

ASX RELEASE

21 February 2025

**RESULTS ANNOUNCEMENT FOR THE
HALF YEAR ENDED 31 DECEMBER 2024**

In accordance with ASX Listing Rule 4.2A, please find attached the following documents for the half year ended 31 December 2024 for Codan Limited (**ASX:CDA**):

1. Appendix 4D;
2. Directors' Report; and
3. Financial Report.

These documents should be read in conjunction with the Codan Limited 2024 Annual Report (accessible at <https://codan.com.au/investor-centre/overview/>).

On behalf of the Board



Daniel Widera
Company Secretary

This announcement was authorised by the Board of Directors.

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

FOR ADDITIONAL INFORMATION, PLEASE CONTACT:

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

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

**Codan Limited
and its controlled entities**

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

Period ended on 31 December 2024

ABN 77 007 590 605	Previous corresponding period 31 December 2023
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Results for announcement to the market				\$A'000
Revenue from ordinary activities	Increased	15%	to	305,619
Profit after tax	Increased	21%	to	46,063
Profit from ordinary activities after tax attributable to members	Increased	21%	to	46,044
Net profit for the period attributable to members	Increased	21%	to	46,044
Dividends	Amount per security		Franked amount per security at 30% tax	
current period: Interim dividend proposed	12.5 cents		12.5 cents	
Year end 30 June 2024: Final dividend paid	12.0 cents		12.0 cents	
Record date for determining entitlements to dividends:	3 March 2025			
<i>Brief explanation of any figures disclosed above which is necessary to enable the figures to be understood:</i>				
The 31 December 2024 Financial Report and the Market Announcement dated 21 February 2025 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 2024.				

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

**Interim Financial Report
for the half year ended
31 December 2024**

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 2024 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
Graeme Barclay (Chairman)	Director since February 2015
Alf Ianniello (Managing Director and CEO)	Director since January 2022
Kathy Gramp	Director since November 2015
Sarah Adam-Gedge	Director since February 2023
Heith Mackay-Cruise	Director since March 2023

Principal activities

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

Review and results of operations

Summary:

- Strong Group financial performance:
 - Revenue of \$305.6 million, up 15% versus the prior corresponding period ("pcp");
 - Earnings before interest and tax of \$65.8 million, up 21% versus the pcp; and
 - Net profit after tax of \$46.1 million, up 21% versus the pcp.
- Communications business the key driver of the Group's result:
 - Revenue of \$187.0 million, up 22% versus the pcp, exceeding 10 to 15% growth target range;
 - Segment profit of \$49.8 million, up 31% versus the pcp, with segment profit contribution margin improving to 27% versus 25% in the pcp; and
 - Orderbook of \$247 million, up 35% versus the pcp.
- Metal detection revenue up 5% versus the pcp, with Africa contributing to this improvement.
- Net debt of \$124.1 million at 31 December 2024 (up by \$48.7 million from June 2024), having funded \$36.1 million for the Kägwerks acquisition and \$26.2 million for working capital requirements to support a growing Communications business.
- Earnings per share of 25.4 cents, up 21% versus the pcp.
- Interim dividend declared of 12.5 cents, fully franked, up 19% versus the pcp.

Codan has delivered another strong financial result for the first half of FY25, with Group revenues growing 15%, and both EBIT and NPAT were up over 20% versus the first half of FY24. The company is proud to have delivered sustainable growth across the last four consecutive halves, underscoring our strong operational execution. The focus remains on strengthening the business and laying the foundation for long-term, profitable growth, ultimately reinforcing a stronger Codan.

Communications segment continues to be the core driver of our success, delivering 22% revenue growth versus the pcp, importantly demonstrating the operational leverage this business has by expanding segment profit contribution margin to 27%, up from 25% in the pcp. The company is pleased with the progress being made in Communications as this business continues to strengthen with an orderbook of \$247 million, up 35% versus the pcp.

The metal detection business delivered 5% growth in the first half, with Africa being a key contributor to this success. The rest of world business has maintained the elevated levels achieved during COVID without the benefit of new

product releases in the period, noting that the business is in a more challenging environment, demonstrating the resilience and strength of the business.

The company's strategy positions it well to capitalise on new opportunities and drive further profitable growth.

