INTERIM FINANCIAL REPORT

for the **half-year** ended
31 December 2019

Cardno Limited
ABN 70 108 112 303
and its controlled entities

75 YEARS Making a difference.

Financial Report

for the half-year ended 31 December 2019

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 2019 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 2019 are set out below:

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)

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 (appointed 31 October 2019)
Courtney Marsden	Legal Counsel & Joint Company Secretary (resigned 31 October 2019)
Vikash Naidu	General Counsel & Joint Company Secretary (resigned 31 October 2019)

REVIEW OF RESULTS

PERFORMANCE ($'m)	H1 2020	Restated H1 2019
Gross Revenue	493.8	457.2
Fee Revenue	345.4	300.7
Underlying EBITDA [1]	34.5	19.0
Underlying EBITDA Pre AASB16 impact [1]	19.7	19.0
Underlying NOPAT [2]	9.2	7.4
Profit/(loss) before tax from continuing operations	(60.9)	8.9
Profit before tax from discontinued operations	134.0	3.0
Net profit/(loss) after tax from continuing operations	(60.5)	6.0
Net profit after tax from discontinued operations	131.2	1.7
Net profit after tax	70.7	7.7
Operating Cash Flow	(5.2)	4.8
EPS from continuing operations – basic (cents)	(13.62)	1.31
EPS - basic (cents)	15.90	1.68
NOPAT EPS - basic (cents)	2.63	2.26

[1] EBITDA = EBIT plus underlying adjustments, depreciation and amortisation and impairment losses
[2] NOPAT = NPAT plus underlying adjustments and tax effected impairment losses

EBITDA 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 10. 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 has reported a net profit after tax (NPAT) of $70.7 million for the half year ended 31 December 2019. The result from continuing operations is a net loss after tax of $60.5 million, which includes an impairment loss of $69.6 million recorded against the goodwill of the Asia Pacific business. The result from discontinued operations is an NPAT of $131.2 million, which includes a demerger gain of $135.8 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 interim 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 results of the divested entities as discontinued operations.

This is the first set of the Group's financial statements in which AASB 16 *Leases* has been applied. Under the transition method chosen, comparative information has not been restated, therefore the 31 December 2019 interim 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 $46.4 million at the end of 31 December 2019 (net debt of $110.9 million at 31 December 2018).

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 outflow for the half of $5.2 million (inflow of $4.8 million prior comparative period (PCP)). The change versus PCP is primarily driven by an adverse movement in working capital due to the timing of its operating cash payments compared with customer receipts, in particular in the Asia Pacific division.

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 gross revenue for the half was $120.3 million, a decrease on the restated PCP of 2.1%. Underlying EBITDA for the business was down 100.1% on restated PCP, reflecting a combination of slower than anticipated award and then start of major projects with resultant negative impact on staff utilisation, and a slowdown in certain market sectors and geographies (including residential development in some areas). While the business is continuing to position itself on a number of major project opportunities in Australia and Asia and has some recent significant project wins, the comparative decreases in revenue and EBITDA reflect both an increase in non-major project work and the margin mix across the different types of projects.

Americas

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

The Americas business revenue is up on restated PCP by 15.2% and underlying EBITDA is up on restated PCP by 78.0%. The continued improvement in the Americas business is due to increasing pipeline, revenues, operating margins and business discipline – particularly in the Science & Environment and Government Services businesses.

International Development (ID)

The ID business designs and implements large-scale sustainable solutions for both development assistance agencies and private clients. By its nature, the ID business generally has long term high value contracts, which have a high 'pass through' component, meaning that Cardno will project manage the contract and receive a management fee for doing so – a large portion of the project involves the management of contractors and specialist consultants. Hence the ID business generally operates on lower margins than our other divisions.

ID revenues are up on PCP by 8.9%, while underlying EBITDA is down on PCP by 36.1%. The reduction in EBITDA margin reflects both a challenging business environment for the European International Development sector, and the company's previously discussed targeted and comparatively modest investment in business development and new business lines.

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, or environments and markets.

Latin America's underlying EBITDA is down on PCP by 150% primarily representative of the ongoing costs to wind down the Caminosca business including associated legal expenses.

