

20 September 2023

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

Dear Sir/Madam

FY23 Annual Report

Please find attached a copy of Codan Limited's FY23 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:-

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

Kayi Li
Manager, Investor Relations
Codan Limited
(08) 8305 0392



ANNUAL REPORT 2023

Innovation **wherever you are**



CONTENTS

CODAN FY23 SUMMARY	2
CODAN AT A SNAPSHOT	4
CHAIRMAN'S LETTER TO SHAREHOLDERS	6
CEO'S REPORT	10
METAL DETECTION	16
COMMUNICATIONS	22
ENVIRONMENT, SOCIAL AND GOVERNANCE REPORT	28
BOARD OF DIRECTORS	48
LEADERSHIP TEAM	50
FINANCIAL REPORT	52
ASX ADDITIONAL INFORMATION	124
CORPORATE DIRECTORY	126



Innovation **wherever you are**

Annual General Meeting

The Annual General Meeting of Codan Limited will be held at 11:00 am on Wednesday, 25 October 2023 at Adelaide Oval, War Memorial Drive, North Adelaide, South Australia.

The meeting will also be held virtually via an online platform at <https://meetnow.global/M7P7WC4>

Codan Limited
ABN 77 007 590 605

CODAN FY23 SUMMARY

H2 FY23 underlying net profit after tax of **\$34.7 million** up **13%** versus H1 FY23

Ongoing strength in Communications businesses

FY23 Communications revenue increased **14%** versus FY22 to **\$274 million**

Communications orderbook of **\$163 million** up **9%** versus 30 June 2022

Metal detection revenues **increased 38%** in H2

Annual dividend **18.5 cents** fully franked (interim 9.0 cents, final 9.5 cents)

Statutory earnings per share **37.5 cents**

Underlying earnings per share **36.3 cents**

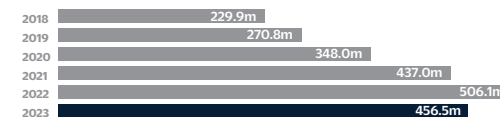
CODAN LIMITED

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.

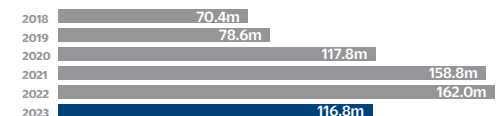
Codan's technologies include metal detection and communications.

We have approximately 750 employees located in Australia, Canada, the USA, the United Kingdom, 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.

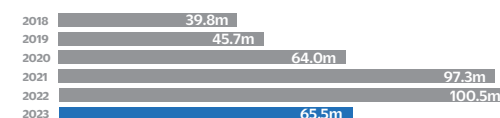
OPERATING REVENUE
\$456.5m



EBITDA
\$116.8m



UNDERLYING NPAT
\$65.5m



Results for the year ended 30 June	Note	2023	% of sales	2022	% of sales	2021	% of sales	2020	% of sales	2019	% of sales	2018	% of sales
Revenue													
Communications		\$274.5m	60%	\$241.7m	48%	\$95.5m	22%	\$104.0m	30%	\$77.6m	29%	\$56.5m	25%
Metal Detection		\$176.1m	39%	\$262.3m	52%	\$326.5m	75%	\$236.4m	68%	\$182.1m	67%	\$164.0m	71%
Other		\$5.9m	1%	\$2.1m	0%	\$15.0m	3%	\$7.6m	2%	\$11.1m	4%	\$9.4m	4%
Total revenue		\$456.5m	100%	\$506.1m	100%	\$437.0m	100%	\$348.0m	100%	\$270.8m	100%	\$229.9m	100%
EBITDA													
EBITDA		\$116.8m	26%	\$162.0m	32%	\$158.8m	36%	\$117.8m	34%	\$78.6m	29%	\$70.4m	31%
EBIT		\$88.90m	19%	\$137.4m	27%	\$139.8m	32%	\$89.6m	26%	\$63.4m	23%	\$53.7m	23%
Interest		(\$5.3)m		(\$1.7)m		(\$1.1)m		(\$0.6)m		(\$0.1)m		(\$0.5)m	
Net profit before tax		\$83.6m	18%	\$135.7m	27%	\$138.7m	32%	\$89.0m	26%	\$63.3m	23%	\$53.2m	23%
Taxation		(\$17.4)m		(\$35.2)m		(\$41.4)m		(\$25.0)m		(\$17.6)m		(\$13.4)m	
Net profit after tax		\$65.5m		\$100.5m		\$90.2m		\$64.0m		\$45.7m		\$39.8m	
Earnings per share, fully diluted		36.5c		55.6c		49.8c		35.3c		25.3c		22.1c	
Ordinary dividend per share		18.0c		28.0c		27.0c		18.5c		9.0c		8.5c	
Special dividend per share		- c		- c		- c		- c		5.0c		4.0c	
Return on equity	1	27%		30%		36%		28%		23%		23%	

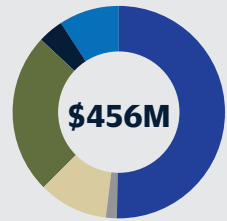
* Non-underlying income/(expenses) are considered to be outside of normal business activities of the group and for comparability reasons have been separately identified. Underlying profit is a non-IFRS measure used by management of the company to assess the operating performance of the business. The 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



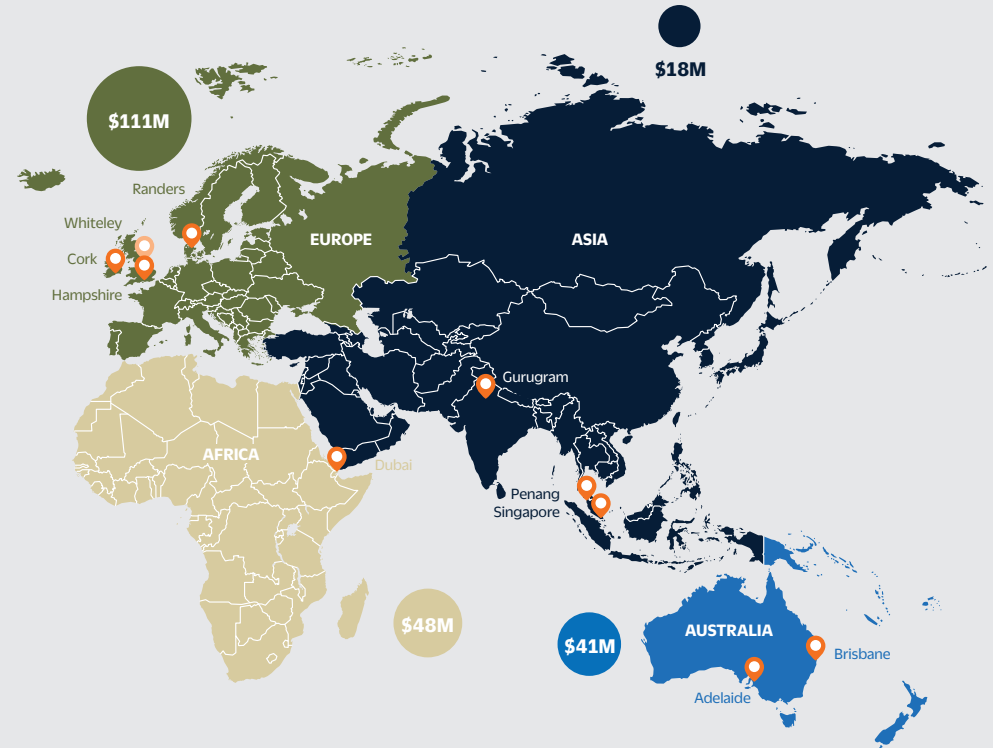
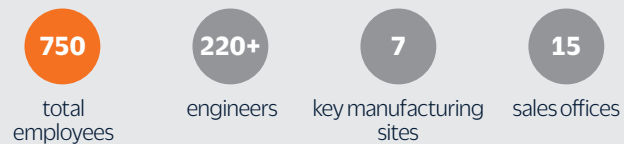
- Africa **\$48M**
- Asia **\$18M**
- Australia **\$41M**
- Europe **\$111M**
- North America **\$230M**
- South America **\$8M**



Business segment sales



Our global technology business



Invest in ourselves



CHAIRMAN'S LETTER TO SHAREHOLDERS



Dear Shareholders,

On behalf of the Codan Board and management team, I am pleased to present our Annual Report for the year ended 30 June 2023.

Year in Review

Overall, the FY23 year has been successful for our businesses with the notable exception of Minelab's performance in Africa.

Our Communications business, comprising Zetron and Tactical Communications, grew revenues 14% over the pcp, and pleasingly increased their segment profit margin to 25%, an improvement from 21% in the pcp. The Zetron and Tactical Communications businesses have both achieved good growth in FY23 and we see significant opportunity for these businesses to continue to grow both organically and inorganically in FY24.

Our Minelab business achieved aggregate revenues in the rest of the world (excluding Africa) and in Countermine equal to FY22 levels, however our revenues from Africa declined -70% compared to the pcp. This reduction was caused by a number of factors including the military coup and civil war in Sudan and the post-Covid reduction in the number of artisanal miners across Africa.

We continue to believe that Minelab is a global leader in gold detector technology, products and capability. Accordingly we are continuing to invest in the product development pipeline that resulted in the launch of 3 new coin and treasure products at the end of 1H FY23. These new products, the Manticore, Equinox 700 and 900 and X-Terra Pro, have exceeded our demand expectations and contributed to Minelab achieving a 38% increase in 2H revenues versus 1H. We are not yet seeing any signs of a significant recovery in Minelab's African revenues, which now run well below 10% of Codan's total revenues.

Financial Performance

In FY23, Codan achieved revenues, EBIT and NPAT that were lower than pcp.

	FY23	FY23 H2	FY23 H1	FY22
	\$'M	\$'M	\$'M	\$'M
Revenues	456.5	244.7	211.8	506.1
EBIT	88.0	46.5	41.5	137.4
Underlying NPAT	65.5	34.7	30.8	100.5

As noted above, other than Minelab's revenue decline in Africa, the rest of the Codan group has performed well in FY23, particularly in 2H with a 12% improvement in Group EBIT between 2H and 1H FY23. We are pleased with the improvement in net debt by \$9 million in the second half of FY23, and see the opportunity to further reduce the working capital invested across the Group in FY24.

Dividend

Codan has a clear policy of distributing approximately 50% of its annual NPAT in dividends, which we affirmed when we released our half year results in February, and for the current year this delivered total dividends to shareholders of 18.5 cents, comprising the interim dividend of 9 cents and the final dividend announced in August 2023 of 9.5 cents.



CHAIRMAN'S LETTER TO SHAREHOLDERS

Strategy & Acquisitions

Codan's strategy of investing in ourselves, strengthening our core businesses through sustained engineering investment in innovation and product development to maintain our competitive position across all segments remains clear, and we have a strong pipeline of product development projects under way in each of Minelab, Tactical Communications and Zetron.

We have also been clear that where we identify acquisition opportunities that allow us to expand our addressable markets, cost effectively accelerate differentiated product development, fill technology gaps or that provide complementary technologies and capabilities, we will pursue bolt-on acquisitions where we believe they will be accretive for shareholders.

With net debt reduced to \$52 million at 30 June, a new medium-term banking facility in place and operating performance continuing to improve, we have a strong balance sheet and low leverage that provides us with the financial flexibility to continue to review inorganic opportunities as they are identified.

Our track record with recent acquisitions provides us with confidence that we have the ability to successfully identify, acquire and integrate businesses into Codan. This is evidenced by the performance under Codan's ownership of DTC, Broadcast Wireless Systems, Zetron and GeoConex, acquired over the past 2 years for an aggregate acquisition cost of -\$175 million that generated combined EBITDA earnings in FY23 of -\$45 million, pleasingly bringing the combined acquisition multiple to less than 4 times EBITDA.

Our strategy to diversify earnings through the investment of capital in Zetron and Tactical Communications over the past 2 years has worked well, with revenues and profitability also now much more evenly balanced across our businesses.

Shareholder Returns

Whilst we opened the year with a share price of \$6.96 and closed the year with a share price of \$8.03, an increase of 15%, I am very conscious that this movement hides the wide range that Codan's shares have traded at during the year. Whilst the share price itself is outside our direct control, we acknowledge that Codan's financial performance does influence our share price and in FY23 our financial performance did not meet our expectations going into the year, for the reasons I have outlined above. I think it is fair to say we are pleased with the improvement in the 2H result versus 1H, and generally with the revenues and profitability achieved during FY23 in all of our key markets in Zetron, Tactical Communications and Minelab in the rest of the world outside of Africa.

Our focus in FY23 has been to grow the quality and sustainability of our earnings from a new baseline (following the Minelab Africa issues) and to do a better job of explaining to our investors the strategy and target addressable markets for each of our businesses, how these businesses are performing and how each is positioned to grow into the future. Other than Minelab's performance in Africa in FY23, I am pleased with the progress that we are making with revenue and profitability growth metrics in each of Zetron, Tactical Communications and Minelab rest of the world. I am confident that the investment community now has a better understanding of each of our businesses, their market opportunity and how they are positioned for growth. I am also confident that by continuing to successfully execute the Codan strategy, and by delivering on our revenue and earnings growth targets, the investment community will better understand and value the Codan group.

To underline the importance of shareholder return performance, a relative total shareholder return performance metric has been introduced to executive long term incentive plans, commencing in FY24.

Codan's strategy of investing in ourselves, strengthening our core businesses through sustained engineering investment in innovation and product development to maintain our competitive position across all segments remains clear, and we have a strong pipeline of product development projects under way in each of Minelab, Tactical Communications and Zetron.

Board Changes

During the year we made a number of changes to your Board. With the retirement of David Simmons as Chair after 14 years as a director and 8 years as Chair, I was appointed as Chair effective from 1 February 2023. Peter Leahy retired at the FY22 AGM also after 14 years as a director. We appreciate the significant contribution made by both David and Peter over their long tenure as directors. These retirements allowed us to appoint two new directors following an external search process. We welcomed Ms Sarah Adam-Gedge and Mr Heith Mackay-Cruise to the Board during February and March 2023, respectively. Both Sarah and Heith are highly credentialled with experience and expertise relevant to building a stronger Codan.

Executive Remuneration

In line with the considerable changes in the organisational structure of the Codan group over the past 2 years, coupled with feedback from shareholders and other stakeholders, the Board has taken the opportunity to evolve the remuneration incentive structure and metrics that apply to the CEO and other Executive KMP for the FY24 year and ongoing. I believe the changes that have been made provide better alignment of incentive rewards for our executive team, particularly our CEO, with shareholders interests. These changes are set out in detail in the remuneration report.

Thank you for your support

We really appreciate your support as shareholders in Codan. Your Board and executive leadership team is committed to accretively and sustainably building shareholder returns by successfully executing on Codan's strategy, and we look forward to providing a trading update at our FY23 AGM later this year.



Graeme Barclay
Chairman



CEO'S REPORT



Dear Shareholders,

Thank you for your continued support and investment in Codan during the 2023 financial year. On behalf of the Board of Directors, I am pleased to present the Annual Report for the year ended 30 June 2023.

FY23 group revenue reduced 10% versus FY22, while underlying net profit after tax declined 35%, this result primarily reflects the disruption of Minelab's African market, partially offset by strong organic growth in Communications and Minelab's recreational detectors in markets outside Africa.

It is most pleasing to see the ongoing strong performance of both Tactical Communications and Zetron, they form an integral part of our overall strategy to improve the diversity of our revenues and provide sustainable and profitable growth into the future.

Growth Strategy and Building a Stronger Codan

Codan's renewed growth strategy is focussed on three core pillars that drive long term value, being:

- Investing in ourselves,
- Strengthen the core business, and
- Disciplined capital allocation.

We continue to make our strategic choices in a disciplined manner using this framework, with strategic investments in people and process, investment in new product development and geographic expansion in new and adjacent markets, primarily within developed markets.

Whilst we continue to invest in our core businesses and execute our organic growth strategy, we are also focused in growing the business via acquisitions. The recent appointment of Daniel Hutchinson (Executive General Manager – Strategy, Corporate Development and M&A) reflects our commitment to expanding Codan's business through targeted strategic acquisitions that complement existing technology, products and markets.

The management team is focused on "Building a Stronger Codan", by leveraging its foundational strengths of profitable growth, cash generation and innovative product development with a greater bias towards creating flexibility in our balance sheet, diversifying our earnings and pointing our resources towards large, global addressable markets in Communications.





The management team is focused on “Building a Stronger Codan”, by leveraging its foundational strengths of profitable growth, cash generation and innovative product development with a greater bias towards creating flexibility in our balance sheet, diversifying our earnings and pointing our resources towards large, global addressable markets in Communications.

Communications (Tactical & Zetron)

Communications had an excellent year in FY23, with both Tactical Communications and Zetron achieving record revenues, with revenues increasing by 14% to \$274 million and a segment profit margin of 25%, up from 21% in FY22.

Success across the Company's Communications businesses reflects the strategic shift to enter large and growing addressable markets, namely military and law enforcement, public safety, unmanned systems and broadcast.

Communications continues to invest in its technology platforms, further enhancing its value proposition to customers, positioning itself as a true end-to-end solutions provider. Throughout the year considerable effort and investment was directed towards strengthening sales teams and ensuring resources and expertise are in place to aggressively pursue opportunities in key growth markets.

Tactical Communications achieved double-digit revenue growth in FY23, driven by ongoing success in key unmanned systems and broadcast markets. During the year, Tactical Communications released the Sentry Mesh 6161 radio, which is a compact and lightweight Software Defined Radio tailored for soldier systems. This increase in capability allows Tactical Communications to bid for significant long-term military programs.

Zetron also achieved double-digit revenue growth in FY23, as the US public safety market continues to grow and recognise the value of Zetron's integrated command and control solutions. Zetron was successfully awarded business, both new and renewal, from an expanding mix of enterprise and government customers throughout North America. Zetron's long-term support contracts provide greater predictability of future revenues and these accounted for ~30% of Zetron's FY23 revenues.

To supplement Communications organic growth initiatives, the Company has also pursued an inorganic growth strategy, as demonstrated by our recent GeoConex and Eagle Newco (Eagle) acquisitions. Communications will continue to target strategically aligned businesses to gain access to new technologies and markets that accelerate its growth trajectory.

The recent announcement of the acquisition of Eagle is consistent with Codan's inorganic growth strategy to acquire technology and capability through bolt-on acquisitions that will accelerate growth in its core Communications segment. Eagle is a leading provider of a suite of command and control systems used by UK and European public safety and transport organisations. Their solutions include emergency call taking, live video streaming and dispatch technologies. These systems are used by phone operators in emergency call centres to prioritise and record incident calls, identify the status and location of responders in the field and effectively dispatch responder personnel.

This acquisition is strategically important for Zetron, providing access to the UK public safety market and a substantial portion of Eagle revenues come from recurring support revenues which provides a stable and predictable income stream.

Metal Detection

Minelab delivered revenues of \$176 million in FY23 (FY22: \$262 million). Notwithstanding, the reduction in Minelab revenues against FY22, which is a direct result of continued disruptions in the Northeast African market, Minelab delivered a stronger second half across all its key divisions, being the African market, Rest of World (RoW) recreational detectors and Countermine. Minelab's FY23 segment profit margin remained stable from H1 at 32%.

Despite increasing inflationary pressures affecting consumer sentiment and discretionary spending, the revenues from RoW recreational detectors have remained remarkably resilient, growing 9% versus pcp after adjusting for the ceased Russian recreational market. During FY23, Minelab made strategic investments into sales and marketing, in order to grow and expand our market reach. The business successfully restructured the European dealer model, optimised e-commerce channel offerings and expanded distribution capabilities. This sector continues to expand beyond the record FY22 levels, which were driven by government stimulus and unprecedented COVID-related demand.

CEO's REPORT

The newly released Manticore, X-Terra Pro, Equinox 700 and 900 detectors have been well received and these products delivered exceptional results driving the 2H FY23 RoW recreational revenue growth.

Within Africa, significant disruptions experienced in the Northeast African region have persisted throughout FY23. The Company has not witnessed any improvement in this disrupted market. Importantly, revenues from other parts of Africa have stabilised and are largely returning to pre-COVID levels. Consistent with previous years, the African market benefited from seasonal conditions in the second half.

Following record Countermine sales in FY22, supported by several large project awards, Countermine delivered another strong result in FY23. The focus for FY23 shifted towards supporting humanitarian efforts to demine in countries such as Ukraine.

ESG

At Codan, we firmly believe the importance of environmental, social and governance (ESG) principles in driving long-term value and sustainable growth. We recognise the importance of environmental sustainability, and we are committed to improving our environmental footprint. During FY23 we have engaged sustainability consultants to understand our organisational carbon footprint. This assessment allows us to identify areas where improvements can be made.

Within our Social pillar, STEM has been a focus area, and I am pleased to see some tangible outcomes delivered to encourage diversity and inclusion for students to pursue a career in STEM. We are also delighted to be honouring the Codan founders with a long-term commitment with the University of Adelaide to fund multiple PhD research scholarships that could span the research fields of AI, electronic engineering, signal processing and/or geophysics. These scholarships will provide Codan with exclusive access to the very best engineering talent and, as a result, exclusive access, and rights to unique and valuable Intellectual Property with the intention to continue to enhance innovation, wherever you are.

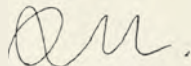
Our commitment to sustainability not only aligns with our corporate values but is also key to driving long-term value.

Our People

Our employees are our most important asset, and we remain dedicated to fostering a positive and inclusive work environment. We have appointed Marjolijn Woods as our Chief Human Resources Officer and implemented various employee engagement programs, including training and development initiatives, health improvement programs and recognition schemes. Our focus on employee well-being and professional growth will increase job satisfaction and differentiate Codan to being an employer of choice.

There is continued focus on investing in ourselves, across our people, systems and processes to support the future growth of the Company. As a global business with a large international workforce, it is important for us to have the right systems in place so this year we will be implementing a Human Resource Information System across all our offices. We continue to invest in our employees to ensure we have the right structure, people, and roles to deliver on the Company's strategic growth plan and build a stronger Codan.

On behalf of the Board and leadership, I would like to express my gratitude to our employees, shareholders, and stakeholders for their unwavering support. Looking ahead, we are optimistic about our company's future, we will continue to invest in our core business areas both organically and inorganically and we remain committed to delivering long term shareholder value. I am confident that with our collective efforts, we will build an even brighter future.



Alf Ianniello
Managing Director and CEO





Minelab is the world leading producer of in-ground metal detection technologies for coin and treasure recreation, gold prospecting, and humanitarian and military demining requirements.

Our significant investment in a leading-edge engineering team, coupled with excellence in design and production quality ensures that we continue to deliver outstanding products. Through global scale and with local execution via offices and logistics operations around the world we continue to focus on our uniting purpose; to deliver innovative technology and exceptional support to all detectorists, the world over.

FY23 Summary

- Successful launches of multiple new detectors
- Continued growth in e-commerce
- 2nd highest year ever of sales for Countermine

A continued focus on new country market development, coupled with our specialist dealer network, an expanding retail and e-commerce presence and a comprehensive product range catering to detectorists from the novice through to the most experienced specialist, has ensured that metal detecting has never been more popular.

