

Cardno Limited and its controlled entities
Appendix 4E
Preliminary final report

1. Company details

Name of entity:	Cardno Limited
ABN:	70 108 112 303
Reporting period:	For the year ended 30 June 2023
Previous period:	For the year ended 30 June 2022

2. Results for announcement to the market

	2023	2022	Change	Change
	\$'000	\$'000	\$'000	%
Revenue from continuing operations	10,927	10,632	295	3%
Revenue from discontinued operations	-	593,915	(593,915)	(100%)
Profit/ (Loss) after income tax expense from continuing operations	(614)	(36,598)	35,984	(98%)
	-	-	-	-
Profit after income tax benefit from discontinued operations	1,684	545,952	(544,268)	(100%)
	-	-	-	-
Profit for the year attributable to the owners of Cardno Limited	1,070	509,354	(508,284)	(100%)

Comments

The profit for the Group after providing for income tax amounted to \$1,070,000 (30 June 2022: \$509,354,000).

3. Net tangible assets

	Reporting period	Previous period
	Cents	Cents
Net tangible assets per ordinary security	<u>52.25</u>	<u>227.77</u>

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends

Current period

	Amount per security	Franked amount per security
	Cents	Cents
Special dividend paid on 14 July 2022	78.0	-
Special dividend paid on 22 August 2022	44.0	-
Special dividend paid on 31 January 2023	30.7	-

Cardno Limited and its controlled entities
Appendix 4E
Preliminary final report

Previous period

	Amount per security Cents	Franked amount per security Cents
Final dividend for the year ended 30 June 2021 paid during 30 June 2022	4.0	-
Special dividend paid on 22 December 2021	57.0	-

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Not applicable.

9. Foreign entities

Details of origin of accounting standards used in compiling the report:

Not applicable.

10. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements have been audited and an unmodified opinion has been issued.

11. Attachments

Details of attachments (if any):

The Annual Report of Cardno Limited for the year ended 30 June 2023 is attached.

12. Signed

As authorised by the Board of Directors.

Signed  _____

Date: 24 August 2023

Nathaniel Thomson
Acting Chairman
Sydney



FY23
CARDNO
2023 ANNUAL
REPORT

for the full-year ended
30 June 2023

**Making a
difference.**

Cardno Limited
ABN 70 108 112 303
and its controlled entities

Cardno Limited and its controlled entities
Acting Chairman and Executive Director's letter
30 June 2023

Dear Shareholder

Following the successful sale of the engineering divisions in Asia Pacific and Americas in December 2021 and the International Development business in June 2022, the focus of the board in FY 2023 has moved to:

- Collect the proceeds from the sale of the ID business so that distribution to the shareholders can be finalized. The business was sold for \$77.9m in June 2023 and during the year total cash received from the sale was \$69.9m with another \$3m received in July 2023. DT Global currently owes Cardno \$4.9m in principal and an additional \$2.3m in interest. The current expectation is that the total balance outstanding will be settled by December 2023.
- Continued wind down of the Insus operations and pursuing the legal claims for amounts owing to Insus. It is pleasing to note that in May - June 2023, we won 3 legal cases, of which one was fully paid to Insus in May and USD700k was repatriated to Australia. The remaining two cases were won in June, but the settlement will be made to Insus via six equal monthly installments from June to November 2023. In July, USD 1.8m was repatriated to Australia and the expectation is to get additional USD3.2m from to August to November 2023. There are several other legal cases that Insus is pursuing that could generate positive outcomes to Insus of approximately USD 8m but there is uncertainty both in terms of quantum and timing of these payments (timing can range from 2 years and beyond before any cash is realized).
There are also several legal cases made against Insus in relation to its historical project activity which if successful could lead to judgements against Insus. The Directors seek to monitor and mitigate the potential risks of these claims but should any of these claims be successful, it places the recovery of the positive cases in jeopardy as Insus may need to be wound down immediately.
- The Cardno Board announced a dividend and return of capital to shareholders of 170.0 cents and 24.0 cents per share respectively in July 2022. In FY2023, 24.0 cents per share was paid as return of capital and 152.70 cents per share as dividend. On 7 August 2023, the board announced that the remainder of the dividend declared in July 2022 of 17.70 cents per share would be paid to shareholders on 31 August 2023. This final payment would complete the entire distribution announced to shareholders on 1 July 2022.
- Continued operations of the Entrix business in Latin America. Entrix America performed well in FY2023 generating revenue of \$10.9m (above prior year by \$0.3m or 2.8%) and an underlying EBITDA of \$2.1m (above prior year by \$0.9m or 75%). Overall net profit was however affected by \$1.1m due to a correction of WIP (Contract Assets) overstated in FY2022.
- Downsizing of the head office operation in Australia following the disposal of the various business segments. This stream lining was done all through calendar year 2022 and by December 2022, the last remaining full-time staff had exited the business. These head office functions (finance, tax, compliance and listing requirements) are now performed for the Company through a team of consultants/businesses that provide variable services as required. The board also decided to reduce Director fees from March 2023 in line with the size and scope of the business.

After discounting for head office and listing costs, the underlying EBITDA of the business was \$0.2m.

Cardno Limited and its controlled entities
Acting Chairman and Executive Director's letter
30 June 2023

NEXT STEPS

Once cash is received from DT Global and from the legal claims currently won by Insus which is expected by the end of calendar year 2023, the Board will consider its next steps in relation to Entrix Latin America, Insus, the path forward for the Cardno shell and further distributions to shareholders.

The Cardno Board will continue to update Shareholders as it refines its plans and funds are received from Insus and/or DT Global and are allocated for distribution.

A handwritten signature in blue ink, appearing to read 'N. Thomson', written in a cursive style.

Nathaniel Thomson
Acting Chairman and Executive Director

Cardno Limited and its controlled entities

Contents

30 June 2023

Directors' report	4
Auditor's independence declaration	18
Consolidated statement of profit or loss and other comprehensive income	19
Consolidated statement of financial position	21
Consolidated statement of changes in equity	22
Consolidated statement of cash flows	23
Notes to the consolidated financial statements	24
Directors' declaration	56
Independent auditor's report to the members of Cardno Limited	57
Shareholder information	62
Corporate directory	64

General information

The financial statements cover Cardno Limited as a Group consisting of Cardno Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is Cardno Limited's functional and presentation currency.

Cardno Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 8, 210 George Street
Sydney NSW 2000

A description of the nature of the Group's operations and its principal activities are included in the Directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 24 August 2023. The Directors have the power to amend and reissue the financial statements.

Cardno Limited and its controlled entities

Directors' report

30 June 2023

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group' or 'Cardno') consisting of Cardno Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2023.

Directors

The following persons were Directors of Cardno Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Michael Alscher	Non-Executive Director and Chairman
Nathanial Thomson	Executive Director (appointed on 8 July 2022); Non-Executive Director (resigned on 8 July 2022)
Jeffrey Forbes	Non-Executive Director
Neville Buch	Alternate Director (appointed on 17 December 2021)

Principal activities

The principal activity of the Group during the financial year was operating as a professional environmental services company, with expertise in the development and improvement of social infrastructure for communities in Ecuador and Peru. During the financial year, the Group continued to wind down the South American Ingenieria Sustentable ('INSUS') operation and to finalise the balance of payments outstanding from DT Global from the sales of the Cardno International Development business.

Dividends

Dividends paid during the financial year were as follows:

	Consolidated	
	2023	2022
	\$'000	\$'000
Final dividend paid during the year ended 30 June 2023 of nil cents (30 June 2022: 4.0 cents) per ordinary share	-	15,624
Special dividend paid during the year ended 30 June 2022 of 57.0 cents per ordinary share ⁽¹⁾	-	222,640
Special dividend paid during the year ended 30 June 2023 of 78.0 cents per ordinary share ⁽²⁾	30,467	-
Special dividend paid during the year ended 30 June 2023 of 44.0 cents per ordinary share ⁽³⁾	17,187	-
Special dividend paid during the year ended 30 June 2023 of 30.7 cents per ordinary share ⁽⁴⁾	11,992	-
	<u>59,646</u>	<u>238,264</u>

(1) The Group completed the disposal of its Americas and Asia Pacific consulting businesses to Stantec on 9 December 2021. Sale proceeds were distributed to Shareholders on 22 December 2021, by way of payment of a special dividend of 57 cents per share and a capital return of 92 cents per share (on a pre10:1 share consolidation basis).

(2) The Group completed the disposal of its International Development business to DT Global on 30 June 2022. Part of the sale proceeds were distributed to shareholders on 14 July 2022 by way of payment of a special dividend of 78 cents per share and a capital return of 24 cents per share.

(3) A second payment of special dividend was made to shareholders on 22 August 2022 of 44 cents per share.

(4) A third payment of special dividend was made to shareholders on 31 January 2023 of 30.7 cents per share.

Cardno Limited and its controlled entities
Directors' report
30 June 2023

Review of operations

The profit for the Group after providing for income tax amounted to \$1,070,000 (30 June 2022: \$509,354,000).