REVIEW OF RESULTS

	Statutory[1]		Underlying Adjustments[2]		Underlying[1]	
	Half-year ended		Half-year ended		Half-year ended	
$'000	**31-Dec-19**	**Restated 31-Dec-18***	**31-Dec-19**	**Restated 31-Dec-18***	**31-Dec-19**	**Restated 31-Dec-18***
Asia Pacific	120,274	122,914	-	-	120,274	122,914
Americas	194,905	169,160	-	-	194,905	169,160
ID	172,872	158,763	-	-	172,872	158,763
Portfolio	5,774	6,367	-	-	5,774	6,367
Gross Revenue	**493,825**	**457,204**	**-**	**-**	**493,825**	**457,204**
Asia Pacific	6,205	5,368	88	455	6,293	5,823
Americas	25,450	9,849	-	619	25,450	10,468
ID	2,306	1,002	-	-	2,306	1,002
Portfolio	317	709	147	-	464	709
Continuing operations EBITDA[3, 5, 7]	**34,278**	**16,928**	**235**	**1,074**	**34,513**	**18,002**
Corporate	-	1,042	-	-	-	1,042
Total continuing operations EBITDA[3, 5, 7]	**34,278**	**17,970**	**235**	**1,074**	**34,513**	**19,044**
Depreciation, impairment and amortisation expenses	(88,775)	(6,148)	69,621	-	(19,154)	(6,148)
EBIT[4,5]	**(54,497)**	**11,822**	**69,856**	**1,074**	**15,359**	**12,896**
Finance costs	(6,376)	(2,933)	-	522	(6,376)	(2,411)
Profit/(loss) from continuing operations before income tax	**(60,873)**	**8,889**	**69,856**	**1,596**	**8,983**	**10,485**
Income tax (expense)/benefit[6]	333	(2,905)	(71)	(218)	262	(3,123)
Profit/(loss) from continuing operations after income tax	**(60,540)**	**5,984**	**69,785**	**1,378**	**9,245**	**7,362**
Discontinued operations, net of tax	**131,203**	**1,708**	**(128,769)**	**1,296**	**2,434**	**3,004**
Profit/(loss) after income tax	**70,663**	**7,692**	**(58,984)**	**2,674**	**11,679**	**10,366**
Attributable to:						
Ordinary Equity holders	70,663	7,692	(58,984)	2,674	11,679	10,366

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

1. *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.
2. *Details of adjustments from Statutory to Underlying financial information are set out on page 6.*
3. *EBITDA represents earnings before interest, income tax, and depreciation, amortisation and impairment.*
4. *EBIT represents earnings before interest and income tax.*
5. *EBITDA 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 10. 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.*
6. *Income tax (expense)/benefit refer to note 7 in the accompanying financial statements.*
7. *Continuing operations EBITDA includes the add back of operating rent expense under AASB 16. See Note 18.*

REVIEW OF RESULTS CONTINUED

	Ref	Half-year ended 31-Dec-19 $'000	Restated 31-Dec-18 $'000
Underlying Profit From Continuing and Discontinued Operations After Income Tax (Attributable to Ordinary Equity Holders)		11,679	10,366
Underlying Adjustments to EBITDA:			
Restructure costs	1	147	-
Acquisition costs	2	88	1,074
Total Underlying Adjustments to EBITDA		**235**	**1,074**
Underlying Adjustments to Depreciation, Amortisation and Impairment:			
Impairment loss on goodwill	3	69,621	-
Total Underlying Adjustments to Depreciation, Amortisation and Impairment		**69,621**	**-**
Underlying Adjustments to Finance Costs:			
Write off existing borrowing costs on debt refinance	4	-	522
Total Underlying Adjustments to Finance Costs		**-**	**522**
Underlying Adjustments to Income Tax:			
Tax effect of underlying adjustments		(71)	(218)
Total Underlying Adjustments to Income Tax		**(71)**	**(218)**
Underlying adjustments relating to divested entities	5	(128,769)	1,296
Total Underlying Adjustments to Discontinued Operations		**(128,769)**	**1,296**
Statutory Profit After Income Tax (Attributable to Ordinary Equity Holders)		70,663	7,692

1. *Termination and redundancy costs associated with the restructuring of Group support functions.*
2. *Acquisition costs include professional fees in relation to the acquisition of TGM.*
3. *Impairment of goodwill relating to the APAC segment, see note 8.*
4. *Capitalised borrowing costs written off on the old debt facility as part of the December 2018 debt refinancing.*
5. *Includes costs incurred in relation to the Group demerger, net of the gain on demerge of $135.8 million and write back of the foreign currency translation reserve relating to Intega*

Directors' Report *(continued)*

DISCONTINUED OPERATIONS

	Half-year ended	
$'000	**31-Dec-19 [1]**	**31-Dec-18**
Gross Revenue	151,782	142,483
Expenses	(138,300)	(135,337)
Discontinued Operations EBITDA	**13,482**	**7,146**
Gain on sale of discontinued operations	135,806	-
Depreciation and amortisation expenses	(9,384)	(4,060)
EBIT	**139,904**	**3,086**
Finance costs[2]	(5,918)	(109)
Profit before income tax from discontinued operations	**133,986**	**2,977**
Income tax expense	(2,783)	(1,269)
Profit after income tax from discontinued operations	**131,203**	**1,708**
Attributable to:		
Ordinary Equity holders	131,203	1,708

1. *Results presented for discontinued operations for the half year ended 31 December 2019 are for the 4 month period between 1 July and 31 October 2019, as the demerger of Intega Group took effect on 31 October 2019. See Note 3.*
2. *Net finance costs from discontinued operations 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

There was no interim dividend declared for the half year ended 31 December 2019 (2018: nil).

