Cardno®

HY21 INTERIM FINANCIAL REPORT

for the half-year ended
31 December 2020

Making a difference.

Cardno Limited
ABN 70 108 112 303
and its controlled entities

Financial Report

for the half-year ended 31 December 2020

CONTENTS

Directors' Report

The directors present their report together with the consolidated financial report of Cardno Limited ("the Company") and its controlled entities for the half-year ended 31 December 2020 and the auditor's review report thereon.

DIRECTORS

The directors of the Company in office during or since the end of the half-year ended 31 December 2020 are set out below:

Michael Alscher	Non-Executive Director and Chairman
Susan Reisbord	Chief Executive Officer and Managing Director
Jeffrey Forbes	Non-Executive Director
Rebecca Ranich	Non-Executive Director
Steven Sherman	Non-Executive Director
Nathanial Thomson	Non-Executive Director

All directors held office during and since the end of the half-year unless otherwise indicated.

COMPANY SECRETARIES

Peter Barker	Chief Financial Officer & Joint Company Secretary
Cherie O'Riordan	Group Financial Controller & Joint Company Secretary

Directors' Report *(continued)*

REVIEW OF RESULTS

PERFORMANCE ($'m)	H1 2021	Restated[1] H1 2020
Gross Revenue	433.6	486.6
Fee Revenue	309.5	338.3
Underlying EBITDAI [2]	39.0	37.4
Underlying EBITDAI Pre AASB16 impact [2]	24.7	22.5
Underlying EBITDAI (Pre AASB 16) margin [2]	8.0%	6.7%
Underlying NOPAT [3]	14.7	11.2
Profit/(loss) before tax from continuing operations	23.5	(58.3)
Profit before tax from discontinued operations	-	117.6
Net profit/(loss) after tax from continuing operations	20.9	(58.6)
Net profit after tax from discontinued operations	-	120.1
Net profit after tax	20.9	61.5
Operating Cash Flow	11.8	10.1
EPS from continuing operations – basic (cents)	4.84	(13.19)
EPS - basic (cents)	4.84	13.84
NOPAT EPS - basic (cents) [3]	3.42	2.51

[1] Comparatives have been restated to reflect the finalisation of demerger accounting relating to Intega Group, changes to the presentation of cash flows for the impacts of AASB 16 Leases and the presentation of the Structures business unit as a discontinued operation. Refer to note 3 and 14 of the consolidated interim financial statements
[2] EBITDAI = EBIT from continuing operations plus underlying adjustments, depreciation and amortisation and impairment losses
[3] NOPAT = NPAT from continuing operations plus underlying adjustments and tax effected impairment losses

EBITDAI and EBIT are unaudited. However, they are based on amounts extracted from the reviewed financial statements as reported in the consolidated interim statement of financial performance on page 11. 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 hire purchase arrangements.

NOPAT is unaudited. However, it is based on amounts extracted from the reviewed financial statements. This metric provides a measure of Cardno's operating performance before the impact of non-cash adjustments such as impairment losses of goodwill and other assets.

Cardno reports a first half financial year 2021 (1H-FY21) underlying net profit (being net profit from continuing operations) of $14.7 million, up 31% on 1H-FY20 prior comparative period (PCP). Continued focus on improving the company's bidding, winning and delivery systems and processes is driving improved profitability, with EBITDA margins improving by 1.3% versus PCP. Gross revenue and fee revenue are both down versus PCP, with the Americas and International Development revenues (largely USD, GBP, EUR) impacted in part by the strengthening AUD.

Cardno's 1H-FY21 net profit after tax (NPAT) of $20.9 million benefited from continued progress in the wind down of the company's business in Latin America, with successful resolution of a number of matters that had been previously reserved or provided for resulting in the release of these reserves and provisions. The NPAT is down on the 1H-FY20 NPAT of $61.5 million. Last year the company recorded a one-off profit upon the successful demerger of Cardno's material testing businesses to create Intega Group Limited (Intega).

Under the demerger agreement with Intega, Cardno provided certain back office services to Intega under a Transition Services Agreement (TSA). Cardno charges Intega for the provision of these services on a cost recovery basis. Cardno charged Intega $3.9 million in the half. The TSA successfully concluded effective end of December 2020.

Balance Sheet

The Group's balance sheet remains strong with net assets of $277.0 million, and net debt of $8.4 million (31 December 2019: $46.4 million). The improvement in net debt reflects ongoing cash generation and fiscal discipline as the company used surplus cash generated to pay down debt.

Cash Flow

The company recorded a net operating cash inflow for the half of $11.8 million (PCP $10.1 million). The increase on PCP is primarily driven by a positive movement in working capital due to the timing of operating cash payments compared with customer receipts, and a continued focus on the efficient conversion of direct labour costs to debtors then customer receipts. Operating cash for the half was net of deferred Australian GST payments relating to FY20 of $10.4 million.

The company deployed capital of $13.4 million in the half, buying back 46.7 million shares (representing a 10.4% reduction in the company's ordinary shares).

Impact of COVID-19 ("COVID") Pandemic

Cardno is fortunate in that substantially all our clients around the world are either business to business or business to government and our services are for the most part, deemed to be essential services. Our clients and staff have adapted to working remotely and backlog has not materially changed as a consequence of COVID.

Some US Government project work was delayed earlier in the financial year due to a number of COVID related base closures, however these projects are now being caught up and returning to schedule. In addition, the lock downs experienced in Australia (primarily in Victoria) had a short term impact on our ability to deliver on some projects, however these projects are also regaining lost time and returning to original schedules.

The impact of COVID has been considered when reviewing all assumptions and judgements that underpin the balances in these interim financial statements. Given the on-going uncertainty arising from COVID, management have continued to include an allowance in loss rates used in determining expected credit losses associated with trade receivables and contract assets at 31 December 2020 in a similar approach to that adopted at 30 June 2020.

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.

The APAC business recorded gross revenue for the half of $120.1 million (a slight decrease on PCP $120.3 million). Underlying EBITDA for the business of $3.9 million was up on PCP of ($0.06) million, positively impacted by the implementation of improved project disciplines and focus on the fundamentals of project and business controls. The company expects continued improvement into H2 and beyond.

Backlog at December 2020 was $123.1 million, down on PCP $127.2 million.