	2023	2022
	\$'m	\$'m
Gross revenue	10.90	10.60
Underlying EBITDAI ⁽¹⁾	0.20	0.80
Underlying NOPAT ⁽²⁾	0.30	(2.00)
Profit before tax from continuing operations	0.10	7.80
Profit before tax from discontinued operations	1.70	544.90
Net profit/ (loss) after tax from continuing operations	(0.60)	(36.60)
Net profit after tax from discontinued operations	1.70	546.00
Net profit after tax	1.10	509.35
Operating cash flow	(3.80)	(21.70)
EPS from continuing operations – basic (cents)	(1.57)	(93.76)
EPS - basic (cents)	2.74	1,304.91
NOPAT EPS - basic (cents) ⁽²⁾	0.77	(5.12)

(1) EBITDAI = EBIT from continuing operations plus underlying adjustments, depreciation, amortisation and impairment losses on non-financial assets.

(2) NOPAT = NPAT from continuing operations plus underlying adjustments and tax effected impairment losses on non-financial assets.

EBITDAI and EBIT are non-IFRS measures and are unaudited. However, they are based on amounts extracted from the audited financial statements as reported in the consolidated statement of financial performance. These metrics provide a measure of the Group'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 the Group'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.

FY23 Financial results

The Group reports an underlying full year loss after tax from continuing operations of \$0.30m (FY22: loss of \$2.00m) and a statutory profit after tax of \$1.10m (FY22: profit of \$509.4m).

Underlying EBITDAI of \$0.20m (FY22: \$0.8m) includes a \$2.1m EBITDAI recorded by the Latin American segment, offset by a \$1.9m EBITDAI in the Corporate segment representing head office costs.

The Group's underlying profit after tax from continuing and discontinued operations was of \$0.3m (FY22: \$2.0m loss) after taking into consideration underlying adjustments to continuing operations of \$0.9m (relating to Latam - INSUS and Entrix) and discontinued operations of \$1.7m relating to the sales of the ID business in the previous year.

Cardno Limited and its controlled entities

Directors' report

30 June 2023

Financial performance

Closing net assets of \$20.4m has decreased \$68.6m since 30 June 2022, predominately due to the return of capital and special dividend payments made to shareholders in July 2022, August 2022 and January 2023 following the successful completion of the sale of the International Development business at 30 June 2022.

Cash flow

The Group recorded a net operating cash outflow for the year ended 30 June 2023 of \$3.80m.

Segment overview

Latin America ('Latam')

Latin America's ('Entrix') underlying EBITDA for the financial year was \$2.1m, up on prior year amount of \$0.9m. Gross revenue was \$10.9m (compared to prior year comparative of \$10.6m) favourably impacted by the timing and delivery of major projects. Latam recorded a negative adjustment of \$1.1m relating to overstatement of WIP in FY2022 which was excluded from Latam's FY2023 underlying earnings.

EBITDA margin of 19.2% was also up on prior year margin of 10.9%, representing strong project delivery and effective cost management.

Ingenieria Sustentable ('INSUS') S.A. (formerly Caminosca) continues to recover outstanding debts, wind down and incur some corporate costs such as legal expenses, which have been excluded from the underlying result.

Other

The Company continues to incur head office costs relating to the ongoing running of the business. These costs include consultant/businesses to oversee the finance, tax reporting and compliance of the business, audit fees, insurance, listing fees and Directors' fees.

Cardno Limited and its controlled entities
Directors' report
30 June 2023

	Statutory ⁽¹⁾		Underlying adjustments ⁽²⁾		Underlying ⁽¹⁾	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Latin America	10,927	10,600	-	-	10,927	10,600
Other	-	32	-	-	-	32
Gross revenue	10,927	10,632	-	-	10,927	10,632
Latin America	1,133	12,692	975	(11,529)	2,108	1,163
Other	(1,935)	(2,344)	2	1,588	(1,933)	(756)
Adjust for AASB16 impact	-	410	-	-	-	410
Continuing operations EBITDAI ^{(3),(5)}	(802)	10,758	977	(9,941)	175	817
Unrealised foreign exchange gains/(losses)	739	(204)	-	-	739	(204)
Total continuing operations EBITDAI ^{(3),(5)}	(63)	10,554	977	(9,941)	914	613
Depreciation, impairment and amortisation expenses	(155)	(1,073)	-	-	(155)	(1,073)
Amortisation of right-of-use assets	(58)	(339)	-	-	(58)	(339)
EBIT ^{(4),(5)}	(276)	9,142	977	(9,941)	701	(799)
Net finance costs	361	(1,279)	-	-	361	(1,279)
Finance costs on lease liabilities	(20)	(40)	-	-	(20)	(40)
Profit/(loss) from continuing operations before income tax	65	7,823	977	(9,941)	1,042	(2,118)
Income tax (expense)/benefit ⁽⁶⁾	(679)	(44,421)	-	44,542	(679)	121
Profit/(loss) from continuing operations after income tax	(614)	(36,598)	977	34,601	363	(1,997)
Discontinued operations, net of tax	1,684	545,952	-	(527,917)	-	18,035
Profit/(loss) after income tax	1,070	509,354	977	(493,316)	363	16,038
Attributable to: ordinary equity holders	1,070	509,354	977	(493,316)	363	16,038

(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 in table below.

(3) Underlying EBITDAI represents earnings before interest, income tax, depreciation, amortisation and impairment of non-financial assets.

(4) Underlying EBIT represents earnings before interest and income tax.

(5) Underlying 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. These metrics provide a measure of Cardno's performance before the impact of non-cash expense items, such as depreciation, amortisation and impairment of non-financial assets, as well as interest costs associated with Cardno's external debt facility and lease arrangements.

(6) Income tax (expense)/benefit refer to note 6 in the accompanying financial statements.

Cardno Limited and its controlled entities
Directors' report
30 June 2023

	Consolidated	
	2023	2022
	\$'000	\$'000
Underlying profit from continuing and discontinued operations after income tax (attributable to ordinary equity holders)	363	16,038
<i>Underlying adjustments to EBITDAI:</i>		
Other non-trade loss/(income) recognised ⁽¹⁾	1,162	(3,315)
Receipt of settlement proceeds, net of provision adjustments ⁽²⁾	(1,325)	(8,214)
Share-based payment expense ⁽³⁾	-	687
Write off unrecoverable GST ⁽⁴⁾	-	861
Correction of WIP overstatement in Latam ⁽⁵⁾	1,141	-
Other	(1)	40
Total underlying adjustments to EBITDAI	977	(9,941)
<i>Underlying adjustments to income tax:</i>		
Tax effect of underlying adjustments	-	(331)
Tax effect of derecognition of the deferred tax assets relating to tax losses	-	44,873
Total underlying adjustments to income tax	-	44,542
Underlying adjustments relating to divested entities ⁽⁶⁾	(1,684)	(527,917)
Total underlying adjustments to discontinued operations	(1,684)	(527,917)
Statutory profit after income tax (attributable to ordinary equity holders)	1,070	509,354

- (1) Ongoing operating costs incurred in the wind down of INSUS and in pursuing the recovery of outstanding legal claims, see note 19 (2022: Successful recoveries on outstanding legal claims and recovery of debtors net of costs incurred by INSUS, see note 19).
- (2) Settlement proceeds in relation to INSUS, net of provisions released no longer required, see note 19.
- (3) Share-based payment expense from accelerated vesting of employee performance rights on settlement and closure of Performance Equity Plans.
- (4) Write-off input tax credits on exceedance of financial acquisitions threshold in relation to transaction costs incurred on sale transactions.
- (5) Correction of WIP balance for Entrix Latam overstated in the previous year by \$1,066,000 plus provision for the current year of \$75,000.
- (6) Includes gain on sale of Asia Pacific, Americas Consulting and International Development divisions, see note 2.

Business risks

The main business risks facing the Group follows:

- Liquidity: Insufficient cash to fund the head office and listing requirements of the parent company whilst it waits to collect the cash owing from DT Global or pursue the legal claims that could generate a positive cash flow to the Company. DT Global is expected to pay the \$7.3m owing before the end of the calendar year.
- Threat of legal claims and criminal proceeding against INSUS or the JVs of which INSUS is a member materializing and INSUS required to make payments to the claimants. The Directors have received independent advice that under company law in Ecuador, the possibility of legal claims having recourse to INSUS' immediate Australian parent entity Cardno International Pty Ltd or the Group parent entity Cardno Limited, is remote. Whilst the Directors consider this to be remote, the outcomes of claims against INSUS may negatively impact on the recovery of any funds from claims being pursued by INSUS as it continues to be wound down.

Significant changes in the state of affairs

The Group received \$69.9m of the total \$77.9m proceeds relating to the sale of the International Development division during the year. Subsequently in July 2023 an additional \$3.0m was received from DT Global. The current owing from DT Global is \$4.9m from the sale agreement and an additional \$2.3m in interest payments.

In July 2023, the INSUS operations in South America repatriated to Australia an additional US\$1.8m being receipts from legal claims won in Ecuador. The financial statements to 30 June 2023 have been adjusted to include a receivable to reflect these settlements where previously receivables were fully provided for in the balance sheet.

There are no other significant changes in the state of affairs of the Group during the financial year.

Cardno Limited and its controlled entities

Directors' report

30 June 2023

Matters subsequent to the end of the financial year

In July 2023, the Company received a payment of \$3,000,000 from DT Global towards repayment of the outstanding amounts owing. In addition, the Australian head office also received US\$1,800,000 from INSUS settlement of legal claims in South America.

