

18 February 2021

COMPANY ANNOUNCEMENTS PLATFORM
AUSTRALIAN SECURITIES EXCHANGE

RECORD FIRST-HALF RESULT

Highlights

- Highest half-year profit in the company's history
- Net profit after tax of \$41.3 million, a 36% increase
- Group sales of \$194 million, a 14% increase against FY20 record first half
- Interim dividend of 10.5 cents, fully franked
- Earnings per share of 22.8 cents, up 36%

Australian-based technology company, Codan Limited (ASX:CDA), today announced statutory net profit after tax of \$41.3 million for the half year ended 31 December 2020.

Directors announced an interim dividend of 10.5 cents per share, fully franked. This dividend has a record date of 25 February 2021 and will be paid on 11 March 2021.

The Board expects to continue its policy of paying shareholders in the order of 50% of our full year profits as dividends, and shareholders will continue to be rewarded for the strong performance of the company.

Chief Executive, Donald McGurk, said, "I am pleased to announce that our strategy to strengthen and invest in our core business through innovation and geographical expansion continues to deliver exceptional results."

"The strong performance was driven primarily by our metal detection business, with significant growth across both gold and recreational markets."

Codan Summary Financial Performance				
	Half Year ended			
	Dec-20		Dec-19	
	\$m	% to Sales	\$m	% to Sales
Revenue				
Communications products	33.6		67.0	
Metal detection products	155.1		100.1	
Mining technology	5.8		3.9	
Total revenue	194.5		171.0	
Business performance				
EBITDA	69.3	36%	54.0	32%
EBIT	60.7	31%	43.7	26%
Interest	(0.2)		(0.3)	
Net profit before tax	60.5	31%	43.4	25%
Taxation	(19.2)		(13.0)	
Net profit after tax	41.3	21%	30.4	18%
Earnings per share, fully diluted	22.8 cents		16.8 cents	
Interim ordinary dividend per share	10.5 cents		7.5 cents	

Cash generation was excellent, resulting in a net cash position of \$111 million at 31 December 2020. Our strategy to invest in production capacity to meet demand has seen an increase in inventory during the period. Over the coming months, we expect inventory levels to further increase, which will serve three purposes:

- 1) Ensure we can meet the continued high level of demand for our metal detectors;
- 2) Minimise air freight expense, by maximising sea freight; and
- 3) Mitigate the risk of any production challenges posed by the pandemic

Performance by business unit:

Metal Detection – Recreational, Gold Mining and Countermine

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

Minelab delivered another record first half, with sales increasing 55% to \$155 million. The growth in recreational and artisanal gold mining sales were due to our ongoing geographical expansion, investment in our distribution channels and new product innovations. The unique and distinctive technology embedded within our metal detectors underpins the success of this business. We are particularly pleased with the further diversification of our sales revenue, with our products now achieving market leadership at each key price point.

Minelab recently introduced the new GPX 6000, which includes our latest GeoSense-PI (Pulse Induction) technology. This technology automatically tracks and removes unwanted ground noise, providing an easy to use, light weight and high performance machine. This product will be released to the market in significant volume from Q4 of this financial year.

We continue to observe strong demand for our metal detectors with January achieving an all-time record level of sales.

Communications – Tactical and Critical Communications (Previously known as LMR)

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

As expected, Codan Communications sales reduced over the same period last year. The majority of the \$33 million reduction was due to the combination of delays in closing Tactical Communications sales opportunities as a direct result of reduced travel, deferred government programs, and increased timing uncertainty associated with major project deliveries due to the pandemic. While new business development activities have been impacted by these factors, we entered January with a significant order book of \$40 million and as a result we will deliver a stronger performance in the second half.

The recent acquisition of DTC is consistent with Codan's well publicised strategic growth plan for our Tactical Communications business, which is focussed on providing total communications solutions by transitioning from a traditional voice platform via the addition of data and video communications. This acquisition fills a capability gap and will also enable us to leverage Codan's global distribution channels into the developing world. Importantly this transaction will be accretive for Codan's shareholders from the outset.

Critical Communications recorded a strong first half result, by transitioning into larger systems projects supplemented by our CodanCare service and support product to our existing installed customer base. Critical Communication's customers predominantly reside in North America and as such, travel and the ability to close sales have been less affected during the period.

