

**ASX RELEASE**

21 February 2024

**CODAN H1 FY24 RESULTS****H1 FY24 HIGHLIGHTS:**

- Group revenue of \$265.9 million, up 26% versus prior corresponding period (“pcp”)
- Net profit after tax of \$38.1 million, up 24% versus pcp
- Performance by Communications businesses in line with 10 to 15% revenue growth target range:
  - Communications revenues of \$153.6 million, up 12.5% versus pcp, segment profit \$37.8 million, up 9% versus pcp
  - Communications orderbook of \$183 million, +12% versus 30 June 2023
- Metal detection revenues up 49% versus pcp, with all divisions contributing to this growth
- Net debt of \$82.5 million at 31 December 2023, having funded \$30.3 million for the Eagle and Wave Central acquisitions in the period
- Earnings per share of 20.9 cents, up 22% versus pcp
- Interim dividend of 10.5 cents, fully franked
- Results briefing to be held at 11:00am AEDT Wednesday 21 February 2024 ([Click here to register](#))

Codan Limited (“ASX:CDA”, “Codan”, “Group” or “the Company”), the Australian-based technology company, today announced its half year results for the period ending 31 December 2023 (“H1 FY24”).

**Chief Executive, Alf Ianniello, said:**

*“Codan has delivered a solid first half financial result. Aligning our operational efforts to deliver Codan’s strategy has been a driving force behind achieving our first half results. Our objective to consistently deliver against both our strategic and tactical initiatives, ensures we will achieve the goal of building a stronger Codan. Our focus remains on strengthening the business and to deliver sustainable, profitable growth for the future.*

*Our Communications segment achieved 12.5% revenue growth in the first half of FY24 versus pcp with a 25% segment profit contribution. We are pleased with the progress being made in Communications as this business continues to strengthen; with an orderbook of \$183 million, up 12% versus 30 June 2023, we are focused on greater revenue stability and predictability. Eagle and Wave Central businesses, acquired during the reporting period, are performing well with integration activities progressing as planned.*

*Our metal detection business delivered a strong first half with each of Minelab’s businesses, RoW<sup>1</sup>, Minelab Africa and Countermine delivering increased revenues, collectively up 49% on the pcp.”*

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<sup>1</sup> Rest of World, excluding Africa

Codan Summary Financial Performance				
	Half Year ended			
	Dec-23		Dec-22	
	\$m	% of Sales	\$m	% of Sales
<b>Revenue</b>				
Communications products	153.6	58%	136.6	64%
Metal detection	110.0	41%	73.8	35%
Other	2.3	1%	1.4	1%
<b>Total Revenue</b>	<b>265.9</b>	<b>100%</b>	<b>211.8</b>	<b>100%</b>
<b>Business performance</b>				
<b>EBITDA</b>	70.7	27%	55.2	26%
<b>EBIT</b>	54.4	20%	41.5	20%
Interest	(4.6)		(2.0)	
<b>Net profit before tax</b>	<b>49.8</b>	<b>19%</b>	<b>39.5</b>	<b>19%</b>
<b>Taxation</b>	(11.7)		(8.7)	
<b>Net profit after tax</b>	<b>38.1</b>	<b>14%</b>	<b>30.8</b>	<b>15%</b>
Earnings per share, fully diluted	20.9 cents		17.1 cents	
Interim ordinary dividend per share	10.5 cents		9.0 cents	

\*The interim ordinary fully franked dividend has a record date of 27 February 2024 and will be paid on 12 March 2024.

At group level, revenue was up 26%. This result reflects strong organic growth complemented by contributions from acquired businesses, in line with our strategy.

Expenses were higher primarily due to acquisitions, higher variable remuneration linked to improved financial performance, integration costs, investment into strengthening sales teams and the people, processes and systems required to deliver the group's future strategic growth initiatives.

Despite the increase in the expense base, EBIT and NPAT were up 31% and 24% respectively versus pcp.

### **Net Debt and Balance Sheet**

Net debt increased by \$30.8 million during the half to \$82.5 million at 31 December 2023, having paid aggregate upfront cash consideration for the acquisition of Eagle and Wave Central (\$30.3 million) in the period, as well as paying the FY23 final dividend in September 2023 (\$17.2 million).

The reduction in inventory of \$3 million to \$118.4 million at 31 December 2023, is mainly from the planned sell-down of Minelab's African market overstocked gold detectors. This is expected to continue into the second half, contributing to forecast stronger second half cash generation and a reduction in net debt by June 2024.

### **Communications (Tactical & Zetron)**

Codan Communications designs and manufactures mission-critical communication solutions for global military and public safety applications. These solutions allow customers to save lives, enhance security and support peacekeeping activities worldwide.