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 business recorded gross revenue for the half of $169.9 million (down 9.5% on PCP $187.7 million), primarily driven by the stronger AUD (our Americas business operates almost exclusively in USD, when these revenues are translated to AUD, the strengthening AUD reduces the value on translation). Underlying EBITDA is also down 9.3% on PCP, also impacted by the stronger AUD/USD exchange rate and the successful completion of the large certification project performed by Cardno's toxicology business in the prior year which generated higher than normal margins.

All businesses within the Americas increased their backlog, but particularly the Government Services business (mainly serving the US Department of Defence). In USD the Americas backlog at 31 December 2020 was $249.0 million, up 4.1% on PCP $239.2 million. However, when converted to AUD, backlog is impacted by the stronger AUD/USD exchange rate. Backlog at 31 December 2020 was $331.2 million, down 4.8% on PCP $347.9 million.

Directors' Report *(continued)*

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.

The ID business recorded gross revenue for the half of $140.3 million (down 18.8% on PCP $172.9 million), impacted by reduced activity in the division's Americas and European businesses, as well as the strengthening AUD. Underlying EBITDA for the business of $2.2 million was up on PCP of $0.6, driven by the ongoing solid performance of ID's flagship Asia Pacific business and a reduction in overhead spend across the board.

Backlog at 31 December 2020 was $747.6 million, down 8.2% on PCP $814.4 million.

Portfolio

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

Latin America's underlying EBITDA contribution continues to decline and is close to break even, primarily due to a slowdown in 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)*

REVIEW OF RESULTS

	Statutory[2]		Underlying Adjustments[3]		Underlying[2]	
	Half-year ended		Half-year ended		Half-year ended	
$'000	**31-Dec-20**	**Restated[1] 31-Dec-19**	**31-Dec-20**	**Restated[1] 31-Dec-19**	**31-Dec-20**	**Restated[1] 31-Dec-19**
Asia Pacific	120,096	120,274	-	-	120,096	120,274
Americas	169,860	187,682	-	-	169,860	187,682
ID	140,348	172,872	-	-	140,348	172,872
Portfolio	3,266	5,774	-	-	3,266	5,774
Gross Revenue	**433,570**	**486,602**	**-**	**-**	**433,570**	**486,602**
Asia Pacific	1,098	(94)	2,762	88	3,860	(6)
Americas	18,564	20,435	(37)	-	18,527	20,435
ID	1,700	640	549	-	2,249	640
Portfolio	9,777	1,298	(9,677)	147	100	1,445
Continuing operations EBITDAI[4, 6]	**31,139**	**22,279**	**(6,403)**	**235**	**24,736**	**22,514**
Adjust for AASB 16 impact	14,264	14,866	-	-	14,264	14,866
Adjusted EBITDAI[4, 6]	**45,403**	**37,145**	**(6,403)**	**235**	**39,000**	**37,380**
Unrealised foreign exchange losses	(149)	(1,015)	-	-	(149)	(1,015)
Total continuing operations EBITDAI[4, 6]	**45,254**	**36,130**	**(6,403)**	**235**	**38,851**	**36,365**
Depreciation, impairment and amortisation expenses	(5,471)	(75,774)	-	69,621	(5,471)	(6,153)
Amortisation of right-of-use assets	(12,542)	(12,450)	-	-	(12,542)	(12,450)
EBIT[5, 6]	**27,241**	**(52,094)**	**(6,403)**	**69,856**	**20,838**	**17,762**
Finance costs	(1,426)	(3,585)	-	-	(1,426)	(3,585)
Finance costs on lease liabilities	(2,329)	(2,662)	-	-	(2,329)	(2,662)
Profit/(loss) from continuing operations before income tax	**23,486**	**(58,341)**	**(6,403)**	**69,856**	**17,083**	**11,515**
Income tax expense[7]	(2,620)	(268)	259	(71)	(2,361)	(339)
Profit/(loss) from continuing operations after income tax	**20,866**	**(58,609)**	**(6,144)**	**69,785**	**14,722**	**11,176**
Discontinued operations, net of tax	**-**	**120,113**	**-**	**(118,339)**	**-**	**1,774**
Profit/(loss) after income tax	**20,866**	**61,504**	**(6,144)**	**(48,554)**	**14,722**	**12,950**
Attributable to:						
Ordinary Equity holders	20,866	61,504	(6,144)	(48,554)	14,722	12,950

1. *Comparatives have been restated to reflect the finalisation of demerger accounting relating to Intega Group and the presentation of the Structures business unit as a discontinued operation. Refer to note 3 and 14 of the consolidated interim financial statements.*
2. *The use of the term 'Statutory' refers to International Financial Reporting Standards (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. 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.
3. *Details of adjustments from Statutory to Underlying financial information are set out on page 7.*
4. *EBITDAI represents earnings before interest, income tax, and depreciation, amortisation and impairment.*
5. *EBIT represents earnings before interest and income tax.*

REVIEW OF RESULTS (CONTINUED)

6. *EBITDAI and EBIT are unaudited. However, they are based on amounts extracted from the reviewed financial statements as reported in the consolidated interim statement of financial performance on page 11. 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 hire-purchase arrangements.*
7. *Income tax (expense)/benefit refer to note 7 in the accompanying financial statements.*

	Half-year ended	
	31-Dec-20 $'000	**Restated[1] 31-Dec-19 $'000**
Underlying Profit from Continuing and Discontinued Operations After Income Tax (Attributable to Ordinary Equity Holders)	14,722	12,950
Underlying Adjustments to EBITDA:		
Costs associated with restructuring [2]	1,884	147
Acquisition costs [3]	-	88
Costs related to disposed entities [4]	896	-
Onerous contracts and other costs associated with office rationalisation [5]	1,556	-
Receipt of settlement proceeds [6]	(7,085)	-
Release of liabilities no longer required [7]	(3,654)	-
Total Underlying Adjustments to EBITDA	**(6,403)**	**235**
Underlying Adjustments to Depreciation, Amortisation and Impairment:		
Impairment loss on goodwill [8]	-	69,621
Total Underlying Adjustments to Depreciation, Amortisation and Impairment	**-**	**69,621**
Underlying Adjustments to Income Tax:		
Tax effect of underlying adjustments	259	(71)
Total Underlying Adjustments to Income Tax	**259**	**(71)**
Underlying adjustments relating to divested entities	-	(118,339)
Total Underlying Adjustments to Discontinued Operations	**-**	**(118,339)**
Statutory Profit After Income Tax (Attributable to Ordinary Equity Holders)	20,866	61,504