Despite the challenges experienced in the first half and the continued uncertainty with international travel restrictions, the Board expects Communications to deliver a strong second half, with full year sales in the range of \$80 to \$90 million.

We continue to transition the Communications division from a product-centric business to a complete solutions provider. Codan's ongoing product development is being complemented by strategic partnerships with key suppliers, such as tactical VHF and interoperability, in order to further broaden our solutions offering.

Tracking Solutions - Minetec

Minetec provides unique, high-precision tracking, productivity and safety solutions for underground hard-rock mines. Minetec's technology allows real-time monitoring and control of mining operations in order to optimise productivity and enhance safety. It is an enabling technology required for mining automation.

We continue to work closely with Caterpillar in order to gain access to more mine sites. Progress has been made in turning the business around and it is now operating at a slight profit. More time is required to substantially build the sales pipeline in conjunction with Caterpillar to achieve meaningful scale.

Outlook

Whilst it is too early to determine if our traditional second-half weighting of sales will occur this year, there are a number of factors that are relevant when considering the outlook for FY21:

- As recently announced, we expect to settle the DTC transaction by end of April 2021 and commence integrating this new technology business within Tactical Communications;
- Demand for our metal detection products remains strong, with January achieving \$35 million in sales;
- The new GPX6000 gold detector has been very well received, with meaningful sales expected from Q4; and
- The Communications business enters the second half with a strong order book.

The Board is not in a position to provide full year profit guidance at this point; however, we will continue to keep shareholders updated as the year progresses.

Live Webcast – FY21 Half-Year Financial Results Announcement

A results briefing will be hosted by Managing Director, Donald McGurk, at 11:00am (Australian Eastern Standard Time) on 18 February 2021. This briefing will be available via the following link – [2021 Half Year Results Announcement](#).

On behalf of the Board



Michael Barton

Company Secretary

This announcement was authorised by the Board of Directors.

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

FOR ADDITIONAL INFORMATION, PLEASE CONTACT:-

Donald McGurk

Managing Director & CEO

Codan Limited

(08) 8305 0392

Michael Barton

Company Secretary & CFO

Codan Limited

(08) 8305 0392

**Codan Limited
and its controlled entities**

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

Period ended on 31 December 2020

ABN 77 007 590 605	Previous corresponding period 31 December 2019
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Results for announcement to the market				\$A'000
Revenue from ordinary activities	Increased	14%	to	194,473
Profit after tax	Increased	36%	to	41,312
Profit from ordinary activities after tax attributable to members	Increased	36%	to	41,288
Net profit for the period attributable to members	Increased	36%	to	41,288
Dividends	Amount per security		Franked amount per security at 30% tax	
Interim dividend	10.5 cents		10.5 cents	
Record date for determining entitlements to dividends:	25 February 2021			
<i>Brief explanation of any figures disclosed above which is necessary to enable the figures to be understood:</i>				
The 31 December 2020 Financial Report and the Market Announcement dated 17 February 2021 form part of, and should be read in conjunction with, this Preliminary Final Report (Appendix 4D).				
This report is based on half-year financial statements that have been externally reviewed. The auditor's review report is included in the Interim Financial Report for the half year ended 31 December 2020.				

Codan Limited
ABN 77 007 590 605
and its Controlled Entities

Interim Financial Report
for the half year ended
31 December 2020

Directors' report

Codan Limited and its Controlled Entities

The directors present their report together with the consolidated interim financial report for the half year ended 31 December 2020 and the auditor's review report thereon.

Directors

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

Name	Period of Directorship
David Simmons (Chairman)	Director since May 2008
Donald McGurk (Managing Director and Chief Executive Officer)	Director since May 2010
Peter Leahy	Director since September 2008
Graeme Barclay	Director since February 2015
Kathy Gramp	Director since November 2015

Principal activities

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

Review and results of operations

Summary:

- Highest half-year profit in the company's history
- Net profit after tax of \$41.3 million, a 36% increase
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Dividends

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The Board expects to continue its policy of paying shareholders in the order of 50% of our full year profits as dividends, and shareholders will continue to be rewarded for the strong performance of the company.