Codan Communications revenues increased 12.5% to \$153.6 million versus pcp, in the middle of our 10 to 15% growth target range. This increase was driven by Zetron delivering a strong first half, complemented by the acquisition of two high-quality businesses during the first half of FY24 (Eagle and Wave Central). Communications segment profit was \$37.8 million, up 9% versus pcp, reporting a 25% segment profit margin similar to pcp.

After normalising for the impact of the large Communications project delivered in the first half of FY23 (approximately \$12 million) and excluding the contribution from acquisitions in the period, Communications achieved 14% revenue growth versus pcp. Tactical Communications experienced geopolitical and market disruptions which impacted African sales, with growth achieved in other key markets. Zetron achieved significant growth in the first half of FY24, as the business continues to deliver revenue synergies from its expanded business and win major command and control system contracts in the utilities, transport and public safety markets.

In August 2023, Codan announced the acquisition of Eagle, a UK command and control solutions business, significantly strengthening Zetron's presence in the UK public safety market. The integration is tracking to plan, including a successful rebrand to Zetron Limited. Zetron Limited (formerly Eagle) delivered a solid first half result, with the completion of London Underground Connect, completion of phases 1 and 2 Royal Oman Police project and completion of the UK Home Office Emergency Services Network. After expensing year 1 integration costs, the Company expects Zetron Limited (Eagle) to contribute marginally to Codan's FY24 profitability, which is in line with the acquisition case.

The acquisition of the United States based business of Wave Central in December 2023 is consistent with Codan's growth strategy to acquire complementary businesses, leveraging the Company's radio and wireless technology to build scale in key target markets.

Communications aggregate orderbook grew to \$183 million at 31 December 2023 (+12% versus 30 June 2023), driven by the newly acquired business.

After normalising for the large Communications project delivered in FY23 (approximately \$20 million), and excluding the benefit of acquisitions made in the period, the Company continues to target revenue growth in the 10 to 15% range. With the benefit of acquisitions made in FY24, Communications overall growth is expected to exceed the targeted 15%.

### **Metal Detection (Minelab)**

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

Minelab's revenue of \$110 million for H1 FY24 is a 49% increase versus pcp. As a result of operating leverage, Minelab increased segment profit margin to 34% during the half versus 31% in the pcp.

RoW revenues continue to remain remarkably resilient, despite a challenging macroeconomic environment. Newly released products of Manticore, Equinox 700|900 and X-Terra Pro have contributed to the growth in first half FY24 revenues. However, as the first anniversary release date of these products passes, revenues are expected to normalise during the second half. Minelab continues to invest in further developing its technology platform while continuing to progress its geographic expansion strategy and further expanding its retail footprint in the US and Europe. The business is well placed for future growth. The Company is targeting RoW revenues for the full FY24 year to continue to grow at high single digits over FY23.

Minelab Africa delivered an improved first half result, with revenues of circa \$30 million, increasing half on half as well as versus pcp. Despite the Sudan region of Northeast Africa still being disrupted, it was pleasing to see an improvement in revenues achieved in Northwest Africa. Africa has historically delivered a stronger second half result due to seasonality in this market. At this stage, it is too early for the Company to determine whether seasonality improvements will apply in FY24.

Countermine had an excellent first half with the delivery of several Government contracts to support humanitarian efforts to de-mine in Ukraine. Given the nature of these projects, the expectation is that the first half Countermine performance will not be repeated in the second half. Nevertheless, Countermine is on track to deliver an exceptional FY24 result.

Overall, Minelab is targeting to achieve a second half result similar to the first half of FY24, representing over 20% revenue growth versus FY23.

### **Outlook**

When considering the outlook for the balance of FY24:

- After normalising for the large Communications project delivered in FY23 (approximately \$20 million), and excluding the benefit of acquisitions, the Company continues to target revenue growth in the 10 to 15% range. With the benefit of acquisitions made in FY24, Communications overall growth is expected to exceed the top end of the targeted range; and
- Minelab is targeting a second half result similar to the first half, with FY24 revenue growth of 20% versus FY23.

The Company will continue to keep shareholders updated as H2 FY24 progresses.

**H1 FY24 Results Briefing**

A briefing with Managing Director, Alf Ianniello, at 11:00am (Australian Eastern Daylight Time) on 21 February 2024. This briefing will be available via the following link – [2024 Half Year Results Announcement](#).

