Cardno®

CARDNO 2020 ANNUAL REPORT

for the **year** ended
30 June 2020

Cardno Limited
ABN 70 108 112 303
and its controlled entities

75 YEARS Making a difference.

Chairman's Letter

Dear Shareholder,

The year has brought many challenges from the COVID-19 pandemic and natural disasters such as the 2020 bushfires in Australia to the demerger of our Quality, Testing and Measurement business in October 2019 to create Intega Group Limited ("Intega").

With this as a backdrop, I am pleased to report that your company achieved results that were both up on last year and ahead of guidance with an underlying Earnings Before Interest Tax Depreciation Amortisation and Impairment of $43.0 million (stated on a pre AASB 16 basis). This represents an 11% increase on last year's pro-forma result. Pleasingly, this is the fourth year in a row where your company has hit or exceeded market guidance.

With the demerger of Intega behind us, Cardno is now a focused consulting and professional services company delivering infrastructure, environmental and social projects in the Americas, Asia-Pacific and various emerging nations.

IMPACT OF COVID-19 PANDEMIC

Cardno is fortunate in that all of our clients are B2B (business to business) or B2G (business to government).

As such Cardno largely has been able to continue to deliver our services and solutions despite the COVID-19 pandemic. This performance is testimony to the hard work, ingenuity and adaptability of our ~4,400 people around the world.

The majority of Cardno's divisions met or exceeded their internal second half FY20 forecast with the company benefitting from existing work in hand and projects that were already obligated by clients and approved by government agencies.

While the future impact of COVID-19 on our business is not completely clear, we remain conservative in our approach to FY21, focusing on what we can control. We actively evaluate and mitigate COVID-19 lockdowns or restrictions as they emerge in various markets.

OPERATING HIGHLIGHTS

Asia Pacific

As reported last year the Group result is pleasing, but it masks continued financial underperformance in the Asia Pacific Consulting Division. Our Asia Pacific leadership has spent the year building on Cardno's core strengths of Transport, Water, Buildings and Environment. We believe the business is now in good shape operationally to take advantage of market opportunities, with the Asia Pacific business exiting FY20 with an improved run-rate over the prior year.

Americas

The Americas had an exceptional year with all businesses meeting or exceeding targets. As Susan details in her Managing Director's report, the over performance in some parts of our business is unlikely to continue through the full FY21 year as certain projects come to an end. We enter FY21 confident in the strength of performance and profit margins that are more consistent with industry standards.

International Development

Our International Development (ID) business remains a core focus for the company. We remain committed to the important work we do in support of our clients in bringing positive social and economic impact across the developing world. The division's performance was negatively impacted in Europe largely due to political uncertainty. However, our ID Asia Pacific, Americas and African operations all reported strong performance.

People

I want to thank all our staff for their efforts in this last year under the most trying of circumstances. We have found ourselves becoming more integral to our clients and we have had to become more innovative in the way we have been able to serve them. Employee engagement and the desire to deliver quality outcomes for our clients has never been stronger.

A special thank you to the entire senior management team for the way in which they have handled all the challenges of the last 6 months in particular, taking care of clients, staff and each other.

Most importantly I would like to thank our clients, banking partners and shareholders for their continued support and belief in us.

MICHAEL ALSCHER

Chairman

CEO’s Letter

Dear Shareholder,

When I am actively recruiting new staff to Cardno I confidently say that I feel that there has never been a better time to be at Cardno. That feeling is rooted in the excitement I have with regard to the people, projects and purpose of mission that defines Cardno. FY20 was a very challenging year not just for Cardno but for the world. Despite the demerger, a CEO transition, devastating Australian bushfires, and a global pandemic, we emerged stronger. We emerged stronger financially with 11.1% EBITDAI growth year over year (pre AASB 16 basis) to $43.0 million, operating cash flow of $43.5 million (pre AASB 16 basis), and a conservative balance sheet (net debt of $0.6 million), but even more importantly as a global team operating with a single vision, purpose, and values.

OUR VISION is to be **leaders in improving** the physical and social environment for people around the world.

OUR PURPOSE As a global organisation of talented people, we are united by our purpose: **Making a difference.**

Our Values: **SAFETY** **INTEGRITY** **PEOPLE** **EXCELLENCE**

I have had the privilege to be with Cardno since 2015. As you are aware the past five years have been a time of tremendous challenge. It required us to roll up our sleeves and do the hard work of integrating people, processes, and systems to begin to realise the true potential of our acquisition growth history. Interestingly enough I feel very strongly that the demerger was also key to realising our potential. The successful demerger of our Quality, Testing and Measurement businesses to create Intega Group Limited in October 2019 provided the honing of services needed to rationalise a Cardno corporate identity. We have moved from a company trying to be all things to all clients, to a firm that provides consulting solutions to the most complex problems in the health sciences, energy and natural resources, infrastructure and international development.

OUR COVID-19 RESPONSE

On the heels of the demerger I shared our H1 results and mentioned that our next great challenge would be to move Cardno from being a company with global offices to a truly global company. Only a few weeks later on 11 March 2020, COVID-19 was declared a pandemic by the World Health Organisation, and that process began in earnest. Our staff and leadership teams locked arms to mobilise the majority of our staff to Work From Home (WFH), where the majority of the them remain today. We instituted the Global and Regional Incident Management Teams and Global and Regional Business Continuity Team to address the myriad of issues that we were fielding each day, and interestingly a global company was born. Each day we used our shared values to guide our decision making.

We benefited greatly having our own experts in house. ChemRisk, our team of leading epidemiologists, toxicologists, and health scientists are one of the reasons that Cardno has had such a low rate of work related COVID-19 exposure. ChemRisk’s research and guidance informed not only the Cardno response to safety and business continuity, but that of a long list of clients. In addition, ChemRisk was acknowledged by Lawrence Slone, CEO of the American Industrial Hygiene Association for the tremendous leadership on AIHA’s COVID-19 Open America Guidelines Task Force.

CEO's Letter *(continued)*

SAFETY is Cardo's number 1 core value. Therefore, it drove each and every business decision we made as we navigated those early days of response, with the herculean efforts of our International Development team to first demobilise staff from the field and our companywide mobilisation of the work force to WFH.

SAFETY continues to drive each decision we make today about office reopening and field protocols.

COVID-19 has stressed mental and emotional health throughout the world. Our marketing and communications team rose to the challenges to create My Cardno Village where we could get together virtually, and crowd source solutions to the different challenges we face. My Cardno Village includes Kids Corner, Cardno Cooks, The Wellness Difference, The Cardno Lounge and a variety of communities geared to different needs and interests.

For the past five years Cardno has continually increased the fiscal discipline with which we run the business. We have increased the granularity, transparency, and visibility of key business metrics over the past few years. That work served us well. COVID-19's major impact was to increase the frequency with which we monitor segments of the data set, especially with regard to cash flow and backlog.

DIVISION HIGHLIGHTS

Asia Pacific

Asia Pacific's rebuilding extended well into FY20 burdened by an inefficient operating model and too many initiatives resulting in a disappointing EBITDAI of $1.0 million (pre AASB 16 basis). H2 saw a significant move to simplicity with the Asia Pacific leadership team focusing on fewer more impactful drivers like backlog growth, staffing profile optimisation, and margin protection. Critically Asia Pacific continued to build backlog, now up 3% year-over-year, not just in size but more significantly in quality. The mid-year staff profile work completed in Q3 was instrumental in weathering Q4, and delivering a Q4 trend consistent with FY21 performance expectations. Finally, significant progress was made in Q4 establishing consistent financial and project controls and reporting, leveraging Americas' means and methods.

Asia Pacific enters FY21 with a strong backlog position, positive trending financial performance, a continued focus on financial discipline and excellent project delivery.

Americas

Americas had a record year of performance resulting in EBITDAI of $38.7 million (pre AASB 16 basis). This result was largely driven by specialty service offerings in the health sciences, natural resources and asset management in Science & Environment (S&E) and Government Services (GS) and achieved through effective prepositioning and key account management. We were the beneficiaries of a perfect storm of demand in FY20. Important de-risking was successful with the demerger (reducing conflicts of interest impacting growth) and the divestiture of the structural engineering business.

While we expect strong performance from the Americas for FY21, we are not counting on a repeat of the over performance in FY20 from S&E and GS. All groups have strong growth and profitability goals consistent with industry margins. Americas enters FY21 with momentum and a commitment for acquisitive growth for the Infrastructure Division with a particular emphasis on Transport and Water.

International Development

International Development had a good year resulting in EBITDAI of $2.7 million (pre AASB 16 basis). The result was due to the very strong performance of the US and APAC International Development (ID) businesses which buoyed underperformance in Europe due to political uncertainty. ID's performance was despite the onset of COVID-19 and their outstanding feat demobilising and then subsequently remobilising personnel hand-in-hand with our clients' project needs and requirements, with the utmost duty of care.

COVID-19 has presented enormous challenges to all of our clients, maybe none more than on our ID clients, donor organisations driving global solutions to promote environmental, economic, and health resiliency and sustainability. For FY21 our priority is helping these clients deliver on their respective missions in the wake of COVID-19.

CEO's Letter *(continued)*

EXPECTATIONS FOR FY21

If you are one of the ~4,400 (and growing) staff members of Cardno, Thank You! For FY21 you can expect:

> the safety and security of employment with benefits and performance based pay,
> engagement, communication, voice
> career path clarity with feedback, opportunity and investment in development
> meaningful commitment to Diversity, Inclusion and Equity

If you are one of our 6,373 clients, Thank You! For FY21 you can expect:

> global thought leadership with accessible local delivery
> delivery based on agreed upon scope, schedule, and budget
> innovation to increase quality and drive down cost
> partnership for business solutions

If you are one of our ~9,400 shareholders, Thank You! For FY21 you can expect:

> consistent and reliable performance
> stability of the Leadership Team
> getting APAC right
> Environmental, Social and Governance Leadership

I am very proud of how the Cardno team supported our clients, weathered the storm that was FY20 and delivered for our shareholders. I look forward to a successful FY21.

SUSAN REISBORD

Managing Director and Chief Executive Officer

Consolidated Financial Statements

for the year ended 30 June 2020

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The Company's Corporate Governance Statement last updated and Board approved on 25 August 2020 can be viewed on the website at **www.cardno.com/corporategovernance.**

Directors' Report

The Directors present their Report together with the Consolidated Financial Statements of Cardno Limited (the Company) being the Company and the entities it controlled at the end of, or during the year ended 30 June 2020.

DIRECTORS

The names of Directors of the Company at any time during or since the end of the financial year are set out below. Directors were in office for this entire period unless otherwise stated.

Michael Alscher	Non-Executive Director and Chairman
Susan Reisbord	Chief Executive Officer and Managing Director (appointed 4 November 2019)
Jeffrey Forbes	Non-Executive Director
Rebecca Ranich	Non-Executive Director
Steven Sherman	Non-Executive Director
Nathanial Thomson	Non-Executive Director
Neville Buch	Non-Executive Director (resigned 31 October 2019)
Ian Ball	Chief Executive Officer and Managing Director (resigned 4 November 2019)

COMPANY SECRETARIES

Peter Barker	Chief Financial Officer & Joint Company Secretary[1]
Cherie O'Riordan	Group Financial Controller & Joint Company Secretary (appointed 31 October 2019)
Vikash Naidu	General Counsel & Joint Company Secretary (resigned 31 October 2019)
Courtney Marsden	Legal Counsel & Joint Company Secretary (resigned 31 October 2019)

[1] Peter Barker gave notice of his resignation on 5 June 2020. The company has agreed with Mr Barker that he will finish at Cardno as Chief Financial Officer at the end of February 2021.

Qualifications of Company Secretaries

Peter Barker – BComm, MBA, FCPA

Cherie O'Riordan – BEcon/Arts, CA

Particulars of Directors' qualifications, experience and special responsibilities are listed on the next page.

Directors' Report *(continued)*

Director	Experience	Special Responsibilities
Michael Alscher	Michael Alscher joined as a Non-Executive Director of Cardno Limited in November 2015. He then became Chairman in January 2016. He is the Managing Partner and founder of Crescent Capital Partners, a leading Australian based private equity firm with $2 billion in funds under management, specialising in high growth companies and certain industries such as healthcare and the services sector across multiple disciplines. Prior to founding Crescent in 2000, Michael was a strategy consultant at Bain International and the LEK Partnership as well as holding several senior operating roles. Michael is currently a Non-Executive Director of ClearView Limited, Intega Group Limited and the Non-Executive Chair of Australian Clinical Labs Pty Ltd, National Dental Care Pty Ltd, and 24-7Healthcare Pty Limited. Michael holds a Bachelor of Commerce (Finance & Mathematics) from the University of New South Wales.	*Non-Executive Chairman* *Chairman of Remuneration Committee* *Member of Audit, Risk & Compliance Committee*
Susan Reisbord	As the Chief Executive Officer and Manager Director of Cardno, Susan Reisbord is responsible for setting the strategic direction for the Global business, ensuring excellent project delivery and client satisfaction, driving profitable growth, and sustaining an inclusive culture where careers can thrive. Susan's experience spans thirty years in the consulting engineering and construction industry. Prior to joining Cardno, she was a senior executive with GHD and MWH Global in North America. Susan's strategic leadership and business development skills were honed as a front-line Client Service Manager for clients such as the City of New York and General Electric. Susan holds a Master of Physical Sciences (Geochemistry) from the University of Chicago and a Bachelor of Science (Geology) from the University of Cincinnati. Susan is also the CEO of Cardno's Americas Region.	*Chief Executive Officer and Managing Director* *CEO, Americas*
Jeff Forbes	Jeff Forbes joined Cardno Limited as a Non-Executive Director in January 2016. He is an experienced Finance Executive and Company Director with over 30 years' merger and acquisition, equity and capital markets and project development experience. He has significant expertise in the financing and development of resource projects in both Australia and in the Asia Pacific Region. Jeff previously worked at Cardno as CFO and Company Secretary before leaving to commence Non-Executive director roles. He has spent time as a member of the remuneration and audit and risk committees of both listed and unlisted companies in a variety of sectors. Prior to his experience at Cardno, Jeff was the CFO, Company Secretary and Executive Director at Highlands Pacific Limited, a PNG-based mining and exploration company. He has significant experience in capital raisings and during his career has worked for a number of major companies including Rio Tinto, BHP and CSR. Jeff is the Non-Executive Chair of Herron Todd White Group and Non-Executive Director of PWR Holdings Ltd and Intega Group Limited. Previously he was a Non-Executive Director of Talon Petroleum Limited, Exoma Energy Limited, Affinity Education Limited and CMI Limited. Jeff holds a Bachelor of Commerce from the University of Newcastle and is a Graduate of the Australian Institute of Company Directors.	*Non-Executive Director* *Audit, Risk & Compliance Committee Chairman* *Member of Remuneration Committee*
Rebecca Ranich	Rebecca Ranich joined Cardno Limited as a Non-Executive Director in March 2018. She has nearly 30 years of experience, and over her career, has led transformational business initiatives, forged global strategic alliances and led new market ventures in the energy and infrastructure sectors.	*Non-Executive Director* *Member of Remuneration Committee*

	Rebecca is an investor in and advisor to emerging technology companies, and is a member of the Technology Commercialization Panel for the Johns Hopkins University Applied Physics Laboratory. Rebecca is a former Director at Deloitte Consulting, LLP where she led Energy and Sustainability Investment Advisory services for public sector clients. Prior to Deloitte, she was a Vice President at Michael Baker Corporation (Baker). Rebecca also serves as a Director on the Board of the National Fuel Gas Corporation (NYSE: NFG, (Chair of the Governance and Nominating Committee, member of the Audit Committee)); a Vice-Chairman of the Board of the Gas Technology Institute (and Chair Investment Committee) and serves on the Advisory Board of Yet Analytics, Inc.	
Steven Sherman	Steven Sherman joined Cardno Limited as a Non-Executive Director in January 2016. He is a Chartered Accountant with more than 35 years' experience in corporate restructuring and insolvency. His experience ranges from advising on and facilitating restructuring and turnaround strategies for large listed enterprises to the re-engineering of entire business across multiple international jurisdictions. During his time in private practice Steven was the National Managing Partner of one of Australia's largest independent internationally operating restructuring and corporate advisory firms. He has practiced in the area of financial and operational restructuring and provided professional advice to multinational financiers and lending syndicates as well as company boards and executives. Steven is a Non-Executive Director of Intega Group Limited. Steven has a Bachelor of Commerce from the University of NSW. He is a Fellow of the Institute of Chartered Accountants and a member of the Australian Institute of Company Directors.	*Non-Executive Director* *Member of Audit, Risk & Compliance Committee* *Member of Remuneration Committee*
Nathanial Thomson	Nathanial Thomson became a Non-Executive Director of Cardno Limited in May 2016. He is a Partner at Crescent Capital Partners and responsible for the assessment of potential investment opportunities and management of investee companies. Prior to joining Crescent in 2004, Nathanial was a strategy Consultant for McKinsey & Co. where he executed multiple strategy and operational assignments across industry sectors and geographies. He is currently a Non-Executive Director of ClearView Limited, Australian Clinical Labs Pty Ltd, National Dental Care Pty Ltd and 24-7Healthcare Pty Limited. Nathanial holds a Bachelor of Commerce with honours and a Bachelor of Law with honours from the University of Western Australia.	*Non-Executive Director* *Member of Remuneration Committee*

PRINCIPAL ACTIVITIES

The principal activity of the consolidated entity during the financial year was operating as a professional infrastructure and environmental services company, with expertise in the development and improvement of physical and social infrastructure for communities around the world.

On 31 October 2019, the company implemented the demerger of its Quality, Testing and Measurement (QTM) businesses into a separate ASX listed entity named Intega Group Limited. There were no changes to the principal activities of the Cardno Group during the financial year under review other than the divestment of its QTM businesses.

DIVIDENDS

No dividends declared for the financial years ended 30 June 2020 or 30 June 2019.

EVENTS SUBSEQUENT TO REPORTING DATE

There has not arisen in the interval between the end of the 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 or the results of those operations.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Cardno will continue to manage its global business in physical and social infrastructure and pursue its policy of growing both organically and by acquisition during the next financial year.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Other than as disclosed elsewhere in this Directors' Report, there have been no significant changes in the state of affairs.

INDEMNIFICATION AND INSURANCE OF OFFICERS

The Company has agreements with each of the Directors and Officers of the Company in office at the date of this report indemnifying them against liabilities to any person other than the Company or a related body corporate that may arise from their acting as Directors or Officers of the Company. The indemnity continues to have effect when the Directors and Officers cease to hold office other than where such liabilities arise out of conduct involving a wilful breach of duty by the Officers or the improper use by the Directors or Officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company.

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, as such disclosures are prohibited under the terms of the contract.

REVIEW OF RESULTS

PERFORMANCE ($'m)	2020	Restated 2019
Gross Revenue	978.3	936.9
Fee Revenue	677.1	606.9
Underlying EBITDAI [1]	73.5	38.7
Underlying EBITDAI Pre AASB16 impact [2]	43.0	38.7
Underlying NOPAT [3]	9.4	16.3
Loss before tax from continuing operations	(49.6)	(30.0)
Profit before tax from discontinued operations	120.7	0.4
Net loss after tax from continuing operations	(67.1)	(40.6)
Net profit/(loss) after tax from discontinued operations	123.7	(3.8)
Net profit/(loss) after tax	56.6	(44.5)
Operating Cash Flow (Pre AASB 16 impact)	43.5	40.8
EPS from continuing operations – basic (cents)	(15.07)	(8.93)
EPS - basic (cents)	12.71	(9.78)
NOPAT EPS - basic (cents)	2.10	3.57

[1] Underlying EBITDAI = EBIT plus underlying adjustments, depreciation, amortisation and impairment losses
[2] Underlying EBITDAI = EBIT plus underlying adjustments, depreciation, amortisation and impairment losses pre AASB16 impact
[3] Underlying NOPAT = NPAT plus underlying adjustments and impairment losses

EBITDAI and EBIT are unaudited. However, they are based on amounts extracted from the audited financial statements as reported in the consolidated statement of financial performance on page 32. These metrics provide a measure of Cardno's performance before the impact of non-cash expense items, such as depreciation and amortisation and impairment losses, as well as interest costs associated with Cardno's external debt facility and lease arrangements.

NOPAT is unaudited. However, it is based on amounts extracted from the audited financial statements. This metric provides a measure of Cardno's operating performance before the impact of underlying adjustments such as impairment losses of goodwill and acquisition related costs.

Cardno has reported a net profit after tax (NPAT) of $56.6 million for the year ended 30 June 2020. The result from continuing operations is a net loss after tax of $67.1 million, which includes an impairment loss of $69.6 million recorded against the goodwill of the Asia Pacific business during the first half. The result from discontinued operations is an NPAT of $123.7 million, which includes a demerger gain of $119.1 million.

On 31 October 2019, the Company implemented the demerger of its Quality, Testing and Measurement (QTM) businesses into a separate ASX listed entity named Intega Group Limited. The results presented in these financial statements include the results of the divested Intega Group entities for the period 1 July 2019 to 31 October 2019 and are presented as discontinued operations. Comparative information has also been restated to present the prior year results of the divested entities as discontinued operations.

On 31 May 2020, the Company sold the assets of its Structures business in the Americas segment. The results of the Structures business to 31 May 2020 are also presented as discontinued operations and comparative information has been restated to present this disposed business as discontinued operations.

This is the first set of the Group's annual financial statements in which AASB 16 *Leases* has been applied. Under the transition method chosen, comparative information has not been restated, therefore the 30 June 2020 financial statements are not comparable to prior years.

Balance Sheet

The company refinanced its bank debt facilities in October 2019 as a result of the demerger. The new facility is a three-year multi-currency cash advance and letter of credit syndicated facility, expiring in October 2022. The company is in a net debt (cash on hand less debt) position of $0.6 million at the end of 30 June 2020 (net debt of $82.1 million at 30 June 2019).

The Group's balance sheet has been impacted by the demerger of its QTM businesses including a reduction in share capital of $391.5 million. See note 3 for further details on the discontinued operations.

Cash Flow

The Company recorded a net operating cash inflow (pre AASB 16 basis) for the year of $43.5 million (inflow $40.8 million FY19). This is primarily driven by a strong operating result for the year and improved working capital management, through increased efficiency in the conversion of direct labour costs to debtors then customer receipts.

Impact of COVID-19 ("COVID") Pandemic

FY20

Cardno is fortunate in that all of our clients around the world are B2B (business to business) or B2G (business to government), and we support government clients at federal, state and municipal levels.
The majority of our divisions met or exceeded their 2H FY20 forecast (produced in January 2020).

Overall, the company experienced a mildly positive impact to the P&L as a result of COVID, due to (1) various stimulus packages invoked in Australia and the United States, and (2) projects that were previously subject to various approvals being fast-tracked. The exception is our US Government business where a number of COVID related base closures shifted projects "to the right" (projects delayed not cancelled).

We largely sell consultants' time and field services that are often deemed essential. Our clients and staff have adapted to working remotely. Backlog has not materially changed through COVID.

Cardno did not receive Job Keeper. Other than a $12 million payment deferral of Australian GST (no P&L impact) at June 2020, Cardno has not received any material governmental assistance associated with COVID-19.

The company experienced a degree of productivity loss during "COVID-transition" (to/from work from home), but our staff adapted quickly and were largely able to continue to support our clients around the world. In March we repatriated many of our International Development staff (e.g. Australian nationals directed to "return home") from in-station roles in emerging nations. Many of these people are now back in the field.

Debtors+WIP DSO is at a company record low (80 days vs 87 last year and 78 best practice). In reviewing the balance sheet and all assumption based financial projections and accruals and provisions, management have considered the impact of COVID. In particular, management determined that a further Expected Credit Loss provision was appropriate at financial year end.

Beyond FY20

Cardno post-demerger is a focused consulting and professional services company and continues to benefit from a substantial portfolio effect delivering infrastructure, environmental and social projects in the Americas, Asia Pacific and International Development.

Cardno's strategy is to plan for impacts from COVID, but be sufficiently nimble to enable us to react to an evolving environment. We test backlog monthly and staff utilisation weekly, to flex resources as necessary.