The Company intends to pay the outstanding balance of the dividend of \$6,900,000 (\$0.177 per share) on 31 August 2023.

Other than the matters noted above, there has not arisen in the interval between 30 June 2023 and the date of this report any item that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Likely developments and expected results of operations

The Group will continue to wind down its South American INSUS operations, operating its Latin American ('Entrix') engineering consultancy business and collecting the outstanding payments from DT Global. Following receipt of outstanding payments by DT Global, the Board will consider the next steps for the Group.

Environmental regulation

The Group is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Information on Directors

Name: Michael Alscher
Title: Non-Executive Director and Chairman
Qualifications: Bachelor of Commerce (Finance and Mathematics) from the University of New South Wales.
Experience and expertise: 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 investment firm, specialising in high growth companies and certain industry sectors such as healthcare.

Other current directorships: 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. Non-Executive Director of Clearview Wealth Limited and Chair Australian Clinical Labs Limited
Former directorships (last 3 years): Non-Executive Director of Intega Group Limited
Special responsibilities: Member of Audit, Risk & Compliance Committee
Interests in shares: None
Interests in options: None
Interests in rights: None

Name: Nathaniel Thomson
Title: Executive Director and Acting Chairman
Qualifications: Bachelor of Commerce with honours and a Bachelor of Law with honours from the University of Western Australia.
Experience and expertise: Nathaniel Thomson became a Non-Executive Director of Cardno Limited in May 2016 and was appointed as Executive Director effective December 2021. He is a Partner at Crescent Capital Partners and responsible for the assessment of potential investment opportunities and management of investee companies.

Nathaniel is a Partner at Crescent, a leading Australian private equity investment firm. Nathaniel has over 20 years of experience in strategy consulting, private equity and investment banking. He has significant consulting experience from his prior role at McKinsey & Co.

Other current directorships: Non-Executive Director of Clearview Wealth Limited
Former directorships (last 3 years): None
Special responsibilities: Member of Audit, Risk & Compliance Committee
Interests in shares: None
Interests in options: None
Interests in rights: None

Cardno Limited and its controlled entities

Directors' report

30 June 2023

Name: Jeffrey Forbes
Title: Non-Executive Director
Qualifications: Bachelor of Commerce from the University of Newcastle and a Graduate of the Australian Institute of Company Directors.
Experience and expertise: 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.

Other current directorships: Non-Executive Chair of Herron Todd White Group
Non-Executive Director of PWR Holdings Ltd and Ventia Services Group Limited
Former directorships (last 3 years): Non-Executive Director of Intega Group Limited
Special responsibilities: Chairman of Audit, Risk & Compliance Committee
Interests in shares: 14,862 ordinary shares
Interests in options: None
Interests in rights: None

Name: Neville Buch
Title: Alternate Director appointed on 17 December 2021
Experience and expertise: Neville is a partner at Crescent Capital Partners and has held the position of Chair, CEO and director in both public and private practice for over 18 years. He was a Non-Executive Director of Cardno Limited between November 2015 and October 2019 and acted as interim CEO from November 2016 to March 2018 and Deputy Chair from May 2018 to October 2019.

Other current directorships: Nil
Former directorships (last 3 years): Non-Executive Director of Intega Group Limited
Interests in shares: None

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Company secretary

Nathaniel Thomson (appointed on 1 December 2022)

Nathaniel is an Executive Director, Acting Chairman and Company Secretary of the Company.

Cherie O'Riordan (resigned on 1 December 2022)

Cherie was the Chief Financial Officer and was the Company Secretary of the Company until 1 December 2022. Cherie is a qualified BEcon/Arts, CA and GAICD.

Cardno Limited and its controlled entities

Directors' report

30 June 2023

Meetings of Directors

The number of meetings of the Company's Board of Directors ('the Board') held during the year ended 30 June 2023, and the number of meetings attended by each Director were:

	Full Board		Audit, Risk & Compliance Committee	
	Attended	Held	Attended	Held
Michael Alscher	5	7	2	3
Nathanial Thomson	6	7	2	3
Jeffrey Forbes	7	7	3	3

Held: represents the number of meetings held during the time the Director held office.

Remuneration report (audited)

The remuneration report details the key management personnel remuneration arrangements for the Group, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

The remuneration report is set out under the following main headings:

- A. Key management personnel
- B. Role of remuneration committee
- C. Executive and non-executive directors' remuneration
- D. Executive remuneration strategy structure
- E. Executive key management personnel contract terms
- F. Key management personnel remuneration tables
- G. Share-based compensation
- H. Group performance
- I. Other related party transactions

A. Key management personnel

Key management personnel ('KMP') is 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.

In addition to the directors, the Group historically considered the KMP to be the Chief Executive Officer ('CEO') or Executive Chairman, Chief Financial Officer ('CFO') and Chief Operating Officer ('COO').

On 9 December 2021, the Group divested its Asia Pacific and Americas engineering and consulting business and on 30 June 2022, divested its international development business and continued wind down of INSUS operations in Latin America during FY23. The significant structural change and the limited size and scope of the remaining operations has reduced the need for senior management positions resulting in the departure of the CEO (Susan Reisbord), CFO (Peter Barker) and COO (Jenifer Picard) in prior year FY22. Following these departures, the authority and responsibility for planning, directing and controlling the remaining activities of the Group reverted to the Board. These changes resulted in Nathanial Thomson being appointed as an Executive Director from 9 December 2021. As a result, only the Directors of the Company are reported as KMP as of the year ended 30 June 2022 and 30 June 2023.

The KMP details follow:

Name	Title	30 June 2023	30 June 2022
Michael Alscher	Non-Executive Director and Chairman	KMP for the full year	KMP for the full year
Nathanial Thomson	Executive Director	KMP for the full year	KMP for the full year
Jeffrey Forbes	Non-Executive Director	KMP for the full year	KMP for the full year
Rebecca Ranich	Non-Executive Director	No longer KMP	Resigned 9 December 2021
Steven Sherman	Non-Executive Director	No longer KMP	Resigned 9 December 2021
Susan Reisbord	CEO and Managing Director	No longer KMP	Resigned 9 December 2021
Peter Barker	CFO	No longer KMP	Resigned 3 March 2022
Jenifer Picard	COO	No longer KMP	Resigned 9 December 2021

Cardno Limited and its controlled entities
Directors' report
30 June 2023

B. Role of remuneration committee

During the year ended 30 June 2022, the Board determined that all functions of the Nominations and Remuneration Committee would be managed by the Board and that the Remuneration Committee was dissolved.

The Board believes that all Board members' experience, views and perspectives should be leveraged through full participation in the Board's nomination and remuneration process discussion.

When required, the Board will obtain the independent advice from remuneration consultants on the appropriateness of remuneration-based trends in comparative countries, both locally and internationally. When required for specific purposes related to the composition and evaluation of the Board, a sub-committee chaired by an independent non-executive director will be formed.

C. Executive and Non-executive directors' remuneration

Executive and 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. Director fees are not linked to the performance of the Group and directors do not participate in any of the Company's incentive plans.

Executive and Non-executive director fees are reviewed annually and are determined within an aggregate director's 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 director fees were re-set in December 2021 and again in March 2023 to reflect the reduced size and activity of the Group.

The fee structure (inclusive of any compulsory superannuation contributions) for Executive and Non-Executive Directors is detailed in the following table:

	Board \$	Audit, risk and compliance committee \$
Australian based Board members		
Chairman 1 July 2021 – 9 December 2021	200,000	27,273
Chairman 10 December 2021 – 28 February 2023	150,000	15,000
Chairman 1 March 2023 – 30 June 2023	50,000	15,000
Non-Executive Director 1 July 2021 – 9 December 2021	100,000	7,000
Non-Executive Director 10 December 2021 – 28 February 2023	75,000	7,000
Non-Executive Director 1 March 2023 – 30 June 2023	50,000	7,000
US based Board members (USD)	-	-
Non-Executive Director 1 July 2021 – 9 December 2021	100,000	-

There were no US-based Board members post 9 December 2021.

Cardno Limited and its controlled entities
Directors' report
30 June 2023

D. Executive remuneration strategy structure

The remuneration of the executive team in the prior year included the following:

- (a) Total fixed remuneration ('TFR') consisting of base salary plus statutory superannuation contributions and other benefits. KMP and senior executives received a fixed remuneration package reviewed annually by the Board functioning as the remuneration committee and taking into consideration the responsibilities of the role, the qualifications and experience incumbent and benchmark market data including those companies with which the Group competes for talent;
- (b) Short-term incentives ('STI') payments were granted to executives based on specific EBITDA targets. Following the sale of the Group's Asia Pacific and Americas consulting divisions in December 2021, the STI program was terminated thus there are no STI payments in place as of 30 June 2023 and 30 June 2022; and
- (c) Long-term incentives ('LTI') including performance rights and options issued under Performance Equity Plan ('PEP'). The share-based payments included performance rights and options issued under the LTI plan and were tested against the relevant performance hurdles at the end of the performance period. Subject to meeting the relevant performance hurdles, upon vesting, the performance rights would be converted to ordinary shares of the Company.

As of 30 June 2022, following the sale of the Group's Asia Pacific and Americas consulting divisions in December 2021, the Board made the decision to cancel all remaining PEPs, thus, as of 30 June 2023 and 30 June 2022, there were no PEP in place within the Group.