FY24 Objectives

- Continue our expansion into the retail channels of North America and Europe
- Maintain growth in direct e-commerce channels
- Develop the next suite of new products
- Foster a highly engaged community of detectorists

Recreation – all targets, all soils, all the time

Minelab's complete range of recreation detectors, including the easy to use yet powerful VANQUISH®, industry leading EQUINOX®, and superior MANTICORE®, enables any detectorist to unearth coins, jewellery, and relics.

We have built upon the revolutionary Multi-IQ® technology that powers the EQUINOX® and VANQUISH® ranges with the development of the new Multi-IQ+. This technology is the foundation for the new MANTICORE® product, helping to deliver improved performance including increased depth, better target separation, and better operating performance in and around more populated urban environments.

Expansion of the North American retail market has continued, with an increase in both instore product ranges as well as the number of stores in which our products are sold. We released the EQUINOX® 700 and 900, the 900 an all in one treasure and gold detector utilising Multi-IQ technology, and the X-TERRA PRO, a fully waterproof switchable frequency detector ideal for serious new entrant detectorists, which have been very well received by detectorists.

The LATAM market has continued to be a focus for Minelab with an expanding dealer network and e-commerce growth into other key regions including Chile, driving overall brand awareness in this region.

In Europe, the new product introductions have driven significant growth and market share gains in the region as the new products have been exceptionally well received. This, coupled with the broadening of the direct dealer network in key geographies has generated market expansion for Minelab. An example of this can be seen in Germany where we have restructured the sales channel in order to more directly drive market growth and we are seeing positive results from this already.

Our growth in the Indian market through the establishment of an entity in-country has exceeded expectations. We continue to grow our dealer network and we have recently launched e-commerce. The potential of this market (now the world's largest populated country and one of the fastest growing economies globally) in the short to medium term is significant.



METAL DETECTION

Our significant investment in a leading-edge engineering team, coupled with excellence in design and production quality ensures that we continue to deliver outstanding products.



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 are 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. Our increased capacity to travel post COVID-19 coupled with greater investment in our sales team is key to the future development of the African market. The sales disruption due to the outbreak of hostilities in Sudan during FY22 continued for most of the year. West Africa has remained solid and development is focussed on several new markets where we are now able to support our dealers who have invested in these markets in recent years.

Countermine – all mines, all soils, all conditions

Minelab Countermine detectors are high-performance metal detectors used in the detection of landmines, unexploded ordnance, improvised explosive devices and explosive remnants of war. In use with humanitarian demining non-government organisations (NGOs), commercial demining companies and militaries, Minelab's range of Countermine detectors include the industry-leading F3™ 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.

Following last year's record sales, Countermine has once again had a very strong year due to its retention of our global market share. This year our results were driven in particular by supporting humanitarian demining NGOs. Significantly, this included supplying large quantities of F3™ detectors to NGOs operating in Ukraine. Additionally, through other agencies, MDS-10® and MF5® detectors were purchased and donated to Ukraine. As hostilities continue in Ukraine and the landmine contamination of the country increases, Minelab will continue to closely liaise with its customer base to ensure the timely supply of detectors is maintained.

Another contribution to strong sales this year was the supply of metal detector (MD) sensor components for the US Army's Handheld Standoff Mine Detection System (HSTAMIDS) which is the US Army's standard issue handheld detector that combines metal detection and ground penetrating radar technologies. We expect to continue the supply of MD sensor components in support of the sustainment of their fleet of detectors.

We will continue to respond to military tenders as they arise and 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.

METAL DETECTION

Minelab: Making a difference

Before the conflict that erupted between Russia and Ukraine in 2022, Minelab was already in the business of making a difference. The F3™ Landmine Detector was playing a crucial role in the humanitarian efforts of HALO Trust. This Non-Governmental Organisation was on the ground, using these detectors to clear hazardous landmines in the eastern regions of Kramatorsk and Mariupol from as early as 2016. The MDS-10®, an innovative blend of Ground Penetrating Radar and Metal Detection sensors, had also been supplied to the Ukrainian military through US Foreign Military Sales.

With the escalation of hostilities, the task at hand grew more formidable. An influx of landmines and war remnants across Ukraine, a tragic fallout of Russia's indiscriminate use of landmines, led to a critical need for superior demining equipment. The casualty toll was not limited to military personnel and was tragically affecting civilian lives, including children.

As the dire situation unfolded, F3™ detectors from Australia's active service inventory were donated. A US-based charity became instrumental in supplying additional F3™ and MDS-10® detectors. It wasn't only existing Minelab models that were being utilized. The Swedish Government, recognising the effectiveness of Minelab's multi-frequency technology, opted for the newest MF5® detectors for in-service operations, and generously purchased additional units for donation to Ukraine.

As the conflict persists, Minelab's metal detectors are becoming increasingly indispensable. Their blend of high-tech design and superior performance is saving lives and facilitating the difficult task of landmine clearance. They serve as an example of how technology can be a powerful tool in mitigating the adverse effects of conflict.





Codan Communications, through the Tactical and Zetron businesses, 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 reputation for quality, reliability and high customer satisfaction by producing innovative, interoperable and industry-leading technology.

FY23 SUMMARY

- Successful acquisition of GeoConex, an existing Zetron business partner
- A record year for orders, revenue and profit
- Experienced significant growth in the Tactical Communications unmanned systems market, with further growth in the law enforcement and broadcast markets
- Successful delivery of broadcast solutions covering high profile sporting events

FY24 OBJECTIVES

- Focus on long term defence funded communications programs in a variety of geographies
- Complete integration of GeoConex and leverage synergies
- Continue the development of new products and solutions for our growing markets



TACTICAL COMMUNICATIONS

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

The DTC business performed strongly in FY23. Integration is largely complete, particularly in the front end of the business which shares a common sales management structure, thereby widening our traditional routes to market.

We have experienced significant growth in the unmanned systems market, with healthy growth also showing in the law enforcement and broadcast markets. In the military market in the United States, we successfully concluded the current delivery schedule of software defined MANET mesh radios to a sensitive military program.

Attention is now focused on winning longer term defence related communications programs in a variety of geographies as they come to market over 2024 and 2025.

The merged operations of DTC Broadcast and Broadcast Wireless Systems, rebranded as Domo Broadcast Systems (DBS), have built on the successes of the previous year and gone from strength to strength. The acquisition has been favourably received in the marketplace, and this is evidenced by the successful delivery of broadcast solutions covering high profile sporting events such as Formula E, Le Mans 24-hour, LIV Golf and Americas Cup yacht race.





ZETRON

The core mission of our Zetron business is to provide communication solutions that help save lives and enable critical operations in public safety, utilities, transportation, and other industries where uninterrupted, always on, always ready communications are non-negotiable.

While the company's products and services continued to play vital and increasing roles in critical communications centres around the world, Zetron completed a number of foundational business initiatives that will strengthen the company's ability to grow and scale. The integration of the legacy Zetron Command & Control and Codan Land Mobile Radio businesses that began after the acquisition of Zetron has now been completed. In FY23 this included a phased reorganisation and resulting realisation of synergies across all business functions, geographies, and teams. Meanwhile, business-wide ERP and CRM migrations were completed, as were office relocations for Zetron's two largest North American employee bases.

The completion of operational improvements did not derail Zetron's go-to-market execution in the present, with the business achieving a record fiscal year for orders, revenue, and profit. All parts of the business successfully contributed to Zetron's largest book of new business ever, including enterprise-level account wins across the entire solutions portfolio. The year was highlighted by international airline customer Air Canada purchasing a multi-year \$10.8 million ACOM* upgrade, while multiple large public safety deals closed as well.

The second half of FY23 was also highlighted by Zetron's successful acquisition of GeoConex, a Zetron business partner since 2009. GeoConex provided the technology behind Zetron's private-labeled MAX Computer Aided Dispatch (CAD) offering and had also grown to be a leading reseller of Zetron's entire MAX portfolio. The acquisition further solidifies and enhances the collective research and development, sales, and support synergies previously established through partnership. The integration of GeoConex has begun, while both companies remain focused on leveraging new synergies to increase the growth of respective CAD system orders.

Domo Tactical Communications (DTC) partners with Draganfly™

In April 2023, DTC and Draganfly, Inc. joined forces to integrate DTC's BluSDR™ wireless communications links into the Draganfly Unmanned Aerial Vehicle (UAV) platform.

Draganfly, a leader in the professional drone industry, offers a wide range of solutions, including contract engineering services, custom software, and professional UAV services. Powered by DTC's MeshUltra technology, this collaboration aims to provide government and defence customers with complete UAV solutions that effectively address various security and tactical challenges.

"We're excited to partner with Draganfly in a market where we are experiencing significant growth with our world-renowned MESH radio technology, which performs in the harshest and most contested environments" said Paul Sangster, President of CODAN Communications.

"We are excited for CODAN and Draganfly to provide innovative solutions to complex problems faced by organisations operating in challenging environments," said Cameron Chell, President and CEO of Draganfly. "Draganfly's being selected to integrate our UAV platform into CODAN's premium Government and Defence platform is an incredible honour and an important milestone as CODAN is a demonstrated global leader in radio and communication technology."

This partnership has garnered a lot of attention within the unmanned market and further enhances DTC's reputation for offering market leading products with regards to size, weight, and power for our customers in the unmanned market.



COMMUNICATIONS

Modernising Emergency Response Communications: Zetron solutions across four USA counties

Emergency services are vital for public safety, prompting agencies operating on older systems to pursue significant upgrades in their operations when funding allows. Zetron works with thousands of agencies every year to ensure their critical communications are always on, and always ready.



Greene County located in the state of New York, Lauderdale County, a bustling community in Mississippi, Douglas County and Chelan County in Washington represent recent examples, where different Zetron solutions were deployed to modernise the emergency communication systems of each region. By partnering with Zetron, each were able to successfully enhance their emergency response capabilities.

Each county faced unique challenges requiring emergency service transformation. Greene County, nestled in the picturesque Catskill Mountains, grappled with heavy workloads stemming from popular outdoor recreational destinations. Lauderdale County confronted issues related to an aging communication system. RiverCom 911 (serving Douglas and Chelan Counties), covering vast areas in the Pacific Northwest, sought to replace an obsolete Land Mobile Radio network. The task for all four was clear: upgrade their emergency communications systems to ensure efficient and reliable emergency response.

Greene County Emergency Services initiated a comprehensive renovation project to handle their heavy workload and improve service efficiency. Deputy Director Randy Ormerod identified the need for a console that streamlined communications between dispatchers and first responders, recognising the criticality of quick information exchange during life-threatening situations. Greene County chose Zetron's ACOM® system, which delivered improved connectivity and equipped dispatchers with advanced capabilities. Lauderdale County 911 faced the challenge of an aging communication system approaching its end-of-life phase. Communications Director Jared Stanley sought an upgrade to support current operations and future scalability. Zetron's MAX System emerged as the ideal solution, with its advanced features and cost effectiveness. RiverCom 911 had an

outdated and poorly performing analog 911 radio system. Given their service area's diverse terrain and extreme weather conditions, a robust land mobile radio communications system was imperative. RiverCom made the decision to adopt Zetron's MT Series, ensuring reliable communication for public safety.

The outcomes of these initiatives have been highly successful. Greene County achieved improved connectivity and better-equipped dispatchers with Zetron's ACOM® system, enhancing their emergency response capabilities. Lauderdale County witnessed increased uptime, improved staff training efficiency, and reliable communication channels by implementing the MAX Call Taking and MAX Dispatch systems. RiverCom ensured uninterrupted land mobile radio connectivity across their vast service area, fulfilling their mission of facilitating emergency dispatch and resource allocation effectively.

"Within a day of deploying the ACOM® system, it was game-on. There were no 'that can't be done' moments. They (Zetron) were open to conversation and listened to our ideas", said Green County's Deputy Directory Randy Ormerod.

"The support we've received from Zetron has been many steps ahead of what we had with our prior vendor", said Lauderdale's Communications Director Jared Stanely.

"When the staff who uses the (new) system doesn't notice any difference, then you're doing something right. It's nice to have Zetron behind me to help when I need it," said Joshua Humphrey, Radio Systems Technical Manager for RiverCom 911.

Through their partnerships with Zetron and the adoption of innovative communication solutions, Greene County, Lauderdale County, Douglas County and Chelan County have successfully established new standards for emergency services.



CEO's statement

Over the last 12 months, across the organisation, we have taken significant strides in embedding our Environment, Social and Governance (ESG) framework.¹ The framework endeavours to both build upon, and enhance the work we do within the communities we operate to provide greater impact.

As part of our commitment to being a responsible company, we joined the United Nations Global Compact (UNGC), and seek to entrench its principles as part of the strategy, culture and day-to-day operations of our company. As a member of the UNGC we sit alongside global entities who are best in class with respect to corporate sustainability.

In line with our Environment pillar, we are committed to understanding our organisational carbon footprint and the subsequent climate risks and opportunities that can affect the long term sustainability of our business. With engagement from sustainability consultants and interactions with various internal stakeholders, we will present our first voluntary disclosures aligned to the Taskforce on Climate Related Financial Disclosures (TCFD) and provide an in-depth organisational carbon footprint within the Environment section of this report. The work undertaken in FY23 is the beginning of this journey, and the roadmap presented in this section will outline the next steps for FY24 and beyond.

Within our Social pillar, STEM has been a focus area, and I am pleased to see some tangible outcomes delivered which accomplishes an on-going target to encourage diversity and inclusion for all students to pursue a career in STEM. This has included the establishment of the inaugural Women in STEM Undergraduate Scholarship with the University of South Australia.

We are also delighted to honour the Codan founders with a long-term commitment with the Adelaide University to fund multiple PhD research scholarships that could span the research fields of AI, electronic engineering, signal processing and/or geophysics.

The Adelaide University scholarships will provide Codan with exclusive access to the very best engineering talent and as a result, exclusive access, and rights to unique and valuable Intellectual Property with the intention to continue to enhance innovation, wherever you are.

We have strengthened the efficacy of our Sustainability Council, with the adoption of a Terms of Reference which aligns with the objectives of our Governance pillar to uphold a strong governance program.

The ESG report provides greater detail on the progress made on the initiatives linked to the framework below.

We look forward to communicating regularly on the progress of our initiatives during FY24.



Aif Ianniello
Managing Director and CEO

ESG Framework



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



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.



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.

About this report

This ESG 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 2023 (FY23). The ESG Report (report) is published on 20 September 2023 and forms part of Codan's Annual Report.

This report has been prepared in reference with the Global Reporting Initiative (GRI) Standards. For a full list of disclosures referenced in this report, please refer to the GRI Context Index available within the ESG report.

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.

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).

We have amended our reportable material topics in FY23, removing Innovation from the report and as a pillar in our framework. We have also renamed this report to Environment, Social and Governance (ESG) report, instead of Sustainability report. These changes were based on feedback from our stakeholders, who understand Innovation to be crucial to every aspect of our business operations and culture, but believe we should focus solely on the reporting on the ESG pillars. We note that innovation is interwoven across all the elements of the ESG pillars, and our entire operations, as demonstrated within the Annual Report.

List of Material topics

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

All data referenced in this report is in AUD unless otherwise specified.

1 Previously referred to as Sustainability framework



Climate Change

Codan is committed to doing its part to mitigate climate change and adapt to a changing world. As part of this commitment, in FY22 Codan reviewed its environmental footprint and we undertook to establish the timeframe and financial implications of making a net zero commitment in the future.

In FY23 Codan took concrete steps towards the achievement of this target. We:

- engaged external consultants to prepare an organisational carbon footprint which allowed us to understand and quantify the emissions associated with our business activities;
- decided to make voluntary climate-related disclosures based on the framework provided by the TCFD; and
- engaged external consultants to identify our organisational readiness for alignment with the TCFD framework and to prepare a TCFD roadmap and implementation plan.

TCFD Disclosures

Since publication in 2017, the TCFD recommendations have become the leading global framework for companies and investors to assess climate-related risks and opportunities.

The following section provides Codan's first set of voluntary TCFD disclosures. These disclosures summarise the initial measures taken by Codan in FY23 and our plans to progressively adopt the TCFD recommendations in the coming years.

This section is structured around the four core areas of the TCFD framework – Governance, Strategy, Risk Management and Metrics and Targets. It has been prepared by reference to the TCFD's 'Implementing the Recommendations of the TCFD' (October 2021).



Codan's TCFD Roadmap

Full alignment with the TCFD framework is an incremental process. In FY23, Codan engaged external consultants to undertake a TCFD readiness assessment to identify priority areas and actions to progress its maturity in TCFD during FY23 and beyond. The findings of the readiness assessment informed the preparation of our TCFD Roadmap which sets out key milestones for this progression. The Board has endorsed the following Roadmap:

Governance

Codan is committed to responsible and effective governance, which promotes the integrity and efficiency of our business and maximises shareholder value. In accordance with the Governance pillar of Codan's Sustainability Framework, we aim to uphold a strong governance program including the utilisation of a Sustainability Council. Codan is dedicated to identifying and managing risks, issues and opportunities that are important to our business and stakeholders, which will assist in creating long term value.

Board oversight

The Board has overall responsibility for the oversight of group risks and opportunities, including sustainability issues. The Board Audit, Risk and Compliance Committee (BARCC) is responsible for developing and monitoring risk management policies implemented by Management. BARCC reports regularly to the Board on its activities.

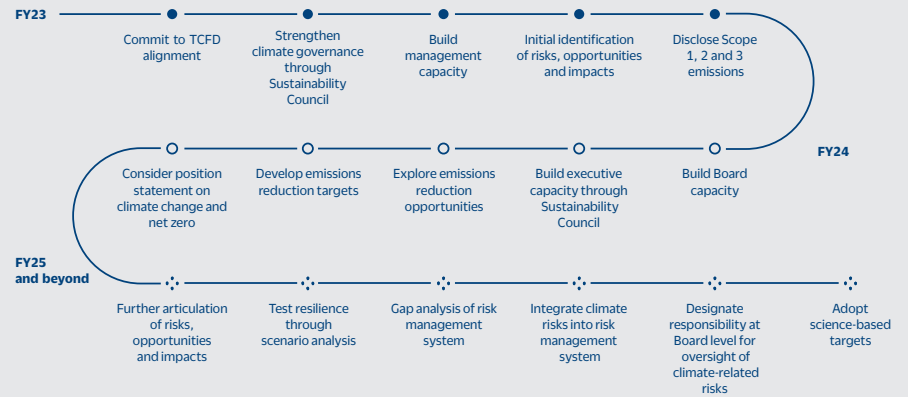
Management

Management is responsible for the implementation of Codan's group risk management policies and procedures, including the implementation of Codan's Sustainability Framework and the recommendations of the Sustainability Council.

In FY23, the responsibilities of the Sustainability Council were formalised with the adoption of Terms of Reference. The Sustainability Council is now chaired by the General Counsel and Joint Group Company Secretary, and the Chief Human Resources Officer has been appointed as the executive sponsor.

In accordance with the Terms of Reference, the Sustainability Council has an explicit responsibility to have regard to the physical risks of climate change for Codan's businesses and the risks and opportunities that may be material for Codan as the world transitions to a low carbon economy. The Sustainability Council is required to provide regular reports to the CEO on management of existing sustainability issues and emerging issues that may be material for Codan.

CODAN'S TCFD ROADMAP



ESG REPORT ENVIRONMENT

In addition to strengthening climate and sustainability governance through the Sustainability Council, in FY23 Codan committed to build executive and management capacity in climate change issues as part of the development of its TCFD Roadmap.

This initiative started with an externally run engagement process to familiarise executives and managers with the TCFD recommendations and seek their views on the ways in which climate-related risks and opportunities may intersect with Codan's business interests and strategic priorities.

This engagement involved management functions representing the CEO, Finance and Investor Relations, Sustainability, Supply Chain and Group Operations, as well as the executive functions representing Minelab, Zetron, DTC and the General Counsel and Joint Company Secretary.

Based on input from these sessions, a further capacity building workshop was conducted with a focus on Codan's contract manufacturing (detailed below in Strategy).

In FY24, Codan intends to continue this initiative to strengthen engagement at Board, executive and management level by:

- delivering training to the Board on directors' duties and climate change risk disclosure; and
- delivering training to the Sustainability Council on TCFD and climate risks and opportunities.

In due course, Codan's TCFD Roadmap envisages the consideration of additional governance mechanisms for Board oversight and executive management of climate-related risks and opportunities.

Strategy

In FY23, Codan took its first actions to specifically identify and assess climate-related risks and opportunities relevant to Codan's businesses, starting with a focus on contract manufacturing.

An externally facilitated workshop was conducted with the Group Operations Manager, Supply Chain Manager and the General Counsel and Joint Company Secretary to build capacity in understanding climate-related issues and to analyse the risks and opportunities that arise in relation to Codan's use of contract manufacturing.

The workshop introduced participants to scenario analysis and considered examples of a physical risks scenario and a transition risks scenario relevant to supply chain risks, in accordance with the TCFD guidance.

The TCFD divides climate-related risks into two categories, namely:

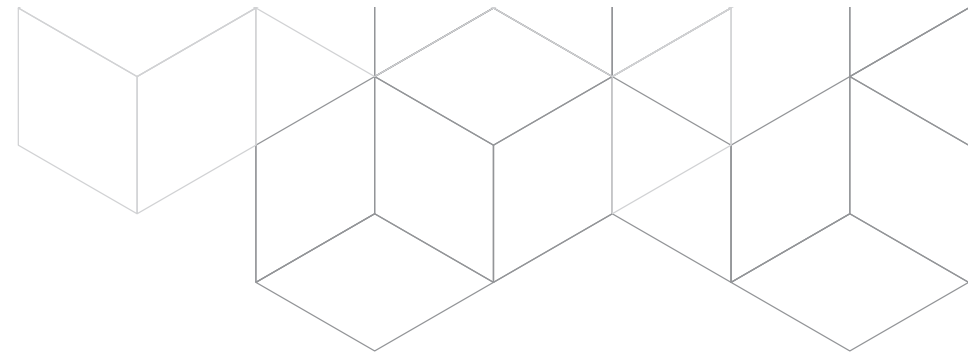
- risks related to the physical impacts of climate change; and
- risks related to the transition to a lower carbon economy.

The initial assessment that emerged from the workshop was as follows:

Physical risks: Risks are event-driven (acute) and longer-term shifts in climate patterns (chronic). The physical risks relevant to Codan's use of contract manufacturing sites include extreme weather events (acute) and sea level rise (chronic) resulting in flooding which could hinder access to production sites and disrupt distribution.

Transition risks: Risks that are driven by policy, legal, technology and market changes to mitigate and adapt to climate change. The transition risks relevant to Codan's use of contract manufacturing sites, which are low impact risks, and include:

- market risks from rising energy costs resulting in increased production costs; and
- policy risks from carbon pricing resulting in increased production costs.



Opportunities

The TCFD also defines categories for climate-related opportunities that may arise for companies in the transition to a lower carbon economy. The initial assessment of opportunities that emerged from the workshop related to:

- resource efficiency – potential collaboration with contract manufacturers to investigate opportunities to reduce operating costs by improving efficiency across production processes; and
- products – innovation to develop new products using more recycled materials.

