FY21 CARDNO 2021 ANNUAL REPORT

for the full-year ended
30 June 2021

Making a difference.

Cardno Limited
ABN 70 108 112 303
and its controlled entities

Chairman's Letter

Dear Shareholder,

I am pleased to report that your Company achieved results that were both up on last year and ahead of guidance with an underlying Earnings Before Interest Tax Depreciation Amortisation and Impairment of $51.2 million (stated on a pre AASB 16 basis). This represents a 19% increase on last year's underlying result. Pleasingly, this is the fifth year in a row where your Company has hit or exceeded market guidance.

IMPACT OF COVID-19 PANDEMIC

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

As such Cardno has been able to continue to deliver our services and solutions despite the COVID-19 pandemic. This performance is testimony to the hard work, ingenuity and adaptability of our people around the world who have coped with an incredibly disruptive year in the way they can engage and deliver projects for clients.

While the future impact of COVID-19 on our business is not completely clear, we note that the Company had a successful FY21, beating both internal budgets and external market guidance, focusing on what we can control. Throughout the year and across all geographies, we have actively evaluated and mitigated COVID-19 lockdowns or restrictions as they have emerged.

OPERATING HIGHLIGHTS

Asia Pacific

Our Asia Pacific leadership has spent the past year both building on Cardno's core strengths of Transport, Water, Buildings and Environment and focussing on operational disciplines. This significant work is bearing fruit. Asia Pacific's FY21 underlying EBITDA of $8.0 million and EBITDA margin (EBITDA as a percent of net revenue) of 4.3% are markedly increased from FY20. Pleasingly, the Asia Pacific business exited FY21 at a considerably improved run-rate versus the FY21 year.

Americas

The Americas had another exceptional year with all businesses meeting or exceeding targets. Underlying EBITDA grew 8.1% to $37.2 million, with an EBITDA margin (EBITDA as a percent of net revenue) up 1% to 14.9%. We enter FY22 with encouraging levels of backlog and an expectation of ongoing success in maintaining top quartile industry performance.

International Development

Our International Development (ID) business remains a core focus for the Company. We remain committed to the important work we do in support of our clients in bringing positive social and economic impact across the developing world. During the year, the division successfully reduced its operations in Europe in order to refocus efforts on our key donor clients in the Americas and Asia Pacific. Both of these markets reported a strong FY21 performance and are well positioned for FY22.

Strategic Review

As advised in our market announcement to the ASX on 9 June 2021, your Board has commenced a Strategic Review process with the objective of maximising Cardno shareholder value. As advised, this process involves an assessment of Cardno's strategic options and the alternative strategies available to unlock and enhance value for Cardno shareholders. There are no assurances that the Board will decide to pursue, nor that any transaction or transactions will result from this review.

Crescent Capital Partners, our largest shareholder, has advised the Cardno Board that it is supportive of Cardno conducting the Strategic Review.

While the Strategic Review continues, we are not in a position to provide any update to the market.

The Board will continue to keep shareholders informed in accordance with Cardno's continuous disclosure obligations.

People

I want to thank all our staff for their extraordinary efforts in this last year. Our people continue to deliver innovative solutions to clients around the world, regardless of social, political, environmental or COVID-19 related challenges.

I would also like to thank our clients, banking partners and shareholders for their ongoing support.

MICHAEL ALSCHER

Chairman

CEO’s Letter

Dear Shareholder,

After six years of transformation, Cardno is hitting its stride with honed service offerings, financial discipline, a unified leadership team, an engaged workforce and a track record of performance. We completed the move from a Company trying to be all things to all clients, to a firm that provides consulting solutions to the most complex problems in health sciences, energy and natural resources, infrastructure and international development. This is especially exciting because we have hit our stride at the same time market dynamics are driving a new more deliberate focus on Environment Social and Governance (ESG) expectations for private industry and governments around the world, providing exciting tailwinds across our portfolio of services.

FY21 was an unusual year for us. It was a year spent navigating the impacts of a global pandemic and a new work-from-home paradigm for many of our staff. While many of our office buildings sat idle, our team members did not. Our team members around the world continued to deliver innovative solutions for our clients from kitchens, home offices, and back porches, with children, spouses, dogs and cats as office mates … and our amazing field teams continued to execute their projects, albeit with enhanced safety measures. Despite the challenges we delivered an EBITDA of $51.2 million, representing growth of 19% on relatively flat revenue compared to prior year (on a constant currency basis).

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

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

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

OUR CONTINUED COVID-19 RESPONSE

Our COVID-19 response continues with Global and Regional Incident Management Teams and Global and Regional Business Continuity Teams still active. ChemRisk, our team of leading epidemiologists, toxicologists and health scientists is providing the research and guidance that informs our business decisions each day, including our protocols for reopening offices. I am pleased to say after 16 months of closure, a third of our US offices recently opened for vaccinated staff, and more are coming online each day. At the same time, our staff in offices across Australia and around the world are still experiencing challenging and unpredictable lockdowns. SAFETY is Cardo's number 1 core value and it will continue to drive each and every business decision we make as we continue to manage pandemic impacts.

DIVISION HIGHLIGHTS

Asia Pacific

Asia Pacific had a solid FY21 despite COVID-19 lockdowns. Although revenue was down 6.4% year on year, underlying EBITDA has increased to $8.0 million in FY21 - a tremendous rebound from FY20 EBITDA of $1.0 million. All across the business we saw quality backlog growth complemented with consistent project controls and reporting which resulted in the positive momentum with which we begin FY22. The positive results we have seen from the change management program that the team executed over the past few years are a testament to the leadership and commitment of our Asia Pacific staff.

Americas

Americas had another strong year, achieving revenue growth of 3.3% and underlying EBITDA growth of 8.9% on prior year. ESG demands are creating robust market demands across all parts of the business, and have created a unique opportunity to establish a new service line, ESG Services, specifically designed to aid companies and their investors in understanding and acting on the ESG challenges and opportunities before them. Continued strong organic growth is anticipated as we enter FY22, which we expect to augment with acquisitive growth with a particular emphasis on adding to our existing Environment, Transport and Water services.

International Development

International Development (ID) had a good year and delivered underlying EBITDA of $5.4 million, an increase of 101.4% on last year. The result was due to strong performance of the US ID and APAC ID businesses. We made significant progress in de-risking the business by winding down underperforming operations in Europe. Due to COVID-19 impacts and increasing demand in emerging nations, international development organisations like the United States Agency for International Development (USAID), Australia's Department of Foreign Affairs and Trade (DFAT) and the Millennium Challenge Corporation (MCC) look to Cardno to support sustainable international development projects across the globe. We are working hand-in-hand with them as they drive global solutions to promote environmental, economic, and health resiliency and sustainability for a strong FY22.

LOOK AHEAD

While ESG might be a new acronym for many, at Cardno we have been an ESG Company for decades, having extensive experience in environmental science, health assessment, sustainable infrastructure design, and social and economic-oriented international development. ESG is part of our DNA, and is core to the services we have been providing for more than 75 years. Even more than that though, it is how we do business. FY21 was the year we brought all of the efforts we have been making in all parts of the business around the world, under a single umbrella and published in our 2020 Global Sustainability Report (https://www.asx.com.au/asxpdf/20210511/pdf/44wdj9y7dd98zp.pdf).
We don't simply help our clients meet their ESG commitments, our own Global Sustainability Policy translates our commitment and intent to promote environmental equity and minimise the environmental impact of our business into measurable impacts.

We still have a long road ahead in managing the impacts of COVID-19, but with the availability of effective vaccines, we are on our way. COVID-19 has forever changed us. We enter FY22 with a cohesive and integrated leadership team more committed than ever to our vision, purpose and values. We enter FY22 with a battle tested new way to work, the hallmark of which is flexibility. We enter FY22 with stability we have not experienced in years with balanced financial performance across the business, underpinned by a strong backlog position and strong market tailwinds.

SUSAN REISBORD

Managing Director and Chief Executive Officer

Consolidated Financial Statements

for the year ended 30 June 2021

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The Company's Corporate Governance Statement last updated and Board approved on 22 June 2021 can be viewed on the website at **www.cardno.com/corporategovernance.**

Directors' Report

The Directors present their Report together with the Consolidated Financial Statements of Cardno Limited (the Company) being the Company and the entities it controlled at the end of, or during the year ended 30 June 2021.

DIRECTORS

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

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

COMPANY SECRETARIES

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

Qualifications of Company Secretaries

Peter Barker – BComm, MBA, FCPA

Cherie O'Riordan – BEcon/Arts, CA, GAICD

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

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

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

PRINCIPAL ACTIVITIES

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

DIVIDENDS

An interim dividend (60% franked) of 1.5 cents per share was declared for the half-year ended 31 December 2020.

The Board has declared a full year dividend of 4.0 cents per share (unfranked). The financial effect of the full year dividends has not been brought to account in the consolidated financial statements for the full year ended 30 June 2021 and will be recognised in subsequent periods.

No dividends were declared for the financial year ended 30 June 2020.

Directors' Report *(continued)*

EVENTS SUBSEQUENT TO REPORTING DATE

Subsequent to year end, the Board declared a full year dividend of 4.0 cents per share (unfranked).

On 9 June 2021, the Company announced the commencement of a strategic review process with the objective of maximising shareholder value. The process involves an assessment of Cardno's strategic options and the alternative strategies available to unlock and enhance value for Cardno shareholders. As at the date of this report, the strategic review process is ongoing and no actions have been taken or decisions made that require further disclosure.

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

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

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

As stated, on 9 June 2021, the Company announced the commencement of a strategic review process. As at the date of this report, the strategic review process is ongoing and no actions have been taken or decisions made that require further disclosure.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

INDEMNIFICATION AND INSURANCE OF OFFICERS

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

The Directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the Directors' and Officers' liability, as such disclosures are prohibited under the terms of the contract.

Directors' Report *(continued)*

REVIEW OF RESULTS

PERFORMANCE ($'m)	2021	2020
Gross Revenue	890.4	978.3
Fee Revenue	612.7	677.1
Underlying EBITDAI [1]	78.5	73.5
Underlying EBITDAI Pre AASB 16 impact [2]	51.2	43.0
Underlying NOPAT [3]	27.7	9.4
Profit/(loss) before tax from continuing operations	41.5	(49.6)
Profit before tax from discontinued operations	-	120.7
Net profit/(loss) after tax from continuing operations	32.7	(67.1)
Net profit after tax from discontinued operations	-	123.7
Net profit after tax	32.7	56.6
Operating Cash Flow	62.6	73.5
EPS from continuing operations – basic (cents)	7.88	(15.07)
EPS - basic (cents)	7.88	12.71
NOPAT EPS - basic (cents)	6.69	2.10

[1] Underlying EBITDAI = EBIT plus underlying adjustments, depreciation, amortisation and impairment losses
[2] Underlying EBITDAI = EBIT plus underlying adjustments, depreciation, amortisation and impairment losses pre AASB 16 impact
[3] Underlying NOPAT = NPAT plus underlying adjustments and impairment losses

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

NOPAT is unaudited. However, it is based on amounts extracted from the audited financial statements. This metric provides a measure of Cardno's operating performance before the impact of underlying adjustments.

Cardno has reported a net profit after tax (NPAT) of $32.7 million for the year ended 30 June 2021. This compares with an NPAT of $56.6 million for the FY20 prior year. 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 FY20 comparative results presented in these financial statements include the results of the divested Intega Group entities for the period 1 July 2019 to 31 October 2019, which are presented as discontinued operations. The FY20 result from discontinued operations was an NPAT of $123.7 million, which included a demerger gain of $119.1 million.

Balance Sheet

The Company's bank debt facility is a three-year multi-currency cash advance and letter of credit syndicated facility, expiring in October 2022. The Company is in a surplus net debt (cash on hand less debt) position of $15.0 million at the end of 30 June 2021 (net debt of $0.6 million at 30 June 2020).

Cash Flow

The Company recorded a net operating cash inflow for the year of $62.6 million (inflow $73.5 million FY20). This is primarily driven by a strong operating result for the year and ongoing working capital management and ongoing focus on the conversion of direct labour costs to debtors then customer receipts.

Impact of COVID-19 ("COVID") Pandemic

<u>FY21</u>

Cardno remains fortunate that all of our clients around the world are B2B (business to business) or B2G (business to government) and we support government clients at federal, state and municipal levels.

Overall, the Company experienced a modest negative impact to the P&L as a result of COVID, whereby, as first observed in FY20, a number of projects shifted "to the right" (projects delayed not cancelled) associated with COVID attributed impacts.

Directors' Report *(continued)*

Cardno largely sells consultants' time and field services that are often deemed essential. Our clients and staff continue to adapt as required to working remotely.

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

The Company's operating metrics have held or improved during FY21. Group wide backlog has not materially changed through COVID. Debtors + WIP DSO is at another Company record low (75 days in FY21 vs 80 days in FY20 and 87 days in FY19). In reviewing the balance sheet and all assumption based financial projections and accruals and provisions, management have considered the impact of COVID. In particular, management determined that the Expected Credit Loss provision associated with COVID (first recorded in FY20) was appropriate at financial year end.

Beyond FY21

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

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

As previously advised, (1) Cardno does not have a material exposure to developers and landlords most immediately impacted by COVID economics and (2) we continue to watch our clients' funding streams.

While our people and ecosystem continue to show impressive ingenuity, and adapt quickly to the ongoing evolving environment created by COVID, continued COVID related requirements and needs are bound to stress the mental wellbeing of our staff. We continue to closely monitor the impact.

Directors’ Report *(continued)*

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.

Fee revenue for APAC was down 8.1% on FY20 to $188.4M, although underlying EBITDA increased from $1.0 million in FY20 to $8.0 million in FY21 (pre AASB 16). Asia Pacific Consulting EBITDA margins increased from 0.5% to 4.3% and, as committed, the business implemented business and project disciplines, focussing on the basics of project and business controls with activities focused on margin lift. Year-end backlog, being contracted work that has yet to be delivered, is up 11.4% year on year. The Company expects ongoing steady and sustainable improvement into FY22 and beyond.

Americas

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

The Americas business operates in United States dollars (USD). Clients are billed in USD and the vast bulk of costs (including salaries and associated costs, rent, facilities) are incurred in USD. While this creates a natural hedge against movements in foreign exchange rates, movements in the Australian dollar (AUD / USD exchange rate) do impact Cardno’s Group results when reported in AUD. In FY21 the average AUD/USD exchange rate was 0.7464 whereas in FY20 it was 0.6596. All amounts in this report are shown in AUD (unless stated otherwise).

The Americas continues to benefit from both (1) the accelerating demand for the Company’s environmental, social, and governance (ESG) services and (2) ongoing operational discipline across the business.

Despite the previously described impacts from COVID, the Americas fee revenue is up 1.8% on FY20 to USD $186.9 million, resulting in an 8.9% increase in underlying EBITDA to USD $27.8 million (pre AASB 16). The Americas EBITDA margin increased from 13.9% to 14.9%. Year-end backlog reduced slightly (down 1.1%) year on year, as ESG related project wins were offset by reduced infrastructure backlog as previously won multiyear infrastructure project backlog was utilised through the year. This reflects the infrastructure client multi-year large project bidding cycles.

International Development (ID)

The International Development (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.

As previously advised, Cardno continues its business development initiatives with Asia Pacific and Americas clients and has de-emphasised its business development in Europe. ID’s net revenue was down (9.5%) on the prior comparative period (PCP) to $167.6 million, due to a combination of the stronger AUD/USD exchange rate and the Company’s decision to scale back its operations in Europe. Correspondingly, underlying EBITDA of $5.4 million was up 101.4% on PCP and FY21 EBITDA margin is up from 1.4% to 3.2%.