On behalf of the Board



Michael Barton  
Company Secretary

This announcement was authorised 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:**

Alf Ianniello  
Managing Director & CEO  
Codan Limited  
(08) 8305 0392

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

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**Codan Limited  
and its controlled entities**

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

**Period ended on 31 December 2023**

ABN 77 007 590 605	Previous corresponding period 31 December 2022
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<b>Results for announcement to the market</b>				\$A'000
Revenue from ordinary activities	Increased	26%	to	265,918
Profit after tax	Increased	24%	to	38,094
Profit from ordinary activities after tax attributable to members	Increased	23%	to	38,039
Net profit for the period attributable to members	Increased	23%	to	38,039
<b>Dividends</b>	Amount per security		Franked amount per security at 30% tax	
<b>current period:</b> Interim dividend proposed	10.5 cents		10.5 cents	
<b>Year end 30 June 2023:</b> Final dividend paid	9.5 cents		9.5 cents	
Record date for determining entitlements to dividends:	27 February 2024			
<i>Brief explanation of any figures disclosed above which is necessary to enable the figures to be understood:</i>				
The 31 December 2023 Financial Report and the Market Announcement dated 20 February 2024 form part of, and should be read in conjunction with, this Preliminary Final Report (Appendix 4D).				
This report is based on half-year financial statements that have been externally reviewed. The auditor's review report is included in the Interim Financial Report for the half year ended 31 December 2023.				

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

**Interim Financial Report  
for the half year ended  
31 December 2023**

## Directors' report

Codan Limited and its Controlled Entities

The directors present their report together with the consolidated interim financial report for the half year ended 31 December 2023 and the auditor's review report thereon.

### Directors

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

<b>Name</b>	<b>Period of Directorship</b>
Graeme Barclay (Chairman)	Director since February 2015
Alf Ianniello (Managing Director and CEO)	Director since January 2022
Kathy Gramp	Director since November 2015
Sarah Adam-Gedge	Director since February 2023
Heith Mackay-Cruise	Director since March 2023

### Principal activities

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

### Review and results of operations

Summary:

- Group revenue of \$265.9 million, up 26% versus prior corresponding period ("pcp")
- Net profit after tax of \$38.1 million, up 24% versus pcp
- Performance by Communications businesses in line with 10 to 15% revenue growth target range:
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  - Communications orderbook of \$183 million, +12% versus 30 June 2023
- Metal detection revenues up 49% versus pcp, with all divisions contributing to this growth
- Net debt of \$82.5 million at 31 December 2023, having funded \$30.3 million for the Eagle and Wave Central acquisitions in the period
- Earnings per share of 20.9 cents, up 22% versus pcp
- Interim dividend of 10.5 cents, fully franked

The company has delivered a strong first half financial result. Aligning operational efforts to deliver its strategy has been a driving force behind achieving the first half results. The company's objective to consistently deliver against both its strategic and tactical initiatives, ensures it will achieve the goal of building a stronger Codan. Its focus remains on strengthening the business and to deliver sustainable, profitable growth for the future.

The Communications segment achieved a 12.5% revenue growth in the first half of FY24 versus pcp with a 25% segment profit contribution. With an orderbook of \$183 million, up 12% versus 30 June 2023, the company is focused on greater revenue stability and predictability. Eagle and Wave Central businesses, acquired during the reporting period are performing well with integration activities progressing as planned.

The metal detection business also delivered a strong first half, with each of Minelab's businesses, RoW<sup>1</sup>, Minelab Africa, and Countermine delivering increased revenues, collectively up 49% on the pcp.

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<b>EBITDA</b>	70.7	27%	55.2	26%
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RoW revenues continue to remain remarkably resilient, despite a challenging macroeconomic environment. Newly released products of Manticore, Equinox 700|900 and X-Terra Pro have contributed to the growth in first half FY24 revenues. However, as the first anniversary release date of these products passes, revenues are expected to normalise during the second half. Minelab continues to invest in further developing its technology platform while continuing to progress its geographic expansion strategy and further expanding its retail footprint in the US and Europe. The business is well placed for future growth. The Company is targeting RoW revenues for the full FY24 year to continue to grow at high single digits over FY23.

Minelab Africa delivered an improved first half result, with revenues of circa \$30 million, increasing half on half as well as versus pcp. Despite, the Sudan region of Northeast Africa still being disrupted, it was pleasing to see an improvement in revenues achieved in Northwest Africa. Africa has historically delivered a stronger second half result due to seasonality in this market. At this stage, it is too early for the Company to determine whether seasonality improvements will apply in FY24.

Countermine had an excellent first half with the delivery of several Government contracts to support humanitarian efforts to de-mine in Ukraine. Given the nature of these projects, the expectation is that the first half Countermine performance will not be repeated in the second half. Nevertheless, Countermine is on track to deliver an exceptional FY24 result.

Overall, Minelab is targeting to achieve a second half result similar to the first half of FY24, representing over 20% revenue growth versus FY23.

### **Outlook**

When considering the outlook for the balance of FY24:

- After normalising for the large Communications project delivered in FY23 (approximately \$20 million), and excluding the benefit of acquisitions, the Company continues to target revenue growth in the 10 to 15% range. With the benefit of acquisitions made in FY24, Communications overall growth is expected to exceed the top end of the targeted range; and
- Minelab is targeting a second half result similar to the first half of FY24, with FY24 revenue growth of 20% versus FY23

The Company will continue to keep shareholders updated as H2 FY24 progresses.