1. *Comparatives have been restated to reflect the finalisation of demerger accounting relating to Intega Group and the presentation of the Structures business unit as a discontinued operation. Refer to note 3 and 14 of the consolidated interim financial statements.*
2. *Termination and redundancy costs associated with the restructuring of APAC, Americas and ID Europe (FY19: Termination and redundancy costs associated with Group support functions).*
3. *Acquisition costs include professional fees in relation to the acquisition of TGM.*
4. *Insurance costs relating to divested business units for pre-demerger period and legal costs incurred on Structures sale.*
5. *Costs associated with the group wide office rationalisation and consolidation project in the current year.*
6. *Settlement proceeds in relation to Caminosca.*
7. *Release of liabilities no longer required and recovery of debtors relating to Caminosca.*
8. *Impairment of Goodwill relating to the APAC segment recorded in the prior year.*

Directors' Report *(continued)*

DISCONTINUED OPERATIONS

	Half-year ended	
$'000	**31-Dec-20**	**31-Dec-19 [1]**
Gross Revenue	-	159,103
Expenses	-	(144,673)
Discontinued Operations EBITDA	**-**	**14,430**
Gain on sale of discontinued operations	-	119,103
Depreciation and amortisation expenses	-	(9,935)
EBIT	**-**	**123,598**
Finance costs[2]	-	(6,047)
Profit before income tax from discontinued operations	**-**	**117,551**
Income tax expense	-	2,562
Profit after income tax from discontinued operations	**-**	**120,113**
Attributable to:		
Ordinary Equity holders	-	120,113

1. *Results presented for discontinued operations for the half year ended 31 December 2019 are for the demerger of Intega Group and the disposal of the Structures business unit. See note 3 and 14 of the consolidated interim financial statements.*
2. *Net finance costs from discontinued operations for the half year ended 31 December 2019 includes the write off of the foreign currency translation reserve relating to Intega Group Limited as at 31 October 2019. Also included is the write off of unamortised borrowing costs on the old debt facility on refinancing in October 2019 as a result of the demerger.*

DIVIDENDS

The Board has declared an interim dividend (60% franked) of 1.5 cents per share for the half-year ended 31 December 2020 (2019: nil).

The financial effect of these dividends has not been brought to account in the consolidated financial statements for the half-year ended 31 December 2020 and will be recognised in subsequent periods.

SUBSEQUENT EVENTS

Subsequent to half-year end, the Board declared an interim dividend (60% franked) of 1.5 cents per share.

Other than the above, there has not arisen in the interval between the end of the half-year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future years.

Directors' Report *(continued)*

LEAD AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration under Section 307C of the Corporations Act 2001 is set out on page 10 and forms part of the directors' report for the half-year ended 31 December 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 Class Order to the nearest thousand dollars or, in certain cases, to the nearest dollar.

Signed in accordance with a resolution of Directors.

On behalf of the Directors

MICHAEL ALSCHER
Chairman
25 February 2021

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

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and

ii. no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

Jason Adams
Partner

Brisbane
25 February 2021

Consolidated Interim Statement of Financial Performance

Cardno Limited and its Controlled Entities for the half-year ended 31 December 2020

	Note	31-Dec-20 $'000	Restated[1] 31-Dec-19 $'000
Continuing operations			
Revenue from continuing operations	4A	433,570	486,602
Other Income	4B	12,990	5,369
Employee expenses		(203,265)	(206,642)
Consumables and materials used		(103,107)	(139,432)
Sub-consultant and contractor costs		(88,659)	(102,993)
Depreciation and amortisation expenses		(18,013)	(18,603)
Net financing costs	5	(3,755)	(6,247)
Impairment loss on goodwill	8	-	(69,621)
Other expenses	6	(6,275)	(6,774)
Profit/(loss) before income tax		23,486	(58,341)
Income tax expense	7	(2,620)	(268)
Profit/(loss) from continuing operations, net of tax		**20,866**	**(58,609)**
Profit after tax for the period from discontinued operations	**3**	**-**	**120,113**
Profit attributable to:			
Owners of the Company		20,866	61,504
		20,866	**61,504**
Earnings per share attributable to ordinary equity holders of the parent from continuing operations			
Basic earnings/(loss) per share (cents per share)	13	4.84	(13.19)
Diluted earnings/(loss) per share (cents per share)	13	4.80	(13.19)
Earnings per share attributable to ordinary equity holders of the parent			
Basic earnings per share (cents per share)	13	4.84	13.84
Diluted earnings per share (cents per share)	13	4.80	13.79

[1] *Comparative information has been restated, see notes 3 and 14.*

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

Consolidated Interim Statement of Comprehensive income

Cardno Limited and its Controlled Entities for the half-year ended 31 December 2020

	31-Dec-20 $'000	Restated[1] 31-Dec-19 $'000
Profit for the period	**20,866**	**61,504**
Other comprehensive income		
Items that may be subsequently reclassified to profit or loss:		
Exchange differences on translation of foreign operations – Continuing operations	(18,154)	1,330
Reclassification of foreign currency differences on demerger of Intega Group Limited - Discontinued operations	-	3,696
Other comprehensive income for the period, net of tax	(18,154)	5,026
Total comprehensive income for the period	**2,712**	**66,530**
Total comprehensive income for the year, net of tax, attributable to members of the parent arising from:		
Continuing operations	2,712	(57,279)
Discontinued operations	-	123,809
	2,712	**66,530**

[1] *Comparative information has been restated, see notes 3 and 14.*

Consolidated Interim Statement of Financial Position

Cardno Limited and its Controlled Entities for the half-year ended 31 December 2020