Backlog is driven by multi-year procurement cycles with government clients. On a constant currency basis (eliminating the impact of AUD/USD exchange rate fluctuations), backlog is down 2.4% on PCP.

Portfolio

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

Latin America’s underlying EBITDA is slightly down on PCP primarily due to COVID related project delays. Caminosca continues to wind down and incur some corporate costs such as legal expenses, which have been excluded from the underlying result.

Directors’ Report *(continued)*

SEGMENT OVERVIEW CONTINUED

	Statutory[1]		Underlying Adjustments[2]		Underlying[1]	
	Financial year		Financial year		Financial year	
$’000	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Asia Pacific	230,622	246,406	-	-	230,622	246,406
Americas	340,118	372,499	-	-	340,118	372,499
ID	313,260	350,708	-	-	313,260	350,708
Portfolio	6,390	8,655	-	-	6,390	8,655
Gross Revenue	**890,390**	**978,268**	**-**	**-**	**890,390**	**978,268**
Asia Pacific	4,214	(2,249)	3,792	3,211	8,006	962
Americas	37,034	40,926	206	(2,249)	37,240	38,677
ID	3,642	2,458	1,718	203	5,360	2,661
Portfolio	11,374	(154)	(10,749)	887	625	733
Continuing operations EBITDAI[3, 5]	**56,264**	**40,981**	**(5,033)**	**2,052**	**51,231**	**43,033**
Adjust for AASB 16 impact	27,252	30,436	-	-	27,252	30,436
Adjusted EBITDAI[3,5]	**83,516**	**71,417**	**(5,033)**	**2,052**	**78,483**	**73,469**
Unrealised foreign exchange losses	(402)	(598)	-	-	(402)	(598)
Total continuing operations EBITDAI[3, 5]	**83,114**	**70,819**	**(5,033)**	**2,052**	**78,081**	**72,871**
Depreciation, impairment and amortisation expenses	(34,578)	(108,592)	-	69,621	(34,578)	(38,971)
EBIT[4,5]	**48,536**	**(37,773)**	**(5,033)**	**71,673**	**43,503**	**33,900**
Net finance costs	(7,056)	(11,791)	-	-	(7,056)	(11,791)
Profit/(loss) from continuing operations before income tax	**41,480**	**(49,564)**	**(5,033)**	**71,673**	**36,447**	**22,109**
Income tax (expense)/benefit[6]	(8,822)	(17,514)	94	(976)	(8,728)	(18,490)
Profit/(loss) from continuing operations after income tax	**32,658**	**(67,078)**	**(4,939)**	**70,697**	**27,719**	**3,619**
Discontinued operations, net of tax	**-**	**123,664**	**-**	**(117,921)**	**-**	**5,743**
Profit/(loss) after income tax	**32,658**	**56,586**	**(4,939)**	**(47,224)**	**27,719**	**9,362**
Attributable to:						
Ordinary Equity holders	32,658	56,586	(4,939)	(47,224)	27,719	9,362

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

   The exclusion of these items provides a result which, in the Directors’ view, more closely reflects the ongoing operations of the Group.
2. *Details of adjustments from Statutory to Underlying financial information are set out on page 14.*
3. *EBITDAI represents earnings before interest, income tax, depreciation, amortisation and impairment.*
4. *EBIT represents earnings before interest and income tax.*
5. *EBITDAI and EBIT are unaudited. However, they are based on amounts extracted from the audited financial statements as reported in the consolidated statement of financial performance on page 32. These metrics provide a measure of Cardno’s performance before the impact of non-cash expense items, such as depreciation, amortisation and impairment, as well as interest costs associated with Cardno’s external debt facility and lease arrangements.*

Directors' Report *(continued)*

SEGMENT OVERVIEW CONTINUED

	2021 $'000	2020 $'000
Underlying Profit From Continuing and Discontinued Operations After Income Tax (Attributable to Ordinary Equity Holders)	27,719	9,362
Underlying Adjustments to EBITDAI:		
Onerous contracts and other costs associated with office rationalisation [1]	2,499	1,667
Costs associated with restructuring [2]	2,143	2,199
Costs related to disposed entities [3]	3,166	-
Receipt of settlement proceeds [4]	(8,365)	-
Acquisition related costs [5]	-	193
Foreign stamp duty [6]	-	394
Release of liabilities no longer required [7]	(4,504)	(2,817)
Legal costs	-	16
Other	28	400
Total Underlying Adjustments to EBITDAI	**(5,033)**	**2,052**
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	94	(5,332)
Total Underlying Adjustments to Income Tax	**94**	**(5,332)**
Underlying adjustments relating to divested entities [9]	-	(113,565)
Total Underlying Adjustments to Discontinued Operations	**-**	**(113,565)**
Statutory Profit After Income Tax (Attributable to Ordinary Equity Holders)	**32,658**	**56,586**

1. *Costs associated with the Group wide office rationalisation and consolidation project in the current and prior year.*
2. *Termination and redundancy costs associated with the restructuring of APAC, Americas and ID Europe (FY20: Termination and redundancy costs associated with Group support functions and downsizing of the Asia Pacific Segment).*
3. *Insurance costs relating to divested business units for pre-demerger period, working capital true up received in relation to the sale of Structures business unit offset by legal and other costs incurred in the sale of ID Brussels business unit.*
4. *Settlement proceeds in relation to Caminosca.*
5. *Costs incurred in acquiring new businesses in the prior year, such as legal, due diligence and insurance costs.*
6. *Documentary stamp taxes paid on non-trade intercompany payables in the prior year.*
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.*
9. *Includes costs incurred in relation to the Group demerger, net of the gain on demerge of $119.1 million and write back of the foreign currency translation reserve relating to discontinued operations.*

Directors’ Report *(continued)*

OUTLOOK

As stated, on 9 June 2021 the Company announced the commencement of a strategic review process. As at the date of this report, the strategic review process is ongoing and no actions have been taken or decisions made that require further disclosure. The Board will continue to keep shareholders informed in accordance with Cardno’s continuous disclosure obligations.

In the meantime, it is very much business as usual for Cardno’s 4,000+ team around the world.

DIRECTORS’ MEETINGS

Attendance at Board meetings and Board Committee meetings for the year ended 30 June 2021 is set out below:

	Board of Directors		**Audit, Risk & Compliance Committee**		**Remuneration Committee (i)**	
No. of Meetings Held	**A**	**B**	**A**	**B**	**A**	**B**
Michael Alscher	12	12	3	5	9	9
Susan Reisbord	12	12	-	-	9	9
Steven Sherman	12	12	5	5	9	9
Jeffrey Forbes	12	12	5	5	9	9
Nathanial Thomson	12	12	-	-	9	9
Rebecca Ranich	12	12	-	-	9	9

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

(i) Remuneration Committee meetings are held as part of the Board of Directors meetings, therefore non-members such as the CEO and other Non-Executive Directors may attend by invitation.

INTERESTS

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

	Ordinary Shares	**Performance Options**	**Performance Rights**
Michael Alscher	-	-	-
Steven Sherman	-	-	-
Jeffrey Forbes	148,619	-	-
Nathanial Thomson	-	-	-
Rebecca Ranich	-	-	-
Susan Reisbord	319,019	-	2,611,572

Remuneration Report (Audited)

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

CONTENTS

The Report contains the following sections:

A. KEY MANAGEMENT PERSONNEL

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

From financial year ended 30 June 2016 until November 2020, Cardno has for the purposes of this Report, considered the KMP to be the Chief Executive Officer (CEO), or Executive Chairman and Chief Financial Officer (CFO). Since FY16 all forms of strategic and management decision making have been centralised with the CEO and CFO (on behalf of the Board). The Company's delegation of authority matrix was rewritten and strengthened thus allowing a delegation of operational (but not management) authority that enables the separate divisions to operate on a day-to-day basis. Members of management meet with the CEO weekly, and the CEO and CFO monthly to enable appropriate management oversight. In November 2020, Jenifer Picard (also CFO of the Americas division) was appointed to the newly created role of Chief Operating Officer (COO). As a result, the delegation of authority matrix was updated to include the COO with the role assigned the same delegated authority limits as the CFO. The COO also plays an important role in operational oversight and management, thus the COO is considered to be KMP.

The KMP disclosed for the financial year ended 30 June 2021 are detailed in the following table.

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

Name	Title	Period KMP (if less than full-year)
EXECUTIVES		
Susan Reisbord	Chief Executive Officer and Managing Director	
Peter Barker	Chief Financial Officer	
Jenifer Picard	Chief Operating Officer	Appointed 1 November 2020

B. ROLE OF THE REMUNERATION COMMITTEE

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

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

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

In the year ended 30 June 2020 the Committee commissioned the Godfrey Remuneration Group (GRG) to advise on remuneration trends generally and on the future structure of the Long-Term Incentive (LTI) plan specifically. GRG is an independent agency - their services were directly sourced and they were directly appointed by the Remuneration Committee. GRG's recommendations were made directly to the Remuneration Committee and the Board is satisfied that the recommendation was free from undue influence by those key management personnel to whom the recommendation related. Committee discussions regarding GRG's appointment and assessment of their recommendations were not held in the presence of the Chief Executive Officer in order to maintain independence. GRG's recommendations were considered by the Remuneration Committee, and have been incorporated into the FY2020 and FY2021 LTI plans, which were approved by shareholders at the Company's October 2020 Annual General Meeting. GRG also assisted Cardno with preparation of the documentation for the LTI plan including plan rules, invitations, explanatory booklet, and preparation of notices for plan approval by shareholders and grant to a director. In FY2021 GRG charged Cardno $6,600 (incl. GST) (FY2020: $25,300 (incl. GST)) for all services provided as articulated above.

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

C. NON-EXECUTIVE DIRECTORS' REMUNERATION

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

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

The current aggregate fee limit of $1,150,000 was approved by shareholders at the Company's 2014 Annual General Meeting. There is no intention to increase Non-Executive Directors' fees for the 2022 financial year.

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

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

The remuneration received by Non-Executive Directors for the years ended 30 June 2021 and 30 June 2020 is set out in the following table.

		Salary and Fees $	Superannuation Benefits $	Total $
NON-EXECUTIVE				
Michael Alscher[1]	**2021**	**200,000**	**-**	**200,000**
	2020	200,000	-	200,000
Neville Buch[2]	**2021**	**-**	**-**	**-**
	2020	33,699	-	33,699
Steven Sherman	**2021**	**103,652**	**9,847**	**113,499**
	2020	103,652	9,847	113,499
Jeffrey Forbes	**2021**	**116,231**	**11,042**	**127,273**
	2020	116,231	11,042	127,273
Rebecca Ranich[3]	**2021**	**134,017**	**-**	**134,017**
	2020	149,104	-	149,104
Nathanial Thomson[1]	**2021**	**100,000**	**-**	**100,000**
	2020	100,000	-	100,000
Total 2021		**653,900**	**20,889**	**674,789**
Total 2020		702,686	20,889	723,575

[1] Michael Alscher's and Nathanial Thomson's fees are paid to Crescent Capital Partners.

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

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

D. EXECUTIVE REMUNERATION STRATEGY AND STRUCTURE

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

Total Fixed Remuneration (TFR)	Consists of base salary plus statutory superannuation contributions and other benefits. KMP and senior managers receive a fixed remuneration package which is reviewed annually by the Remuneration Committee and the Board taking into consideration the responsibilities of the role, the qualifications and experience of the incumbent and benchmark market data including those companies with which the Group competes for talent. In reviewing TFR the Committee and the Board takes into consideration business and individual performance as well as the factors outlined above. There are no guaranteed base pay increases included in any KMP contract.
Short-Term Incentive (STI)	Target STI opportunities are expressed as a percentage of TFR. For the year ended 30 June 2021, STI payments were determined by achievement of financial and non-financial performance targets. The Committee and the Board are responsible for reviewing the achievement of targets. For Executive KMP's, STI is assessed 100% against achievement of budgeted EBITDA for the year. Payment of STI is based on the achievement of the following gates: < 90% budget underlying EBITDA achieved — 0% STI paid 90% budget underlying EBITDA achieved — 50% STI paid 100% budget underlying EBITDA achieved — 75% STI paid > 110% budget underlying EBITDA achieved — 100% STI paid STI's are paid in cash following the finalisation of the EBITDA result for the year. Underlying EBITDA is measured on a pre AASB 16 *Leases* (AASB 16) basis.
Long-Term Incentive (LTI)	Target LTI opportunities are expressed as a percentage of TFR. Performance Rights issued under the previous LTI plan are tested against the relevant performance hurdles at the end of the performance period. For FY20 and beyond, the focus of the LTI scheme aims to ensure an incentive program that fundamentally underpins sustained improved performance of the business and creation of shareholder value. The scheme will provide for the issue of Performance Rights for nil consideration to KMP and senior management who contribute to the achievement of performance hurdles over a three-year period related to targeted (pre AASB 16) EBITDA per share growth (EBITDAPSG) and total shareholder returns (TSR). Refer section G for the terms and conditions of the Performance Rights and Options. Subject to meeting the relevant performance hurdles, upon vesting, the Performance Rights will be converted into ordinary shares in the Company.

E. EXECUTIVE KEY MANAGEMENT PERSONNEL - CONTRACT TERMS

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

- **Contract term**: no fixed term.
- **Notice Period**: (resignation or termination without cause) six months for CEO, three months for CFO and COO.

The Company may terminate Agreements immediately for cause, in which case the Executive is not entitled to any payment in lieu of notice or contractual compensation. Termination of employment with cause would result in no STI awards and all unvested LTI to lapse or vest based on the LTI plan rules at the Board's discretion. In the event of termination without cause, the Group is required to pay Executive KMP their notice period, being 6 months of salary for the CEO and 3 months of salary for the CFO and COO.

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

Susan Reisbord joined the Company in 2015 and was promoted to CEO and Managing Director on 4 November 2019. Ms Reisbord is paid, effective the date of her appointment as CEO and Managing Director, Total Fixed Remuneration (TFR) of USD $500,000 per annum. She is eligible to receive an STI up to a maximum of 40% of TFR, subject to certain Cardno Group EBITDA budget thresholds being met. For FY21 Ms Reisbord was awarded her STI on the basis of more than 110% of the Group EBITDA target being met, resulting in 100% payout of the STI. EBITDA is measured on a pre AASB 16 basis.

For each financial year, Ms Reisbord will be awarded a long-term incentive in the form of Performance Rights equivalent to 60% of her base salary. The number of Performance Rights to be granted will be calculated based on the LTI opportunity, converted using a fair value methodology, in accordance with Cardno's internal policy and vesting criteria as per the senior management LTI plan. Ms Reisbord is also entitled annually to take up to 25% of her LTI benefit in options as opposed to Performance Rights. The calculation of those options and vesting conditions will be determined by the board, however to date Ms Reisbord has not taken up this entitlement.

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

Peter Barker commenced as CFO on 1 February 2016 and is paid TFR of AUD $487,694 per annum. Mr Barker did not receive a pay review this financial year. He is eligible to receive an STI up to a maximum of 50% of TFR, subject to certain Cardno Group EBITDA budget thresholds being met. For FY21, Mr Barker was awarded his STI on the basis of more than 110% of the Group EBITDA target being met, resulting in 100% payout of the STI. EBITDA is measured on a pre AASB 16 basis.

For each financial year, Mr Barker will be awarded a long-term incentive in the form of Performance Rights equivalent to 50% of TFR. The number of Performance Rights to be granted will be calculated based on the LTI opportunity, converted using a fair value methodology, in accordance with Cardno's internal policy and vesting criteria as per the senior management LTI plan.

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

Jenifer Picard was appointed to the newly created role of Chief Operating Officer (COO) effective 1 November 2020. Ms Picard joined the Company in 2017 and has been acting in the role of Americas Regional Chief Financial Officer since October 2019. She will continue to act in this role in addition to her global COO role.