SUBSEQUENT EVENTS

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 9 and forms part of the directors' report for the half-year ended 31 December 2019.

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
27 February 2020

KPMG

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 2019 there have been:

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

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

KPMG

KPMG

Simon Crane
Partner

Brisbane
27 February 2020

Consolidated Interim Statement of Financial Performance

Cardno Limited and its Controlled Entities for the half-year ended 31 December 2019

	Note	31-Dec-19 $'000	31-Dec-18* $'000 Restated
Continuing operations			
Revenue from continuing operations	4A	493,825	457,204
Other Income	4B	5,369	856
Employee expenses		(212,561)	(205,972)
Consumables and materials used		(140,869)	(137,495)
Sub-consultant and contractor costs		(103,031)	(91,058)
Depreciation and amortisation expenses[1]		(19,154)	(6,148)
Net financing costs[1]	5	(6,376)	(2,933)
Impairment loss on goodwill	8	(69,621)	-
Other expenses	6	(8,455)	(5,565)
Profit/(loss) before income tax		(60,873)	8,889
Income tax (expense)/benefit	7	333	(2,905)
Profit/(loss) from continuing operations, net of tax		**(60,540)**	**5,984**
Profit after tax for the period from discontinued operations	**3**	**131,203**	**1,708**
Profit attributable to:			
Owners of the Company		70,663	7,692
		70,663	**7,692**
Earnings per share attributable to ordinary equity holders of the parent from continuing operations			
Basic earnings/(loss) per share (cents per share)	15	(13.62)	1.31
Diluted earnings/(loss) per share (cents per share)	15	(13.62)	1.28
Earnings per share attributable to ordinary equity holders of the parent			
Basic earnings per share (cents per share)	15	15.90	1.68
Diluted earnings per share (cents per share)	15	15.85	1.65

** Comparative information has been re-presented due to a discontinued operation. 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 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 2019

	31-Dec-19 $'000	31-Dec-18* $'000 Restated
Profit for the period	**70,663**	**7,692**
Other comprehensive income		
Items that may be subsequently reclassified to profit or loss:		
Exchange differences on translation of foreign operations – Continuing operations	1,330	12,982
Reclassification of foreign currency differences on demerger of Intega Group Limited - Discontinued operations	3,696	-
Other comprehensive income for the period, net of tax	5,026	12,982
Total comprehensive income for the period	**75,689**	**20,674**
Total comprehensive income for the year, net of tax, attributable to members of the parent arising from:		
Continuing operations	(59,210)	17,401
Discontinued operations	134,899	3,273
	75,689	**20,674**

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 18.

Consolidated Interim Statement of Financial Position

Cardno Limited and its Controlled Entities as at 31 December 2019

$'000	Note	31-Dec-19 $'000	30-Jun-19* $'000
CURRENT ASSETS			
Cash and cash equivalents		45,683	55,544
Trade and other receivables		121,650	194,084
Contract Assets		89,953	122,905
Work in progress		1,047	1,068
Other current assets		17,292	14,942
TOTAL CURRENT ASSETS		**275,625**	**388,543**
NON-CURRENT ASSETS			
Other financial assets		834	1,245
Property, plant and equipment[1]	18c)	132,820	52,185
Deferred tax assets		101,364	97,310
Intangible assets		182,038	359,054
TOTAL NON-CURRENT ASSETS		**417,056**	**509,794**
TOTAL ASSETS		**692,681**	**898,337**
CURRENT LIABILITIES			
Trade and other payables		97,616	158,768
Lease liabilities[1]	10,18	24,703	2,754
Current tax liabilities		1,629	5,594
Employee benefits		24,161	40,079
Provisions	11	1,903	4,285
Contract liabilities		39,513	36,613
Other current liabilities		253	2,718
TOTAL CURRENT LIABILITIES		**189,778**	**250,811**
NON-CURRENT LIABILITIES			
Trade and other payables		2,160	14,422
Loans and borrowings	9	91,777	137,677
Lease liabilities[1]	10, 18	97,838	8,750
Deferred tax liabilities		-	1,006
Employee benefits		3,553	4,896
Other non-current liabilities		137	2,077
TOTAL NON-CURRENT LIABILITIES		**195,465**	**168,828**
TOTAL LIABILITIES		**385,243**	**419,639**
NET ASSETS		**307,438**	**478,698**
EQUITY			
Issued capital	12	390,659	782,214
Reserves		247,926	91,861
Retained losses		(331,147)	(395,377)
TOTAL EQUITY		**307,438**	**478,698**

**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 18.*

[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 18.