$'000	Note	31-Dec-20 $'000	30-Jun-20 $'000
CURRENT ASSETS			
Cash and cash equivalents		38,147	57,723
Trade and other receivables		99,343	117,132
Contract assets		80,834	94,827
Work in progress		964	1,081
Other current assets		13,790	8,793
Current tax receivable		2,382	1,573
TOTAL CURRENT ASSETS		**235,460**	**281,129**
NON-CURRENT ASSETS			
Other financial assets		1,877	1,703
Property, plant and equipment		16,851	19,984
Right-of-use assets		86,709	102,561
Deferred tax assets		70,063	74,206
Intangible assets		171,321	182,483
TOTAL NON-CURRENT ASSETS		**346,821**	**380,937**
TOTAL ASSETS		**582,281**	**662,066**
CURRENT LIABILITIES			
Trade and other payables		81,333	122,645
Lease liabilities		22,743	25,371
Employee benefits		28,754	28,539
Provisions		2,784	3,932
Contract liabilities		42,175	39,709
Other current liabilities		-	1,554
TOTAL CURRENT LIABILITIES		**177,789**	**221,750**
NON-CURRENT LIABILITIES			
Loans and borrowings	9	46,488	58,326
Lease liabilities		77,326	90,534
Employee benefits		3,480	3,326
Other non-current liabilities		164	1,257
TOTAL NON-CURRENT LIABILITIES		**127,458**	**153,443**
TOTAL LIABILITIES		**305,247**	**375,193**
NET ASSETS		**277,034**	**286,873**
EQUITY			
Issued capital	10	378,131	390,682
Reserves		222,977	241,131
Retained losses		(324,074)	(344,940)
TOTAL EQUITY		**277,034**	**286,873**

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

Consolidated Interim Statement of Changes in Equity

Cardno Limited and its Controlled Entities for the half-year ended 31 December 2020

	Note	Share Capital Ordinary $'000	Retained Earnings / (losses) $'000	Foreign Translation Reserve $'000	Reserve for Own Shares [2] $'000	Demerger Reserve $'000	Total $'000
BALANCE AT 1 JULY 2019[1]		**782,214**	**(395,377)**	**106,472**	**(14,611)**	**-**	**478,698**
Adjustment on initial application of AASB 16 (net of income tax)		-	(6,433)	-	-	-	(6,433)
Adjusted Balance 1 July 2019		**782,214**	**(401,810)**	**106,472**	**(14,611)**	**-**	**472,265**
Restated profit for the period [3]		-	61,504	-	-	-	61,504
Exchange differences on translation of foreign operations		-	-	1,330	-	-	1,330
Reclassification of foreign currency differences on demerger of Intega Group Limited		-	-	3,696	-	-	3,696
Total comprehensive income for the period		**-**	**61,504**	**5,026**	**-**	**-**	**66,530**
Transactions with owners in their capacity as owners:							
Employee share based payments		(306)	-	-	-	-	(306)
Shares issued under PEP		281	-	-	(281)	-	-
Capital distribution	3,10	(391,530)	-	-	-	151,320	(240,210)
		(391,555)	**-**	**-**	**(281)**	**151,320**	**(240,516)**
RESTATED BALANCE AT 31 DECEMBER 2019		**390,659**	**(340,306)**	**111,498**	**(14,892)**	**151,320**	**298,279**
BALANCE AT 1 JULY 2020		**390,682**	**(344,940)**	**104,422**	**(14,611)**	**151,320**	**286,873**
Profit for the period		-	20,866	-	-	-	20,866
Exchange differences on translation of foreign operations		-	-	(18,154)	-	-	(18,154)
Total comprehensive income for the period		**-**	**20,866**	**(18,154)**	**-**	**-**	**2,712**
Transactions with owners in their capacity as owners:							
Unmarketable Parcel – Share Buyback	10	(642)	-	-	-	-	(642)
Share Buyback Program	10	(12,785)	-	-	-	-	(12,785)
Employee share based payments	10	876	-	-	-	-	876
		(12,551)	**-**	**-**	**-**	**-**	**(12,551)**
BALANCE AT 31 DECEMBER 2020		**378,131**	**(324,074)**	**86,268**	**(14,611)**	**151,320**	**277,034**

[1] 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.

[2] 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.

[3] Comparative information has been restated, refer to note 14.

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

Consolidated Interim Statement of Cash Flows

Cardno Limited and its Controlled Entities for the half-year ended 31 December 2020

	Note	31-Dec-20 $'000	Restated 31-Dec-19[1, 2] $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		485,208	659,882
Interest received		256	194
Finance costs paid		(4,222)	(7,691)
Cash paid to suppliers and employees		(468,012)	(641,220)
Income tax paid		(1,394)	(1,032)
NET CASH PROVIDED BY OPERATING ACTIVITIES		**11,836**	**10,133**
CASH FLOWS FROM INVESTING ACTIVITIES			
Disposal of discontinued operation, net of cash disposed of	3	-	(20,588)
Acquisition of subsidiaries net of cash acquired	2	-	(1,232)
Receipt of settlement proceeds		5,027	-
Proceeds on disposal of business assets		2,760	-
Payments of deferred acquisition consideration		(2,992)	-
Proceeds from sale of property, plant and equipment		195	132
Payments for property, plant and equipment		(1,228)	(7,369)
NET CASH PROVIDED BY/(USED) IN INVESTING ACTIVITIES		**3,762**	**(29,057)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of debt raising costs		-	(1,469)
Share buy-back		(13,427)	-
Proceeds from borrowings		63,880	216,075
Repayment of borrowings		(70,942)	(189,967)
Lease liabilities payments		(12,678)	(16,220)
NET CASH PROVIDED BY/(USED IN) FINANCING ACTIVITIES		**(33,167)**	**8,419**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS HELD		**(17,579)**	**(10,505)**
CASH AND CASH EQUIVALENTS AT 1 JULY		**57,723**	**55,544**
Effects of exchange rate changes on cash and cash equivalents at the end of period		(2,007)	644
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**38,147**	**45,683**

[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; significant amounts related to discontinued operations by operating, investing and financing activities are disclosed in note 3.*

[2] *Comparative information has been restated, refer to note 14.*

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

Notes to the Consolidated Interim Financial Statements

Cardno Limited and its Controlled Entities for the half-year ended 31 December 2020

1. SEGMENT INFORMATION

Cardno has four reportable segments managed separately by location and services provided. The segments are an aggregate 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