Codan Summary Financial Performance				
	Half Year ended			
	Dec-24		Dec-23	
	\$m	% of Sales	\$m	% of Sales
Revenue				
Communications products	187.0	61%	153.6	58%
Metal detection	115.0	38%	110.0	41%
Other	3.6	1%	2.3	1%
Total Revenue	305.6	100%	265.9	100%
Business performance				
EBITDA	83.3	27%	70.7	27%
EBIT	65.8	22%	54.4	20%
Interest	(5.5)		(4.6)	
Net profit before tax	60.4	20%	49.8	19%
Taxation	(14.3)		(11.7)	
Net profit after tax	46.1	15%	38.1	14%
Earnings per share, fully diluted	25.3 cents		20.9 cents	
Interim ordinary dividend per share	12.5 cents*		10.5 cents	

*The interim ordinary fully franked dividend has a record date of 3 March 2025 and will be paid on 17 March 2025.

Group revenue was up 15% versus the pcp, reflecting strong organic growth across its operations, with Communications being the key driver of this growth.

Expenses increased during the half primarily due to the integration of acquisitions, with the cost base of the newly acquired entities being integrated into the Group. During this period, Group integration and acquisition expenses totalled \$2 million.

Despite the increase in the expense base, EBIT and NPAT were both up 21% versus the pcp.

Net Debt and Balance Sheet

Net debt increased by \$48.7 million during the half to \$124.1 million at 31 December 2024. With upfront cash consideration for the acquisition of Kägwerks (\$36.1 million) and an increase in working capital of \$26.2 million to support the growth of the Communications business being the key uses of the additional debt in the period.

Cash generation for the period reflects the Group's shifting business mix, with Communications making up a larger proportion of overall performance. As expected for a growing business, this has led to increased working capital requirements. Notwithstanding this, the Group remains focused on cash generation to ensure cash and debt levels are appropriate and well-managed. The Group continues to maintain a net debt-to-EBITDA ratio of less than 1 times, reinforcing the Company's commitment to financial discipline.

During H1 FY25, the Group increased its existing bank facility to \$200 million (from \$170 million), with additional capacity available of a further \$150 million subject to bank approval. These facilities provide the Company with financial flexibility to support future inorganic growth opportunities.

Codan remains focused on improving the quality of its revenue streams by targeting businesses with recurring revenue models or contracted revenues, particularly with government customers through programs of record. Moving forward, Codan will continue to pursue acquisitions that enhance the quality of the Group's revenues, with a specific focus on acquiring businesses or technology within the Communications segment. The Company expects future acquisitions to complement Codan's existing operations and products, they will target growth markets and enhance future earnings visibility.

Communications (Tactical & Zetron)

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

Communications revenue increased 22% to \$187.0 million versus the pcp. Organic growth versus the pcp exceeded the top end of the targeted 10 to 15% growth range and was further enhanced with acquisitions. Communications segment profit was \$49.8 million, up 31% versus the pcp. As a result of operating leverage, segment profit margin increased to 27% versus 25% in the pcp.

Tactical Communications delivered strong results, primarily due to the growth achieved in the law enforcement and unmanned systems verticals. Tactical continues to benefit from its leading MESH radio technology, which demonstrates exceptional performance in harsh and contested environments. Specifically, the business excels in providing compact, lightweight and efficient radio solutions, optimising size, weight and power, making them ideal for a wide range of applications. In particular, the business has achieved excellent growth in the unmanned systems market, where these attributes are crucial for enhancing performance, mobility, and operational efficiency in remote, contested or challenging environments. Tactical Communication's near-term priorities include completion of the development of the multi-waveform radio solution with TrellisWare and the pursuit of opportunities for inclusion in longer-term defence-related communications programs across North America, Five Eyes alliance and NATO member nations.

Zetron delivered growth in line with expectations, with all geographic regions and markets contributing to this result. Zetron continues to strengthen its position in critical sectors such as public safety, utilities, and transportation by focusing on innovation and addressing the evolving needs of these industries. Research and development efforts are focused on advancing Next Generation 911 (NG911) capabilities and improving customer experiences by providing a seamless, integrated solution.