Subsequent Event

On 16 February 2021 the group announced its intention to acquire 100% of the shares in US-based company, Domo Tactical Communications (DTC). The acquisition comprises an upfront payment of USD \$88 million (approximately AUD \$114 million), with the possibility of an additional payment of up to USD \$16 million if certain earn-out targets are achieved in calendar year 2021. The acquisition is scheduled for completion by 30 April 2021, subject to a number of regulatory conditions typical for transactions of this nature.

State of Affairs

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

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

The lead auditor's independence declaration is set out on page 6 and forms part of the directors' report for the half year ended 31 December 2020.

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:

A handwritten signature in black ink, consisting of several loops and a vertical line, positioned above a horizontal line.

D Simmons
Director

A handwritten signature in blue ink, consisting of several loops and a vertical line, positioned above a horizontal line.

D S McGurk
Director

Dated this 17th day of February 2021.



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 review of Codan Limited for the half-year ended 31 December 2020 there have been:

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



Paul Cenko
Partner

Adelaide

17 February 2021

Consolidated interim income statement for the half year ended 31 December 2020

Codan Limited and its Controlled Entities

		Consolidated	
	Note	Half Year Ended 31 December 2020 \$'000	Half Year Ended 31 December 2019 \$'000
<hr/>			
Continuing operations			
Revenue	2	194,473	170,975
Cost of sales		<u>(89,833)</u>	<u>(76,483)</u>
Gross profit		104,640	94,492
Other (expenses)/income		29	32
Administrative expenses		(11,067)	(10,648)
Sales and marketing expenses		(21,480)	(27,911)
Engineering expenses		(10,934)	(11,969)
Net financing costs	3	<u>(672)</u>	<u>(585)</u>
Profit before tax		60,516	43,411
Income tax expense	5	<u>(19,204)</u>	<u>(13,007)</u>
Profit for the period		41,312	30,404
<hr/>			
Attributable to:			
Equity holders of the company		41,288	30,403
Non-controlling interests		<u>24</u>	<u>1</u>
		41,312	30,404
<hr/>			
Earnings per share for profit attributable to the ordinary equity holders of the company:			
Basic earnings per share		22.9 cents	16.9 cents
Diluted earnings per share		22.8 cents	16.8 cents

The consolidated interim income statement is to be read in conjunction with the notes to the interim financial statements set out on pages 12 to 15.

Consolidated interim statement of comprehensive income for the half year ended 31 December 2020

Codan Limited and its Controlled Entities

	Consolidated	
	Half Year Ended 31 December 2020 \$'000	Half Year Ended 31 December 2019 \$'000
Profit for the period	41,312	30,404
Items that may be reclassified subsequently to profit or loss		
Changes in fair value of cash flow hedges	1,241	167
less tax effect	(372)	(50)
Changes in fair value of cash flow hedges, net of income tax	869	117
Exchange differences on translation of foreign operations	(3,393)	45
Other comprehensive income for the period, net of income tax	(2,524)	162
Total comprehensive income for the period	38,788	30,566
Attributable to:		
Equity holders of the company	38,764	30,565
Non-controlling interests	24	1
	38,788	30,566

The consolidated interim statement of comprehensive income is to be read in conjunction with the notes to the interim financial statements set out on pages 12 to 15.

Consolidated interim balance sheet as at 31 December 2020

Codan Limited and its Controlled Entities

	Note	31 December 2020 \$'000	Consolidated 30 June 2020 \$'000
CURRENT ASSETS			
Cash and cash equivalents		111,207	92,830
Trade and other receivables		20,385	25,307
Inventory		46,145	32,606
Current tax assets		421	343
Other assets		6,528	6,414
Total current assets		184,686	157,500
NON-CURRENT ASSETS			
Property, plant and equipment		14,039	14,176
Right-of-use assets		23,679	25,367
Product development		69,618	67,777
Intangible assets		85,338	86,746
Total non-current assets		192,674	194,066
Total Assets		377,360	351,566
CURRENT LIABILITIES			
Trade and other payables		53,450	47,044
Lease liabilities		3,727	3,775
Current tax payable		11,108	11,958
Provisions		8,138	8,159
Total current liabilities		76,423	70,936
NON-CURRENT LIABILITIES			
Lease liabilities		25,245	26,779
Deferred tax liabilities		5,866	4,727
Provisions		2,190	1,781
Total non-current liabilities		33,301	33,287
Total liabilities		109,724	104,223
Net assets		267,636	247,343
EQUITY			
Share capital		45,842	44,746
Reserves		64,429	66,688
Retained earnings		157,365	135,909
Total equity		267,636	247,343
Total equity attributable to the equity holders of the company		267,572	247,303
Non-controlling interests		64	40
		267,636	247,343

The consolidated interim balance sheet is to be read in conjunction with the notes to the interim financial statements set out on pages 12 to 15.