31 Dec 2020 $'000	Asia Pacific	Americas	ID	Other	Continuing operations Total
SEGMENT REVENUE					
Fees from consulting services	97,606	125,708	82,934	3,218	309,466
Fees from recoverable expenses	22,451	44,097	57,369	47	123,964
Segment Revenue	120,057	169,805	140,303	3,265	433,430
Other revenue	39	55	45	1	140
Total Segment Revenue	120,096	169,860	140,348	3,266	433,570
Total Revenue	**120,096**	**169,860**	**140,348**	**3,266**	**433,570**
Segment Result	**3,860**	**18,527**	**2,249**	**100**	**24,736**
Adjust for AASB 16 impact	5,345	7,092	1,816	11	14,264
Adjusted Segment Result	**9,205**	**25,619**	**4,065**	**111**	**39,000**
Costs related to disposed entities	-	-	-	(896)	(896)
Onerous contracts and other costs associated with office rationalisation	(1,556)	-	-	-	(1,556)
Costs associated with restructuring	(1,206)	(129)	(549)	-	(1,884)
Receipt of settlement proceeds	-	-	-	7,085	7,085
Release of liabilities no longer required	-	166	-	3,488	3,654
Depreciation and amortisation expense	(3,860)	(1,413)	(98)	(100)	(5,471)
Amortisation of right-of-use assets	(5,805)	(5,051)	(1,658)	(28)	(12,542)
Unrealised foreign exchange losses	-	-	-	(149)	(149)
Profit/(loss) before interest and income tax	**(3,222)**	**19,192**	**1,760**	**9,511**	**27,241**
Finance costs and interest income					(1,426)
Finance costs on lease liabilities					(2,329)
Profit before income tax					**23,486**
Income tax expense					(2,620)
Profit after income tax					**20,866**

1. SEGMENT INFORMATION (CONTINUED)

Restated 31 Dec 2019 $'000	Asia Pacific	Americas	ID	Other	Continuing operations Total	Discontinued operations[1]
SEGMENT REVENUE						
Fees from consulting services	102,420	138,054	92,570	5,292	338,336	118,138
Fees from recoverable expenses	17,367	48,708	80,292	62	146,429	40,771
Inter-segment revenue	-	-	-	-	-	-
Segment Revenue	119,787	186,762	172,862	5,354	484,765	158,909
Other revenue	487	920	10	420	1,837	98
Total Segment Revenue	120,274	187,682	172,872	5,774	486,602	159,007
Inter-segment elimination	-	-	-	-	-	-
Total Revenue	**120,274**	**187,682**	**172,872**	**5,774**	**486,602**	**159,007**
Segment Result	**(6)**	**20,435**	**640**	**1,445**	**22,514**	**10,439**
Adjust for AASB 16 impact[2]	6,299	6,867	1,666	34	14,866	3,813
Adjusted Segment Result	**6,293**	**27,302**	**2,306**	**1,479**	**37,380**	**14,252**
Gain on demerger	-	-	-	-	-	119,103
Demerger related costs	-	-	-	-	-	(2,014)
Impairment loss on goodwill	(69,621)	-	-	-	(69,621)	-
Acquisition related expenses	(87)	-	-	-	(87)	-
Legal costs	(1)	-	-	-	(1)	-
Costs associated with restructuring	-	-	-	(147)	(147)	-
Depreciation and amortisation expense	(2,095)	(1,581)	(107)	(2,370)	(6,153)	(5,979)
Amortisation of right-of-use assets[2]	(5,526)	(5,380)	(1,512)	(32)	(12,450)	(3,956)
Unrealised foreign exchange losses	-	-	-	(1,015)	(1,015)	-
Profit/(loss) before interest and income tax	**(71,037)**	**20,341**	**687**	**(2,085)**	**(52,094)**	**121,406**
Finance costs and interest income[3]	-	-	-	-	(3,585)	(3,225)
Finance costs on lease liabilities[2]	-	-	-	-	(2,662)	(630)
Profit/(loss) from continuing operations before income tax	-	-	-	-	**(58,341)**	**117,551**
Income tax (expense)/benefit					(268)	**2,562**
Profit/(loss) after income tax					**(58,609)**	**120,113**
Profit from continuing and discontinuing operations after income tax						**61,504**

[1] Comparative information has been updated to reflect the finalisation of the demerger accounting relating to Intega Group (see note 14) and the presentation of the Structures business unit as a discontinued operation (see note 3).

[2] The adoption of AASB16 had the following impact on the continuing operations segment results for the half year 31 December 2019: a) reversal of operating rent expense of $14.9 million; b) an interest charge on the lease liability of $2.7 million and c) amortisation of the right of use asset of $12.5 million.

[3]Net finance costs from discontinued operations includes the write off of the foreign currency translation reserve relating to Intega Group Limited totalling $3.0 million as at 31 October 2019.

2. BUSINESS COMBINATIONS

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.

3. DISCONTINUED OPERATIONS

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

For the year ended	31-Dec-20 $'000	31-Dec-19[1] $'000
Results of discontinued operations		
Demerger of Intega – (a)	-	122,044
Disposal of Structures – (b)	-	(1,931)
Profit/(loss) after tax from discontinued operations	**-**	**120,113**
Earnings per share – discontinued operations		
Basic earnings per share	**-**	27.02
Diluted earnings per share	**-**	26.94

[1] Comparative information has been updated to reflect the finalisation of the demerger accounting relating to Intega Group (see note 14) and the presentation of the Structures business unit as a discontinued operation.

(a) 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, 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.

3. DISCONTINUED OPERATIONS (CONTINUED)

For the half year ended	31-Dec-20 $'000	31-Dec-19 [1, 2] $'000
Results of discontinued operations		
Revenue	**-**	**151,880**
Expenses	-	(150,900)
Results from operating activities	**-**	**980**
Income tax benefit	-	1,961
Results from operating activities, net of tax	**-**	**2,941**
Gain on sale of discontinued operations	-	119,103
Income tax on gain on sale of discontinued operation	-	-
Profit from discontinued operations, net of tax:	**-**	**122,044**
Earnings per share – discontinued operations		
Basic earnings per share	-	27.46
Diluted earnings per share	-	27.37
Gain on demerger		
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**

[1] *Comparative information has been updated to reflect the finalisation of the demerger accounting relating to Intega Group, see note 14.*
[2] *Represents results from operating activities for the four months to 31 October 2019.*

Cashflows from discontinued operations	31-Dec-20 $'000	31-Dec-19 $'000
Net cash from operating activities	-	3,829
Net cash used in financing activities	-	(2,374)
Net cash from investing activities	-	6,071
Net cash flows for the period	-	**7,526**

3. DISCONTINUED OPERATIONS (CONTINUED)

	31-Oct-19[1] $'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**

[1] *Comparative information has been updated to reflect the finalisation of the demerger accounting relating to Intega Group, see note 14.*

3. DISCONTINUED OPERATIONS (CONTINUED)

(b) Disposal of Structures business unit

On 29 May 2020, the Group 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 recognised in May 2020.