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 2019

	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 period		-	7,692	-	-	-	7,692
Exchange differences on translation of foreign operations		-	-	12,982	-	-	12,982
Total comprehensive income for the period		**-**	**7,692**	**12,982**	**-**	**-**	**20,674**
Transactions with owners in their capacity as owners:							
Employee share based payments	12	(1,512)	-	-	-	-	(1,512)
Share buy-back (net of income tax)	12	(12,644)	-	-	-	-	(12,644)
		(14,156)	**-**	**-**	**-**	**-**	**(14,156)**
BALANCE AT 31 DECEMBER 2018		**789,989**	**(343,195)**	**102,697**	**(14,611)**	**-**	**534,880**
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)	18	-	(6,433)	-	-	-	(6,433)
Adjusted Balance 1 July 2019		**782,214**	**(401,810)**	**106,472**	**(14,611)**	**-**	**472,265**
Profit/(Loss) for the period		-	70,663	-	-	-	70,663
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		**-**	**70,663**	**5,026**	**-**	**-**	**75,689**
Transactions with owners in their capacity as owners:							
Employee share based payments	12	(306)	-	-	-	-	(306)
Shares issued under PEP	12	281	-	-	(281)	-	-
Capital distribution	3,12	(391,530)	-	-	-	151,320	(240,210)
		(391,555)	**-**	**-**	**(281)**	**151,320**	**(240,516)**
BALANCE AT 31 DECEMBER 2019		**390,659**	**(331,147)**	**111,498**	**(14,892)**	**151,320**	**307,438**

***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 18.*

***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.*

Consolidated Interim Statement of Cash Flows

Cardno Limited and its Controlled Entities for the half-year ended 31 December 2019

	Note	31-Dec-19 $'000	31-Dec-18* $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		659,882	652,953
Interest received		194	185
Finance costs paid[2]		(4,399)	(2,180)
Cash paid to suppliers and employees		(659,807)	(643,204)
Income tax refund received / (paid)		(1,032)	(2,985)
NET CASH PROVIDED BY / (USED IN) OPERATING ACTIVITIES		**(5,162)**	**4,769**
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	2	(1,232)	(76,636)
Proceeds from sale of property, plant and equipment		132	7,613
Payments for property, plant and equipment		(7,369)	(10,770)
NET CASH USED IN INVESTING ACTIVITIES		**(29,057)**	**(79,793)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of debt raising costs		(1,469)	(834)
Share buy-back		-	(12,644)
Proceeds from borrowings		216,075	224,777
Repayment of borrowings		(189,967)	(123,282)
Lease liabilities payments (2018: Finance lease payments)[2]		(925)	(1,496)
NET CASH PROVIDED BY FINANCING ACTIVITIES		**23,714**	**86,521**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS HELD		**(10,505)**	**11,497**
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 period		644	1,969
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**45,683**	**84,593**

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 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 2019

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** – includes Portfolio Companies including LATAM (engineering, consulting operations in Latin America) and Group Head Office.