Cardno does not have a material exposure to developers and landlords most immediately impacted by COVID economics. We are closely watching our municipal clients' funding streams.

A number of US cities and states have enacted or are considering "COVID-leave", whereby an employee with COVID or awaiting a test results receives paid leave to stay home (an employer cost).

While our people have shown impressive ingenuity, and adapted quickly to the evolving environment created by COVID, continued work from home requirements and needs are bound to stress the mental wellbeing of our staff. We are closely monitoring the impact.

SEGMENT OVERVIEW

Asia Pacific (APAC)

The APAC business provides services in civil, structural, water, environmental, coastal, bridge, geotechnical, subsurface utility, traffic and transport engineering as well as environmental science, surveying, landscape architecture, planning and asset management.

Asia Pacific Consulting EBITDA margins declined from 5.2% to 0.5% with slower than anticipated implementation of business and project disciplines and associated "project clean up". The division was restructured in H2 creating a solid platform for growth going forward. Asia Pacific is in year one of a two year rebuilding plan with a focus on the basics of project and business controls with activities focused on margin lift. This includes a simplification of the major services lines to transport, water, buildings and environment. Year-end backlog is up 2.9%, a number of major projects have been won and are under way. The company expects a modest sustainable improvement into FY21 and beyond.

Americas

The Americas business delivers services to private and public sector clients across the environmental, water, transportation, energy and resources, land, buildings and management sectors.

The Americas division's fee revenue was up 23% on prior year and EBITDA margin increased from 10.4% to 13.9%. While all Americas divisions achieved or exceeded their FY20 internal budget, Cardno's toxicology business Chemrisk provided a significant contribution to the FY20 results, driven by US certification work. This work is scheduled to end in September 2020, thus the company expects that margins achieved in FY20 will flatten. Year-end backlog is up 4.6% year on year. All businesses within the Americas increased their backlog, but particularly the Government Services business (mainly serving the US Department of Defence).

International Development (ID)

The ID business designs and implements large-scale sustainable solutions for both development assistance agencies and private clients. The ID business generally has long term high value contracts, which have a high 'pass through' component - Cardno project manages the contract and receives a management fee for doing so. The ID business generally operates on lower margins than our other divisions.

ID FY20 EBITDA margin is down from 2.7% to 1.4%, driven by under-performance from the ID European businesses. By contrast, the ID Asia Pacific and Americas businesses performed to plan. Cardno continues its business development initiatives with Asia Pacific and Americas clients and is de-emphasising its business development in Europe. By narrowing focus to our traditionally stronger markets, margins are expected to improve.

Backlog is driven by multi-year procurement cycles with government clients. It is down year on year by 8.5%. The reduction in backlog represents where we are in the company's major client procurement cycle.

Portfolio

Portfolio business includes Latin America, which while an integral part of the Group's current suite of services, is not considered to be core and hence has slightly different operating methodologies, environments and markets.

Latin America's underlying EBITDA is up on PCP by 358.1% primarily due to the improved performance and growth of its Entrix business. Caminosca continues to wind down and incur some corporate costs such as legal expenses, which have been excluded from the underlying result.

Directors' Report *(continued)*

SEGMENT OVERVIEW CONTINUED

	Statutory[1]		Underlying Adjustments[2]		Underlying[1]	
	Financial year		Financial year		Financial year	
$'000	**2020**	**Restated 2019***	**2020**	**Restated 2019***	**2020**	**Restated 2019***
Asia Pacific	246,406	250,829	-	-	246,406	250,829
Americas	372,499	319,939	-	-	372,499	319,939
ID	350,708	355,348	-	-	350,708	355,348
Portfolio	8,655	10,759	-	-	8,655	10,759
Gross Revenue	**978,268**	**936,875**	**-**	-	**978,268**	**936,875**
Asia Pacific	(2,249)	7,729	3,211	3,475	962	11,204
Americas	40,926	23,440	(2,249)	103	38,677	23,543
ID	2,458	4,297	203	-	2,661	4,297
Portfolio	733	160	-	-	733	160
Continuing operations EBITDAI[3, 5]	**41,868**	**35,626**	**1,165**	**3,578**	**43,033**	**39,204**
Adjust for AASB 16 impact	30,436	-	-	-	30,436	-
Adjusted EBITDAI[3,5]	**72,304**	**35,626**	**1,165**	**3,578**	**73,469**	**39,204**
Corporate	(887)	(504)	887	-	-	(504)
Total continuing operations EBITDAI[3, 5]	**71,417**	**35,122**	**2,052**	**3,578**	**73,469**	**38,700**
Depreciation, impairment and amortisation expenses	(108,592)	(57,917)	69,621	46,285	(38,971)	(11,632)
EBIT[4,5]	**(37,175)**	**(22,794)**	**71,673**	**49,863**	**34,498**	**27,069**
Finance costs	(11,791)	(7,190)	-	522	(11,791)	(6,668)
Foreign exchange gains/(losses)	(598)	-	-	-	(598)	
Profit/(loss) from continuing operations before income tax	**(49,564)**	**(29,984)**	**71,673**	**50,385**	**22,109**	**20,401**
Income tax (expense)/benefit[6]	(17,514)	(10,660)	(976)	1,154	(18,490)	(9,506)
Profit/(loss) from continuing operations after income tax	**(67,078)**	**(40,644)**	**70,697**	**51,539**	**3,619**	**10,895**
Discontinued operations, net of tax	**123,664**	**(3,846)**	**(117,921)**	**9,206**	**5,743**	**5,360**
Profit/(loss) after income tax	**56,586**	**(44,490)**	**(47,224)**	**60,745**	**9,362**	**16,255**
Attributable to:						
Ordinary Equity holders	56,586	(44,490)	(47,224)	60,745	9,362	16,255

* *Comparative information has been re-presented due to discontinued operations. See Note 3.*

1. *The use of the term 'Statutory' refers to IFRS financial information and 'Underlying' refers to non-IFRS financial information. Underlying earnings are categorised as non-IFRS financial information and therefore have been presented in compliance with ASIC Regulatory Guide 230 – Disclosing non-IFRS information and are unaudited. Underlying adjustments have been considered in relation to their size and nature and have been adjusted from the Statutory information, for disclosure purposes, to assist readers to better understand the financial performance of the underlying business in each reporting period. These adjustments include transactions or costs that on their own or in combination with a number of similar transactions contribute to more than five percent of profit/(loss) after tax. Underlying adjustments are assessed on a consistent basis year-on-year and include both favourable and unfavourable items.*

   The exclusion of these items provides a result which, in the Directors' view, more closely reflects the ongoing operations of the Group.

2. *Details of adjustments from Statutory to Underlying financial information are set out on page 15.*

3. *EBITDAI represents earnings before interest, income tax, depreciation, amortisation and impairment.*

4. *EBIT represents earnings before interest and income tax.*

5. *EBITDAI and EBIT are unaudited. However, they are based on amounts extracted from the audited financial statements as reported in the consolidated statement of financial performance on page 32. These metrics provide a measure of Cardno's performance before the impact of non-cash expense items, such as depreciation, amortisation and impairment, as well as interest costs associated with Cardno's external debt facility and lease arrangements.*

SEGMENT OVERVIEW CONTINUED

	2020 $'000	Restated 2019 $'000
Underlying Profit From Continuing and Discontinued Operations After Income Tax (Attributable to Ordinary Equity Holders)	9,362	16,255
Underlying Adjustments to EBITDAI:		
Onerous contracts and other costs associated with office rationalisation and consolidation[1]	1,667	(517)
Costs associated with restructuring[2]	2,199	2,162
Acquisition related costs[3]	193	1,201
Legal costs	16	732
Foreign stamp duty[4]	394	-
Other	400	-
Release of provisions[5]	(2,817)	-
Total Underlying Adjustments to EBITDAI	**2,052**	**3,578**
Underlying Adjustments to Depreciation, Amortisation and Impairment:		
Impairment loss on goodwill[6]	69,621	46,285
Total Underlying Adjustments to Depreciation, Amortisation and Impairment	**69,621**	**46,285**
Underlying Adjustments to Finance Costs:		
Write off existing borrowing costs on debt refinance[7]	-	522
Total Underlying Adjustments to Finance Costs	**-**	**522**
Underlying Adjustments to Income Tax:		
Tax effect of underlying adjustments	(5,332)	(4,493)
Valuation allowance against foreign tax credits[8]	-	5,647
Total Underlying Adjustments to Income Tax	**(5,332)**	**1,154**
Underlying adjustments relating to divested entities[9]	(113,565)	9,206
Total Underlying Adjustments to Discontinued Operations	**(113,565)**	**9,206**
Statutory Profit / (Loss) After Income Tax (Attributable to Ordinary Equity Holders)	**56,586**	**(44,490)**

1. *Successful negotiations resulting in the release of prior year onerous lease provisions and other costs associated with the group wide office rationalisation and consolidation project in the current year.*
2. *Prior year termination and redundancy costs associated with the Asia Pacific restructure. Current period costs associated with the restructuring of Group support functions and further downsizing of the Asia Pacific segment.*
3. *Costs incurred in acquiring new businesses in the current and prior year, such as legal, due diligence and insurance costs.*
4. *Documentary stamp taxes paid on non-trade intercompany payables.*
5. *Release of US medical benefits self-insurance provision no longer required.*
6. *Impairment of goodwill relating to the APAC segment.*
7. *Break fees and write off of capitalised finance costs on previous debt facility a result of refinancing in December 2018.*
8. *Valuation allowance booked against foreign tax credits carried forward in the United States.*
9. *Includes costs incurred in relation to the Group demerger, net of the gain on demerge of $119.1 million and write back of the foreign currency translation reserve relating to discontinued operations.*

Directors' Report *(continued)*

OUTLOOK

Cardno staff make a difference every day for our clients and stakeholders around the world. Key areas of focus for the next twelve months are:

> Cardno will complete the transition from a company with global offices to a global company

> Environmental, Social and Governance (ESG) will become more prominent in establishing the Cardno brand in how we operate and the services we offer

> The Asia Pacific business is in year one of a two year rebuilding plan starting with a focus on project and business controls with activities focused on margin lift. This includes a simplification of the major service lines to transport, water, buildings and environment

> The Americas' businesses focus will be on maintaining momentum despite potential COVID-19 resurgence, growing the Infrastructure business, and looking to build a Water/Wastewater division. Growth in Infrastructure and Water/Wastewater may be achieved in part through conservatively funded acquisitions

> International Development is pivoting resources to the IndoPacific for USAID and DFAT. Focus on re-establishing brand eminence through enhanced client focus

> There remains significant opportunity for further simplification and lower cost to serve (e.g. moving to a single global ERP – post demerger Transitional Services Agreement expiry)

> Delivering carefully considered and conservatively funded on-strategy 'bolt-on' style acquisitions to supplement existing divisional businesses

DIRECTORS' MEETINGS

Attendance at Board meetings and Board Committee meetings for the year ended 30 June 2020 is set out below:

	Board of Directors		**Audit, Risk & Compliance Committee**		**Remuneration Committee (iv)**	
No. of Meetings Held	**A**	**B**	**A**	**B**	**A**	**B**
Michael Alscher	12	12	2	4	9	9
Ian Ball (i)	5	5	-	-	5	5
Susan Reisbord (ii)	7	7	-	-	4	4
Neville Buch (iii)	5	5	-	-	5	5
Steven Sherman	12	12	4	4	9	9
Jeffrey Forbes	12	12	4	4	9	9
Nathanial Thomson	12	12	-	-	9	9
Rebecca Ranich	12	12	-	-	9	9

A = number of meetings attended
B = number of meetings held during the time the Director held office during the year or was a committee member

(i) Ian Ball resigned from his role as Chief Executive Officer on 4 November 2019
(ii) Susan Reisbord commenced as CEO and Managing Director on 4 November 2019
(iii) Neville Buch resigned from the Board and sub committees on 31 October 2019
(iv) Remuneration Committee meetings are held as part of the Board of Directors meetings, therefore non-members such as the CEO and other Non-Executive Directors may attend by invitation.

INTERESTS

As at the date of this report, the interests of the Directors in the shares of Cardno Limited were:

	Ordinary Shares	**Performance Options**	**Performance Rights**
Michael Alscher	-	-	-
Steven Sherman	-	-	-
Jeffrey Forbes	148,619	-	-
Nathanial Thomson	-	-	-
Rebecca Ranich	-	-	-
Susan Reisbord	146,074	-	418,780

Remuneration Report (Audited)

This Remuneration Report (Report) outlines the remuneration arrangements for Key Management Personnel (KMP) of the Group in accordance with the requirements of the *Corporations Act 2001* and its Regulations. The information in this Report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

CONTENTS

The Report contains the following sections:

A. KEY MANAGEMENT PERSONNEL

Key Management Personnel (KMP) are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any Director (whether Executive or otherwise) of the Company.

From financial year ended 30 June 2016 onward, Cardno has for the purposes of this Report, considered the KMP to be the Chief Executive Officer (CEO), or Executive Chairman and Chief Financial Officer (CFO). Since FY16 all forms of strategic and management decision making have been centralised with the CEO and CFO (on behalf of the Board). The Company's delegation of authority matrix was rewritten and strengthened thus allowing a delegation of operational (but not management) authority that enables the separate divisions to operate on a day-to-day basis. Members of management meet with the CEO weekly, and the CEO and CFO monthly to enable appropriate management oversight.

The KMP disclosed for the financial year ended 30 June 2020 are detailed in the following table.

Name	Title	Period KMP (if less than full-year)
NON-EXECUTIVE DIRECTORS		
Michael Alscher	Non-Executive Director and Chairman	
Steven Sherman	Non-Executive Director	
Jeffrey Forbes	Non-Executive Director	
Nathanial Thomson	Non-Executive Director	
Rebecca Ranich	Non-Executive Director	
FORMER NON-EXECUTIVE DIRECTORS		
Neville Buch	Non-Executive Director	Resigned 31 October 2019

Name	Title	Period KMP (if less than full-year)
EXECUTIVES		
Susan Reisbord	Chief Executive Officer and Managing Director	Appointed 4 November 2019
Peter Barker	Chief Financial Officer	
FORMER EXECUTIVES		
Ian Ball	Chief Executive Officer and Managing Director	Ceased 4 November 2019

B. ROLE OF THE REMUNERATION COMMITTEE

The remuneration of Directors, the CEO, other KMP, managers and staff is reviewed by the Remuneration Committee.

Board decisions on the remuneration of the CEO and KMP are made in the absence of the CEO and executives.

When required, the Committee obtains independent advice from remuneration consultants on the appropriateness of remuneration-based trends in comparative countries, both locally and internationally.

In the year ended 30 June 2020 the Committee commissioned the Godfrey Remuneration Group (GRG) to advise on remuneration trends generally and on the future structure of the Long-Term Incentive (LTI) plan specifically. GRG are an independent agency - their services were directly sourced and they were directly appointed by the Remuneration Committee. GRG's recommendations were made directly to the Remuneration Committee and the Board is satisfied that the recommendation was free from undue influence by those key management personnel to whom the recommendation related. Committee discussions regarding GRG's appointment and assessment of their recommendations were not held in the presence of the Chief Executive Officer in order to maintain independence. GRG's recommendations were considered by the Remuneration Committee, and have been incorporated into the FY2020 LTI plan, which is proposed for shareholder consideration at the company's October 2020 Annual General Meeting. GRG also assisted Cardno with preparation of the documentation for the LTI plan including plan rules, invitations, explanatory booklet, and preparation of notices for plan approval by shareholders and grant to a director. GRG charged Cardno $25,300 (incl. GST) for all services provided as articulated above.

The Committee met nine times during the year and committee members' attendance record is disclosed in the table of Directors' meetings.

C. NON-EXECUTIVE DIRECTORS' REMUNERATION

Non-Executive Directors are paid a fee for being a Director of the Board and an additional fee if they chair certain Board Committees. Non-Executive Director fees are not linked to the performance of the Group and Non-Executive Directors do not participate in any of the Company's incentive plans.

Non-Executive Director fees are reviewed annually, and are determined within an aggregate Directors' fee pool limit, which is periodically recommended for approval by shareholders. The Board seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain Directors of appropriate calibre, whilst incurring a cost that is acceptable to shareholders.

The current aggregate fee limit of $1,150,000 was approved by shareholders at the Company's 2014 Annual General Meeting. There is no intention to increase Non-Executive Directors' fees for the 2021 financial year.

The fee structure (which is inclusive of superannuation contributions (where compulsory) for Non-Executive Directors) is detailed in the following table.

	Board $	Audit, Risk & Compliance Committee $	Remuneration Committee $
Australian based Board members (AUD)			
Chairman	200,000	27,273	-
Non-Executive Director	100,000	13,500	-
US based Board members (USD)			
Non-Executive Director	100,000	11,000	-

The remuneration received by Non-Executive Directors for the years ended 30 June 2020 and 30 June 2019 is set out in the following table.

		Salary and Fees $	Superannuation Benefits $	Total $
NON-EXECUTIVE				
Michael Alscher[1]	**2020**	**200,000**	**-**	**200,000**
	2019	348,603	-	348,603
Neville Buch[2]	**2020**	**33,699**	**-**	**33,699**
	2019	100,000	-	100,000
Steven Sherman	**2020**	**103,652**	**9,847**	**113,499**
	2019	103,652	9,847	113,499
Jeffrey Forbes	**2020**	**116,231**	**11,042**	**127,273**
	2019	116,231	11,042	127,273
Rebecca Ranich[3]	**2020**	**149,104**	**-**	**149,104**
	2019	139,833	-	139,833
Nathanial Thomson	**2020**	**100,000**	**-**	**100,000**
	2019	100,000	-	100,000
Robert Prieto[4]	**2020**	**-**	**-**	**-**
	2019	50,982	-	50,982
Gary Jandegian[5]	**2020**	**-**	**-**	**-**
	2019	45,571	-	45,571
Total 2020		**702,686**	**20,889**	**723,575**
Total 2019		1,004,872	20,889	1,025,761

[1] Michael Alscher's fees are paid to Crescent Capital Partners. Mr Alscher was an Executive Director until 9 August 2018, at which point he resumed his non-executive status.

[2] Neville Buch resigned from the board on 31 October 2019.

[3]Rebecca Ranich is paid in USD. The year on year delta in Ms Ranich's reported remuneration reflects only the movement in the AUD/USD exchange rate.

[4]Robert Prieto resigned from the board on 24 October 2018.

[5]Gary Jandegian resigned from the board on 24 October 2018.

D. EXECUTIVE REMUNERATION STRATEGY AND STRUCTURE

The Board, has developed and adopted a remuneration structure driven by criteria which comprises a mix of fixed and variable remuneration components as outlined below.

Total Fixed Remuneration (TFR)	Consists of base salary plus statutory superannuation contributions and other benefits. KMP and senior managers receive a fixed remuneration package which is reviewed annually by the Remuneration Committee and the Board taking into consideration the responsibilities of the role, the qualifications and experience of the incumbent and benchmark market data including those companies with which the Group competes for talent. In reviewing TFR the Committee and the Board takes into consideration business and individual performance as well as the factors outlined above. There are no guaranteed base pay increases included in any KMP contract.
Short-Term Incentive (STI)	Target STI opportunities are expressed as a percentage of TFR. For the year ended 30 June 2020, STI payments were determined by achievement of financial and non-financial performance targets. The Committee and the Board are responsible for reviewing the achievement of targets. For Executive KMP's, STI is assessed 100% against achievement of budgeted EBITDA for the year. Payment of STI is based on the achievement of the following gates: < 90% budget underlying EBITDA achieved — 0% STI paid 90% budget underlying EBITDA achieved — 50% STI paid 100% budget underlying EBITDA achieved — 75% STI paid > 110% budget underlying EBITDA achieved — 100% STI paid STI's are paid in cash following the release of the audited financial results to the ASX. Underlying EBITDA is measured on a pre AASB16 *Leases* (AASB 16) basis.
Long-Term Incentive (LTI)	Target LTI opportunities are expressed as a percentage of TFR. Performance Rights issued under the previous LTI plan are tested against the relevant performance hurdles at the end of the performance period. For FY20 and beyond, the focus of the LTI scheme will aim to ensure an incentive program that fundamentally underpins sustained improved performance of the business and creation of shareholder value. The scheme will provide for the issue of Performance Rights for nil consideration to KMP and senior management who contribute to the achievement of performance hurdles over a three-year period related to targeted (pre AASB 16) EBITDA per share growth (EBITDAPSG) and total shareholder returns (TSR). Refer section G for the terms and conditions of the Performance Rights and Options. Subject to meeting the relevant performance hurdles, upon vesting, the Performance Rights will be converted into ordinary shares in the Company.

E. EXECUTIVE KEY MANAGEMENT PERSONNEL - CONTRACT TERMS

KMP are employed on the basis of Executive Service Agreements (Agreements). These Agreements contain a range of terms and conditions including remuneration and other benefits, notice periods and termination benefits. The key contract terms are as follows:

> **Contract term**: no fixed term.

> **Notice Period**: (resignation or termination without cause) 6 months.

The Company may terminate Agreements immediately for cause, in which case the Executive is not entitled to any payment in lieu of notice or contractual compensation. Termination of employment with cause would result in no STI awards and all unvested LTI to lapse or vest based on the LTI plan rules at the Board discretion. In the event of termination without cause, the Group is required to pay Executive KMP their notice period of 6 months of salary.

The Agreements also provide for an Executive's participation in the STI and LTI plans subject to Board approval of their eligibility and in accordance with the terms and conditions of the respective plans.

Susan Reisbord joined the company in 2015 and was promoted to CEO and Managing Director on 4 November 2019. Ms Reisbord is paid, effective the date of her appointment as CEO and Managing Director, Total Fixed Remuneration (TFR) of USD $500,000 per annum. She is eligible to receive an STI up to a maximum of 40% of TFR, subject to certain Cardno Group and Americas Region EBITDA budget thresholds being met. For FY20 Ms Reisbord was awarded her STI on the basis of 110% of both EBITDA targets being met, resulting in 100% payout of the STI, and the STI to be paid was calculated on a pro-rata basis to reflect her period of continuous service during the financial year across both her Americas CEO and company CEO and Managing Director roles. EBITDA is measured on a pre AASB 16 basis.

For each financial year, Ms Reisbord will be awarded a long-term incentive in the form of Performance Rights equivalent to 60% of her base salary. The number of Performance Rights to be granted will be calculated based on the LTI opportunity, converted using a fair value methodology, in accordance with Cardno's internal policy and vesting criteria as per the senior management LTI plan. Ms Reisbord is also entitled annually to take up to 25% of her LTI benefit in options as opposed to Performance Rights. The calculation of those options and vesting conditions will be determined by the board. The 2020 LTI plan is in the process of being finalised and will be proposed for shareholder consideration at the company's October 2020 Annual General Meeting.

Ms Reisbord has a six month notice required by either party on termination as well as a six month restraint period.

Peter Barker commenced as CFO on 1 February 2016 and is paid TFR of AU $487,003 per annum. Mr Barker did not receive a pay review this financial year. He is eligible to receive an STI up to a maximum of 50% of TFR, subject to certain Cardno Group EBITDA budget thresholds being met. For FY20, Mr Barker was awarded his STI on the basis of 110% of the Group EBITDA target being met, resulting in 100% payout of the STI. EBITDA is measured on a pre AASB16 basis.

In 2017, 2018 and 2019, Mr Barker was awarded an LTI in the form of performance rights equivalent to 50% of TFR. The number of performance rights granted were calculated based on the LTI opportunity (50% of TFR), converted using a fair value methodology, in accordance with Cardno's internal policy. The 2020 LTI plan is in the process of being finalised and will be proposed for shareholder consideration at the company's October 2020 Annual General Meeting.

Mr Barker has a six month notice required by either party on termination as well as a six month restraint period.

F. EXECUTIVE KEY MANAGEMENT PERSONNEL - REMUNERATION TABLES

The remuneration received by Executive KMP for the years ended 30 June 2020 and 30 June 2019 is set out in the following table.