The Structures business unit disposed of during May 2020 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 half year ended	**31-Dec-19[1]** **$'000**
Results of discontinued operations	
Revenue	**7,223**
Expenses	(9,755)
Results from operating activities	**(2,532)**
Income tax benefit	601
Results from operating activities, net of tax	**(1,931)**
Gain on sale of discontinued operations	-
Income tax on gain on sale of discontinued operation	-
Loss from discontinued operations, net of tax:	**(1,931)**

[1]*Represents results from operating activities for the six months to 31 December 2019.*

	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**

4. (A) REVENUE FROM CONTINUING OPERATIONS

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 procured from 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 half year ended	31-Dec-20 $'000	31-Dec-19 [1] $'000
Fees from consulting services	309,466	338,336
Fees from recoverable expenses	123,964	146,430
Other	140	1,836
Revenue	**433,570**	**486,602**

[1] Comparative information has been updated to reflect the presentation of the Structures business unit as a discontinued operation, see note 3.

Revenues from customer contracts is disaggregated into existing segments and the timing of transfer of services, being over time 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 6 months ended 31 December 2020		
$'000	**Segment Revenue**	**Over Time Revenue**	**Point in Time Revenue**
Asia Pacific	120,096	120,096	-
Americas	169,860	167,654	2,206
International Development	140,348	140,348	-
Other	3,266	17	3,249
Total revenue	**433,570**	**428,115**	**5,455**

	For the 6 months ended 31 December 2019 [1]		
$'000	**Segment Revenue**	**Over Time Revenue**	**Point in Time Revenue**
Asia Pacific	120,274	120,274	-
Americas	187,682	185,214	2,468
International Development	172,872	172,872	-
Other	5,774	-	5,774
Total revenue	**486,602**	**478,360**	**8,242**

[1] Comparative information has been updated to reflect the presentation of the Structures business unit as a discontinued operation, see note 3.

4. (A) REVENUE FROM CONTINUING OPERATIONS (CONTINUED)

Contract balances

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

	31 Dec 2020 $'000	30 Jun 2020 $'000
Receivables (included in Trade and other receivables)	97,092	118,232
Loss allowance	(11,577)	(15,110)
Contract assets	80,834	94,827
Contract liabilities	42,175	39,709

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 31 December 2020 is reduced by an impairment provision of $3.4 million (30 June 2020: $4.0 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.

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 2020 were recognised as revenue in the half year ended 31 December 2020.

4. (B) OTHER INCOME

	31-Dec-20 $'000	31-Dec-19 [1] $'000
Non-refundable R&D tax incentives	1,555	2,734
Receipt of settlement proceeds	7,085	-
Release of liabilities no longer required	468	-
Gain/(loss) on disposal of property, plant and equipment	(86)	124
Transitional Services Income – Intega Group	3,934	2,511
Other	34	-
Other Income	**12,990**	**5,369**

[1] *Comparative information has been restated, see notes 3 and 14.*

5. NET FINANCING COSTS

	31-Dec-20 $'000	31-Dec-19 [1] $'000
Interest paid	1,770	3,619
Interest on leases	2,329	2,662
Amortisation of borrowing costs	146	272
Interest received	(490)	(306)
Net Financing Costs	**3,755**	**6,247**

[1] *Comparative information has been updated to reflect the presentation of the Structures business unit as a discontinued operation, see note 3.*

6. EXPENSES

Included in other expenses is the following:

	31-Dec-20 $'000	31-Dec-19 [1] $'000
Bad and doubtful debts/(recovery of bad debts)	(3,037)	1,402

[1] Comparative information has been updated to reflect the presentation of the Structures business unit as a discontinued operation, see note 3.

7. INCOME TAX EXPENSE

Income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year applied to the pre-tax income of the interim period. The Group's consolidated effective tax rate from continuing operations for the half-year ended 31 December 2020 was 11.16% (half-year to 31 December 2019: (3.8%)).

The key drivers of the income tax expense for the half-year ended 31 December 2020 are the impact of (a) one-off adjustments; (b) adjustments relating to prior years decreasing income tax expense; (c) losses incurred in jurisdictions in which a deferred income tax benefit is not recognised; and (d) certain non-taxable income. Excluding the impact of these adjustments (and reflecting the lower Federal corporate income tax rate in the US), the Group's consolidated effective tax rate for the half-year ended 31 December 2020 was 29.05% (half-year to 31 December 2019: 20.5%).

8. INTANGIBLE ASSETS

Impairment Testing

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

	31 Dec-20 $'000	30 June-20 $'000
Americas	85,888	95,985
Asia Pacific (APAC)	74,242	74,209
International Development (ID)	5,734	5,734
	165,864	**175,928**

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.

Results of Impairment Testing

Management have determined that no impairment indicators are present for each of the CGUs within the Group and no impairment is required to be recognised for the half year ended 31 December 2020. In December 2019 the group 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 impairment was recognised in full against the carrying value of the APAC goodwill.

9. LOANS & BORROWINGS

	31-Dec-20 $'000	30-Jun-20 $'000
NON-CURRENT		
Bank loans	46,488	58,326
	46,488	**58,326**

As at 31 December 2020 the Group has bank loans of $46.5 million (30 June 2020: $58.3 million) with a weighted average interest rate of 2.59% (30 June 2020: 3.84%). Funding available to the Group from undrawn facilities is $125.0 million (30 June 2020: $113.0 million), of which $42.0 million is available to finance business acquisitions (any other purpose requires majority lender approval).

The facility is a multi-currency secured, revolving syndicated facility, with three-year tenor expiring in October 2022. The banking group comprises HSBC Bank Australia, HSBC Bank USA, National Australia Bank, and Investec Bank.

The Group's 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 31 December 2020, the Group was compliant with all financial covenants.

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 31 December 2020 (30 June 2020: Nil).