Ms Picard is paid, effective the date of her appointment as COO, TFR of USD $300,000 per annum. She is eligible to receive an STI up to a maximum of 40% of TFR, subject to certain Cardno Group EBITDA budget thresholds being met. For FY21 Ms Picard was awarded her STI on the basis of more than 110% of the Group EBITDA target being met, resulting in 100% payout of the STI. The STI to be paid was calculated on a pro-rata basis to reflect her continuous service during the financial year across both her Americas CFO and Global COO roles. EBITDA is measured on a pre AASB 16 basis.

For each financial year, Ms Picard will be awarded a long-term incentive in the form of Performance Rights equivalent to 40% of her base salary. The number of Performance Rights to be granted will be calculated based on the LTI opportunity, converted using a fair value methodology, in accordance with Cardno's internal policy and vesting criteria as per the senior management LTI plan. For FY21, these will be granted on a pro rata basis from date of commencement of 1 November 2020.

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

F. EXECUTIVE KEY MANAGEMENT PERSONNEL - REMUNERATION TABLES

The remuneration received by Executive KMP for the years ended 30 June 2021 and 30 June 2020 is set out in the following table.

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

		SHORT-TERM BENEFITS			SHARE-BASED PAYMENTS	POST EMPLOYMENT		
		Salary and Fees [1] $	STI Cash $	Non-Monetary Benefits $	Performance Rights and Options $	Superannuation Benefits $	Termination Benefits $	Total $
EXECUTIVE KEY MANAGEMENT PERSONNEL								
Susan Reisbord [2]	**2021**	**664,870**	**267,690**	**48,349**	**326,366**	**34,604**	**-**	**1,341,879**
	2020	555,415	195,817	27,662	103,598	28,831	-	911,323
Ian Ball [3]	**2021**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	2020	372,731	-	-	(586,805)	10,905	458,853	255,684
Peter Barker	**2021**	**455,577**	**223,559**	**-**	**216,184**	**22,529**	**-**	**917,849**
	2020	513,248	240,847	-	151,289	21,003	-	926,387
Jenifer Picard [4]	**2021**	**239,342**	**106,005**	**24,751**	**49,424**	**11,676**	**-**	**431,198**
	2020	-	-	-	-	-	-	-
Total 2021		**1,359,789**	**597,254**	**73,100**	**591,974**	**68,809**	**-**	**2,690,926**
Total 2020		1,441,394	436,664	27,662	(331,918)	60,739	458,853	2,093,394

[1] Salary and Fees includes base salary and value of leave entitlements accrued during the period.

[2] Susan Reisbord commenced as CEO and Managing Director on 4 November 2019. Susan is paid in US dollars and the remuneration disclosed above has been converted to Australian dollars at an average exchange rate of 75 cents (2020: 67 cents). Ms Reisbord's remuneration is reflected from 4 November 2019, being the date of her promotion to CEO and Managing Director.

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

[4] Jenifer Picard commenced as Chief Operating Officer on 1 November 2020. Jenifer is paid in US dollars and the remuneration disclosed above has been converted to Australian dollars at an average exchange rate of 75 cents. Jenifer's remuneration is reflected from 1 November 2020, being the date of her promotion to COO.

Executive Key Management Personnel – 2021 Short Term Incentive

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

The relevant budget threshold is the Company's internal EBITDA budget for the year – which is set by the Board as part of the annual budget review process. The FY21 EBITDA budget was set by the Board at its June 2020 meeting.

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

In FY21 both the Cardno Group and the Americas Region actual EBITDA achieved were greater than 110% of the internal budgeted EBITDA for the year. As a result, all KMP's were awarded 100% of their STI.

EBITDA is determined on a pre AASB 16 basis.

Proportion of Performance Related Remuneration

		Percentage of Target STI Received	Percentage of Remuneration Performance Related[1]
EXECUTIVE KEY MANAGEMENT PERSONNEL			
Susan Reisbord	**2021**	**100%**	**44.3%**
	2020	100%	32.9%
Peter Barker	**2021**	**100%**	**47.9%**
	2020	100%	42.3%
Jenifer Picard	**2021**	**100%**	**36.0%**
	2020	-	-

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

Performance Rights Granted and Movement During the Year

The aggregate number of Performance Rights in the Company that were granted as compensation, exercised and lapsed to each Executive KMP for the year ended 30 June 2021 is set out in the following table.

EXECUTIVE KEY MANAGEMENT PERSONNEL	Balance at 1 July 2020	Rights Exercised During the Year	Value of Rights Exercised During the Year[1]	Lapsed / Cancelled During the Year	Value of Lapsed / Cancelled[2]	Rights Granted During the Year[3]	Value of Rights Granted During the Year	Balance at 30 June 2021	Maximum Total Yet to Vest
	No.	**No.**	**$**	**No.**	**$**	**No.**	**$**	**No.**	**No.**
Susan Reisbord	418,780	(91,189)	(49,586)	(91,189)	(123,105)	2,230,368	863,353	2,466,770	2,466,770
Peter Barker	372,044	(86,277)	(52,409)	(86,277)	(116,474)	1,247,238	481,694	1,446,728	1,446,728
Jenifer Picard	-	-	-	-	-	584,282	171,428	584,282	584,282

1. *Calculated per Performance Right as the market value of Cardno shares on the date of exercise.*
2. *Value is calculated at fair market value of the performance right on date of grant. Lapsed performance rights were granted in 2017.*
3. *Rights granted in relation to 2020 and 2021 Performance Equity Plans in 2021.*

Details of vesting profiles of Performance Rights granted as remuneration to Key Management Personnel of Cardno and still outstanding at 30 June 2021, including those granted during the financial year are as follows in the table below:

	Year	Outstanding Performance Rights	Grant Date	Vesting Date	% Vested in Year	% Forfeited/ lapsed in Year	Fair Value at Grant Date Tranche 1	Fair Value at Grant Date Tranche 2
EXECUTIVE KEY MANAGEMENT PERSONNEL								
Susan Reisbord[1]	2018	182,378	1-Nov-17	1-Nov-20	50.0%	50.0%	1.06	1.35
	2019	236,402	1-Nov-18	1-Nov-21	0.0%	0.0%	1.08	N/A
	2020	769,662	1-Nov-19	31-Oct-22	0.0%	0.0%	0.08	0.29
	2021	1,460,706	1-Nov-20	31-Oct-23	0.0%	0.0%	0.22	0.29
Peter Barker	2018	172,554	1-Nov-17	1-Nov-20	50.0%	50.0%	1.06	1.35
	2019	199,490	1-Nov-18	1-Nov-21	0.0%	0.0%	1.08	N/A
	2020	426,354	1-Nov-19	31-Oct-22	0.0%	0.0%	0.08	N/A
	2021	820,884	1-Nov-20	31-Oct-23	0.0%	0.0%	0.22	0.29
Jenifer Picard	2021	584,282	1-Nov-20	31-Oct-23	0.0%	0.0%	0.22	0.29

[1] *Ms Reisbord's 2018 and 2019 performance rights were granted prior to her commencement as CEO and Managing Director on 4 November 2019.*

The number of Performance Rights included in the balance at 30 June 2021 for the Executive KMP is set out in the following table.

	Balance at 30 June 2021	Vested & Exercisable at the End of the Year
EXECUTIVE KEY MANAGEMENT PERSONNEL		
Susan Reisbord	2,466,770	-
Peter Barker	1,446,728	-
Jenifer Picard	584,282	-

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

Securities Trading Policy

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

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

G. LTI SHARE PLANS

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

Performance Period:

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

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

If there is a Change of Control in respect of the Company or in the event that a major part of the Company’s assets or operations will imminently cease to be owned by the Group, then the Participant’s unvested Performance Rights or unvested Options (or a portion of unvested Performance Rights or unvested Options) may vest to the extent determined by the Board irrespective of whether the Vesting Conditions are satisfied in respect of those Performance Rights or Options.

2020 and 2021 LTI Plan Performance Hurdles:

In the year ended 30 June 2020 the Committee commissioned the Godfrey Remuneration Group (GRG) to advise on remuneration trends generally and on the future structure of the Long Term Incentive (LTI) plan specifically. GRG’s recommendations were incorporated into the FY2020 and FY2021 LTI plan, which were approved by Shareholders at the Company’s October 2020 Annual General Meeting.

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

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

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

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

Pro-rata outcomes apply between the specified levels.

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

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

Pro-rata outcomes apply between the specified levels.

2019 LTI Plan Performance Hurdles:

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

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

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

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

Where:

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

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

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

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

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

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

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

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

Combined EBITDA = Cardno EBITDA + Intega EBITDA

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

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

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

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

2018 LTI Plan Performance Hurdles:

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

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

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

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

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

Where:

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

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

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

VWAP has the meaning given below.

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

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

Where:

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

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

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

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

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

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

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

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

Combined EBITDA = Cardno EBITDA + Intega EBITDA

Where:

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

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

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

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

The share price hurdle was tested against the VWAP of Cardno shares over the 20 days prior to the 22 October 2020 and it was determined that this hurdle was not satisfied under the 2018 LTI Plan and this portion of the Performance Rights lapsed on 4 November 2020. The Group EBITDA performance hurdle was satisfied under the 2018 LTI Plan.

Number of Performance Rights:

There are currently 12,014,050 Performance Rights on issue at 30 June 2021. As a share-based payment, these Performance Rights were valued for accounting and reporting purposes using the Monte Carlo simulation and Black Scholes method.

Assumption at fair value	2021	2020	2019[1]	2018
Share Price	$0.29	$0.29	$1.08	$1.35
Risk Free Rate	0.12%	0.12%	0%	1.99%
Dividend Yield	0%	0%	0%	0%
Volatility	50%	50%	0%	63%

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

H. THE GROUP'S PERFORMANCE

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

	2021[1]	2020[1]	2019[2]	2018[2]
Gross Revenue (000's)	$890,390	$978,268	$1,319,272	$1,116,975
Underlying EBITDAI (000's)[1]	$51,231	$43,033	$62,006	$56,210
Net Profit / (Loss) After Tax (000's)	$32,658	$56,586	($44,490)	($14,018)
Dividends Paid or Provided (000's)	$6,019	-	-	-
Change in Share Price – year on year ($ per share)	$0.73	($0.35)	($0.38)	$0.11

1. Underlying EBITDAI is presented on a pre AASB 16 basis for 2021 and 2020.

2. 2018 and 2019 financial results are presented inclusive of Intega Group, which was demerged in October 2019.

I. OTHER RELATED PARTY TRANSACTIONS

Share Holdings

The movement for the year ended 30 June 2021 in the number of ordinary shares in the Company held, directly or indirectly or beneficially, by each KMP, including their related parties, is detailed in the following table.

Name	Balance at the Start of the Year	Received During the Year on the Exercise of Rights	Other Changes During the Year	Balance at the End of the Year
NON-EXECUTIVE DIRECTOR				
Michael Alscher	-	-	-	-
Steven Sherman	-	-	-	-
Jeffrey Forbes	148,619	-	-	148,619
Nathanial Thomson	-	-	-	-
Rebecca Ranich	-	-	-	-

Name	Balance at the Start of the Year	Received During the Year on the Exercise of Rights	Other Changes During the Year	Balance at the End of the Year
EXECUTIVE KEY MANAGEMENT PERSONNEL				
Susan Reisbord	146,074	172,945	-	319,019
Peter Barker	140,671	163,629	-	304,300
Jenifer Picard	-	-	-	-

Loans to Key Management Personnel

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

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

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

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

Directors’ Report *(continued)*

NON-AUDIT SERVICES

The Company’s auditor may perform certain other services in addition to their statutory duties.

The Board has considered the non-audit services provided during the year by the auditor and in accordance with advice provided by resolution of the Audit, Risk and Compliance Committee, is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

> All non-audit services were subject to the corporate governance procedures adopted by the Board and have been reviewed by the Audit, Risk and Compliance Committee to ensure they do not impact the integrity and objectivity of the auditor; and

> The non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor’s own work, acting in a management or decision making capacity for Cardno, acting as an advocate for Cardno or jointly sharing risks and rewards.

Details of the amounts paid to the auditor and its related practices for audit and non-audit services provided during the year are set out in Note 32.

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

The lead auditor’s independence declaration is set out on page 31 and forms part of the Directors’ report for the year ended 30 June 2021.

ROUNDING OF AMOUNTS

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

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

MICHAEL ALSCHER
Chairman

27 August 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 audit of Cardno Limited for the financial year ended 30 June 2021 there have been:

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

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

KPMG

Jason Adams
Partner

Brisbane
27 August 2021

Consolidated Statement of Financial Performance

Cardno Limited and its Controlled Entities for the year ended 30 June 2021

	Note	2021 $'000	2020 $'000
Continuing operations			
Revenue	3A	890,390	978,268
Other income	3B	18,215	14,648
Financing income	4	943	349
Employee expenses		(387,383)	(421,673)
Consumables and materials used		(248,790)	(278,058)
Sub-consultant and contractor costs		(179,278)	(204,927)
Depreciation and amortisation expenses		(34,578)	(38,971)
Financing costs	4	(7,999)	(12,140)
Impairment loss on goodwill	12	-	(69,621)
Impairment (loss) / reversal on trade receivables and contract assets	5, 20	1,958	(4,949)
Other expenses		(11,998)	(12,490)
Profit/(loss) before income tax from continuing operations		41,480	(49,564)
Income tax expense	6	(8,822)	(17,514)
Profit/(loss) from continuing operations, net of tax		**32,658**	**(67,078)**
Profit after tax for the year from discontinued operations	2	**-**	**123,664**
Profit attributable to:			
Owners of the Company		32,658	56,586
		32,658	**56,586**
Earnings per share attributable to ordinary equity holders of the parent from continuing operations			
Basic earnings/(loss) per share (cents per share)	27	7.88	(15.07)
Diluted earnings/(loss) per share (cents per share)	27	7.70	(15.07)
Earnings per share attributable to ordinary equity holders			
Basic earnings per share (cents per share)	27	7.88	12.71
Diluted earnings per share (cents per share)	27	7.70	12.71

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

Consolidated Statement of Other Comprehensive Income

Cardno Limited and its Controlled Entities for the year ended 30 June 2021

	Note	2021 $'000	2020 $'000
Profit for the year		**32,658**	**56,586**
Items that may be subsequently reclassified to profit or loss:			
Exchange differences on translation of foreign operations		(15,211)	(1,443)
Reclassification of foreign currency reserves – discontinued operations and other liquidated operations		-	(607)
Other comprehensive loss for the year, net of tax		(15,211)	(2,050)
Total comprehensive income for the year		**17,447**	**54,536**
Total comprehensive income/(loss) for the year, net of tax, attributable to members of the parent arising from:			
Continuing operations		17,447	(68,521)
Discontinued operations		-	123,057
		17,447	**54,536**

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

Consolidated Statement of Financial Position

Cardno Limited and its Controlled Entities as at 30 June 2021

	Note	2021 $'000	2020 $'000
CURRENT ASSETS			
Cash and cash equivalents	8	37,272	57,723
Trade and other receivables	9	92,911	117,132
Contract assets	3A, 10	80,032	94,827
Work in progress		1,021	1,081
Other current assets	24	6,985	8,793
Current tax receivable		2,699	1,573
TOTAL CURRENT ASSETS		**220,920**	**281,129**
NON-CURRENT ASSETS			
Trade and other receivables		190	-
Other financial assets	25	2,464	1,703
Property, plant and equipment	11	15,238	19,984
Right-of-use assets	15	76,187	102,561
Deferred tax assets	7	66,211	74,206
Intangible assets	12	172,580	182,483
TOTAL NON-CURRENT ASSETS		**332,870**	**380,937**
TOTAL ASSETS		**553,790**	**662,066**
CURRENT LIABILITIES			
Trade and other payables	13	86,969	122,645
Lease liabilities	14, 15	21,607	25,371
Employee benefits		30,887	28,539
Short-term provisions	16	4,022	3,932
Contract liabilities	3A, 17	38,248	39,709
Other current liabilities	17	-	1,554
TOTAL CURRENT LIABILITIES		**181,733**	**221,750**
NON-CURRENT LIABILITIES			
Loans and borrowings	14	22,288	58,326
Lease liabilities	14, 15	68,844	90,534
Employee benefits		3,227	3,326
Other non-current liabilities	17	-	1,257
TOTAL NON-CURRENT LIABILITIES		**94,359**	**153,443**
TOTAL LIABILITIES		**276,092**	**375,193**
NET ASSETS		**277,698**	**286,873**
EQUITY			
Issued capital	18	370,079	390,682
Reserves		225,920	241,131
Retained losses		(318,301)	(344,940)
TOTAL EQUITY		**277,698**	**286,873**