Consolidated interim statement of changes in equity for the half year ended 31 December 2020

Codan Limited and its Controlled Entities

Half year ended 31 December 2020	Consolidated						
	Share capital \$'000	Foreign currency translation reserve \$'000	Hedging reserve \$'000	Equity based payment reserve \$'000	Profit reserve \$'000	Retained earnings \$'000	Total \$'000
Balance as at 30 June 2020	44,746	4,552	353	2,802	58,981	135,909	247,343
Profit for the period	-	-	-	-	-	41,312	41,312
Performance rights expensed	-	-	-	1,108	-	-	1,108
Change in fair value of cash flow hedges	-	-	869	-	-	-	869
Exchange differences on translation of foreign operations	-	(3,393)	-	-	-	-	(3,393)
Transactions with owners of the company	44,746	1,159	1,222	3,910	58,981	177,221	287,239
Dividends recognised during the period	-	-	-	-	-	(19,856)	(19,856)
Employee share plan, net of issue costs	253	-	-	-	-	-	253
Issue of share capital via performance rights	843	-	-	(843)	-	-	-
Balance at 31 December 2020	45,842	1,159	1,222	3,067	58,981	157,365	267,636

Half year ended 31 December 2019	Consolidated						
	Share capital \$'000	Foreign currency translation reserve \$'000	Hedging reserve \$'000	Equity based payment reserve \$'000	Profit reserve \$'000	Retained earnings \$'000	Total \$'000
Balance as at 30 June 2019	43,761	6,712	(146)	2,105	58,981	99,801	211,214
Adoption of AASB 16 (net of tax)	-	-	-	-	-	(863)	(863)
Adjusted balance at 1 July 2019	43,761	6,712	(146)	2,105	58,981	98,938	210,351
Profit for the period	-	-	-	-	-	30,404	30,404
Performance rights expensed	-	-	-	915	-	-	915
Change in fair value of cash flow hedges	-	-	117	-	-	-	117
Exchange differences on translation of foreign operations	-	45	-	-	-	-	45
Transactions with owners of the company	43,761	6,757	(29)	3,020	58,981	129,342	241,832
Dividends recognised during the period	-	-	-	-	-	(13,499)	(13,499)
Issue of share capital via performance rights	985	-	-	(985)	-	-	-
Balance at 31 December 2019	44,746	6,757	(29)	2,035	58,981	115,843	228,333

The consolidated interim statement of changes in equity is to be read in conjunction with the notes to the interim financial statements set out on pages 12 to 15.

Consolidated interim statement of cash flows for the half year ended 31 December 2020

Codan Limited and its Controlled Entities

	Note	Consolidated	
		Half Year Ended 31 December 2020 \$'000	Half Year Ended 31 December 2019 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		205,860	172,090
Cash paid to suppliers and employees		(136,386)	(121,030)
Interest received		252	159
Interest paid		(126)	(143)
Interest on lease liabilities		(329)	(358)
Income taxes (paid)/refunded		(19,482)	(9,350)
Net cash from operating activities		49,789	41,368
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for capitalised product development		(7,995)	(10,652)
Acquisition of property, plant and equipment		(1,370)	(1,983)
Acquisition of intangibles (computer software and licences)		(17)	(277)
Net cash used in investing activities		(9,382)	(12,912)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of lease liabilities		(1,582)	(1,481)
Dividends paid	4	(19,856)	(13,499)
Net cash from financing activities		(21,438)	(14,980)
Net increase/(decrease) in cash held		18,969	13,476
Cash and cash equivalents at the beginning of the financial year		92,830	37,521
Effects of exchange rate fluctuations on cash held		(592)	(23)
Cash and cash equivalents at the end of the half year		111,207	50,974

The consolidated interim statement of cash flows is to be read in conjunction with the notes to the interim financial statements set out on pages 12 to 15.