10. ISSUED CAPITAL

	Half-year ended 31-Dec-20		Year ended 30-Jun-20	
	No. of shares	**$'000**	**No. of shares**	**$'000**
Balance at the beginning of the year	**447,017,851**	**390,682**	**444,269,564**	**782,214**
Shares issued during the year:				
> Employee share-based payments[1]	-	876	-	(2)
> Shares issued under PEP	929,607	-	594,322	-
> Share buy-back[2]	(44,372,515)	(12,785)	-	-
> Own shares held in trust issued under PEP	-	-	(114,391)	-
> Issue of shares to key employees	-	-	2,268,356	-
> Capital reduction	-	-	-	(391,530)
> Unmarketable parcel – Share buyback[3]	(2,292,700)	(642)	-	-
Balance at the end of the year	**401,282,243**	**378,131**	**447,017,851**	**390,682**

[1]Employee share based payments of $876,351 recorded during the period (FY20: $2,263).

[2]As part of the capital management program, on 14 February 2020 the Group announced the implementation of an on-market buyback of up to 10% of Cardno ordinary shares commencing 8 March 2020 for a 12-month period. During the year ended 31 December 2020, a total of 44,372,515 ordinary shares were bought back at an average price of 28.81 cents per share.

[3]On 11 September 2020, the Group announced it had instituted an off-market buyback of all the shares held by shareholders who held unmarketable parcels in Cardno. A total of 2,292,700 shares were bought back and cancelled under buyback program.

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.

10. ISSUED CAPITAL (CONTINUED)

Dividends

There were no dividends paid by the company during the half-year ended 31 December 2020 or since the end of the financial year.

Subsequent to half-year end, the following dividends were declared by the board of directors. The dividends have not been recognised as liabilities at 31 December 2020.

	Cents per share	Date of payment
Interim FY2021 (60% franked) dividend	1.5	6 April 2021

11. CONTINGENT LIABILITIES

Cardno had contingent liabilities at 31 December 2020 in respect of:

	31-Dec-20 $'000	30-June-20 $'000
Bank guarantees and insurance bonds	13,536	13,156
Insurance Bonds utilisation	17,595	25,006

Cardno has Bank Guarantee and Insurance Bond facilities with financial institutions denominated in Australian dollars, United States dollars, New Zealand dollars and Euros.
The Bank Guarantee facilities available to Cardno totalled A$22.7 million (30 June 2020: A$23.3 million), and are secured jointly and severally by the Company and a number of its wholly-owned subsidiaries.
The Insurance Bond facilities do not have a contractual facility limit and are issued on a case by case basis.

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

In 2015 Cardno announced that a claim was filed and served on its subsidiary 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 Company believes that the claim is spurious in nature. The company has filed responses and is prepared to vigorously defend the claim. While the claim remains open and continues to be managed and monitored, Cardno has received no correspondence on the matter since early 2017.

Also, in 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.

Cardno continues its progress in the wind down of Caminosca's operations in Latin America, with successful resolution of matters that had been previously reserved or provided for resulting in the release of these reserves and provisions. Cardno recorded an aggregate $10.6 million of non-recurring income in the half associated with the wind down of Caminosca.

Other Matters

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.

12. SUBSEQUENT EVENTS

Subsequent to half-year end, the Board declared an interim dividend (60% franked) of 1.5 cents per share.

Other than the above, there has not arisen in the interval between the end of the half-year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future years.

13. EARNINGS PER SHARE

	31-Dec-20 $'000	Restated[1] 31-Dec-19 $'000
(a) Earnings per share – continuing operations		
Basic earnings per share for continuing operations		
Basic profit/(loss) from continuing operations attributable to ordinary shareholders	**20,866**	**(58,609)**
Weighted average number of ordinary shares	**No.**	**No.**
Issued ordinary shares at 1 July	447,017,851	444,269,564
Effect of share buy-backs	(16,586,997)	-
Effect of Share Issue (Performance Share Rights 17A - Vesting)	303,133	-
Effect of shares issued during the year	-	203,449
Weighted average number of ordinary shares at 31 December	**430,733,987**	**444,473,013**
	Cents	**Cents**
Basic earnings/(loss) per share (cents per share) from continuing operations	**4.84**	**(13.19)**
Diluted earnings per share – continuing operations		
Profit/(loss) from continuing operations attributable to ordinary shareholders (diluted)	**20,866**	**(58,609)**
Weighted average number of ordinary shares (diluted)	**No.**	**No.**
Issued ordinary shares at 1 July	447,017,851	444,269,564
Effect of Performance Options and Performance Rights on issue	3,559,975	-
Effect of share buy-backs	(16,586,997)	-
Effect of Share Issue (Performance Share Rights 17A - Vesting)	303,133	-
Effect of shares issued during the year	-	203,449
Weighted average number of ordinary shares (diluted) at 31 December	**435,096,802**	**444,473,013**
	Cents	**Cents**
Diluted earnings/(loss) per share (cents per share) from continuing operations	**4.80**	**(13.19)**

[1] *Comparative information has been restated, see note 14.*

13. EARNINGS PER SHARE (CONTINUED)

	31-Dec-20 $'000	Restated[1] 31-Dec-19 $'000
(b) Earnings per share		
Basic earnings per share		
Basic profit attributable to ordinary shareholders	**20,866**	**61,504**
Weighted average number of ordinary shares	**No.**	**No.**
Issued ordinary shares at 1 July	447,017,851	444,269,564
Effect of share buy-backs	(16,586,997)	-
Effect of Share Issue (Performance Share Rights 17A - Vesting)	303,133	-
Effect of shares issued during the year	-	203,449
Weighted average number of ordinary shares at 31 December	**430,733,987**	**444,473,013**
	Cents	**Cents**
Basic earnings per share (cents per share)	**4.84**	**13.84**
Diluted earnings per share		
Profit attributable to ordinary shareholders (diluted)	**20,866**	**61,504**
Weighted average number of ordinary shares (diluted)	**No.**	**No.**
Issued ordinary shares at 1 July	447,017,851	444,269,564
Effect of Performance Options and Performance Rights on issue	3,559,975	1,397,164
Effect of share buy-backs	(16,586,997)	-
Effect of Share Issue (Performance Share Rights 17A - Vesting)	303,133	-
Effect of shares issued during the year	-	203,449
Weighted average number of ordinary shares (diluted) at 31 December	**434,293,962**	**445,870,177**
	Cents	**Cents**
Diluted earnings per share (cents per share)	**4.80**	**13.79**

[1] *Comparative information has been restated, see note 14.*

14. RESTATEMENT OF COMPARATIVE INFORMATION

(a) Demerger of Intega Group Limited

As disclosed in Note 3, on 21 August 2019 the Company announced the proposed demerger of its Quality, Testing and Measurement businesses into a separate ASX listed entity, Intega Group Limited. The demerger was completed on 31 October 2019. Subsequent to the issuance of the interim financial statements for the half year ended 31 December 2019, adjustments were identified to the accounting for the demerger which impacted on the carrying amounts of the net assets of the demerged entity at the time of the demerger and calculation of the gain on demerger. These adjustments resulted primarily from the finalisation of taxation calculations associated with the demerger and the impact of adopting AASB 16 *Leases* and were included in the Group's financial statements for the year ended 30 June 2020.