E. Executive key management personnel contract terms

Executive KMP were employed in 2022 and prior based on Executive Service Agreements ('ESA') that contained a range of terms and conditions including remuneration and other benefits, notice period and termination benefits.

As of 30 June 2023 and 30 June 2022, there are no outstanding ESA in effect.

F. Key management personnel remuneration tables

Amounts of remuneration

Details of the remuneration of key management personnel of the Group are set out in the following tables.

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments		Total
	Cash salary and fees	Cash bonus	Non-monetary	Super-annuation	Long service leave	Performance rights and options	Termination benefits	
2023	\$	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>								
Michael Alscher	123,667	-	-	-	-	-	-	123,667
Jeffrey Forbes	75,307	-	-	7,907	-	-	-	83,214
<i>Executive Directors:</i>								
Nathaniel Thomson	73,667	-	-	-	-	-	-	73,667
	<u>272,641</u>	<u>-</u>	<u>-</u>	<u>7,907</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>280,548</u>

Cardno Limited and its controlled entities
Directors' report
30 June 2023

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments		Total
	Cash salary and fees	Cash bonus	Non-monetary	Super-annuation	Long service leave	Performance rights and options ⁽⁵⁾	Termination benefits	
2022	\$	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>								
Michael Alscher ⁽¹⁾	176,085	-	-	-	-	-	-	176,085
Jeffrey Forbes	97,436	-	-	9,744	-	-	-	107,180
Steven Sherman ⁽²⁾	47,839	-	-	4,784	-	-	-	52,623
Rebecca Ranich ⁽³⁾	68,409	-	-	-	-	-	-	68,409
<i>Executive Directors:</i>								
Nathaniel Thomson ⁽⁴⁾	89,989	-	-	-	-	-	-	89,989
Susan Reibord ⁽⁶⁾	325,034	-	20,781	11,568	-	968,219	-	1,325,602
<i>Other Key Management Personnel:</i>								
Peter Barker ⁽⁷⁾	342,518	-	-	16,316	-	467,334	102,291	928,459
Jenifer Picard ⁽⁸⁾	195,192	-	19,183	14,138	-	303,342	-	531,855
	<u>1,342,502</u>	<u>-</u>	<u>39,964</u>	<u>56,550</u>	<u>-</u>	<u>1,738,895</u>	<u>102,291</u>	<u>3,280,202</u>

(1) Michael Alscher's fees are paid to Crescent Capital Partners.

(2) Steven Sherman resigned from the board on 9 December 2021.

(3) Rebecca Ranich resigned from the board on 9 December 2021 but was paid directors fees for the full month of December 2021. Rebecca Ranich was paid in USD and the remuneration disclosed above has been converted to Australian dollars at an average exchange rate of 73 cents (2021: 75 cents).

(4) Nathaniel Thomson was a Non-Executive Director before being appointed to the role of Executive Director on 9 December 2021. As an Executive Director, Nathaniel is not entitled to participation in the Group's STI or LTI plans. The amount represents all remuneration during his periods as Non-Executive and Executive Director. The fees are paid to Crescent Capital Partners.

(5) Following the sale of the Group's Americas and Asia Pacific Consulting divisions the Board made the decision to cancel all remaining Performance Equity Plans with employees. The Board compensated participating employees for the cancellation of the Performance Equity Plans with a cash payment. The cash payment received is outlined in Section G. As a result of the cancellation, an expense was immediately recognised up to the grant date fair value of each Performance Equity Plan. To the extent the compensation paid exceeded the fair value of the existing Performance Equity Plans, reassessed on the cancellation date, this excess value provided to employees was expensed for accounting purposes as it represented additional value being provided to these employees. The balance of the cash compensation payment was recognised for accounting purposes within the general reserve in equity as this was considered to represent the repurchase of equity instruments. The portion of the cash compensation recognised in equity is not reflected in the remuneration of Executive KMP. The table reflects the amounts required to be expensed in the Statement of Financial Performance under Australian Accounting Standards.

(6) Susan Reibord ceased to act in the position of Cardno Group CEO on 9 December 2021. Susan was paid in US dollars and the remuneration disclosed above has been converted to Australian dollars at an average exchange rate of 73 cents (2021: 75 cents).

(7) Peter Barker ceased to act in the position of Chief Financial Officer on 3 March 2022.

(8) Jenifer Picard ceased to act in the position of Chief Operating Officer on 9 December 2021. Jenifer was paid in US dollars and the remuneration disclosed above has been converted to Australian dollars at an average exchange rate of 73 cents (2021: 75 cents).

Cardno Limited and its controlled entities
Directors' report
30 June 2023

The proportion of remuneration linked to performance and the fixed proportion are as follows:

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2023	2022	2023	2022	2023	2022
<i>Non-Executive Directors:</i>						
Michael Alscher	100.0%	100.0%	-	-	-	-
Jeffrey Forbes	100.0%	100.0%	-	-	-	-
Steven Sherman	-	100.0%	-	-	-	-
Rebecca Ranich	-	100.0%	-	-	-	-
<i>Executive Directors:</i>						
Nathaniel Thomson	100.0%	100.0%	-	-	-	-
Susan Reisdord	-	27.0%	-	73.0%	-	-
<i>Other Key Management Personnel:</i>						
Peter Barker	-	49.7%	-	50.3%	-	-
Jenifer Picard	-	43.0%	-	57.0%	-	-

G. Share-based compensation

Issue of shares

There were no shares issued to Directors and other key management personnel as part of compensation during the year ended 30 June 2023.

Options

There were no options over ordinary shares issued to Directors and other key management personnel as part of compensation that were outstanding as at 30 June 2023.

There were no options over ordinary shares granted to or vested by Directors and other key management personnel as part of compensation during the year ended 30 June 2023.

Performance rights

There were no performance rights over ordinary shares issued to Directors and other key management personnel as part of compensation that were outstanding as at 30 June 2023.

There were no performance rights over ordinary shares granted to or vested by Directors and other key management personnel as part of compensation during the year ended 30 June 2023.

H. Group performance

The earnings of the Group for the five years to 30 June 2023 are summarised below:

	2023	2022 ⁽³⁾	2021	2020	2019 ⁽²⁾
	\$'000	\$'000	\$'000	\$'000	\$'000
Sales revenue	10,927	10,632	890,390	978,268	1,319,272
Underlying EBITDAI ⁽¹⁾	175	407	51,231	43,033	62,006
(Loss)/profit after income tax	1,070	509,354	32,658	56,586	(44,490)

(1) Underlying EBITDAI is presented on a pre AASB 16 basis for all years.

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

(3) 2022 financial results exclude the results of the Group's Asia Pacific and Americas engineering consultancy divisions, in addition to its International Development business, which were sold in December 2021 and June 2022 respectively and are presented as discontinued operations.

**Cardno Limited and its controlled entities
Directors' report
30 June 2023**

I. Other related party transactions

Shareholding

The number of shares in the Company held during the financial year by each Director and other members of key management personnel of the Group, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
<i>Ordinary shares</i>					
Michael Alscher	-	-	-	-	-
Nathaniel Thomson	-	-	-	-	-
Jeffrey Forbes	14,862	-	-	-	14,862
	<u>14,862</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,862</u>

Loans to key management personnel and their related parties

There were no loans made during the period and as at reporting date.

Other transactions with key management personnel and their related parties

Directors fees invoiced amounted to \$197,333 (2022: \$266,074) and Chief Finance Officer fees invoiced \$126,400 (2022: \$11,440) through Crescent Capital Partners for the year ended 30 June 2023.

This concludes the remuneration report, which has been audited.

Shares under option

There were no unissued ordinary shares of Cardno Limited under option outstanding at the date of this report.

Shares under performance rights

There were no unissued ordinary shares of Cardno Limited under performance rights outstanding at the date of this report.

Shares issued on the exercise of options

There were no ordinary shares of Cardno Limited issued on the exercise of options during the year ended 30 June 2023 and up to the date of this report.

Shares issued on the exercise of performance rights

There were no ordinary shares of Cardno Limited issued on the exercise of performance rights during the year ended 30 June 2023 and up to the date of this report.

Indemnity and insurance of officers

The Company has indemnified the Directors and executives of the Company for costs incurred, in their capacity as a Director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract to insure the Directors and executives of the Company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

Cardno Limited and its controlled entities

Directors' report

30 June 2023

Non-audit services

During the year there were no amounts paid or payable to the auditors (or by another person or firm on the auditor's behalf person from the audit firm for non-audit services. The Directors are satisfied that the general standard of independence for auditors imposed by the Corporations Act 2001 have been met.

None of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants (including Independence Standards) issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

Officers of the Company who are former partners of DFK Laurence Varnay Auditors Pty Ltd

There are no officers of the Company who are former directors of DFK Laurence Varnay Auditors Pty Ltd.

Rounding of amounts

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this Directors' report.

This report is made in accordance with a resolution of Directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the Directors



Nathaniel Thomson
Acting Chairman

24 August 2023

Cardno Limited
ABN: 70 108 112 303

**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 for the year ended 30 June 2023, 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.

This declaration is in respect of Cardno Limited and the entities it controlled during the year.