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

Consolidated Statement of Changes in Equity

Cardno Limited and its Controlled Entities for the year ended 30 June 2021

	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 2019		**782,214**	**(395,377)**	**106,472**	**(14,611)**	**-**	**478,698**
Adjustment on initial application of AASB 16 (net of income tax) *		-	(6,149)	-	-	-	(6,149)
Adjusted Balance 1 July 2019		**782,214**	**(401,526)**	**106,472**	**(14,611)**	**-**	**472,549**
Profit for the year		-	56,586	-	-	-	56,586
Exchange differences on translation of foreign operations		-	-	(1,443)	-	-	(1,443)
Reclassification of foreign currency reserves on discontinued and liquidated operations		-	-	(607)	-	-	(607)
Total comprehensive income for the period		**-**	**56,586**	**(2,050)**	**-**	**-**	**54,536**
Transactions with owners in their capacity as owners:							
Employee share based payments	18	(2)	-	-	-	-	(2)
Capital reduction	2,18	(391,530)	-	-	-	151,320	(240,210)
		(391,532)	**-**	**-**	**-**	**151,320**	**(240,212)**
BALANCE AT 30 JUNE 2020		**390,682**	**(344,940)**	**104,422**	**(14,611)**	**151,320**	**286,873**
BALANCE AT 1 JULY 2020		**390,682**	**(344,940)**	**104,422**	**(14,611)**	**151,320**	**286,873**
Profit for the year		-	32,658	-	-	-	32,658
Exchange differences on translation of foreign operations		-	-	(15,211)	-	-	(15,211)
Total comprehensive income for the period		**-**	**32,658**	**(15,211)**	**-**	**-**	**17,447**
Transactions with owners in their capacity as owners:							
Unmarketable Parcel - Share Buyback	18	(642)	-	-	-	-	(642)
Share Buyback Program	18	(21,476)	-	-	-	-	(21,476)
Employee share based payments	18	1,515	-	-	-	-	1,515
Dividends paid	18	-	(6,019)	-	-	-	(6,019)
		(20,603)	**(6,019)**	**-**	**-**	**-**	**(26,622)**
BALANCE AT 30 JUNE 2021		**370,079**	**(318,301)**	**89,211**	**(14,611)**	**151,320**	**277,698**

**The Group has initially applied AASB 16 at 1 July 2019 using the modified retrospective approach. Under this approach, the cumulative effect of initially applying AASB 16 is recognised in retained earnings at the date of initial application.*

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

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

Consolidated Statement of Cash Flows

Cardno Limited and its Controlled Entities for the year ended 30 June 2021

	Note	2021 $'000	2020[1] $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		981,681	1,212,789
Interest received		432	350
Finance costs paid		(7,416)	(13,492)
Cash paid to suppliers and employees		(910,607)	(1,125,369)
Income tax paid		(1,507)	(801)
NET CASH PROVIDED BY OPERATING ACTIVITIES	26	**62,583**	**73,477**
CASH FLOWS FROM INVESTING ACTIVITIES			
Disposal of discontinued operation, net of cash disposed of[1]	2	-	(20,588)
Acquisition of subsidiaries net of cash acquired		-	(1,232)
Payments of deferred acquisition consideration		(2,992)	(492)
Receipt of settlement proceeds		6,307	-
Proceeds from disposal of business assets		3,580	729
Proceeds from sale of property, plant and equipment		271	132
Payments for property, plant and equipment		(4,177)	(9,353)
NET CASH PROVIDED BY / (USED IN) INVESTING ACTIVITIES		**2,989**	**(30,804)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	18	(6,019)	-
Payment of debt raising costs		-	(1,469)
Share Buy-Back	18	(22,118)	-
Proceeds from borrowings	14	125,589	241,550
Repayment of borrowings	14	(157,450)	(250,221)
Repayment of lease liabilities	14	(24,291)	(30,990)
NET CASH USED IN FINANCING ACTIVITIES		**(84,289)**	**(41,130)**
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS HELD		**(18,717)**	**1,543**
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 year		(1,734)	636
CASH AND CASH EQUIVALENTS AT 30 JUNE	8	**37,272**	**57,723**

[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 2.

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

Notes to the Consolidated Financial Statements

Cardno Limited and its Controlled Entities for the year ended 30 June 2021

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

GROUP STRUCTURE

1. SEGMENT INFORMATION

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

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

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

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

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

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

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

Reconciliations of reportable segment revenues and profit or loss

2021 $'000	**Asia Pacific**	**Americas**	**ID**	**Other**	**Total**
SEGMENT REVENUE					
Fees from consulting services	188,359	250,457	167,558	6,369	612,743
Fees from recoverable expenses	42,119	89,448	145,507	17	277,091
Segment Revenue	230,478	339,905	313,065	6,386	889,834
Other revenue	144	213	195	4	556
Total Segment Revenue	**230,622**	**340,118**	**313,260**	**6,390**	**890,390**
Segment Result	**8,006**	**37,240**	**5,360**	**625**	**51,231**
Adjust for AASB 16 impact	10,146	12,645	3,354	1,107	27,252
Adjusted Segment Result	**18,152**	**49,885**	**8,714**	**1,732**	**78,483**
Costs related to disposed entities	(88)	192	(1,344)	(1,926)	(3,166)
Onerous contracts and other costs associated with office rationalisation	(2,145)	(354)	-	-	(2,499)
Costs associated with restructuring	(1,559)	(211)	(373)	-	(2,143)
Receipt of settlement proceeds	-	-	-	8,365	8,365
Release of liabilities no longer required	-	165	-	4,339	4,504
Other	-	-	-	(28)	(28)
Depreciation and amortisation expense	(16,552)	(12,406)	(3,275)	(2,345)	(34,578)
Unrealised foreign exchange losses	-	-	-	(402)	(402)
Profit before interest and income tax					**48,536**
Finance costs and interest income					(7,056)
Profit before income tax					**41,480**
Income tax expense					(8,822)
Profit after income tax					**32,658**

2020 **$'000**	**Asia Pacific**	**Americas**	**ID**	**Other**	**Continuing operations Total**	**Discontinued operations[1]**
SEGMENT REVENUE						
Fees from consulting services	204,967	278,423	185,094	8,623	677,107	124,622
Fees from recoverable expenses	40,456	93,040	165,324	-	298,820	40,795
Segment Revenue	245,423	371,463	350,418	8,623	975,927	165,417
Other revenue	983	1,036	290	32	2,341	65
Total Segment Revenue	**246,406**	**372,499**	**350,708**	**8,655**	**978,268**	**165,482**
Segment Result	**962**	**38,677**	**2,661**	**733**	**43,033**	**11,004**
Adjust for AASB 16 impact	15,251	11,526	3,645	14	30,436	5,081
Adjusted Segment Result	**16,213**	**50,203**	**6,306**	**747**	**73,469**	**16,085**
Gain on demerger	-	-	-	-	-	119,102
Gain on sale of business assets	-	-	-	-	-	1,383
Demerger related costs	-	-	-	-	-	(5,112)
Provisions for onerous contracts	(1,151)	(516)	-	-	(1,667)	-
Impairment loss on goodwill	(69,621)	-	-	-	(69,621)	-
Acquisition related expenses	(193)	-	-	-	(193)	-
Legal costs	(16)	-	-	-	(16)	-
Foreign stamp duty prior years	-	-	-	(394)	(394)	-
Restructuring costs	(1,851)	(52)	(203)	(93)	(2,199)	-
Release of provisions	-	2,817	-	-	2,817	-
Other	-	-	-	(400)	(400)	-
Depreciation and amortisation expense	(16,690)	(14,120)	(3,527)	(4,634)	(38,971)	(10,389)
Profit/(loss) before interest and income tax					**(37,175)**	**121,069**
Finance costs and interest income					(11,791)	(992)
Foreign exchange gains/(losses)[2]					(598)	607
Profit/(loss) before income tax					**(49,564)**	**120,684**
Income tax (expense)/benefit					(17,514)	2,980
Profit/(loss) after income tax					**(67,078)**	**123,664**
Profit from continuing and discontinuing operations after income tax						**56,586**

[1] Discontinued operations relate to Intega Group Limited which was demerged on 31 October 2019 and the Structures business unit which was sold on 31 May 2020. See Note 2.

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

1. SEGMENT INFORMATION CONTINUED

GEOGRAPHICAL INFORMATION

	2021		2020	
	Revenues $'000	Non-Current Assets [1] $'000	Revenues $'000	Non-Current Assets [1] $'000
Continuing operations				
Australia & New Zealand	379,544	158,216	389,033	160,245
United States of America	393,572	104,965	440,204	138,497
United Kingdom	11,118	466	28,184	2,535
Canada	567	(204)	-	(32)
Africa	2,928	487	3,281	623
Latin America	6,374	968	9,095	985
Asia	73,065	811	86,600	2,731
Other Countries	23,222	950	21,871	1,147
Total	**890,390**	**266,659**	**978,268**	**306,731**

[1] The Non-Current assets disclosed above exclude net deferred tax assets of $66.2 million (2020: $74.2 million).

2. DISCONTINUED OPERATIONS

Profit after tax for the year from discontinued operations is comprised of the following:

For the year ended	30 June 2021 $'000	30 June 2020 $'000
Results of discontinued operations		
Demerger of Intega	-	121,627
Disposal of Structures	-	(952)
Reclassification of foreign currency reserves – discontinued operations and other liquidated operations	-	2,989
Profit after tax from discontinued operations	**-**	**123,664**

Earnings per share – discontinued operations		
Basic earnings per share	**-**	**27.78**
Diluted earnings per share	**-**	**27.78**

Demerger of Intega Group Limited

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

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

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

For the year ended	30 June 2021 $'000	30 June 2020* $'000
Results of discontinued operations		
Revenue	**-**	**151,880**
Expenses	-	(151,496)
Results from operating activities	**-**	**384**
Income tax benefit	-	2,140
Results from operating activities, net of tax	**-**	**2,524**
Gain on sale of discontinued operations	-	119,103
Profit from discontinued operations, net of tax:	**-**	**121,627**

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

2. DISCONTINUED OPERATIONS CONTINUED

For the year ended	30 June 2021 $'000	30 June 2020 $'000
Fair value of Intega Group at demerger	-	240,210
Carrying amount of net assets	-	(121,107)
Net gain on demerger before income tax	**-**	**119,103**
Income tax expense	-	-
Gain on demerger after income tax	**-**	**119,103**

Cashflows from discontinued operations - Intega	30 June 2021 $'000	30 June 2020 $'000
Net cash from operating activities	-	14,459
Net cash used in financing activities	-	(2,374)
Net cash from investing activities	-	(4,559)
Net cash flows for the period	**-**	**7,526**

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

2. DISCONTINUED OPERATIONS CONTINUED

Disposal of Structures business unit

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

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

For the year ended	30 June 2021 $'000	30 June 2020* $'000
Results of discontinued operations		
Revenue	**-**	**13,894**
Expenses	-	(17,049)
Results from operating activities	**-**	**(3,155)**
Income tax benefit	-	840
Results from operating activities, net of tax	**-**	**(2,315)**
Gain on sale of discontinued operations	-	1,363
Income tax on gain on sale of discontinued operation	-	-
Loss from discontinued operations, net of tax:	**-**	**(952)**

*****_Represents results from operating activities for the eleven months to 31 May 2020_

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

KEY FINANCIAL STATEMENT ITEMS

3. (A) REVENUE

	2021 $'000	2020 $'000
REVENUE		
Professional services revenue	612,743	677,107
Fees from consulting services	**612,743**	**677,107**
Fees from recoverable expenses	277,091	298,820
Fees from recoverable expenses	**277,091**	**298,820**
Other	556	2,341
	890,390	**978,268**

Professional services revenue

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

Fees from recoverable expenses

Fees from recoverable expenses represents revenue received from customers for pass through expenses incurred by the Group in performing professional services. It also includes services from entering into contracts with customers to acquire, on their behalf, equipment produced by various suppliers or services provided by different subcontractors. Where the Group is acting as an agent in these transactions, revenue is only recognised in relation to handling charges recoverable under arrangements with customers.

Accounting for Revenue

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

	For the year ended 30 June 2021		
$'000	**Segment Revenue**	**Over Time Revenue**	**Point in Time Revenue**
Asia Pacific	230,622	230,622	-
Americas	340,118	335,920	4,198
International Development	313,260	313,260	-
Other	6,390	33	6,357
Total revenue	**890,390**	**879,835**	**10,555**

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

3. (A) REVENUE CONTINUED

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

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

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

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

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

Contract balances

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

$'000	Note	30 June 2021	30 June 2020
Receivables (included in Trade and other receivables)	9	90,017	118,232
Loss allowance	9	(7,701)	(15,110)
Contract assets	10	80,032	94,827
Contract liabilities	17	38,248	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 30 June 2021 is reduced by an impairment provision of $2.8 million (30 June 2020: $9.9 million). Impairment provisions are booked against specific high risk and aged contract assets where billing and recovery is doubtful.

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

Refer to note 9 and note 10 for details of the impact the COVID-19 pandemic has had on the Group's assessment of credit risk relating to receivables and contract assets.

The contract liabilities primarily relate to consideration received from customers in advance of providing goods or services, or unearned revenue. These liabilities will be recognised as revenue when the services are performed. As the majority of contracts have a duration of 12 months or less, contract liabilities as at 30 June 2020 were recognised as revenue in the year ended 30 June 2021.

3. (A) REVENUE CONTINUED

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

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

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

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

3. (B) OTHER INCOME

	2021 $'000	2020 $'000
Non-refundable R&D tax incentives	3,224	3,675
Transitional Services Income – Intega Group	3,934	10,425
Proceeds from Sale of Structures business	820	-
Settlement proceeds[1]	8,365	-
Release of liabilities no longer required	1,335	-
Other	537	548
Other Income	**18,215**	**14,648**

[1] *Settlement proceeds in relation to Caminosca.*

4. NET FINANCING COSTS

	Note	2021 $'000	2020 $'000
Interest paid		3,237	5,772
Interest on leases	15	4,469	5,950
Amortisation of borrowing costs		293	418
Financing costs		**7,999**	**12,140**
Interest received		(943)	(349)
Net Financing Costs		**7,056**	**11,791**

4. NET FINANCING COSTS CONTINUED

Accounting for Net Finance Costs

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

Borrowing costs are calculated using the effective interest method and include costs incurred in connection with arrangement of borrowings.