Consistent with the Group's strategy to acquire complementary businesses or technology, in early December 2024 Codan acquired Kägwerks, a leader in tactical operator-worn communications technologies, offering soldiers a lightweight network hub that integrates multiple systems into one solution. This acquisition strengthens Codan's Tactical Communications division by providing access to the budgeted Nett Warrior Program of Record and expands its presence in the US military communications market. As previously announced Codan expects the acquisition to generate \$49 million to \$57 million in revenue and \$8 million to \$11 million in EBITDA in the first 12 months of ownership, a highly accretive acquisition. Our first three months of ownership have been positive, with integration progressing well and on track. The sales opportunity pipeline remains strong, reinforcing the investment thesis, which is further evidenced by a current order book balance of \$16 million.

Communications aggregate orderbook grew to \$247 million at 31 December 2024 (up 35% versus the pcp), driven by strong Tactical Communications order intake.

Communications continues to target organic revenue growth in a 10 to 15% range, including the benefit of the Kägwerks acquisition made in FY25, Communications overall revenue growth is expected to exceed 15% for the full year.

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 led the metal detection industry to new levels of

technological excellence.

Minelab's revenue of \$115.0 million for H1 FY25 is a 5% increase versus the pcp. As a result of an increase in the proportion of revenue generated from Minelab Africa, Minelab increased segment profit margin to 36% during the half versus 34% in the pcp.

Minelab Africa delivered a better than expected first half result, with revenues at approximately \$45 million, increasing half on half as well as versus the pcp. This increase is attributed to West Africa, as the Sudan region of Northeast Africa remains disrupted. While Africa has historically delivered a stronger second half result due to seasonality, it is too early for the Company to determine whether seasonality improvements will apply in FY25.

Rest of World (RoW) Minelab has maintained the strong revenue levels achieved during COVID, highlighting the strength and resilience of its operations. Although revenue did not benefit from new product launches as in the previous year and were impacted by the rising cost of living and political uncertainties in the US ahead of the elections, Minelab RoW has continued to demonstrate strong resilience. Minelab RoW is investing to grow its market share through the development of its technology platform, expanding its retail presence in the US and Europe, and enhancing its E-Commerce capabilities. These strategic initiatives position the business for continued success as new products are introduced.

Countermine had an exceptional first half last year due to a large humanitarian order that was not repeated this half. Countermine remains a project-based business, however the business is continuing to develop and innovate its leading-edge technology to support humanitarian demining efforts.

Outlook

When considering the outlook for the balance of FY25:

- Communications continues to target organic revenue growth in a 10 to 15% range; with the benefit of Kågwerks, acquired during FY25, Communications overall revenue growth is expected to exceed 15%;
- If business conditions remain similar to H1, Minelab revenues in the second half are expected to be comparable to H1; and
- Codan is continuing to seek acquisition opportunities to enhance the quality of the Group's revenues in the Communications segment.

Codan will continue executing its strategic growth plan by investing in the development of next-generation products and solutions. As revenues grow, the company will continue to focus on driving operational leverage. Additionally, strategic acquisitions in the Communications segment will be pursued to enhance revenue quality and improve predictability. These initiatives position Codan for sustained long-term growth.

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 2024.

Rounding Off

The company is of a kind referred to in *ASIC Legislative Instrument 2016/191* dated 1 April 2016 and, in accordance with that Legislative Instrument, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

This report is made with a resolution of the directors:



G Barclay
Director



A Ianniello
Director

Dated this 20th day of February 2025.



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 2024 there have been:

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

KPMG

KPMG

Julie Cleary
Partner

Sydney

20 February 2025

Consolidated interim income statement for the half year ended 31 December 2024

Codan Limited and its Controlled Entities

		Consolidated	
	Note	Half Year Ended 31 December 2024 \$'000	Half Year Ended 31 December 2023 \$'000
Revenue	2	305,619	265,918
Cost of sales		(133,204)	(119,813)
Gross profit		172,415	146,105
Other income		-	1,184
Administrative expenses		(27,729)	(22,849)
Sales and marketing expenses		(59,462)	(50,796)
Engineering expenses		(19,057)	(18,079)
Net financing costs	3	(5,793)	(5,538)
Other expenses		(21)	(190)
Profit before tax		60,353	49,837
Income tax expense	5	(14,290)	(11,743)
Profit for the period		46,063	38,094
Attributable to:			
Equity holders of the company		46,044	38,039
Non-controlling interests		19	55
		46,063	38,094
Earnings per share for profit attributable to the ordinary equity holders of the company:			
Basic earnings per share		25.4 cents	21.0 cents
Diluted earnings per share		25.3 cents	20.9 cents