The share-based payments reflect the amounts required under the Australian Accounting Standards to be expensed by the Company in relation to any long term incentives and the deferral component of any short-term incentives. It represents the value of vested and unvested equity expensed during the period including reversals for forfeited equity incentives and the probability of the incentives vesting. These figures are accounting values and not the amounts actually received by Executive KMP. Whether or not Executive KMP realise any value from these share based payments will depend upon the satisfaction of the applicable performance conditions.

		SHORT-TERM BENEFITS			SHARE-BASED PAYMENTS	POST EMPLOYMENT		
		Salary and Fees[1] $	STI Cash $	Non-Monetary Benefits $	Performance Rights and Options $	Superannuation Benefits $	Termination Benefits $	Total $
EXECUTIVE KEY MANAGEMENT PERSONNEL								
Susan Reisbord[2]	**2020**	**555,415**	**195,817**	**27,662**	**103,598**	**28,831**	**-**	**911,323**
	2019	-	-	-	-	-	-	-
Ian Ball[3]	**2020**	**372,731**	**-**	**-**	**(586,805)**	**10,905**	**458,853**	**255,684**
	2019	830,309	320,548	-	586,805	18,015	-	1,755,677
Peter Barker	**2020**	**513,248**	**240,847**	**-**	**151,289**	**21,003**	**-**	**926,387**
	2019	480,536	193,527	-	146,840	20,531	-	841,434
Total 2020		**1,441,394**	**436,664**	**27,662**	**(331,918)**	**60,739**	**458,853**	**2,093,394**
Total 2019		1,310,845	514,075	-	733,645	38,546	-	2,597,111

[1] Salary and Fees includes base salary and value of leave entitlements accrued during the period. Mr Barker did not receive a pay review during the year.

[2] Susan Reisbord commenced as CEO and Managing Director on 4 November 2019. Susan is paid in US dollars and the remuneration disclosed above has been converted to Australian dollars at an average exchange rate of 67 cents. Ms Reisbord's remuneration is reflected from 4th November 2019, being the date of her promotion to CEO and Managing Director.

[3] Ian Ball commenced as CEO and Managing Director on 9 August 2018 and ceased on 4 November 2019.

Executive Key Management Personnel – 2020 Short Term Incentive

As stated in section E, Executive KMP are entitled to receive a short-term incentive, subject to certain Cardno Group and Americas Region EBITDA budget thresholds being met.

The relevant budget threshold is the company's internal EBITDA budget for the year – which is set by the Board as part of the annual budget review process. The FY20 EBITDA budget was set by the Board at its June 2019 meeting.

The company's actual performance versus budget is reviewed by the Board as part of the process of completion of the full year accounts and annual report.

In FY20 both the Cardno Group and the Americas Region actual EBITDA achieved were greater than 110% of the internal budgeted EBITDA for the year. As a result, both KMP's were awarded 100% of their STI.

EBITDA is determined on a pre AASB 16 basis.

Proportion of Performance Related Remuneration

		Percentage of Target STI Received	Percentage of Remuneration Performance Related[1]
EXECUTIVE KEY MANAGEMENT PERSONNEL			
Susan Reisbord	**2020**	**100%**	**32.9%**
	2019	-	-
Peter Barker	**2020**	**100%**	**42.3%**
	2019	80%	40.5%
Ian Ball	**2020**	**-**	**-**
	2019	100%	51.7%

1 Calculated based on STI cash, other cash bonuses and share based payments as a percentage of total remuneration.

Performance Rights and Options Granted and Movement During the Year

The aggregate number of Performance Rights and Options in the Company that were granted as compensation, exercised and lapsed to each Executive KMP for the year ended 30 June 2020 is set out in the following table.

	Balance at 1 July 2019	Rights / Options Exercised During the Year	Value of Rights / Options Exercised During the Year[1]	Lapsed / Cancelled During the Year	Value of Lapsed / Cancelled[2]	Balance at 30 June 2020	Maximum Total Yet to Vest
	No.	No.	$	No.	$	No.	No.
EXECUTIVE KEY MANAGEMENT PERSONNEL							
Susan Reisbord	710,928	(146,074)	(93,195)	(146,074)	(135,118)	418,780	418,780
Peter Barker	653,386	(140,671)	(89,748)	(140,671)	(130,121)	372,044	372,044
Ian Ball	5,600,000	-	-	(5,600,000)	(586,805)	-	-

1. Calculated per Performance Right as the market value of Cardno shares on the date of exercise.
2. Value is calculated at fair market value of the performance right on date of grant. Lapsed performance rights were granted in 2016.

Details of vesting profiles of Performance Rights and Options granted as remuneration to Key Management Personnel of Cardno and still outstanding at 30 June 2020, including those granted during the financial year are as follows in the table below:

	Year	Outstanding Performance Rights/Options	Grant Date	Vesting Date	% Vested in Year	% Forfeited/ lapsed in Year	Fair Value at Grant Date Tranche 1	Fair Value at Grant Date Tranche 2
EXECUTIVE KEY MANAGEMENT PERSONNEL								
Susan Reisbord[1]	2017	292,148	1-Nov-16	15-Oct-19	50.0%	50.0%	0.64	0.93
	2018	182,378	1-Nov-17	1-Nov-20	0.0%	0.0%	1.06	1.35
	2019	236,402	1-Nov-18	1-Nov-21	0.0%	0.0%	1.08	N/A
Peter Barker	2017	281,342	1-Nov-16	15-Oct-19	50.0%	50.0%	0.64	0.93
	2018	172,554	1-Nov-17	1-Nov-20	0.0%	0.0%	1.06	1.35
	2019	199,490	1-Nov-18	1-Nov-21	0.0%	0.0%	1.08	N/A
Ian Ball	2019	3,600,000	24-Oct-18	9-Aug-22	0.0%	100.0%	0.53	N/A
	2019	2,000,000	24-Oct-18	9-Aug-23	0.0%	100.0%	0.44	N/A

1 Ms Reisbord's performance rights were granted prior to her commencement as CEO and Managing Director on 4 November 2019.

The 2020 LTI plan is in the process of being finalised and will be proposed for shareholder consideration at the company's October 2020 Annual General Meeting.

The number of Performance Rights and Options included in the balance at 30 June 2020 for the Executive KMP is set out in the following table.

	Balance at 30 June 2020	Vested & Exercisable at the End of the Year
EXECUTIVE KEY MANAGEMENT PERSONNEL		
Susan Reisbord	418,780	-
Peter Barker	372,044	-

Subsequent to year end, no Performance Rights or Options have been issued to KMP. No terms of Performance Rights transactions have been altered by the Company during the reporting period, other than those associated with the demerger as outlined in section G below. The Board has not exercised its discretion to allow the early vesting of any Performance Rights under any of the incentive plans.

Securities Trading Policy

The Company prohibits KMP from entering into any hedging arrangements or acquiring financial products (such as equity swaps, caps and collars or other hedging products) over unvested Performance Rights which have the effect of reducing or limiting exposure to risks associated with the market value of the Company's securities.

No Directors or Senior Executives may directly or indirectly enter into any margin loan facility against the Company's securities unless the prior written consent of the Chairman of the Board is obtained.

G. LTI SHARE PLANS

Existing LTI plans are delivered through the Performance Equity Plan (PEP). Under this plan any LTI award is paid in Performance Rights.

Performance Period:

The performance period for Performance Rights issued under the PEP is three years and the rights vest subject to the achievement of Performance Hurdles detailed below. The issue of Performance Rights is discretionary and applied to eligible staff considered to have been high performers in their respective roles.

All Performance Rights expire on the earlier of their expiry date or termination of employment. There are no voting or dividend rights attached to the Performance Rights.

2020 LTI Plan Performance Hurdles:

In the year ended 30 June 2020 the Committee commissioned the Godfrey Remuneration Group (GRG) to advise on remuneration trends generally and on the future structure of the Long Term Incentive (LTI) plan specifically. GRG's recommendations have been incorporated into the FY2020 LTI plan, which is proposed for shareholder consideration at the company's October 2020 Annual General Meeting.

Performance Rights are issued in two tranches (subject to the employee continuing to be employed by the Cardno Group):

Tranche 1: Indexed Total Shareholder Return (iTSR)
Vesting criteria:
- 100% vest at Target with no ability to earn above target.
- 25% vest at Threshold, vesting proportionally from Threshold to Target.

The TSR benchmark measure is the ASX Small Industrials Total Return Index, with vesting criteria subject to Cardno's performance against this index.

Performance Level	Annualised Cardno TSR vs Annualised ASX Small Industrials TR Index Return for Measurement Period	% of Tranche Vesting
Target	**≥Index Return + 5% TSR p.a.**	**100%**
Threshold - Minimum Acceptable Outcome	= Index Return	25%
Below Threshold	< Index Return	0%

Pro-rata outcomes apply between the specified levels.

Tranche 2: EBITDA Per Share Growth (EBITDAPSG)
Vesting criteria:
- 100% vest at Target with no ability to earn above target.
- 25% vest at Threshold, vesting proportionally from Threshold to Target.

Performance Level	EBITDAPSG	% of Tranche Vesting
Stretch/Target - Incentive/Upside	≥10% p.a.	100%
Threshold - Minimum Acceptable Outcome	= 6% p.a.	25%
Below Threshold	<6% p.a.	0%

Pro-rata outcomes apply between the specified levels.

2019 LTI Plan Performance Hurdles:

Performance Rights issued are subject to a Group EBITDA performance hurdle in order for the Performance Rights to vest on the third anniversary of the grant date, in addition to the employee continuing to be employed by the Cardno Group.

In order to ensure employees are not disadvantaged by the Demerger of Intega Group Limited and the overall value of the Performance Rights granted to the employees is preserved, the vesting terms for the 2019 Performance Rights were amended under rule 13.2 of the Previous Cardno Plan as follows:

- One Performance Right will entitle the employee to a number of fully paid Cardno Shares calculated in accordance with the following formula (rounded down to the nearest whole number) to ensure the employee receives the same economic value as they would have received had the Demerger not taken place:

$$\frac{(SP(Cardno) \times NS(Cardno)) + (SP(Intega) \times NS(Intega))}{\text{Number of Cardno shares}} \times \frac{1}{SP(Cardno)}$$

Where:

NS(Cardno) means the total number of Cardno Shares on issue on the Reference Date.

NS(Intega) means the total number of Intega Shares on issue on the Reference Date.

Number of Cardno Shares means the total number of Cardno Shares on issue on the date immediately prior to completion of the Demerger.

Reference Date means the date immediately prior to the vesting date.

SP(Cardno) means the VWAP of a Cardno Share over a 20-day trading period on the ASX ending on and including the Reference Date.

SP(Intega) means the VWAP of Intega Shares over a 20-day trading period on the ASX ending on and including the Reference Date.

VWAP for this purpose means the volume weighted average price on the ASX over the relevant reference trading period.

The EBITDA hurdle remains that 50 per cent of the Performance Rights will vest if the Combined EBITDA for the full 2021 financial year exceeds $73.5 million, with the remaining 50 per cent vesting in straight line growth against a Combined EBITDA of $77.5 million. Combined EBITDA for this purpose is calculated by reference to the following formula:

Combined EBITDA = Cardno EBITDA + Intega EBITDA

EBITDA means, in relation to an entity, the audited consolidated profit from ordinary activities of that entity before borrowing costs and income tax, plus depreciation, plus amortisation of identifiable, intangible assets for the relevant corporate group, as determined on a consistent basis with the entity's statutory accounts, adjusted for the impact of any acquisition, divestment or changes to the planned capital expenditure determined by the board of that entity in its absolute discretion at the time of the acquisition, divestment or change to planned capital expenditure. EBITDA is determined on a pre AASB 16 basis.

Cardno EBITDA means the EBITDA for Cardno for the financial year to 30 June 2021.

Intega EBITDA means the EBITDA for Intega for the financial year to 30 June 2021.

As a result of the modifications made to the Plan as outlined above, an updated valuation was completed on the modification date to determine the fair value of the share based payment arrangement. The valuation indicated that there was no material change and therefore no changes required in how to account for these arrangements.

2018 LTI Plan Performance Hurdles:

Performance Rights issued were allocated in two equal tranches: 50% is subject to the achievement of a Share Price performance hurdle and 50% is subject to a Group EBITDA performance hurdle. These conditions are tested independently.

The Performance Rights are subject to performance hurdles of Share Price (Tranche 1: 50%), the volume weighted average price of Shares at the close of trading over a 20 day trading period immediately prior to the Company's 2020 AGM, must be at least $1.10 per share, and Group underlying EBITDA (Tranche 2: 50%) for the full 2020 financial year must exceed $60 million (adjusted for acquisitions).

In order to ensure employees are not disadvantaged by the Demerger and the overall value of the Performance Rights granted to the employees is preserved, the vesting terms for the 2018 Performance Rights were amended under rule 13.2 of the Previous Cardno Plan as follows:

- One Performance Right will entitle the employee to a number of fully paid Cardno Shares calculated in accordance with the following formula (rounded down to the nearest whole number) to ensure the employee receives the same economic value as they would have received had the Demerger not taken place:

$$\frac{\text{Combined share price}}{\text{SP(Cardno)}}$$

Where:

Combined Share Price has the meaning set out below, except that the 'Reference Date' means the date immediately prior to the vesting date.

Reference Date, for the purposes of this formula, means the date immediately prior to the vesting date.

SP(Cardno) means the VWAP of Cardno Share over a 20-day trading period on the ASX ending on and including the Reference Date.

VWAP has the meaning given below.

- The share price hurdle remains $1.10 but share price for this purpose is calculated by reference to the following formula:

$$\frac{(SP(Cardno) \times NS(Cardno)) + (SP(Intega) \times NS(Intega))}{\text{Number of Cardno shares}}$$

Where:

NS(Cardno) means the total number of Cardno Shares on issue on the Reference Date.

NS(Intega) means the total number of Intega Shares on issue on the Reference Date.

Number of Cardno Shares means the total number of Cardno Shares on issue on the date immediately prior to completion of the Demerger.

Reference Date means the date immediately prior to the vesting date.

SP(Cardno) means the VWAP of a Cardno Share over a 20-day trading period on the ASX ending on and including the Reference Date.

SP(Intega) means the VWAP of Intega Shares over a 20-day trading period on the ASX ending on and including the Reference Date.

VWAP for this purpose means the volume weighted average price on the ASX over the relevant reference trading period.

The EBITDA hurdle remains in excess of $60 million, but EBITDA for this purpose is 'Combined EBITDA' calculated by reference to the following formula:

Combined EBITDA = Cardno EBITDA + Intega EBITDA

Where:

EBITDA means, in relation to an entity, the audited consolidated profit from ordinary activities of that entity before borrowing costs and income tax, plus depreciation, plus amortisation of identifiable, intangible assets for the relevant corporate group, as determined on a consistent basis with the entity's statutory accounts, adjusted for the impact of any acquisition, divestment or changes to the planned capital expenditure determined by the board of that entity in its absolute discretion at the time of the acquisition, divestment or change to planned capital expenditure. EBITDA is determined on a pre AASB 16 basis.

Cardno EBITDA means the EBITDA for Cardno for the financial year to 30 June 2020.

Intega EBITDA means the EBITDA for Intega for the financial year to 30 June 2020.

As a result of the modifications made to the Plan as outlined above, an updated valuation was completed on the modification date to determine the fair value of the share based payment arrangement. The valuation indicated that there was no material change and therefore no changes required in how to account for these arrangements.

2017 LTI Plan

The performance rights granted under the 2017 LTI Plan were due to vest on 1 November 2019. The 2017 Plan was modified at the Board's discretion to accelerate the vesting date by 16 days to ensure vesting occurred prior to the demerger. This change did not impact on the remuneration outcomes or expense recognised in relation to the share-based payment plan.

The majority of the Performance Rights, in accordance with the terms of their grant, were allocated in two equal tranches: 50% subject to the achievement of a Share Price hurdle and 50% subject to a Group EBITDA performance hurdle. The remainder of the Performance Rights were subject to an EBITDA hurdle only.

The Share Price hurdle was tested on 9 October 2019 and it was determined that this hurdle was satisfied under the 2017 LTI Plan. The Group EBITDA performance hurdle was not satisfied and this portion of the Performance Rights lapsed on 15 October 2019.

Number of Performance Rights:

There are currently 2,047,863 Performance Rights on issue at 30 June 2020. As a share-based payment, these Performance Rights were valued for accounting and reporting purposes using the Monte Carlo simulation and Black Scholes method.

Assumption at fair value[1]	2019[2]	2018	2017
Share Price	$1.08	$1.35	$0.93
Risk Free Rate	-	1.99%	1.725%
Dividend Yield	0%	0%	0%
Volatility	-	63%	60%

1. The 2020 LTI plan is in the process of being finalised and will be proposed for shareholder consideration at the company's October 2020 Annual General Meeting.

2. Due to the 2019 LTI Plan being only subject to an EBITDA non-market based performance hurdle, the valuation is based on the grant date share price.

There were 5,600,000 CEO Performance Options on issue at 30 June 2019, which were forfeited in November 2019 on the resignation of Mr Ian Ball from his role as CEO and Managing Director. As the Performance Options have no market based performance hurdle, they were valued for accounting and reporting purposes using the Binomial method.

Assumption at fair value	2019
Share Price	$1.075
Risk Free Rate Tranche 1	2.49%
Risk Free Rate Tranche 2	2.57%
Dividend Yield	0%
Volatility	45%
Post-vesting withdrawal rate	0%

H. THE GROUP'S PERFORMANCE

The Group's performance in respect of the current financial year and the previous four financial years is summarised in the following table.

	2020[1]	2019	2018	2017	2016
Gross Revenue (000's)	$978,268	$1,319,272	$1,116,975	$1,182,030	$1,164,613
Underlying EBITDAI (000's)[2]	$43,033	$62,006	$56,210	$44,005	$42,036
Net Profit / (Loss) After Tax (000's)	$56,586	($44,490)	($14,018)	$8,579	($194,919)
Dividends Paid or Provided (000's)	-	-	-	-	$11,548
Change in Share Price – year on year ($ per share)	($0.35)	($0.38)	$0.11	$0.64	($1.18)

1 The current year's financial result is presented for the company's continuing operations and is not comparable with prior years which include the results of its discontinued operations. FY20 is also the first set of the Group's annual financial statements in which AASB 16 Leases has been applied. Under the transition method chosen, comparative information has not been restated, therefore the 30 June 2020 financials are not comparable to prior years.

2 Underlying EBITDAI is presented on a pre AASB 16 basis for 2020.

I. OTHER RELATED PARTY TRANSACTIONS

Share Holdings

The movement for the year ended 30 June 2020 in the number of ordinary shares in the Company held, directly or indirectly or beneficially, by each KMP, including their related parties, is detailed in the following table.

Name	Balance at the Start of the Year	Received During the Year on the Exercise of Rights	Other Changes During the Year	Balance at the End of the Year
NON-EXECUTIVE DIRECTOR				
Michael Alscher	-	-	-	-
Steven Sherman	-	-	-	-
Jeffrey Forbes	148,619	-	-	148,619
Nathanial Thomson	-	-	-	-
Rebecca Ranich	-	-	-	-
EXECUTIVE KEY MANAGEMENT PERSONNEL				
Susan Reisbordl[1]	-	146,074	-	146,074
Peter Barker	44,500	140,671	-	185,171
Ian Ball[2]	-	-	-	N/A

1. Susan Reisbord was appointed CEO and Managing Director on 4 November 2019.
2. Ian Ball commenced as CEO and Managing Director on 9 August 2018 and ceased on 4 November 2019.

Loans to Key Management Personnel

There were no loans to KMP made during the period and no outstanding balances at reporting date.

Other key management personnel transactions with the Company or its controlled entities

A number of key management persons, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

None of these entities transacted with the Company or its subsidiaries in the reporting period.

Directors' Report *(continued)*

NON-AUDIT SERVICES

The Company's auditor may perform 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 in accordance with advice provided by resolution of the Audit, Risk and Compliance Committee, 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 Board and have been reviewed by the Audit, Risk and Compliance Committee to ensure they do not impact 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 Cardno, acting as an advocate for Cardno or jointly sharing risks and rewards.

Details of the amounts paid to the auditor and its related practices for audit and non-audit services provided during the year are set out in Note 33.

LEAD AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2011

The lead auditor's independence declaration is set out on page 31 and forms part of the Directors' report for the year ended 30 June 2020.

ROUNDING OF AMOUNTS

The Company is of a kind referred to in ASIC Corporations Instrument 2016/191 issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the Directors' Report. Amounts in the Directors' Report have been rounded off in accordance with that legislative instrument to the nearest thousand dollars or, in certain cases, to the nearest dollar.

This Report is made in accordance with a resolution of the Directors.

MICHAEL ALSCHER
Chairman

26 August 2020

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

To the Directors of Cardno Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Cardno Limited for the financial year ended 30 June 2020 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

Simon Crane
Partner

Brisbane
26 August 2020

Consolidated Statement of Financial Performance

Cardno Limited and its Controlled Entities for the year ended 30 June 2020

	Note	2020 $'000	2019* $'000 Restated
Continuing operations			
Revenue	4A	978,268	936,875
Other income	4B	14,648	1,120
Financing income	5	349	753
Employee expenses		(421,673)	(410,472)
Consumables and materials used		(278,058)	(298,394)
Sub-consultant and contractor costs		(204,927)	(190,779)
Depreciation and amortisation expenses[1]		(38,971)	(11,632)
Financing costs[1]	5	(12,140)	(7,943)
Impairment loss on goodwill	13	(69,621)	(46,285)
Impairment loss on trade receivables and contract assets	6, 21	(4,949)	(2,201)
Other expenses		(12,490)	(1,026)
Profit/(loss) before income tax from continuing operations		(49,564)	(29,984)
Income tax expense	7	(17,514)	(10,660)
Profit/(loss) from continuing operations, net of tax		**(67,078)**	**(40,644)**
Profit/(loss) after tax for the year from discontinued operations	3	**123,664**	**(3,846)**
Profit/(loss) attributable to:			
Owners of the Company		56,586	(44,490)
		56,586	**(44,490)**
Earnings per share attributable to ordinary equity holders of the parent from continuing operations			
Basic earnings/(loss) per share (cents per share)	28	(15.07)	(8.93)
Diluted earnings/(loss) per share (cents per share)	28	(15.07)	(8.93)
Earnings per share attributable to ordinary equity holders			
Basic earnings/(loss) per share (cents per share)	28	12.71	(9.78)
Diluted earnings/(loss) per share (cents per share)	28	12.71	(9.78)

** Comparative information has been re-presented due to discontinued operations. See Note 3.*
The Group has initially applied AASB 16 at 1 July 2019 using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying AASB 16 is recognised in retained earnings at the date of initial application.

[1] The Group has presented interest expense on the lease liability separately from the depreciation charge for the right-of-use asset. Interest expense on the lease liability is a component of finance costs which is presented separately in the statement of financial performance.

The statement of financial performance and the statement of other comprehensive income should be read in conjunction with the notes to the financial statements.