Resilience

Codan has started the process of engaging with contract manufacturers on energy and resource efficiency, emissions reduction plans and adaptation of their sites to physical risks. This process will help inform Codan's strategy and business continuity planning.

In future years, as envisaged by the TCFD Roadmap, Codan will increase its capacity to conduct assessments of climate-related risks and opportunities, develop appropriate responses and integrate these into Codan's strategy and planning.

Risk management

The Board has overall responsibility for the establishment and oversight of Codan's risk management system.

Risk management policies are established to identify and analyse the risks faced by the group, to set appropriate 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 Codan's activities.

The BARCC oversees how management monitors compliance with Codan's group risk management policies and procedures, and reviews the adequacy of the Risk Management Framework in relation to group risks.

Certain climate-related physical and transition risks are already addressed in the Codan Group Risk Register, albeit not explicitly. These relate to business continuity, interruption of material supply, technology risk, reputation, and policy risks. Controls include the ongoing review of Codan's Business Continuity Plan, continued investment in R&D, governance of ESG issues through the Sustainability Council and the Sustainability Framework and continued public reporting of Codan's sustainability performance.

As part of Codan's commitment to increasing alignment with the TCFD recommendations, actions will be taken in the coming years to develop processes to ensure that climate-related risks are identified and managed as part of Codan's risk management system. The TCFD Roadmap envisages a gap analysis of the existing risk management system and recommendations for integrating climate-related risk management.



Metrics and targets

Codan currently applies the Risk Management Policy and Framework. In the coming years, Codan intends to develop suitable metrics for the measurement and management of climate-related risks through the application of Codan's existing risk rating matrix, likelihood and consequence ratings and control effectiveness ratings.

Emissions data

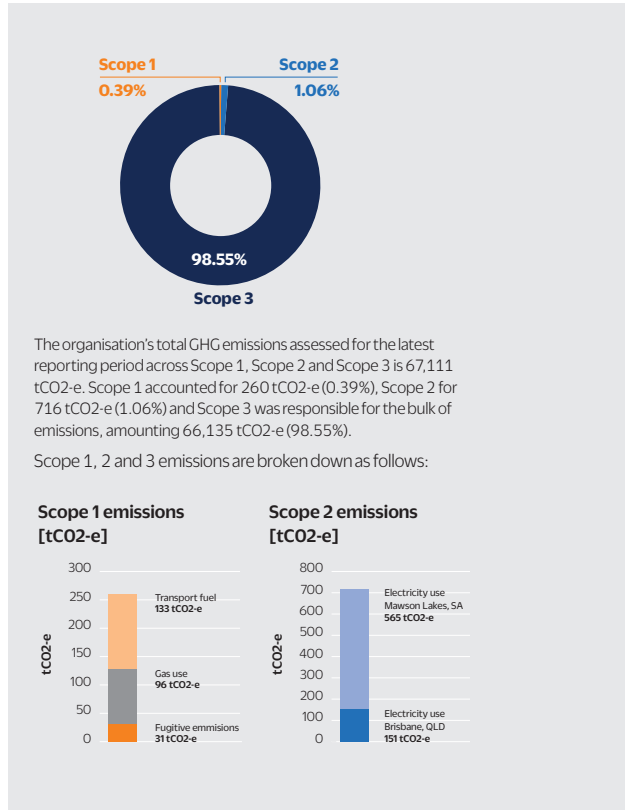
In FY23, Codan engaged external consultants to undertake an assessment of Codan's organisational carbon footprint. The following information represents Codan's initial baseline.

The assessment follows the operational control approach under the GHG Protocol guidelines and covers scope 1, 2 and 3 emissions for Codan's Australian operations. Consequently, the Scope 1 and 2 emissions disclosed are related to two stationary facilities comprised of the headquarters in Adelaide and the engineering office in Brisbane. Due to Codan operating globally, many of the scope 3 emissions disclosed are based on upstream and downstream emissions in the global value chain. Therefore, emission sources occurring overseas are included to the extent deemed relevant under the GHG Protocol's guidance.

The following sections offer more information about each of the GHG emission scopes, covering the assessment period.

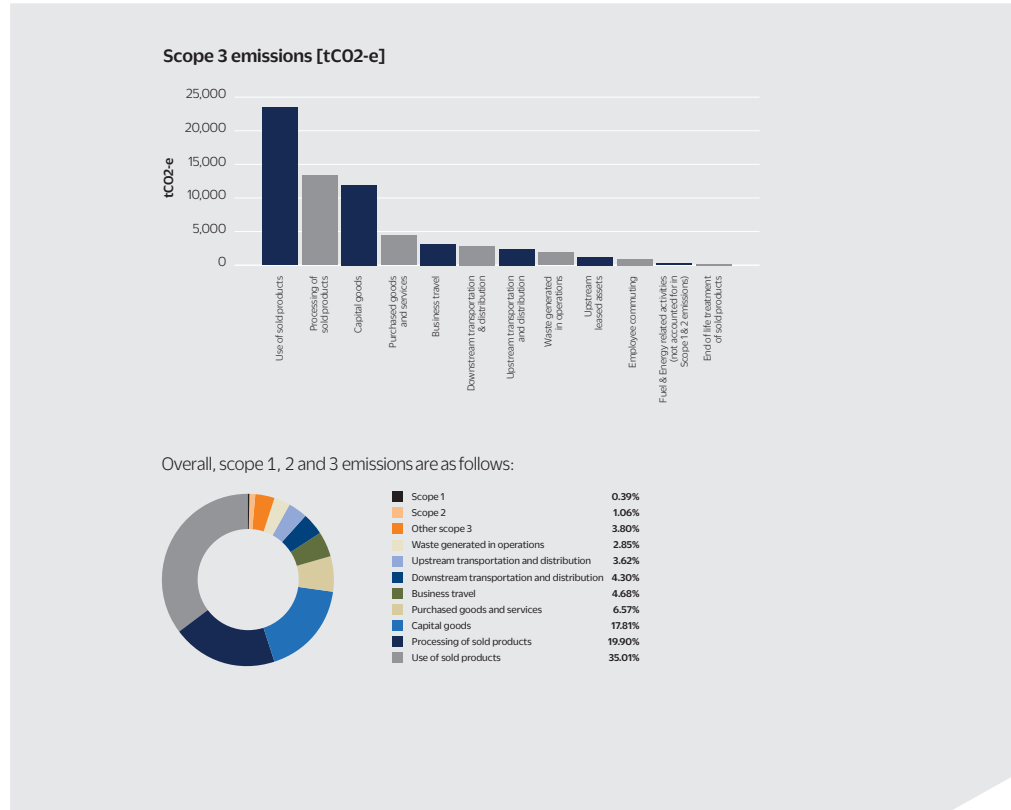
Please note that the activities and emission sources included for Scopes 1 and 2 GHG emissions differ from those presented in previous annual reports. This is due to the inclusion of additional, previously unassessed activities for Scope 1 emissions, as well as a switch to another methodology for the accounting of Scope 2 emissions associated with the use of electricity. Also, this report separates Scope 1 and 2 emissions for clearer segregation of emission sources and to support the identification potential reduction initiatives (Codan's previous FY21/22 annual report aggregated Scopes 1 and 2 as one single number).

The emissions boundary includes all relevant emissions categories as per the GHG Protocol's value chain (scope 3 standard). Excluded from this boundary are the GHG emission categories of 'Downstream leased assets', 'franchises', and 'investments' which did not meet the relevancy criteria (i.e., not relevant for business operations or non-existent activities).



Our global head office is located in the Technology Park precinct of South Australia and houses around 230 staff. It is currently awarded a 5.5 star Nabers energy rating. The fit for purpose space is fitted with solar panels and recently installed electric vehicle charging stations providing free energy to staff. 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.

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 are accredited with ISO 14001 Environmental Management Systems. Both contract manufacturers have confirmed their sites reported no environmental incidents for FY23.



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.

In FY23, actions were also taken to develop a carbon reduction plan for Codan's DTC business, in order to meet stakeholder and regulatory expectations in the UK. This plan was developed by referencing the carbon footprint of the DTC UK operations.

Going forward, Codan intends to work with external consultants in FY24 to explore the opportunities for emissions reduction at the group level and to develop emissions reduction targets by reference to Codan's FY23 organisational baseline carbon footprint. Progress will be reported in future annual reports in alignment with the TCFD recommendations.



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.

Our mission is to empower a connected and high-performing workforce to deliver long term value creation. We aim to do this by providing programs to support our staff's health and wellbeing, learning and development, and providing a safe and inclusive workspace across all our global offices.

A new initiative rolled out to employees at head office, was a 13 week Health & Fitness Improvement Program. The program, (free of charge provided an employee donation was made to Codan's charity of choice) included a welcome pack, incentives, and prizes for most improved. This provided an opportunity for staff to meet new people in the workplace, find a new buddy to exercise with, increase mental well-being, and/or increase fitness levels. It included activities such as walking groups, pilates, yoga and meditation classes, as well as information seminars on topics such as health assessments and seminars, nutrition and stress counselling with access to a personal nutrition plan and stress profile with health coaching, heart checks and analysis, ergonomic assessments, mindset mastery webinar, and weekly motivational emails. Codan's subsidised in-house café also provided healthy choice food options, with a loyalty offer. With a 20% uptake, based on the successful feedback the program will be provided again next year.

Codan's mentor program, now well embedded across our global businesses in its third year, continues to thrive. Employees can register as a mentee or a mentor (or both), and are paired with employees across different business units and/or office locations. The mentoring partnership runs for 12 months and includes a mix of formal and informal meetings. One notable observation is to witness some previous mentees in the program now signing on as mentors. We also have some employees registered as both a mentee and a mentor. Some mentor relationships from prior years have also continued into their consecutive year. Participation in the program provides employees 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.

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, such as the Professional Management Program, and courses on Emotional Intelligence. We have a license to The Growth Faculty, which provides live and library online content from change-making leaders.

SOCIAL



Australia



Brazil



Canada



Denmark



UAE



Mexico



UK



USA



ESG REPORT SOCIAL

	FY23	FY22
Learning & Development (\$'000)	323	361

With intent to build our future talent, the Codan group have long standing relationships with local universities to also provide meaningful work experience for future engineers. Zetron Canada has partnered closely with the University of Victoria, to recruit the majority of our co-op student placements. Many co-op students have joined Zetron as a permanent employee post graduation. DTC UK established and fund a formal framework with a four year program which if successful leads to a qualification at the end of the tenure, and also recruits apprentices from school. Codan offers selected candidates a four year apprenticeship at head office, and also offers internships across the business. 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.

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 workforce 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. We recognise that this is reinforced by ensuring that our diversity is reflected throughout all levels of the organisation. 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. Specifically, Zetron hosted a Lunch and Learn on the Power of Empathy in Business. Zetron is committed to creating the sense of "I belong", where all employees can bring their authentic selves to work each day, from how we run meetings where every voice counts to how we interact so that people know that they matter. We all bring intrinsic worth to the organisation because of our differences.

The Board work with management to set specific gender equity targets ahead of each financial year. In FY23, gender representation shifted positively at both Board and Senior Executive levels, with a second female Board member appointment and female executive appointment.

Gender representation	FY23		FY22	
	Female %	Male %	Female %	Male %
Board	40%	60%	20%	80%
Senior Executive	17%	83%	0%	100%
Senior Management	24%	76%	23%	77%
Other	26%	74%	27%	73%
Whole workforce	25%	75%	26%	74%

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.

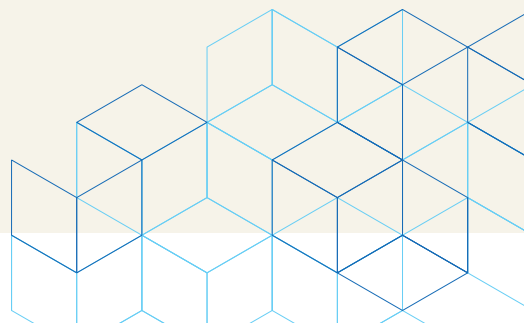
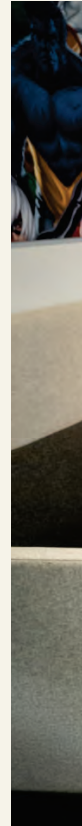
Workplace Health & Safety Statistics*	FY23	FY22
Lost Time Injuries	1	3

*Australian operations only

Other services provided to staff include access to confidential counselling support, voluntary free flu shots, head office hosts an onsite gym and in-house café with subsidised meals also provided at some of our global sites. Head 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.

	FY23	Industry benchmark	FY22
Voluntary turnover	10%	10%	12%

Our voluntary turnover is one measure we use to assess the efficacy of our programs. A culture and engagement survey will be issued to staff in FY24 as another measure to assess and guide the effectiveness of the HR strategy going forward.



In FY23, gender representation shifted positively at both Board and Senior Executive levels, with a second female Board member appointment and female Executive appointment.

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 FY23, we incurred no product recalls, and warranty costs were less than 1% of sales.

Minelab builds infrastructure to provide clean drinking water to a community in Mali

Africa is a large market for Minelab which means that members of our Dubai team regularly travel into the region to talk with customers and end users. This direct contact in the field is hugely valuable in maintaining our relationships and keeping us up to date with the needs of our markets as they evolve and change. Mali, one of our biggest gold detecting markets in Africa, is a destination the Minelab Dubai team often frequent. Across a number of these trips it became apparent that our customers in Mali did not always have access to clean drinking water. A lack of access to clean water results in the increased transmission of waterborne diseases through using water from contaminated sources, compromising hygiene and sanitation.

In Africa, Minelab's vision statement is "Changing Lives". We normally achieve this through providing tools to allow individuals and communities to safely and efficiently find gold nuggets that can put food on the table each day or result in even more significant changes.

But what if we could "Change Lives" in other ways? The Minelab team workshopped how they could help our customers to access water, which is a basic human right, as deemed by the United Nations. We explored available options to see how we could provide the infrastructure to build a water well to supply clean drinking water.

With the assistance of Yacouba Bathily who owns Sahel Group, our largest dealer in Mali, we were able to connect with Soludarite Conjointe au Mali, a local non-governmental charitable organisation that works in the field of humanitarian services. After conducting a series of studies on villages suffering from water scarcity and their urgent need for clean and healthy water, the village of Kamani, in the Koulikoro region, was selected. Kamani with a population of 2250, resides 145km from the capital of Mali, and were previously travelling 22km to access clean water.

The water well, erected in June 2023, is an artesian water well with a depth of 80–100 meters with a water tank, which provides village residents with clean water for drinking, cleaning, watering, animals and agriculture. The health and wellbeing of the village residents will be improved with access to clean water. Minelab are pleased to be able to provide this infrastructure to benefit the residents of Kamani, which should last for many decades to come.



Our Community

We acknowledge the backbone of our company's longevity and success rests on the innovative thinking of our people. Employing over 200 engineers across the Codan group, STEM disciplines are a large part of our business operations. To further future proof our talent pipeline, an on-going target for our business is to encourage, promote, and develop all students, regardless of gender, age, family status, culture, ethnicity, and religion to pursue a career in STEM. Across all our global offices, we have continued to engage with local universities, including exhibiting at various career fairs and networking events. DTC UK attended a presentation open evening at CEMAST (Centre for Excellence in Engineering & Manufacturing Advance Skills Training) based at Fareham College where our current students were able to showcase some of their project work. It was a great opportunity to see their progress and also raise DTC's profile as an organisation that is wholly supportive of nurturing young talent into a STEM career. Zetron participated in VIATEC's Discover Tectoria event in June 2023, with an estimated 4000 attendees. Tectoria is a chance for Victoria's most innovative companies to connect with STEM students who attend local universities in Victoria. The event included career talks and keynotes, groundbreaking research, and hands-on product demos.

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.

In 2023, we launched the Undergraduate STEM Scholarship for Women with the University of South Australia. Available to second-year female students enrolled in a full-time or part-time eligible STEM undergraduate program, the scholarship is valued at up to \$15,000 over three years. It also provides a paid work experience component to complement the financial assistance and extend the scholarships value by providing practical work-based experience, mentoring, and a potential pathway to employment.

Codan has engaged with the University of Adelaide and agreed to provide significant investment in a multi-year PhD Scholarship program to be known as the "Codan Founders Scholarship." This program will support PhD candidates to undertake leading edge research projects, co-designed by Codan engineers that could span the research fields of AI, electronic engineering, signal processing and/or geophysics. These scholarships will provide Codan with exclusive access to the very best engineering talent and as a result, exclusive rights to unique and cutting-edge Intellectual Property with the intention to continue to enhance innovation, wherever you are. Codan has also continued to support the Codan / Playford Trust honours scholarship.

The \$10,000 scholarship is awarded annually to an outstanding student commencing third-year, fourth-year or Honours in electronic engineering, signal processing or physics, with an interest in sensing systems. The successful applicant has the opportunity to undertake paid work experience at Codan. The aim is to help the student develop skills and knowledge and enhance their industry experience. They will work on projects in a collaborative environment, actively contributing and drawing on the experience of others.

"The Codan / Playford Trust scholarship has amplified my personal interest and launched my professional career in a field I am truly passionate about – signal processing. I am grateful to Codan and I look forward to innovating the future and unearthing my potential at Minelab!"

Brian Wang, 2023 recipient

Codan participated in a 'STEM Girls Day' hosted by the City of Salisbury Council, providing hands on STEM activities, and panel discussions by our female employees in STEM careers, for 80 high school female students from local high schools in the suburbs of Northern Adelaide.

Being a socially conscious and responsible organisation is a part of Codan's corporate identity. Our mission is to target community programs that assist disadvantaged groups within the communities our business operates.

	FY23	FY22
Donations (\$000) inclusive of product donations	230	263



Youth Opportunities supports young people to develop the lifelong skills, habits and confidence to thrive. Working in partnership with Youth Opportunities, Codan will provide 20 young people in Northern Adelaide the opportunity to participate in the Elevate Personal Leadership Pathway. This wellbeing and leadership program offered to Year 10 students, will help them to develop the skills to overcome adversity, build resilience and optimism, and prepare for their future - while also providing access to opportunities which reduce barriers to achieving their potential.

ESG REPORT SOCIAL

Codan was proud to be a major sponsor supporting South Australia Indigenous Football (SAIF) at the First Nations Indigenous Football Cup held in Queensland in November 2022. SAIF was established by Soccerroo Travis Dodd as a pathway for young Indigenous footballers to be exposed to the world game. Through this exposure it is hoped that players can develop and set their sights on becoming an elite footballer and be a role model for other Indigenous players in the community. As a result of the team's performance at the tournament, three players from the squad were selected to represent the Indigenous Roos in a recent 3 match test series against the New Zealand Māoris.



Each year, Zetron holds our annual "Shoot for the Stars" golf tournament, benefiting Behind the Badge Foundation. All proceeds from the event go directly to the 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 close to \$500,000 for the Behind the Badge Foundation to date. At the 2022 Annual golf tournament, over thirty Zetron employees and leadership team volunteered their time, spending the day on the course.

"We would like to express our heartfelt gratitude to the entire Zetron Shoot for The Stars team for the dedication to bringing this event to all of our mutual friends and stakeholders; and to you as well, we appreciate and are indebted to you in helping us achieve our mission" Brian Johnston, Executive Director, Behind the Badge Foundation.

Codan is a long-time proud supporter of Variety - the Children's Charity (Variety). 2023 marks our 35th 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. 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 third 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.

Other initiatives across our head office and regional offices include charitable giving matching program, where the company matches staff contributions dollar for dollar, with proceeds benefiting employee chosen charities, such as the American Red Cross.



Corporate Governance Statement

Codan's [Corporate Governance Statement](#), which was approved by the Board on 14 August 2023, 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 no workplace grievances registered globally during FY23.

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 (ABAC), 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.

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.

Codan's modern slavery program is continually reviewed in line with our [Modern Slavery Policy](#). To seek continual best practice, Codan has also joined the UNGC's Modern Slavery Communities of Practice, which allows discussions across different industries and organisation size, to share ideas. 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 75% of Codan product.

Codan's supply and procurement team are in regular contact with Plexus and Venture and have undertaken numerous discussions around their approaches to modern slavery. Codan's Supply Chain Manager and General Counsel also visited both sites to conduct an in person audit, following on from the conversations undertaken in FY22 around their modern slavery practices. The in person audits allowed us to see first hand that our contract manufacturers share the same expectations with respect to modern slavery compliance.

More generally, we have a Supplier Code of Conduct and 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".

	FY24 Target	FY23 Actual	FY22 Actual
ABAC Policy violations	NIL	NIL	NIL
ABAC Internal audits	2	2	2
Sanction breaches and fines	NIL	NIL	NIL
Modern Slavery breaches	NIL	NIL	NIL

GOVERNANCE



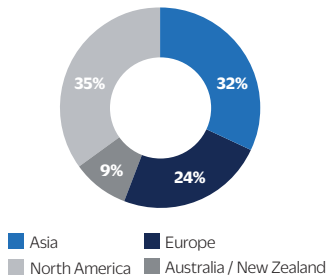
ESG REPORT GOVERNANCE

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



1,000 active suppliers across the Codan Group, with supplier spend circa \$190 million across mostly electronic components, as well as cables, antennas, plastics, and packaging.

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 FY23 Codan completed penetration testing and regular vulnerability assessments to highlight potential system vulnerabilities. Continued staff awareness training and as well as rolling this program out to recently acquired companies.

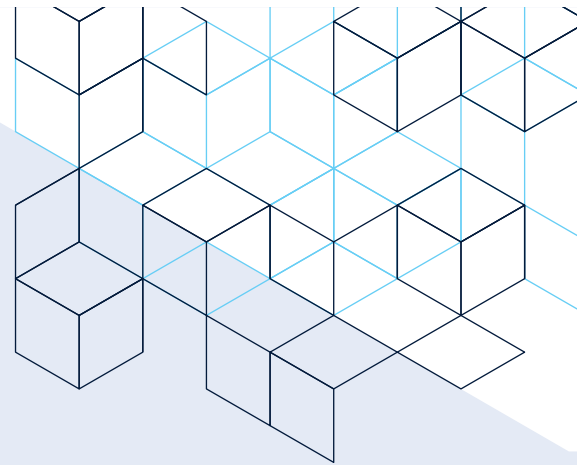
In FY23, Codan had no known major security incidents or events that resulted in loss of confidential information or intellectual property.

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;
- 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 95 of this Annual Report. As Codan's business has continued to diversify, and in line with the success of our communications business, the activities and assets which generate our income have become more balanced and spread across the globe. In FY23, we paid \$9.3 million corporate income tax in Australia which is approximately half of our global corporate income tax contribution. Our shareholders continue to benefit from the generation of Australian franking credits from Australian tax paid.



GRAEME BARCLAY
MAICD, F Fin, CA, MA (Hons)
Chairman

Graeme is a former CEO and Chartered Accountant with more than 35 years' experience in professional services, investment banking, broadcast infrastructure and telecommunications.