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

Consolidated interim statement of comprehensive income for the half year ended 31 December 2024

Codan Limited and its Controlled Entities

	Consolidated	
	Half Year Ended 31 December 2024 \$'000	Half Year Ended 31 December 2023 \$'000
Profit for the period	46,063	38,094
Items that may be reclassified subsequently to profit or loss		
Changes in fair value of cash flow hedges less tax effect	(2,037) <u>611</u>	1,697 <u>(509)</u>
Changes in fair value of cash flow hedges, net of income tax	<u>(1,426)</u>	<u>1,188</u>
Exchange differences on translation of foreign operations	<u>26,560</u>	<u>(11,161)</u>
Other comprehensive income for the period, net of income tax	25,134	(9,973)
Total comprehensive income for the period	<u>71,197</u>	<u>28,121</u>
Attributable to:		
Equity holders of the company	71,178	28,066
Non-controlling interests	<u>19</u>	<u>55</u>
	<u>71,197</u>	<u>28,121</u>

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

Consolidated interim balance sheet as at 31 December 2024

Codan Limited and its Controlled Entities

	Note	31 December 2024 \$'000	Consolidated 30 June 2024 \$'000
CURRENT ASSETS			
Cash and cash equivalents		27,870	19,703
Trade and other receivables		106,424	93,883
Inventory		131,303	110,069
Current tax assets		4,784	1,465
Other assets		41,651	33,786
Total current assets		312,032	258,906
NON-CURRENT ASSETS			
Property, plant and equipment		43,027	40,219
Right-of-use assets		34,033	34,369
Product development		149,353	129,425
Intangible assets		349,785	304,592
Other assets		1,911	1,200
Total non-current assets		578,109	509,805
Total Assets		890,141	768,711
CURRENT LIABILITIES			
Trade and other payables		131,899	126,428
Lease liabilities		6,717	6,689
Current tax payable		6,383	8,621
Provisions		14,690	13,663
Total current liabilities		159,689	155,401
NON-CURRENT LIABILITIES			
Trade and other payables		30,440	19,196
Loans and borrowings		152,000	95,125
Lease liabilities		40,050	39,232
Deferred tax liabilities		4,826	8,250
Provisions		4,899	4,575
Total non-current liabilities		232,215	166,378
Total liabilities		391,904	321,779
Net assets		498,237	446,932
EQUITY			
Share capital		52,770	50,319
Reserves		117,412	92,863
Retained earnings		328,055	303,750
Total equity		498,237	446,932
Total equity attributable to the equity holders of the company		498,672	447,386
Non-controlling interests		(435)	(454)
		498,237	446,932

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

Consolidated interim statement of changes in equity for the half year ended 31 December 2024

Codan Limited and its Controlled Entities

	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
Half year ended 31 December 2024							
Balance as at 30 June 2024	50,319	32,012	332	1,538	58,981	303,750	446,932
Profit for the period	-	-	-	-	-	46,063	46,063
Performance rights expensed	-	-	-	1,866	-	-	1,866
Change in fair value of cash flow hedges	-	-	(1,426)	-	-	-	(1,426)
Exchange differences on translation of foreign operations	-	26,560	-	-	-	-	26,560
	50,319	58,572	(1,094)	3,404	58,981	349,813	519,995
Transactions with owners of the company							
Dividends recognised during the period	-	-	-	-	-	(21,758)	(21,758)
Allocation of Treasury Shares	2,451	-	-	(2,451)	-	-	-
	52,770	58,572	(1,094)	953	58,981	328,055	498,237

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

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

Consolidated interim statement of cash flows for the half year ended 31 December 2024