Consolidated Statement of Other Comprehensive Income

Cardno Limited and its Controlled Entities for the year ended 30 June 2020

	Note	2020 $'000	2019* $'000 Restated
Profit/(loss) for the year		**56,586**	**(44,490)**
Items that may be subsequently reclassified to profit or loss:			
Exchange differences on translation of foreign operations		(1,443)	16,757
Reclassification of foreign currency reserves – discontinued operations and other liquidated operations		(607)	-
Other comprehensive income for the year, net of tax		(2,050)	16,757
Total comprehensive profit/(loss) for the year		**54,536**	**(27,733)**
Total comprehensive profit/(loss) for the year, net of tax, attributable to members of the parent arising from:			
Continuing operations		(68,521)	(19,292)
Discontinued operations		123,057	(8,441)
		54,536	**(27,733)**

**The Group has initially applied AASB 16 at 1 July 2019 using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying AASB 16 is recognised in retained earnings at the date of initial application. Comparative information has been re-presented due to discontinued operations. See Note 3 and Note 16.*

Consolidated Statement of Financial Position

Cardno Limited and its Controlled Entities as at 30 June 2020

	Note	2020 $'000	2019* $'000
CURRENT ASSETS			
Cash and cash equivalents	9	57,723	55,544
Trade and other receivables	10	117,132	194,084
Contract Assets	4A, 11	94,827	122,905
Work in progress		1,081	1,068
Other current assets	25	8,793	14,942
Current tax receivable		1,573	-
TOTAL CURRENT ASSETS		**281,129**	**388,543**
NON-CURRENT ASSETS			
Other financial assets	26	1,703	1,245
Property, plant and equipment[1]	12	122,545	52,185
Deferred tax assets	8	74,206	97,310
Intangible assets	13	182,483	359,054
TOTAL NON-CURRENT ASSETS		**380,937**	**509,794**
TOTAL ASSETS		**662,066**	**898,337**
CURRENT LIABILITIES			
Trade and other payables	14	122,645	158,768
Lease liabilities	15	25,371	2,754
Current tax liabilities		-	5,594
Employee benefits		28,539	40,079
Provisions	17	3,932	4,285
Contract liabilities	4A, 18	39,709	36,613
Other current liabilities	18	1,554	2,718
TOTAL CURRENT LIABILITIES		**221,750**	**250,811**
NON-CURRENT LIABILITIES			
Trade and other payables	14	-	14,422
Loans and borrowings	15	58,326	137,677
Lease liabilities	15	90,534	8,750
Deferred tax liabilities	8	-	1,006
Employee benefits		3,326	4,896
Other non-current liabilities	18	1,257	2,077
TOTAL NON-CURRENT LIABILITIES		**153,443**	**168,828**
TOTAL LIABILITIES		**375,193**	**419,639**
NET ASSETS		**286,873**	**478,698**
EQUITY			
Issued capital	19	390,682	782,214
Reserves		241,131	91,861
Retained losses		(344,940)	(395,377)
TOTAL EQUITY		**286,873**	**478,698**

The statement of financial position should be read in conjunction with the notes to the financial statements.

Consolidated Statement of Financial Position

Cardno Limited and its Controlled Entities as at 30 June 2020

**The Group has initially applied AASB 16 at 1 July 2019 using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying AASB 16 is recognised in retained earnings at the date of initial application. See Note 16.*

[1]Following the adoption of AASB 16, the Group has presented right-of-use assets within property, plant and equipment - i.e. the same line item in which it presents underlying assets of the same nature that it owns. See Note 12.

Consolidated Statement of Changes in Equity

Cardno Limited and its Controlled Entities for the year ended 30 June 2020

	Note	Share Capital Ordinary $'000	Retained Earnings / (losses) $'000	Foreign Translation Reserve $'000	Reserve for Own Shares** $'000	Demerger Reserve $'000	Total $'000
BALANCE AT 1 JULY 2018		**804,145**	**(346,041)**	**89,715**	**(14,611)**	**-**	**533,208**
Adjustment on initial application of AASB 9 (net of income tax)		-	(4,846)	-	-	-	(4,846)
Adjusted Balance 1 July 2018		**804,145**	**(350,887)**	**89,715**	**(14,611)**	**-**	**528,362**
Profit/(Loss) for the year		-	(44,490)	-	-	-	(44,490)
Exchange differences on translation of foreign operations		-	-	16,757	-	-	16,757
Total comprehensive income for the period		**-**	**(44,490)**	**16,757**	**-**	**-**	**(27,733)**
Transactions with owners in their capacity as owners:							
Employee share based payments	19	(461)	-	-	-	-	(461)
Share buy-back (net of income tax)	19	(21,470)	-	-	-	-	(21,470)
		(21,931)	**-**	**-**	**-**	**-**	**(21,931)**
BALANCE AT 30 JUNE 2019		**782,214**	**(395,377)**	**106,472**	**(14,611)**	**-**	**478,698**
BALANCE AT 1 JULY 2019*		**782,214**	**(395,377)**	**106,472**	**(14,611)**	**-**	**478,698**
Adjustment on initial application of AASB 16 (net of income tax)	34(b)	-	(6,149)	-	-	-	(6,149)
Adjusted Balance 1 July 2019		**782,214**	**(401,526)**	**106,472**	**(14,611)**	**-**	**472,549**
Profit/(Loss) for the year		-	56,586	-	-	-	56,586
Exchange differences on translation of foreign operations		-	-	(1,443)	-	-	(1,443)
Reclassification of foreign currency reserves on discontinued and liquidated operations		-	-	(607)	-	-	(607)
Total comprehensive income for the period		**-**	**56,586**	**(2,050)**	**-**	**-**	**54,536**
Transactions with owners in their capacity as owners:							
Employee share based payments	19	(2)	-	-	-	-	(2)
Capital reduction	3,19	(391,530)	-	-	-	151,320	(240,210)
		(391,532)	**-**	**-**	**-**	**151,320**	**(240,212)**
BALANCE AT 30 JUNE 2020		**390,682**	**(344,940)**	**104,422**	**(14,611)**	**151,320**	**286,873**

**The Group has initially applied AASB 16 at 1 July 2019 using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying AASB 16 is recognised in retained earnings at the date of initial application. Comparative information has been re-presented due to a discontinued operation. See Note 3 and Note 16.*

***Shares held in trust by the Cardno Limited Performance Equity Plan Trust are for the purpose of subscribing for, acquiring and holding shares for the benefit of employees participating in the Performance Equity Plan (PEP) of Cardno Limited. Shares are transferred to PEP participants on exercise of Performance Rights and Performance Options.*

The statement of changes in equity should be read in conjunction with the notes to the financial statements.

Consolidated Statement of Cash Flows

Cardno Limited and its Controlled Entities for the year ended 30 June 2020

	Note	2020 $'000	2019* $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		1,212,789	1,371,434
Interest received		350	416
Finance costs paid[2]		(13,492)	(6,852)
Cash paid to suppliers and employees		(1,125,369)	(1,323,065)
Income tax paid		(801)	(1,164)
NET CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES	27	**73,477**	**40,769**
CASH FLOWS FROM INVESTING ACTIVITIES			
Disposal of discontinued operation, net of cash disposed of[1]	3	(20,588)	-
Acquisition of subsidiaries net of cash acquired		(1,232)	(76,950)
Payments of deferred acquisition consideration		(492)	-
Proceeds from disposal of business assets		729	-
Proceeds from sale of property, plant and equipment & rent incentives		132	7,760
Payments for property, plant and equipment		(9,353)	(17,346)
NET CASH PROVIDED BY/(USED IN) INVESTING ACTIVITIES		**(30,804)**	**(86,536)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of debt raising costs		(1,469)	(834)
Share Buy-Back	19	-	(21,470)
Proceeds from borrowings		241,550	224,777
Repayment of borrowings		(250,221)	(171,239)
Lease liabilities payments (2019: Finance lease payments)[2]		(30,990)	(3,401)
NET CASH USED IN FINANCING ACTIVITIES		**(41,130)**	**27,833**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS HELD		**1,543**	**(17,934)**
CASH AND CASH EQUIVALENTS AT 1 JULY		**55,544**	**71,127**
Effects of exchange rate changes on cash and cash equivalents at the end of year		636	2,351
CASH AND CASH EQUIVALENTS AT 30 JUNE	9	**57,723**	**55,544**

***The Group has initially applied AASB 16 at 1 July 2019 using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying AASB 16 is recognised in retained earnings at the date of initial application.*

[1] *The Group has elected to present a statement of cash flows that analyses all cash flows in total – i.e. including both continuing and discontinued operations; amounts related to discontinued operations by operating, investing and financing activities are disclosed in Note 3.*

[2] *The Group has classified:*

- *cash payments for the principal portion of lease payments as financing activities*
- *cash payments for the interest portion as operating activities consistent with the presentation of interest payments chosen by the Group*
- *short-term lease payments, payments for leases of low-value assets and variable lease payments not included in the measurement of the lease liability within operating activities.*

The statement of cash flows should be read in conjunction with the notes to the financial statements.

Notes to the Consolidated Financial Statements

Cardno Limited and its Controlled Entities for the year ended 30 June 2020

Set out below is an index of the notes to the financial statements, the details of which are available on the pages that follow:

GROUP STRUCTURE

1. SEGMENT INFORMATION

Cardno has three reportable segments managed separately by location and services provided. The segments are groupings of businesses which provide similar services and markets.

Internal management reports on the performance of these reportable segments are reviewed weekly and monthly by the Group's Chief Executive Officer (CEO). The following summary describes the operations in each of Cardno's reportable segments.

> **Asia Pacific Engineering and Environmental (Asia Pacific)** – provides services in civil, structural, water, environmental, coastal, bridge, geotechnical, subsurface utility, traffic and transport engineering as well as environmental science, surveying, landscape architecture, planning and asset management.

> **Americas Engineering and Environmental (Americas)** – delivers expertise to private and public sector clients across the environmental, water, transportation, energy and resources, land, buildings and management services sectors.

> **International Development (ID)** – the ID business designs and implements large-scale sustainable solutions for both development assistance agencies and private clients.

> **Other non-reporting segments** – includes Portfolio Companies including LATAM (engineering, consulting operations in Latin America) and Group Head Office. These segments don't meet the quantitative thresholds for reportable segments.

Segment results that are reported to the CEO include items directly attributed to the segment as well as those that can be allocated on a reasonable basis.

Reconciliations of reportable segment revenues and profit or loss

2020 $'000	Asia Pacific	Americas	ID	Other	Continuing operations Total	Discontinued operations[1]
SEGMENT REVENUE						
Fees from consulting services	204,967	278,423	185,094	8,623	677,107	124,622
Fees from recoverable expenses	40,456	93,040	165,324	-	298,820	40,795
Segment Revenue	245,423	371,463	350,418	8,623	975,927	165,417
Other revenue	983	1,036	290	32	2,341	65
Total Segment Revenue	**246,406**	**372,499**	**350,708**	**8,655**	**978,268**	**165,482**
Segment Result	**962**	**38,677**	**2,661**	**733**	**43,033**	**11,004**
Adjust for AASB 16 impact[2]	15,251	11,526	3,645	14	30,436	5,081
Adjusted Segment Result	**16,213**	**50,203**	**6,306**	**747**	**73,469**	**16,085**
Gain on demerger	-	-	-	-	-	119,102
Gain on sale of business assets	-	-	-	-	-	1,383
Demerger related costs	-	-	-	-	-	(5,112)
Provisions for onerous contracts	(1,151)	(516)	-	-	(1,667)	-
Impairment loss on goodwill	(69,621)	-	-	-	(69,621)	-
Acquisition related expenses	(193)	-	-	-	(193)	-
Legal costs	(16)	-	-	-	(16)	-
Foreign stamp duty prior years	-	-	-	(394)	(394)	-
Restructuring costs	(1,851)	(52)	(203)	(93)	(2,199)	-
Release of provisions	-	2,817	-	-	2,817	-
Other	-	-	-	(400)	(400)	-
Depreciation and amortisation expense[2]	(16,690)	(14,120)	(3,527)	(4,634)	(38,971)	(10,389)
Profit/(loss) before interest and income tax					**(37,175)**	**121,069**
Finance costs and interest income[2]					(11,791)	(992)
Foreign exchange gains/(losses)[3]					(598)	607

1. SEGMENT INFORMATION CONTINUED

2020 $'000	Asia Pacific	Americas	ID	Other	Continuing operations Total	Discontinued operations[1]
Profit/(loss) before income tax					**(49,564)**	**120,684**
Income tax (expense)/benefit					(17,514)	2,980
Profit/(loss) after income tax					**(67,078)**	**123,664**
Profit from continuing and discontinuing operations after income tax						**56,586**

[1] Discontinued operations relate to Intega Group Limited which was demerged on 31 October 2019 and the Structures business unit which was sold on 31 May 2020. See Note 3.

[2] The adoption of AASB16 had the following impact on the continuing operations segment results for the year ended 30 June 2020: a) reversal of operating rent expense of $30.4 million; b) an interest charge on the lease liability of $5.5 million and c) amortisation of the right of use asset of $26.8 million.

[3]Foreign exchange gains from discontinued operations includes the write off of the foreign currency translation reserve (FCTR) relating to discontinued and liquidated operations totalling $0.6 million.

2019 $'000 Restated	Asia Pacific	Americas	ID	Other	Continuing operations Total	Discontinued operations[1]
SEGMENT REVENUE						
Fees from consulting services	214,252	225,660	158,045	8,937	606,894	288,300
Fees from recoverable expenses	36,176	93,746	196,150	29	326,101	93,483
Segment Revenue	250,428	319,406	354,195	8,966	932,995	381,783
Other revenue	401	533	1,153	1,793	3,880	612
Total Segment Revenue	**250,829**	**319,939**	**355,348**	**10,759**	**936,875**	**382,395**
Segment Result	**11,204**	**23,543**	**4,297**	**(344)**	**38,700**	**23,308**
Redundancy costs	(2,162)	-	-	-	(2,162)	-
Impairment costs	(46,285)	-	-	-	(46,285)	-
Acquisition related expenses	(581)	(620)	-	-	(1,201)	(3,046)
Legal costs	(732)	-	-	-	(732)	-
Reversal of lease provision	-	517	-	-	517	-
De-merger project costs	-	-	-	-	-	(4,771)
Depreciation and amortisation expense	(3,177)	(4,690)	(245)	(3,520)	(11,632)	(15,396)
Profit/(loss) before interest and income tax					**(22,794)**	**95**
Finance costs and interest income					(7,190)	(525)
Profit/(loss) before income tax					**(29,984)**	**(430)**
Income tax expense					(10,660)	(3,416)
Loss after income tax					**(40,644)**	**(3,846)**
Loss from continuing and discontinuing operations after income tax						**(44,490)**

1. SEGMENT INFORMATION CONTINUED

**The Group has initially applied AASB 16 at 1 July 2019, which requires the recognition of right-of-use assets and lease liabilities for lease contracts that were previously classified as operating leases. The Group has applied AASB 16 using the modified retrospective approach, under which comparative information is not restated. (see Note 16).*

Moreover, as a result of the demerger of Intega Group Limited (see Note 3) and the disposal of the Structures business unit, the Group has changed its internal organisation and the composition of its reportable segments to present the results of its Intega divisions and the Structures business unit as discontinued operations. Accordingly, the Group has restated the comparative operating segment information for the year ended 30 June 2019.

[1] See Note 3 for further details.

GEOGRAPHICAL INFORMATION

	2020		2019 Restated*	
	Revenues $'000	Non-Current Assets $'000	Revenues $'000	Non-Current Assets $'000
Continuing operations				
Australia & New Zealand	389,033	188,986	401,716	270,095
Americas	440,204	182,066	391,637	232,830
United Kingdom	28,184	2,573	27,790	3,335
Canada	-	(32)	-	(248)
Africa	3,281	623	4,119	68
Latin America	9,095	1,015	10,444	1,436
Asia	86,600	2,731	79,615	2,150
Other Countries	21,871	2,975	21,554	128
Total	**978,268**	**380,937**	**936,875**	**509,794**

**Prior year comparative revenues have been restated to exclude revenue from discontinued operations.*

2. BUSINESS COMBINATIONS

Geochempet Services

On 29 October 2019, the Group acquired 100% of Geochempet Services for a purchase consideration of $1.2 million. Geochempet Services moved to Intega Group Limited on 31 October 2019 as part of the demerger, see Note 3 for further details.

Raba Kistner Inc.

On 21 December 2018, the Group acquired 100% of Raba Kistner Inc, a Texas based 470 person engineering services firm.

The provisional fair value of the identifiable assets and liabilities as at the date of acquisition were disclosed in the 30 June 2019 financial statements as $29.0 million. The fair value of identifiable assets and liabilities, as finalised in the half year ended 31 December 2019, was $29.9 million per the below reconciliation, resulting in an increase of $0.9 million.

The final fair value of the identifiable assets and liabilities as at the date of acquisition were:

	$'000
Cash	8,762
Trade and other receivables	13,621
Contract assets	4,604
Property, plant and equipment	2,825
Intangible assets	21,704
Current and deferred tax assets	607
Other current assets	282
	52,405
Trade and other payables	(9,091)
Employee benefits	(6,884)
Borrowings	(1,022)
Current and deferred tax liabilities	(5,537)
	(22,534)
Total identifiable net assets at fair value	**29,871**
Goodwill arising on acquisition	42,299
Purchase consideration transferred	**72,170**

Purchase consideration comprised $52.2 million paid in cash on acquisition and $11.2 million in deferred consideration. The deferred consideration was contingent on the acquisition achieving a certain level of EBITDA in FY19 and FY20. Analysis of cash flows on acquisition is below:

	$'000
Purchase consideration	72,170
Cash balance acquired	(8,762)
Deferred consideration	(11,249)
Net cash flow on acquisition	**52,159**

Raba Kistner, Inc. was transferred to Intega Group Limited on 31 October 2019 as part of the demerger, see Note 3 for further details.

3. DISCONTINUED OPERATIONS

Profit/(loss) after tax for the year from discontinued operations is comprised of the following:

For the year ended	30 June 2020 $'000	30 June 2019 $'000
Results of discontinued operations		
Demerger of Intega	121,627	(2,888)
Disposal of Structures	(952)	(958)
Reclassification of foreign currency reserves – discontinued operations and other liquidated operations	2,989	-
Profit/(loss) after tax from discontinued operations	**123,664**	**(3,846)**
Earnings per share – discontinued operations		
Basic earnings per share	**27.78**	(0.85)
Diluted earnings per share	**27.78**	(0.85)

Demerger of Intega Group Limited

On 21 August 2019, the Company announced the proposed demerger of its Quality, Testing and Measurement businesses into a separate ASX listed entity, to be named Intega Group Limited. The demerger was completed on 31 October 2019.

The fair value of Intega Group Limited at the date of settlement, being $240.2 million, was calculated using the volume weighted average price (VWAP) of Intega's shares as traded on the ASX over the first five trading days after the demerger date ($0.5401) multiplied by the number of Intega's shares on initial listing (444,749,495).

The demerger distribution is accounted for as a reduction in equity, split between share capital of $391.5 million and demerger reserve of $151.3 million. The amount treated as a reduction in share capital has been calculated with reference to the relative market value of Intega shares and the market value of Cardno's shares post demerger.

The businesses demerged during the period were not previously presented as discontinued operations or classified as held-for-sale and therefore the comparative consolidated statement of financial performance, the consolidated statement of other comprehensive income and certain applicable notes have been restated to show the discontinued operations separately from continuing operations.

For the year ended	30 June 2020* $'000	30 June 2019 $'000
Results of discontinued operations		
Revenue	**151,880**	**363,227**
Expenses	(151,496)	(362,409)
Results from operating activities	**384**	**818**
Income tax benefit/(expense)	2,140	(3,707)
Results from operating activities, net of tax	**2,524**	**(2,889)**
Gain on sale of discontinued operations	119,103	-
Income tax on gain on sale of discontinued operation	-	-
Profit/(loss) from discontinued operations, net of tax:	**121,627**	**(2,889)**

*****Represents results from operating activities for the four months to 31 October 2019 less demerger related costs incurred.*

3. DISCONTINUED OPERATIONS CONTINUED

For the year ended	30 June 2020* $'000	30 June 2019 $'000
Fair value of Intega Group at demerger	240,210	-
Carrying amount of net assets	(121,107)	-
Net gain on demerger before income tax	**119,103**	**-**
Income tax expense	-	-
Gain on demerger after income tax	**119,103**	**-**

Cashflows from discontinued operations - Intega	**30 June 2020 $'000**	**30 June 2019 $'000**
Net cash from operating activities	14,459	16,732
Net cash used in financing activities	(2,374)	49,258
Net cash from investing activities	(4,559)	(64,513)
Net cash flows for the period	**7,526**	**1,477**

	31-Oct-19 $'000
Assets and liabilities of controlled entities at date of demerger	
Assets	
Cash and cash equivalents	20,588
Trade and other receivables	73,987
Contract assets	21,902
Other current assets	2,576
Other financial assets	190
Property, plant and equipment	60,868
Deferred tax assets	20,580
Intangible assets	104,912
Total assets demerged	**305,603**
Liabilities	
Trade and other payables	25,538
Loans and borrowings	119,086
Current tax liabilities	649
Employee benefits	16,492
Provisions	1,557
Contract liabilities	15,042
Deferred tax liabilities	5,914
Other liabilities	218
Total liabilities demerged	**184,496**
Net assets demerged	**121,107**

3. DISCONTINUED OPERATIONS CONTINUED

The value of the Intega net assets demerged has been adjusted by $16.7 million since 31 December 2019, primarily as a result of the true up of current and deferred tax balances as part of the end of financial year tax calculations, in addition to the finalisation of the impact of adopting AASB 16 *Leases*.

Disposal of Structures business unit

On 29 May 2020, the company sold its US Structures business unit for a consideration of $4.5 million.

The net book value of the Structures division at the date of settlement was $3.1 million, resulting in a gain on disposal of $1.4 million.

The Structures business unit disposed of during the period was not previously presented as discontinued operations or classified as held-for-sale and therefore the comparative consolidated statement of financial performance, the consolidated statement of other comprehensive income and certain applicable notes have been restated to show the discontinued operations separately from continuing operations.

For the year ended	30 June 2020* $'000	30 June 2019 $'000
Results of discontinued operations		
Revenue	**13,894**	**19,168**
Expenses	(17,049)	(20,416)
Results from operating activities	**(3,155)**	**(1,248)**
Income tax benefit	840	291
Results from operating activities, net of tax	**(2,315)**	**(957)**
Gain on sale of discontinued operations	1,363	-
Income tax on gain on sale of discontinued operation	-	-
Loss from discontinued operations, net of tax:	**(952)**	**(957)**

Represents results from operating activities for the eleven months to 31 May 2020

	31 May 2020 $'000
Assets and liabilities of controlled entities at date of disposal	
Assets	
Trade and other receivables	4,586
Contract assets	1,255
Other current assets	11
Other financial assets	26
Property, plant and equipment	4,119
Total assets disposed	**9,997**
Liabilities	
Trade and other payables	(10)
Lease liabilities	(5,356)
Other liabilities	(1,489)
Total liabilities disposed	**(6,855)**
Net assets disposed	**3,142**

KEY FINANCIAL STATEMENT ITEMS

4. (A) REVENUE

	2020 $'000	2019 $'000 Restated
REVENUE		
Professional services revenue	677,107	606,894
Fees from consulting services	**677,107**	**606,894**
Fees from recoverable expense	298,820	326,101
Fees from recoverable expenses	**298,820**	**326,101**
Other	2,341	3,880
	978,268	**936,875**

Professional services revenue

The Group performs engineering design and project delivery services. These activities tend to be highly integrated and accordingly where appropriate will be accounted for as a single performance obligation. Performance obligations are fulfilled over time as the services are delivered, as the Group has a right of payment for services delivered to date together with the highly customised nature of the services provided. The Group recognises revenue for these services over time.

Fees from recoverable expenses

Fees from recoverable expenses represents revenue received from customers for pass through expenses incurred by the Group in performing professional services. It also includes services from entering into contracts with customers to acquire, on their behalf, equipment produced by various suppliers or services provided by different subcontractors. The Group continues to be involved in procurement as a principal and as an agent.

Accounting for Revenue

Revenues from customer contracts is disaggregated into existing segments and the timing of transfer of services, being overtime versus point in time, in the table below which depicts how the nature, amount and uncertainty of revenue and cash flows are affected by economic factors.

			For the year ended 30 June 2020
$'000	**Segment Revenue**	**Over Time Revenue**	**Point in Time Revenue**
Asia Pacific	246,406	246,406	-
Americas	372,499	367,662	4,837
International Development	350,708	350,708	-
Other	8,655	-	8,655
Total revenue	**978,268**	**964,776**	**13,492**

			For the year ended 30 June 2019 Restated*
$'000	**Segment Revenue**	**Over Time Revenue**	**Point in Time Revenue**
Asia Pacific	250,829	250,829	-
Americas	319,939	315,504	4,435
International Development	355,348	355,348	-
Other	10,759	1,793	8,966
Total revenue	**936,875**	**923,474**	**13,401**

** Comparative information has been re-presented due to a discontinued operation. See Note 3*

4. (A) REVENUE CONTINUED

Revenue from providing services on lump sum contracts is recognised based on the actual services provided to the end of the reporting period as a proportion of the total services to be provided, on the basis that the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date. This is determined based on the proportion of actual costs incurred relative to the total expected project costs at completion (input method). Revenue is capped at the approved budget for each client contract.