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 2019 **$'000**	**Asia Pacific**	**Americas**	**ID**	**Other**	**Continuing operations Total**	**Discontinued operations[1]**
SEGMENT REVENUE						
Fees from consulting services	102,420	145,161	92,570	5,292	345,443	111,029
Fees from recoverable expenses	17,367	48,726	80,292	62	146,447	40,753
Inter-segment revenue	-	-	-	-	-	-
Segment Revenue	119,787	193,887	172,862	5,354	491,890	151,782
Other revenue	487	1,018	10	420	1,935	-
Total Segment Revenue	120,274	194,905	172,872	5,774	493,825	151,782
Inter-segment elimination	-	-	-	-	-	-
Total Revenue	**120,274**	**194,905**	**172,872**	**5,774**	**493,825**	**151,782**
Segment Result[3]	**(6)**	**18,629**	**640**	**430**	**19,693**	**12,291**
Adjust for AASB 16 impact[2]	6,299	6,821	1,666	34	14,820	3,767
Adjusted Segment Result	**6,293**	**25,450**	**2,306**	**464**	**34,513**	**16,058**
Gain on demerger	-	-	-	-	-	135,806
Demerger related costs	-	-	-	-	-	(4,318)
Impairment loss on goodwill	(69,621)	-	-	-	(69,621)	-
Acquisition related expenses	(87)	-	-	-	(87)	(450)
Legal costs	(1)	-	-	-	(1)	-
Redundancy costs	-	-	-	(147)	(147)	-
Depreciation and amortisation expense[2]	(7,621)	(7,512)	(1,619)	(2,402)	(19,154)	(9,384)
Profit/(loss) before interest and income tax	**(71,037)**	**17,938**	**687**	**(2,085)**	**(54,497)**	**137,712**
Finance costs and interest income[2]	-	-	-	-	(6,376)	(3,726)
Profit/(loss) from continuing operations before income tax	-	-	-	-	**(60,873)**	**133,986**
Income tax (expense)/benefit					333	**(2,783)**
Profit/(loss) after income tax					**(60,540)**	**131,203**
Profit from continuing and discontinuing operations after income tax						**70,663**

1.SEGMENT INFORMATION (CONTINUED)

[1] Discontinued operations relate to Intega Group Limited which was demerged on 31 October 2019.

[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 14.8 million; b) an interest charge on the lease liability of $2.8 million and c) amortisation of the right of use asset of $13.0 million.

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

[3] Segment result includes $1.0 million of unrealised foreign exchange expense

31 Dec 2018* $'000 Restated	Asia Pacific	Americas	ID	Other	Continuing operations Total	Discontinued operations[1]
SEGMENT REVENUE						
Fees from consulting services	104,568	116,869	74,582	4,631	300,650	113,385
Fees from recoverable expenses	18,182	51,851	82,964	-	152,997	28,390
Inter-segment revenue	-	-	-	-	-	-
Segment Revenue	122,750	168,720	157,546	4,631	453,647	141,775
Other revenue	164	440	1,217	1,736	3,557	708
Total Segment Revenue	122,914	169,160	158,763	6,367	457,204	142,483
Inter-segment elimination	-	-	-	-	-	-
Total Revenue	**122,914**	**169,160**	**158,763**	**6,367**	**457,204**	**142,483**
Segment Result	**5,823**	**10,468**	**1,002**	**1,751**	**19,044**	**8,851**
Acquisition related expenses	(455)	(619)	-	-	(1,074)	(1,705)
Depreciation and amortisation expense	(1,378)	(1,581)	(129)	(3,060)	(6,148)	(4,060)
Profit/(loss) before interest and income tax	**3,990**	**8,268**	**873**	**(1,309)**	**11,822**	**3,086**
Finance costs and interest income					(2,933)	(109)
Profit before income tax					**8,889**	**2,977**
Income tax expense					(2,905)	(1,269)
Profit after income tax					**5,984**	**1,708**

**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 18).*

Moreover, as a result of the demerger of Integra Group Limited (see Note 3), the Group has changed its internal organisation and the composition of its reportable segments to present the results of its Intega divisions as discontinued operations. Accordingly, the Group has restated the comparative operating segment information for the six months ended 31 December 2018.

[1] Discontinued operations relate to Intega Group Limited which was demerged on 31 October 2019 (see Note 3 for further details).

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.

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 of $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 CY19 and CY20. 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

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 or divested during the period were not previously presented as discontinued operations or classified as held-for-sale and therefore the comparative consolidated income statement, the statement of 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* $'000**	**31-Dec-18 $'000**
Results of discontinued operations		
Revenue	**151,782**	**142,483**
Expenses	(153,602)	(139,506)
Results from operating activities	**(1,820)**	**2,977**
Income tax expense	(2,783)	(1,269)
Results from operating activities, net of tax	**(4,603)**	**1,708**
Gain on sale of discontinued operations	135,806	-
Income tax on gain on sale of discontinued operation	-	-
Profit from discontinued operations, net of tax:	**131,203**	**1,708**
***Represents results from operating activities for the four months to 31 October 2019**		
Earnings per share – discontinued operations		
Basic earnings per share	29.52	0.37
Diluted earnings per share	29.43	0.37
Gain on demerger		
Fair value of Intega Group at demerger	240,209	-
Carrying amount of net assets	(104,403)	-
Net gain on demerger before income tax	**135,806**	**-**
Income tax expense	-	-
Gain on demerger after income tax	**135,806**	**-**

