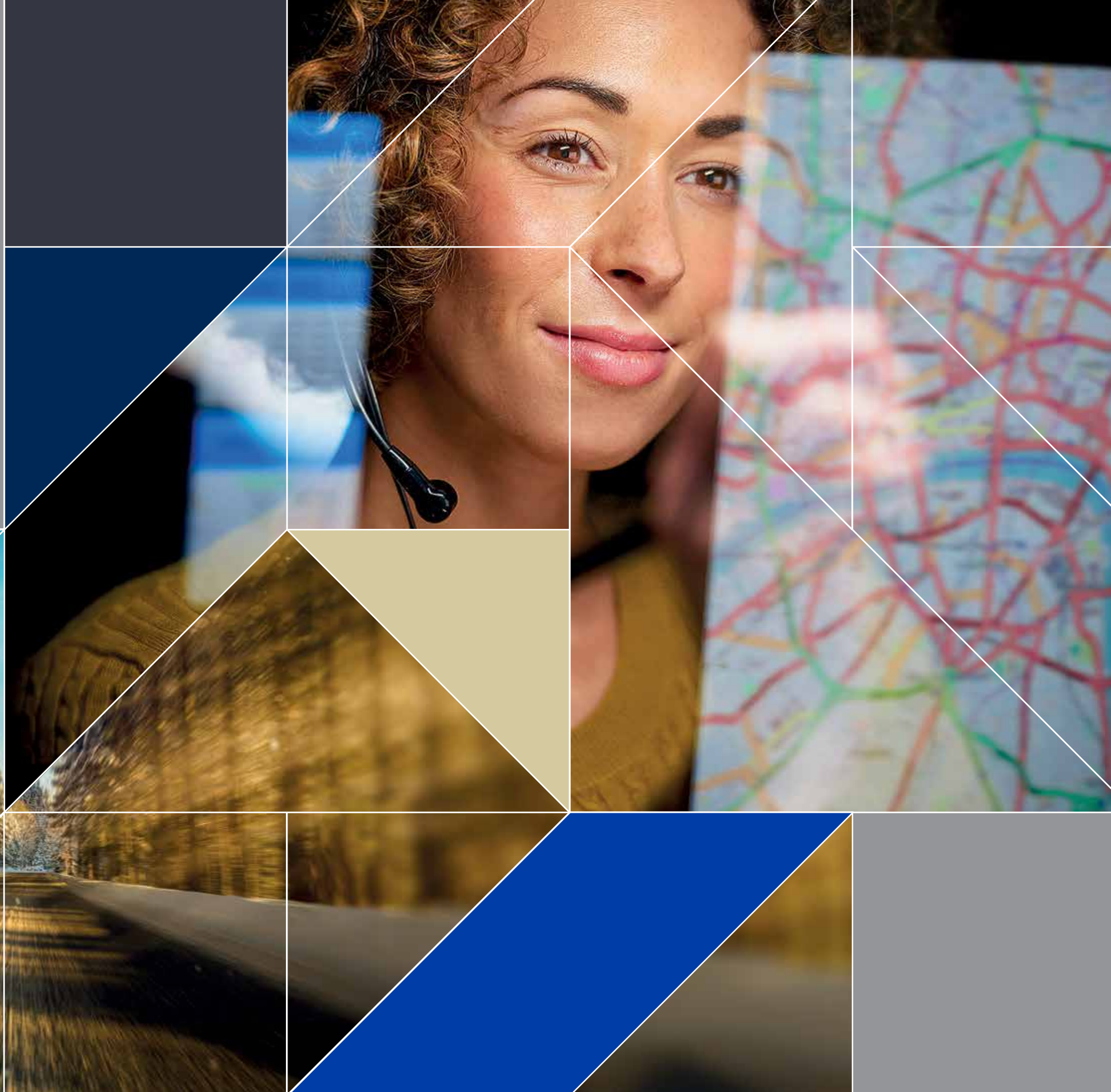
Auditor

KPMG  
151 Pirie Street  
Adelaide, South Australia 5000

Location of share registry

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

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