Condensed notes to the consolidated interim financial statements for the half year ended 31 December 2020

Codan Limited and its Controlled Entities

NOTE 1: STATEMENT OF ACCOUNTING POLICY

(a) Reporting entity

Codan Limited (the "company") is a company domiciled in Australia. The consolidated interim financial report of the company for the half year ended 31 December 2020 comprises the company and its subsidiaries (together referred to as the "group").

(b) Statement of compliance

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

The consolidated interim financial report does not include all of the information required for a full annual financial report and should be read in conjunction with the consolidated annual financial report of the group as at and for the year ended 30 June 2020.

The consolidated annual financial report of the group as at and for the year ended 30 June 2020 is available on request from the company's registered office at 2 Second Avenue, Mawson Lakes, South Australia and is also available on the company's website (www.codan.com.au).

The company is of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* and, in accordance with that Legislative Instrument, amounts in the financial report have been rounded off to the nearest thousand dollars, unless otherwise stated.

The consolidated interim financial report was authorised for issue by the directors on 17 February 2021.

(c) Estimates

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

In preparing this consolidated interim financial report, the significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report as at and for the year ended 30 June 2020.

(d) Significant accounting policies

The accounting policies applied in these interim financial statements are the same as those applied in the group's consolidated financial statements as at and for the year ended 30 June 2020.

Condensed notes to the consolidated interim financial statements for the half year ended 31 December 2020

Codan Limited and its Controlled Entities

GROUP PERFORMANCE

NOTE 2: SEGMENT REPORTING

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 tracking solutions segment includes the design, manufacture, maintenance and support of a range of electronic products and associated software for the mining sector.

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

	Consolidated	
	Half Year Ended 31 December 2020 \$'000	Half Year Ended 31 December 2019 \$'000
Segment revenue		
Communications	33,597	67,025
Metal detection	155,092	100,116
Tracking solutions	5,784	3,834
	194,473	170,975
Segment result		
Communications	5,008	16,724
Metal detection	65,533	39,141
Tracking solutions	297	(1,890)
	70,838	53,975
Unallocated net financing costs	(343)	(227)
Unallocated corporate expenses and other income	(9,979)	(10,337)
Profit for the period before income tax expense	60,516	43,411
	31 December 2020 \$'000	30 June 2020 \$'000
Segment assets		
Communications	90,437	96,252
Metal detection	130,137	114,290
Tracking solutions	17,310	19,113
Unallocated corporate assets	139,476	121,911
	377,360	351,566

The group derived its revenues from a number of countries. The three significant countries where revenue was 10% or more of total revenue were United Arab Emirates totalling \$65.005 million (2020: \$56.268 million), the United States of America totalling \$39.364 million (2020: \$41.432 million) and Australia totalling \$34.046 million (2020: \$16.091 million).

Condensed notes to the consolidated interim financial statements for the half year ended 31 December 2020

Codan Limited and its Controlled Entities

	Consolidated Half Year Ended 31 December 2020 \$'000	Consolidated Half Year Ended 31 December 2019 \$'000
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GROUP PERFORMANCE (CONTINUED)

NOTE 3: NET FINANCING COSTS

Interest income	(252)	(159)
Net foreign exchange (gain)/loss	469	243
Interest expense	126	143
Finance charge on lease liabilities	329	358
	672	585

NOTE 4: DIVIDENDS

Codan Limited has provided or paid for dividends as follows:

- ordinary final dividend of 11.0 cent per share paid on 11 September 2020	19,856	
- ordinary final dividend of 5.0 cent per share paid on 13 September 2019		8,999
- special final dividend of 2.5 cent per share paid on 13 September 2019		4,500

Subsequent Events

Since the end of the half year, the directors declared an interim fully franked dividend of 10.5 cents per share payable on 11 March 2021. The financial impact of this interim dividend \$18,953,136 has not been brought to account in the group financial statements for the half year ended 31 December 2020 and will be recognised in subsequent financial reports.

TAXATION

NOTE 5: INCOME TAX EXPENSE

Income tax expense is recognised at an amount determined by multiplying the profit (loss) before tax for the interim reporting period by an estimate of the weighted-average annual income tax rate expected for the full financial year, adjusted for the effect of certain items recognised in the interim reporting period. The group's consolidated effective tax rate of 31.7% for the half year ended 31 December 2020 is not materially different from the effective tax rate for the half year ended 31 December 2019 (30.0%).