Codan Limited and its Controlled Entities

		Consolidated	
	Note	Half Year Ended 31 December 2024 \$'000	Half Year Ended 31 December 2023 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		303,966	267,730
Cash paid to suppliers and employees		(245,663)	(211,392)
Interest received		158	90
Interest paid		(4,771)	(3,639)
Interest on lease liabilities		(844)	(1,036)
Income taxes (paid)/refunded		(12,604)	(10,343)
Net cash from operating activities		40,242	41,410
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions (net of cash acquired)	13	(34,997)	(30,310)
Proceeds from disposal of property, plant and equipment		77	155
Proceeds from sale of Tracking Solutions business		-	1,110
Payments for capitalised product development		(22,215)	(18,448)
Acquisition of property, plant and equipment		(3,813)	(3,618)
Acquisition of intangibles (computer software and licences)		(3,319)	-
Net cash used in investing activities		(64,267)	(51,111)
CASH FLOWS FROM FINANCING ACTIVITIES			
Drawdowns of borrowings		78,875	46,000
Repayments of borrowings		(22,000)	(15,255)
Payment of lease liabilities		(3,621)	(3,429)
Dividends paid	4	(21,758)	(17,225)
Net cash from financing activities		31,496	10,091
Net increase/(decrease) in cash held		7,471	390
Cash and cash equivalents at the beginning of the financial year		19,703	23,661
Effects of exchange rate fluctuations on cash held		696	(458)
Cash and cash equivalents at the end of the half year		27,870	23,593

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

Condensed notes to the consolidated interim financial statements for the half year ended 31 December 2024

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 2024 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 2024. The consolidated annual financial report of the group as at and for the year ended 30 June 2024 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 20 February 2025.

(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 2024.

(d) Material accounting policies

The accounting policies applied in these interim financial statements are the same as those applied in the group's consolidated financial statements as at and for the year ended 30 June 2024.

(e) Future Australian Accounting Standards requirements

A number of new standards are effective after 31 December 2024 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.

AASB 18 Presentation and Disclosure in Financial Statements

AASB 18 was issued in June 2024 and replaces AASB 101 Presentation of Financial Statements. The new standard introduces new requirements for the Income Statement, including:

- new categories for the classification of income and expenses into operating, investing and financing categories, and
- presentation of subtotals for "operating profit" and "profit before financing and income taxes".

Additional disclosure requirements are introduced for management-defined performance measures and new principles for aggregation and disaggregation of information in the notes and the primary financial statements and the presentation of interest and dividends in the statement of cash flows. The new standard is effective for annual periods beginning on or after 1 January 2027 and will first apply to the Group for the financial year ending 30 June 2028.

This new standard is not expected to have an impact on the recognition and measurement of assets, liabilities, income and expenses, however there will likely be changes in how the Income Statement and Balance Sheet line items are presented as well as some additional disclosures in the notes to the financial statements. The Company is in the process of assessing the impact of the new standard.

Condensed notes to the consolidated interim financial statements for the half year ended 31 December 2024

Codan Limited and its Controlled Entities

GROUP PERFORMANCE

NOTE 2: SEGMENT REPORTING

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

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

	Consolidated	
	Half Year Ended 31 December 2024 \$'000	Half Year Ended 31 December 2023 \$'000
Segment revenue		
Communications	186,963	153,602
Metal detection	115,010	109,959
Other	3,646	2,357
	305,619	265,918
Revenue recognition (at a point in time compared to over time)		
Revenue recognised at a point in time	266,052	228,738
Revenue recognised over time	39,567	37,180
	305,619	265,918
Segment result		
Communications	49,764	37,851
Metal detection	40,988	37,630
Other	331	214
	91,083	75,695
Unallocated net financing costs	(4,949)	(4,502)
Unallocated corporate expenses and other income	(25,781)	(21,356)
Profit for the period before income tax expense	60,353	49,837
	31 December 2024 \$'000	30 June 2024 \$'000
Segment assets		
Communications	637,866	535,974
Metal detection	198,950	190,186
Other	967	620
Unallocated corporate assets	52,358	41,931
	890,141	768,711

The group derived its revenues from a number of countries. The significant countries where revenue was 10% or more of total revenue were the United States of America totaling \$127.295 million (2023: \$111.489 million) and United Arab Emirates totalling \$33.313 million (2023: \$20.275 million).