The customer pays Cardno based on the agreed payment schedule. If the services rendered by Cardno as at the reporting date exceed the payments received, a contract asset is recognised. If the payments received exceed the services rendered, a contract liability (i.e. unearned revenue) is recognised.

Revenue on Cost Plus projects is recognised in line with effort required to satisfy the performance obligations of the contract with no cap. For Cost Plus Max projects, revenue is capped at the approved budget amount for each contract.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management. This includes variations to client contracts which increase the total contract value and result in an adjustment to revenue recognised to date in the period in which the variation is approved.

To date there have been no significant impacts on the Group's ability to fulfil performance obligations in its contracts with customers as a result of the COVID-19 pandemic. Certain projects have been subject to delays or other scope changes due to the safety protocols put in place by customers as well as domestic and international travel restrictions in force across many countries. These impacts have been taken into account in any estimates contributing to the recognition of revenue, including the remaining costs to complete a project, where applicable.

Contract balances

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers.

$'000	Note	30 June 2020	30 June 2019
Receivables (included in Trade and other receivables)	10	118,232	204,621
Loss allowance	10	(15,110)	(21,552)
Contract assets	11	94,827	122,905
Contract liabilities	18	39,709	36,613

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date. The carrying amount of contract assets as at 30 June 2020 is reduced by an impairment provision of $9.9 million (30 June 2019: $9.5 million). Impairment provisions are booked against specific high risk and aged contract assets where billing and recovery is doubtful.

The contract assets are transferred to trade receivables when the rights become unconditional. This usually occurs when the Group issues an invoice to the customer.

Refer to note 10 and note 11 for details of the impact the COVID-19 pandemic has had on the Group's assessment of credit risk relating to receivables and contract assets.

The contract liabilities primarily relate to consideration received from customers in advance of providing goods or services, or unearned revenue. These liabilities will be recognised as revenue when the services are performed. As the majority of contracts have a duration of 12 months or less, contract liabilities as at 30 June 2019 were recognised as revenue in the year ended 30 June 2020.

4. (A) REVENUE CONTINUED

Revenue recognition policies
Revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control at a point in time or over time requires judgement. When recognising the contract revenue over time using the input method, revenue is recognised on the basis of the entity's efforts or inputs and requires a judgemental assessment of cost or labour hours incurred to date as a proportion of total cost or labour hours remaining to fully satisfy contract performance obligations.

Revenue measured and recognised at a point in time requires judgement in relation to the assessment of whether the entity has a right to payment for services performed to date, whether legal title of an asset has passed to the client, in addition to the transfer of risks and rewards and the acceptance and physical possession of the asset by the client.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers and the related revenue recognition policies.

Revenue type	Nature and timing of performance obligations	Revenue recognition
Professional services revenue	The Group performs engineering design and project delivery services. Performance obligations are fulfilled over time as the services are delivered.	Revenue for these services is recognised over time rather than at a point in time as the Group has a right of payment for services delivered to date.
Fees from recoverable expenses	Revenue received from customers for pass through expenses incurred by the Group in performing professional services and from entering into contracts with customers to acquire equipment or services provided by different subcontractors.	The Group recognises revenue as services performed.

4. (B) OTHER INCOME

	2020 $'000	2019 $'000 Restated
Non-refundable R&D tax incentives	3,675	711
Gain on disposal of property, plant and equipment	172	460
Transitional Services Income – Intega Group	10,425	-
Other	376	(51)
Other Income	**14,648**	**1,120**

5. NET FINANCING COSTS

	Note	2020 $'000	2019 $'000 Restated
Interest paid		5,772	6,157
Interest on leases	16	5,950	-
Amortisation of borrowing costs		418	1,786
Interest received		(349)	(753)
Net Financing Costs		**11,791**	**7,190**

5. NET FINANCING COSTS CONTINUED

Accounting for Net Finance Costs

Finance costs are recognised as expenses in the period in which they are incurred.

Borrowing costs are calculated using the effective interest method and include costs incurred in connection with arrangement of borrowings. There have been no qualifying assets and related debt to which borrowing costs could have been applied, and as a result no borrowing costs have been capitalised to qualifying assets.

Interest income is recognised in profit or loss as it accrues, using the effective interest method.

6. EXPENSES

	2020 $'000	2019 $'000 Restated
Bad and doubtful debts	4,949	2,201
Rental expense relating to operating leases[1]	2,458	26,507

[1]The Group applied AASB 16 as at 1 July 2019 with no restatement of comparatives under the transition method chosen. Only lease payments on short term leases and leases of low value assets are recognised as operating expenses under AASB 16.

7. INCOME TAX EXPENSE

	2020 $'000	2019 $'000 Restated
(a) The components of tax expense comprises:		
Current tax expense		
Current year	3,837	(1,816)
Adjustments for prior years	962	(201)
	4,799	(2,017)
Deferred tax expense		
Current year	13,241	12,212
Adjustments for prior years	(526)	465
	12,715	12,677
Total income tax expense from continuing operations	**17,514**	**10,660**
(b) Numerical reconciliation between tax expense and pre-tax profit		
Loss before tax from continuing operations	(49,564)	(29,984)
Income tax using the Australian corporation tax rate of 30% (2019: 30%)	(14,869)	(8,995)
Increase/ (decrease) in income tax expense due to:		
Non-deductible expenses	1,192	2,137
Effect of tax rates in foreign jurisdictions	6,100	1,671
Impact of impairment of goodwill	20,886	13,885
Impact of valuation allowance on foreign tax credits	83	5,647
Impact of change in US tax law on tax revenue recognition	3,699	-
Allowances for R&D expenditure	(137)	(213)
Sundry items	124	(3,736)
	17,078	**10,396**
Under provided in prior years	436	264
Income tax expense from continuing operations	**17,514**	**10,660**

7. INCOME TAX EXPENSE CONTINUED

(c) Amounts recognised directly in equity

	2020 $'000	2019 $'000 Restated
Tax benefit on equity raising costs[1]	-	20
Foreign exchange	1,106	375

[1] Relates to costs incurred on the share buy-back program.

The effective tax rate for FY20 was (35.34%) compared to (35.55%) in FY19. If we exclude the impact of (a) the impairment reflected in the Australian results; (b) one-off adjustments related to continuing operations; (c) prior year adjustments increasing income tax expense; (d) losses incurred in jurisdictions in which a deferred income tax benefit is not recognised; (e) true-up of deferred taxes relating to Cardno US goodwill as a result of the demerger; and (f) a change in tax law on tax revenue recognition in the United States; the effective tax rate is 29.32%.

8. DEFERRED TAX ASSETS & LIABILITIES

Recognised deferred tax assets and liabilities

	2020 $'000	2019 $'000
Assets		
Accruals	7,803	4,600
Provisions	15,464	27,499
Intangibles	2,297	16,978
Tax losses	40,816	53,294
Property, plant and equipment	1,411	420
Lease liability	31,587	-
Other	10,303	6,127
Total deferred tax assets	**109,681**	**108,918**
Set-off of deferred tax liabilities	(35,475)	(11,608)
Net deferred tax assets	**74,206**	**97,310**
Liabilities		
Contract assets	5,657	7,871
Prepayments	576	813
Right of use asset	27,945	-
Other	1,297	3,930
Total deferred tax liabilities	**35,475**	**12,614**
Set-off against deferred tax assets	(35,475)	(11,608)
Net deferred tax liabilities	**-**	**1,006**
NET DEFERRED TAX ASSETS	**74,206**	**96,304**

The group has unrecognised deferred tax assets from tax loss carry forwards as at 30 June 2020: (a) capital losses in the United States of $19.7 million (2019: $19.3 million) which will expire if not used to offset capital gains derived by 30 June 2021; (b) revenue losses in the United States of $11.0 million (2019: $11.8 million) which will expire if not used to offset revenue gains by 30 June 2037; and (c) capital losses in Australia of $30.0m (2019: $30.6m) the future utilisation of which is reliant on satisfaction of the continuity of ownership and/or similar business tests and generating capital gains to offset these against.

The group also has unrecognised deferred tax assets from foreign tax credit carry forwards in the United States of $5.4 million (2019: $5.6m) as at 30 June 2020. These credits will expire if not used to offset tax payable by 30 June 2024 ($1.2 million), 30 June 2025 ($1.0 million), 30 June 2026 ($0.8 million), 30 June 2027 ($1.0 million), 30 June 2028 ($0.5 million), 30 June 2029 ($0.4 million) and 30 June 2030 ($0.5 million).

Judgement is required to determine the amount of deferred tax assets that are recognised based on the likely timing and the level of future taxable profits. The Group assesses the recoverability of recognised and unrecognised deferred taxes in Australia and the United States using assumptions and projected cash flows as applied in the Group impairment reviews for associated operations. Continued recognition of tax losses in Australia and the US is based on generating sufficient taxable profits against which they can be offset. The Australian tax losses are not subject to expiry under tax legislation. United States tax losses generated prior to 30 June 2019 are subject to a twenty year expiry period, while losses generated after 30 June 2019 are not subject to expiry under tax legislation.

Judgements are also required about the application of income tax legislation and its interaction with income tax accounting principles. These judgements are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the balance sheet and the amount of other tax losses and temporary differences not yet recognised. Where the final tax outcomes are different from the amounts that were initially recorded, these differences impact the current and deferred tax provisions in the period in which the determination is made.

8. DEFERRED TAX ASSETS & LIABILITIES CONTINUED

Movement in temporary differences during the year:

30 June 2020	1 July 2019 $'000	Recognised in profit or loss $'000	Adjustments to prior years $'000	Demerger of Intega $'000	Sale of Structures $'000	Other[1] $'000	30 June 2020 $'000
Accruals	4,600	(238)	92	(405)	-	3,754	**7,803**
Provisions	27,499	491	225	(6,360)	(210)	(6,181)	**15,464**
Tax losses	53,294	(2,984)	(4,591)	(5,278)	-	375	**40,816**
Sundry items	2,617	(9,851)	2,298	1,083	348	13,922	**10,417**
Prepayments	(813)	196	(63)	110	-	(6)	**(576)**
Contract assets	(7,871)	1,497	1,357	2,652	(2)	(3,290)	**(5,657)**
AASB 16 – *Leases*	-	990	-	(587)	(337)	3,576	**3,642**
Goodwill on acquisition	16,978	(1,455)	1,208	(5,881)	-	(8,553)	**2,297**
	96,304	**(11,354)**	**526**	**(14,666)**	**(201)**	**3,597**	**74,206**

30 June 2019	1 July 2018 $'000	Recognised in profit or loss $'000	Adjustments to prior years $'000			Other* $'000	30 June 2019 $'000
Accruals	5,865	(460)	(4,158)			3,352	4,600
Provisions	21,838	558	(8,438)			13,541	27,499
Tax losses	42,815	767	12,734			(3,022)	53,294
Sundry items	16,671	(5,107)	2,075			(11,022)	2,617
Prepayments	(1,667)	20	3,908			(3,073)	(813)
Contract assets	(5,733)	684	(7,859)			5,037	(7,871)
Goodwill on acquisition (USA)	22,423	(5,893)	911			(463)	16,978
	102,212	**(9,431)**	**(827)**			**4,350**	**96,304**

1 Other adjustments relate to impacts of translating foreign operations, acquisitions and amounts booked to equity. Other also includes the effect of initially applying AASB 16 (see Note 16).

9. CASH AND CASH EQUIVALENTS

	2020 $'000	2019 $'000
Cash at bank and on hand	53,685	50,074
Restricted cash[1]	3,643	3,565
Bank short term deposits	395	1,905
	57,723	**55,544**

[1] Cash held in relation to foreign ownership compliance for US government contracts.

Accounting for Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and investments in money market instruments which are at call or with an original term of three months or less. Bank overdrafts are shown with interest-bearing loans and borrowings in current liabilities on the statement of financial position.

10. TRADE & OTHER RECEIVABLES

	2020 $'000	2019 $'000
Trade debtors	118,232	204,621
Loss allowance	(15,110)	(21,552)
	103,122	**183,069**
Sundry debtors	14,010	11,015
	117,132	**194,084**

Accounting for Trade and Other Receivables

Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectible debts.

The recoverability of trade receivables is reviewed on an ongoing basis and its loss allowance is determined at both a specific and collective level. All individually significant and aged receivables are assessed for specific impairment.

The Group has elected to measure its loss allowances for trade receivables at amounts equal to their lifetime expected credit loss (ECL). The ECLs are a probability weighted estimate calculated based on debtors ageing, actual credit loss experience over the past three years and future economic conditions. The Group's trade receivables were segmented based on common credit risk characteristics such as customer type, geographical location of customer, and ageing of financial asset. The Group considers a financial asset to be in default when the client is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held) or the financial asset is more than 90 days past due.

The Group has assessed the expected credit losses for trade receivables at 30 June 2020 and determined that there are no significant or increasing concentrations of credit risk on prior year. However, due to the global financial uncertainty arising from COVID-19, management have increased the expected loss rates for trade receivables based on their judgement as to the impact of COVID-19 on the trade receivables portfolio. As part of this assessment, management segmented its trade receivable portfolio into groupings of customers with similar credit risk characteristics.

Bad debts are written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. In some segments and industries, extended payment terms may be agreed, for example under a pay when paid arrangement. It is therefore not appropriate to implement a policy of writing off financial assets based solely on the age of the debtor and other factors are considered.

11. CONTRACT ASSETS

	2020 $'000	2019 $'000
Contract assets	**94,827**	122,905

Accounting for contract assets

Contract assets are stated at the aggregate of contract costs incurred to date plus recognised profits less recognised losses and progress billings. If there are contracts where progress billings exceed the aggregate costs incurred plus profits less losses, the net amounts represent unearned revenue and are presented as contract liabilities under other liabilities. Amounts are transferred to receivables when the right to billing and payment becomes unconditional.

Contract costs include all costs directly related to specific contracts, costs that are specifically chargeable to the customer under the terms of the contract and an allocation of overhead expenses incurred in connection with the Group's activities in general.

11. CONTRACT ASSETS CONTINUED

Estimates of the contract assets balances are determined using the percentage of completion methodology. Refer to Note 4 for further details.

The Group has elected to measure its loss allowances for contract assets at amounts equal to their lifetime expected credit loss (ECL). The ECLs are a probability weighted estimate calculated based on debtors ageing, actual credit loss experience over the past three years and future economic conditions. The Group's trade receivables and contract assets were segmented based on common credit risk characteristics such as customer type, geographical location of customer, and ageing of financial asset. The Group considers a financial asset to be in default when the client is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held) or the financial asset is more than 90 days past due.

Contract assets held by the Group relate to work in progress which has not yet been billed and as such the average ECL percentage applied is equivalent to that applied to current (not past due) trade receivables.

The Group has assessed the expected credit losses for contract assets at 30 June 2020 and determined that there are no significant or increasing concentrations of credit risk on prior year. However, due to the global financial uncertainty arising from COVID-19, management have increased the expected loss rates for contract assets based on their judgement as to the impact of COVID-19 on the portfolio of customers to which these assets relate. As part of this assessment, management segmented its contract assets into groupings of customers with similar credit risk characteristics.

12. PROPERTY, PLANT & EQUIPMENT

	2020 $'000	2019 $'000
Land & buildings		
Land & buildings	125,715	4,174
Less accumulated depreciation	(29,192)	(1,889)
	96,523	**2,285**
Carrying amount at the beginning of the year	2,285	1,461
Recognition of right-of-use asset on initial application of AASB 16 (note 16)	136,580	-
Adjusted balance at the beginning of the year	**138,865**	**1,461**
Demerger of Intega	(23,887)	
Additions	15,698	325
Increase through acquisition	-	598
Disposals	(1,162)	(33)
Disposal of structures business unit	(4,119)	-
Depreciation expense	(30,438)	(159)
Foreign exchange	1,566	93
Carrying amount at the end of the year	**96,523**	**2,285**
Office Furniture & Equipment		
Laboratory equipment, instruments & amenities	98,940	154,122
Less accumulated depreciation	(77,876)	(114,751)
	21,064	**39,371**
Carrying amount at the beginning of the year	39,371	40,907
Recognition of right-of-use asset on initial application of AASB 16	1,426	-
Adjusted balance at the beginning of the year	**40,797**	**40,907**
Demerger of Intega	(19,569)	-
Additions	10,890	9,567
Increase through acquisition	-	5,081
Disposals	(636)	(634)
Depreciation expense	(10,660)	(16,077)
Foreign exchange	242	527
Carrying amount at the end of the year	**21,064**	**39,371**
Motor vehicles		
Motor vehicles	12,309	26,002
Less accumulated depreciation	(7,351)	(15,473)
	4,958	**10,529**
Carrying amount at the beginning of the year	10,529	6,968
Recognition of right-of-use asset on initial application of AASB 16	12,831	-
Adjusted balance at the beginning of the year	**23,360**	**6,968**
Demerger of Intega	(17,412)	-
Additions	2,180	7,805
Increase through acquisition	-	340
Disposals	-	(114)
Depreciation and amortisation expense	(3,242)	(4,496)
Foreign exchange	72	26
Carrying amount at the end of the year	**4,958**	**10,529**
Total property, plant & equipment		
Property, plant & equipment	236,964	184,298
Less accumulated depreciation	(114,419)	(132,113)
	122,545	**52,185**

12. PROPERTY, PLANT & EQUIPMENT CONTINUED	2020 $'000	2019 $'000
Carrying amount at the beginning of the year	52,185	49,336
Recognition of right-of-use asset on initial application of AASB 16	150,837	-
Adjusted balance at the beginning of the year	**203,022**	**49,336**
Demerger of Intega	(60,868)	-
Additions	28,768	17,697
Increase through acquisition	-	6,019
Disposals	(1,798)	(781)
Disposal of structures business unit	(4,119)	-
Depreciation expense – continuing operations	(36,892)	(20,732)
Depreciation expense – discontinued operations	(7,448)	-
Foreign exchange	1,880	646
Carrying amount at the end of the year	**122,545**	**52,185**

Accounting for Property, Plant and Equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, 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.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Cardno and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated on the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value. Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that Cardno will obtain ownership by the end of the lease term. Land is not depreciated.

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

> buildings 40 years
> motor vehicles 4-7 years
> office furniture and equipment 3-11 years

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

Property, plant and equipment includes right-of-use assets of $102.6 million (see Note 16). The estimated useful lives for property right-of-use assets is 3 to 15 years and the estimated useful lives for equipment right-of-use assets is 3 to 5 years.

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Right-of-use assets are depreciated on a straight-line basis from the lease commencement date to the end of the lease term, unless the lease transfers ownership of underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

13. INTANGIBLE ASSETS

Reconciliation of movement in carrying amounts from the beginning of year to end of year:

	Goodwill $'000	Customer Contracts $'000	Patents and Trademarks $'000	Customer Relation-ships $'000	Total $'000
2020					
Balance at the beginning of year	330,680	11,226	2,609	14,539	359,054
Acquired through business combination	215	-	-	-	215
Demerger of Intega	(87,637)	(6,587)	-	(10,688)	(104,912)
Impairment losses	(69,621)	-	-	-	(69,621)
Amortisation charges – continuing	-	(1,129)	-	(950)	(2,079)
Amortisation charges – discontinued	-	(1,095)	-	(1,847)	(2,942)
Effect of foreign exchange	2,291	203	-	274	2,768
Closing value at 30 June 2020	**175,928**	**2,618**	**2,609**	**1,328**	**182,483**
2019					
Balance at the beginning of year	308,950	422	2,609	1,036	313,017
Acquired through business combination	60,927	13,188	-	17,042	91,157
Impairment losses	(46,285)	-	-	-	(46,285)
Amortisation charges	-	(2,874)	-	(4,139)	(7,013)
Effect of foreign exchange	7,088	490	-	600	8,178
Closing value at 30 June 2019	**330,680**	**11,226**	**2,609**	**14,539**	**359,054**

Amortisation of Intangibles

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss within depreciation and amortisation expense. Goodwill is not amortised.

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

Impairment Testing

The carrying amount of goodwill (pre-impairment) allocated to each of the cash generating units (CGUs) for impairment testing is as follows:

	2020 $'000	2019 $'000*
Americas	95,985	96,454
Asia Pacific (APAC)	74,209	190,542
International Development (ID)	5,734	5,733
	175,928	**292,729**

**Balances shown have been impacted by the transfer of the net book value of certain entities, including their goodwill, to Intega Group Limited as part of the demerger effective 31 October 2019. See Note 3 for further information.*

After initial recognition, goodwill acquired in a business combination is measured at cost less any accumulated impairment losses. Goodwill is not amortised but is subject to impairment testing. In accordance with Cardno's accounting policies, the Group performs its impairment testing annually or more frequently if required.

For the purposes of impairment testing, goodwill is allocated to Cardno's management divisions which represent the lowest level within Cardno at which the goodwill is monitored for internal management purposes. The CGUs remain unchanged from prior year, other than the divestment of the Construction Sciences CGU and some businesses within the Americas CGU as part of the demerger of Intega.

13. INTANGIBLE ASSETS CONTINUED

The Group uses the value in use method to estimate the recoverable amount of each CGU. Value in-use is calculated based on the present value of cash flow projections over a five-year period and includes a terminal value at the end of year five.

The cash flow projections over the five-year period are based on the Group's budget for 2021 and year on year growth rates over the forecasted period based on management's estimates of underlying economic conditions, past performance and other factors anticipated to impact the CGUs performance. The long-term growth rate used in calculating the terminal value is based on long term growth estimates for the countries and industries in which the CGU operates.

The cash flows are discounted to their present value using a post-tax discount rate on a weighted average cost of capital adjusted for country and industry specific risks associated with the CGU.

Group overhead and corporate costs are allocated to the individual CGUs for impairment testing purposes.

Results of Impairment Testing

The Asia Pacific business has seen a year on year reduction in revenue and EBITDA in the half year ended 31 December 2019, reflecting the absence of major project starts and poor utilisation rates across a number of business units. As a result, the company determined that the carrying amount of the Asia Pacific (APAC) CGU was in excess of its recoverable amount of $187.5 million and an impairment loss of $69.6 million was recognised in the half year ended 31 December 2019. The pre-tax discount rate used in estimating the recoverable amount was 12.96%. The impairment was recognised in full against the carrying value of the APAC goodwill.

At 30 June 2020, the recoverable amount of the APAC CGU exceeded its carrying amount by $94.5 million, driven by a number of factors including lower discount rates resulting from historically low market interest rates, improved forecast performance over the five-year period and a reduction in its carrying amount through improved working capital management.

Management has evaluated the Company's market capitalisation value against the Group's net asset position at 30 June 2020 and is comfortable with the valuation of its net assets for a number of reasons, including but not limited to, that management believes that (1) Cardno Limited shares are "thinly traded" (average daily traded volume is low compared to the number of shares on issue and the market capitalisation), this being a result of (2) the structure of the share register whereby more than 50% of the issued shares are held by one investor, Crescent Capital Partners, which has not traded their holding, (3) Cardno Limited sits outside of the ASX 300 and (4) there is significant negative market sentiment as a result of the COVID-19 pandemic, although the Group's operations were not significantly impacted to 30 June 2020.

The company has considered the impact of the COVID-19 pandemic in estimating the cash flows used in determining the recoverable amount for each CGU. While the Group has not experienced any material negative financial impacts from the pandemic thus far, there continues to be uncertainty relating to the ongoing impacts of the pandemic on the Group's operations. Based on the information available at 30 June 2020, management have made additional adjustments to the forecast cash flows in order to reflect the estimated impact. A risk premium for market uncertainty has also been incorporated into the discount rate.

Key Assumptions

The key assumptions used in the estimation of recoverable amount are set out below. The values assigned to the key assumptions represent management's assessment of factors impacting the relevant regions and industries in which the CGUs operate and have been developed taking into consideration relevant forecast and historical data from both external and internal sources.