### **State of Affairs**

There were no significant changes in the state of affairs of the group other than those referred to in this financial report.

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

The lead auditor's independence declaration is set out on page 6 and forms part of the directors' report for the half year ended 31 December 2023.

### **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:



G Barclay  
*Director*



A Ianniello  
*Director*

Dated this 20<sup>th</sup> day of February 2024.

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

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To the Directors of Codan Limited

I declare that, to the best of my knowledge and belief, in relation to the review of Codan Limited for the half-year ended 31 December 2023 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- ii. no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

Julie Cleary  
Partner

Sydney

20 February 2024

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# Consolidated interim income statement for the half year ended 31 December 2023

Codan Limited and its Controlled Entities

		Consolidated	
	Note	Half Year Ended 31 December 2023 \$'000	Half Year Ended 31 December 2022 \$'000
Revenue	2	265,918	211,816
Cost of sales		(119,813)	(94,143)
<b>Gross profit</b>		<b>146,105</b>	<b>117,673</b>
Other income		1,184	739
Administrative expenses		(22,849)	(16,413)
Sales and marketing expenses		(50,796)	(42,701)
Engineering expenses		(18,079)	(15,624)
Net financing costs	3	(5,538)	(4,177)
Other expenses		(190)	-
<b>Profit before tax</b>		<b>49,837</b>	<b>39,497</b>
Income tax expense	5	(11,743)	(8,660)
<b>Profit for the period</b>		<b>38,094</b>	<b>30,837</b>
<b>Attributable to:</b>			
Equity holders of the company		38,039	30,916
Non-controlling interests		55	(79)
		<b>38,094</b>	<b>30,837</b>
<b>Earnings per share for profit attributable to the ordinary equity holders of the company:</b>			
Basic earnings per share		21.0 cents	17.1 cents
Diluted earnings per share		20.9 cents	17.1 cents

The consolidated interim income statement is to be read in conjunction with the notes to the interim financial statements set out on pages 12 to 17.

# Consolidated interim statement of comprehensive income for the half year ended 31 December 2023

Codan Limited and its Controlled Entities

	Consolidated	
	Half Year Ended 31 December 2023 \$'000	Half Year Ended 31 December 2022 \$'000
<b>Profit for the period</b>	<b>38,094</b>	30,837
<b>Items that may be reclassified subsequently to profit or loss</b>		
Changes in fair value of cash flow hedges	1,697	171
less tax effect	<u>(509)</u>	<u>(51)</u>
Changes in fair value of cash flow hedges, net of income tax	1,188	120
Exchange differences on translation of foreign operations	<u>(11,161)</u>	<u>3,355</u>
<b>Other comprehensive income for the period, net of income tax</b>	<b>(9,973)</b>	3,475
<b>Total comprehensive income for the period</b>	<b><u>28,121</u></b>	<b><u>34,312</u></b>
<b>Attributable to:</b>		
Equity holders of the company	28,066	34,391
Non-controlling interests	<u>55</u>	<u>(79)</u>
	<b><u>28,121</u></b>	<b><u>34,312</u></b>

The consolidated interim statement of comprehensive income is to be read in conjunction with the notes to the interim financial statements set out on pages 12 to 17.

# Consolidated interim balance sheet as at 31 December 2023

Codan Limited and its Controlled Entities

	Note	31 December 2023 \$'000	Consolidated 30 June 2023 \$'000
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		23,593	23,661
Trade and other receivables		74,857	71,019
Inventory		118,411	121,401
Current tax assets		1,488	359
Other assets		27,048	17,851
<b>Total current assets</b>		<u>245,397</u>	<u>234,291</u>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		39,206	37,707
Right-of-use assets		36,809	38,555
Product development		117,286	108,174
Intangible assets		300,526	273,974
Other assets		1,200	600
<b>Total non-current assets</b>		<u>495,027</u>	<u>459,010</u>
<b>Total Assets</b>		<u>740,424</u>	<u>693,301</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		108,672	110,827
Lease liabilities		6,594	5,988
Current tax payable		6,837	7,439
Provisions		13,585	14,107
<b>Total current liabilities</b>		<u>135,688</u>	<u>138,361</u>
<b>NON-CURRENT LIABILITIES</b>			
Trade and other payables		25,916	16,977
Loans and borrowings		106,125	75,380
Lease liabilities		41,652	44,023
Deferred tax liabilities		8,828	7,317
Provisions		4,517	4,908
<b>Total non-current liabilities</b>		<u>187,038</u>	<u>148,605</u>
<b>Total liabilities</b>		<u>322,726</u>	<u>286,966</u>
<b>Net assets</b>		<u>417,698</u>	<u>406,335</u>
<b>EQUITY</b>			
Share capital		50,319	49,196
Reserves		87,795	98,424
Retained earnings		279,584	258,715
<b>Total equity</b>		<u>417,698</u>	<u>406,335</u>
Total equity attributable to the equity holders of the company		418,008	406,700
Non-controlling interests		(310)	(365)
		<u>417,698</u>	<u>406,335</u>

The consolidated interim balance sheet is to be read in conjunction with the notes to the interim financial statements set out on pages 12 to 17.