DFK Laurence Varnay Auditors Pty Ltd



Faizal Ajmat
Director
Sydney

Dated: 24th day of August 2023

Cardno Limited and its controlled entities
Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2023

	Note	Consolidated 2023 \$'000	2022 \$'000
Continuing operations			
Revenue	3	10,927	10,632
Other income	3	187	12,562
Financing income	4	361	210
Expenses			
Employee expenses		(4,236)	(6,348)
Consumables and materials used		(2,884)	(7,082)
Sub-consultant and contractor costs		(724)	(493)
Depreciation and amortisation expenses	5	(213)	(1,412)
Impairment reversal on trade receivables and contract assets	8	-	3,757
Other expenses		(3,333)	(2,474)
Finance costs	4	(20)	(1,529)
Profit before income tax expense from continuing operations		65	7,823
Income tax expense	6	(679)	(44,421)
Loss after income tax expense from continuing operations		(614)	(36,598)
Profit after income tax benefit from discontinued operations	2	1,684	545,952
Profit after income tax (expense)/benefit for the year attributable to the owners of Cardno Limited		1,070	509,354
Other comprehensive loss			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation - continuing operations		(608)	(2,130)
Foreign currency translation - discontinued operations		-	6,198
Reclassification of foreign currency reserves – discontinued operations and other liquidated operations		-	(91,835)
Other comprehensive loss for the year, net of tax		(608)	(87,767)
Total comprehensive income for the year attributable to the owners of Cardno Limited		<u>462</u>	<u>421,587</u>
Total comprehensive income for the year is attributable to:			
Continuing operations		462	(38,728)
Discontinued operations		-	460,315
		<u>462</u>	<u>421,587</u>

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Cardno Limited and its controlled entities
Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2023

		Cents	Cents
Earnings per share for loss from continuing operations attributable to the owners of Cardno Limited			
Basic earnings per share	22	(1.57)	(93.76)
Diluted earnings per share	22	(1.57)	(93.76)
Earnings per share for profit from discontinued operations attributable to the owners of Cardno Limited			
Basic earnings per share	22	4.31	1,398.67
Diluted earnings per share	22	4.31	1,398.67
Earnings per share for profit attributable to the owners of Cardno Limited			
Basic earnings per share	22	2.74	1,304.91
Diluted earnings per share	22	2.74	1,304.91

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Cardno Limited and its controlled entities
Consolidated statement of financial position
As at 30 June 2023

	Note	Consolidated 2023 \$'000	2022 \$'000
Assets			
Current assets			
Cash and cash equivalents	7	8,328	46,609
Trade and other receivables	8	14,270	47,104
Contract assets	3	1,358	3,155
Other assets		80	679
Total current assets		<u>24,036</u>	<u>97,547</u>
Non-current assets			
Property, plant and equipment	9	472	620
Right-of-use assets	12	145	27
Total non-current assets		<u>617</u>	<u>647</u>
Total assets		<u>24,653</u>	<u>98,194</u>
Liabilities			
Current liabilities			
Trade and other payables	10	2,513	6,509
Contract liabilities	3	40	121
Lease liabilities	11	58	8
Current tax liability		-	624
Employee benefits	13	238	264
Provisions	14	1,002	1,341
Total current liabilities		<u>3,851</u>	<u>8,867</u>
Non-current liabilities			
Lease liabilities	11	90	19
Employee benefits	13	304	341
Total non-current liabilities		<u>394</u>	<u>360</u>
Total liabilities		<u>4,245</u>	<u>9,227</u>
Net assets		<u>20,408</u>	<u>88,967</u>
Equity			
Issued capital	15	1,355	10,730
Reserves		836	125,448
Retained earnings/(accumulated losses)		<u>18,217</u>	<u>(47,211)</u>
Total equity		<u>20,408</u>	<u>88,967</u>

The above consolidated statement of financial position should be read in conjunction with the accompanying notes

Cardno Limited and its controlled entities
Consolidated statement of changes in equity
For the year ended 30 June 2023

Consolidated	Issued capital \$'000	General reserve \$'000	Foreign currency reserve \$'000	Demerger reserve \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2021	370,079	(14,611)	89,211	151,320	(318,301)	277,698
Profit after income tax expense for the year	-	-	-	-	509,354	509,354
Other comprehensive loss for the year, net of tax	-	-	(87,767)	-	-	(87,767)
Total comprehensive (loss)/income for the year	-	-	(87,767)	-	509,354	421,587
<i>Transactions with owners in their capacity as owners:</i>						
Return of capital (note 15)	(359,349)	-	-	-	-	(359,349)
Share-based payments (note 15)	-	(12,705)	-	-	-	(12,705)
Dividends paid (note 15)	-	-	-	-	(238,264)	(238,264)
Balance at 30 June 2022	<u>10,730</u>	<u>(27,316)</u>	<u>1,444</u>	<u>151,320</u>	<u>(47,211)</u>	<u>88,967</u>

Consolidated	Issued capital \$'000	General reserve \$'000	Foreign currency reserve \$'000	Demerger reserve \$'000	Retained earnings/ (accumulated losses) \$'000	Total equity \$'000
Balance at 1 July 2022	10,730	(27,316)	1,444	151,320	(47,211)	88,967
Profit after income tax expense for the year	-	-	-	-	1,070	1,070
Other comprehensive loss for the year, net of tax	-	-	(608)	-	-	(608)
Total comprehensive (loss)/income for the year	-	-	(608)	-	1,070	462
<i>Transactions with owners in their capacity as owners:</i>						
Return of capital (note 15)	(9,375)	-	-	-	-	(9,375)
Transfer from demerger reserve to retained earnings ⁽ⁱ⁾	-	-	-	(151,320)	151,320	-
Transfer from general reserve to retained earnings ⁽ⁱⁱ⁾	-	27,316	-	-	(27,316)	-
Dividends paid (note 15)	-	-	-	-	(59,646)	(59,646)
Balance at 30 June 2023	<u>1,355</u>	<u>-</u>	<u>836</u>	<u>-</u>	<u>18,217</u>	<u>20,408</u>

(i) Demerger reserve was transferred to retained earnings as at 30 June 2023.

(ii) General reserve was transferred to retained earnings as at 30 June 2023.

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

Cardno Limited and its controlled entities
Consolidated statement of cash flows
For the year ended 30 June 2023

	Note	Consolidated 2023 ⁽ⁱ⁾ \$'000	2022 ⁽ⁱ⁾ \$'000
Cash flows from operating activities			
Receipts from customers		11,769	603,232
Interest received		361	274
Payments to suppliers and employees		(15,282)	(620,597)
Finance costs paid		(40)	(3,320)
Income taxes paid		(663)	(1,314)
		<u> </u>	<u> </u>
Net cash used in operating activities	21	<u>(3,855)</u>	<u>(21,725)</u>
Cash flows from investing activities			
Proceeds from disposal of discontinued operations, net of cash disposed of	2	30,573	697,888
Transaction costs incurred on sale of discontinued operations	2	(2,835)	(30,666)
Payments of deferred acquisition consideration		-	(2,160)
Receipt of settlement proceeds		2,700	1,370
Proceeds from disposal of business assets		-	691
Proceeds from disposal of property, plant and equipment		-	45
Payments for property, plant and equipment	9	(413)	(2,414)
		<u> </u>	<u> </u>
Net cash from investing activities		<u>30,025</u>	<u>664,754</u>
Cash flows from financing activities			
Dividends paid	15	(59,646)	(238,264)
Return of capital	15	(9,375)	(359,349)
Proceeds from borrowings	21	5,000	130,993
Repayment of borrowings	21	-	(156,305)
Proceeds from/(repayment) of lease liabilities	21	(53)	(12,040)
		<u> </u>	<u> </u>
Net cash used in financing activities		<u>(64,074)</u>	<u>(634,965)</u>
Net increase/(decrease) in cash and cash equivalents		(37,904)	8,064
Cash and cash equivalents at the beginning of the financial year		46,609	37,272
Effects of exchange rate changes on cash and cash equivalents		(377)	1,273
		<u> </u>	<u> </u>
Cash and cash equivalents at the end of the financial year	7	<u><u>8,328</u></u>	<u><u>46,609</u></u>

(i) The Group has elected to present a statement of 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 above consolidated statement of cash flows should be read in conjunction with the accompanying notes

Cardno Limited and its controlled entities
Notes to the consolidated financial statements
30 June 2023

Note 1. Operating segments	25
Note 2. Discontinued operations	27
Note 3. Revenue and other income	30
Note 4. Net finance costs/(income)	32
Note 5. Expenses	33
Note 6. Income tax expense	33
Note 7. Cash and cash equivalents	35
Note 8. Trade and other receivables	35
Note 9. Property, plant and equipment	37
Note 10. Trade and other payables	38
Note 11. Lease liabilities	38
Note 12. Right-of-use assets	38
Note 13. Employee benefits	40
Note 14. Provisions	40
Note 15. Issued capital	41
Note 16. Critical accounting judgements, estimates and assumptions	43
Note 17. Financial instruments	43
Note 18. Commitments	45
Note 19. Contingent liabilities and assets	45
Note 20. Events after the reporting period	46
Note 21. Cash flow information	47
Note 22. Earnings per share	48
Note 23. Related party disclosures	49
Note 24. Interests in subsidiaries	50
Note 25. Parent entity information	50
Note 26. Deed of cross guarantee	51
Note 27. Remuneration of auditors	52
Note 28. Significant accounting policies	52

Cardno Limited and its controlled entities
Notes to the consolidated financial statements
30 June 2023

Note 1. Operating segments

Identification of reportable operating segments

Cardno had four reportable segments at the commencement of the prior financial year with three segments being divested during the prior year and one reportable segment remaining, being Latin America. Segments are an aggregate of business which provide similar services and operate in similar markets. These segments are based on the internal reports that are reviewed and used by the board of directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

The CODM reviews underlying EBITDAI (earnings before interest, tax, depreciation and amortisation adjusted for impairment of assets and non-operating income and expenses). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

The information reported to the CODM is on a monthly basis.