	EBITDA Margins[1]		Terminal Growth Rate		Pre-Tax Discount Rate	
	2020	2019	2020	2019	2020	2019
Americas	9.4% - 10.0%	6.6% - 8.6%	2.50%	2.50%	10.39%	11.32%
APAC	4.2% - 9.9%	7.4% - 10.4%	2.50%	2.50%	10.82%	13.19%
ID	2.4% - 2.9%	1.2% - 3.2%	2.50%	2.50%	14.06%	12.88%

[1] EBITDA margins are applied to net fee revenue and are presented on a pre AASB 16 basis.

13. INTANGIBLE ASSETS CONTINUED

Impact of Possible Changes in Key Assumptions

The determination of the recoverable amounts of the Group's CGUs involves significant estimates and judgements and results are subject to the risk of adverse and sustained changes in the markets in which the Group operates.

Any variation in the key assumptions would impact on the assessed recoverable amount both positively and negatively. Analysis performed on the impact of adverse changes in the key assumptions on the recoverable amounts of the Americas and ID CGUs concluded that a reasonable possible change in these assumptions did not result in impairment of either of the CGUs.

In relation to the APAC CGU, the value in use model is particularly sensitive to changes in the EBITDA margin assumption. The impairment model assumes that the EBITDA margin will increase from 4.3% in FY21 to 9.9% in FY24 as a result of cost efficiencies delivered through changes to the business operating model and improved project management. The range of APAC EBITDA margins would need to reduce to 4.3% to 6.0% for the estimated recoverable amount to be equal to the carrying amount, all other assumptions being held constant.

14.TRADE & OTHER PAYABLES

	2020 $'000	2019 $'000
CURRENT		
Trade payables & accruals	117,451	149,090
Vendor liability	5,194	9,678
	122,645	**158,768**
NON-CURRENT		
Vendor liability	-	14,422
	-	**14,422**

Accounting for Trade & Other Payables

Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to Cardno, and are stated at cost. Trade accounts payable are normally settled within 60 days.

Vendor liabilities are recognised at the present value of future payments of deferred consideration.

15. LOANS & BORROWINGS

	2020 $'000	2019 $'000
CURRENT		
Lease liabilities	25,371	2,754
NON-CURRENT		
Lease liabilities	90,534	8,750
Bank loans	58,326	137,677
TOTAL CURRENT & NON-CURRENT LOANS & BORROWINGS	**174,231**	**149,181**

15. LOANS & BORROWINGS CONTINUED

Interest Bearing Borrowings

Interest bearing borrowings are recognised initially at 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 profit and loss over the period of the borrowings on an effective interest rate basis.

Bank Loans

The Group has bank loans of $58.3 million (2019: $137.7 million) as at 30 June 2020 with a weighted average interest rate of 3.84% (2019: 4.04%). Funding available to the Group from undrawn facilities is $113.0 million (2019: $89.8million) of which $42.0 million is available to finance business acquisitions (any other purpose requires majority lender approval).

In October 2019 the Group re-financed its debt facilities as part of the demerger of Intega. The facility is a multi-currency secured, revolving syndicated facility, with three-year tenor expiring October 2022.

The new banking group comprises HSBC Bank Australia, HSBC Bank USA, National Australia Bank, and Investec Bank.

The Group's new debt facilities include certain financial covenants which are tested quarterly. A breach of a financial covenant would represent an event of default under the terms of the debt facilities. At 30 June 2020, no event of default occurred nor was continuing.

Under the terms of the facility agreement, the Company and a number of its wholly-owned subsidiaries jointly and severally guarantee and indemnify the banks in relation to each borrower's obligations.

There were no bank overdrafts in existence at 30 June 2020 (2019: Nil).

As at 30 June 2020 net debt was $0.6 million and the company was within its lending covenants.

15. LOANS & BORROWINGS CONTINUED

Reconciliation of movement in loans and borrowings:

$'000	Loans and borrowings	Lease liabilities (refer to Note 16)	Total
Balance as at 1 July 2019	**137,677**	**11,504**	**149,181**
Adjustment on initial application of AASB 16	**-**	**164,913**	**164,913**
Adjusted balance as at 1 July 2019	**137,677**	**176,417**	**314,094**
Changes from financing and operating cash flows			
Proceeds from borrowings	241,550	-	241,550
Repayment of borrowings	(250,221)	-	(250,221)
Payment of lease liabilities	-	(30,990)	(30,990)
Finance costs paid	**-**	(4,932)	(4,932)
Total changes from financing cash flows	**(8,671)**	**(35,922)**	**(44,593)**
Other changes			
Demerger of Intega	(72,802)	(46,284)	(119,086)
Disposal of structures business unit	-	(5,356)	(5,356)
Write off capitalised borrowing costs relating to old facility	(1,566)	-	(1,566)
New capitalised borrowing costs	2,468	-	2,468
Amortisation of capitalised borrowing costs	(418)	-	(418)
Interest expense	-	5,950	5,950
Termination of leases	-	(48)	(48)
New leases	-	19,711	19,711
Movement in balance due to foreign exchange differences	1,638	1,437	3,075
Total other changes	**(70,680)**	**(24,590)**	**(95,270)**
Balance as at 30 June 2020	**58,326**	**115,905**	**174,231**

$'000	Loans and borrowings
Balance as at 1 July 2018	**91,065**
Changes from financing cash flows	
Proceeds from borrowings	224,777
Repayment of borrowings	(171,239)
Payment of lease liabilities	(3,401)
Total changes from financing cash flows	**50,137**
Demerger of Intega	
Other changes	
Amortisation of borrwowing costs	(912)
New capitalised borrowing costs	2,247
New finance leases	6,644
Total other changes	**7,979**
Balance as at 30 June 2019	**149,181**

16. LEASES

Group as a lessee

The Group has lease contracts for various items of plant, machinery, vehicles and other equipment used in its operations. Leases of land and buildings generally have lease terms between 3 and 15 years, while motor vehicles and other equipment generally have lease terms between 3 and 5 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets and some contracts require the Group to maintain certain financial ratios. There are several lease contracts that include extension and termination options and variable lease payments, which are further discussed below.

The Group also has certain leases with lease terms of 12 months or less and leases with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

	Right-of-use assets			
$'000	**Land and buildings**	**Office furniture and equipment**	**Motor vehicles**	**Total**
As at 1 July 2019	**136,580**	**1,426**	**12,831**	**150,837**
Additions	12,540	3,570	1,836	**17,946**
Depreciation expense	(27,159)	(471)	(2,724)	**(30,354)**
Demerger of Intega	(23,738)	(1,276)	(7,755)	**(32,769)**
Disposal of structures business unit	(4,119)	-	-	**(4,119)**
Derecognition of right-of use- assets*	(1,026)	-	-	**(1,026)**
Termination of leases	(6)	-	-	**(6)**
Foreign Exchange	1,884	5	163	**2,052**
As at 30 June 2020	**94,956**	**3,254**	**4,351**	**102,561**

Derecognition of the right-of-use asset is as a result of entering into a finance sub-lease arrangement.

The following are the amounts recognised in profit or loss:

	2020 $'000
2020 - Leases under AASB 16	
Depreciation expense of right-of-use assets	30,354
Income from sub-leasing right-of-use assets presented in other income	355
Interest expense on lease liabilities	5,950
Expense relating to short-term leases	2,371
Expense relating to leases of low-value assets	87
Variable lease payments	(65)
2019 – Lease under AASB 117	
Lease expense	32,936

The Group had total cash outflows for leases of $35.9 million in 2020 ($32.9 million in 2019). There are no significant leases that have been entered into by the Group for contracts that have not yet commenced as at 30 June 2020.

16. LEASES CONTINUED

Group as a lessor

During the year, the Group has sub-leased a building that has been presented as part of a right-of-use asset – property, plant and equipment.

During FY20, the Group recognised a gain of $452,000 on the derecognition of the right-to-use asset pertaining to the sub-leased building which is presented within the gain on disposal of property, plant and equipment in Note 4.

During FY20, the Group recognised interest income on lease receivables of $38,000 (2019: Nil).

The following table sets out a maturity analysis of lease receivables, showing the undiscounted lease payments to be received after the reporting date. Under AASB 117, the Group did not have any finance leases as a lessor.

	2020 $'000
> Within one year	542
> Later than one year but not later than 5 years	1,135
> Later than 5 years	-
Total undiscounted lease receivable	**1,677**
Unearned finance income	(134)
Net investment in the lease	**1,543**

Policy applicable from 1 July 2019

The Group has initially adopted AASB 16 *Leases* from 1 July 2019 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under AASB 117 and AASB Interpretation 4. The details of the accounting policies under AASB 117 and AASB Interpretation 4 are disclosed separately.

Set out below are the new accounting policies of the Group upon adoption of AASB 16, which have been applied from the date of initial application:

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in AASB 16.

This policy is applied to contracts entered into, on or after 1 July 2019.

Group as a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for leases of office equipment the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

16. LEASES CONTINUED

Group as a lessee (continued)

Right-of-use assets (continued)

Right-of-use assets are depreciated on a straight-line basis from the lease commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The Group's right-of-use assets are included in Property, plant and equipment (see Note 12).

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expenses in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. The lease liability is measured at amortised cost using the effective interest method. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term or a change in the Group's assessment of whether it will purchase the underlying asset.

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 profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group's lease liabilities are included in Interest-bearing loans and borrowings (see Note 15).

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expenses on a straight-line basis over the lease terms.

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional terms. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g. a change in business strategy).

16. LEASES CONTINUED

Group as a lessor

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risk and rewards incidental to ownership of the underlying asset. Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the short-term or low value asset exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Group applies AASB 15 to allocate the consideration in the contract.

The Group applies the derecognition and impairment requirements in AASB 9 to the net investment in the lease.

Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Policy applicable before 1 July 2019

Leases in terms of which Cardno assumed substantially all the risks and rewards of ownership were classified as finance leases. Upon initial recognition the leased asset was measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset was accounted for in accordance with the accounting policy applicable to that asset. The corresponding rental obligations, net of finance charges, were included in current and non-current interest-bearing loans and borrowings. Minimum lease payments were apportioned between the finance charge and the reduction of the outstanding liability. The finance charge was allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Assets held under other leases were classified as operating leases and were not recognised in the statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense over the term of the lease.

17. PROVISIONS

	2020 $'000	2019 $'000
CURRENT		
Provision for legal claims	3,932	4,285
	3,932	**4,285**

Accounting for Provisions

The Group makes provision for legal claims not covered by the Group's professional indemnity policy and as at 30 June 2020 an estimate of the potential impact of these claims has been provided for.

A provision is recognised in the Statement of Financial Position when Cardno has a present legal, equitable or constructive obligation as a result of a past event, and it is probable that a future sacrifice of economic benefits will be required to settle the obligation, the timing or amount of which is uncertain. If the effect is material, provisions are determined by discounting the expected future cash flows at the pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

18. OTHER LIABILITIES

	2020 $'000	2019 $'000
CURRENT		
Contract liabilities	39,709	36,613
Deferred rent	1,554	2,718
	41,263	**39,331**
NON CURRENT		
Deferred rent	1,109	1,949
Other	148	128
	1,257	**2,077**

Contract liabilities relates to amounts received in advance of providing goods or services. Refer to Note 11.

19. ISSUED CAPITAL

	30 June 2020		30 June 2019	
	No. of shares	**$'000**	**No. of shares**	**$'000**
Balance at the beginning of the year	**444,269,564**	**782,214**	**464,381,508**	**804,145**
Shares issued during the year:				
> Employee share based payments	-	(2)[1]	-	(461)
> Share buy-back (i)	-	-	(20,111,944)	(21,470)
> Shares issued under PEP	594,322	-	-	-
> Own shares held in trust issued under PEP	(114,391)			
> Issue of shares to key employees	2,268,356	-		
> Capital reduction	-	(391,530)	-	-
Balance at the end of the year	**447,017,851**	**390,682**	**444,269,564**	**782,214**

1 Employee share based payments of $2,263 recorded during the year.

19. ISSUED CAPITAL CONTINUED

(i) As part of the capital management program, on 21 February 2019 the Group announced the implementation of an on-market buyback of up to 10% of Cardno ordinary shares commencing 8 March 2019 for a 12 month period. During the prior year ended 30 June 2019, a total of 20,111,944 ordinary shares were bought back at an average price of $1.07 per share. No shares were bought back in the year ended 30 June 2020.

The Company does not have authorised capital or par value in respect of its issued shares.

All shares are ordinary shares and have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the process from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of members.

	2020 $'000	2019 $'000
Franking account balance		
The amount of franking credits available for the subsequent financial year are:		
> Franking account balance as at the end of the financial year at 30%	1,578	1,578
> Franking credits/(debits) that will arise from the payment/(receipt) of income tax payable/(receivable) as at the end of the financial year	-	-

Performance Equity Plan (PEP)

The PEP is designed to reward strong performance by individuals within the Cardno Group of companies. Performance Options and Performance Rights are issued under the PEP (made in accordance with thresholds set in the plan approved at the 2009 AGM) which provides certain employees (as determined by the Board) with the right to acquire shares in the Company, or the option to acquire shares in the Company.

Each right or option is granted to the employee for no consideration and vest upon the achievement of specified performance hurdles.

At 30 June 2020, there were no Performance Options on issue (2019: 5,600,000) and no options were issued during the year (2019: 5,600,000).

2020 LTI Plan Performance Hurdles:

In the year ended 30 June 2020, the Remuneration Committee commissioned consultants to advise on the future structure of the PEP and their recommendations have been incorporated into the 2020 LTI Plan, which is proposed for shareholder consideration at the company's October 2020 Annual General Meeting. Refer section G of the Remuneration Report for further details.

2019 LTI Plan Performance Hurdles:

Performance Rights issued are subject to a Group EBITDA performance hurdle in order for the Performance Rights to vest on the third anniversary of the grant date, in addition to the employee continuing to be employed by the Cardno Group.

The grant date for the 2019 LTI Plan was 1 November 2018 with an expiry date of 1 November 2021. The fair value at grant date was $1.08 per performance right.

As these performance rights were issued prior to the demerger of Intega, to ensure that the LTI program retains its economic value, the EBITDA hurdle remains that 50 per cent of the Performance Rights will vest if the combined EBITDA of Cardno and Intega for the full financial year exceeds $73.5 million, with the remaining 50 per cent vesting in straight line growth against a Combined EBITDA of $77.5 million. Refer section G of the Remuneration Report for further details and definitions.

2018 LTI Plan Performance Hurdles:

Performance Rights issued were allocated in two equal tranches: 50% is subject to the achievement of a Share Price performance hurdle and 50% is subject to a Group EBITDA performance hurdle. As these performance rights were issued prior to the demerger of Intega, to ensure that the LTI program retains its economic value, both tests are measured on the combined outcome of Cardno and Intega. These conditions are tested independently.

19. ISSUED CAPITAL CONTINUED

The grant date for the 2018 LTI Plan was 1 November 2017 with an expiry date of 1 November 2020. The fair value at grant date was $1.06 for Tranche 1 and $1.35 for Tranche 2, per performance right.

The Performance Rights are subject to performance hurdles of Share Price (Tranche 1: 50%) where the volume weighted average price of Shares at the close of trading over a 20 day trading period immediately prior

to the Company's 2020 AGM, must be at least $1.10 per share, and Group EBITDA (Tranche 2: 50%) for the full 2020 financial year must exceed $60 million (adjusted for acquisitions).

2017 LTI Plan Performance Hurdles:

The grant date for the 2017 Plan was 1 November 2016 with a fair value at grant date of $0.64 for Tranche 1 and $0.93 for Tranche 2 per performance right.

The performance rights granted under the 2017 LTI Plan were due to vest on 1 November 2019. The 2017 Plan was modified at the Board's discretion to accelerate the vesting date by 16 days to ensure vesting occurred prior to the demerger. This change did not impact on the remuneration outcomes or expense recognised in relation to the share-based payment plan.

The majority of the Performance Rights, in accordance with the terms of their grant, were allocated in two equal tranches: 50% subject to the achievement of a Share Price hurdle and 50% subject to a Group EBITDA performance hurdle. The remainder of the Performance Rights were subject to an EBITDA hurdle only.

The Share Price hurdle was tested on 9 October 2019 and it was determined that this hurdle was satisfied under the 2017 LTI Plan. The Group EBITDA performance hurdle was not satisfied and this portion of the Performance Rights lapsed on 15 October 2019.

Key Employee Share Grant:

In 2017 Cardno implemented a retention program whereby a select group of key employees were provided with the option to receive a retention bonus in either cash or shares if they remained employed by the company on 30 January 2020. There were no other conditions precedent to participation in the program.

The movements in the performance rights and options are as follows:

	Number of Performance Options 2020	Number of Performance Rights 2020	Number of Performance Rights 2019
Outstanding at the beginning of the period	**5,600,000**	**4,889,915**	4,168,275
Granted during the period	-	-	1,394,169
Exercised during the period	-	(594,322)	-
Vested during the period	-	-	-
Cancelled/lapsed during the period	(5,600,000)	(2,247,730)	(672,529)
Outstanding at the end of the period	**-**	**2,047,863**	**4,889,915**
Exercisable at the end of the period	**-**	**-**	**-**

19. ISSUED CAPITAL CONTINUED

Performance Rights were valued for accounting and reporting purposes using the Monte Carlo simulation and Black Scholes method. The below table outlines the key assumptions.

Assumption at fair value date*	2019[1]	2018	2017
Share Price	$1.08	$1.35	$0.93
Risk Free Rate	-	1.99%	1.725%
Dividend Yield	0%	0%	0%
Volatility	-	63%	60%

**The 2020 LTI plan is in the process of being finalised and will be proposed for shareholder consideration at the company's October 2020 Annual General Meeting.*

1. Due to the 2019 LTI Plan being only subject to an EBITDA non-market based performance hurdle, the valuation is based on the grant date share price.

There are currently no CEO Performance Options on issue at 30 June 2020 as disclosed under the Executive Key Management Personnel – Contract Terms section of the Remuneration Report. The CEO Options had an original grant date of 24 October 2018 and an expiry date of 9 August 2022 for Tranche 1 and 9 August 2023 for Tranche 2. They had a fair value at grant date of $0.53 for Tranche 1 and $0.44 for Tranche 2 per Option. In the prior year, as the Performance Options had no market based performance hurdle, they were valued for accounting and reporting purposes using the Binomial method. The below table outlines the key assumptions:

Assumption at fair value date	2019
Share Price	$1.075
Risk Free Rate Tranche 1	2.49%
Risk Free Rate Tranche 2	2.57%
Dividend Yield	0%
Volatility	45%
Post-vesting withdrawal rate	0%

RISKS

20. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

We have exercised judgement in evaluating the impact of COVID-19 on the financial statements. A number of areas, including but not limited to expected credit losses of financial assets and impairment testing of goodwill, have been recognised as being potentially affected by increased estimation uncertainty. Potentially affected areas have been disclosed in the relevant notes to the Group Financial Statements.

Cardno makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

> Impairment of goodwill and assumptions applied in estimating future cash flows – refer to Note 13

> Revenue recognition in relation to long term contracts including estimating stage of completion and total contract costs – refer to Note 4.

> Recognition of deferred tax assets – availability of future taxable profit against which deductible temporary differences and tax losses carried forward can be utilised – refer to Note 8 and 34(e).

20. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS CONTINUED

> Assessing the recoverability of trade receivables and contract assets – measurement of ECL allowance and key assumptions in determining the weighted average loss rate - refer to Note 10 and 11.

> Leases – Lease terms and whether the Group is reasonably certain to exercise extension options – refer to Note 16. Also the incremental borrowing rates used, including assumptions about movements in market rates.

21. FINANCIAL RISKS

Determination of fair values

In determining fair value measurement for disclosure purposes, the Group uses the following fair value measurement hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation.

Fair values of financial instruments

Other than loans and borrowings (including lease liabilities), the Group's financial assets and liabilities at 30 June 2020 and 30 June 2019 are included in the balance sheet at amounts that approximate fair values. The Group does not have any derivative financial instruments at 30 June 2020 (2019: nil).

The fair value of loans and borrowings represents level 2 in the fair value hierarchy and has been determined using the carrying amount of loans repayable to debt providers. The difference between the carrying amount and fair value of loans and borrowings represents unamortised capitalised borrowing costs.

Financial risk management

The main risks arising from Cardno's financial instruments are interest rate risk, foreign exchange risk, credit risk and liquidity risk. Cardno uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and foreign exchange risks and ageing analysis for credit risk. The Board through the Audit, Risk & Compliance Committee (ARCC) reviews and agrees policies for managing these risks and ensures that risk management strategies are implemented in the business. A Quality Management System supports consistent risk mitigation practices and procedures in order to maintain a consistent level of quality across Cardno which includes the minimisation of risk. The policies for managing each of Cardno's financial risks are summarised below and remain unchanged from the prior year.

Credit risk

Credit risk is the risk of financial loss to Cardno if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from Cardno's receivables from customers.

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets as summarised below.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on customers in accordance with the policy.

Cardno does not require collateral in respect of financial assets.

In line with the Group's Treasury policy, investments are allowed only in liquid securities and only with counterparties that have a credit rating equal to or better than a rating approved by the ARCC. The Treasury policy is reviewed by the ARCC annually.

21. FINANCIAL RISKS CONTINUED

There are no material concentrations of credit risk (2019: nil). Identifying concentrations of risk requires judgement in light of specific circumstances, and may arise industry sectors, geographic distribution or a limited number of counterparties.

Trade receivables and contract assets

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

	2020 $'000	2019[1] $'000
Australia & New Zealand	15,643	57,481
Americas	71,331	107,383
Asia Pacific	9,168	12,710
Europe & Africa	6,980	5,495
	103,122	**183,069**

1. Prior year comparatives have not been restated to reflect the demerger of Intega

The ageing of Cardno's trade receivables at the reporting date was:

	2020		2019	
	Gross $'000	Impairment $'000	Gross $'000	Impairment $'000
Not past due (current)*	72,139	2,425	110,921	195
Past due 0-30 days (30 day ageing)	14,137	203	30,988	113
Past due 31-60 days (60 day ageing)	10,503	274	18,025	140
Past due more than 60 days (>90 day ageing)	21,453	12,208	44,687	21,104
	118,232	**15,110**	**204,621**	**21,552**

**An additional loss allowance has been applied to the not past due ageing bracket in relation to COVID-19 – see note 10 for further details.*

The maximum exposure to credit risk for contract assets at the reporting date by geographic region was:

	2020 $'000	2019 $'000
Australia & New Zealand	43,231	44,049
Americas	43,551	63,504
Asia Pacific	300	2,791
Europe & Africa	7,745	12,561
	94,827	**122,905**

The ageing of Cardno's contract assets at the reporting date was:

	2020		2019	
	Gross $'000	Impairment $'000	Gross $'000	Impairment $'000
Not past due (current)	58,231	427	76,499	-
Past due 0-30 days (30 day ageing)	6,388	-	12,044	-
Past due 31-60 days (60 day ageing)	2,178	-	4,014	-
Past due more than 60 days	37,924	9,467	39,896	9,548
	104,721	**9,894**	**132,453**	**9,548**

21. FINANCIAL RISKS CONTINUED

Cardno establishes an allowance for impairment that represents its estimate of expected credit losses in respect of trade and other receivables and contract assets.

Expected credit loss assessment

The recoverability of trade receivables is reviewed on an ongoing basis and its loss allowance is determined at both a specific and collective level. All individually significant and aged receivables are assessed for specific impairment.

The Group has elected to measure its loss allowances for trade receivables and contract assets at amounts equal to their lifetime expected credit loss (ECL). The ECLs are a probability weighted estimate calculated based on debtors ageing, actual credit loss experience over the past three years and future economic conditions. The Group's trade receivables and contract assets were segmented based on common credit risk characteristics such as customer type, geographical location of customer, and ageing of financial asset. The Group considers a financial asset to be in default when the client is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held) or the financial asset is more than 90 days past due.