## Consolidated interim statement of changes in equity for the half year ended 31 December 2023

Codan Limited and its Controlled Entities

### Consolidated

Half year ended 31 December 2023	Share capital \$'000	Foreign currency translation reserve \$'000	Hedging reserve \$'000	Equity based payment reserve \$'000	Profit reserve \$'000	Retained earnings \$'000	Total \$'000
<b>Balance as at 30 June 2023</b>	49,196	38,458	(874)	1,859	58,981	258,715	406,335
Profit for the period	-	-	-	-	-	38,094	38,094
Performance rights expensed	-	-	-	467	-	-	467
Change in fair value of cash flow hedges	-	-	1,188	-	-	-	1,188
Exchange differences on translation of foreign operations	-	(11,161)	-	-	-	-	(11,161)
	<b>49,196</b>	<b>27,297</b>	<b>314</b>	<b>2,326</b>	<b>58,981</b>	<b>296,809</b>	<b>434,923</b>
<b>Transactions with owners of the company</b>							
Dividends recognised during the period	-	-	-	-	-	(17,225)	(17,225)
Allocation of Treasury Shares	1,123	-	-	(1,123)	-	-	-
<b>Balance at 31 December 2023</b>	<b>50,319</b>	<b>27,297</b>	<b>314</b>	<b>1,203</b>	<b>58,981</b>	<b>279,584</b>	<b>417,698</b>

### Consolidated

Half year ended 31 December 2022	Share capital \$'000	Foreign currency translation reserve \$'000	Hedging reserve \$'000	Equity based payment reserve \$'000	Profit reserve \$'000	Retained earnings \$'000	Total \$'000
<b>Balance as at 30 June 2022</b>	47,059	26,486	(2,292)	3,256	58,981	234,466	367,956
Profit for the period	-	-	-	-	-	30,837	30,837
Performance rights expensed	-	-	-	82	-	-	82
Change in fair value of cash flow hedges	-	-	120	-	-	-	120
Exchange differences on translation of foreign operations	-	3,355	-	-	-	-	3,355
	<b>47,059</b>	<b>29,841</b>	<b>(2,172)</b>	<b>3,338</b>	<b>58,981</b>	<b>265,303</b>	<b>402,350</b>
<b>Transactions with owners of the company</b>							
Dividends recognised during the period	-	-	-	-	-	(27,175)	(27,175)
Allocation of Treasury Shares	2,137	-	-	(2,137)	-	-	-
<b>Balance at 31 December 2022</b>	<b>49,196</b>	<b>29,841</b>	<b>(2,172)</b>	<b>1,201</b>	<b>58,981</b>	<b>238,128</b>	<b>375,175</b>

The consolidated interim statement of changes in equity is to be read in conjunction with the notes to the interim financial statements set out on pages 12 to 17.

# Consolidated interim statement of cash flows for the half year ended 31 December 2023

Codan Limited and its Controlled Entities

		Consolidated	
	Note	Half Year Ended 31 December 2023 \$'000	Half Year Ended 31 December 2022 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash receipts from customers		267,730	207,235
Cash paid to suppliers and employees		(211,392)	(178,672)
Interest received		90	27
Interest paid		(3,639)	(1,751)
Interest on lease liabilities		(1,036)	(315)
Income taxes (paid)/refunded		(10,343)	(6,594)
<b>Net cash from operating activities</b>		<b>41,410</b>	<b>19,930</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisitions (net of cash acquired)	13	(30,310)	-
Proceeds from disposal of property, plant and equipment		155	-
Proceeds from sale of Tracking Solutions business		1,110	1,921
Payments for capitalised product development		(18,448)	(14,862)
Acquisition of property, plant and equipment		(3,618)	(9,103)
Acquisition of intangibles (computer software and licences)		-	(484)
<b>Net cash used in investing activities</b>		<b>(51,111)</b>	<b>(22,528)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Drawdowns of borrowings		46,000	44,536
Repayments of borrowings		(15,255)	(15,000)
Payment of lease liabilities		(3,429)	(2,006)
Dividends paid	4	(17,225)	(27,175)
<b>Net cash from financing activities</b>		<b>10,091</b>	<b>355</b>
<b>Net increase/(decrease) in cash held</b>		<b>390</b>	<b>(2,243)</b>
Cash and cash equivalents at the beginning of the financial year		23,661	22,613
Effects of exchange rate fluctuations on cash held		(458)	138
<b>Cash and cash equivalents at the end of the half year</b>		<b>23,593</b>	<b>20,508</b>

The consolidated interim statement of cash flows is to be read in conjunction with the notes to the interim financial statements set out on pages 12 to 17.