The following tables summarise the financial effects of these changes on the Group's consolidated interim statement of financial performance for the half year ended 31 December 2019:

Half Year Ended 31 December 2019			
	Previously Reported [1] $'000	**Change to Intega result $'000**	**Restated $'000**
Loss before income tax	(58,341)	-	(58,341)
Income tax benefit / (expense)	(268)	-	(268)
Profit/(loss) from continuing operations	(58,609)	-	(58,609)
Profit/(loss) from discontinued operations	129,272	(9,159)	120,113
Profit/(loss) for the period	**70,633**	**(9,159)**	**61,504**
	Cents	**Cents**	**Cents**
Basic EPS	15.90	(2.06)	13.84
Diluted EPS	15.85	(2.06)	13.79

[1] Comparative information has been updated to reflect the presentation of the Structures business unit as a discontinued operation, see note 3.

Given the adjustments outlined above related to the demerger accounting for Intega, they had no impact on the Group's consolidated interim statement of cash flows for the half year ended 31 December 2019. These adjustments were identified and corrected prior to 30 June 2020 and, as a result, no changes were required to be made to the comparatives presented in the consolidated interim statement of financial position.

(b) Restatement of consolidated interim statement of cash flows

In the half-year ended 31 December 2019, the Group presented a portion of cash outflows associated with lease liabilities within operating activities. The comparatives in the consolidated interim statement of cash flows have been restated to align the presentation of cash flows relating to leases with the requirements of AASB 16 which was adopted by the Group from 1 July 2019. This resulted in:

- an increase of $3.292 million in cash outflows associated with finance costs paid (operating cash flow) from $4.399 million to $7.691 million;
- an increase of $15.295 million in cash outflows associated with the repayment of lease liabilities (financing cash flow) from $0.925 million to $16.220 million; and
- a reduction of $18.587 million in cash outflows associated with payments to suppliers and employees (operating cash flow) from $659.807 million to $641.220 million.

This restatement relates solely to the presentation of cash flows and had no impact on the overall net movement in cash flows, the consolidated interim statement of financial position, consolidated interim statement of financial performance, consolidated interim statement of comprehensive income or consolidated interim statement of changes in equity.

15. RELATED PARTY DISCLOSURES

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.

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 for the half year ended 31 December 2020, which were cash settled by Intega.

The TSA income recognised of $3,933,790 (December 2019: $2,510,872) is shown in Other Income on the Company's Statement of Financial Performance, see Note 4(B). 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 $33,600 (December 2019: Nil) 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 $10,449 (December 2019: $8,000) 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.

16. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Cardno Limited (the "Company") is a company domiciled in Australia. The consolidated interim financial report of the Company for the half-year ended 31 December 2020 comprises the Company and its subsidiaries (together referred to as the "Group"). The consolidated interim financial report was authorised for issue by the directors on 25 February 2021.

(a) Statement of compliance

This financial report for the half-year reporting period ended 31 December 2020 has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting, IAS 34 Interim Financial Reporting and the Corporations Act 2001.

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

This consolidated interim financial report does not include all the information normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the consolidated annual report for the year ended 30 June 2020 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

(b) Significant accounting policies

This financial report is presented in Australian dollars. The accounting policies applied by the Group in this consolidated interim financial report are the same as those applied by the Group in its annual consolidated financial report as at and for the year ended 30 June 2020.

The accounting policies have been consistently applied throughout the Group for the purposes of this consolidated interim financial report.

(c) Estimates

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

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

Fair value of financial instruments

The Group's financial assets and liabilities are included in the balance sheet at amounts that approximate fair values.

Fair value hierarchy

In determining fair values for measurement or 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.

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of fair value hierarchy at the end of the reporting period during which the change has occurred.

Directors' Declaration

Cardno Limited and its Controlled Entities for the half-year ended 31 December 2020

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

(a) the consolidated financial statements and notes set out on pages 11 to 31 are in accordance with the Corporations Act 2001, including:

   (i) giving a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the period ended on that date; and

   (ii) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated the 25 day of February 2021.

Signed in accordance with a resolution of the Directors.

MICHAEL ALSCHER
Chairman

25 February 2021

Independent Auditor's Review Report

To the shareholders of Cardno Limited

Report on the Half-year Financial Report

Conclusion

We have reviewed the accompanying ***Half-year Financial Report*** of Cardno Limited.

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

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

The ***Half-year Financial Report*** comprises:

- Consolidated interim statement of financial position as at 31 December 2020;
- Consolidated interim statement of financial performance, Consolidated interim statement of comprehensive income, Consolidated interim statement of changes in equity and Consolidated interim statement of cash flows for the half-year ended on that date;
- Notes 1 to 16 comprising a summary of significant accounting policies and other explanatory information; and
- The Directors' Declaration.

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

Basis for Conclusion

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

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

Emphasis of matter – restatement of comparative information

We draw attention to Note 14 of the Half-year Financial Report, which describes that amounts reported in the previously issued half-year financial report for the half-year ended 31 December 2019 have been restated and disclosed as comparatives in this financial report. Our review conclusion is not modified in respect of this matter.

Responsibilities of the Directors for the Half-year Financial Report

The Directors of the Company are responsible for:

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

Auditor's Responsibilities for the Review of the Half-year Financial Report

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

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

KPMG

Jason Adams
Partner

Brisbane
25 February 2021

BOARD OF DIRECTORS

Chairman

Michael Alscher

Directors

Steve Sherman
Jeffrey Forbes
Nathanial Thomson
Rebecca Ranich

Chief Executive Officer and Managing Director

Susan Reisbord

Chief Financial Officer

Peter Barker

Company Secretaries

Peter Barker
Cherie O'Riordan

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