Over the past 20 years Graeme has held Executive Chairman or Group CEO roles at BAI Communications, Transit Wireless LLC (New York), Nextgen Networks, Metronode data centres and Axicom group (formerly Crown Castle Australia), and for 8 years during this period 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 equity and third-party debt for these businesses in Australia, UK, Hong Kong, Singapore, Canada, USA and New Zealand.

Over the past 20 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. In his role as Chairman of Uniti Group Limited (ASX:UWL), he led the company from a market capitalisation of \$30 million at IPO in February 2019 to the successful divestment via a Scheme of Arrangement to a consortium of investors led by HRL Morrison and Brookfield Asset Management at an enterprise value of \$3.8 billion in August 2022.

Included in his prior Board appointments are: Arqiva Limited (institutionally owned UK telecommunications infrastructure group), Chairman of the main Board and of the Audit and Risk committee for Nextgen group (Ontario Teachers' Pension Plan majority owned fibre network and data centre owner), NED and member of the Audit and Risk Committee of Axicom Group (institutionally owned mobile tower operator), and Chairman of Uniti Group Limited (ASX:UWL) (fibre to the premise network owner).

Graeme was appointed to the Codan Board in 2015 and became Chairman in February 2023.

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



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 and graduate of the Australian Institute of Company Directors.



DAVID SIMMONS
BA (Acc)
Independent Non-Executive Director (retired)

David's retirement, as announced at the company's AGM in October 2022, was effective on 31st January 2023, following 14 years as a Director with 8 of those years serving as Chairman. 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 the time David was appointed Chairman at Codan, Codan's net profit after tax grew from less than \$16 million to more than \$100 million. This was 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 had a particular focus on the ever-present cyber threats and pushed and supported 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.



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

Peter retired from the Board of Codan effective 26th October 2022, the company's AGM, after 14 years of service. Peter joined the Codan Board upon retiring from the Australian Army in 2008 as a Lieutenant General after a six-year appointment as Chief of Army. Previous Board appointment includes Electro Optic Systems Holdings Limited and Citadel Group Limited.

As of November 2022, he has retired from all his ASX Board appointments. 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.



KATHY GRAMP
BA (Acc), CA, 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. She joined Austereo in 1989 and retired in 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 a Director of QANTM IP Limited (ASX: QIP), appointed 11 May 2022 and also serves as Chair of the Audit and Risk Committee. QANTM is the owner of a group of leading intellectual property and trademark services businesses operating in Australia, New Zealand, Singapore, and Malaysia.

Kathy holds a BA Accounting, is a Chartered Accountant and a Fellow of the Australian Institute of Company Directors and is a member of Chief Executive Women.



SARAH ADAM-GEDGE
BBus (Acc), CA, GAICD, Member IoD (NZ)
Independent Non-Executive Director

Sarah was appointed to the Board in February 2023. She has expertise in digital and technology businesses with an executive background that includes 12 years at IBM Global Business Services, and 8 years as CEO of Avana Australia, Publicis Sapient Australia and Wipro Limited Australia and New Zealand.

Sarah has extensive international experience as a result of leadership roles in global information technology companies, and significant experience driving growth initiatives, working with customers and in different markets. Prior to joining IBM, Sarah was a Consulting Managing Partner at PWC, and Audit and Business Consulting Partner at Arthur Andersen. Sarah is a Chartered Accountant and graduate of the Australian Institute of Company Directors.

She is a Director of Austal Limited (ASX: ASB) where she serves as Deputy Chairman, Chair of the Audit and Risk Committee and is a member of the Nomination and Remuneration Committee. She is also on the Board of Cricket Australia as a member of the Audit and Risk Committee, and the National Aboriginal and Torres Strait Islander Cricket Advisory Committee.



HEITH MACKAY-CRUISE
BA (Econ), FAICD
Independent Non-Executive Director

Heith was appointed to the Board in March 2023 and has been involved in the media, education and technology sectors over the past 25 years. Heith is currently the non-executive Chair of Straker Translations Limited (ASX:STG), a global artificial intelligence and machine learning business, and a non-executive Director of Southern Cross Media Group Limited (ASX:SXL) where he is a member of the Audit & Risk Committee and Chair of the People & Culture Committee. Heith is also a non-executive National Director of the Australian Institute of Company Directors.

Heith is a previous non-executive Chair of LiteracyPlanet, hipages Group (ASX:HGP) and the Vision Australia Foundation as well as a previous non-executive Director of LifeHealthcare and Bailador Technology Investments (ASX:BTI). In Heith's prior executive career, he was the founding CEO of Sterling Early Education, the Global CEO and Managing Director of Study Group, and CEO for PBL Media New Zealand. Heith also held senior executive positions with Australian Consolidated Press and worked in sales and marketing roles for PepsiCo around Australia.

Heith is a mentor with Kilfinan Australia, a Fellow of the Australian Institute of Company Directors and has a Bachelor of Economics degree from the University of New England.



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 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 and graduate of the Australian Institute of Company Directors.



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 35 years in the electronics industry, including more than 20 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 30+ years with world-class organisations such as Motorola, Panasonic, Zetron and Codan.

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 wireless technologies to include broadband, 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.

He 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.

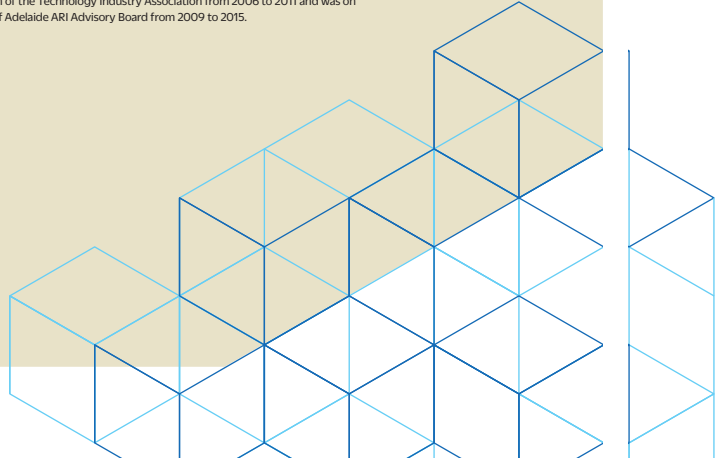


MARJOLIJN WOODS
BASc, GradDipHRM
Chief Human Resource Officer

Marjolijn joined Codan in 2018 and was appointed to the role of Chief Human Resource Officer in January 2023.

Prior to this appointment, Marjolijn was the Global Human Resources Director for Codan | Domo Tactical Communications and has extensive experience with people and culture.

She holds a Bachelor of Applied Science from Deakin University and a Graduate Diploma Human Resource Management from the University of South Australia.



FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2023

DIRECTORS' REPORT	53
LEAD AUDITOR'S INDEPENDENCE DECLARATION	78
CONSOLIDATED INCOME STATEMENT	79
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	80
CONSOLIDATED BALANCE SHEET	81
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	82
CONSOLIDATED STATEMENT OF CASH FLOWS	83
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS	84
DIRECTORS' DECLARATION	119
INDEPENDENT AUDITOR'S REPORT	120

CODAN LIMITED AND ITS CONTROLLED ENTITIES

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 2023 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:

Graeme Barclay
Alf Ianniello
David Simmons
Peter Leahy AC
Kathy Gramp
Sarah Adam-Gedge
Heith Mackay-Cruise

Details of directors and their qualifications and experience are set out on pages 48 to 49.

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.

Mr Daniel Widera LLB/LP, Harvard PLD

Daniel joined Codan in March 2013 as Senior Legal Counsel after spending the previous 8 years of his career as a corporate lawyer, both in private practice and in-house. He was appointed General Counsel and Joint Company Secretary of Codan in September 2022. Daniel leads a team responsible for Codan's global legal and compliance function, as well as managing the group ESG program. He holds a Bachelor of Laws and Legal Practice from Flinders University and completed the Program for Leadership Development at Harvard Business School in 2023.

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:

Director	Board meetings		Board Audit, Risk and Compliance Committee meetings		Remuneration and Nomination Committee meetings	
	A	B	A	B	A	B
Mr A Ianniello	12	12				
Mr D J Simmons	7	7	2	2	1	1
Lt-Gen P F Leahy	2	4			1	1
Mr G R C Barclay	12	12	4	4	3	3
Ms K J Gramp	12	12	4	4	1	2
Ms S Adam-Gedge	5	5	2	2		
Mr H Mackay-Cruise	4	4			2	2

A – Number of meetings attended

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

DIRECTORS' REPORT (continued)

REMUNERATION REPORT – AUDITED

Key messages from Chair of Remuneration and Nomination Committee

Dear Shareholders,

I am pleased to present the Codan Group remuneration report for FY23. I became Chair of the Remuneration and Nomination Committee (RNC) following the retirement of David Simmons on 31 January 2023. Two of our non-executive directors, Ms Kathy Gramp and Mr Heith Mackay-Cruise, joined the RNC in the second half of FY23. As a new RNC, we have taken the opportunity to review the remuneration strategy and framework as it has operated for FY23 and to make changes where we consider necessary to apply from FY24 onwards.

FY23 Remuneration Structure and Outcomes

To recap, in summary only:

- The FY23 STI plan is based on a pooled approach with 2% of the Codan Group EBIT being contributed to an STI pool with Executive KMP sharing in that pool, subject to Group EBIT performance above a threshold of 80% of the FY22 Group EBIT, being -\$110 million.
- The FY23 LTI plan is an equity rights plan with a single performance metric, being the growth in EPS from a starting point based on the average of three prior financial years, with an aggregate EPS growth over the measurement period at threshold of 2% per annum and at target of 8% per annum.

The Group EBIT performance did not meet the threshold, with Group EBIT for FY23 at \$88 million, and therefore no STI was paid to Executive KMP for FY23. This under-performance in FY23 is pre-dominantly due to revenues from Minelab gold detector sales into Africa being down -70% compared to FY22, which materially impacted the Codan Group result for FY23.

The Zetron and Tactical Communications businesses actually performed strongly in FY23, growing revenues by 14% and delivering an aggregate increase in segment profits of 36% compared to FY22. In order to both retain and incentivise the two Executive KMP leaders of these two businesses to further grow the financial performance of the Zetron and Tactical Communications businesses, we have granted 125,000 additional share rights during FY23 to each of them.

The FY21 LTI plan share rights have fully vested for Executive KMP following the end of the three-year performance period on 30 June 2023 as the aggregate EPS achieved over the three-year performance period was 142 cents, well above the 101 cents target.

FY24 Remuneration Framework

As part of designing the revised remuneration strategy and framework to apply from FY24, we have engaged with key stakeholders and external independent advisors in order to better understand how Codan should attract, retain and motivate the high calibre executive leaders and team members we require to execute on our strategy and to deliver superior returns for our shareholders.

The organisational structure of the Codan group has evolved considerably over the past two years, so we believe now is an appropriate time to also evolve the incentive remuneration structure for our Executive KMP to apply for FY24 and beyond. The remuneration report sets out the details of these changes. The most significant changes are as follows:

- STI for Executive KMP will no longer be based on a single Group EBIT metric. Instead, it will be based on a scorecard approach including targets for revenue growth, profitability and free cash flow growth, order book growth, and delivery against Sustainability and Safety targets;
- These performance metrics will be tailored for each Executive KMP to reflect the specific areas of responsibility of each role, weighted to those metrics that an Executive has the greatest ability to influence;
- For each of the STI performance metrics, the Board has set a minimum performance 'gate' or threshold (below which no STI applies for that metric), an on-target performance level (which reflects the FY24 annual plan approved by the Board), and a stretch target that is typically 110-120% of the on-target performance level;
- A cap of a maximum of 100% of fixed remuneration will apply to all STI payments to Executive KMP (previously no cap applied);
- LTI will continue to be based on EPS growth, with amendments made to how the base line is set, however we have increased the target range considerably to require compound annual growth of between 8% at target and 13% at maximum (from between 2 and 8%) with a 67% weighting, and we have introduced a relative total shareholder return performance measure, with a 33% weighting, that requires performance above the 50th percentile at target and above the 75th percentile at maximum, compared to peer group performance; and
- We have reviewed the incentive structure for the CEO, and made a number of important changes to apply for the next three financial years FY24 to FY26, with the intent to better align the CEO's target and maximum incentives with the interests of shareholders.

The changes to the FY24 remuneration framework and to the CEO's remuneration are more fully set out in the 'FY24 Remuneration Structure Changes' section of the remuneration report.

We believe that the changes provide our Executive KMP with the ability to influence the outcome of their STI performance more directly, with performance metrics that reflect the key value drivers for Codan and most importantly, in combination with the changes to the LTI structure and metrics, better aligns reward outcomes for Executive KMP with our shareholders. Our intent remains to ensure we have a reward structure that will incentivise and motivate Executive KMP to deliver sustainably superior returns for our shareholders into the future.

Graeme Barclay

Chair, Remuneration and Nomination Committee

Key Management Personnel

This report has been prepared in accordance with section 300A of the Corporations Act 2001 (Cth)(Act) and Accounting Standards. It outlines our remuneration strategy for the financial year ended 30 June 2023 and gives detailed information on the remuneration arrangements of Key Management Personnel (KMP).

KMP are those who have authority and responsibility for planning, directing, and controlling the Group's activities, either directly or indirectly.

The table below shows the KMP covered by the FY23 Remuneration Report.

Name	Position	Term	Country of Residence
Non-Executive Directors			
Current			
Graeme Barclay	Chair (from 1 February 2023)	Full Year	Australia
Sarah Adam-Gedge	Non-Executive Director	From 1 February 2023	Australia
Kathy Gramp	Non-Executive Director	Full Year	Australia
Heith Mackay-Cruise	Non-Executive Director	From 1 March 2023	Australia
Former			
David Simmons	Chair	Until 31 January 2023	Australia
Peter Leahy	Non-Executive Director	Until 26 October 2022	Australia
Executive KMP			
Current			
Alf Ianniello	Chief Executive Officer and Managing Director	Full Year	Australia
Michael Barton	Chief Financial Officer and Company Secretary	Full Year	Australia
Peter Charlesworth	Executive General Manager, Minelab	Full Year	Australia
Scott French	Executive General Manager, Zetron	Full Year	USA
Paul Sangster	Executive General Manager, Tactical Communications	Full Year	USA

DIRECTORS' REPORT (continued)

REMUNERATION REPORT – AUDITED (continued)

Executive Remuneration Structure

Codan's remuneration framework for Executive KMP is in place to support our strategy and drive sustainable outperformance. Our remuneration framework must be globally competitive to attract, motivate, retain, and mobilize our top talent across our businesses. This has become increasingly important as each of Codan's businesses continue to grow, both organically and through acquisition, in countries outside of Australia.

Remuneration packages are competitively set to attract and retain appropriately experienced and qualified executives and include a mix of fixed remuneration and performance-based remuneration. Shareholder alignment is created through the performance-based incentives provided to executives, including equity-based remuneration.

Fixed remuneration is reviewed annually and gives our Executive KMP a competitive fixed salary and related benefits. Fixed salary levels reflect the executive's experience, capability, performance and potential and is set in relation to market conditions and relevant benchmarks. Executive KMP are eligible for certain benefits in line with our policies in each jurisdiction that we operate. Typically, these include retirement contributions (such as statutory superannuation) and basic insurances (such as disability, life and medical) where it is local market practice for employees in those countries. We may also provide benefits to support the global mobilization of our executive talent.

Our Executive KMP remuneration framework for FY23 has two variable components, being a short-term incentive plan (STI) and long-term incentive plan (LTI).

The STI plan focusses the executive team on delivering the financial and strategic priorities relevant to the financial year. The plan motivates Executive KMP to achieve stretch targets and rewards them for outperformance.

The LTI plan is equity based and rewards the executive team for creating long term shareholder value by delivering long term earnings performance.

The Remuneration and Nomination Committee reports to the Codan Board, has responsibility for the structure of remuneration paid to KMP, is able to reference trends in comparative companies both locally and internationally and may obtain independent advice on the appropriateness of remuneration packages and incentive structures.

In FY23 the Committee engaged the services of Ernst & Young to provide advice on the executive remuneration structure and remuneration related public disclosure. No recommendations in relation to the remuneration of KMP were provided to the Committee or Board.

FY23 Executive KMP Remuneration Outcomes

Fixed Remuneration Review

The annual review of fixed remuneration for Executive KMP was performed and certain changes were implemented with effect from 1 January 2023. The fixed remuneration for the Directors, the CEO and Managing Director and the Executive General Manager, Minelab was not increased. The Chief Financial Officer had an increase to fixed remuneration of 15% during FY23, following an external benchmark process, that was approved by the Remuneration and Nomination Committee. An external consultant was also engaged to provide benchmark data for the United States based executives that lead our Communications businesses. No recommendations in relation to the remuneration of Executive KMP were received by the Remuneration and Nomination Committee or the Board. Following this exercise, the Remuneration and Nomination Committee approved an increase in the fixed remuneration for these two executives to \$US400,000 to remain market competitive in the USA, and recognise the increasing importance of these Communications businesses to Codan's future. In recent years, the USA based Executive General Manager, Tactical Communications and Executive General Manager, Zetron have each led the execution of key acquisitions, integrated the acquired businesses and delivered a 36% increase in segment profit contribution in FY23 compared to FY22.

FY23 STI

For FY23 the STI plan was based on a pooled approach with a percentage of Codan's group EBIT being contributed to an STI pool with Executive KMP then sharing in that pool subject to stage gates for each Executive KMP and subject to the Codan group achieving a threshold level of profitability. The threshold was set at an EBIT of \$110 million, being 80% of the record level of EBIT achieved in FY22. Consistent with FY22 the STI pool percentage in FY23 was 2.0% and there was no cap on STI payments.

While many parts of the Codan business performed strongly in FY23, the threshold level of Group EBIT required in FY23 for STI to be paid to Executive KMP was not achieved. Actual EBIT was \$88 million, approximately \$22 million below the threshold. The non-achievement was caused predominantly by significantly lower revenues from the sale of gold detectors into Africa. The drop in revenues was caused by sales normalising from the record levels that were achieved in Africa during the Covid pandemic and geopolitical issues which caused certain key markets in North Africa to close completely.

As the minimum profitability threshold was not achieved in FY23 no STI payments were earned by Executive KMP in relation to FY23, therefore the percentage of STI relative to each Executive KMP's fixed salary in FY23 was as follows: Mr A Ianniello 0%, Mr M Barton 0%, Mr P D Charlesworth 0%, Mr S A French 0%, and Mr S P Sangster 0%.

FY23 LTI

The details of the LTI plan under which share rights were issued in FY23 are as follows:

Feature	Description																					
Purpose:	The purpose of the LTI plan is to focus the CEO and other Executive KMP on the creation of sustainable long term shareholder value. It rewards participants for delivering long term earnings growth above a minimum threshold. It encourages participants to stay with Codan and aligns their interests with those of shareholders.																					
Face value:	Maximum CEO 30% of fixed pay Other Executive KMP 50% of fixed pay This represents the face value of the equity rights granted to each Executive KMP should the performance targets be achieved. The value ultimately received by Executive KMP will depend on the Codan share price at the time of vesting. The Board notes the relatively low level of LTI available to the CEO, which was set when Mr Ianniello joined Codan in January 2022. This has been reviewed and increased as set out later in the remuneration report.																					
Eligibility:	All Executive KMP are eligible to participate in the LTI plan. To be eligible for a grant of performance rights, Executive KMP must have been employed at the beginning of the performance period i.e. 1 July before the grant of that year's performance rights. If the Board exercises discretion for Executive KMP employed after 1 July, it will consider issuing performance rights on a pro rata basis.																					
Instrument:	Performance rights																					
Performance period:	3 years from 1 July 2022 to 30 June 2025.																					
Number of performance rights:	The number of rights granted is determined by dividing the percentage of the Executive KMP's fixed salary as of 1 July 2022 by the volume weighted average of the Company's share price in the five days after the release of the group's annual results for FY22. These performance rights were issued at \$7.40 per share.																					
Summary of performance conditions:	The LTI will be assessed against a financial metric being earnings per share (EPS) growth. Performance rights may vest if the aggregate EPS achieved over the performance period exceeds a threshold with all rights vesting if a maximum aggregate EPS target over the 3-year period is achieved. The threshold and maximum EPS were calculated by applying a compounding annual growth rate to a base EPS. The base EPS was set by the Board at 48.24 cents, being the average EPS achieved over the preceding three years. The threshold growth rate is 2% per annum and the maximum growth rate is 8% per annum. Zero rights vest at or below threshold performance level. This determination of threshold and maximum aggregate EPS is represented in the below table:																					
	<table border="1"> <thead> <tr> <th></th> <th>Threshold</th> <th>Maximum</th> </tr> </thead> <tbody> <tr> <td>Base EPS (cents)</td> <td>48.24</td> <td>48.24</td> </tr> <tr> <td>Compound annual growth rate</td> <td>2%</td> <td>8%</td> </tr> <tr> <td>FY23</td> <td>49.21</td> <td>52.10</td> </tr> <tr> <td>FY24</td> <td>50.19</td> <td>56.27</td> </tr> <tr> <td>FY25</td> <td>51.20</td> <td>60.78</td> </tr> <tr> <td>Aggregate required over 3-year measurement period (cents)</td> <td>150.60</td> <td>169.15</td> </tr> </tbody> </table>		Threshold	Maximum	Base EPS (cents)	48.24	48.24	Compound annual growth rate	2%	8%	FY23	49.21	52.10	FY24	50.19	56.27	FY25	51.20	60.78	Aggregate required over 3-year measurement period (cents)	150.60	169.15
	Threshold	Maximum																				
Base EPS (cents)	48.24	48.24																				
Compound annual growth rate	2%	8%																				
FY23	49.21	52.10																				
FY24	50.19	56.27																				
FY25	51.20	60.78																				
Aggregate required over 3-year measurement period (cents)	150.60	169.15																				
	The vesting schedule of the rights subject to the EPS growth hurdle is as follows:																					
EPS annual compounding growth	Percentage of rights vesting																					
Less than or equal to Threshold	0%																					
More than Threshold, less than Maximum	Pro-rated from 0% to 100%																					
Equal to or greater than Maximum	100%																					
	The Board has discretion to determine, amend and calculate the vesting outcomes.																					