# Condensed notes to the consolidated interim financial statements for the half year ended 31 December 2023

Codan Limited and its Controlled Entities

## NOTE 1: STATEMENT OF ACCOUNTING POLICY

### (a) Reporting entity

Codan Limited (the "company") is a company domiciled in Australia. The consolidated interim financial report of the company for the half year ended 31 December 2023 comprises the company and its subsidiaries (together referred to as the "group").

### (b) Statement of compliance

The consolidated interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The consolidated interim financial report does not include all of the information required for a full annual financial report and should be read in conjunction with the consolidated annual financial report of the group as at and for the year ended 30 June 2023.

The consolidated annual financial report of the group as at and for the year ended 30 June 2023 is available on request from the company's registered office at 2 Second Avenue, Mawson Lakes, South Australia and is also available on the company's website ([www.codan.com.au](http://www.codan.com.au)).

The company 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.

The consolidated interim financial report was authorised for issue by the directors on 20 February 2024.

### (c) Estimates

The preparation of the consolidated interim financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income, and expense. Actual results may differ from these estimates.

In preparing this consolidated interim financial report, the significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report as at and for the year ended 30 June 2023.

### (d) Material accounting policies

The accounting policies applied in these interim financial statements are the same as those applied in the group's consolidated financial statements as at and for the year ended 30 June 2023.

### (e) Accounting standards issued but not yet effective

A number of new accounting standards and amendments to accounting standards are effective for annual periods beginning after 1 July 2023 and earlier application is permitted. The Group has not early adopted any of the forthcoming new or amended accounting standards in preparing these condensed consolidated interim financial statements.

# Condensed notes to the consolidated interim financial statements for the half year ended 31 December 2023

Codan Limited and its Controlled Entities

## GROUP PERFORMANCE

### NOTE 2: SEGMENT REPORTING

The “Communications” segment includes the design, development, manufacture, and marketing of communication solutions. The “Metal Detection” segment includes the design, development, manufacture, and marketing of metal detection equipment. The “Other” business segment relates to the manufacturing and sale of tracking products to Caterpillar Inc.

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

	<b>Consolidated</b>	
	<b>Half Year Ended 31 December 2023 \$'000</b>	<b>Half Year Ended 31 December 2022 \$'000</b>
<b>Segment revenue</b>		
Communications	153,602	136,557
Metal detection	109,959	73,853
Other	2,357	1,406
	<b>265,918</b>	<b>211,816</b>
<b>Revenue recognition (at a point in time compared to over time)</b>		
Revenue recognised at a point in time	228,738	190,668
Revenue recognised over time	37,180	21,148
	<b>265,918</b>	<b>211,816</b>
<b>Segment result</b>		
Communications	37,851	34,803
Metal detection	37,630	22,572
Other	214	710
	<b>75,695</b>	<b>58,085</b>
Unallocated net financing costs	(4,502)	(3,862)
Unallocated corporate expenses and other income	(21,356)	(14,726)
<b>Profit for the period before income tax expense</b>	<b>49,837</b>	<b>39,497</b>
	<b>31 December 2023 \$'000</b>	<b>30 June 2023 \$'000</b>
<b>Segment assets</b>		
Communications	494,531	454,557
Metal detection	200,446	193,261
Other	554	665
Unallocated corporate assets	44,893	44,818
	<b>740,424</b>	<b>693,301</b>

The group derived its revenues from a number of countries. The only significant country where revenue was 10% or more of total revenue were the United States of America totaling \$111.489 million (2023: \$102.485 million).

# Condensed notes to the consolidated interim financial statements for the half year ended 31 December 2023

Codan Limited and its Controlled Entities

	Consolidated	
	Half Year Ended 31 December 2023 \$'000	Half Year Ended 31 December 2022 \$'000

## **GROUP PERFORMANCE (CONTINUED)**

### **NOTE 3: NET FINANCING COSTS**

Interest income	(90)	(27)
Net foreign exchange (gain)/loss	(441)	146
Cash Flow Hedge (gain)/loss	1,394	1,992
Interest expense	3,639	1,751
Finance charge on lease liabilities	1,036	315
	<b>5,538</b>	<b>4,177</b>

### **NOTE 4: DIVIDENDS**

Codan Limited has provided or paid for dividends as follows:

- ordinary final dividend of 9.5 cents per share paid on 8 September 2023	17,225	
- ordinary final dividend of 15.0 cents per share paid on 7 September 2022		27,175

Since the end of the half year, the directors declared an interim fully franked dividend of 10.5 cents per share payable on 12 March 2024. The financial impact of this interim dividend \$19.038 million has not been brought to account in the group financial statements for the half year ended 31 December 2023 and will be recognised in subsequent financial reports.