Contract assets held by the Group relate to work in progress which has not yet been billed and as such the average ECL percentage applied is equivalent to that applied to current (not past due) trade receivables.

Bad debts are written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. In some segments and industries, extended payment terms may be agreed, for example under a paid when pay arrangement. It is therefore not appropriate to implement a policy of writing off financial assets based solely on the age of the debtor and other factors are considered.

The Group has assessed the expected credit losses for trade receivables and contract assets at 30 June 2020 and determined that there are no significant or increasing concentrations of credit risk on prior year. However, due to the global financial uncertainty arising from COVID-19, management have increased the expected loss rates based on their judgement as to the impact of COVID-19 on the portfolio of customers to which these assets relate. As part of this assessment, management segmented its receivables and contract assets into groupings of customers with similar credit risk characteristics.

The movement in the provision for impairment in respect of trade receivables of Cardno during the year was as follows:

	2020 $'000	**2019 $'000**
Balance at 1 July	21,552	33,881
Impact of initial adoption of AASB 9	-	6,923
Impairment loss recognised during the year*	4,949	2,201
Receivables written off	(4,389)	(21,770)
Demerger of Intega	(7,346)	-
Effect of foreign exchange	344	317
Balance at 30 June	**15,110**	**21,552**

**An additional loss allowance has been applied in relation to COVID-19 in the current period – see note 10 for further details.*

Liquidity risk

Liquidity risk is the risk that Cardno will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, Cardno aims to maintain flexibility in funding by keeping sufficient committed credit lines available to meet Cardno's requirements.

The following are the contractual maturities of financial liabilities at the reporting date, including estimated interest payments and excluding the impact of netting agreements:

21. FINANCIAL RISKS CONTINUED

30 June 2020	Carrying amount $'000	Contractual cash flows $'000	Less than 1 year $'000	1 – 5 years $'000	Over 5 years $'000
Non-derivative financial liabilities					
Trade and other payables	122,645	122,645	122,645	-	-
Lease liabilities & hire purchase	115,905	138,253	32,593	79,362	26,298
Bank loans	58,326	62,890	1,663	61,227	-
	296,876	**323,788**	**156,901**	**140,589**	**26,298**
30 June 2019					
Non-derivative financial liabilities					
Trade and other payables	173,190	173,190	158,768	14,422	-
Finance leases & hire purchase	11,504	12,676	3,221	8,962	493
Bank loans	137,677	152,981	5,626	147,355	-
	322,371	**338,847**	**167,615**	**170,739**	**493**

Bank loans are revolving syndicated facilities, one of which is multi-currency, maturing in December 2021.

As at 30 June 2020 net debt was $0.6 million and the company was within its lending covenants. Funding available to the Group from undrawn facilities is $113.0 million, of which $42.0 million is available only for the purpose of making business acquisitions (2019: $89.8 million).

Foreign exchange risk

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the functional currency of the respective Group entities. Cardno operates internationally and is exposed to foreign exchange risk arising from the currency exposure to the Australian dollar.

Cardno does not engage in any transactions which are of a speculative nature.

Cardno borrows funds in foreign currencies to hedge its net investments in foreign operations. Cardno has loans totalling $44.5 million (2019: $75.3 million) denominated in US dollars (USD) which have been designated as hedges of Cardno's net investments in subsidiaries with functional currencies in those currencies.

As at 30 June 2020, a 10 per cent strengthening of the Australian dollar against the USD would have increased equity by $4.0 million (2019: $6.8 million). A 10 per cent weakening of the Australian dollar against the USD would have decreased equity by $4.9 million (2019: $8.4 million). There would be no impact on profit and loss as the loans are designated as net investment hedges.

Other than interest bearing liabilities, there are no other significant foreign currency exposures in relation to financial instruments at year end.

Hedge of net investments in foreign operations

The group's net investment in USD in Cardno USA Inc. on 30 June 2020 is US$112.5 million. Included in interest-bearing loans at 30 June 2020 were borrowings of US$30.5 million. The borrowings are designated as a hedge of the first US$30.5 million of the net investment in Cardno USA, Inc. The borrowings are being used to hedge the Group's exposure to the USD foreign exchange risk on these investments. Gains or losses on the revaluation of these borrowings are transferred to other comprehensive income to offset any gains or losses on revaluation of the net investments in the subsidiary.

There is an economic relationship between the hedged item and the hedging instrument as the net investment creates a translation risk that will match the foreign exchange risk on the USD borrowing. The Group has established a hedge ratio of 1:1 as the underlying risk of the hedging instrument is identical to the hedged risk component.

21. FINANCIAL RISKS CONTINUED

The hedge ineffectiveness will arise when the amount of the investment in the foreign subsidiary becomes lower than the amount of the borrowing.

The impact of the hedging instrument on the statement of financial position as at 30 June 2020 is as follows:

$'000	Notional amount	Carrying amount	Line item in the statement of financial position	Change in fair value used for measuring ineffectiveness for the period
Foreign currency denominated borrowing	30,514	30,514	Loans and borrowings	1,851

The impact of the hedged item on the statement of financial position as at 30 June 2020 is as follows:

$'000	Notional amount	Carrying amount	Line item in the statement of financial position	Change in fair value used for measuring ineffectiveness for the period
Net investment in Cardno USA, Inc.	30,514	30,514	Other financial assets	(1,851)

The hedging gain recognised in Other Comprehensive Income before tax is equal to the change in fair value used for measuring effectiveness. There is no ineffectiveness recognised in profit or loss.

Interest rate risk

Cardno manages its exposure to interest rate fluctuation by continuously monitoring its debt to ensure any significant movement would not have a material impact on the performance of Cardno. Cardno does not engage in any transactions which are of a speculative nature.

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

	2020		2019	
	Effective Interest Rate	Balance $'000	Effective Interest Rate	Balance $'000
Variable rate instruments				
Cash assets	0.02%	57,723	0.14%	55,544
Bank loans	3.84%	(58,326)	4.04%	(137,677)
		(603)		**(82,133)**
Fixed rate instruments				
Lease liabilities	4.31%	(115,905)	3.89%	(11,504)
		(115,905)		**(11,504)**

Group sensitivity

Cash flow sensitivity analysis for variable rate instruments

At 30 June 2020, if interest rates had changed by -/+ 50 basis points from the year-end rates with all other variables held constant, pre-tax profit for the year would have been $5,000 higher/lower (2019: $290,000 higher/lower), mainly as a result of lower/higher interest expense on variable term debt partially offset by higher/lower interest income from cash and cash equivalents. There have been no changes in the underlying assumptions from the previous year.

21. FINANCIAL RISKS CONTINUED

Capital management

Cardno's objectives when managing capital are to safeguard its ability to continue as a going concern, so that the Company can maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, Cardno may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

On 21 February 2019, the company announced the board had approved the implementation of an on-market share buyback of up to 10% of Cardno ordinary shares on issue commencing 8 March 2019. No shares were bought back during the year ending 30 June 2020, however the board will continue to evaluate the share buy-back program while it considers this an appropriate allocation of shareholder capital.

UNRECOGNISED ITEMS

22. COMMITMENTS

There are no significant leases that have been entered into by the Group for contracts that have not yet commenced as at 30 June 2020

The Group has no commitments relating to the acquisition of property, plant and equipment or intangible assets.

23. CONTINGENT LIABILITIES

Cardno had contingent liabilities at 30 June 2020 in respect of:

	2020 $'000	2019 $'000
Bank guarantees and insurance bonds	38,162	46,121

Cardno has bank guarantee and insurance bond facilities with financial institutions denominated in Australian dollars, United States dollars, New Zealand dollars and Euros. These facilities available to Cardno totalled A$46.5 million at 30 June 2020 (2019: A$71.6 million), the reduction being as a result of the demerger. The bank guarantee facilities are secured jointly and severally by the Company and a number of its wholly-owned subsidiaries.

Matters Relating to Cardno Caminosca S.A ("Caminosca")

In December 2015 a claim was filed and served on Caminosca in Ecuador alleging cost overruns relating to design and project management work performed by Caminosca during the period from 2008 to 2013. While the damages claimed would be material if awarded against Caminosca, the claim remains at the preliminary stages and the Company believes it is spurious in nature. Caminosca has filed an initial response and will defend the claim.

While this matter continues to be monitored and managed, there has been no material change in the matter.

In February 2015, the Group announced it was investigating a series of transactions involving Caminosca. While there remains the potential that a penalty or sanction could be imposed on Cardno, the company now considers this highly unlikely. The remaining Caminosca projects are in the process of completion and close out, after which the Caminosca entity will be closed or sold.

Other Matters

The company has previously advised that members of the Cardno Group were defendants in proceedings instituted in FY15 in relation to a large infrastructure project. The matter has now been settled and resolved.

Other than the above, the Directors are not aware of any current material litigation involving Cardno. The directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

Casual employees leave liability

Cardno employs approximately 10% of staff in Australia on a casual basis for which there are no leave provisions currently recognised. Cardno is undertaking a process to determine whether the May 2020 Federal Court ruling on casual employee leave applies, and if so a leave liability will be recognised for these employees under employee benefits in future periods.

24. SUBSEQUENT EVENTS

There has not arisen in the interval between the end of the 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 or the results of those operations.

There continues to be significant uncertainty relating to the future impacts of the pandemic, with a number of countries still experiencing high case numbers. There has been no significant impact of the pandemic on the Group's operations subsequent to 30 June 2020 but management are continuing to closely monitor the potential impacts on the Group.

OTHER INFORMATION

25. OTHER CURRENT ASSETS

	2020 $'000	2019 $'000
Prepayments	6,567	11,080
Project advances	1,028	2,229
Security deposits	1,198	1,633
	8,793	**14,942**

26. OTHER FINANCIAL ASSETS

	2020 $'000	2019 $'000
Investments in non-related entities	160	1,245
Lease receivable	1,543	-
	1,703	**1,245**

27. NOTES TO THE CASH FLOW STATEMENT

	2020 $'000	2019 $'000
Reconciliation of Net Cash from Operating Activities to Net profit for the year		
Net profit/(loss) for the year	**56,586**	**(44,490)**
Adjust for non-cash items		
Depreciation and amortisation	49,360	27,028
Impairment loss on goodwill	69,621	46,285
Gain on demerger of Intega Group Limited	(119,103)	-
Write off FCTR – discontinued and liquidated operations	(607)	-
Gain on sale of property, plant & equipment	(132)	(459)
Gain on sale of Structures business	(1,363)	-
Unrealised foreign exchange (gain)/loss	(571)	475
Share based remuneration	487	(461)
Adjust for changes in assets and liabilities:		
(Increase)/decrease in assets:		
Contract assets	(28,637)	(6,826)
Deferred tax assets	12,586	13,150
Trade receivables	33,825	21,466
Provision for doubtful debts	1,775	(19,253)
Other receivables	(2,920)	(360)
Prepayments	2,222	1,573

27. NOTES TO THE CASH FLOW STATEMENT CONTINUED

	2020 $'000	2019 $'000
Other assets	1,090	(304)
Increase/(decrease) in liabilities:		
Trade payables	133	13,555
Income tax payable	(6,394)	45
Employee provisions	4,352	3,311
Contract liabilities	3,942	(6,553)
Other liabilities	(1,769)	(851)
Deferred tax liabilities	(1,006)	(6,562)
	73,477	**40,769**

28. EARNINGS PER SHARE

The calculation of earnings per share was based on the following:

	2020 $'000	2019 $'000 Restated
(a) Earnings per share – continuing operations		
Basic earnings per share for continuing operations		
Basic profit/(loss) from continuing operations attributable to ordinary shareholders	**(67,078)**	**(40,644)**
Weighted average number of ordinary shares	**No.**	**No.**
Issued ordinary shares at 1 July	444,269,564	464,381,508
Effect of share buy-back	-	(9,485,821)
Effect of shares issued during the year	954,506	-
Weighted average number of ordinary shares at 30 June	**445,224,070**	**454,895,687**
	Cents	**Cents**
Basic earnings/(loss) per share (cents per share) from continuing operations	**(15.07)**	**(8.93)**
Diluted earnings per share – continuing operations		
Profit/(loss) from continuing operations attributable to ordinary shareholders (diluted)	**(67,078)**	**(40,644)**
Weighted average number of ordinary shares (diluted)		**No.**
Issued ordinary shares at 1 July	444,269,564	464,381,508
Effect of Performance Options and Performance Rights on issue	-	-
Effect of share buy-back	-	(9,485,821)
Effect of shares issued during the year	954,506	-
Weighted average number of ordinary shares (diluted) at 30 June	**445,224,070**	**454,895,687**
Diluted earnings/(loss) per share (cents per share) from continuing operations	**(15.07)**	**(8.93)**

28. EARNINGS PER SHARE CONTINUED

	2020 $'000	2019 $'000 Restated
(b) Earnings per share		
Basic earnings per share		
Basic profit/(loss) attributable to ordinary shareholders	**56,586**	**(44,490)**
Weighted average number of ordinary shares		**No.**
Issued ordinary shares at 1 July	444,269,564	464,381,508
Effect of share buy-back	-	(9,485,821)
Effect of shares issued during the year	954,506	-
Weighted average number of ordinary shares at 30 June	**445,224,070**	**454,895,687**
Basic earnings/(loss) per share (cents per share)	**12.71**	**(9.78)**
Diluted earnings per share		
Profit attributable to ordinary shareholders (diluted)	**56,586**	**(44,490)**
Weighted average number of ordinary shares (diluted)		**No.**
Issued ordinary shares at 1 July	444,269,564	464,381,508
Effect of Performance Options and Performance Rights on issue	-	-
Effect of share buy-back	-	(9,485,821)
Effect of shares issued during the year	954,506	-
Weighted average number of ordinary shares (diluted) at 30 June	**445,244,070**	**454,895,687**
Diluted earnings per share (cents per share)	**12.71**	**(9.78)**

Performance Options and Performance Rights are considered to be potential ordinary shares and are therefore excluded from the weighted average number of ordinary shares used in the calculation of basic earnings per share. Where dilutive, potential ordinary shares are included in the calculation of diluted earnings per share.

Cardno presents basic and diluted 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 share Performance Options and Performance Rights granted to employees.

29. RELATED PARTY DISCLOSURES

Key management personnel

Key management personnel compensation included in employee benefits are as follows:

	2020 $	2019 $
Short-term employee benefits	2,608,406	2,829,792
Post-employment benefits	81,628	59,435
Equity compensation benefits	(331,918)	733,645
Termination benefits	458,853	-
	2,816,969	**3,622,872**

No Director has entered into a material contract with the Company or the consolidated entity since the end of the previous financial year and there were no material contracts involving Directors' interests existing at year-end.

Two of Cardno's Non-Executive Directors (Messrs Alscher and Thompson) are Partners at Crescent Capital Partners, Cardno's largest shareholder. Invoices are issued by Crescent Capital monthly for their Non-Executive Director fees. See section C of the Remuneration Report for further details.

Intega Group Limited (Intega) is considered a related party due to the common control held by Crescent Capital Investments in both companies. Cardno and Intega also share some common Non-Executive Directors, namely Messrs Alscher, Forbes and Sherman.

During the year, the Company transacted with Intega through the provision of services under the demerger Transitional Services Agreement (TSA). In return for these services, Cardno issued monthly transitional services fee invoices from the date of demerger to 30 June 2020, which were cash settled by Intega.

The TSA income recognised of $10,425,480 is shown in Other Income on the Company's Statement of Financial Performance. Invoices totalling $2,811,263 were unpaid (but not overdue) by Intega as at 30 June 2020. Costs are invoiced with no mark up at the end of the month in which they are incurred and payment terms are 60 days from date of invoice.

During the year, the Company paid $92,800 to Crescent Capital Partners (CCP) for the services of a CCP staff member to perform the role of Cardno's Acting Asia Pacific CFO and $30,804 in relation to legal services.

Other key management personnel transactions with the Company or its controlled entities

A number of key management persons, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

None of these entities transacted with the Company or its subsidiaries in the reporting period.

30. CONTROLLED ENTITIES

Cardno's significant subsidiaries are listed below. As part of ongoing efforts to streamline the group, a number of dormant subsidiaries were dissolved or closed and a number of subsidiaries were transferred to the Intega Group at time of demerger.

Name	Country of Incorporation	Equity Holding 2020	Equity Holding 2019
Cardno Holdings Pty Ltd	Australia	100%	100%
Cardno (Qld) Pty Ltd	Australia	100%	100%
Cardno Staff Pty Ltd	Australia	100%	100%
Cardno Staff No. 2 Pty Ltd	Australia	100%	100%
Cardno Operations Pty Ltd	Australia	100%	100%
Cardno International Pty Ltd	Australia	100%	100%
Cardno (WA) Pty Ltd	Australia	100%	100%
Cardno (NSW/ACT) Pty Ltd	Australia	100%	100%
Cardno Willing Pty Ltd	Australia	100%	100%
Cardno Victoria Pty Ltd	Australia	100%	100%
Cardno Emerging Markets (Australia) Pty Ltd	Australia	100%	100%
Cardno UK Limited	United Kingdom	100%	100%
Cardno Emerging Markets (UK) Limited	United Kingdom	100%	100%
Cardno Emerging Markets (East Africa) Limited	Kenya	100%	100%
Cardno (NZ) Limited	New Zealand	100%	100%
Cardno Holdings New Zealand Limited	New Zealand	100%	100%
Cardno USA, Inc.	United States of America	100%	100%
Cardno, Inc.	United States of America	100%	100%
Cardno Emerging Markets Belgium s.a.	Belgium	100%	100%
Cardno (NT) Pty Ltd	Australia	100%	100%
Cardno (PNG) Ltd	Papua New Guinea	100%	100%
ENTRIX Americas, SA	Ecuador	100%	100%
Cardno BEC (Qld) Pty Ltd	Australia	100%	100%
Cardno Entrix (Colombia) S.A.S.	Colombia	100%	100%

30. CONTROLLED ENTITIES CONTINUED

Name	Country of Incorporation	Equity Holding 2020	Equity Holding 2019
Cardno Emerging Markets (USA), Ltd	United States of America	100%	100%
Cardno Humphrey Reynolds Perkins Pty Ltd	Australia	100%	100%
Cardno GS, Inc.	United States of America	100%	100%
Cardno BTO Limited	New Zealand	100%	100%
Cardno Hard & Forester Pty Ltd	Australia	100%	100%
Cardno ChemRisk, LLC	United States of America	100%	100%
Caminosca S.A.S	South America	100%	100%
Cardno South Africa (Pty) Ltd	South Africa	100%	100%
Cardno Emerging Markets (Rwanda) Limited	Rwanda	100%	100%
Cardno Mozambique LDA	Mozambique	100%	100%
I.T. Transport Limited	United Kingdom	100%	100%
ES NY Engineering P.A	United States of America	100%	100%
TGM Group Pty Ltd	Australia	100%	100%
David Douglas Associates Inc	United States of America	100%	100%
Cardno International Development – SMC Ltd	Uganda	100%	100%
Cardno Canada Holdings Limited	Canada	100%	100%
Cardno S&E Limited	Canada	100%	100%

31. PARENT ENTITY DISCLOSURES

As at, and throughout, the financial year ending 30 June 2020 the parent Company of Cardno was Cardno Limited.

	Company	
	2020 $'000	**2019 $'000**
Results of the parent entity		
Profit for the year – continuing operations	30,239	17,153
Profit for the year – discontinued operations	120,213	-
Total comprehensive income for the year	150,452	17,153
Financial position of the parent entity at year end		
Current assets	112,592	120,809
Total assets	289,880	384,344
Current liabilities	138	65,333
Total liabilities	503	65,433
Total equity of the parent entity comprising of:		
Share capital	390,682	782,214
Demerger reserve	151,320	-
Retained earnings	(252,625)	(463,303)
Total equity[1]	**289,377**	**318,911**

1 Equity balances have been impacted by the demerger of Intega. See Note 3.

Parent entity contingencies

Bank guarantees	10,172	27,825

Bank guarantee facilities are available to Cardno totalling $23.3 million (2019: $45.7 million), the reduction being as a result of the demerger. These facilities are secured jointly and severally by the Company and a number of its wholly-owned subsidiaries.

The directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

Parent entity guarantees in respect of debts of its subsidiaries

The parent entity has entered into a Deed of Cross Guarantee with the effect that the Company guarantees debts in respect of its subsidiaries.

Further details of the Deed of Cross Guarantee and the subsidiaries subject to the deed, are disclosed below in Note 32.

32. DEED OF CROSS GUARANTEE

Pursuant to *ASIC Corporations (Wholly owned Companies) Instrument 2016/785*, the wholly-owned subsidiaries listed below are relieved from the *Corporations Act 2001* requirements for preparation, audit and lodgement of financial reports, and Directors' reports. It is a condition of the Legislative Instrument that the Company and each of the subsidiaries enter into a Deed of Cross Guarantee. The effect of the Deed is that the Company guarantees to each creditor payment in full for any debt in the event of winding up of any of the subsidiaries under certain provisions of the *Corporations Act 2001*. If a winding up occurs under other 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 subsidiaries have also given similar guarantees in the event that the Company is wound up.

The subsidiaries subject to the Deed are:

- Cardno Holdings Pty Ltd
- Cardno (Qld) Pty Ltd
- Cardno Staff Pty Ltd
- Cardno Emerging Markets (Australia) Pty Ltd
- Cardno (NSW/ACT) Pty Ltd

A consolidated statement of comprehensive income and consolidated statement of financial position, comprising the Company and controlled entities which are a party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, for the year ended 30 June 2020 is set out as follows:

Statement of comprehensive income and retained earnings	**2020 $'000**	**2019 $'000 Restated**
Revenue	**412,574**	**406,180**
Employee expenses	(160,106)	(167,211)
Consumables and materials used	(173,687)	(164,186)
Sub-consultant and contractor costs	(88,026)	(90,530)
Depreciation and amortisation expenses	(2,652)	(3,760)
Gain on investment	-	563
Finance costs	(6,848)	(7,752)
Other expenses	(380)	(9,692)
Loss before income tax from continuing operations	(19,125)	(36,388)
Income tax (expense)/benefit	12,507	11,198
Net loss for the year from continuing operations	**(6,618)**	**(25,190)**
Net profit for the year from discontinued operations	**138,628**	**50,545**
Other comprehensive income for the year	-	-
Total comprehensive income for the year	**132,010**	**25,355**
Retained losses at the beginning of the year	(406,414)	(431,769)
Remove Cardno Bowler Pty Ltd from Deed on demerge of Intega	(81,535)	-
Transfers to and from reserves	-	-
Retained earnings at the end of the year	**(355,939)**	**(406,414)**
Attributable to:		
Owners of the Company	**(355,939)**	**(406,414)**

32. DEED OF CROSS GUARANTEE CONTINUED

Statement of financial position	2020 $'000	2019 $'000
CURRENT ASSETS		
Cash and cash equivalents	10,374	11,115
Trade and other receivables	602,733	526,858
Contract assets	9,184	7,643
Work in progress	-	50
Current tax receivables	10,885	2,520
Other current assets	4,405	7,086
TOTAL CURRENT ASSETS	**637,581**	**555,272**
NON-CURRENT ASSETS		
Investments	248,410	399,358
Property, plant and equipment	3,289	20,374
Deferred tax assets	36,974	43,976
Intangible assets	37,208	57,031
TOTAL NON-CURRENT ASSETS	**325,881**	**520,739**
TOTAL ASSETS	**963,462**	**1,076,011**
CURRENT LIABILITIES		
Trade and other payables	637,641	473,140
Loans and borrowings	-	1,457
Short term provisions	19,545	16,891
Contract liabilities	5,444	3,495
TOTAL CURRENT LIABILITIES	**662,630**	**494,983**
NON-CURRENT LIABILITIES		
Interest-bearing loans and borrowings	58,326	144,724
Deferred tax liabilities	856	3,910
Employee benefits	3,051	3,010
TOTAL NON-CURRENT LIABILITIES	**62,233**	**151,644**
TOTAL LIABILITIES	**724,863**	**646,627**
NET ASSETS	**238,599**	**429,384**
EQUITY		
Issued capital	390,682	782,213
Reserves	52,536	53,585
Demerger reserve	151,320	-
Retained earnings	(355,939)	(406,414)
TOTAL EQUITY	**238,599**	**429,384**

33. AUDITOR'S REMUNERATION

	2020 $	2019* $
Audit and review services		
Auditors of the Company – KPMG Australia:		
> Audit and review of financial reports - Group	513,200	821,400
> Audit and review of financial statements – Controlled entities	57,164	177,199
> Audit of historical financial information (de-merger project)	-	205,000
Total audit and review services	**570,364**	**1,203,599**
Assurance services		
Auditors of the Company – KPMG Australia:		
> Assurance services provided (de-merger project)	-	475,000
> Other assurance services	5,000	-
Total assurance services	**5,000**	**475,000**
Other services		
Auditors of the Company – KPMG Australia:		
> Sustainability services	-	71,880
> Other services	21,975	-
> Taxation advice and tax compliance services	17,740	36,090
Total other services	**39,715**	**107,970**

***** *Comparative information has been restated. Amounts have been disaggregated further to provide consistent reporting of audit and non-audit fee information with the current year*

34. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Cardno Limited (the "Company") is a company incorporated and domiciled in Australia. The consolidated financial report of the Company for the year ended 30 June 2020 encompasses the Company and its subsidiaries (together referred to as "Cardno" or the "Group").