DIRECTORS' REPORT (continued)

REMUNERATION REPORT – AUDITED (continued)

FY23 Executive KMP Remuneration Outcomes (continued)

FY23 LTI (continued)

Conversion to shares:	If vested, each performance right is exercisable into one ordinary share in the Company, at nil exercise price, and the Executive KMP has a twelve-month period following vesting to do this. Shares allocated to Executive KMP upon exercise of the performance rights rank equally with all other ordinary shares on issue. Where the shares are subject to further restrictions, they cannot be sold before the restriction period ends. They may still be forfeited in certain circumstances.
Restriction periods:	Of the shares granted to Executive KMP, 90% remain restricted for a further two years after vesting whereby Executive KMP are prohibited from trading the shares. This two-year restriction period does not apply to our overseas based Executive KMP due to local taxation regulations. The remaining 10% of shares are subject to a "good leaver" clause such that they remain at risk of forfeiture at the Board's discretion until twelve months after the Executive KMP leaves the employment of Codan.
Leaver provisions:	Performance rights vest subject to Board approval and the Executive KMP remaining an employee of the Group on the vesting date. In certain circumstances the Board may exercise discretion and allow a good leaver to retain their unvested performance rights in whole or part. If the Board does exercise this discretion the Board will determine the conditions and timing of when that vesting may occur. The Board generally would only exercise this discretion in circumstances such as permanent disability, retirement and redundancy, consistent with the notion of a good leaver.
Clawback provisions:	Any performance rights on issue to an Executive KMP will lapse immediately on termination of the executive from the employment of Codan for reasons of misconduct. Any shares issued to an Executive KMP under the LTI plan remain at risk of forfeiture while they remain restricted. Forfeiture of the shares will occur if the Executive KMP: <ul style="list-style-type: none"> • Perpetrates fraud, • Acts dishonestly, • Commits a breach of the executive's obligations to Codan, • Provides services to a competitor of Codan, • Engages in activity that in the opinion of the Board is detrimental to Codan.
Other equity provisions:	Performance rights issued to Executive KMP carry: <ul style="list-style-type: none"> • no voting or dividend entitlements, • no entitlement to participate in new share issues other than bonus issues (when the Board may adjust the number of rights in accordance with ASX Listing Rules to make sure that there is no advantage or disadvantage to the executive), • no automatic entitlement to shares in the event of a change in control event for Codan, with the Board to exercise discretion in these circumstances.

Additional issue of Performance rights in FY23 to KMP in the Communications business segment

In recent years Codan's Communications business segment has grown significantly with its contribution to Codan group profits increasing from \$16.2 million in FY21 to \$67.7 million in FY23, and revenues have increased from \$95 million in FY21 to \$274 million in FY23. Given the increasing materiality of this business segment and the growing importance of retaining our US based Executive KMP, who led the acquisitions of Zetron and DTC in FY21, and who currently lead these businesses, the Remuneration and Nomination Committee approved the issue of additional performance rights to Mr S A French and Mr S P Sangster in January 2023, this award was structured to retain their employment and to incentivise the achievement of certain profit growth targets.

Each executive was issued 125,000 performance rights with the details of the issue as follows (for details on the Instrument, Conversion to shares, Restriction periods, Leaver provisions, Clawback provisions and Other equity provisions refer to the FY23 LTI table):

Feature	Description								
Purpose:	To retain the employment of the Executive KMP leading the Tactical Communications (Mr S P Sangster) and Zetron (Mr S A French) businesses and to incentivise the achievement of certain profit growth targets.								
Face value:	125,000 performance rights were issued to each of Mr S P Sangster and Mr S A French. The share price used by the Board in January 2023 to determine the face value of the shares was \$4 per share (5-day VWAP on 31 December 2022 was \$3.98), resulting in a face value of \$500,000 for the LTI grant to each executive. This represents the face value of the equity should the vesting conditions be achieved. The value ultimately received by the two Executive KMP will depend on the Codan share price at the time of vesting.								
Eligibility:	Only the Executive General Manager of the Tactical Communications business and the Executive General Manager of Zetron were eligible for this issue of performance rights.								
Summary of performance conditions:	This LTI grant has two tranches. Seventy percent (70%) will be assessed against segment profit, and the remaining 30% is subject to a service condition (retention based). Segment Profit growth performance hurdle: 70% weighting (87,500 rights) The rights subject to this performance condition will vest if the business unit that the executive is responsible for achieves profitability growth targets over a three-year period. For the maximum available number of performance rights to vest, the executive's business unit must deliver cumulative segment profits at a maximum target level set by the Board, with a threshold level of segment profit to be achieved over the performance period in order for any performance rights to vest. A pro-rata vesting of performance rights occurs between the threshold and maximum target levels of business unit segment profits. In determining the maximum target profitability levels, the Board has used FY22 as the base year with the business unit segment profit having to grow at more than 30% per annum for the three-year performance period to achieve the cumulative segment profit target. The threshold level equates to segment profits growing at more than 20% per annum. The vesting schedule of the rights subject to the Segment Profit growth hurdle is as follows: <table border="1"> <thead> <tr> <th>Segment profit annual compounding growth</th> <th>Percentage of rights vesting</th> </tr> </thead> <tbody> <tr> <td>Less than or equal to Threshold</td> <td>0%</td> </tr> <tr> <td>More than Threshold, less than Maximum</td> <td>Pro-rated vesting from 0% to 100%</td> </tr> <tr> <td>Equal or greater than Maximum</td> <td>100% being the maximum</td> </tr> </tbody> </table> If the performance conditions are achieved these rights will vest in August 2025 following release of the full year financial results to the ASX. The Board has discretion to determine, amend and calculate the vesting outcomes. Service condition: 30% weighting (37,500 rights) A portion of the performance rights will vest if the Executive KMP remains employed with the Codan group in January 2027 (being four years after the rights were issued), subject to compliance with Codan's code of conduct and values. No performance conditions apply to this portion.	Segment profit annual compounding growth	Percentage of rights vesting	Less than or equal to Threshold	0%	More than Threshold, less than Maximum	Pro-rated vesting from 0% to 100%	Equal or greater than Maximum	100% being the maximum
Segment profit annual compounding growth	Percentage of rights vesting								
Less than or equal to Threshold	0%								
More than Threshold, less than Maximum	Pro-rated vesting from 0% to 100%								
Equal or greater than Maximum	100% being the maximum								
Performance period:	3 years from 1 July 2022 to 30 June 2025 for the rights assessed against segment profit performance. For the rights subject to the service period condition, the vesting date is January 2027.								

DIRECTORS' REPORT (continued)

REMUNERATION REPORT – AUDITED (continued)

FY24 Remuneration Structure Changes

During FY23, a new Chair was appointed to the Board and to the Remuneration and Nomination Committee and the Board has undergone a renewal process. These changes led to a review of the Executive KMP remuneration framework and metrics to provide further alignment with shareholders' interests. The Board considered it appropriate to redesign the executive remuneration framework for both STI and LTI to apply in FY24 and beyond to better support the future growth of the Company, better align reward outcomes for the CEO and other Executive KMP to shareholder outcomes, while retaining the core philosophy and principles outlined above.

CEO Remuneration

In conjunction with the changes set out below that have been made to the Executive KMP STI and LTI framework and metrics, the Board considered it important to address the relatively low incentive package available to the CEO, and the particularly low percentage of long-term equity-based incentive remuneration. Acknowledging that the lower incentive package is partially offset by relatively higher fixed remuneration and a cash (as opposed to equity-based) STI that was negotiated when Mr Ianniello was recruited to the CEO role in January 2022, the Board nonetheless wanted to implement changes to the CEO remuneration package to create better alignment with shareholders, essentially through a combination of fixing fixed remuneration at its current level until FY26, setting higher vesting performance requirements to achieve remuneration incentives at target and maximum for LTI and increasing in the value of equity-based incentives particularly at maximum.

There will be no change to Mr Ianniello's fixed remuneration until FY26 at the earliest. Fixed remuneration will remain at -\$1.0 million set when Mr Ianniello joined Codan in January 2022, meaning there will be no increase for a period of at least 4.5 years. During periods of high inflation particularly, this represents a real reduction in the value of fixed remuneration over this period.

The STI available has been reduced to 25% at target performance and 50% at maximum, with at least 50% of STI to be paid in equity, and 50% in either cash or equity at the CEO's election.

Noting the higher EPS growth targets that apply from FY24 and the introduction of a Relative Total Shareholder Return metric, the LTI available has been increased to 50% at target performance and 75% at maximum for FY24, all equity-based, with the at maximum percentage increasing to 100% from FY25 onwards.

The increase to overall remuneration available for at target performance in FY24 versus FY23 is \$0.15 million. At target performance, cash remuneration will be \$0.175 million lower in FY24 versus FY23 and at maximum performance, cash remuneration will be \$0.35 million lower in FY24 versus FY23. These reductions in cash based potential remuneration are offset by an increase in potential equity remuneration of \$0.325 million at target and \$0.7 million at maximum, vesting after 3 years, when comparing FY24 to FY23.

The following chart sets out the percentage of at-risk remuneration and percentage of equity-based remuneration for FY24.

Summary of KMP Remuneration Structure for FY24

Executive KMP remuneration for FY24 at Codan is:

- Performance based
 - The remuneration for the CEO is 43% performance related at target and 56% performance related at maximum;
 - The remuneration for other Executive KMP is 43% performance related pay at target and 60% performance related at maximum.
- and is equity focussed
 - at target 36% of the CEO's total remuneration is paid in equity, at maximum 44% of the CEO's total remuneration is paid in equity;
 - at target 14% of other Executive KMP's total remuneration is paid in equity, at maximum 20% of other Executive KMP is paid in equity.
- and multi-year focussed
 - LTI performance is measured over a three-year period;
 - Shares issued under the LTI scheme are subject to a further two-year holding lock for Australian based Executive KMP;
 - 10% good leaver holding provisions in place for all Executive KMP.

CEO

At Target

Fixed remuneration 57%	STI 14%	LTI 29%
Cash	Equity	

At Maximum:

Fixed remuneration 45%	STI 22%	LTI 33%
Cash	Equity	

Other Executive KMP

At Target

Fixed remuneration 57%	STI 29%	LTI 14%
Cash	Equity	

At Maximum:

Fixed remuneration 40%	STI 40%	LTI 20%
Cash	Equity	

FY24 Short Term Incentive

The STI structure is focussed on those aspects of the Company's performance in the FY24 annual plan within the control of the Executive KMP that will impact the value of the Company, being growth in revenues, profitability, operating free cash flow, order book (where applicable) and the achievement of Sustainability and Safety targets. The key changes to the STI structure for FY24 versus the prior year are as follows:

- STI will be a percentage of each Executive KMP's fixed pay rather than a percentage of an EBIT profit pool;
- A scorecard will be determined for each Executive KMP with STI objectives set based on the financial and non-financial performance of the business or group that the executive can directly influence;
- A Codan Group EBIT metric (a higher weighting will apply to CEO and CFO) will be included in each Executive KMP's STI scorecard;
- STI for each Executive KMP will be capped at a maximum of 100% of fixed pay, versus STI's previously being uncapped.

The revised framework for the FY24 STI plan is as follows:

Feature	Description																					
Purpose:	Motivate and reward Executive KMP for contributing to the delivery of annual business performance.																					
Value:	<table border="1"> <thead> <tr> <th>Target</th> <th>Maximum</th> </tr> </thead> <tbody> <tr> <td>CEO 25% of fixed pay</td> <td>CEO 50% of fixed pay</td> </tr> <tr> <td>Other Executive KMP 50% of fixed pay</td> <td>Other Executive KMP 100% of fixed pay</td> </tr> </tbody> </table> <p>The CEO has lower STI and higher LTI than other Executive KMP to provide for better long-term alignment with shareholders.</p>	Target	Maximum	CEO 25% of fixed pay	CEO 50% of fixed pay	Other Executive KMP 50% of fixed pay	Other Executive KMP 100% of fixed pay															
Target	Maximum																					
CEO 25% of fixed pay	CEO 50% of fixed pay																					
Other Executive KMP 50% of fixed pay	Other Executive KMP 100% of fixed pay																					
Eligibility:	All Executive KMP are eligible to participate in the STI plan. To be eligible for a payment executives must be employed at the time of the STI payment. The Board will exercise discretion when paying an STI to any Executive KMP who has been a "good leaver" during the year, with any payments likely to be made on a pro-rata basis.																					
Delivery:	STI's are paid in cash, other than 50% of any STI for the CEO which will be paid in equity. Executive KMP have the option to elect to have any portion of cash STI paid in equity.																					
Performance period:	1 year																					
Setting performance objectives:	At the start of the financial year a scorecard of objectives is determined by the Board. For FY24 this has been done as set out below. At the end of the year the Board will undertake a rigorous assessment of actual performance against each of the metrics. The Board has the discretion to increase or decrease the STI allocated to any Executive KMP taking into account their individual performance, approach to business risks and adherence to Codan values.																					
Performance objectives:	<p>Codan's performance against targets will be disclosed retrospectively noting that the actual targets for FY24 are not disclosed as they are commercially sensitive.</p> <table border="1"> <thead> <tr> <th>Measure</th> <th>Rationale</th> <th>Measurement</th> </tr> </thead> <tbody> <tr> <td>Revenue</td> <td>Financial metric focussed on growth</td> <td>Revenue</td> </tr> <tr> <td>Profitability</td> <td>Financial metric that measures the performance of the business</td> <td>Group EBIT</td> </tr> <tr> <td></td> <td></td> <td>Segment profit</td> </tr> <tr> <td>Cash flow</td> <td>Financial metric focussed on cash generation</td> <td>Operating and investing cashflows</td> </tr> <tr> <td>Order book</td> <td>Financial metric that provides a lead indicator of future performance</td> <td>Contracted orders received from customers</td> </tr> <tr> <td>Sustainability and Safety</td> <td>Codan is committed to providing a safe work environment and operating in a sustainable manner</td> <td>Measures include performance against agreed targets</td> </tr> </tbody> </table>	Measure	Rationale	Measurement	Revenue	Financial metric focussed on growth	Revenue	Profitability	Financial metric that measures the performance of the business	Group EBIT			Segment profit	Cash flow	Financial metric focussed on cash generation	Operating and investing cashflows	Order book	Financial metric that provides a lead indicator of future performance	Contracted orders received from customers	Sustainability and Safety	Codan is committed to providing a safe work environment and operating in a sustainable manner	Measures include performance against agreed targets
Measure	Rationale	Measurement																				
Revenue	Financial metric focussed on growth	Revenue																				
Profitability	Financial metric that measures the performance of the business	Group EBIT																				
		Segment profit																				
Cash flow	Financial metric focussed on cash generation	Operating and investing cashflows																				
Order book	Financial metric that provides a lead indicator of future performance	Contracted orders received from customers																				
Sustainability and Safety	Codan is committed to providing a safe work environment and operating in a sustainable manner	Measures include performance against agreed targets																				
Individual performance objectives:	Each Executive KMP agrees an individual scorecard of performance objectives at the start of FY24 against which their performance will be assessed. Individual performance objectives are selected from the above list, tailored to the specific responsibilities of the role. For example, for the Executive General Manager, Minelab the financial performance objectives will be a combination of Codan Group EBIT and the financial performance of Minelab. The weighting of financial performance objectives (which includes growth in revenue, profitability, cash flow and order book) for each Executive KMP is at least 80% of their STI for FY24.																					

DIRECTORS' REPORT (continued)

REMUNERATION REPORT – AUDITED (continued)

FY24 Remuneration Structure Changes (continued)

Summary of KMP Remuneration Structure for FY24 (continued)

FY24 Short Term Incentive (continued)

Feature	Description	
Threshold, Target and Maximum Performance Objectives:	For each of the financial performance objectives the Board has set a minimum performance threshold which acts as a gate, an on target performance level (predominantly being the FY24 business plan) and a maximum target that is typically 110% to 120% of the target performance level. Threshold levels are set at between 80% and 90% of target levels.	
Percentage of STI depends on Actual Performance	Performance against STI objectives	Percentage of STI Paid
	Less than Threshold	0%
	Equal to Threshold	50%
	More than Threshold, less than Target	Pro-rated vesting from 50% to 100%
	Target	100%
	More than Target, less than Maximum	Pro-rated vesting from 100% to 200%
	Maximum	200%
	The above percentages are calculated against the Target STI amount which is 25% of fixed pay for the CEO and 50% of fixed pay for Other Executive KMP.	

FY24 Long Term Incentive

The LTI incentive structure is focussed on long term performance being delivered to shareholders with reference to growth in EPS, and in FY24 the addition of a relative total shareholder return (RTSR) metric, measured over a three-year period and is designed to motivate superior performance and to retain Executive KMP. The key changes to the LTI structure for FY24 versus the prior year are as follows:

- Performance metrics: Historically Codan's LTI plan has had a single financial metric, being the growth of EPS over a defined base level. In FY24 a second LTI metric, RTSR, is being added.
- EPS base year: The EPS used as the base for performance targets has in recent years been based on an average of Codan's results in three prior years. The Board has determined that the immediately preceding financial year's EPS will be used as the base level for setting EPS growth targets going forward.

- EPS growth expectations: The growth rates that were required to achieve the performance hurdles were previously between 2% and 8% per annum. The Board decided to significantly increase the required EPS growth rates, and have adjusted the FY24 performance hurdles to be between 8% and 13% per annum.
- EPS performance: The previous LTI plan used an aggregate target over the 3-year period; the FY24 LTI plan is based on an EPS target being met in the third year of the performance period (using the required EPS annual growth rate compounded over the three-year measurement period).

The revised framework for the FY24 LTI plan is as follows (for details on the Instrument, conversion to shares, restriction periods, leaver provisions, clawback provisions and other equity provisions refer to the FY23 LTI table):

Feature	Description	
Purpose:	The purpose of the LTI plan is to focus the CEO and other Executive KMP on the creation of sustainable long term shareholder value. It rewards executives for delivering long term earnings performance above a minimum target and for creating value for shareholders with shareholder returns at above the 50th percentile of a selected peer group of ASX listed companies. It encourages Executive KMP to remain employed by Codan and aligns their interests with those of shareholders.	
Face value:	Target	
	CEO	50% of fixed pay
	Other Executive KMP	25% of fixed pay
	Maximum	
	CEO	75% of fixed pay
	Other Executive KMP	50% of fixed pay
	This represents the face value of the equity should all the performance targets be achieved. The value ultimately received by executives will depend on the Codan share price at the time of vesting. The CEO has a higher LTI incentive, 100% equity based, relative to other KMP to better align his financial reward with shareholders. Maximum for CEO will increase to 100% from FY25.	
Eligibility:	All Executive KMP are eligible to participate in the LTI plan. To be eligible for a grant of performance rights they must have been employed at the beginning of the performance period i.e. 1 July before the grant of that year's performance rights. If the Board exercises discretion for executives employed after 1 July, they will consider issuing performance rights on a pro rata basis.	
Performance period:	3 years, ending 30 June 2026	
Number of performance rights:	The number of rights granted is determined by dividing the relevant LTI percentage of the Executive KMP's fixed salary as of 1 July 2023 by the volume weighted average of the Company's share price in the five days after the release of the Codan group's annual results for FY23.	
Summary of performance conditions:	The LTI will be assessed against two independent performance metrics being EPS growth and RTSR. EPS growth performance hurdle: 67% weighting An EPS growth metric provides a clear line of sight between executive performance and Codan's financial performance over the long term. It is also well understood by the Codan executive team and our shareholders. The Board may adjust the underlying NPAT used to measure performance against the LTI plan where it deems it appropriate to do so, for example as a result of major transactions, such as an acquisition or divestment, or other one-off type items. To measure EPS, we will divide the Codan Group NPAT by the weighted average number of Codan ordinary shares on issue during the financial year. To measure growth in EPS we compare the EPS in the financial year immediately preceding the grant (FY23) with the EPS achieved in the measurement year, being Year 3 (FY26). To set the FY26 target the Board has used the underlying EPS performance for FY23 of 36.3 cents per share. Performance rights would vest if the EPS achieved in the measurement year exceeds a target with all rights vesting if a maximum EPS is achieved. The target and maximum EPS were calculated by applying a compounding annual growth rate to a base EPS. The Board has not set a threshold level of performance below the required target level.	

DIRECTORS' REPORT (continued)

REMUNERATION REPORT – AUDITED (continued)

FY24 Remuneration Structure Changes (continued)

Summary of KMP Remuneration Structure for FY24 (continued)

FY24 Long Term Incentive (continued)

Feature	Description												
Summary of performance conditions (continued):	This is represented in the below table:												
	<table border="1"> <thead> <tr> <th></th> <th>Target</th> <th>Maximum</th> </tr> </thead> <tbody> <tr> <td>Base EPS (FY23) (cents)</td> <td style="text-align: center;">36.3</td> <td style="text-align: center;">36.3</td> </tr> <tr> <td>Compound annual growth rate</td> <td style="text-align: center;">8%</td> <td style="text-align: center;">13%</td> </tr> <tr> <td>FY26 (measurement year) (cents)</td> <td style="text-align: center;">45.7</td> <td style="text-align: center;">52.4</td> </tr> </tbody> </table>		Target	Maximum	Base EPS (FY23) (cents)	36.3	36.3	Compound annual growth rate	8%	13%	FY26 (measurement year) (cents)	45.7	52.4
	Target	Maximum											
Base EPS (FY23) (cents)	36.3	36.3											
Compound annual growth rate	8%	13%											
FY26 (measurement year) (cents)	45.7	52.4											
	The vesting schedule of the rights subject to the EPS growth hurdle is as follows:												
EPS annual compounding growth	Percentage of rights vested												
Less than Target	0%												
Target	50% of maximum												
More than Target less than Maximum	Pro-rated from 50% to 100%												
At or greater than Maximum	100% of maximum												
	For the CEO at Target 67% of the Maximum rights vest, with pro-rated vesting from 67% to 100% of Maximum.												
	The Board retains full discretion to determine, amend and calculate the vesting outcomes.												
	RTSR performance hurdle: 33% weighting												
	This RTSR measure represents the relative change in the value of Codan's share price over a period including reinvested dividends, compared to the constituents of a peer group. The change is expressed as a percentage on the opening value of the shares and then ranked as a percentile compared to the peer group. The Board has chosen a RTSR measure as it provides an appropriate comparative measure of shareholder return, reflecting an investor's choice to invest in Codan versus another peer group entity. Executive KMP will only derive value from the RTSR component of the LTI plan if Codan's RTSR performance is at least at the 50th percentile of companies in the peer comparison group measured over the three-year period.												
	The vesting schedule of the rights subject to the RTSR hurdle is as follows:												
RTSR	Percentage of rights vesting												
Less than 50% Target percentile	0%												
At 50% percentile Target	50% of maximum												
More than Target less than 75% Maximum percentile	Pro-rated from 50% to 100%												
At 75% Maximum percentile	100% of maximum												
	For the CEO at Target 67% of the Maximum rights vest, with pro-rated vesting from 67% to 100% of Maximum.												
	The Board has not set a Threshold level below the Target level.												
	For the FY24 rights grant the peer group of companies will be companies listed on the ASX within 50% and 200% of Codan's 12-month average market capitalisation as at 30 June 2023, with industry exclusions being any companies in the peer group from the Materials, Finance and Energy GICS sectors.												
	The Board intends to use the services of an independent external consultant to calculate the RTSR and the percentile that Codan's performance is placed amongst the peer group. Noting that the Board can adjust the peer group constituents to take account of events that happen during the performance period, for example, the impact of corporate activity such as takeovers, mergers or de-listings.												

Non-Executive Directors Fee Structure

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. There were no changes to non-executive director fees during FY23 other than the statutory change in the superannuation rate of 0.5%.

Service contracts

It is the group's policy that service contracts for Executive KMP 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 a service contract with each Executive KMP.

Executive KMP are also entitled to receive on termination of employment their statutory entitlements of accrued annual and long service leave with the Board to exercise discretion regarding any entitlement to variable components of their remuneration.

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 Executive KMP, or their personally related entities, may purchase goods from the group. These purchases occur within a normal employee relationship and are 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. All directors are in compliance with the policy.