The following summary describes the operations of the remaining segments:

- **Latin America ('Latam')**- includes engineering consulting operations in Latin America
- **Other** - includes Group Head Office

Intersegment transactions

Intersegment transactions were made at market rates. Intersegment transactions are eliminated on consolidation.

Intersegment receivables, payables and loans

Intersegment loans are initially recognised at the consideration received. Intersegment loans receivable and loans payable that earn or incur non-market interest are not adjusted to fair value based on market interest rates. Intersegment loans are eliminated on consolidation.

Major customers

During the year ended 30 June 2023 approximately 20% (2022: 6.5%) of the Group's external revenue was derived from sales to one customer.

Business performance by segments is only shown for the prior year FY2022 as there was only one reportable segment (Latam) in 2023.

Cardno Limited and its controlled entities
Notes to the consolidated financial statements
30 June 2023

Note 1. Operating segments (continued)

	Continuing operations			Discontinued operations			Total \$'000
	Latin America \$'000	Other \$'000	Total \$'000	Asia Pacific \$'000	Americas \$'000	ID \$'000	
Consolidated 2022							
Segment revenue							
Fees from consulting services	10,600	-	10,600	91,148	111,414	166,307	368,869
Fees from recoverable expenses	-	-	-	18,148	42,838	164,060	225,046
Segment revenue	<u>10,600</u>	<u>-</u>	<u>10,600</u>	<u>109,296</u>	<u>154,252</u>	<u>330,367</u>	<u>593,915</u>
Other revenue	-	32	32	-	-	-	-
Total segment revenue	<u>10,600</u>	<u>32</u>	<u>10,632</u>	<u>109,296</u>	<u>154,252</u>	<u>330,367</u>	<u>593,915</u>
Underlying EBITDAI	1,221	(404)	817	13,848	23,176	9,687	46,711
Sale of Americas and Asia Pacific consulting divisions	-	-	-	-	-	-	488,738
Sale of international development division	-	-	-	-	-	-	36,471
Share-based payments expense	-	(687)	(687)	-	-	-	(3,744)
Other non-cash transactions relating to disposed entities	-	-	-	-	-	-	(6,226)
Legal expenses	-	-	-	-	-	(1,450)	(1,450)
Receipt of settlement proceeds	1,385	-	1,385	-	-	-	-
Release of liabilities no longer required	6,829	-	6,829	-	-	-	-
Other non-trade income recognised net of costs incurred	3,315	-	3,315	-	-	-	-
Write-off unrecoverable GST	-	(861)	(861)	-	-	-	-
Other	-	(40)	(40)	-	-	(145)	(145)
Depreciation and amortisation	(142)	(931)	(1,073)	(1,474)	(760)	(171)	(2,405)
Amortisation of right-of-use assets	(56)	(283)	(339)	(4,242)	(3,794)	(3,042)	(11,078)
Unrealised foreign exchange losses	(4)	(200)	(204)	(148)	(148)	313	17
Finance costs and interest income	-	-	(1,279)	-	-	-	32
Finance costs on lease liabilities	-	-	(40)	-	-	-	(1,997)
Profit before income tax			<u>7,823</u>				<u>544,924</u>
Income tax (expense)/benefit			(44,421)				1,028
Profit/(loss) after income tax			<u>(36,598)</u>				<u>545,952</u>

Geographical information

	Continuing and discontinued operations			
	Continuing operations		Geographical non-current assets	
	Sales to external customers 2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Australia and New Zealand	-	-	-	271
Latin America	10,927	10,562	617	376
United States of America	-	70	-	-
	<u>10,927</u>	<u>10,632</u>	<u>617</u>	<u>647</u>

The geographical non-current assets above are exclusive of, where applicable, financial instruments, deferred tax assets, post-employment benefits assets and rights under insurance contracts.

Cardno Limited and its controlled entities
Notes to the consolidated financial statements
30 June 2023

Note 1. Operating segments (continued)

Accounting policy for operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Note 2. Discontinued operations

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

	Consolidated	
	2023	2022
	\$'000	\$'000
Results of discontinued operations		
Americas and Asia Pacific consulting divisions	-	502,057
International Development business	1,684	43,895
	<u>1,684</u>	<u>43,895</u>
Profit after income tax expense from discontinued operations	<u>1,684</u>	<u>545,952</u>

Sale of Americas and Asia Pacific consulting divisions to Stantec

On 9 December 2021, the Company announced the completion of the sale of its Americas and Asia Pacific Consulting divisions to Stantec Inc. for a total aggregate consideration of USD\$500m (or approximately AUD\$699m at an AUD:USD exchange rate of \$0.7151). This consideration was offset by a forward exchange contract entered into on the AUD:USD exchange rate which resulted in a loss of AUD\$29m. Consideration received on completion also included the estimated adjustment for net working capital and net debt of AUD\$28.2m. The net working capital and net debt adjustment was finalised in February 2022 with a further AUD\$0.8m being received.

The carrying value of net assets of the Cardno Group entities sold to Stantec at completion was \$264.4m resulting in a gain on sale of \$488.7m.

	2023	2022
	\$'000	\$'000
Results of discontinued operations		
Revenue	-	263,548
Operating expenses	-	(238,508)
Share-based payment expense on closure of Performance Equity Plans	-	(3,744)
Other non-cash transactions relating to disposed entities	-	(6,566)
Income tax expense	-	(1,411)
Results from operating activities, net of tax	<u>-</u>	<u>13,319</u>
Gain on disposal before income tax	-	488,738
Income tax expense	-	-
Gain on disposal after income tax expense	<u>-</u>	<u>488,738</u>
Profit after income tax expense from discontinued operation	<u>-</u>	<u>502,057</u>

Cardno Limited and its controlled entities
Notes to the consolidated financial statements
30 June 2023

Note 2. Discontinued operations (continued)

	Consolidated	
	2023	2022
<i>Gain on sale</i>	\$'000	\$'000
Total sale consideration	-	699,319
Carrying amount of net assets disposed	-	(264,390)
Transaction costs	-	(24,903)
Derecognition of foreign currency reserve	-	78,712
	<hr/>	<hr/>
Gain on disposal before income tax	-	488,738
Income tax expense ⁽¹⁾	-	-
	<hr/>	<hr/>
Gain on disposal after income tax	-	488,738
	<hr/> <hr/>	<hr/> <hr/>

(1) No income tax expense has been recognised in relation to the net gain on sale as the capital loss generated on sale of the International Development business exceeds the capital gain on sale of the Americas and Asia Pacific consulting divisions, resulting in a net capital loss for the income year.

Cash flow information

	Consolidated	
	2023	2022
	\$'000	\$'000
Net cash from operating activities	-	9,993
Net cash used in investing activities	-	(1,680)
Net cash used in financing activities	-	(8,904)
	<hr/>	<hr/>
Net decrease in cash and cash equivalents from discontinued operations	-	(591)
	<hr/> <hr/>	<hr/> <hr/>

Carrying amounts of assets and liabilities disposed

	Consolidated	
	2023	2022
	\$'000	\$'000
Cash and cash equivalents	-	20,591
Trade and other receivables	-	98,057
Contract assets	-	46,372
Other current assets	-	11,584
Other financial assets	-	2,226
Property, plant and equipment	-	79,733
Deferred tax assets	-	92,633
Intangible assets	-	165,724
Total assets	<hr/>	<hr/>
	<hr/>	<hr/>
Trade and other payables	-	(41,943)
Loans and borrowings	-	(79,071)
Current tax liabilities	-	(916)
Employee benefits	-	(32,021)
Provisions	-	(4,691)
Contract liabilities	-	(25,978)
Deferred tax liabilities	-	(62,018)
Other liabilities	-	(5,892)
Total liabilities	<hr/>	<hr/>
	<hr/>	<hr/>
Net assets	-	264,390
	<hr/> <hr/>	<hr/> <hr/>

Cardno Limited and its controlled entities
Notes to the consolidated financial statements
30 June 2023

Note 2. Discontinued operations (continued)

Sale of International Development division to DT Global

On 30 June 2022, the Company completed the sale of its International Development business to DT Global Australia Pty Ltd for a total aggregate consideration of AUD\$77.9m inclusive of working capital and net debt adjustment of \$21.4m. At completion, \$39.3m of the consideration was paid followed by additional payments of \$30.6m to the end of the year. As of 30 June 2023, the balance outstanding is \$7.9m. Outstanding amounts are subject to interest computed daily at a rate of 7% for the first month, 11% for month 2, followed by 15%. As of 30 June 2023, total interest accrued is \$2.3m.