## **TAXATION**

### **NOTE 5: INCOME TAX EXPENSE**

Income tax expense is recognised at an amount determined by multiplying the profit (loss) before tax for the interim reporting period by an estimate of the weighted-average annual income tax rate expected for the full financial year, adjusted for the effect of certain items recognised in the interim reporting period. The group's consolidated effective tax rate of 23.6% for the half year ended 31 December 2023 is not materially different to the effective tax rate for the half year ended 31 December 2022 (21.9%).

## **OTHER NOTES**

### **NOTE 6: FINANCIAL INSTRUMENTS**

The group's financial instruments carried at fair value have been valued by using a "level 2" valuation method. Level 2 valuations are obtained from inputs, other than quoted prices, that are observable for the asset or liability either directly or indirectly. At the end of the half year, financial instruments valued at fair value were limited to net foreign currency hedges receivable of \$0.424 million for which an independent valuation was obtained from the relevant banking institution.

### **NOTE 7: CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

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

# Condensed notes to the consolidated interim financial statements for the half year ended 31 December 2023

Codan Limited and its Controlled Entities

## OTHER NOTES (CONTINUED)

### NOTE 8: EVENTS SUBSEQUENT TO REPORTING DATE

An interim dividend was declared after the end of the half year as disclosed in note 4. Other than this, there has not arisen in the interval between the end of the financial period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the company, to affect significantly the operations of the group, the results of those operations, or the state of affairs of the group, in future financial years.

### NOTE 9: RELATED PARTIES

There have been no material changes to arrangements with related parties since 30 June 2023. For details of these arrangements, refer to the 30 June 2023 annual financial report.

### NOTE 10: NET TANGIBLE ASSET / LIABILITY PER SHARE

	31 December 2023	30 June 2023
Net tangible asset per share	4.8 cents	17.4 cents
Net tangible asset per share (excluding right of use assets)	(15.5 cents)	(3.9 cents)

### NOTE 11: EMPLOYEE BENEFITS

The company issued 99,809 performance rights in November 2023 to the Chief Executive Officer. The total expense recognised as employee costs in the half year in relation to performance rights issued was \$0.467 million. The fair value of the rights issued in the year has been measured consistently with the method disclosed in the annual report for the year ended 30 June 2023.

As at 30 June 2023, the number of performance rights on issue was 777,325, out of which 148,019 vested during the half year ended 31 December 2023, which had a weighted average share price of \$7.59. There were 26,980 performance rights cancelled and with the above-mentioned new performance rights issued, this resulted in a total closing balance of 702,135 as at 31 December 2023.

### NOTE 12: 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.

A refinancing agreement for the bank facilities were agreed upon (and detailed in paragraph below), with the drawdown amount being \$106.14 million as at 31 December 2023.

The first multi-option facility is for \$120 million and has a term of three years expiring in July 2026. The second facility is for \$20 million and has a term of 12 months expiring in June 2024, this facility was undrawn as at 31 December 2023. A third multi-option facility for \$150 million may be available subject to financial institutions approval.

# Condensed notes to the consolidated interim financial statements for the half year ended 31 December 2023

Codan Limited and its Controlled Entities

## OTHER NOTES (CONTINUED)

### NOTE 13: ACQUISITIONS

On 2 August 2023, Codan acquired all of the shares in Eagle NewCo Limited (Eagle), a UK command and control solutions business for an upfront cost of \$22.359 million inclusive of \$2.451 million in cash that was held by the business. This acquisition is consistent with Codan's inorganic growth strategy to acquire technology and capability through complementary acquisitions that accelerate growth, with this acquisition focused on its core public safety market segment. Eagle will be integrated into Codan's Zetron business and will significantly strengthen Zetron's presence in the UK public safety market and provides a platform to further expand Zetron's business across Europe and the Middle East.

From the acquisition date, Eagle 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 estimated fair value of assets acquired and liabilities assumed and the estimated goodwill at the acquisition date.

<b>Estimated fair value of consideration transferred</b>	<b>\$000</b>
Cash paid	22,359
Acquiree's cash balance at acquisition date	(2,451)
	19,908
<b>Estimated fair value of identifiable assets acquired and liabilities assumed, on a provisional basis</b>	
Total assets	13,623
Total liabilities	(15,323)
	(1,700)
<b>Estimated goodwill as a result of the acquisition</b>	
Estimated fair value of consideration transferred	19,908
Estimated fair value of identifiable (assets) acquired less liabilities assumed, on a provisional basis	1,700
	21,608

The identification and fair value measurement of the assets and liabilities acquired are provisional and amendments may be made to these figures up to 12 months following the date of acquisition if new information is obtained about facts and circumstances that existed at the acquisition date and, if known, would have affected the measurement of the amounts recognised as of that date. The goodwill is mainly attributable to the synergies that will be realised by incorporating Eagle into Codan's Communications business, its strong position in the UK public safety market and customer loyalty. The goodwill is not expected to be deductible for tax purposes.