Remuneration Tables (Statutory Disclosures)

Corporate performance

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

	2023	2022	2021	2020	2019
Profit attributable to shareholders (\$'000)	\$67,774	\$100,736	\$90,351	\$63,795	\$45,665
Dividends paid (\$'000)	\$43,480	\$53,361	\$38,809	\$26,999	\$26,873
Share price at 30 June	\$8.03	\$6.96	\$18.03	\$7.09	\$3.47
Increase/Decrease in share price at 30 June	\$1.07	(\$11.07)	\$10.94	\$3.62	\$0.47
Earnings per share, fully diluted	37.4c	55.6c	49.8c	35.3c	25.3c

DIRECTORS' REPORT (continued)

REMUNERATION REPORT – AUDITED (continued)

Remuneration Tables (Statutory Disclosures) (continued)

Directors' and Executive KMP 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 person

Directors	Year	Salary and fees	Short-term incentives	Other short-term	Post-employment and superannuation contributions
		\$	\$	\$	\$
Non-Executive					
Mr D J Simmons*	2023	112,163	–	–	11,777
	2022	189,935	–	–	18,993
Lt-Gen P F Leahy*	2023	30,691	–	–	3,223
	2022	94,968	–	–	9,497
Mr G R C Barclay	2023	136,199	–	–	14,301
	2022	94,968	–	–	9,497
Ms K J Gramp	2023	104,880	–	–	11,012
	2022	103,601	–	–	10,360
Ms S Adam-Gedge**	2023	40,059	–	–	4,206
Mr H Mackay-Cruise**	2023	32,047	–	–	3,365
Total non-executives' remuneration	2023	456,039	–	–	47,884
	2022	483,472	–	–	48,347
Executive Director					
Mr A Ianniello***	2023	987,042	–	–	27,500
	2022	518,872	150,308	–	13,750
Total directors' remuneration	2023	1,443,081	–	–	75,384
	2022	1,352,492	713,965	–	77,809

* Peter Leahy & David Simmons ceased to be directors in October 2022 and January 2023 respectively.

** Sarah Adam-Gedge & Heith Mackay-Cruise commenced their roles as directors on 1 February 2023 and 1 March 2023 respectively.

*** Alfonso Ianniello was appointed as a director on 4 January 2022.

of the group are:

	Other long-term	Termination benefits	Performance rights	Total	Proportion of remuneration performance related
	\$	\$	\$	\$	%
	–	–	–	123,940	–
	–	–	–	208,928	–
	–	–	–	33,914	–
	–	–	–	104,465	–
	–	–	–	150,500	–
	–	–	–	104,465	–
	–	–	–	115,892	–
	–	–	–	113,961	–
	–	–	–	44,265	–
	–	–	–	35,412	–
	–	–	–	503,923	–
	–	–	–	\$531,819	–
	24,479	–	36,783	1,075,804	3.4
	11,850	–	30,000	724,780	24.9
	24,479	–	36,783	1,579,727	
	21,942	–	30,000	2,350,258	

DIRECTORS' REPORT (continued)

REMUNERATION REPORT – AUDITED (continued)

Remuneration Tables (Statutory Disclosures) (continued)

Directors' and Executive KMP 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)	2023	346,413	–	–	27,500	44,108	–	106,143	524,164	20.2
	2022	306,042	409,932	–	27,500	11,084	–	139,816	894,374	61.5
Mr P D Charlesworth (Executive General Manager, Minelab)	2023	429,606	–	–	25,292	10,855	–	134,567	600,320	22.4
	2022	422,791	478,254	–	23,568	34,361	–	175,123	1,134,097	57.6
Mr S A French (Executive General Manager, Zetron)	2023	481,120	–	26,577	15,597	–	–	202,770	726,064	27.9
	2022	406,025	409,932	22,760	20,912	–	–	188,812	1,048,441	57.1
Mr S P Sangster (Executive General Manager, Tactical Communications)	2023	476,534	–	1,639	20,702	1,281	–	197,785	697,941	28.3
	2022	406,607	409,932	2,809	–	10,730	–	159,394	989,472	57.5
Total Executive KMP remuneration	2023	1,733,673	–	28,216	89,091	56,244	–	641,265	2,548,489	
	2022	1,541,465	1,708,050	25,568	71,980	56,175	–	663,145	4,066,384	

* 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 KMP outside of Australia are paid in their local currencies. The Australian dollar equivalents are calculated using average exchange rates for the financial year.

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

DIRECTORS' REPORT (continued)

REMUNERATION REPORT – AUDITED (continued)

Remuneration Tables (Statutory Disclosures) (continued)

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 2022	Received on exercise of rights	Other changes*	Held at 30 June 2023
Directors				
Mr D J Simmons**	100,000	–	–	100,000
Mr A Ianniello	41,120	–	–	41,120
Lt-Gen P F Leahy**	57,708	–	–	57,708
Mr G R C Barclay	63,752	–	60,000	123,752
Ms K J Gramp	15,500	–	12,500	28,000
Ms S Adam-Gedge***	–	–	8,000	8,000
Mr H Mackay-Cruise***	–	–	5,000	5,000
Executive KMP				
Mr M Barton	210,566	33,509	(40,000)	204,075
Mr P D Charlesworth	452,551	41,431	–	493,982
Mr S A French	–	38,426	–	38,426
Mr S P Sangster	38,198	35,996	11,538	85,732

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

** Peter Leahy & David Simmons ceased to be directors in October 2022 and January 2023 respectively.

*** Sarah Adam-Gedge & Heith Mackay-Cruise commenced their roles as directors on 1 February 2023 and 1 March 2023 respectively.

Performance rights issued

Details of performance rights granted to Executive KMP 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 (\$)	Vesting date	Number of rights vested during year
DIRECTORS						
Mr A Ianniello	16,305	25 Nov 2022	3.36	–	30 June 2024	–
Mr A Ianniello	40,714	25 Nov 2022	3.19	–	30 June 2025	–
EXECUTIVE KMP						
Mr M Barton	25,899	17 Feb 2023	4.48	–	30 June 2025	–
Mr P D Charlesworth	30,496	17 Feb 2023	4.48	–	30 June 2025	–
Mr S A French	116,254	17 Feb 2023	4.67	–	30 June 2025	–
	37,500	17 Feb 2023	4.34	–	31 Jan 2027	–
Mr S P Sangster	119,426	17 Feb 2023	4.67	–	30 June 2025	–
	37,500	17 Feb 2023	4.34	–	31 Jan 2027	–

Details of vesting profiles of performance rights granted to KMP 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			
DIRECTOR					
Mr A Ianniello	16,305	25 November 2022	–	–	2025
	40,714	25 November 2022	–	–	2026
EXECUTIVE KMP					
Mr M Barton	33,509	15 November 2019	100	–	2023
	14,641	13 November 2020	–	–	2024
	10,124	6 December 2021	–	–	2025
	25,889	17 February 2023	–	–	2026
Mr P D Charlesworth	41,431	15 November 2019	100	–	2023
	18,102	13 November 2020	–	–	2024
	13,774	6 December 2021	–	–	2025
	30,496	17 February 2023	–	–	2026
Mr S A French	42,696	15 November 2019	100	–	2023
	17,788	13 November 2020	–	–	2024
	12,688	6 December 2021	–	–	2025
	116,254	17 February 2023	–	–	2026
	37,500	17 February 2023	–	–	2028
Mr S P Sangster	35,996	15 November 2019	100	–	2023
	17,536	13 November 2020	–	–	2024
	12,126	6 December 2021	–	–	2025
	119,426	17 February 2023	–	–	2026
	37,500	17 February 2023	–	–	2028

Performance rights issued in financial year 2023

The Company issued 40,714 performance rights in relation to the FY23 long term incentive plan and 16,305 performance rights in relation to the FY22 plan in November 2022 to the Chief Executive Officer. The FY22 issue was a pro rata issue given the Chief Executive Officer commenced employment part way through that year. The fair value of the rights was on average \$3.24, based on the Black-Scholes formula. The model inputs were the share price of \$3.98, no exercise price, expected volatility 53%, dividend yield 7.04%, a term of three years for the FY23 issue and a term of two years for the FY22 issue and a risk-free rate of 3.6%. The Company issued 367,075 performance rights in February 2023 to other Executive KMP. The fair value of the rights was on average \$4.62, based on the Black-Scholes Formula. The model inputs were the share price of \$5.48, no exercise price, expected volatility 53%, dividend yield 5.11%, a term of three years and a risk-free rate of 3.6%.

The performance rights become exercisable if certain performance thresholds such as growth of the group's earnings per share over a three-year period are achieved.

Performance rights issued in financial year 2022

The Company issued 48,712 performance rights in December 2021 to Executive KMP. 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 thresholds such as growth of the group's earnings per share over a three-year period are achieved.

DIRECTORS' REPORT (continued)

REMUNERATION REPORT – AUDITED (continued)

Remuneration Tables (Statutory Disclosures) (continued)

Performance rights issued in financial year 2021

The Company issued 113,623 performance rights in November 2020 to Executive KMP. 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%.

The performance rights become exercisable if certain performance thresholds such as growth of the group's earnings per share over a three-year period are achieved.

As the performance target has been exceeded to 30 June 2023, it is expected that the performance rights will vest and be converted into shares in FY24.

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 2022	Issued	Vested	Lapsed	Held at 30 June 2023
DIRECTORS					
Mr A Ianniello	–	57,019	–	–	57,019
EXECUTIVE KMP					
Mr M Barton	58,274	25,899	33,509	–	50,664
Mr P D Charlesworth	73,307	30,496	41,431	–	62,372
Mr S A French	73,172	153,754	42,696	–	184,230
Mr S P Sangster	65,658	156,926	35,996	–	186,588

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, security and military groups, government departments, major corporates as well as individual consumers and small-scale miners.

FY23 Highlights:

- Group revenue of \$456.5 million, down 10% versus FY22
- Statutory net profit after tax of \$67.7 million and underlying net profit after tax of \$65.5 million, down 33% and 35% respectively over FY22
- H2 FY23 underlying net profit after tax of \$34.7m, up 13% versus H1 FY23
- Ongoing strength in Communications businesses:
 - FY23 Communications revenue increased 14% versus FY22 to \$274 million, upper end of target range
 - Communications achieved segment profit margins of 25%, versus 21% in FY22, as a result of positive operating leverage
 - Communications orderbook of \$163 million, up 9% versus 30 June 2022
- Metal detection revenues increased 38% in H2
- Net debt of \$52 million, down from \$61 million as at December 2022
- Statutory earnings per share of 37.5 cents and underlying earnings per share of 36.3 cents
- Annual dividend of 18.5 cents, fully franked (interim 9.0 cents, final 9.5 cents)

In the face of uncertain regional geopolitical and challenging global macroeconomic factors, Codan has delivered a stronger second half result. Minelab delivered stronger second half performance with newly released recreational detectors delivering exceptional results, driving FY23 Rest of World revenue growth and Communications achieved 14% revenue growth year on year.

The Company continues to execute against its strategy of building a stronger Codan, by investing in innovative new product releases, initiatives to grow in new and adjacent markets as well as ongoing geographical expansion, primarily within developed markets.

The strong performance of both Tactical Communications and Zetron is most pleasing, they form an integral part of Codan's overall strategy to improve the quality of our revenues and provide sustainable and profitable growth into the future.

Dividend

The Company announced a final dividend of 9.5 cents per share, fully franked, bringing the full-year dividend to 18.5 cents. This dividend has a record date of 6 September 2023 and will be paid on 20 September 2023.

Financial performance and other matters

	FY23		FY22	
	\$m	% of sales	\$m	% of sales
Revenue				
Communications	274.5	60%	241.7	48%
Metal Detection	176.1	39%	262.3	52%
Other	5.9	1%	2.1	0%
Total revenue	456.5	100%	506.1	100%
Business performance				
EBITDA	116.8	26%	162.0	32%
EBIT	88.0	19%	137.4	27%
Interest	(5.3)		(1.7)	
Net profit before tax	82.6	18%	135.7	27%
Taxation	(17.1)		(35.2)	
Underlying Net profit after tax	65.5	14%	100.5	20%
Non-recurring income/(expenses) after tax*:				
Recognition/(derecognition) of tax losses previously not booked	2.2		–	
Net profit after tax	67.7		100.5	
Underlying earnings per share, basic	36.3 cents		55.6 cents	
Statutory earnings per share, basic	37.5 cents		55.6 cents	
Ordinary dividend per share	18.5 cents		28.0 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.

FY23 group revenue fell 10% versus FY22, while statutory net profit after tax declined 33%. This result primarily reflects the disruption of Minelab's African market, partially offset by strong organic growth within Communications and Rest of World Minelab recreational detectors.

The reduction in the gross margin percentage can be attributed to changes in the product mix of revenues. Specifically, there has been a decrease in Africa gold detector revenues, which are at a higher gross margin. The cost base of the business was closely managed throughout FY23, with labour being the key inflationary pressure and supply chains largely normalising to pre-COVID levels.

The Group's underlying effective tax rate was 21%, down from the 26% in FY22. This was largely a result of an increased proportion of the Group's earnings being generated in the United Kingdom (UK), with a company tax rate of 19% for the majority of the year. As of April 2023, the UK tax rate is 25%, therefore the Company would expect the future effective Group tax rate to be closer to FY22 levels. During FY23, the group recorded a net \$2.2 million tax benefit in relation to the recognition of tax losses that had not previously been recognised. As this amount is largely one off in nature it has been deducted from statutory profit after tax.

Balance Sheet

As expected, the Company reduced net debt, from \$61 million on 31 December 2022 to \$52 million at 30 June 2023. This is a direct result of improved financial performance and continued focus on working capital management. The closing net debt balance is also after the upfront cash consideration of \$6.6 million paid in relation to the acquisition of GeoConex, as announced on 16 February 2023, and after paying the interim dividend of \$16.3 million.

During H2, the Company also renewed its bank facilities of \$140 million, with additional capacity available of \$150 million, subject to bank approval. This enhanced facility provides us with the financial capacity and flexibility to support our ongoing inorganic growth initiatives.

The increase in inventory to \$121 million as at 30 June 2023, is mainly attributable to the growth in our Communications business and building up our stock of Minelab's newly released detectors to meet backorders and ongoing demand. The Company expects this inventory balance to decline, while we continue to sell down overstocked African market gold detectors and new detector inventory normalises. This is expected to result in ongoing positive cash generation and further reduction in net debt by June 2024.

DIRECTORS' REPORT (continued)

OPERATING AND FINANCIAL REVIEW (continued)

Performance by business unit

Communications (Tactical & Zetron)

Codan Communications designs and manufactures mission-critical communications equipment for global military, public safety, law enforcement, unmanned systems, broadcast and commercial applications. These solutions allow customers to save lives, enhance security and support peacekeeping activities worldwide.

Communications had an excellent year in FY23, with both Tactical Communications and Zetron achieving strong growth, with revenues increasing by 14% to \$274 million and a segment profit margin of 25%, up from 21% in FY22.

Success across the Company's Communications businesses reflects the strategic shift to enter large and growing addressable markets, namely military and law enforcement, public safety, unmanned systems and broadcast. This strategic shift has resulted in an increased portion of Communications revenues being derived from developed world markets and government customers which enhances the quality of our revenues and stability of the business.

Communications continues to invest in its technology platforms, further enhancing its value proposition to customers, positioning itself as a true end-to-end solutions provider. Throughout the year, considerable effort and investment was directed towards strengthening sales teams and ensuring resources and expertise are in place to aggressively pursue opportunities in key growth markets.

During the year, Tactical Communications released the Sentry Mesh 6161 radio, which is a compact and lightweight Software Defined Radio tailored for soldier systems and military modernisation programs. This increase in capability allows Tactical Communications to bid for significant longer-term military programs.

Tactical Communications achieved double-digit revenue growth in FY23, driven by particular strength in the unmanned systems, broadcast and law enforcement markets. Also contributing to this growth was \$20 million in FY23 revenues relating to a large military communications project announced in October 2021. While a pleasing contribution to the FY23 result, management does not expect this revenue to be repeated in FY24.

Zetron also achieved double-digit revenue growth in FY23, as the US public safety market continues to grow and recognise the value of Zetron's integrated command and control solutions. Zetron was successfully awarded business from an expanding mix of high-quality enterprise and government customers throughout North America. Zetron's long-term support contracts provide greater predictability of future revenues and these accounted for ~30% of Zetron's FY23 revenues.

To supplement Communications organic growth initiatives, the Company has also pursued an inorganic growth strategy, as demonstrated in our recent GeoConex and Eagle NewCo (Eagle) acquisitions. Communications will continue to target strategically aligned businesses, to gain access to new technologies and markets to accelerate its growth trajectory.

The recent announcement of the acquisition of Eagle is consistent with Codan's inorganic growth strategy to acquire technology and capability that accelerate growth, with this acquisition focused on our core public safety market. Eagle provides mission critical control room communication and workforce management solutions to over 100 emergency services and transport customers across the United Kingdom, Europe and the Middle East. Eagle's solutions are currently used by more than two-thirds of police forces in the United Kingdom, as well as by major transportation hubs and airports (including Dubai International Airport) and the London Underground.

As announced on 2 August, Eagle is expected to contribute only marginally to Codan's FY24 profitability, with the acquisition being earnings per share accretive from year two.

This acquisition is strategically important for Zetron, the acquired technology is highly complementary and aligned with Zetron's core command and control solutions portfolio. In addition, this will accelerate growth in Zetron by gaining access to the UK public safety market and provides a platform to address European opportunities.

Communications enters FY24 with an orderbook of \$163 million, up 9% versus pcp and this continues to be a strong lead indicator of future revenues, underwriting the Company's objective of growing revenues with greater predictability.

After normalising for the impact of the large Communications project delivered in FY23 (approximately \$20 million), the Communications business (excluding Eagle) is targeting to deliver 10% to 15% revenue growth in FY24.

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 delivered revenues of \$176 million (FY22: \$262 million). Notwithstanding, the reduction in Minelab revenues against FY22, which is a direct result of continuing disruption in the Northeast African market, Minelab delivered a stronger second half across all its key markets, being RoW recreational detectors, Countermine and also in the African market. Minelab's FY23 segment profit margin remained stable from H1 at 32%.

Despite the global trend of increasing inflationary pressures affecting consumer sentiment and discretionary spending, the revenues from RoW recreational detectors have remained remarkably resilient, growing 9% versus pcp after adjusting for the ceased Russian recreational market. This sector continued to expand, exceeding the record FY22 levels which were driven by government stimulus and unprecedented COVID-related demand. The newly released products Manticore, X-Terra Pro, Equinox 700 and 900 detectors have been well received and the products delivered exceptional results driving the FY23 RoW recreational revenue growth. The Company anticipates a full year benefit from these products in FY24, although we continue to closely monitor the impact of global macroeconomic conditions.

Performance by business unit (continued)

Metal Detection (Minelab) (continued)

Within Africa, significant disruptions experienced in the Northeast African region have persisted throughout FY23 and these are continuing with no signs of any improvement in that disrupted market. Importantly, revenues from other parts of Africa have stabilised and are largely returning to pre-COVID levels. Consistent with previous years, the African market benefited from seasonal conditions in the second half.

Looking forward, the Company does not anticipate improvements in trading conditions within Northeast Africa in FY24. In light of this, the Company considers FY23 to represent the new revenue base for Africa going forward.

Following record Countermine sales in FY22 several large project awards contributed to another strong result in FY23 albeit slightly down on FY22. The focus for FY23 shifted towards supporting humanitarian efforts to de-mine in countries such as Ukraine.

In summary, through Minelab's continued focus on expanding its technologically superior product range and through further geographic expansion, Minelab's RoW recreational detectors are well placed to continue high single digit growth in FY24.

Outlook

There are a number of key considerations regarding the Company's outlook for FY24:

- After normalising for the impact of the large Communications project delivered in FY23 (approximately \$20 million), the Communications business (excluding Eagle) is targeting to deliver 10% to 15% revenue growth in FY24;
- Minelab's RoW recreational market is targeting to continue high single digit growth, with a full-year benefit from newly launched detectors; and
- Regional geopolitical issues persist and global macroeconomic conditions remain uncertain.

Looking forward, there is a continued focus on investing in our product development pipelines, and in our people, systems and processes to support the future growth of the Company. These initiatives will see an increase in Codan's operating costs in areas such as IT systems and the required resources to deliver our future acquisition strategy. The business believes this investment in the right structure and foundations is essential to build a stronger Codan and deliver the Company's strategic growth plan.

The Board will provide a further business update at the Annual General Meeting on October 25, 2023, which will again be a hybrid meeting with in-person and virtual attendance, to provide as many shareholders with the ability to participate as possible.

DIVIDENDS

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

	Cents per share	Total amount \$000	Franked	Date of payment
Declared and paid during the year ended 30 June 2023:				
FY22 final	15.0	27,133	100%	7 Sept 2022
FY23 interim	9.0	16,305	100%	10 March 2023

Declared after the end of the year:

FY23 final	9.5	17,211	100%	8 Sept 2023
------------	-----	--------	------	-------------

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 FY23 final dividend detailed in note 5 and the acquisition of Eagle NewCo Limited detailed in note 33, 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' REPORT (continued)

DIRECTORS' INTERESTS

The relevant interest of each director in the shares and performance rights over ordinary 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	Performance Rights
Mr A Ianniello	41,120	57,019
Mr G R C Barclay	123,752	–
Mr H Mackay-Cruise	5,000	–
Ms K J Gramp	28,000	–
Ms S Adam-Gedge	8,000	–

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.

PRINCIPAL ACTIVITIES

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

ENVIRONMENTAL REGULATIONS

Codan's operations are subject to environmental regulations under the Commonwealth of Australia and State/Territory legislation. The Board believes that Codan has adequate systems in place to manage its environmental obligations and is not aware of any breach of those environmental requirements as they apply to Codan.

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 30 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.

	Consolidated	
	2023 \$	2022 \$
STATUTORY AUDIT		
Audit and review of financial reports	309,983	327,551
	309,983	327,551
SERVICES OTHER THAN STATUTORY AUDIT		
Taxation advice and compliance services	19,506	24,607
	19,506	24,607

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 R C Barclay
Director



A Ianniello
Director

Dated at Mawson Lakes
this 25th day of August 2023.

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 2023 there have been:

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

KPMG
KPMG

Chris Hollis
Partner

Sydney
25 August 2023

KPMG, an Australian partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organisation. Liability limited by a scheme approved under Professional Standards Legislation.