The carrying value of net assets of the Cardno Group entities sold to DT Global at completion was \$48.8m, resulting in a gain on sale of \$36.7m. Subsequent to the completion to 30 June 2023, there were further transaction costs of \$295k, net working capital adjustment of (\$346k) plus interest earned of \$2.3m resulting to a final gain of \$38.4m.

Financial performance information

	Consolidated	
	2023	2022
	\$'000	\$'000
Results of discontinued operations		
Revenue	-	330,367
Operating expenses	-	(325,652)
Income tax benefit	-	2,439
Results from operating activities	<u>-</u>	<u>7,154</u>
Gain on disposal before income tax	<u>1,684</u>	<u>36,741</u>
Profit after income tax expense from discontinued operation	<u><u>1,684</u></u>	<u><u>43,895</u></u>

	Consolidated	
	2023	2022
	\$'000	\$'000
Gain on sale		
Total sale consideration ⁽¹⁾	(346)	78,209
Carrying amount of net assets disposed	-	(48,828)
Derecognition of foreign currency reserve	-	13,123
Interest income	2,325	-
Transaction costs	(295)	(5,763)
Gain on disposal before income tax	<u>1,684</u>	<u>36,741</u>
Income tax expense	<u>-</u>	<u>-</u>
Gain on disposal after income tax	<u><u>1,684</u></u>	<u><u>36,741</u></u>

(1) Net working capital adjustment following completion of sale in September 2022.

Cash flow information

	Consolidated	
	2023	2022
	\$'000	\$'000
Net cash used in operating activities	-	(1,312)
Net cash from financing activities	-	7,958
Net cash from/(used in) investing activities	<u>30,438</u>	<u>(269)</u>
Net increase in cash and cash equivalents	<u><u>30,438</u></u>	<u><u>6,377</u></u>

Cardno Limited and its controlled entities
Notes to the consolidated financial statements
30 June 2023

Note 2. Discontinued operations (continued)

Carrying amounts of assets and liabilities disposed

	Consolidated	
	2023	2022
	\$'000	\$'000
Cash and cash equivalents	-	20,188
Trade and other receivables	-	10,606
Contract assets	-	46,629
Other current assets	-	2,345
Property, plant and equipment	-	6,763
Intangibles	-	5,710
Deferred tax assets	-	3,149
Total assets	<u>-</u>	<u>95,390</u>
Trade and other payables	-	(24,331)
Loans and borrowings	-	(7,234)
Provisions	-	(439)
Income tax payable	-	(195)
Employee benefits	-	(3,149)
Other liabilities	-	(531)
Contract liabilities	-	(10,290)
Deferred tax liabilities	-	(393)
Total liabilities	<u>-</u>	<u>(46,562)</u>
Net assets sold	<u>-</u>	<u>48,828</u>

Accounting policy for discontinued operations

A discontinued operation is a component of the Group that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the statement of profit or loss and other comprehensive income.

Note 3. Revenue and other income

A. Revenue from continuing operations

	Consolidated	
	2023	2022
	\$'000	\$'000
From continuing operations		
<i>Revenue from contracts with customers</i>		
Fees from consulting services	10,927	10,600
Other	-	32
Revenue	<u>10,927</u>	<u>10,632</u>

Cardno Limited and its controlled entities
Notes to the consolidated financial statements
30 June 2023

Note 3. Revenue and other income (continued)

Disaggregation of revenue

The disaggregation of revenue from contracts with customers is as follows:

	Consolidated	
	2023	2022
	\$'000	\$'000
<i>Geographical regions</i>		
Latin America	10,927	10,600
Other	-	32
	<u>10,927</u>	<u>10,632</u>
<i>Timing of revenue recognition</i>		
Services transferred over time	10,927	10,600
Services transferred at a point in time	-	32
	<u>10,927</u>	<u>10,632</u>

Contract balances

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

	Consolidated	
	2023	2022
	\$'000	\$'000
Receivables (included in Trade and other receivables) (note 8)	11,909	14,559
Allowance for expected credit losses (note 8)	(8,557)	(12,776)
Contract assets	1,358	3,155
Contract liabilities	40	121

B. Other income

	Consolidated	
	2023	2022
Receipt of settlement proceeds ⁽¹⁾	-	1,385
Other non-trade income recognised	-	4,949
Other	187	6,228
Other income	<u>187</u>	<u>12,562</u>

(1) Settlement proceeds in relation to INSUS.

Accounting policy for revenue recognition

The Group recognises revenue as follows:

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the Group is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Group: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Cardno Limited and its controlled entities
Notes to the consolidated financial statements
30 June 2023

Note 3. Revenue and other income (continued)

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

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 the 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 represent 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. The Group recognise revenue at the point in time as the services are performed.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

Accounting policy for contract assets and contract liabilities

Contract assets

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 2023 is reduced by an impairment provision of \$4,999,000 (2022: \$4,748,000). 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.

Contract liabilities

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.

Note 4. Net finance costs/(income)

	Consolidated	
	2023	2022
	\$'000	\$'000
Continuing operations		
Interest paid	-	1,379
Interest on leases	20	52
Amortisation of borrowing costs	-	98
Finance costs	<u>20</u>	<u>1,529</u>
Interest received	<u>(361)</u>	<u>(210)</u>
Finance income	<u>(361)</u>	<u>(210)</u>
Net finance costs	<u><u>(341)</u></u>	<u><u>1,319</u></u>

Accounting for net finance costs

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

Cardno Limited and its controlled entities
Notes to the consolidated financial statements
30 June 2023

Note 4. Net finance costs/(income) (continued)

Finance income is recognised as interest accrues using the effective interest method.

Note 5. Expenses

	Consolidated	
	2023	2022
	\$'000	\$'000
Profit before income tax from continuing operations includes the following specific expenses:		
<i>Depreciation</i>		
Motor vehicles	87	161
Office furniture and equipment	68	912
Right-of-use assets	58	339
	<hr/>	<hr/>
Total depreciation	213	1,412
<i>Superannuation expense</i>		
Defined contribution superannuation expense	36	7,100
	<hr/>	<hr/>
<i>Impairment</i>		
Impairment/(recovery) of receivables ⁽¹⁾	-	(3,757)
	<hr/>	<hr/>

(1) Bad debt provisions movement relating to INSUS (2022: recoveries relate to the reversal of provisions previously held for INSUS) (refer to note 19).

Note 6. Income tax expense

	Consolidated	
	2023	2022
	\$'000	\$'000
(a) The components of tax expense from continuing operations comprises:		
Current tax	512	12,410
Adjustment for prior years	167	25
Deferred tax	-	31,986
	<hr/>	<hr/>
Total tax expense from continuing operations	679	44,421
	<hr/> <hr/>	<hr/> <hr/>

Cardno Limited and its controlled entities
Notes to the consolidated financial statements
30 June 2023

Note 6. Income tax expense (continued)

	Consolidated	
	2023	2022
	\$'000	\$'000
(b) Numerical reconciliation between tax expense and pre-tax profit from continuing operations		
Profit before tax from continuing operations	65	7,823
Income tax using the Australian corporation tax rate of 30%	19	2,347
Non-deductible expenses	980	25
Effect of tax rates in foreign jurisdictions	(91)	(189)
Settlement of streamlined assurance review with ATO	-	6,076
Settlement of streamlined assurance review with ATO	-	36,674
Write-off of income tax receivable and withholding tax credits	-	2,123
Current year deferred tax movement not recognised	(658)	-
Current year tax losses not recognised	713	-
Non-taxable income	(386)	(2,802)
Sundry items	(8)	142
Over provision in prior years	110	25
Income tax expense from continuing operations	679	44,421

	Consolidated	
	2023	2022
	\$'000	\$'000
<i>Tax losses not recognised</i>		
Unused tax losses for which no deferred tax asset has been recognised	96,711	94,000
Potential tax benefit @ 30%	29,013	28,200

	Consolidated	
	2023	2022
	\$'000	\$'000
<i>Deferred tax assets not recognised</i>		
Deferred tax assets not recognised comprises temporary differences attributable to:		
Unused tax losses in Australia	29,013	28,200
Capital losses in Australia	30,620	26,100
Accruals and provisions	273	8,400
Business related costs deductible in future	548	-
Unused tax losses in Papua New Guinea	-	1,600
Total deferred tax assets not recognised	60,454	64,300

The above potential tax benefit, which excludes tax losses, for deductible temporary differences has not been recognised in the statement of financial position as the recovery of this benefit is uncertain.

The Group's income tax expense from continuing operations for the year ended 30 June 2022 was impacted by the derecognition of deferred tax assets associated with tax losses as well as the derecognition of franking deficit tax credits no longer considered recoverable. The income tax expense arising from these adjustments was partially offset by the benefit of nonassessable income from work performed in foreign jurisdictions.

The Group's income tax expense from continuing operations for the year ended 30 June 2023 relates to income tax expense incurred from work performed in foreign jurisdictions. There is no income tax expense for Australia, as the Australian operations has tax losses.

Cardno Limited and its controlled entities
Notes to the consolidated financial statements
30 June 2023

Note 6. Income tax expense (continued)

The divestment of the Group's APAC division and the International Development business during the financial year ended 30 June 2022 impacted the ability of the Australian tax consolidated group to generate taxable income in the future financial year. As a result, it is no longer probable that sufficient taxable profits would be generated in the future to support the recognition of deferred tax assets as of 30 June 2022. Net deferred tax assets from tax losses and other temporary differences were derecognised and resulted in a charge to income tax expense from continuing operations of \$nil as of 30 June 2023 (2022: \$36,700,000).