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

5. EXPENSES

	2021 $'000	2020 $'000
Bad and doubtful debts / (recovery of bad debts)	(1,958)	4,949

6. INCOME TAX EXPENSE

	2021 $'000	2020 $'000
(a) The components of tax expense comprises:		
Current tax expense		
Current year	3,120	3,837
Adjustments for prior years	417	962
	3,537	4,799
Deferred tax expense		
Current year	8,180	13,241
Adjustments for prior years	(2,895)	(526)
	5,285	12,715
Total income tax expense from continuing operations	**8,822**	**17,514**
(b) Numerical reconciliation between tax expense and pre-tax profit		
Profit / (Loss) before tax from continuing operations	41,480	(49,564)
Income tax using the Australian corporation tax rate of 30% (2020: 30%)	12,444	(14,869)
Increase/ (decrease) in income tax expense due to:		
Non-deductible expenses	726	1,192
Effect of tax rates in foreign jurisdictions	3,363	6,100
Impact of impairment of goodwill	-	20,886
Impact of valuation allowance on foreign tax credits	(1,074)	83
Impact of change in US tax law on tax revenue recognition	-	3,699
Allowances for R&D expenditure	(165)	(137)
Non-taxable income	(4,562)	-
Sundry items	568	124
	11,300	**17,078**
(Over) / Under provided in prior years	(2,478)	436
Income tax expense from continuing operations	**8,822**	**17,514**

6. INCOME TAX EXPENSE CONTINUED

(c) Amounts recognised directly in equity

	2021 $'000	2020 $'000
Foreign exchange	(567)	1,106

The effective tax rate for FY21 was 21.27% compared to (35.34%) in FY20. If we exclude the impact of (a) allowances for R&D expenditure; (b) one-off adjustments; (c) prior year adjustments decreasing income tax expense; (d) losses incurred in jurisdictions in which a deferred income tax benefit is not recognised; the effective tax rate is 31.49%.

7. DEFERRED TAX ASSETS & LIABILITIES

Recognised deferred tax assets and liabilities

	2021 $'000	2020 $'000
Assets		
Accruals	8,650	7,803
Provisions	14,841	15,464
Intangibles	-	2,297
Tax losses	36,317	40,816
Property, plant and equipment	-	1,411
Lease liability	18,734	31,587
Other	19,878	10,303
Total deferred tax assets	**98,420**	**109,681**
Set-off of deferred tax liabilities	(32,209)	(35,475)
Net deferred tax assets	**66,211**	**74,206**
Liabilities		
Contract assets	5,298	5,657
Intangibles	1,750	-
Prepayments	530	576
Property, plant and equipment	1,921	
Right-of-use asset	21,769	27,945
Other	941	1,297
Total deferred tax liabilities	**32,209**	**35,475**
Set-off against deferred tax assets	(32,209)	(35,475)
Net deferred tax liabilities	**-**	**-**
NET DEFERRED TAX ASSETS	**66,211**	**74,206**

The Group has unrecognised deferred tax assets from tax loss carry forwards as at 30 June 2021: (a) revenue losses in the United States of $10.0 million (2020: $11.0 million) which will expire if not used to offset revenue gains by 30 June 2037; and (b) capital losses in Australia of $30.3m (2020: $30.0m) the future utilisation of which is reliant on satisfaction of the continuity of ownership and/or similar business tests.

7. DEFERRED TAX ASSETS & LIABILITIES CONTINUED

The Group also has unrecognised deferred tax assets from foreign tax credit carry forwards in the United States of $5.4 million (2020: $5.4 million) as at 30 June 2021. These credits will expire if not used to offset tax payable by 30 June 2024 ($1.1 million), 30 June 2025 ($0.9 million), 30 June 2026 ($0.7 million), 30 June 2027 ($1.0 million), 30 June 2028 ($0.4 million), 30 June 2029 ($0.4 million), 30 June 2030 ($0.4 million) and 30 June 2031 ($0.5 million).

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

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

ATO streamlined assurance review

The Group is currently subject to a streamlined assurance review by the Australian Taxation Office (ATO). This review is in progress and the likely outcomes are not known at the date of issuing the Group's financial statements. No amounts have been recognised for uncertain tax positions at 30 June 2021 in relation to the ATO's review as no liability was considered probable at that date.

Strategic Review

The Group's taxation balances at 30 June 2021 have been prepared on the assumption it will continue its operations in its current structure and form at that date. As outlined in the ASX announcement dated 9 June 2021, the Board is undertaking a Strategic Review and the outcomes of this are not known at the date of issuing these financial statements. The outcomes of the Strategic Review, and any changes to the Group that may result from it, may adversely impact the ability of the Group to utilise tax losses recognised as deferred tax assets at 30 June 2021 in future financial years.

7. DEFERRED TAX ASSETS & LIABILITIES CONTINUED

30 June 2021	1 July 2020 $'000	Recognised in profit or loss $'000	Adjustments to prior years $'000	Demerger of Intega $'000	Sale of Structures $'000	Other[1] $'000	30 June 2021 $'000
Accruals	7,803	984	(26)	-	-	(111)	**8,650**
Provisions	15,464	(3,146)	(9)	-	-	2,532	**14,841**
Tax losses	40,816	(1,594)	(2,415)	-	-	(490)	**36,317**
Sundry items	10,417	1,385	5,428	-	-	(214)	**17,016**
Prepayments	(576)	79	(83)	-	-	50	**(530)**
Contract assets	(5,657)	170	-	-	-	189	**(5,298)**
AASB 16 – *Leases*	3,642	(2,900)	-	-	-	(3,777)	**(3,035)**
Goodwill on acquisition	2,297	(3,158)	-	-	-	(889)	**(1,750)**
	74,206	**(8,180)**	**2,895**	**-**	**-**	**(2,710)**	**66,211**

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

[1] Other adjustments relate to impacts of translating foreign operations, acquisitions and amounts booked to equity. Other also includes the effect of initially applying AASB 16 in the prior year.

8. CASH AND CASH EQUIVALENTS

	2021 $'000	2020 $'000
Cash at bank and on hand	29,459	53,685
Restricted cash[1]	7,813	3,643
Bank short term deposits	-	395
	37,272	**57,723**

[1]Cash held in relation to foreign ownership compliance for US government contracts and project advances held in country for International Development projects.

Accounting for Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand. Bank overdrafts are shown with interest-bearing loans and borrowings in current liabilities on the statement of financial position.

9. TRADE & OTHER RECEIVABLES

	2021 $'000	2020 $'000
Trade debtors	90,017	118,232
Loss allowance	(7,701)	(15,110)
	82,316	**103,122**
Sundry debtors	10,595	14,010
	92,911	**117,132**

Accounting for Trade and Other Receivables

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

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

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

The Group has assessed the expected credit losses for trade receivables at 30 June 2021 and determined that there are no significant or increasing concentrations of credit risk on prior year. However, due to the continuing global financial uncertainty arising from COVID-19, management have maintained their higher loss rates for trade receivables based on their judgement as to the impact of COVID-19 on the trade receivables portfolio. As part of this assessment, management segmented their trade receivable portfolio into groupings of customers with similar credit risk characteristics.

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

10. CONTRACT ASSETS

	2021 $'000	2020 $'000
Contract assets	**80,032**	**94,827**

Accounting for contract assets

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

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

Estimates of the contract assets balances are determined using the percentage of completion methodology. Refer to Note 3 for further details.

10. CONTRACT ASSETS CONTINUED

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

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

The Group has assessed the expected credit losses for contract assets at 30 June 2021 and determined that there are no significant or increasing concentrations of credit risk on prior year. However, due to the continuing global financial uncertainty arising from COVID-19, management have maintained their higher loss rates for contract assets based on their judgement as to the impact of COVID-19 on the portfolio of customers to which these assets relate. As part of this assessment, management segmented their contract assets into groupings of customers with similar credit risk characteristics.

11. PROPERTY, PLANT & EQUIPMENT

2021		**Property, Plant & Equipment**		
$'000	**Land and buildings**	**Office furniture and equipment**	**Motor vehicles**	**Total**
At cost	3,663	80,534	4,150	**88,347**
Less accumulated depreciation	(1,926)	(67,594)	(3,589)	**(73,109)**
	1,737	**12,940**	**561**	**15,238**
Carrying amount at the beginning of the year	**1,567**	**17,810**	**607**	**19,984**
Additions	19	3,918	240	**4,177**
Disposals	-	(371)	(168)	**(539)**
Depreciation expense	(155)	(7,784)	(402)	**(8,341)**
Foreign Exchange	306	(633)	284	**(43)**
Carrying amount at the end of the year	**1,737**	**12,940**	**561**	**15,238**

2020		**Property, Plant & Equipment**		
$'000	**Land and buildings**	**Office furniture and equipment**	**Motor vehicles**	**Total**
At cost	3,600	95,215	5,233	**104,048**
Less accumulated depreciation	(2,033)	(77,405)	(4,626)	**(84,064)**
	1,567	**17,810**	**607**	**19,984**
Carrying amount at the beginning of the year	**2,285**	**39,371**	**10,529**	**52,185**
Additions	3,158	7,320	344	**10,822**
Disposals	(130)	(636)	-	**(766)**
Depreciation expense	(3,279)	(10,189)	(518)	**(13,986)**
Demerger of Intega	(149)	(18,293)	(9,657)	**(28,099)**
Foreign Exchange	(318)	237	(91)	**(172)**
Carrying amount at the end of the year	**1,567**	**17,810**	**607**	**19,984**

11. PROPERTY, PLANT & EQUIPMENT CONTINUED

Accounting for Property, Plant and Equipment

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

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

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

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

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

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

12. INTANGIBLE ASSETS

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

	Goodwill	Customer Contracts	Patents and Trademarks	Customer Relationships	Total
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
2021					
Balance at the beginning of year	175,928	2,618	2,609	1,328	182,483
Amortisation charges	-	(911)	-	(883)	(1,794)
Effect of foreign exchange	(7,938)	(203)	-	32	(8,109)
Closing value at 30 June 2021	**167,990**	**1,504**	**2,609**	**477**	**172,580**
2020					
Balance at the beginning of year	330,680	11,226	2,609	14,539	359,054
Acquired through business combination	215	-	-	-	215
Demerger of Intega	(87,637)	(6,587)	-	(10,688)	(104,912)
Impairment losses	(69,621)	-	-	-	(69,621)
Amortisation charges – continuing	-	(1,129)	-	(950)	(2,079)
Amortisation charges – discontinued	-	(1,095)	-	(1,847)	(2,942)
Effect of foreign exchange	2,291	203	-	274	2,768
Closing value at 30 June 2020	**175,928**	**2,618**	**2,609**	**1,328**	**182,483**

12. INTANGIBLE ASSETS CONTINUED

Amortisation of Intangibles

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

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

Impairment Testing

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

	2021 $'000	2020 $'000
Americas	88,060	95,985
Asia Pacific (APAC)	74,196	74,209
International Development (ID)	5,734	5,734
	167,990	**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.

For the purposes of impairment testing, goodwill is allocated to Cardno's management divisions which represent the lowest level within Cardno at which the goodwill is monitored for internal management purposes. The CGUs remain unchanged from prior year.

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

The cash flow projections over the five-year period are based on the Group's budget for 2022 and year on year growth rates over the forecasted period based on management's estimates of underlying economic conditions, past performance and other factors anticipated to impact the CGUs performance. The long-term growth rate used in calculating the terminal value is based on long term growth estimates for the countries and industries in which the CGU operates.

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

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

Results of Impairment Testing

Management have determined that no impairment is required to be recognised for the year ended 30 June 2021. In the prior year 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 year ended 30 June 2020. The impairment was recognised in full against the carrying value of the APAC goodwill.

The Company has considered the impact of the COVID-19 pandemic in estimating the cash flows used in determining the recoverable amount for each CGU. While the Group has not experienced any material negative financial impacts from the pandemic thus far, there continues to be uncertainty relating to the ongoing impacts of the pandemic on the Group's operations. Based on the information available at 30 June 2021, management have taken into consideration the impact of COVID-19 on forecast cash flows.

12. INTANGIBLE ASSETS CONTINUED

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	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**
Americas	14.8% - 15.6%	9.4% - 10.0%	2.50%	2.50%	10.41%	10.39%
APAC	7.5% - 10.0%	4.2% - 9.9%	2.50%	2.50%	11.07%	10.82%
ID	2.2% - 2.8%	2.4% - 2.9%	2.50%	2.50%	13.70%	14.06%

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

Impact of Possible Changes in Key Assumptions

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

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

In relation to the APAC CGU, the value in use model is particularly sensitive to changes in the EBITDA margin assumption. The impairment model assumes that the EBITDA margin will increase from 7.5% in FY22 to 10.0% in FY26 as a result of margin improvement initiatives delivered through changes to the business operating model and improved project management implemented during the year ended 30 June 2021. The range of APAC EBITDA margins would need to reduce from 7.5% - 10.0%, to 6.2% for all forecast years for the estimated recoverable amount to be equal to the carrying amount, all other assumptions being held constant.

13.TRADE & OTHER PAYABLES

	2021 $'000	**2020 $'000**
CURRENT		
Trade payables & accruals	84,809	117,451
Vendor liability	2,160	5,194
	86,969	**122,645**

Accounting for Trade & Other Payables

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

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

14. LOANS & BORROWINGS

	2021 $'000	2020 $'000
CURRENT		
Lease liabilities	21,607	25,371
NON-CURRENT		
Lease liabilities	68,844	90,534
Bank loans	22,679	59,009
Capitalised borrowing costs	(391)	(683)
TOTAL CURRENT & NON-CURRENT LOANS & BORROWINGS	**112,739**	**174,231**

Interest Bearing Borrowings

Interest bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the profit and loss over the period of the borrowings on an effective interest rate basis.

Bank Loans

As at 30 June 2021, the Group has bank loans of $22.7 million (30 June 2020: $59.0 million) with a weighted average interest rate of 2.53% (30 June 2020: 3.84%). Funding available to the Group from undrawn facilities is $149.3 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 Metrics Credit Partners. On 30 April 2021 Investec ceased to be a lender, with Metrics Credit Partners taking up their share in the syndicate.

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 30 June 2021, 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 30 June 2021 (30 June 2020: Nil).