CONSOLIDATED INCOME STATEMENT

for the year ended 30 June 2023

	Note	Consolidated	
		2023 \$000	2022 \$000
CONTINUING OPERATIONS			
Revenue	2	456,468	506,145
Cost of sales		(207,026)	(219,796)
Gross profit		249,442	286,349
Other income	4	1,225	1,744
Administrative expenses		(37,128)	(36,151)
Sales and marketing expenses		(89,691)	(78,864)
Engineering expenses		(30,855)	(33,288)
Net financing costs	3	(10,343)	(2,396)
Other expenses	4	(13)	(1,727)
Profit before tax		82,637	135,667
Income tax expense	7	(14,908)	(35,137)
Profit for the period		67,729	100,530
Attributable to:			
Equity holders of the company		67,774	100,736
Non-controlling interests		(45)	(206)
		67,729	100,530
EARNINGS PER SHARE FOR PROFIT ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF THE COMPANY:			
Basic earnings per share	6	37.5 cents	55.7 cents
Diluted earnings per share	6	37.4 cents	55.6 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 84 to 118.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2023

	Note	Consolidated	
		2023 \$000	2022 \$000
Profit for the period		67,729	100,530
Items that may be reclassified subsequently to profit or loss			
Changes in fair value of cash flow hedges		2,026	(2,339)
less tax effect		(608)	702
Changes in fair value of cash flow hedges, net of income tax	20	1,418	(1,637)
Exchange differences on translation of foreign operations	20	11,972	17,837
Other comprehensive income/(loss) for the period, net of income tax		13,390	16,200
Total comprehensive income for the period		81,119	116,730
Attributable to:			
Equity holders of the company		81,164	116,936
Non-controlling interests		(45)	(206)
		81,119	116,730

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 84 to 118.

CONSOLIDATED BALANCE SHEET

for the year ended 30 June 2023

	Note	Consolidated	
		2023 \$000	2022 \$000
CURRENT ASSETS			
Cash and cash equivalents	8	23,661	22,613
Trade and other receivables	11	71,019	59,775
Inventory	12	121,401	102,488
Current tax assets	7	359	767
Other assets	13	17,851	17,852
Total current assets		234,291	203,495
NON-CURRENT ASSETS			
Property, plant and equipment	14	37,707	19,732
Right-of-use assets	31	38,555	25,067
Product development	15	108,174	92,261
Intangible assets	16	273,974	250,377
Other assets		600	-
Total non-current assets		459,010	387,437
Total assets		693,301	590,932
CURRENT LIABILITIES			
Trade and other payables	17	110,827	95,812
Lease liabilities	31	5,988	4,592
Current tax payable	7	7,439	6,806
Provisions	18	14,107	14,987
Total current liabilities		138,361	122,197
NON-CURRENT LIABILITIES			
Trade and other payables	17	16,977	5,676
Lease liabilities	31	44,023	25,651
Loans and borrowings	9	75,380	52,000
Deferred tax liabilities	7	7,317	9,482
Provisions	18	4,908	7,970
Total non-current liabilities		148,605	100,779
Total liabilities		286,966	222,976
Net assets		406,335	367,956
EQUITY			
Share capital	19	49,196	47,059
Reserves	20	98,424	86,431
Retained earnings		258,715	234,466
Total equity		406,335	367,956
Total equity attributable to the equity holders of the company		406,700	368,276
Non-controlling interests		(365)	(320)
		406,335	367,956

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 84 to 118.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2023

	Consolidated						
	Share capital	Foreign currency translation reserve	Hedging reserve	Equity based payment reserve	Profit reserve	Retained earnings*	Total
2023	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Balance as at 1 July 2022	47,059	26,486	(2,292)	3,256	58,981	234,466	367,956
Profit for the period	-	-	-	-	-	67,729	67,729
Performance rights expensed	-	-	-	740	-	-	740
Change in fair value of cash flow hedges	-	-	1,418	-	-	-	1,418
Exchange differences on translation of foreign operations	-	11,972	-	-	-	-	11,972
Transfers to and from reserves	-	-	-	-	-	-	-
	47,059	38,458	(874)	3,996	58,981	302,195	449,815
Transactions with owners of the company							
Dividends recognised during the period	-	-	-	-	-	(43,480)	(43,480)
Allocation of Treasury Shares	2,137	-	-	(2,137)	-	-	-
Issue of shares from performance rights	-	-	-	-	-	-	-
	2,137	-	-	(2,137)	-	(43,480)	(43,480)
Balance at 30 June 2023	49,196	38,458	(874)	1,859	58,981	258,715	406,335

*The amounts in retained earnings includes the portion for non-controlling interests with an opening retained loss as at 1 July 2022 of \$0.320 million, FY23 loss after tax of \$0.045 million (FY22: \$0.206 million loss) which results in a closing retained loss of \$0.365 million as at 30 June 2023.

	Consolidated						
	Share capital	Foreign currency translation reserve	Hedging reserve	Equity based payment reserve	Profit reserve	Retained earnings	Total
2022	\$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
Transactions with owners of the company							
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)
Balance at 30 June 2022	47,059	26,486	(2,292)	3,256	58,981	234,466	367,956

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 84 to 118.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 June 2023

	Note	Consolidated	
		2023	2022
		\$000	\$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		455,328	486,313
Cash paid to suppliers and employees		(359,236)	(394,657)
Interest received		50	14
Interest paid		(4,103)	(1,063)
Finance charge on lease liabilities	31	(1,273)	(686)
Income taxes paid (net)		(10,889)	(38,200)
Net cash from operating activities	10	79,877	51,721
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of subsidiaries (net of cash acquired)	32	(6,494)	(3,606)
Proceeds from disposal of property, plant and equipment		11	240
Proceeds from sale of Tracking Solutions business		1,921	17,773
Payments for capitalised product development	15	(29,993)	(27,572)
Acquisition of property, plant and equipment		(18,038)	(6,087)
Acquisition of intangibles (computer software and licences)		(1,333)	(501)
Net cash used in investing activities		(53,926)	(19,753)
CASH FLOWS FROM FINANCING ACTIVITIES			
Drawdowns of borrowings	9	57,880	74,000
Repayments of borrowings	9	(34,500)	(46,000)
Payment of lease liabilities (principle)	31	(5,355)	(7,317)
Dividends paid	5	(43,480)	(53,361)
Net cash provided by/(used in) financing activities		(25,455)	(32,678)
Net increase/(decrease) in cash held		496	(710)
Cash and cash equivalents at the beginning of the financial year		22,613	22,362
Effects of exchange rate fluctuations on cash held		552	961
Cash and cash equivalents at the end of the financial year	8	23,661	22,613

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 84 to 118.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2023

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 2023 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 25 August 2023.

(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)).
- recognition of deferred tax assets: availability of future taxable profit against which deductible temporary difference and tax losses carried forward can be utilised (refer note 7).
- acquisition of subsidiary: fair value of the consideration transferred (including contingent consideration) and fair value of the assets acquired and liabilities assumed, measured on a provisional basis (refer note 32).

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 2022.

(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. For most goods sold, there is one performance obligation, which is the delivery of the goods to the customer. Control usually passes when the goods are shipped to the customer with revenue recognised at this point in time.

Communications solutions

Contract revenue from projects to install communications solutions for our customers 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 communications solution contract can be estimated reliably, contract revenue is recognised over time 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 of a communications solutions contract is assessed by reference to costs incurred comparing with total estimated costs. When the outcome of a 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.

In the event a communications solution contract and maintenance service contract 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 solution and services in separate transactions.

Maintenance and support services

Services provided to customers predominantly relate to maintenance and support services which can include technical support, preventative hardware maintenance and software upgrades. Revenue from these services is recognised over time throughout the life of the service contract which can have a multi-year term.

Installation and training services can be provided to customers in conjunction with the sale of goods and in these circumstances, 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 goods and services in separate transactions. The services revenue is recognised at a point in time as performance obligations are delivered.

(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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2023

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Derivative financial instruments

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

Hedging

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

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

(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 (generally determined as the average purchase price over a period of 6 months) 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 and contract liabilities

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. Contract liabilities primarily relate to the advance consideration received from customers for project work to be performed or services to be rendered, for which revenue is recognised over time. Contract liabilities are presented as part of trade and other payables in the balance sheet.

(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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2023

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Intangible assets (continued)

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.

Licences and other intangible assets

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

Subsequent expenditure

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

Amortisation

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

Amortisation is charged to the income statement on 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 and 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.

(p) Property, plant and equipment

Owned assets

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

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

Subsequent costs

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

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2023

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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. Some property leases contain extension options exercisable by the group. Where practicable, the group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the group and not by the lessors. The group assesses at the lease commencement date whether it is reasonably certain to exercise the options. The group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

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.

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 2023 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: Tactical Communications and Zetron, which are aggregated because they have similar economic characteristics such as long-term average contribution 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 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 2023

GROUP PERFORMANCE (continued)

2. SEGMENT ACTIVITIES (continued)

Information about reportable segments	Communications		Metal detection		Other		Consolidated	
	2023 \$000	2022 \$000	2023 \$000	2022 \$000	2023 \$000	2022 \$000	2023 \$000	2022 \$000
Revenue								
Revenue recognised at a point in time	233,489	195,768	176,098	262,252	5,917	2,157	415,504	460,177
Revenue recognised over time	40,964	45,968	–	–	–	–	40,964	45,968
Total external segment revenue	274,453	241,736	176,098	262,252	5,917	2,157	456,468	506,145
Result								
Segment result	67,701	49,952	56,798	121,372	538	865	125,037	172,189
Unallocated net financing costs							(9,069)	(1,710)
Unallocated income and expenses							(33,331)	(34,812)
Underlying Profit from operating activities							82,637	135,667
Income tax expense							(17,098)	(35,137)
Underlying net profit							65,539	100,530
Recognition/derecognition of tax losses previously not booked							2,190	–
Statutory net profit							67,729	100,530
Non-cash items included above								
Depreciation and amortisation	17,590	14,184	10,327	9,467	–	–	27,917	23,651
Unallocated depreciation and amortisation							950	949
Total depreciation and amortisation							28,867	24,600
Assets								
Capital expenditure	40,284	18,585	12,653	13,624	–	–	52,937	32,209
Unallocated capital expenditure							1,912	1,450
Total capital expenditure							54,849	33,659
Segment assets	454,557	351,409	193,261	190,558	665	1,998	648,483	543,965
Unallocated corporate assets							44,818	46,967
Consolidated total assets							693,301	590,932

Revenue recognised at a point in time mainly relates to the sale of goods for Metal detection and Communications products. Revenue recognised over time relates to contract revenue from projects to install communications solutions as well as maintenance and support service (the accounting policy is outlined in Note 1(d)). In the group's FY22 financial report, Revenue recognised at a point in time and Revenue recognised over time were not separately disclosed. The amounts in 2022 columns above have been restated to provide better comparability. FY23 Capital expenditure includes the additions of product development, while in the group's FY22 financial report it was excluded. The 2022 columns above have been restated to include the additions of product development for better comparability.

The group derived its revenues from a number of countries and countries where revenue is 10% or more of the total revenue are deemed as significant. The significant country in FY23 was the United States of America totalling \$220.408 million (2022: \$198.754 million).

The group's non-current assets, excluding financial instruments and deferred tax assets, were located in various countries and countries where the value is 10% or more of the group's total non-current assets are deemed as significant. These countries are as follows: the United States of America \$232.662 million (2022: \$172.882 million), Australia \$130.526 million (2022: \$141.295 million) and Canada \$70.577 million (2022: \$51.882 million).

	Consolidated	
	2023 \$000	2022 \$000
3. EXPENSES		
Net financing costs:		
Interest income	(50)	(14)
Net foreign exchange (gain)/loss	150	661
Interest expense	4,103	1,063
Finance charge on lease liabilities	1,273	686
Foreign currency hedge loss	4,867	–
	10,343	2,396
Depreciation of:		
Right-of-use assets	5,641	7,281
Leasehold property	970	292
Plant and equipment	4,903	3,853
	11,514	11,426
Amortisation of:		
Product development – straight-line	11,896	7,478
Product development – units of production	3,796	4,120
Intellectual property	285	410
Computer software	605	417
Licences	149	178
Customer Relationships	241	247
Brand names	381	324
	17,353	13,174
Personnel expenses:		
Wages and salaries	81,672	85,039
Other associated personnel expenses	14,845	13,794
Contributions to defined contribution superannuation plans	8,190	8,119
Long service leave expense	889	(45)
Annual leave expense	8,133	5,605
Performance rights plan	740	750
Employee share plan	–	228
	114,469	113,490

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2023

GROUP PERFORMANCE (continued)

	Consolidated	
	2023	2022
	\$000	\$000
4. OTHER EXPENSES/INCOME		
Other income:		
Gain on sale of Tracking Solutions business	895	1,582
Other income	330	162
	1,225	1,744
Other expenses:		
Restructuring expenses	–	1,610
Loss on sale of property, plant and equipment	13	117
	13	1,727

5. DIVIDENDS

Codan Limited has provided or paid for dividends as follows:

• ordinary final fully-franked dividend of 15.0 cents per ordinary share paid on 7 September 2022	27,175	–
• ordinary interim fully-franked dividend of 9.0 cents per ordinary share paid on 10 March 2023	16,305	–
• ordinary final fully-franked dividend of 16.5 cents per ordinary share paid on 10 September 2021	–	29,846
• ordinary interim fully-franked dividend of 13.0 cents per ordinary share paid on 11 March 2022	–	23,515
	43,480	53,361

Since the end of the financial year, the directors declared a final ordinary fully franked dividend of 9.5 cents per share, payable on 8 September 2023. The financial impact of this final dividend of \$17.211 million has not been brought to account in the group financial statements for the year ended 30 June 2023 and will be recognised in subsequent financial reports.

Dividend franking account

Franking credits available to shareholders for subsequent financial years (30%)	56,198	69,191
---	--------	--------

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 \$7.376 million (2022: \$11.628 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	67,774	100,736
---	--------	---------

The weighted average number of shares used as the denominator number for basic earnings per share was 180,918,865 (2022: 180,826,994). The movement in the year is as a consequence of the shares issued under the performance rights plan and employee share plan.

The calculation of diluted earnings per share at 30 June 2023 was based on a weighted average number of ordinary shares outstanding, after adjustment for the effects of all dilutive potential ordinary shares of 181,396,268 (2022: 181,312,097). The movement in the year relates to the shares issued under the performance rights granted.

TAXATION

	Consolidated	
	2023	2022
	\$000	\$000
7. INCOME TAX		
A. Income tax expense		
Current tax expense:		
Current tax paid or payable for the financial year	14,007	30,922
Adjustments for prior years	(1,953)	(610)
	12,054	30,312
Deferred tax expense:		
Origination and reversal of temporary differences	5,044	4,825
(Recognition)/derecognition of tax losses previously not booked	(2,190)	–
Total income tax expense in income statement	14,908	35,137
Reconciliation between tax expense and pre-tax net profit:		
The prima facie income tax expense calculated at 30% on the profit from ordinary activities	24,791	40,700
Decrease in income tax expense due to:		
Additional deduction for research and development expenditure	(2,801)	(1,531)
Effect of tax rates in foreign jurisdictions	(2,125)	(1,769)
(Over)/under provision for taxation in previous years	(1,952)	(610)
Non-assessable amounts	(326)	(475)
Other deductible expenses	(937)	(825)
Recognition/derecognition of tax losses previously not booked	(2,190)	(468)
	14,460	35,022
Increase in income tax expense due to:		
Capital expenses relating to acquisitions and disposals	265	18
Non-deductible expenses	183	97
Income tax expense	14,908	35,137
B. Current tax liabilities / assets		
Balance at the beginning of the year	(6,039)	(14,663)
Net foreign currency differences on translation of foreign entities	(125)	(19)
Income tax paid (net)	10,889	38,200
Adjustments from prior year	2,202	1,365
Current year's income tax paid or payable on operating profit	(14,007)	(30,922)
	(7,080)	(6,039)
Disclosed in balance sheet as:		
Current tax asset	359	767
Current tax payable	(7,439)	(6,806)
	(7,080)	(6,039)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2023

TAXATION (continued)

7. INCOME TAX (continued)

	Consolidated	
	2023	2022
	\$000	\$000
C. Deferred tax liabilities		
Provision for deferred income tax comprises the estimated expense at the applicable tax rate of the following items:		
Expenditure currently tax deductible but deferred and amortised for accounting (intangible assets)	26,468	23,922
Liabilities recognised from the identifiable intangible assets acquired from business combination	(2,700)	2,299
Set-off of tax in relation to deferred tax assets:		
Difference in depreciation of property, plant and equipment	475	(780)
Payments for intellectual property not currently deductible	374	(591)
Provisions for employee benefits not currently deductible	(3,129)	(2,305)
Provisions and accruals not currently deductible	(5,705)	(5,327)
Sundry items	(2,313)	(1,538)
Carry forward overseas tax losses	(3,032)	(247)
Carry forward overseas R&D tax credits	(3,121)	(5,951)
	7,317	9,482
<i>In FY23 Zetron Inc recognised tax losses as a deferred tax asset. A change in the research and development tax concessions in the country in which it operates and improved trading performance has increased the taxable income of this company. Estimates of future taxable profits have been revised and previously unrecognised tax losses have been recognised. As at 30 June 2023 income tax losses of \$13 million (2022: \$17 million) and capital tax losses of \$28 million (2022: \$28 million) have not been recognised as a deferred tax asset.</i>		
D. Effective tax rates		
	2023	2022
Global operations - total consolidated tax expense	18%	26%
Australian operations - Australian company income tax expense	20%	27%

CASH MANAGEMENT

	Consolidated	
	2023	2022
	\$000	\$000
8. CASH AND CASH EQUIVALENTS		
Cash on hand	96	192
Cash at bank	23,565	22,421
	23,661	22,613
9. LOANS AND BORROWINGS		
Non-Current		
Cash advance	75,380	52,000
	75,380	52,000
The group has access to the following lines of credit:		
Total facilities available at balance date:		
Multi-option facility	140,952	100,921
Commercial credit card	2,115	1,307
	143,067	102,228
Facilities utilised at balance date:		
Multi-option facility - cash advance	75,380	52,000
Multi-option facility - guarantees	2,271	1,464
Commercial credit card	570	344
	78,221	53,808
Facilities not utilised at balance date:		
Multi-option facility	63,301	47,457
Commercial credit card	1,545	962
	64,846	48,419

In addition to these facilities, the group has cash at bank and short-term deposits of \$23.661 million as set out in Note 8.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2023

CASH MANAGEMENT (continued)

	Consolidated	
	2023	2022
	\$000	\$000

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 \$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 30 June 2023. A third multi-option facility for \$150 million may be available subject to the group's financial institution's approval.

	Consolidated	
	2023	2022
	%	%
Weighted average interest rates:		
Cash at bank	0.26	0.22
Cash advance	4.54	1.36

10. NOTES TO THE STATEMENT OF CASH FLOWS

Reconciliation of profit after income tax to net cash provided by operating activities		
Profit after income tax	67,729	100,530
Add/(less) items classified as investing or financing activities:		
Gain on sale of Tracking Solutions business	(895)	(1,582)
(Gain)/loss on sale of non-current assets	13	117
Add/(less) non-cash items:		
Depreciation	11,514	11,426
Amortisation	17,353	13,174
Performance rights and employee share plan expensed	740	977
Increase/(decrease) in income taxes	4,019	(3,063)
Increase/(decrease) in net assets affected by foreign currency translation	73	1,977
Net cash from operating activities before changes in assets and liabilities	100,546	123,556
Change in assets and liabilities during the financial year:		
Reduction/(increase) in receivables	(10,303)	(24,466)
Reduction/(increase) in inventories	(18,913)	(39,718)
Reduction/(increase) in other assets	1	(2,579)
Increase/(reduction) in trade and other payables	12,488	(7,168)
Increase/(reduction) in provisions	(3,942)	2,096
Net cash from operating activities	79,877	51,721

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2023

OPERATING ASSETS AND LIABILITIES

	Consolidated	
	2023	2022
	\$000	\$000

11. TRADE AND OTHER RECEIVABLES

Current		
Trade receivables	71,978	60,939
Less: expected credit loss provision	(2,792)	(2,950)
Other debtors	1,833	1,786
	71,019	59,775

12. INVENTORY

Raw materials	27,005	35,944
Work in progress	23,069	18,287
Finished goods	71,327	48,257
	121,401	102,488

In FY23, inventories of \$156,584 million (2022: \$179,483 million) were recognised as an expense and included in cost of sales.

13. OTHER ASSETS

Prepayments	10,153	10,258
Project work in progress	5,002	5,231
Other	2,696	2,363
	17,851	17,852

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2023

OPERATING ASSETS AND LIABILITIES (continued)

	Consolidated	
	2023	2022
	\$000	\$000
14. PROPERTY, PLANT AND EQUIPMENT		
Leasehold property at cost	21,068	6,659
Accumulated depreciation	(5,943)	(6,049)
	15,125	610
Plant and equipment at cost	68,784	57,610
Accumulated depreciation	(47,932)	(42,406)
	20,852	15,204
Capital work in progress at cost	1,730	3,918
Total property, plant and equipment	37,707	19,732
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	610	828
Additions	15,115	8
Transfers	111	–
Disposals	(20)	–
Depreciation	(970)	(292)
Net foreign currency differences on translation of foreign entities	279	66
Carrying amount at end of year	15,125	610
Plant and equipment		
Carrying amount at beginning of year	15,204	14,972
Acquisitions through entities acquired (net value)	16	–
Additions	7,832	3,465
Transfers	2,326	578
Disposals	(4)	(357)
Depreciation	(4,903)	(3,853)
Net foreign currency differences on translation of foreign entities	381	399
Carrying amount at end of year	20,852	15,204
Capital work in progress at cost		
Carrying amount at beginning of year	3,918	1,780
Additions	720	2,614
Transfers	(2,802)	(578)
Net foreign currency differences on translation	(106)	102
Carrying amount at end of year	1,730	3,918
Total carrying amount at end of year	37,707	19,732

15. PRODUCT DEVELOPMENT

	Consolidated	
	2023	2022
	\$000	\$000
Product development at cost	233,639	201,402
Accumulated amortisation and impairment losses	(125,465)	(109,141)
	108,174	92,261
Reconciliation		
Carrying amount at beginning of year	92,261	74,569
Acquisitions through entities acquired (net value)	231	–
Capitalised in current period	29,993	27,572
Amortisation	(15,692)	(11,598)
Net foreign currency differences on translation of foreign entities	1,381	1,718
	108,174	92,261

16. INTANGIBLE ASSETS

Intellectual property at cost	22,065	22,051
Accumulated amortisation	(21,590)	(21,245)
	475	806
Computer software at cost	16,994	15,439
Accumulated amortisation	(15,442)	(14,569)
	1,552	870
Licences at cost	5,906	5,396
Accumulated amortisation	(5,262)	(4,935)
	644	461
Brand names	7,848	7,335
Accumulated amortisation	(815)	(418)
	7,033	6,917
Customer relationships	1,207	1,161
Accumulated amortisation	(513)	(261)
	694	900
Goodwill	263,576	240,423
Total intangible assets	273,974	250,377

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2023

OPERATING ASSETS AND LIABILITIES (continued)

16. INTANGIBLE ASSETS (continued)

	Consolidated	
	2023	2022
	\$000	\$000
Reconciliations		
Intellectual property		
Carrying amount at beginning of year	806	1,246
Amortisation	(285)	(410)
Net foreign currency differences on translation of foreign entities	(46)	(30)
	475	806
Computer software		
Carrying amount at beginning of year	870	800
Additions	1,188	501
Transfers from capital work in progress	95	–
Amortisation	(605)	(417)
Net foreign currency differences on translation of foreign entities	4	(14)
	1,552	870
Licences		
Carrying amount at beginning of year	461	616
Additions	50	–
Transfers	270	–
Amortisation	(149)	(178)
Net foreign currency differences on translation of foreign entities	12	23
	644	461
Brand names		
Carrying amount at beginning of year	6,917	6,648
Acquisitions through entities acquired (net value)	216	–
Amortisation	(381)	(324)
Net foreign currency differences on translation of foreign entities	281	593
	7,033	6,917
Customer relationships		
Carrying amount at beginning of year	900	1,064
Amortisation	(241)	(247)
Net foreign currency differences on translation of foreign entities	35	83
	694	900

	Consolidated	
	2023	2022
	\$000	\$000
Goodwill		
Carrying amount at beginning of year	240,423	220,855
Acquisitions through entities acquired (net value)	15,391	7,826
Net foreign currency differences on translation of foreign entities	7,762	11,742
	263,576	240,423
The following divisions have significant carrying amounts of goodwill:		
Tactical Communications	123,307	124,906
Zetron*	86,192	61,560
Minelab	54,077	53,957
	263,576	240,423

*Zetron goodwill includes \$15.391 million that relates to the GeoConex acquisition (refer note 32). The GeoConex 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 Board approved budgeted EBITDA, 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. It was assumed that the revenue would increase at a rate of 5% over the next four years. 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% (FY22: 12%) 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.