3. DISCONTINUED OPERATIONS (CONTINUED)

Cashflows from discontinued operations	31-Dec-19* $'000	31-Dec-18 $'000
Net cash from operating activities	3,829	16,266
Net cash used in financing activities	(2,374)	(60,255)
Net cash from investing activities	6,071	49,378
Net cash flows for the period	**7,526**	**5,389**

	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	73,464
Contract assets	21,902
Other current assets	2,576
Other financial assets	190
Property, plant and equipment	59,949
Deferred tax assets	6,720
Intangible assets	104,912
Total assets demerged	**290,301**
Liabilities	
Trade and other payables	25,538
Loans and borrowings	117,988
Current tax liabilities	649
Employee benefits	16,492
Provisions	1,557
Contract liabilities	17,542
Deferred tax liabilities	5,914
Other liabilities	218
Total liabilities demerged	**185,898**
Net assets demerged	**104,403**

4. (A) REVENUE FROM CONTINUING OPERATIONS

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.

Fees from recoverable expenses represents 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.

For the half year ended	**31-Dec-19 $'000**	**31-Dec-18 $'000 Restated**
Fees from consulting services	345,443	300,650
Fees from recoverable expenses	146,448	152,997
Other	1,934	3,557
Revenue	**493,825**	**457,204**

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 2019		
$'000	**Segment Revenue**	**Over Time Revenue**	**Point in Time Revenue**
Asia Pacific	120,274	120,274	-
Americas	194,905	192,437	2,468
International Development	172,872	172,872	-
Other	5,774	-	5,774
Total revenue	**493,825**	**485,583**	**8,242**

	For the 6 months ended 31 December 2018 Restated*		
$'000	**Segment Revenue**	**Over Time Revenue**	**Point in Time Revenue**
Asia Pacific	122,914	122,914	-
Americas	169,160	166,742	2,418
International Development	158,763	158,763	-
Other	6,367	-	6,367
Total revenue	**457,204**	**448,419**	**8,785**

** Comparative information has been re-presented due to 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 2019 $'000	30 Jun 2019 $'000
Receivables (included in Trade and other receivables)	130,169	204,621
Loss allowance	(18,880)	(21,552)
Contract assets	89,953	122,905
Contract liabilities	39,513	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 31 December 2019 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.

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 half year ended 31 December 2019.

4.(B) OTHER INCOME

	31-Dec-19 $'000	31-Dec-18 $'000 Restated
Non-refundable R&D tax incentives	2,734	702
Gain on disposal of property, plant and equipment	124	154
Transitional Services Income – Intega Group	2,511	-
Other Income	**5,369**	**856**

5. NET FINANCING COSTS

	31-Dec-19 $'000	31-Dec-18 $'000 Restated
Interest paid	3,589	1,782
Interest on leases	2,821	287
Amortisation of borrowing costs	272	1,049
Interest received	(306)	(185)
Net Financing Costs	**6,376**	**2,933**

6. EXPENSES

Included in other expenses are the following:

	31-Dec-19 $'000	31-Dec-18 $'000 Restated
Bad and doubtful debts	2,506	934

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 2019 was -3.8% (half-year to 31 December 2018: 35.2%).

The key driver of the income tax benefit for the half-year ended 31 December 2019 is the impact of certain non-taxable income. Excluding the impact of this adjustment (and reflecting the lower Federal corporate income tax rate in the US), the Group's consolidated effective tax rate from continuing operations for the half-year ended 31 December 2019 was 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-19* $'000	30 June-19 $'000
Americas	94,257	96,454
Asia Pacific (APAC)	144,088	190,542
International Development (ID)	5,733	5,733
	244,078	**292,729**

* Balances shown as at 31 December 2019 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. In addition to this, impairment of $46.3 million was recorded against the Asia Pacific CGU at 30 June 2019.

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 (CGUs) which represent the lowest level within Cardno at which the goodwill is monitored for internal management purposes. The CGU's remain unchanged from prior year.

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 forecast for the remainder of financial year 2020 then financial year 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 CGU's 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.

8. INTANGIBLE ASSETS (CONTINUED)

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, reflecting the absence of major project starts and poor utilisation rates across a number of business units. As a result, the company has determined that the carrying amount of the Asia Pacific (APAC) CGU was determined to be 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.

The Asia Pacific division is undertaking a strategic review which will improve profitability by refocusing resources into areas of proven performance and opportunities, together with various cost saving and right-sizing initiatives.

Management has evaluated the Company’s market capitalisation value against the Group’s net asset position at 31 December 2019 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, and (3) Cardno Limited sits outside of the ASX 200.