OPERATING ASSETS AND LIABILITIES

NOTE 6: TRACKING SOLUTIONS - CARRYING AMOUNT

The carrying amount of the Minetec cash generating unit of \$17 million was assessed for impairment at 30 June 2020; refer to the consolidated annual report for details on this assessment. As previously announced, a global licensing, technology development and marketing agreement has been entered into with Caterpillar ("CAT") Inc. Minetec produced a small contribution in the first half as we continue to work together with CAT to make the partnership a success. Since the inception of the CAT partnership, Minetec has successfully integrated our high-precision tracking technology into the CAT Minestar® solution and we are currently implementing the technology into various CAT customer mine sites.

Condensed notes to the consolidated interim financial statements for the half year ended 31 December 2020

Codan Limited and its Controlled Entities

OTHER NOTES

NOTE 7: FINANCIAL INSTRUMENTS

The group's financial instruments carried at fair value have been valued by using a "level 2" valuation method. Level 2 valuations are obtained from inputs, other than quoted prices, that are observable for the asset or liability either directly or indirectly. At the end of the half year, financial instruments valued at fair value were limited to a net foreign currency hedge receivable of \$1,746,000, for which an independent valuation was obtained from the relevant banking institution.

NOTE 8: CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

NOTE 9: EVENTS SUBSEQUENT TO REPORTING DATE

On 16 February 2021 the group announced its intention to acquire 100% of the shares in US-based company, Domo Tactical Communications (DTC). The acquisition comprises an upfront payment of USD \$88 million (approximately AUD \$114 million), with the possibility of an additional payment of up to USD \$16 million if certain earn-out targets are achieved in calendar year 2021. The acquisition is scheduled for completion by 30 April 2021, subject to a number of regulatory conditions typical for transactions of this nature.

NOTE 10: RELATED PARTIES

Arrangements with related parties continue to be in place. For details of these arrangements, refer to the 30 June 2020 annual financial report.

	31 December 2020	30 June 2020
NOTE 11: NET TANGIBLE ASSET / LIABILITY PER SHARE		
Net tangible asset per share	65.5 cents	53.9 cents

NOTE 12: EMPLOYEE BENEFITS

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%.

The total expense recognised as employee costs in the half year in relation to performance rights issued was \$1,108,000.

Under the Employee Share Plan, the company issued 23,622 shares to eligible employees in August 2020. The fair values of the shares was \$10.74 per share, based on the volume weighted average price at which Codan shares were traded on the ASX for the five trading days immediately preceding the date of issue of the shares. The exercise price was nil. The total expense recognised as employee costs in the half year in relation to this was \$253,000.

Directors' declaration

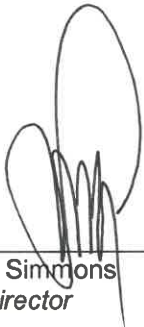
Codan Limited and controlled entities

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


- (a) the financial statements and notes, set out on pages 7 to 15, are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2020 and of its performance for the six month period ended on that date and
 - (ii) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Dated at Mawson Lakes this 17th day of February 2021.

Signed in accordance with a resolution of the directors:



D Simmons
Director



D S McGurk
Director



Independent Auditor's Review Report

To the Shareholders of Codan Limited

Conclusion

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

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

- giving a true and fair view of the **Group's** financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The **Interim Financial Report** comprises:

- Consolidated interim balance sheet as at 31 December 2020;
- Consolidated interim income statement, Consolidated interim statement of comprehensive income, Consolidated interim statement of changes in equity and Consolidated interim statement of cash flows for the half-year ended on that date;
- Notes 1 to 12 comprising a summary of significant accounting policies and other explanatory information; and
- The Directors' Declaration.

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

Basis for Conclusion

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

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

Responsibilities of the Directors for the Interim Financial Report

The Directors of the Company are responsible for:

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



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

Our responsibility is to express a conclusion on the Interim Financial Report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the Interim Financial Report does not comply with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2020 and its performance for the Half-Year ended on that date, and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

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



Paul Cenko
Partner

Adelaide

17 February 2021