Condensed notes to the consolidated interim financial statements for the half year ended 31 December 2024

Codan Limited and its Controlled Entities

GROUP PERFORMANCE (CONTINUED)

NOTE 3: NET FINANCING COSTS

Interest income	(158)	(90)
Net foreign exchange (gain)/loss	448	(441)
Cash Flow Hedge (gain)/loss	(112)	1,394
Interest expense	4,771	3,639
Finance charge on lease liabilities	844	1,036
	<u>5,793</u>	<u>5,538</u>

NOTE 4: DIVIDENDS

Codan Limited has provided or paid for dividends as follows:

- ordinary final dividend of 12.0 cents per share paid on 18 September 2024	21,758	
- ordinary final dividend of 9.5 cents per share paid on 8 September 2023		17,225

Since the end of the half year, the directors declared an interim fully franked dividend of 12.5 cents per share payable on 17 March 2025. The financial impact of this interim dividend \$22.694 million has not been brought to account in the group financial statements for the half year ended 31 December 2024 and will be recognised in subsequent financial reports.

TAXATION

NOTE 5: INCOME TAX EXPENSE

Income tax expense is recognised at an amount determined by multiplying the profit (loss) before tax for the interim reporting period by an estimate of the weighted-average annual income tax rate expected for the full financial year, adjusted for the effect of certain items recognised in the interim reporting period. The group's consolidated effective tax rate of 23.7% for the half year ended 31 December 2024 is not materially different to the effective tax rate for the half year ended 31 December 2023 (23.6%).

OTHER NOTES

NOTE 6: FINANCIAL INSTRUMENTS

The group's financial instruments carried at fair value have been valued by using a "level 2" valuation method. Level 2 valuations are obtained from inputs, other than quoted prices, that are observable for the asset or liability either directly or indirectly. At the end of the half year, financial instruments valued at fair value were limited to net foreign currency hedges payable of \$1.563 million for which an independent valuation was obtained from the relevant banking institution.

NOTE 7: CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

Condensed notes to the consolidated interim financial statements for the half year ended 31 December 2024

Codan Limited and its Controlled Entities

OTHER NOTES (CONTINUED)

NOTE 8: EVENTS SUBSEQUENT TO REPORTING DATE

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

NOTE 9: RELATED PARTIES

There have been no material changes to arrangements with related parties since 30 June 2024. For details of these arrangements, refer to the 30 June 2024 annual financial report.

	31 December 2024	30 June 2024
NOTE 10: NET TANGIBLE ASSET / LIABILITY PER SHARE		
Net tangible asset per share	2.2 cents	4.8 cents
Net tangible asset per share (excluding right of use assets)	(16.5 cents)	(15.5 cents)

NOTE 11: EMPLOYEE BENEFITS

The company issued 134,385 performance rights in November 2024 to the Chief Executive Officer. The total expense recognised as employee costs in the half year in relation to performance rights issued was \$1.866 million. The fair value of the rights issued in the year has been measured consistently with the method disclosed in the annual report for the year ended 30 June 2024.

As at 30 June 2024, the number of performance rights on issue was 973,011, out of which 85,869 vested during the half year ended 31 December 2024, which had a weighted average share price of \$14.99. With the above-mentioned new performance rights issued, this resulted in a total closing balance of 1,021,527 as at 31 December 2024.

NOTE 12: BANK FACILITIES

The multi-option facility has a number of components that are supported by interlocking guarantees between Codan Limited and its subsidiaries and are subject to compliance with certain financial covenants.

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 \$80 million also expiring in July 2026. A third multi-option facility for \$150 million may be available subject to financial institutions approval. The total facility drawn down as at 31 December 2024 was \$153.945 million, including performance bonds not recognised on the balance sheet.

Condensed notes to the consolidated interim financial statements for the half year ended 31 December 2024

Codan Limited and its Controlled Entities

OTHER NOTES (CONTINUED)

NOTE 13: ACQUISITIONS

On 5 December 2024, Codan, through its wholly owned subsidiary, Codan US Inc, acquired 100% of the shares of US-based organisation SKT2 LLC dba Kägwerks (Kägwerks) for an upfront cost of \$37.394 million inclusive of \$1.292 million in cash that was held by the business. There are also royalty payments for 5 years post-closing. The quantum of the royalty payments will be calculated based upon agreed annual sales target thresholds ranging from 1% to an upper limit of 5%, without a cap to the amount payable. An estimated portion of this potential royalty (contingent consideration) of \$7.530 million has been recognised as Trade and other payables in the group's Consolidated Balance Sheet as at 31 December 2024, which is based on forecast sales performance, factoring in future sales opportunities arising from leveraging Codan's existing global distribution network. Kägwerks is a global leader in tactical operator-worn networking communications technologies that enable connectivity and integrated secure networking in a military environment. This enables Tactical Communications to broaden its offering as a full tactical military radio solutions provider and to build capability, credibility and scale in the core markets it operates in. The acquisition of Kägwerks is consistent with Codan's growth strategy to develop or acquire complementary IP and technologies, in this case the technology being acquired includes a radio agnostic dismounted communications solution.