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	
	31 Dec-19	**30 Jun-19**	**31 Dec-19**	**30 Jun-19**	**31 Dec-19**	**30 Jun-19**
Americas	6.4% - 8.8%	6.6% - 8.6%	2.50%	2.50%	11.08%	11.32%
APAC	2.4% - 8.8%	7.4% - 10.4%	2.50%	2.50%	12.96%	13.19%
ID	-0.2% - 3.5%	1.2% - 3.2%	2.50%	2.50%	13.49%	12.88%

[1] EBITDA margins are applied to net fee revenue. These have been normalised to exclude the impact of AASB16 for comparability.

Impact of Possible Changes in Key Assumptions

The determination of the recoverable amounts of the Group’s CGU’s 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 CGU’s, concluded that a reasonable possible change in these assumptions did not result in impairment in any of the CGU’s.

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 5.9% in FY21 to 8.8% in FY25 as a result of cost efficiencies delivered through changes to the business operating model. Given the impairment recorded in the APAC CGU at 31 December 2019, any adverse movement in the EBITDA margin assumption, or other key assumptions, could result in further impairment.

9. LOANS & BORROWINGS

	31-Dec-19 $'000	30-Jun-19 $'000
NON-CURRENT		
Bank loans*	91,777	137,677
	91,777	**137,677**

* *As at 31 December 2019, Cardno has bank loans and long term notes totalling $91.8 million (June 2019: $137.7 million) with a weighted average interest rate of 4.16% (June 2019: 4.04%). Funding available to Cardno from undrawn facilities is $79.4 million as at 31 December 2019 (June 2019: $89.8 million).*

As a result of the demerger, the Group re-financed and increased its debt facilities in October 2019. The previous bi-lateral facility with common terms deed has been replaced by a new three-year multi-currency cash advance and letter of credit syndicated facility, expiring in October 2022.

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 31 December 2019, no event of default had occurred or 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.

10. LEASE LIABILITIES

	31-Dec-19 $'000	30-Jun-19 $'000
CURRENT		
Lease and hire purchase liabilities	24,703	2,754
	24,703	**2,754**
NON-CURRENT		
Lease and hire purchase liabilities	97,838	8,750
	97,838	**8,750**
TOTAL CURRENT & NON-CURRENT LOANS & BORROWINGS	**122,541**	**11,504**

Lease liabilities as at 31 December 2019 include leases previously classified as operating leases that are now required to be capitalised as right of use assets and lease liabilities under AASB 16 *Leases.* Further information on the changes to the presentation of the Group's leases can be found in Note 18.

11. PROVISIONS

	31-Dec-19 $'000	30-Jun-19 $'000
Provision for legal claims	1,903	4,285
	1,903	**4,285**

12. ISSUED CAPITAL

	Half-year ended 31-Dec-19		Year ended 30-Jun-19	
	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:				
> Shares issued for cash (net of transaction costs)	-	-	-	-
> Employee share based payments	-	(306)	-	(461)
> Shares issued under PEP	479,931	281		
> Share buy-back (i)	-	-	(20,111,944)	(21,470)
> Capital reduction	-	(391,530)	-	-
> Demerger transaction costs, net of tax	-	-	-	-
Balance at the end of the year	**444,749,495**	**390,659**	**444,269,564**	**782,214**

(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 half year ended 31 December 2019.

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.

13. CONTINGENT LIABILITIES

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 is spurious in nature. Caminosca has filed an initial response and will defend the claim.

In February 2015, the Group announced it was investigating a series of transactions involving Caminosca which are still ongoing. There remains the potential that a penalty or sanction could be imposed on Cardno.

Other Matters

Members of the Cardno Group are defendants in proceedings instituted in FY15 in relation to a large infrastructure project. While the damages claimed would be material if awarded against Cardno, the proceedings are ongoing and Cardno intends to continue defending the claim.

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.

14. SUBSEQUENT EVENTS

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.

15. EARNINGS PER SHARE

	31-Dec-19 $'000	31-Dec-18 $'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	**(60,540)**	**5,984**
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	-	(6,108,939)
Effect of shares issued during the year	203,449	-
Weighted average number of ordinary shares at 31 December	**444,473,013**	**458,272,569**
	Cents	**Cents**
Basic earnings/(loss) per share (cents per share) from continuing operations	**(13.62)**	**1.31**
Diluted earnings per share – continuing operations		
Profit/(loss) from continuing operations attributable to ordinary shareholders (diluted)	**(60,540)**	**5,984**
Weighted average number of ordinary shares (diluted)	**No.**	**No.**
Issued ordinary shares at 1 July	444,269,564	464,381,508
Effect of Performance Options and Performance Rights on issue	-	8,033,995
Effect of share buy-back	-	(6,108,939)
Effect of shares issued during the year	203,449	-
Weighted average number of ordinary shares (diluted) at 31 December	**444,473,013**	**466,306,564**
	Cents	**Cents**
Diluted earnings/(loss) per share (cents per share) from continuing operations	**(13.62)**	**1.28**