14. LOANS & BORROWINGS CONTINUED

Reconciliation of movement in loans and borrowings:

$'000	Loans and borrowings [1]	Lease liabilities (refer to Note 15)	Total
Balance as at 1 July 2020	**58,326**	**115,905**	**174,231**
Changes from financing and operating cash flows			
Proceeds from borrowings	125,589	-	125,589
Repayment of borrowings	(157,450)	-	(157,450)
Repayment of lease liabilities	-	(28,760)	(28,760)
Total changes from financing and operating cash flows	**(31,861)**	**(28,760)**	**(60,621)**
Other changes			
Amortisation of capitalised borrowing costs	269	-	269
Interest expense	-	4,469	4,469
Termination of leases	-	(5,653)	(5,653)
New leases	-	9,212	9,212
Movement in balance due to foreign exchange differences	(4,446)	(4,722)	(9,168)
Total other changes	(4,177)	3,306	(871)
Balance as at 30 June 2021	**22,288**	**90,451**	**112,739**
$'000	**Loans and borrowings**	**Lease liabilities (refer to Note 15)**	**Total**
Balance as at 1 July 2019	**137,677**	**11,504**	**149,181**
Adjustment on initial application of AASB 16	**-**	**164,913**	**164,913**
Adjusted balance as at 1 July 2019	**137,677**	**176,417**	**314,094**
Changes from financing and operating cash flows			
Proceeds from borrowings	241,550	**-**	241,550
Repayment of borrowings	(250,221)	**-**	(250,221)
Repayment of lease liabilities	-	(35,922)	(35,922)
Total changes from financing cash flows	**(8,671)**	**(35,922)**	**(44,593)**
Other changes			
Demerger of Intega	(72,802)	(46,284)	(119,086)
Disposal of structures business unit	-	(5,356)	(5,356)
Write off capitalised borrowing costs relating to old facility	(1,566)	-	(1,566)
New capitalised borrowing costs	2,468	-	2,468
Amortisation of capitalised borrowing costs	(418)	-	(418)
Interest expense	-	5,950	5,950
Termination of leases	-	(48)	(48)
New leases	-	19,711	19,711
Movement in balance due to foreign exchange differences	1,638	1,437	3,075
Total other changes	**(70,680)**	**(24,590)**	**(95,270)**
Balance as at 30 June 2020	**58,326**	**115,905**	**174,231**

[1] *Reconciliation of movement in loans and borrowings has been disclosed net of capitalised borrowing costs.*

15. LEASES

Group as a lessee

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

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

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

2021	**Right-of-use assets**			
$'000	**Land and buildings**	**Office furniture and equipment**	**Motor vehicles**	**Total**
At cost	116,736	3,709	5,720	126,165
Less accumulated amortisation	(45,502)	(1,761)	(2,715)	(49,978)
	71,234	**1,948**	**3,005**	**76,187**
Carrying amount at the beginning of the year	**94,956**	**3,254**	**4,351**	**102,561**
Additions	8,987	-	1,019	10,006
Depreciation expense	(21,897)	(529)	(1,876)	(24,302)
Derecognition of right-of use assets*	(1,491)	-	-	(1,491)
Termination of leases	(5,777)	(537)	(279)	(6,593)
Foreign Exchange	(3,544)	(240)	(210)	(3,994)
As at 30 June 2021	**71,234**	**1,948**	**3,005**	**76,187**

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

2020	**Right-of-use assets**			
$'000	**Land and buildings**	**Office furniture and equipment**	**Motor vehicles**	**Total**
At cost	119,583	4,149	5,548	**129,280**
Less accumulated amortisation	(24,627)	(895)	(1,197)	**(26,719)**
	94,956	**3,254**	**4,351**	**102,561**
Carrying amount at the beginning of the year	**136,580**	**1,426**	**12,831**	**150,837**
Additions	12,540	3,570	1,836	**17,946**
Depreciation expense	(27,159)	(471)	(2,724)	**(30,354)**
Demerger of Intega	(23,738)	(1,276)	(7,755)	**(32,769)**
Disposal of structures business unit	(4,119)	-	-	**(4,119)**
Derecognition of right-of use assets*	(1,026)	-	-	**(1,026)**
Termination of leases	(6)	-	-	**(6)**
Foreign Exchange	1,884	5	163	**2,052**
As at 30 June 2020	**94,956**	**3,254**	**4,351**	**102,561**

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

15. LEASES CONTINUED

The following are the amounts recognised in profit or loss:

	2021 $'000	2020 $'000
Depreciation expense of right-of-use assets	24,302	30,354
Income from sub-leasing right-of-use assets presented in other income	102	355
Interest expense on lease liabilities	4,469	5,950
Expense relating to short-term leases	492	2,371
Expense relating to leases of low-value assets	131	87
Variable lease payments	(59)	(65)

The Group had total cash outflows for leases of $28.8 million in 2021 (2020: $35.9 million). There are no significant leases that have been entered into by the Group for contracts that have not yet commenced as at 30 June 2021.

Group as a lessor

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

During FY21, the Group recognised a gain of $299,000 (2020: $452,000) on the derecognition of the right-of-use assets pertaining to sub-leased buildings which are presented within 'Other' in Note 3(B).

The Group also recognised interest income on lease receivables of $102,000 (2020: $38,000) during the year.

The following table sets out a maturity analysis of lease receivables, showing the undiscounted lease payments to be received after the reporting date.

	2021 $'000	2020 $'000
> Within one year	1,111	542
> Later than one year but not later than 5 years	1,382	1,135
> Later than 5 years	-	-
Total undiscounted lease receivable	**2,493**	**1,677**
Unearned finance income	(231)	(134)
Net investment in the lease	**2,262**	**1,543**

15. LEASES CONTINUED

Group as a lessee

Right-of-use assets

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

The estimated useful lives for property right-of-use assets is 3 to 15 years and the estimated useful lives for equipment right-of-use assets is 3 to 5 years.

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

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

Lease liabilities

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

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

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group's lease liabilities are included in Interest-bearing loans and borrowings (see Note 14).

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.

15. LEASES CONTINUED

Group as a lessee continued

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).

Group as a lessor

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

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

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

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

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

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

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

16. PROVISIONS

	2021 $'000	2020 $'000
CURRENT		
Provision for legal claims	4,022	3,932
	4,022	**3,932**

Accounting for Provisions

The Group makes provision for legal claims not covered by the Group's professional indemnity policy and as at 30 June 2021 an estimate of the potential impact of these claims has been provided for.

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

17. OTHER LIABILITIES

	2021 $'000	2020 $'000
CURRENT		
Contract liabilities	38,248	39,709
Other	-	1,554
	38,248	**41,263**
NON CURRENT		
Deferred rent	-	1,109
Other	-	148
	-	**1,257**

Contract liabilities relates to amounts received in advance of providing goods or services. Refer to Note 10.

18. ISSUED CAPITAL

	30 June 2021		30 June 2020	
	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]	-	1,515	-	(2)
> Share buy-back [2]	(56,836,598)	(21,476)	-	-
> Unmarketable Parcel – Share Buyback [3]	(2,292,700)	(642)	-	-
> Shares issued under PEP	1,040,557	-	594,322	-
> Own shares held in trust issued under PEP	-	-	(114,391)	-
> Issue of shares to key employees	-	-	2,268,356	-
> Capital reduction	-	-	-	(391,530)
Balance at the end of the year	**388,929,110**	**370,079**	**447,017,851**	**390,682**

18. ISSUED CAPITAL CONTINUED

[1]Employee share based payments of $1,515,380 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 30 June 2021, a total of 44,372,515 ordinary shares were bought back at an average price of 28.81 cents per share.

On 13 November 2020 the Group announced the implementation of an additional on-market buyback of up to 10% of Cardno ordinary shares commencing 17 December 2020 for a 12-month period. During the year ended 30 June 2021, a total of 12,464,083 ordinary shares were bought back at an average price of 65.96 cents per share.

Combining the two buyback programs that occurred during the year, a total of 56,836,598 ordinary shares were bought back.

[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.

Dividends

The following dividends were declared and paid by the Group during the year.

	2021 $'000	2020 $'000
1.5 cents per ordinary share (2020: nil)	6,019	-

After the reporting date, the following dividends were proposed by the board of directors. The dividends have not been recognised as liabilities.

	2021 $'000	2020 $'000
4.0 cents per ordinary share (2020: nil)	15,557	-

Franking account balance

	2021 $'000	2020 $'000
The amount of franking credits available for the subsequent financial year are:		
> Franking account balance as at the end of the financial year at 30%	30	1,578

Performance Equity Plan (PEP)

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

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

At 30 June 2021, there were no Performance Options on issue (2020: nil) and no options were issued during the year (2020: nil).

18. ISSUED CAPITAL CONTINUED

2020 and 2021 LTI Plan Performance Hurdles:

In the year ended 30 June 2020, the Remuneration Committee commissioned consultants to advise on the future structure of the PEP and their recommendations have been incorporated into the 2020 and 2021 LTI Plans.

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

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

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

Pro-rata outcomes apply between the specified levels.

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

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

Pro-rata outcomes apply between the specified levels.

The grant date for the 2020 LTI Plan was 22 October 2020, with a vesting period end date of 30 June 2022. The fair value at grant date for the 2020 Plan was $0.07 for Tranche 1 and $0.29 for Tranche 2.

The grant date for the 2021 LTI Plan was 22 October 2020, with a vesting period end date of 30 June 2023. The fair value at grant date for the 2021 Plan was $0.22 for Tranche 1 and $0.29 for Tranche 2.

2019 LTI Plan Performance Hurdles:

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

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

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

18. ISSUED CAPITAL CONTINUED

2018 LTI Plan Performance Hurdles:

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

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

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

The share price hurdle was tested against the VWAP of Cardno shares over the 20 days prior to the 22 October 2020 and it was determined that this hurdle was not satisfied under the 2018 LTI Plan and this portion of the Performance Rights lapsed on 4 November 2020. The Group EBITDA performance hurdle was satisfied under the 2018 LTI Plan.

Key Employee Share Grant:

The movements in the performance rights are as follows:

	Number of Performance Rights 2021	Number of Performance Rights 2020
Outstanding at the beginning of the period	**2,047,863**	**4,889,915**
Granted during the period	11,433,154	-
Exercised during the period	(971,144)	(594,322)
Cancelled/lapsed during the period	(495,823)	(2,247,730)
Outstanding at the end of the period	**12,014,050**	**2,047,863**
Exercisable at the end of the period	**-**	**-**

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

Assumption at fair value date	2021	2020	2019[1]	2018
Share Price	$0.29	$0.29	$1.08	$1.35
Risk Free Rate	0.12%	0.12%	-	1.99%
Dividend Yield	0%	0%	0%	0%
Volatility	50%	50%	-	63%

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

There are currently no CEO Performance Options on issue at 30 June 2021 as disclosed under the Executive Key Management Personnel – Contract Terms section of the Remuneration Report.

RISKS

19. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

- Impairment of goodwill and assumptions applied in estimating future cash flows – refer to Note 12.
- Revenue recognition in relation to long term contracts including estimating stage of completion and total contract costs – refer to Note 3.
- Recognition of deferred tax assets – availability of future taxable profit against which deductible temporary differences and tax losses carried forward can be utilised – refer to Note 7 and 33(e).
- Assessing the recoverability of trade receivables and contract assets – measurement of ECL allowance and key assumptions in determining the weighted average loss rate - refer to Note 9 and 10.
- Leases – Lease terms and whether the Group is reasonably certain to exercise extension options – refer to Note 15. Also, the incremental borrowing rates used, including assumptions about movements in market rates.

20. FINANCIAL RISKS

Determination of fair values

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

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

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

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

Fair values of financial instruments

Other than loans and borrowings (including lease liabilities), the Group's financial assets and liabilities at 30 June 2021 and 30 June 2020 are included in the balance sheet at amounts that approximate fair values. The Group does not have any derivative financial instruments at 30 June 2021 (2020: nil).

The Group has loans and borrowings (including lease liabilities), with a fair value of $112.7 million (2020: $174.2 million) which represents level 2 in the fair value hierarchy and has been determined using the carrying amount of loans repayable to debt providers and remaining payments on lease commitments. The difference between the carrying amount and fair value of loans and borrowings (including lease liabilities) represents unamortised capitalised borrowing costs and interest payable on lease liabilities.

20. FINANCIAL RISKS CONTINUED

Financial risk management

The main risks arising from Cardno's financial instruments are interest rate risk, foreign exchange risk, credit risk and liquidity risk. Cardno uses different methods to measure different types of risk to which it is exposed.

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

Credit risk

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

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

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

Cardno does not require collateral in respect of financial assets.

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

There are no material concentrations of credit risk (2020: nil). Identifying concentrations of risk requires judgement in light of specific circumstances, and may arise in industry sectors, geographic distribution or a limited number of counterparties.

Trade receivables and contract assets

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

	2021 $'000	2020 $'000
Australia & New Zealand	11,880	15,643
Americas	59,680	71,331
Asia Pacific	8,104	9,168
Europe & Africa	2,652	6,980
	82,316	**103,122**

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

	2021		2020	
	Gross $'000	Impairment $'000	Gross $'000	Impairment $'000
Not past due (current)*	69,569	3,476	72,139	2,425
Past due 0-30 days (30 day ageing)	14,131	227	14,137	203
Past due 31-60 days (60 day ageing)	4,159	1,840	10,503	274
Past due more than 60 days (>90 day ageing)	2,158	2,158	21,453	12,208
	90,017	**7,701**	**118,232**	**15,110**

**An additional loss allowance has been applied to the not past due ageing bracket in relation to COVID-19 – see note 9 for further details.*

20. FINANCIAL RISKS CONTINUED

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

	2021 $'000	2020 $'000
Australia & New Zealand	36,304	43,231
Americas	43,176	43,551
Asia Pacific	380	300
Europe & Africa	172	7,745
	80,032	**94,827**

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

	2021		2020	
	Gross $'000	Impairment $'000	Gross $'000	Impairment $'000
Not past due (current)	62,208	-	58,231	427
Past due 0-30 days (30 day ageing)	6,959	-	6,388	-
Past due 31-60 days (60 day ageing)	2,917	-	2,178	-
Past due more than 60 days	10,780	2,832	37,924	9,467
	82,864	**2,832**	**104,721**	**9,894**

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

Expected credit loss assessment

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

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

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

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

The Group has assessed the expected credit losses for trade receivables and contract assets at 30 June 2021 and determined that there are no significant or increasing concentrations of credit risk on prior year. Due to the ongoing global financial uncertainty arising from COVID-19, management have held their position in relation to increased expected loss rates based on their judgement as to the impact of COVID-19 on the portfolio of customers to which these assets relate. As part of this assessment, management segmented their receivables and contract assets into groupings of customers with similar credit risk characteristics.

20. FINANCIAL RISKS CONTINUED

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

	2021 $'000	2020 $'000
Balance at 1 July	15,110	21,552
Impairment loss recognised/(reversed) during the year	(1,958)	4,949
Receivables written off	(4,778)	(4,389)
Demerger of Intega	-	(7,346)
Effect of foreign exchange	(673)	344
Balance at 30 June	**7,701**	**15,110**

Liquidity risk

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

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

30 June 2021	Carrying amount $'000	Contractual cash flows $'000	Less than 1 year $'000	1 – 5 years $'000	Over 5 years $'000
Non-derivative financial liabilities					
Trade and other payables	86,969	86,969	86,969	-	-
Leases	90,451	118,215	29,114	67,585	21,516
Bank loans	22,288	23,441	572	22,869	-
	199,708	**228,625**	**116,655**	**90,454**	**21,516**
30 June 2020					
Non-derivative financial liabilities					
Trade and other payables	122,645	122,645	122,645	-	-
Leases	115,905	138,253	32,593	79,362	26,298
Bank loans	58,326	62,890	1,663	61,227	-
	296,876	**323,788**	**156,901**	**140,589**	**26,298**

As at 30 June 2021 net debt was a surplus $15.0 million and the Company was within its lending covenants. Funding available to the Group from undrawn facilities is $149.3 million (2020: $113.0 million), of which $42.0 million is available only for the purpose of making business acquisitions.

20. FINANCIAL RISKS CONTINUED

Foreign exchange risk

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

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

Cardno borrows funds in foreign currency to hedge its net investments in foreign operations. As at 30 June 2021, Cardno has loans denominated in US dollars totalling AUD $14.6 million (2020: AUD $44.5 million) which have been designated as hedges of Cardno's net investments in subsidiaries with a functional currency of USD.

As at 30 June 2021, a 10 per cent strengthening of the Australian dollar against the USD would have increased equity by $1.3 million (2020: $4.0 million). A 10 per cent weakening of the Australian dollar against the USD would have decreased equity by $1.6 million (2020: $4.9 million). There would be no impact on profit and loss as the loans are designated as net investment hedges.

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

Hedge of net investments in foreign operations

Included in interest-bearing loans at 30 June 2021 were borrowings of US$11.0 million. The borrowings are designated as a hedge of the first US$11.0 million of the net investment in Cardno USA, Inc. The borrowings are being used to hedge the Group's exposure to the USD foreign exchange risk on these investments. Gains or losses on the revaluation of these borrowings are transferred to other comprehensive income to offset any gains or losses on revaluation of the net investments in the subsidiary.