17. TRADE AND OTHER PAYABLES

	Consolidated	
	2023	2022
	\$000	\$000
Current		
Trade payables	46,913	41,705
Other payables and accruals	35,607	31,764
Contract liabilities	26,156	19,067
Net foreign currency hedge payable	2,151	3,276
	110,827	95,812
Non-Current		
Contract liabilities	5,845	5,676
Other payables and accruals	11,132	–
	16,977	5,676

Non-current Other payables and accruals as at 30 June 2023 includes contingent consideration, refer note 32 for more details.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2023

OPERATING ASSETS AND LIABILITIES (continued)

	Consolidated	
	2023	2022
	\$000	\$000
18. PROVISIONS		
Current		
Employee benefits	10,086	10,142
Warranty repairs	3,990	3,914
Other	31	931
	14,107	14,987
Reconciliation of warranty provision		
Carrying amount at beginning of year	3,914	3,440
Provisions made	2,878	2,020
Payments made	(2,802)	(1,546)
	3,990	3,914
Non-Current		
Employee benefits	1,369	1,046
Other	3,539	6,924
	4,908	7,970

CAPITAL MANAGEMENT

	Consolidated	
	2023	2022
	\$000	\$000
19. SHARE CAPITAL		
Share capital		
Opening balance (180,883,935 ordinary shares fully paid)	47,059	45,842
Issue of share capital through vested performance rights	2,137	990
Issue of share capital through employee share plan	–	227
Closing balance (181,168,094 ordinary shares fully paid)	49,196	47,059

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.

	Consolidated	
	2023	2022
	\$000	\$000
20. RESERVES		
Foreign currency translation reserve	38,458	26,486
Hedging reserve	(874)	(2,292)
Equity based payment reserve	1,859	3,256
Profit reserve	58,981	58,981
	98,424	86,431

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	26,486	8,649
Net translation adjustment	11,972	17,837
Balance at end of year	38,458	26,486

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	(2,292)	(655)
Movement of hedging reserve	1,418	(1,637)
Balance at end of year	(874)	(2,292)

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	3,256	3,496
Performance rights expensed	740	750
Performance rights vested	(2,137)	(990)
Balance at end of year	1,859	3,256

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2023

GROUP STRUCTURE

22. GROUP ENTITIES

Name	Country of incorporation	Class of share	Interest held	
			2023 %	2022 %
Parent Entity				
Codan Limited	Australia	Ordinary		
Controlled Entities				
Broadcast Wireless Systems Limited	UK	Ordinary	100	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
GeoConex, LLC*	USA	Ordinary	100	-
Just Detect Limited**	UK	Ordinary	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	100
Minelab International Limited	Ireland	Ordinary	100	100
Minelab MEA General Trading LLC	UAE	Ordinary	49	49
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

* GeoConex, LLC was acquired by the group on 16 February 2023. Refer to Note 32 for details.

** Just Detect Limited was acquired by the group on 14 September 2022. Refer to Note 32 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	
	2023 \$000	2022 \$000
Summarised income statement and retained earnings		
Revenue	129,993	243,783
Net finance costs	(9,830)	(1,918)
Other expenses	(81,080)	(120,091)
Profit before tax	39,083	121,774
Income tax expense	(7,747)	(30,353)
Profit after tax	31,336	91,421
Retained earnings at beginning of year	186,308	148,248
Retained earnings at end of year	174,164	186,308
Balance sheet		
CURRENT ASSETS		
Cash and cash equivalents	5,198	7,380
Trade and other receivables	58,858	50,000
Inventories	70,557	64,455
Other assets	3,160	3,210
Total current assets	137,773	125,045
NON-CURRENT ASSETS		
Investments	202,387	202,262
Right-of-use assets	16,747	19,006
Property, plant and equipment	13,503	14,177
Product development	57,701	52,336
Intangible assets	54,796	54,651
Other assets	600	-
Total non-current assets	345,734	342,432
Total assets	483,507	467,477
CURRENT LIABILITIES		
Trade and other payables	77,794	76,071
Current tax payable	-	3,610
Lease Liability	2,936	4,592

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2023

GROUP STRUCTURE (continued)

23. DEED OF CROSS GUARANTEE (continued)

	Consolidated	
	2023	2022
	\$000	\$000
Provisions	8,804	9,070
Total current liabilities	89,534	93,343
NON-CURRENT LIABILITIES		
Loans and borrowings	75,380	52,000
Lease Liability	18,762	19,441
Deferred tax liabilities	8,969	6,652
Provisions	854	182
Total non-current liabilities	103,965	78,275
Total liabilities	193,499	171,618
Net assets	290,008	295,859
EQUITY		
Share capital	49,196	47,059
Reserves	66,648	62,492
Retained earnings	174,164	186,308
Total equity	290,008	295,859

24. PARENT ENTITY DISCLOSURES

As at, and throughout, the financial year ending 30 June 2023, the parent company of the group was Codan Limited.

	Company	
	2023	2022
	\$000	\$000
Result of parent entity		
Profit after tax for the period	35,160	94,003
Other comprehensive income/(loss)	3,434	(2,135)
Total comprehensive income for the period	38,594	91,868
Financial position of parent entity at year end		
Current assets	150,144	127,920
Total assets	462,379	442,687
Current liabilities	78,691	75,427
Total liabilities	179,650	155,813
Total equity of the parent entity comprising:		
Share capital	49,196	47,059
Reserves	62,060	60,022
Retained earnings	171,473	179,793
Total equity	282,729	286,874

As at 30 June 2023, Codan Limited entered into contracts to purchase plant and equipment for \$0.467 million (2022: \$0.789 million).

OTHER NOTES

	Company	
	2023	2022
	\$	\$
25. AUDITOR'S REMUNERATION		
Audit services:		
KPMG - audit and review of financial reports - Group	309,983	327,551
Other firms - audit and review of financial reports	285,925	311,741
Other services		
KPMG - taxation advice and compliance services	19,506	24,607
Other firms - taxation advice and compliance services	107,149	83,275
Other firms - other services	26,898	25,799
	749,461	772,973

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2023

OTHER NOTES (continued)

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 2023, the customer with the group's highest trade and other receivable balance accounted for \$3.8 million (2022: \$5.3 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.

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	
		2023 \$000	2022 \$000
Cash and cash equivalents	8	23,661	22,613
Trade and other receivables	11	71,019	59,775
The group's gross trade receivables at the reporting date by geographic region was:			
Australia/Oceania		4,583	3,091
Europe		12,590	9,044
Americas		44,653	36,334
Asia		4,732	3,253
Africa/Middle East		5,420	9,217
		71,978	60,939

Impairment losses

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

	Consolidated			
	Gross 2023 \$000	Impairment 2023 \$000	Gross 2022 \$000	Impairment 2022 \$000
Not past due	53,783	(1,061)	48,272	(1,276)
Past due 0-30 days	6,934	(48)	7,310	(26)
Past due 31-60 days	4,018	(28)	2,056	(188)
Past due 61-120 days	3,773	(26)	1,660	(195)
More than 120 days	3,470	(1,629)	1,641	(1,265)
	71,978	(2,792)	60,939	(2,950)

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	
	2023 \$000	2022 \$000
Balance at 1 July	2,950	3,019
Acquisition through entities acquired	235	-
Impairment loss/(reversal) recognised	(384)	93
Trade receivables written off to the allowance for impairment	(9)	(162)
Balance at 30 June	2,792	2,950

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2023

OTHER NOTES (continued)

26. ADDITIONAL FINANCIAL INSTRUMENTS DISCLOSURE (continued)

(b) Liquidity risk

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due. The group's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions and without incurring unacceptable losses or risking damage to the group's reputation. Refer 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
30 June 2023					
Non-derivative financial liabilities					
Trade and other payables	93,652	(93,652)	(82,520)	(11,132)	–
Lease liabilities	50,011	(61,902)	(5,988)	(32,813)	(23,101)
Cash advance	75,380	(78,802)	(3,422)	(75,380)	–
	219,043	(234,356)	(91,930)	(119,325)	(23,101)
Derivative financial liabilities					
Net foreign currency hedge payables	2,151	(2,151)	(2,151)	–	–
	2,151	(2,151)	(2,151)	–	–
30 June 2022					
Non-derivative financial liabilities					
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)
Derivative financial liabilities					
Net foreign currency hedge payables	3,276	(3,276)	(3,276)	–	–
	3,276	(3,276)	(3,276)	–	–

(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	
	2023 \$000	2022 \$000
Fixed rate instruments		
Financial assets	–	–
Financial liabilities	–	–
	–	–
Variable rate instruments		
Financial assets	23,661	22,613
Financial liabilities	(75,380)	(52,000)
	(51,719)	(29,387)

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.

	Profit/(loss) before tax		Reserve	
	100 bp increase \$000	100 bp decrease \$000	100 bp increase \$000	100 bp decrease \$000
30 June 2023				
Variable rate instruments	(517)	517	–	–
30 June 2022				
Variable rate instruments	(294)	294	–	–

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 \$23.500 million of FY24 cash flows. The average forward exchange contract rate is 1AUD:0.70USD.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2023

OTHER NOTES (continued)

26. ADDITIONAL FINANCIAL INSTRUMENTS DISCLOSURE (continued)

(c) Market risk (continued)

Currency risk (continued)

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

	Consolidated	
	EUR \$000	USD \$000
30 June 2023		
Cash and cash equivalents	1,427	7,350
Trade receivables	4,529	20,588
Trade payables	(204)	(21,730)
Gross balance sheet exposure	5,752	6,208
Hedge transactions relating to balance sheet exposure	–	(3,017)
Net exposure at the reporting date	5,752	3,191
30 June 2022		
Cash and cash equivalents	986	8,177
Trade receivables	747	15,490
Trade payables	(19)	(28,163)
Gross balance sheet exposure	1,714	(4,496)
Hedge transactions relating to balance sheet exposure	–	(7,258)
Net exposure at the reporting date	1,714	(11,754)

Sensitivity analysis

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

	Consolidated	
	Reserve credit/(debit) \$000	Profit/(loss) before tax \$000
2023		
EUR	–	(523)
USD	196	(290)
	196	(813)
2022		
EUR	–	(156)
USD	298	1,069
	298	913

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 \$2.151 million, for which an independent valuation was obtained from the relevant banking institution.

27. EMPLOYEE BENEFITS

	Consolidated	
	2023 \$000	2022 \$000
Aggregate liability for employee benefits, including on-costs:		
Current - short-term incentives and other accruals	7,765	11,465
Current - employee entitlements	10,086	10,142
Non-current - employee entitlements	1,369	1,046
	19,220	22,653
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	5.56%	5.07%
Settlement term	10 years	10 years

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 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 FY23 in relation to performance rights issued was nil.

The performance rights become exercisable if certain performance thresholds such as growth of the group's earnings per share over a three-year period are achieved. The actual performance to 30 June have exceeded the performance target. Therefore, it is expected that 137,083 shares will be issued to the relevant employees in FY24.

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 FY23 in relation to performance rights issued was 0.218 million.

The performance rights become exercisable if certain performance thresholds such as growth of the group's earnings per share over a three-year period are achieved.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2023

OTHER NOTES (continued)

27. EMPLOYEE BENEFITS (continued)

Performance rights issued in financial year 2023

The company issued 40,714 performance rights in relation to the FY23 long term incentive plan and 16,305 performance rights in relation to the FY22 plan in November 2022 to the Chief Executive Officer. The FY22 issue was a pro rata issue given the Chief Executive Officer commenced employment part way through that year. The fair value of the rights was on average \$3.24, based on the Black-Scholes formula. The model inputs were the share price of \$3.98, no exercise price, expected volatility 53%, dividend yield 7.04%, a term of three years for the FY23 issue and a term of two years for the FY22 issue and a risk-free rate of 3.6%.

The company issued 463,746 performance rights in February 2023 to certain employees. The fair value of the rights was on average \$4.57, based on the Black-Scholes Formula. The model inputs were: the share price of \$5.48, no exercise price, expected volatility 53%, dividend yield 5.11%, a term of two years and a risk-free rate of 3.6%. The total expense recognised as employee costs in FY23 in relation to performance rights issued was \$0.522 million.

The performance rights become exercisable if certain performance thresholds such as growth of the group's earnings per share over a three-year period are achieved.

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

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	
	2023	2022
	\$	\$
Short-term employee benefits	3,204,970	5,341,541
Post-employment benefits	164,475	149,789
Share-based payments	678,048	847,195
Other long term benefits	80,723	78,117
	4,128,216	6,416,642

(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

	2023	2022
Net tangible asset per share	17.4 cents	19.2 cents
Net tangible asset per share (excluding right of use assets)	-3.9 cents	5.4 cents

31. LEASES AND COMMITMENTS

	Consolidated	
	2023	2022
	\$000	\$000
Reconciliations		
Right-of-use assets at cost	52,503	43,058
Accumulated depreciation	(13,948)	(17,991)
	38,555	25,067
Right-of-use assets		
Carrying amount at beginning of year	25,067	26,989
Additions	18,595	4,671
Depreciation	(5,641)	(7,281)
Net foreign currency differences on translation of foreign entities	534	688
Carrying amount at end of year	38,555	25,067
Lease Liabilities		
Carrying amount at beginning of year	30,243	32,120
Additions	24,687	5,140
Finance charge on lease liabilities	1,273	686
Lease payments	(6,628)	(8,003)
Net foreign currency differences on translation	436	300
	50,011	30,243
of which are:		
Current lease liabilities	5,988	4,592
Non-current lease liabilities	44,023	25,651
Capital expenditure commitments		
Aggregate amount of contracts for capital expenditure		
Within one year	542	6,184
One year or later and no later than five years	-	-
	542	6,184

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2023

OTHER NOTES (continued)

32. ACQUISITIONS OF SUBSIDIARIES

On 16 February 2023, Codan Limited's subsidiary Zetron, Inc. acquired all of the shares in US-based company, GeoConex, LLC, for an upfront cost of \$6.588 million noting that cash of \$0.094 million was held by the business (net cash paid: \$6.494 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 \$14.415 million. An estimated portion of this potential earn-out (contingent consideration), \$11.244 million is recognised as other payables and accruals in the group's Consolidated Balance Sheet as at 30 June 2023. This acquisition continues to extend Zetron's end-to-end solutions, expands its recurring support services, and increases its value to its end customers and distribution channels. It is also consistent with Zetron's growth strategy to continue to diversify and grow by broadening its solutions offering in the public safety sector and communications markets in North America.

From the acquisition date, GeoConex 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
Estimated fair value of consideration transferred	
Cash paid	6,588
Holdback amount and future instalments	2,407
Contingent consideration	9,979
Acquiree's cash balance at acquisition date	(94)
	18,880
Estimated fair value of identifiable assets acquired and liabilities assumed, on a provisional basis	
Total assets	7,042
Total liabilities	(3,553)
	3,489
Estimated goodwill as a result of the acquisition	
Estimated fair value of consideration transferred	18,880
Estimated fair value of identifiable assets acquired and liabilities assumed, on a provisional basis	(3,489)
	15,391

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 GeoConex into Zetron's business. The goodwill is expected to be deductible for tax purposes.

If the acquisition had occurred on 1 July 2022, the acquired business' contribution to the consolidated pro-forma revenue and EBITDA for the year ended 30 June 2023 would have been approximately \$8 million and \$1 million respectively. It is impractical to estimate the impact the acquisition would have had if applied from 1 July 2022, at a net profit after tax level, due to the impact of taxation and amortisation. The acquired business contributed revenues of approximately \$3 million and a breakeven EBITDA to the group for the period from 16 February 2023 to 30 June 2023. GeoConex was not controlled by Codan for the most part of FY23 and there are synergies to be realised by bringing GeoConex into Zetron's business and therefore past performance is not expected to be representative of future results under Codan's ownership. Since acquisition, aspects of the GeoConex, LLC business have been transferred into the Zetron business, the above results only relate to the GeoConex, LLC entity.

On 14 September 2022, the group acquired all of the shares in UK based company, Just Detect Limited for a consideration of \$0.119 million. This acquisition was not material to the group and the assets acquired and liabilities assumed were not material.

33. SUBSEQUENT EVENTS

A final dividend was declared after the end of the financial year as disclosed in note 5.

On 2 August 2023, Codan announced it has acquired 100% of Eagle NewCo Limited – a UK command and control solutions business for a total consideration of \$22.359 million, which was funded by Codan's existing debt facility. The impact of this transaction has not been brought to account in the group's financial report for the year ended 30 June 2023 and will be recognised in subsequent financial reports.

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 84 to 118 and the remuneration report on pages 55 to 71 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 2023 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 2023.
- 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 25th day of August 2023.



G R C Barclay
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 2023 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 2023;
- 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 2023;
- 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.

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.

KPMG, an Australian partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organisation. Liability limited by a scheme approved under Professional Standards Legislation.



Goodwill – Impairment Assessment (\$263.6 million)

Refer to Note 16 to the Financial Report

The key audit matter

How the matter was addressed in our audit

A key audit matter for us was the Group's annual impairment testing of goodwill, given the size of the balance (being 38% of total assets).

We focussed on the significant forward-looking assumptions the Group applied in the value in use models, including:

- Forecast operating cashflows, growth rates and terminal growth rates – the Group's models are sensitive to 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 business.
- Forecast foreign exchange rates – The Group's Cash Generating Units (CGUs) transact in several foreign countries therefore the Group uses forecast foreign exchange rates to translate these foreign operations into Australian Dollar. The Group's foreign operations have experienced fluctuating foreign exchange rates, increasing the risk of future fluctuations and inaccurate forecasting.
- Discount rate – these vary according to the conditions and environment the specific CGUs are subject to from time to time. The Group's modelling is sensitive to changes in the discount rate.

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.

We involved valuation specialists to supplement our senior audit team members in assessing this key audit matter.

Our procedures included:

- We considered the Group's CGUs determination based on our understanding of the Group's business and operations, the impact of GeoConex, LLC, acquisition, and how independent cash inflows were generated, against the requirements of the accounting standards.
- We analysed the Group's internal reporting to assess the Group's monitoring and evaluation of activities, and the consistency of the allocation of goodwill to CGUs or groups of CGUs.
- We considered the appropriateness of the value in use method applied by the Group against the requirements of the accounting standards.
- We, along with our valuation specialists, assessed the integrity of the value in use models used, including the accuracy of the underlying calculation formulas.
- We assessed the Group's composition of the assets and liabilities in the CGUs, carrying value for consistency with the assumptions used in the forecast cash flows and the requirements of the accounting standards.
- We compared the forecast cash flows contained in the value in use models to the Board's approved forecast.
- We assessed the accuracy of previous Group forecasts by assessing historical actual performance against budgeted performance. We used this to inform our evaluation of forecasts incorporated in the models.
- 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 models, for consistency with our understanding of the business and the criteria in the accounting standards.
- We assessed the Group's allocation of corporate assets to CGUs for reasonableness and consistency based on the requirements of the accounting standards.
- We checked the consistency of the growth rates to the Group's stated plan and strategy, past performance, and our experience regarding the feasibility of these in the industry and economic environment in which the Group operates.
- Working with our valuation specialists we compared the foreign exchange rates to published views of market commentators on future trends.
- 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.
- 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. The reasonably possible range was either independently developed by our valuation specialists or with reference to the published industry trends and expectations of Australia and foreign countries in which the Group operates. We did this to assess the models did not have a higher risk of impairment, to identify those assumptions at higher risk of bias or inconsistency in application and to focus our further procedures.
- We assessed the disclosures in the financial report against the requirements of the accounting standards.

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 Directors' 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
- 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/content/102/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 2023 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 4 to 22 of the Directors' report for the year ended 30 June 2023.

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

KPMG

KPMG

Chris Hollis

Chris Hollis
Partner

Sydney

25 August 2023

This is the original version of the audit report over the financial statements signed by the directors on 25 August 2023. 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 54 to 72, as opposed to pages 4 to 22 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 22 August 2023

Substantial shareholders

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

Shareholder	Number of ordinary shares
P M Wall	34,808,151
Interests associated with Starform Pty Ltd, Dareel Pty Ltd and Pinara Group Pty Ltd	28,118,288

Distribution of equity security holders

Number of shares held	Number of equity security holders Ordinary shares	Issued Capital %
1 - 1,000	6,339	1.4%
1,001 - 5,000	4,048	5.7%
5,001 - 10,000	1,076	4.5%
10,001 - 100,000	961	12.5%
100,001 and Over	71	75.8%
Total	12,495	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 details of the securities held as at 22 August 2023 are as follows:

Class of security	Number of holders	Number of securities
Performance Rights	23	768,045

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 %
P M Wall	34,808,151	19.2%
Dareel Pty Ltd	18,762,576	10.4%
Citicorp Nominees Pty Limited	15,037,737	8.3%
HSBC Custody Nominees (Australia) Limited	14,298,513	7.9%
J P Morgan Nominees Australia Limited	10,295,470	5.7%
Kynola Pty Ltd	6,627,548	3.7%
Starform Pty Ltd	6,404,224	3.5%
National Nominees Limited	3,811,072	2.1%
A Bettison	3,562,124	2.0%
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%
BNP Paribas Nominees Pty Ltd	1,391,453	0.8%
J A Uhrig	1,364,848	0.8%
Rosevine Pty Ltd	1,107,254	0.6%
Cedara Pty Ltd	1,107,254	0.6%
G Bettison	1,029,485	0.6%
Warren Glen Pty Ltd	800,000	0.4%
Griffina Pty Ltd	742,000	0.4%
H Yu and W Han	670,554	0.4%
Total	127,574,147	70.4%

Offices and officers

Company Secretary

Mr Michael Barton BA (ACC), CA

Mr Daniel Widera LLB/LP, Harvard PLD

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

Graeme Barclay
(Chairman)

Alf Ianniello
(Managing Director and Chief Executive Officer)

Kathy Gramp

Sarah Adam-Gedge

Heith Mackay-Cruise

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



Innovation **wherever you are**
codan.com.au