15. EARNINGS PER SHARE (CONTINUED)

	31-Dec-19 $'000	31-Dec-18 $'000 Restated
(b) Earnings per share		
Basic earnings per share		
Basic profit attributable to ordinary shareholders	**70,663**	**7,692**
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	-	(6,108,939)
Effect of shares issued during the year	203,449	-
Weighted average number of ordinary shares at 31 December	**444,473,013**	**458,272,569**
	Cents	**Cents**
Basic earnings per share (cents per share)	**15.90**	**1.68**
Diluted earnings per share		
Profit attributable to ordinary shareholders (diluted)	**70,663**	**7,692**
Weighted average number of ordinary shares (diluted)	**No.**	**No.**
Issued ordinary shares at 1 July	444,269,564	464,381,508
Effect of Performance Options and Performance Rights on issue	1,397,164	8,033,995
Effect of share buy-back	-	(6,108,939)
Effect of shares issued during the year	203,449	-
Weighted average number of ordinary shares (diluted) at 31 December	**445,870,177**	**466,306,564**
	Cents	**Cents**
Diluted earnings per share (cents per share)	**15.85**	**1.65**

16. RELATED PARTY DISCLOSURES

Cardno received services income from Intega Group Limited as part of the Transitional Services Agreement described in the Demerger Scheme Booklet. See note 4(b).

Other than this income, there were no transactions with related parties during the reporting period.

17. 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 2019 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 27 February 2020.

(a) Statement of compliance

This financial report for the half-year reporting period ended 31 December 2019 has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting, IAS 34 Interim Financial Reporting and the Corporations Act 2001.

17. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 2019 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. Apart from the first time adoption of AASB 16 as described in Note 18, 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 2019.

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 2019, except for new significant judgements related to lessee accounting under AASB 16 which are described in Note 18.

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.

18. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies in these interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 30 June 2019.

The changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 30 June 2020.

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 2018 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.

18. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

	$'000
Assets	
Right-of-use assets	150,014
Deferred tax assets	43,613
Prepayments	(271)
Total assets	**193,356**
Liabilities	
Interest bearing loans and borrowings	163,355
Deferred tax liabilities	41,324
Trade and other payables	(4,890)
Total liabilities	**199,789**
Total adjustments on equity:	
Retained earnings	**6,433**

a) 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.

18. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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	7,889
Lease liability to recognise as at 1 July 2019	**163,355**
Commitments relating to leases previously classified as finance leases	11,504
Lease liabilities as at 1 July 2019	**174,859**

b) 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.

18. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Summary of new accounting policies (continued)

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).

c) Amounts recognised in the statement of financial position and profit and loss

Set out below, are the carrying amounts of the Group's right-of-use assets that are included within property, plant and equipment 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	**136,642**	**1,402**	**11,970**	**150,014**
Additions	5,480	131	1,510	**7,121**
Depreciation expense	(14,476)	(183)	(1,747)	**(16,406)**
Demerger	(22,717)	(1,268)	(6,894)	**(30,879)**
Foreign Exchange	257	1	10	**268**
As at 31 December 2019	**105,186**	**83**	**4,849**	**110,118**

The Group recognised rent expense from short-term leases, leases of low-value assets and variable lease payments of $1.1 million for the six months ended 31 December 2019.

Directors' Declaration

Cardno Limited and its Controlled Entities for the half-year ended 31 December 2019

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

(a) the consolidated financial statements and notes set out on pages 10 to 32 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 2019 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 27 day of February 2020.

Signed in accordance with a resolution of the Directors.

MICHAEL ALSCHER
Chairman

27 February 2020

KPMG

Independent Auditor's Review Report

To the shareholders of Cardno Limited

Report on the Interim Financial Report

Conclusion

We have reviewed the accompanying ***Interim 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 Interim Financial Report of Cardno Limited is not in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group's*** financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The ***Interim Financial Report*** comprises:

- Consolidated interim statement of financial position as at 31 December 2019;
- 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 18 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.

Responsibilities of the Directors for the Interim Financial Report

The Directors of the Company are responsible for:

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

KPMG

Auditor's responsibility for the review of the Interim Financial Report

Our responsibility is to express a conclusion on the Interim Financial Report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Interim Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2019 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*. As auditor of Cardno Limited, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

KPMG

KPMG

Simon Crane
Partner

Brisbane
27 February 2020

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

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difference.

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