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

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

The impact of the hedging instrument on the statement of financial position as at 30 June 2021 is as follows:

$'000 USD	Notional amount	Carrying amount	Line item in the statement of financial position	Change in fair value used for measuring ineffectiveness for the period
Foreign currency denominated borrowing	11,000	11,000	Loans and borrowings	(1,746)

The impact of the hedged item on the statement of financial position as at 30 June 2021 is as follows:

$'000 USD	Notional amount	Carrying amount	Line item in the statement of financial position	Change in fair value used for measuring ineffectiveness for the period
Net investment in Cardno USA, Inc.	11,000	11,000	Other financial assets	1,746

20. FINANCIAL RISKS CONTINUED

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

Interest rate risk

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

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

	2021		2020	
	Effective Interest Rate	**Balance $'000**	**Effective Interest Rate**	**Balance $'000**
Variable rate instruments				
Cash assets	0.00%	37,272	0.02%	57,723
Bank loans	2.53%	(22,288)	3.84%	(58,326)
		14,984		**(603)**
Fixed rate instruments				
Lease liabilities	3.84%	(90,451)	4.31%	(115,905)
		(90,451)		**(115,905)**

Group sensitivity

Cash flow sensitivity analysis for variable rate instruments

At 30 June 2021, if interest rates had changed by -/+ 50 basis points from the year-end rates with all other variables held constant, pre-tax profit for the year would have been $51,000 higher/lower (2020: $5,000 higher/lower), mainly as a result of lower/higher interest expense on variable term debt. There have been no changes in the underlying assumptions from the previous year.

Capital management

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

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

As part of the capital management program, the Group conducts on-market buybacks of ordinary Cardno shares, refer to Note 18 for further details.

UNRECOGNISED ITEMS

21. COMMITMENTS

There are no significant leases that have been entered into by the Group for contracts that have not yet commenced as at 30 June 2021.

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

22. CONTINGENT LIABILITIES

Cardno had contingent liabilities at 30 June 2021 in respect of:

	2021 $'000	2020 $'000
Bank guarantees and insurance bonds	24,125	38,162

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$22.8 million (2020: A$23.3 million). The bank guarantee facilities 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.

The Insurance Bond facilities are largely issued from a US$15.6 million facility, with others issued on a case by case basis by other issuers.

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 $12.7 million of non-recurring income this financial year 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.

23. SUBSEQUENT EVENTS

Subsequent to year end, the Board declared a full year dividend of 4.0 cents per share (unfranked).

On 9 June 2021, the Company announced the commencement of a strategic review process with the objective of maximising shareholder value. The process involves an assessment of Cardno's strategic options and the alternative strategies available to unlock and enhance value for Cardno shareholders. As at the date of this report, the strategic review process is ongoing and no actions have been taken or decisions made that require further disclosure.

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

OTHER INFORMATION

24. OTHER CURRENT ASSETS

	2021 $'000	2020 $'000
Prepayments	5,753	6,567
Project advances	757	1,028
Security deposits	475	1,198
	6,985	**8,793**

25. OTHER FINANCIAL ASSETS

	2021 $'000	2020 $'000
Investments in non-related entities	202	160
Lease receivable	2,262	1,543
	2,464	**1,703**

26. NOTES TO THE CASH FLOW STATEMENT

	2021 $'000	2020 $'000
Reconciliation of Net Cash from Operating Activities to Net profit for the year		
Net profit for the year	**32,658**	**56,586**
Adjust for non-cash items		
Depreciation and amortisation	34,578	49,360
Impairment loss on goodwill	-	69,621
Gain on demerger of Intega Group Limited	-	(119,103)
Write off FCTR – discontinued and liquidated operations	-	(607)
(Gain) / Loss on sale of property, plant & equipment	268	(132)
(Gain) / Loss on sale of disposed entities	290	(1,363)
Unrealised foreign exchange losses	(402)	(571)
Share based remuneration	1,515	487
Adjust for changes in assets and liabilities:		
(Increase)/decrease in assets:		
Contract assets	(22,505)	(28,637)
Deferred tax assets	4,600	12,586
Trade receivables	47,337	33,825
Provision for doubtful debts	(7,409)	1,775
Other receivables	2,959	(2,920)
Prepayments	814	2,222
Other assets	994	1,090
Increase/(decrease) in liabilities:		
Trade payables	(39,193)	133
Income tax payable	(1,200)	(6,394)
Employee provisions	3,289	4,352
Contract liabilities	435	3,942
Other liabilities	(361)	(1,769)
Deferred tax liabilities	3,916	(1,006)
	62,583	**73,477**

27. EARNINGS PER SHARE

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

	2021 $'000	2020 $'000
(a) Earnings per share – continuing operations		
Basic earnings per share for continuing operations		
Basic profit/(loss) from continuing operations attributable to ordinary shareholders	**32,658**	**(67,078)**
Weighted average number of ordinary shares	**No.**	**No.**
Issued ordinary shares at 1 July	447,017,851	444,269,564
Effect of share buy-back	(33,275,696)	-
Effect of shares issued during the year	619,875	954,506
Weighted average number of ordinary shares at 30 June	**414,362,030**	**445,224,070**
	Cents	**Cents**
Basic earnings/(loss) per share (cents per share) from continuing operations	**7.88**	**(15.07)**
Diluted earnings per share – continuing operations		
Profit/(loss) from continuing operations attributable to ordinary shareholders (diluted)	**32,658**	**(67,078)**
Weighted average number of ordinary shares (diluted)		
Issued ordinary shares at 1 July	447,017,851	444,269,564
Effect of Performance Rights on issue	9,902,486	-
Effect of share buy-back	(33,275,696)	-
Effect of shares issued during the year	619,875	954,506
Weighted average number of ordinary shares (diluted) at 30 June	**424,264,516**	**445,224,070**
Diluted earnings/(loss) per share (cents per share) from continuing operations	**7.70**	**(15.07)**

27. EARNINGS PER SHARE CONTINUED

	2021 $'000	2020 $'000
(b) Earnings per share		
Basic earnings per share		
Basic profit attributable to ordinary shareholders	**32,658**	**56,586**
Weighted average number of ordinary shares	**No.**	
Issued ordinary shares at 1 July	447,017,851	444,269,564
Effect of share buy-back	(33,275,696)	-
Effect of shares issued during the year	619,875	954,506
Weighted average number of ordinary shares at 30 June	**414,362,030**	**445,224,070**
	Cents	
Basic earnings/(loss) per share (cents per share)	**7.88**	**12.71**
Diluted earnings per share		
Profit attributable to ordinary shareholders (diluted)	**32,658**	**56,586**
Weighted average number of ordinary shares (diluted)		
Issued ordinary shares at 1 July	447,017,851	444,269,564
Effect of Performance Rights on issue	9,902,486	-
Effect of share buy-back	(33,275,696)	-
Effect of shares issued during the year	619,875	954,506
Weighted average number of ordinary shares (diluted) at 30 June	**424,264,516**	**445,244,070**
Diluted earnings per share (cents per share)	**7.70**	**12.71**

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

Cardno presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares, which comprise share Performance Options and Performance Rights granted to employees.

28. RELATED PARTY DISCLOSURES

Key management personnel

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

	2021 $	2020 $
Short-term employee benefits	2,684,043	2,608,406
Post-employment benefits	89,698	81,628
Equity compensation benefits	591,974	(331,918)
Termination benefits	-	458,853
	3,365,715	**2,816,969**

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 (CCP), Cardno's largest shareholder. Invoices are issued by Crescent Capital monthly for their Non-Executive Director fees. See section C of the Remuneration Report for further details.

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

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

The TSA income recognised of $3,933,790 (2020: $10,425,480) is shown in Other Income on the Company's Statement of Financial Performance. No invoices remained unpaid by Intega as at 30 June 2021 (2020: $2,811,263 unpaid but not overdue). 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. The TSA finished in December 2020.

During the year, the Company paid $144,320 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 $286,184 for support 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.

29. CONTROLLED ENTITIES

Cardno's significant subsidiaries are listed below. As part of ongoing efforts to streamline the Group, a number of dormant subsidiaries were dissolved or closed during the year, and a number of subsidiaries were transferred to the Intega Group during 2020 as part of the demerger (see Note 2).

Name	Country of Incorporation	Equity Holding 2021	Equity Holding 2020
Cardno Holdings Pty Ltd	Australia	100%	100%
Cardno (Qld) Pty Ltd	Australia	100%	100%
Cardno Staff Pty Ltd	Australia	100%	100%
Cardno Staff No. 2 Pty Ltd	Australia	100%	100%
Cardno Operations Pty Ltd	Australia	100%	100%
Cardno International Pty Ltd	Australia	100%	100%
Cardno (WA) Pty Ltd	Australia	100%	100%
Cardno (NSW/ACT) Pty Ltd	Australia	100%	100%
Cardno Willing Pty Ltd	Australia	100%	100%
Cardno Victoria Pty Ltd	Australia	100%	100%
Cardno Emerging Markets (Australia) Pty Ltd	Australia	100%	100%
Cardno UK Limited	United Kingdom	100%	100%
Cardno Emerging Markets (UK) Limited	United Kingdom	100%	100%
Cardno Emerging Markets (East Africa) Limited	Kenya	100%	100%
Cardno (NZ) Limited	New Zealand	100%	100%
Cardno Holdings New Zealand Limited	New Zealand	100%	100%
Cardno USA, Inc.	United States of America	100%	100%
Cardno, Inc.	United States of America	100%	100%
Cardno Emerging Markets Belgium s.a.	Belgium	0%	100%
Cardno (NT) Pty Ltd	Australia	100%	100%
Cardno (PNG) Ltd	Papua New Guinea	100%	100%
ENTRIX Americas, SA	Ecuador	100%	100%
Cardno BEC (Qld) Pty Ltd	Australia	100%	100%
Cardno Entrix (Colombia) S.A.S.	Colombia	100%	100%
Cardno Emerging Markets (USA), Ltd	United States of America	100%	100%
Cardno Humphrey Reynolds Perkins Pty Ltd	Australia	100%	100%
Cardno GS, Inc.	United States of America	100%	100%
Cardno BTO Limited	New Zealand	0%	100%
Cardno Hard & Forester Pty Ltd	Australia	100%	100%
Cardno ChemRisk, LLC	United States of America	100%	100%
Caminosca S.A.S	South America	100%	100%
Cardno South Africa (Pty) Ltd	South Africa	100%	100%
Cardno Emerging Markets (Rwanda) Limited	Rwanda	100%	100%

29. CONTROLLED ENTITIES CONTINUED

Name	Country of Incorporation	Equity Holding 2021	Equity Holding 2020
Cardno Mozambique LDA	Mozambique	100%	100%
I.T. Transport Limited	United Kingdom	0%	100%
ES NY Engineering P.A	United States of America	100%	100%
TGM Group Pty Ltd	Australia	100%	100%
David Douglas Associates Inc	United States of America	100%	100%
Cardno International Development – SMC Ltd	Uganda	100%	100%
Cardno Canada Holdings Limited	Canada	100%	100%
Cardno S&E Limited	Canada	100%	100%
Cardno Technical Asia, Inc	Philippines	100%	-
Cardno Geosciences PNG Ltd	Papua New Guinea	100%	-

30. PARENT ENTITY DISCLOSURES

As at, and throughout, the financial year ending 30 June 2021 the parent Company of Cardno was Cardno Limited.

	Company	
	2021 $'000	**2020 $'000**
Results of the parent entity		
Profit for the year – continuing operations	9,096	30,239
Profit for the year – discontinued operations	-	120,213
Total comprehensive income for the year	9,096	150,452
Financial position of the parent entity at year end		
Current assets	143,889	112,592
Total assets	271,989	289,880
Current liabilities	138	138
Total liabilities	138	503
Total equity of the parent entity comprising of:		
Share capital	370,079	390,682
Demerger reserve	151,320	151,320
Retained earnings	(249,548)	(252,625)
Total equity[1]	**271,851**	**289,377**

[1] Prior year equity balances have been impacted by the demerger of Intega. See Note 2.

30. PARENT ENTITY DISCLOSURES CONTINUED

Parent entity contingencies	2021 $'000	2020 $'000
Bank guarantees	12,715	10,172

Bank guarantee facilities are available to Cardno totalling $22.8 million (2020: $23.3 million). These facilities are secured jointly and severally by the Company and a number of its wholly-owned subsidiaries.

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

Parent entity guarantees in respect of debts of its subsidiaries

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

Further details of the Deed of Cross Guarantee and the subsidiaries subject to the deed, are disclosed in Note 31.

31. DEED OF CROSS GUARANTEE

Pursuant to *ASIC Corporations (Wholly owned Companies) Instrument 2016/785*, the wholly-owned subsidiaries listed below are relieved from the *Corporations Act 2001* requirements for preparation, audit and lodgement of financial reports, and Directors' reports. It is a condition of the Legislative Instrument that the Company and each of the subsidiaries enter into a Deed of Cross Guarantee. The effect of the Deed is that the Company guarantees to each creditor payment in full for any debt in the event of winding up of any of the subsidiaries under certain provisions of the *Corporations Act 2001*. If a winding up occurs under other provisions of the Act, the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Company is wound up.

The subsidiaries subject to the Deed are:

- Cardno Holdings Pty Ltd
- Cardno (Qld) Pty Ltd
- Cardno Staff Pty Ltd
- Cardno Emerging Markets (Australia) Pty Ltd
- Cardno (NSW/ACT) Pty Ltd
- Cardno Victoria Pty Ltd (added to the Deed in December 2020)

A consolidated statement of comprehensive income and consolidated statement of financial position, comprising the Company and controlled entities which are a party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, for the year ended 30 June 2021 is set out as follows:

Statement of comprehensive income and retained losses	**2021 $'000**	**2020 $'000**
Revenue	**417,021**	**412,574**
Employee expenses	(148,209)	(160,106)
Consumables and materials used	(160,584)	(164,859)
Sub-consultant and contractor costs	(88,048)	(88,026)
Depreciation and amortisation expenses	(12,433)	(10,861)
Finance costs	(5,285)	(9,178)
Other expenses	(2,553)	(357)
Loss before income tax from continuing operations	(91)	(20,813)
Income tax benefit	5,033	13,014
Net Profit/(loss) for the year from continuing operations	**4,942**	**(7,799)**
Net profit for the year from discontinued operations	**-**	**138,628**
Total comprehensive income for the year	**4,942**	**130,829**
Retained losses at the beginning of the year	(358,101)	(406,414)
Adjustment on initial application of AASB 16 (net of income tax)	-	(981)
Dividend paid	(6,019)	-
Add Cardno Victoria Pty Ltd to the Deed	30,514	-
Remove Cardno Bowler Pty Ltd from Deed on demerge of Intega	-	(81,535)
Retained losses at the end of the year	**(328,664)**	**(358,101)**
Attributable to:		
Owners of the Company	**(328,664)**	**(358,101)**

31. DEED OF CROSS GUARANTEE CONTINUED

Statement of financial position	2021 $'000	2020 $'000
CURRENT ASSETS		
Cash and cash equivalents	10,062	10,374
Trade and other receivables	781,082	602,733
Contract assets	14,444	9,184
Current tax receivables	16,326	10,885
Other current assets	3,804	4,405
TOTAL CURRENT ASSETS	**825,718**	**637,581**
NON-CURRENT ASSETS		
Investments	182,078	248,410
Property, plant and equipment	1,738	3,289
Right-of-use assets	43,036	47,541
Deferred tax assets	62,666	52,163
Intangible assets	37,214	37,208
TOTAL NON-CURRENT ASSETS	**326,732**	**388,611**
TOTAL ASSETS	**1,152,450**	**1,026,192**
CURRENT LIABILITIES		
Trade and other payables	805,740	637,641
Lease Liabilities	12,058	12,094
Short-term provisions	18,316	19,545
Contract liabilities	9,194	5,444
TOTAL CURRENT LIABILITIES	**845,308**	**674,724**
NON-CURRENT LIABILITIES		
Lease Liabilities	38,420	38,536
Loans and borrowings	22,288	58,326
Deferred tax liabilities	15,554	15,118
Employee benefits	2,945	3,051
TOTAL NON-CURRENT LIABILITIES	**79,207**	**115,031**
TOTAL LIABILITIES	**924,515**	**789,755**
NET ASSETS	**227,935**	**236,437**
EQUITY		
Issued capital	370,079	390,682
Reserves	35,200	52,536
Demerger reserve	151,320	151,320
Retained losses	(328,664)	(358,101)
TOTAL EQUITY	**227,935**	**236,437**

32. AUDITOR'S REMUNERATION

	2021 $	2020 $
Audit and review services		
Auditors of the Group – KPMG Australia:		
> Audit and review of financial statements - Group	479,700	513,200
> Audit and review of financial statements - Controlled entities	86,200	57,164
	565,900	**570,364**
Other auditors		
> Audit and review of financial statements - Controlled entities	95,000	-
Total audit and review services	**660,900**	**570,364**
Assurance services		
Auditors of the Group – KPMG Australia:		
> Other assurance services	-	5,000
Total assurance services	**-**	**5,000**
Other services		
Auditors of the Group – KPMG Australia:		
> Other services	50,000	21,975
> Taxation advice and tax compliance services	5,990	17,740
Total other services	**55,990**	**39,715**

33. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Cardno Limited (the "Company") is a Company incorporated and domiciled in Australia. The consolidated financial report of the Company for the year ended 30 June 2021 encompasses the Company and its subsidiaries (together referred to as "Cardno" or the "Group").