On 1 December 2023, Codan acquired all of the shares Wave Central LLC (Wave Central), a leading North American systems integrator of wireless broadcast solutions for an upfront cost of \$11.272 million inclusive of \$0.870 million in cash that was held by the business. If certain gross margin targets are achieved over the three-year period after completion, additional earn-out payments of up to \$12.101 million will be required. An estimated portion of this potential earn-out (contingent consideration) of \$8.784 million has been recognised as Trade and other payables in the group's Consolidated Balance Sheet as at 31 December 2023. The acquisition of Wave Central is consistent with Codan's growth strategy to acquire complementary businesses and to leverage our radio and wireless technology to build scale in the markets we target. Tactical Communications has a dominant presence in wireless camera links in the European broadcast market and this acquisition will allow the business to leverage Wave Central's strong reputation and market leading system integration capability, to drive growth in North America. The combined strengths of Domo Broadcast and Wave Central will increase opportunities in news coverage for live events, college and professional sports, film production and unmanned applications in the growing global remote broadcast market.

From the acquisition date, Wave Central 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 estimated fair value of assets acquired and liabilities assumed and the estimated goodwill at the acquisition date.

# Condensed notes to the consolidated interim financial statements for the half year ended 31 December 2023

Codan Limited and its Controlled Entities

## OTHER NOTES (CONTINUED)

### NOTE 13: ACQUISITIONS (CONTINUED)

<b>Estimated fair value of consideration transferred</b>	<b>\$000</b>
Cash paid	11,272
Contingent consideration	8,784
Acquiree's cash balance at acquisition date	(870)
	<b>19,186</b>
<b>Estimated fair value of identifiable assets acquired and liabilities assumed, on a provisional basis</b>	
Total assets	12,149
Total liabilities	(2,836)
	<b>9,313</b>
<b>Estimated goodwill as a result of the acquisition</b>	
Estimated fair value of consideration transferred	19,186
Estimated fair value of identifiable assets acquired and liabilities assumed, on a provisional basis	(9,313)
	<b>9,873</b>

The identification and fair value measurement of the assets and liabilities acquired are provisional and amendments may be made to these figures up to 12 months following the date of acquisition if new information is obtained about facts and circumstances that existed at the acquisition date and, if known, would have affected the measurement of the amounts recognised as of that date. The goodwill is mainly attributable to the contingent consideration that will be paid as synergies are realised by incorporating Wave Central into Tactical Communication's business. The goodwill is expected to be deductible for tax purposes.

### NOTE 14: GOODWILL

Reconciliation of Goodwill:

Carrying Amount at Beginning of Year	263,576
Additions through entities acquired (net value)	31,481
Net foreign currency differences on translation of foreign entities	(7,122)
Carrying Amount as at 31 December 2023	<b>287,935</b>



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## Directors' declaration

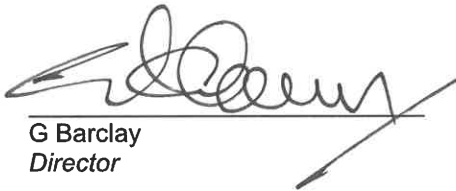
Codan Limited and controlled entities

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

- (a) the financial statements and notes, set out on pages 7 to 17, are in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2023 and of its performance for the six-month period ended on that date and
  - (ii) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Dated at Mawson Lakes this 20<sup>th</sup> day of February 2024.

Signed in accordance with a resolution of the directors:



G Barclay  
Director



A Ianniello  
Director



# Independent Auditor's Review Report

To the shareholders of Codan Limited

## Conclusion

We have reviewed the accompanying **Interim Financial Report** of Codan Limited.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Interim Financial Report of Codan Limited does not comply with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Group's** financial position as at 31 December 2023 and of its performance for the Half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The **Interim Financial Report** comprises:

- Consolidated interim balance sheet as at 31 December 2023;
- Consolidated interim income statement, consolidated interim statement of comprehensive income, consolidated interim statement of changes in equity and consolidated interim statement of cash flows for the Half-year ended on that date.
- Notes 1 to 14 comprising a summary of material accounting policies and other explanatory information; and
- The Directors' Declaration.

The Group comprises Codan Limited (the Company) and the entities it controlled at the half year's end or from time to time during the half-year.

## Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with these requirements.

## Responsibilities of the Directors for the Interim Financial Report

The Directors of the Company are responsible for:

- the preparation of the Interim Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*; and
- such internal control as the Directors determine is necessary to enable the preparation of the Interim Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.



## Auditor's Responsibilities for the Review of the Interim Financial Report

Our responsibility is to express a conclusion on the Interim Financial Report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the Interim Financial Report does not comply with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as of 31 December 2023 and its performance for the Half-year ended on that date and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of an Interim Financial Report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with *Australian Auditing Standards* and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

*KPMG*

KPMG

Julie Cleary  
Partner

Sydney

20 February 2024

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