Cardno is a for-profit entity that operates as a professional infrastructure and environmental services company, with expertise in the development and improvement of physical and social infrastructure for communities around the world.

The financial report was authorised for issue by the Board of Directors on 26 August 2020.

(a) Statement of compliance

The consolidated financial statements are general purpose financial statements which has been prepared in accordance with Australian Accounting Standards adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The financial statements of the consolidated entity also comply with International Financial Reporting Standards (IFRSs) adopted by the International Accounting Standards Board (IASB).

The Group is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 dated 24 March 2016 and in accordance with that instrument, amounts in the consolidated financial statements have been rounded to the nearest thousand dollars, unless otherwise stated.

34. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(b) Basis of Preparation

The financial report has been prepared on a historical cost basis except where otherwise noted.

The consolidated financial statements are presented in Australian dollars, which is the Company's functional currency.

Standards and Interpretations Affecting Amounts Reported in the Current Period

The Group has initially adopted AASB 16 *Leases* from 1 July 2019 with the impact outlined below.

A number of other new standards are effective from 1 July 2019 but they do not have a material effect on the Group's financial statements.

AASB 16 Leases

AASB 16 *Leases* supersedes AASB 117 *Leases*, AASB Interpretation 4 *Determining whether an Arrangement contains a Lease*, UIG Interpretation 15 *Operating Leases-Incentives* and AASB Interpretation 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

The Group adopted AASB 16 using the modified retrospective method of adoption with the date of initial application of 1 July 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying AASB 117 and AASB Interpretation 4 at the date of initial application. Accordingly, the comparative information presented for 2019 has not been restated – i.e. it is presented, as previously reported, under AASB 117 and related interpretations.

The Group also applied the following available practical expedients:

- Used a single discount rate for a portfolio of leases with reasonably similar characteristics;
- Relied on its assessment of whether leases are onerous immediately before the date of initial application;
- Applied the short-term leases exemptions to leases with lease terms ending within 12 months from the date of initial application;
- Did not recognise right-of-use assets and liabilities for leases of low value assets
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The impact on transition to AASB 16 as at 1 July 2019 (increase/(decrease)) is as follows:

	$'000
Assets	
Right-of-use assets	150,837
Deferred tax assets	44,088
Other financial assets	377
Prepayments	(271)
Total assets	**195,031**
Liabilities	
Interest bearing loans and borrowings	164,913
Deferred tax liabilities	41,911
Trade and other payables	(5,644)
Total liabilities	**201,180**
Total adjustments on equity:	
Retained earnings	**6,149**

34. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

AASB 16 Leases (continued)

Nature of the effect of adoption of AASB 16

The Group has lease contracts for various items of property, vehicles, office and other equipment. Before the adoption of AASB 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognised as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under prepayments and trade and other payables, respectively. Upon adoption of AASB 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which have been applied by the Group as follows:

Leases previously classified as finance leases

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e. the right-of-use assets and lease liabilities are equal to the finance lease assets and liabilities recognised under AASB 117). The requirements of AASB 16 were applied to these leases from 1 July 2019.

Leases previously accounted for as operating leases

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rates at the date of initial application. In some leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The weighted average incremental borrowing rate applied to the lease liabilities recognised at date of initial application was 4.31%.

The lease liabilities as at 1 July 2019 can be reconciled to the operating lease commitments as of 30 June 2019 as follows:

	$'000
Operating lease commitments as at 30 June 2019	**181,183**
Discounting impact using the incremental borrowing rate as at 1 July 2019	(20,710)
Discounted operating lease commitments at 1 July 2019	**160,473**
Less:	
Commitments relating to short-term leases and low-value assets	(2,950)
Commitments relating to outgoings and similar service costs	(2,057)
Add:	
Reassessment of lease term and lease payments	9,447
Lease liability to recognise as at 1 July 2019	**164,913**
Commitments relating to leases previously classified as finance leases	11,504
Lease liabilities as at 1 July 2019	**176,417**

34. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Summary of new accounting policies

Set out below are the new accounting policies of the Group upon adoption of AASB 16, which have been applied from the date of initial application:

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain of obtaining ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. In accordance with Cardno's accounting policies, the Group performs its impairment testing annually or more frequently if required.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expenses in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the Group's assessment of whether it will purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expenses on a straight-line basis over the lease terms.

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional terms. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g. a change in business strategy).

34. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Summary of new accounting policies

AASB Interpretation 23 *Uncertainty over Income Tax Treatments*, and relevant amending standards

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of AASB 112 Income Taxes. It does not apply to taxes or levies outside the scope of AASB 112, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

> Whether an entity considers uncertain tax treatments separately;
> The assumptions an entity makes about the examination of tax treatments by taxation authorities;
> How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
> How an entity considers changes in facts and circumstances.

The Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

The Group applies significant judgement in identifying uncertainties over income tax treatments. Since the Group operates in a complex multinational environment, it assessed whether the Interpretation had an impact on its consolidated financial statements.

Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax positions, particularly with respect to the restructure of loans and the write off of royalty and management fee debts in FY17. The Group determined that it is probable that its tax treatments will be accepted by the taxation authorities. The Interpretation did not have an impact on the consolidated financial statements of the Group.

(c) Basis of Consolidation

Subsidiaries

Subsidiaries are entities controlled by Cardno. Control exists when the Company is exposed to, or has rights to, variable returns from its involvement with an entity and has the ability to affect those returns through its power over the entity. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by Cardno.

A list of the significant subsidiaries is contained in Note 30 to the financial statements. All controlled entities have a June financial year-end.

Transactions eliminated on consolidation

Intra-group balances and transactions, unrealised gains and losses and inter-entity balances resulting from transactions with or between controlled entities are eliminated in full on consolidation.

34. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(d) Foreign Currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the foreign exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the translation of available-for-sale equity instruments, a financial liability designated as a hedge of the net investment in a foreign operation, (see (ii) below) or qualifying cash flow hedges, which are recognised in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Australian dollars at exchange rates at the reporting date. The revenue and expenses of foreign operations are translated to Australian dollars at rates approximating the foreign exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income in the foreign currency translation reserve (FCTR). When a foreign operation is disposed of, in part or in full, the relevant amount in the FCTR is transferred to profit or loss.

Foreign exchange gains and losses arising from a monetary item receivable from 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 are recognised in other comprehensive income and are presented within equity in the FCTR.

(e) Income Tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting or taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current 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 current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised 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.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

34. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(f) Intangible Assets

Business combinations and goodwill

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to Cardno.

Cardno measures goodwill at the acquisition date as:

> the fair value of the consideration transferred; plus

> the recognised amount of any non-controlling interests in the acquiree; plus, if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less

> the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that Cardno incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

Business combinations and goodwill continued

When share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

Works contracts, software intangibles and customer relationships

Works contracts, software intangibles and customer relationships are acquired by Cardno and are stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated based on the timing of projected cash flows of the contracts over their estimated useful lives, which currently vary from 1 to 7 years.

Patents and trademarks

Patents and trademarks acquired by Cardno are considered to have indefinite useful lives and are stated at cost less any impairment losses. Patents and trademarks are not amortised but tested for impairment annually.

Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation

Amortisation is calculated over the cost of the asset, or other amount substituted for cost, less its residual value.

Amortisation is charged to the profit and loss on a systematic basis over the estimated useful lives of intangible assets unless such lives are indefinite. Goodwill and intangible assets with an indefinite life are not amortised but are systematically tested for impairment each year at the same time. Works contracts which are assigned a value are amortised over the life of the contract from the date they are available for use.

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

34. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(g) Impairment

Non-financial assets

The carrying amount of Cardno's assets, other than work in progress and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, an impairment test is performed. Cardno performs impairment testing of goodwill and intangibles with indefinite useful lives annually.

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the profit and loss unless the asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through the profit and loss.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

Calculation of recoverable amount

The recoverable amount of Cardno's receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

The recoverable amount of other 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 post-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.

Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

Reversals of impairment

An impairment loss in respect of receivables carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of goodwill is not reversed.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates 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.

Financial assets

Trade receivables and contract assets

The Group recognises loss allowances for Expected Credit Losses (ECLs) on financial assets measured at amortised cost and contract assets. The Group has elected to measure its loss allowances for trade receivables and contract assets at amounts equal to lifetime ECLs. The ECLs are a probability weighted estimate calculated based on debtors ageing, actual credit loss experience over the past three years and future economic conditions. The Group's trade receivables and contract assets are segmented based on common credit risk characteristics such as customer type, geographical location of the customer and ageing of the financial asset.

Contract assets held by the Group relate to work in progress which has not yet been billed and as such the average ECL percentage applied is equivalent to the current (not past due).

34. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(h) Employee Benefits

Wages, salaries and annual leave

Liabilities for employee benefits for wages, salaries and annual leave expected to be settled within 12 months of the period end represent present obligations resulting from employees' services provided to reporting date, calculated at undiscounted amounts based on remuneration wage and salary rates that Cardno expects to pay as at reporting date including related on-costs.

Long-term service benefits

The provisions for employee entitlements to long service leave and other deferred employee benefits represent the present value of the estimated future cash outflows to be made by the employer resulting from employees' services provided up to the balance date and include related on-costs. In determining the liability for long service leave, consideration has been given to future increases in wage and salary rates, and the consolidated entity's experience with staff departures.

Liabilities for employee entitlements which are not expected to be settled within 12 months are discounted using the rates attached to corporate bonds at balance date, which most closely match the terms of maturity of the related liabilities.

Defined contribution 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. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that are due more than 12 months after the end of the period in which the employees render the service are discounted to their present value.

Share-based payment transactions

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 for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

(i) Reserves

Foreign Currency Translation Reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign Group entities where their functional currency is different to the presentation currency of the reporting entity as well as from the translation of liabilities that offset the Company's net investment in a foreign subsidiary.

Reserve for Own Shares

The reserve for the Company's own shares comprises the cost of the Company's shares held by the Group. The shares are held in trust by the Cardno Limited Performance Equity Plan Trust which has been formed solely for the purpose of subscribing for, acquiring and holding shares for the benefit of employees participating in the Performance Equity Plan (PEP) of Cardno Limited and its associate's employees. At 30 June 2020 the Group held 357,716 of the Company's shares (2019: 357,716).

Demerger reserve

The demerger reserve is used to recognise the gain on demerger of Intega Group Limited.

Directors' Declaration

Cardno Limited and its Controlled Entities for the year ended 30 June 2020

1. In the opinion of the Directors of Cardno Limited (the Company):

   (a) the consolidated financial statements and notes set out on pages 32 to 94 and the Remuneration Report of the Directors' Report, set out on pages 17 to 29, are in accordance with the Corporations Act 2001, including:

      (i) giving a true and fair view of the Group's financial position as at 30 June 2020 and of its performance for the financial year ended on that date; and

      (ii) complying with Australian Accounting Standards 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.

2. There are reasonable grounds to believe that the Company and Cardno entities identified in Note 32 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*.

3. 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 2020

4. The Directors draw attention to Note 34 to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Dated at Brisbane on the 26 day of August 2020.

Signed in accordance with a resolution of the Directors.

MICHAEL ALSCHER
Chairman

Independent Auditor's Report

To the shareholders of Cardno Limited

Report on the audit of the Financial Report

Opinion

We have audited the ***Financial Report*** of Cardno 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 2020 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 statement of financial position as at 30 June 2020;
- consolidated statement of financial performance, consolidated statement of other comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the year then ended;
- 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 the Code.

Key Audit Matters

The ***Key Audit Matters*** we identified are:

- valuation of goodwill and intangible assets;
- revenue recognition – professional services revenue;
- recoverability of deferred tax assets relating to tax losses; and
- Accounting for the demerger of Intega Group Limited.

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.

These matters were 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 these matters.

KPMG

Valuation of goodwill and intangible assets ($182.5m)	
Refer to Note 13 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 testing of goodwill and intangible assets for impairment, given the size of the balance being 27% of total assets and an impairment loss of $69.6m recognised for the APAC Cash Generating Unit (CGU) during the year. We focused on the significant forward-looking assumptions the Group applied in their value in use models and the determination of the impairment loss, including: • forecast cash flows (EBITDA margins and terminal growth rates) – parts of the Group have experienced competitive market conditions and lower utilisation, particularly in APAC, with a decline in major project wins and a lower level of work across many specialist areas. This resulted in the impairment of the APAC CGU during the year. The conditions and uncertainties associated with the economic impacts arising from COVID-19 increase the risk of inaccurate forecasts or a wider range of possible outcomes for us to consider. This requires additional audit effort specific to the feasibility of key assumptions and consistency of application to the Group's strategy. The Group's modelling is sensitive to changes in the EBITDA margin; and • discount rates – these are judgemental in nature and vary according to the conditions and environment each specific CGU is subject to from time to time, and economic and forecasting uncertainty as a result of COVID-19. The Group's modelling is sensitive to changes in the discount rate. We involved our valuation specialists and senior audit team members in assessing this key audit matter.	Working with our valuation specialists, our procedures included: • considering the appropriateness of the value in use models used in the annual test of goodwill and intangible assets for impairment against the requirements of the accounting standards; • assessing the integrity of the value in use models used, including the accuracy of the underlying calculation formulas; • comparing the forecast cash flows contained in the value in use models to the Board approved budgets; • assessing the accuracy of the previous Group budgets to inform our evaluation of forecasts incorporated in the models. We noted previous trends where challenging market conditions existed and how they impacted the business, for use in further testing; • considering the sensitivity of the models by varying key assumptions (forecast EBITDA margins, terminal growth rates and discount rates), within a reasonably possible range, to identify those CGUs at a higher risk of impairment and to focus our audit procedures; challenging the Group's significant forecast cash flows including EBITDA margin assumptions in light of the expected continuation of competitive market conditions, within APAC in particular, and market uncertainties associated with COVID-19. We compared forecast margins to recent performance and to published information for comparable companies to inform our assessment. We used our knowledge of the Group, their past performance, business and customers, and our industry experience; • we independently developed a discount rate range using publically available market data for comparable entities, adjusted by risk factors specific to the Group and the industry it operates in; • recalculating the impairment charge recognised in the APAC CGU during the year; and • assessing the disclosures in the financial report using our understanding obtained from our testing and against the requirements of the accounting standards.

Revenue recognition – professional services revenue ($677.1m)	
Refer to Note 4 in the Financial Report	
The key audit matter	**How the matter was addressed in our audit**
The Group's policy is to account for revenue earned from professional services over time as the services are delivered. Revenue recognised which remains unbilled at year end is recorded as a contract asset. The recognition of professional services revenue is a key audit matter due to the audit effort involved to assess the appropriateness of the revenue recognised near year end. 69% of the Group's revenue relates to professional services revenue. The features of the Group's revenue recognition process driving our audit effort include: • The large volume of projects which remain in-progress at year end; • The variability in contractual terms of these arrangements; and • The judgements required by management to ensure contract asset balances at year end, and revenue recognised near year-end, reflect the effort incurred or estimates of the measure of progress in delivering services which is recoverable from customers.	Our procedures included: • Considering the appropriateness of the Group's accounting policies against the requirements of AASB 15 *Revenue from Contracts with Customers* and our understanding of the business; • For a sample of contracts we: - compared the relevant features of the underlying professional services contracts to the criteria in the accounting standard and against identified performance obligations; - inspected the key terms in the contract with the customer including pricing, deliverables, project commencement and end dates and contract type for consistency with the approach to recognising revenue; - conducted inquiries with the relevant project managers regarding the progress of the contract against key milestones in the contract, write ons/offs, progress against budget, and comparison of effort to recognised revenue; and - challenged the judgements applied by management in recognising contract assets at year end in relation to unapproved variations to the original contract with the customer; • Assessing contract assets remaining unbilled at year end by selecting a sample and checking that revenue was recognised to the extent that time and materials had been incurred prior to 30 June 2020 with reference to contracts, timesheets or invoices; and • Challenging the judgements applied by management in estimating the provision for contract assets at year end which are not considered to be recoverable from the customer.

Recoverability of deferred tax assets relating to tax losses ($40.8m)	
Refer to Note 8 in the Financial Report	
The key audit matter	**How the matter was addressed in our audit**
The recoverability of Deferred Tax Assets (DTA) relating to historical tax losses is dependent on the ability of the Group to generate sufficient taxable income in the future, to which the historical tax losses can be applied. This is a key audit matter due to: • the high level of judgement required by us in evaluating the Group's assessment of the probability sufficient taxable income will be generated in the future; and • the judgement required by us in evaluating the Group's interpretation of tax legislation and the application of accounting requirements, particularly in Australia and the United States of America. These factors increase the risk associated with accurately forecasting future taxable income and create complexity in our work on the recoverability of the DTA. We involved our tax specialists and senior audit team members in assessing this key audit matter.	Working with our tax specialists, our procedures included: • comparing the forecasts included in the Group's estimate of future taxable income used in the DTA recoverability assessment to the Board approved budget and assumptions used in the Group's assessment of the valuation of goodwill and intangible assets for consistency. Our approach to testing these forecasts was consistent with the approach detailed above in relation to the valuation of goodwill and intangible assets; • comparing taxable profit to historical trends and performance to inform our evaluation of the current taxable profit forecasts; • involving our tax specialists from the relevant jurisdictions to assess the tax loss availability, utilisation expiry dates and annual utilisation allowances for consistency with local practice, regulatory parameters and legislation; and • understanding the timing of future taxable profits and considering the consistency of the timeframes of expected recovery to our knowledge of the business and its plans. We placed increased scepticism where there was a longer timeframe of expected recovery.

Accounting for the demerger Intega Group Limited	
Refer to Note 3 in the Financial Report	
The key audit matter	**How the matter was addressed in our audit**
Cardno's Quality, Testing and Measurement businesses were demerged from the Group on 31 October 2019 to form Intega Group Limited. As disclosed in Note 3 *Discontinued Operations* to the financial statements, Cardno has recognised a $119.1 million gain on the demerger. This is a key audit matter due to the financial impact of the transaction and estimates and judgements associated with the demerger including the calculation of the fair value of Intega Group Limited on demerger and the separation of assets and liabilities. We involved our tax specialists and senior audit team members in assessing this key audit matter.	Our procedures included: • obtaining and reading the key documents associated with the demerger to identify terms relevant to the calculation of the gain on demerger; • assessing the key inputs used to calculate the gain on demerger, being the fair value of the Intega Group at the date of settlement and the book value of the Intega Group Limited net assets at demerger date; • assessing whether Cardno accurately identified the assets and liabilities to be derecognised at the demerger date including assets and liabilities held in separate legal entities and those carved out of remaining Cardno legal entities;

	• assessing whether the operating result at the point of demerger was correctly calculated and presented within discontinued operations; • our tax specialists considered the tax impacts of the demerger, including consideration of external advice and private tax rulings obtained by the Group; and • assessing the disclosures in the financial report in accordance with the requirements of the Australian Accounting Standards.

Other information

Other Information is financial and non-financial information in Cardno 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.

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

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

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

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

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

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

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

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

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

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

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Cardno Limited for the year ended 30 June 2020, 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 17 to 29 of the Directors' Report for the year ended 30 June 2020.

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

KPMG

KPMG

Simon Crane
Partner

Brisbane
26 August 2020

Additional Shareholder Information

DISTRIBUTION OF ORDINARY SHAREHOLDERS

The number of shareholders, by size of holding, as at 31 July 2020 were:

	Ordinary Shares	
	Number of	**Number of Shares**
1 – 1,000	6,286	1,723,573
1,001 – 5,000	1,630	3,942,616
5,001 – 10,000	510	3,815,555
10,001 – 100,000	836	23,811,675
100,001 – and over	128	413,724,432
Total	**9,390**	**447,017,851**

As at 31 July 2020 there were 6,776 shareholders who held less than a marketable parcel of 2,344,646 shares.

TWENTY LARGEST ORDINARY SHAREHOLDERS

The names of the twenty largest holders as at 31 July 2020 were:

	Listed Ordinary Shares Number	
	Held	**Percentage**
CRESCENT CAPITAL INVESTMENTS	217,946,359	48.76
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	85,357,777	19.09
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	48,188,696	10.78
CITICORP NOMINEES PTY LIMITED	22,051,781	4.93
NATIONAL NOMINEES LIMITED	5,517,721	1.23
HALJAN MANAGEMENT LP	1,686,192	0.38
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	1,575,162	0.35
GEE SUPER PTY LTD <GEE SUPERANNUATION FUND A/C>	1,568,411	0.35
ANNE FELICITY PHILLIPS	1,101,378	0.25
BNP PARIBAS NOMS PTY LTD <DRP>	853,365	0.19
LUTON PTY LTD	792,412	0.18
PEDERICK ENTERPRISES PTY LTD <PEDERICK SUPER FUND A/C>	762,736	0.17
CS THIRD NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 13 A/C>	749,680	0.17
TREVOR JOHNSON	687,779	0.15
TAMBLYN INVESTMENTS PTY LTD	650,000	0.15
FOUR G'S HOLDINGS PTY LTD <THE GARDINER FAMILY A/C>	600,000	0.13
MISS ZHAOCHU YUAN	583,900	0.13
MR RICHARD FRANCIS WOODS + MRS THERESE WOODS <R & T WOODS SUPER FUND A/C>	497,928	0.11
STONETALON HOLDING LP	487,194	0.11
ASLAN EQUITIES PTY LTD <ASLAN EQUITIES A/C>	473,393	0.11
Total	**392,131,864**	**87.72**

Additional Shareholder Information

SUBSTANTIAL SHAREHOLDERS

The names of substantial shareholders who have notified the company in accordance with section 671B of the Corporations Act 2001 are:

	Number Held	Percentage
Crescent Capital Investments	228,891,883	51.20%
Viburnum Funds Pty Ltd	26,942,910	6.03%

VOTING RIGHTS

All ordinary shares (whether fully paid or not) carry one vote per share without restriction.

ESCROWED SHARES

There are currently no shares held in escrow.

RIGHTS

As at 31 July 2020 the details of Performance Rights on issue are as follows:

Number of Rights Holders	Number of Rights on Issue
8	2,047,863

VOTING RIGHTS OF RIGHTS

The ordinary shares issued on exercise of the rights will rank equally with all other ordinary shares.

BOARD OF DIRECTORS

Chairman

Michael Alscher

Directors

Steve Sherman
Jeffrey Forbes
Nathanial Thomson
Rebecca Ranich

Chief Executive Officer

Susan Reisbord

Chief Financial Officer

Peter Barker

Company Secretaries

Peter Barker
Cherie O'Riordan

REGISTERED OFFICE

Cardno Limited
ABN 70 108 112 303

Level 11, North Tower
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QLD 4006 Australia

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www.cardno.com

SHARE REGISTRY

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+61 3 9415 4000 (outside Australia)

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BANKERS

HSBC

Investec

National Australia Bank Limited

Registered office

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