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

The financial report was authorised for issue by the Board of Directors on 27 August 2021.

(a) Statement of compliance

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

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

33. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(b) Basis of Preparation

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

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

Standards issued but not yet effective

At the date of this report the Standards and Interpretations listed below were issued but not yet effective and were not adopted in preparing these consolidated financial statements.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current	1 January 2023	30 June 2024

Interpretation decisions adopted in the current year

In April 2021, the International Financial Reporting Standards Interpretations Committee (IFRIC) issued a final agenda decision, *Configuration or customisation costs in a cloud commuting arrangement*. The decision discusses whether configuration or customisation expenditure relating to Software-as-a-Service (SaaS) arrangements is able to be recognised as an intangible asset and if not, over what time period the expenditure is expensed. The Group has adopted this agenda decision within the financial statements.

The Group does not extensively utilise SaaS arrangements and the historical accounting policy has been to expense all such costs in the Statement of Financial Performance over the period in which the service is received. The adoption of this agenda decision has not impacted the financial statements of the Group.

(c) Basis of Consolidation

Subsidiaries

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

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

A list of the significant subsidiaries is contained in Note 29 to the financial statements. All controlled entities have a June financial year-end.

Transactions eliminated on consolidation

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

(d) Foreign Currency

(i) Foreign currency transactions

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

33. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(d) Foreign Currency continued

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

(ii) Foreign operations

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

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

Foreign exchange gains and losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income and are presented within equity in the FCTR.

(e) Income Tax

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

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

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

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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

33. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(f) Intangible Assets

Business combinations and goodwill

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

Cardno measures goodwill at the acquisition date as:

> the fair value of the consideration transferred; plus
> the recognised amount of any non-controlling interests in the acquiree; plus, if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
> the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

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

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

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

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

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

Works contracts, software intangibles and customer relationships

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

Software-as-a-Service (Saas) arrangements are service contracts providing the Group with the right to access the cloud provider's application software over the contract period. As such, the Group does not receive a software intangible asset at the contract commencement date. All costs associated with these arrangements are expensed in the Statement of Financial Performance as the services are received.

Patents and trademarks

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

Subsequent expenditure

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

33. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(f) Intangible Assets continued

Amortisation

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

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

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

(g) Impairment

Non-financial assets

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

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

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

Calculation of recoverable amount

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

The recoverable amount of other assets is the greater of their fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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

Reversals of impairment

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

An impairment loss in respect of goodwill is not reversed.

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

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

33. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Financial assets

Trade receivables and contract assets

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

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

(h) Employee Benefits

Wages, salaries and annual leave

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

Long-term service benefits

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

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

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that are due more than 12 months after the end of the period in which the employees render the service are discounted to their present value. Amounts paid to defined contribution plans for the year were $13.5 million (2020: $14.6 million).

Share-based payment transactions

The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

(i) Reserves

Foreign Currency Translation Reserve

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

33. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Reserve for Own Shares

The reserve for the Company's own shares comprises the cost of the Company's shares held by the Group. The shares are held in trust by the Cardno Limited Performance Equity Plan Trust which has been formed solely for the purpose of subscribing for, acquiring and holding shares for the benefit of employees participating in the Performance Equity Plan (PEP) of Cardno Limited and its associate's employees. At 30 June 2021, the Group did not hold any of the Company's shares in the reserve (2020: nil).

Demerger reserve

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

Directors' Declaration

Cardno Limited and its Controlled Entities for the year ended 30 June 2021

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

   (a) the consolidated financial statements and notes set out on pages 32 to 89 and the Remuneration Report of the Directors' Report, set out on pages 16 to 29, are in accordance with the Corporations Act 2001, including:

      (i) giving a true and fair view of the Group's financial position as at 30 June 2021 and of its performance for the financial year ended on that date; and

      (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

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

2. There are reasonable grounds to believe that the Company and Cardno entities identified in Note 29 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those Group entities pursuant to *ASIC Corporations (Wholly Owned Companies) Instrument 2016/785*.

3. The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2021

4. The Directors draw attention to Note 33 to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Dated at Brisbane on the 27 day of August 2021.

Signed in accordance with a resolution of the Directors.

MICHAEL ALSCHER
Chairman

Independent Auditor's Report

To the shareholders of Cardno Limited

Report on the audit of the Financial Report

Opinion

We have audited the ***Financial Report*** of Cardno Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group***'s financial position as at 30 June 2021 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- consolidated statement of financial position as at 30 June 2021;
- consolidated statement of financial performance, consolidated statement of other comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the year then ended;
- notes including a summary of significant accounting policies; and
- Directors' Declaration.

The ***Group*** consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

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

Key Audit Matters

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

- valuation of goodwill and intangible assets of the APAC CGU;
- revenue recognition – professional services revenue; and
- recoverability of deferred tax assets relating to tax losses.

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of goodwill and intangible assets of the APAC CGU	
Refer to Note 12 to the Financial Report	
The key audit matter	**How the matter was addressed in our audit**
A key audit matter for us was the Group's annual impairment testing of goodwill and intangible assets of the APAC CGU due to the high level of judgement applied by us when assessing the forward-looking assumptions the Group applied in its value in use model, including: • forecast cash flows (EBITDA margins and terminal growth rates) – while the financial performance of the APAC CGU improved in 2021, the ability to sustain this performance is dependent on the Group's ability to execute its strategy and continue delivering results from margin improvement initiatives commenced during the year. The uncertainties from the on-going business disruption impacts of COVID-19 also increase the risk of inaccurate forecasts or a wider range of possible outcomes for us to consider. This requires additional audit effort specific to the feasibility of key assumptions and consistency of application to the Group's strategy. The APAC CGU's recoverable amount is sensitive to changes in the EBITDA margin; and • discount rates – these are judgemental in nature and vary according to the conditions and environment the CGU is subject to from time to time, and economic and forecasting uncertainty as a result of COVID-19. The APAC CGU's recoverable amount is sensitive to changes in the discount rate. We involved our valuation specialists and senior audit team members in assessing this key audit matter.	Working with our valuation specialists, our procedures included: • considering the appropriateness of the value in use model used in the annual impairment test of goodwill and intangible assets of the APAC CGU against the requirements of the accounting standards; • assessing the integrity of the value in use model used, including the accuracy of the underlying calculation formulas; • comparing the forecast cash flows contained in the value in use model to the Board approved budget; • assessing the accuracy of the previous Group budgets to inform our evaluation of forecasts incorporated in the APAC CGU's model. We noted previous trends where challenging market conditions existed and how they impacted the business, for use in further testing; • varying key assumptions (forecast EBITDA margins, terminal growth rates and discount rates), within a reasonably possible range, to identify those assumptions to which the recoverable amount is most sensitive and to focus our audit procedures; • challenging the Group's significant forecast cash flows including EBITDA margin assumptions in light of the risks in executing the Group's strategy for the APAC CGU and the market uncertainties associated with COVID-19. We compared forecast margins to recent performance and to published information for comparable companies to inform our assessment. We used our knowledge of the APAC CGU, its past performance, business and customers, and our industry experience; • independently developing a discount rate range using publicly available market data for comparable entities, adjusted by risk factors specific to the APAC CGU and the industry it operates in; and • assessing the disclosures in the financial report using our understanding obtained from our testing and against the requirements of the accounting standards.

Revenue recognition – professional services revenue ($612.7m)

Refer to Note 3 to the Financial Report

The key audit matter	How the matter was addressed in our audit

The Group's policy is to account for revenue earned from professional services over time as the services are delivered. Revenue recognised which remains unbilled at year end is recorded as a contract asset.
 	
The recognition of professional services revenue is a key audit matter due to the audit effort involved to assess the appropriateness of the revenue recognised near year end. 69% of the Group's revenue relates to professional services revenue.
 	
The features of the Group's revenue recognition process driving our audit effort include:
• The large volume of projects which remain in-progress at year end;
• The variability in contractual terms of these arrangements; and
• The judgements required by management to ensure contract asset balances at year end, and revenue recognised near year-end, reflect the effort incurred or estimates of the measure of progress in delivering services which is recoverable from customers.
	Our procedures included:
	• Considering the appropriateness of the Group's accounting policies against the requirements of AASB 15 *Revenue from Contracts with Customers* and our understanding of the business;
	• We assessed a sample of contracts by:
	  - comparing the relevant features of the underlying professional services contracts to the criteria in the accounting standard and against identified performance obligations;
	  - inspecting the key terms in the contract with the customer including pricing, deliverables, project commencement and end dates and contract type for consistency with the approach to recognising revenue;
	  - conducting inquiries with the relevant project managers regarding the progress of the contract against key milestones in the contract, write ons/offs, progress against budget, and comparison of effort to recognised revenue; and
	  - challenging the judgements applied by management in recognising contract assets at year-end in relation to unapproved variations to the original contract with the customer;
	• Assessing contract assets remaining unbilled at year end by selecting a sample and checking that revenue was recognised to the extent that time and materials had been incurred prior to 30 June 2021 with reference to contracts, timesheets or invoices; and
	• Challenging the judgements applied by management in estimating the provision for contract assets at year-end which are not considered to be recoverable from the customer.

KPMG

Recoverability of deferred tax assets relating to tax losses ($36.3m)	
Refer to Note 7 to the Financial Report	
The key audit matter	**How the matter was addressed in our audit**
The recoverability of Deferred Tax Assets (DTA) relating to historical tax losses is dependent on the ability of the Group to generate sufficient taxable income in the future to which the historical tax losses can be applied. This is a key audit matter due to: • the high level of judgement required by us in evaluating the Group's assessment of the probability sufficient taxable income will be generated in the future; and • the judgement required by us in evaluating the Group's interpretation of tax legislation and the application of accounting requirements, particularly in Australia and the United States of America. These factors increase the risk associated with accurately forecasting future taxable income and create complexity in our work on the recoverability of the DTA. We involved our tax specialists and senior audit team members in assessing this key audit matter.	Working with our tax specialists, our procedures included: • comparing the forecasts included in the Group's estimate of future taxable income used in the DTA recoverability assessment to the Board approved budget and assumptions used in the Group's assessment of the valuation of goodwill and intangible assets for consistency. Our approach to testing these forecasts was consistent with the approach detailed above in relation to the valuation of goodwill and intangible assets; • comparing taxable profit to historical trends and performance to inform our evaluation of the current taxable profit forecasts; • involving our tax specialists from the relevant jurisdictions to assess the tax loss availability, utilisation expiry dates and annual utilisation allowances for consistency with local practice, regulatory parameters and legislation; • understanding the timing of future taxable profits and considering the consistency of the timeframes of expected recovery to our knowledge of the business and its plans. We placed increased scepticism where there was a longer timeframe of expected recovery; and • assessing the disclosures in the financial report using our understanding obtained from our testing and against the requirements of the accounting standards.

Other Information

Other Information is financial and non-financial information in Cardno Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

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

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

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

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

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

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

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

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

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

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

KPMG

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Cardno Limited for the year ended 30 June 2021, complies with *Section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A* of the *Corporations Act 2001*.

Our responsibilities

We have audited the Remuneration Report included in pages 16 to 29 of the Directors' report for the year ended 30 June 2021.

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

KPMG

Jason Adams
Partner

Brisbane
27 August 2021

Additional Shareholder Information

DISTRIBUTION OF ORDINARY SHAREHOLDERS

The number of shareholders, by size of holding, as at 31 July 2021 were:

	Ordinary Shares	
	Number of	**Number of Shares**
1 – 1,000	446	127,409
1,001 – 5,000	1,130	3,231,382
5,001 – 10,000	489	3,637,816
10,001 – 100,000	914	27,334,266
100,001 – and over	157	354,598,237
Total	**3,136**	**388,929,110**

As at 31 July 2021 there were 331 shareholders who held less than a marketable parcel of 38,362 shares.

TWENTY LARGEST ORDINARY SHAREHOLDERS

The names of the twenty largest holders as at 31 July 2021 were:

	Listed Ordinary Shares Number	
	Held	**Percentage**
CRESCENT CAPITAL INVESTMENTS	217,946,359	56.04
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	36,103,775	9.28
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	29,230,134	7.52
CITICORP NOMINEES PTY LIMITED	12,940,062	3.33
FIRST SAMUEL LTD ACN 086243567 <ANF ITS MDA CLIENTS A/C>	7,286,099	1.87
NATIONAL NOMINEES LIMITED	4,298,048	1.11
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	2,538,182	0.65
HALJAN MANAGEMENT LP	1,686,192	0.43
GARRETT SMYTHE LTD	1,670,000	0.43
GEE SUPER PTY LTD <GEE SUPERANNUATION FUND A/C>	1,568,411	0.40
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	1,550,608	0.40
PORTA GROUP PTY LTD	1,300,000	0.33
BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD <DRP A/C>	1,122,328	0.29
ANNE FELICITY PHILLIPS	1,101,378	0.28
BNP PARIBAS NOMS PTY LTD <DRP>	868,128	0.22
CS FOURTH NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 11 A/C>	838,438	0.22
MR GREGORY SEGAL	800,000	0.21
MORGAN STANLEY AUSTRALIA SECURITIES (NOMINEE) PTY LIMITED <NO 1 ACCOUNT>	789,416	0.20
PEDERICK ENTERPRISES PTY LTD <PEDERICK SUPER FUND A/C>	762,736	0.20
TREVOR JOHNSON	687,779	0.18
Total	**325,088,073**	**83.59**

Additional Shareholder Information

SUBSTANTIAL SHAREHOLDERS

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

	Number Held	Percentage
Crescent Capital Investments	228,891,883	58.44%
Invesco Australia Limited	38,939,119	8.75%
Richmond Hill Capital Pty Ltd	32,445,731	8.09%
Viburnum Funds Pty Ltd	32,243,725	8.05%
Alberta Investment Management Corp	21,935,794	5.48%

VOTING RIGHTS

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

ESCROWED SHARES

There are currently no shares held in escrow.

RIGHTS

As at 31 July 2021 the details of Performance Rights on issue are as follows:

Number of Rights Holders	Number of Rights on Issue
18	12,014,050

VOTING RIGHTS OF RIGHTS

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

BOARD OF DIRECTORS

Chairman

Michael Alscher

Directors

Steve Sherman
Jeffrey Forbes
Nathanial Thomson
Rebecca Ranich

Chief Executive Officer

Susan Reisbord

Chief Financial Officer

Peter Barker

Company Secretaries

Peter Barker
Cherie O'Riordan

REGISTERED OFFICE

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Metrics Credit Partners

National Australia Bank Limited

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