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

Estimated fair value of consideration transferred	\$000
Cash paid	37,394
Contingent consideration	7,530
Acquiree's cash balance at acquisition date	(1,292)
	<u>43,632</u>
Estimated fair value of identifiable assets acquired and liabilities assumed, on a provisional basis	
Total assets	34,034
Total liabilities	(12,650)
	<u>21,384</u>
Estimated goodwill as a result of the acquisition	
Estimated fair value of consideration transferred	43,632
Estimated fair value of identifiable assets acquired and liabilities assumed, on a provisional basis	(21,384)
	<u>22,248</u>

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 Kägwerks' accreditation into US Department of Defence Program of Record and future sales opportunities arising from leveraging Codan's existing global distribution network with an international export version of its products. The goodwill is expected to be deductible for tax purposes.

Condensed notes to the consolidated interim financial statements for the half year ended 31 December 2024

Codan Limited and its Controlled Entities

OTHER NOTES (CONTINUED)

NOTE 13: ACQUISITIONS (CONTINUED)

The company acquired all of the shares in Zetron Limited (also referred to as Zetron UK) on 2 August 2023 and initially recognised the acquired assets and liabilities of Zetron Limited at their provisional fair values as disclosed in the FY24 annual report. Subsequently the company conducted detailed valuations of the assets and liabilities acquired as at the acquisition date which resulted in the following adjustments:

	Provisional fair value recognised	Adjustment	Final fair value
	\$000	\$000	\$000
Estimated fair value of consideration transferred			
Cash paid	22,359	(1,105)	21,254
Acquiree's cash balance at acquisition date	(2,451)		(2,451)
	<u>19,908</u>	<u>(1,105)</u>	<u>18,803</u>
Estimated fair value of identifiable assets acquired and liabilities assumed, on a provisional basis			
Total assets	13,623	(1,999)	11,624
Total liabilities	(15,323)	(613)	(15,936)
	<u>(1,700)</u>	<u>(2,612)</u>	<u>(4,312)</u>
Estimated goodwill as a result of the acquisition			
Estimated fair value of consideration transferred	19,908	(1,105)	18,803
Estimated fair value of identifiable (assets) acquired less liabilities assumed, on a provisional basis	1,700	2,612	4,312
	<u>21,608</u>	<u>1,507</u>	<u>23,115</u>

NOTE 14: GOODWILL

Reconciliation of Goodwill:	\$'000
Carrying amount at beginning of year	291,856
Additions through entities acquired (net value)	22,248
Adjustment on prior year's acquisitions	1,507
Net foreign currency differences on translation of foreign entities	<u>15,741</u>
Carrying amount as at 31 December 2024	<u>331,352</u>

Directors' declaration


Codan Limited and controlled entities

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

- (a) the financial statements and notes, set out on pages 7 to 17, are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2024 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 20th day of February 2025.

Signed in accordance with a resolution of the directors:



G Barclay
Director



A Ianniello
Director



Independent Auditor's Review Report

To the shareholders of Codan Limited

Conclusion

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

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

- giving a true and fair view of the Group's financial position as at 31 December 2024 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 2024;
- Consolidated interim income statement, consolidated interim statement of comprehensive income, consolidated interim statement of changes in equity and consolidated interim statement of cash flows for the Half-year ended on that date;
- Notes 1 to 14 comprising material accounting policies and other explanatory information; and
- The Directors' Declaration.

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

Basis for Conclusion

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

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



Responsibilities of the Directors for the Interim Financial Report

The Directors of the Company are responsible for:

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

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

Our responsibility is to express a conclusion on the Interim Financial Report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the Interim Financial Report does not comply with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2024 and its performance for the Half-Year ended on that date, and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

KPMG

KPMG

Julie Cleary

Partner

Sydney

20 February 2025