Note 7. Cash and cash equivalents

	Consolidated	
	2023	2022
	\$'000	\$'000
<i>Current assets</i>		
Cash at bank and on hand	8,328	46,609

Accounting policy for cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Note 8. Trade and other receivables

	Consolidated	
	2023	2022
	\$'000	\$'000
<i>Current assets</i>		
Trade receivables	11,909	14,559
Less: Allowance for expected credit losses ⁽¹⁾	(8,557)	(12,776)
	3,352	1,783
Sundry debtors ⁽²⁾	10,918	45,321
	14,270	47,104

(1) The remaining allowance for expected credit losses at 30 June 2023 relates to long outstanding receivables associated with the INSUS business which is in the process of being wound down. Outstanding amounts have been fully provided (after adjusting for receipts in July/August 2023) given challenges in the recoverability of these amounts from customers.

(2) As of 30 June 2023, sundry debtors includes \$10.3m (2022: \$38.9m) in outstanding consideration and interest relating to the sale of the International Development division, refer note 2. Subsequent to year-end 30 June 2023, \$3m was paid against outstanding debt.

Cardno Limited and its controlled entities
Notes to the consolidated financial statements
30 June 2023

Note 8. Trade and other receivables (continued)

Allowance for expected credit losses

The ageing of the receivables and allowance for expected credit losses provided for above are as follows:

Consolidated	Carrying amount		Allowance for expected credit losses	
	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000
Not overdue	1,029	1,441	-	-
0 to 30 days overdue	154	104	-	-
31 to 60 days overdue	576	8	-	-
Over 60 days overdue ⁽¹⁾	10,150	13,006	8,557	12,776
	<u>11,909</u>	<u>14,559</u>	<u>8,557</u>	<u>12,776</u>

(1) Impairment of \$8,557,000 (2022: \$12,776,000) relates to long outstanding receivables associated with the INSUS business which is in the process of being wound down. Outstanding amounts have been fully provided (after adjusting for receipts in July/August 2023) given challenges in the recoverability of these amounts from customers.

Movements in the allowance for expected credit losses are as follows:

	Consolidated	
	2023 \$'000	2022 \$'000
Opening balance	12,776	25,921
Additional provisions recognised - discontinued operations	25	1,420
Impairment loss reversed - continuing operations	(4,244)	(3,757)
Sale of discontinued operations - AME and APAC divisions	-	(2,830)
Sale of discontinued operations - ID division	-	(1,347)
Receivables written off during the year as uncollectable	-	(6,171)
Effect of foreign exchange	-	(460)
Closing balance	<u>8,557</u>	<u>12,776</u>

Accounting policy for trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss ('ECL') allowance. 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 assets. 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) and the financial asset is more than 120 days past due.

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

Sundry debtors are recognised at amortised cost, less any allowance for expected credit losses.

Cardno Limited and its controlled entities
Notes to the consolidated financial statements
30 June 2023

Note 9. Property, plant and equipment

	Consolidated	
	2023	2022
	\$'000	\$'000
<i>Non-current assets</i>		
Motor vehicles - at cost	500	667
Less: Accumulated depreciation	(186)	(367)
	<u>314</u>	<u>300</u>
Office furniture and equipment - at cost	1,143	2,858
Less: Accumulated depreciation	(985)	(2,538)
	<u>158</u>	<u>320</u>
	<u><u>472</u></u>	<u><u>620</u></u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Land and buildings \$'000	Motor vehicles \$'000	Office furniture and equipment \$'000	Total \$'000
Balance at 1 July 2021	1,737	561	12,940	15,238
Additions	-	168	2,245	2,413
Classified as held for sale	(1,729)	(346)	(12,318)	(14,393)
Exchange differences	52	78	304	434
Depreciation expense	(60)	(161)	(2,851)	(3,072)
	<u>-</u>	<u>300</u>	<u>320</u>	<u>620</u>
Balance at 30 June 2022	-	300	320	620
Additions	-	103	93	196
Disposals	-	(13)	(63)	(76)
Exchange differences	-	11	10	21
Depreciation expense	-	(87)	(202)	(289)
	<u>-</u>	<u>314</u>	<u>158</u>	<u>472</u>
Balance at 30 June 2023	<u><u>-</u></u>	<u><u>314</u></u>	<u><u>158</u></u>	<u><u>472</u></u>

Accounting policy for property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Buildings	40 years
Motor vehicles	4-7 years
Office furniture and equipment	3-11 years

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

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Cardno Limited and its controlled entities
Notes to the consolidated financial statements
30 June 2023

Note 10. Trade and other payables

	Consolidated	
	2023	2022
	\$'000	\$'000
<i>Current liabilities</i>		
Trade payables and accruals	2,513	6,509

Refer to note 17 for further information on financial instruments.

Accounting policy for trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 60 days of recognition.

Note 11. Lease liabilities

	Consolidated	
	2023	2022
	\$'000	\$'000
<i>Current liabilities</i>		
Lease liability	58	8
<i>Non-current liabilities</i>		
Lease liability	90	19
	148	27

Refer to note 17 for further information on financial instruments.

Accounting policy for lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Note 12. Right-of-use assets

	Consolidated	
	2023	2022
	\$'000	\$'000
<i>Non-current assets</i>		
Land and buildings - right-of-use	416	231
Less: Accumulated depreciation	(271)	(204)
	145	27

Cardno Limited and its controlled entities
Notes to the consolidated financial statements
30 June 2023

Note 12. Right-of-use assets (continued)

The Group had lease contracts for various items of plant, machinery, vehicles and other equipment used in its operations with lease terms of between 3 to 15 years which were disposed of as part of discontinued operations. The remaining leases associated with properties utilised to support operations in Latin America which are not significant to the Group.

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Land and buildings \$'000	Office furniture and equipment \$'000	Motor vehicles \$'000	Total \$'000
Balance at 1 July 2021	71,234	1,948	3,005	76,187
Additions	5,059	-	548	5,607
Derecognition of right-of use assets – discontinued operations (1)	(67,294)	(1,818)	(2,991)	(72,103)
Exchange differences	1,458	94	201	1,753
Depreciation expense	<u>(10,430)</u>	<u>(224)</u>	<u>(763)</u>	<u>(11,417)</u>
Balance at 30 June 2022	27	-	-	27
Additions	174	-	-	174
Depreciation expense	<u>(56)</u>	<u>-</u>	<u>-</u>	<u>(56)</u>
Balance at 30 June 2023	<u><u>145</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>145</u></u>

(1) Derecognition of the right-of-use assets resulting from the sale of the Americas, APAC and ID divisions (note 2).

For other AASB 16 Lease disclosures refer to:

- note 4 for interest on lease liabilities;
- note 5 for depreciation on right-of-use assets;
- note 11 for lease liabilities;
- note 17 for maturity analysis of lease liabilities;
- consolidated statement of cash flows for repayment of lease liabilities; and
- the total cash outflow for leases of \$53,000 (2022: \$12,040,000).

Accounting policy for right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Cardno Limited and its controlled entities
Notes to the consolidated financial statements
30 June 2023

Note 13. Employee benefits

	Consolidated	
	2023	2022
	\$'000	\$'000
<i>Current liabilities</i>		
Employee benefits	238	264
<i>Non-current liabilities</i>		
Employee benefits	304	341
	<u>542</u>	<u>605</u>

Accounting policy for employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Note 14. Provisions

	Consolidated	
	2023	2022
	\$'000	\$'000
<i>Current liabilities</i>		
Provision for legal claims	<u>1,002</u>	<u>1,341</u>

Legal claims

The provision represents amounts recognised for the legal claims as disclosed in note 19.

Movements in provision

Movements in provision for legal claims during the current financial year, is set out below:

Consolidated- 2023	Legal claims \$'000
Carrying amount at the start of the year	1,341
Additional provisions recognised	78
Amounts used	<u>(417)</u>
Carrying amount at the end of the year	<u>1,002</u>

Cardno Limited and its controlled entities
Notes to the consolidated financial statements
30 June 2023

Note 14. Provisions (continued)

Accounting policy for provisions

Provisions are recognised when the Group has a present (legal or constructive) obligation as a result of a past event, it is probable the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Note 15. Issued capital

	2023	Consolidated		
	Shares	2022	2023	2022
		Shares	\$'000	\$'000
Ordinary shares - fully paid	39,060,663	39,060,663	1,355	10,730

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$'000
Balance	1 July 2021	388,929,110		370,079
Shares issued under PEP		1,667,387	\$0.00	-
Share consolidation ⁽¹⁾	31 December 2021	(351,535,834)		-
Capital reduction ⁽²⁾				(359,349)
Balance	30 June 2022	39,060,663		10,730
Capital reduction ⁽²⁾	14 July 2022			(9,375)
Balance	30 June 2023	39,060,663		1,355

(1) On 3 December 2021 the Group held an Extraordinary General Meeting, during which shareholders approved the consolidation of every 10 ordinary shares held by a shareholder into 1 ordinary share. The share consolidation was completed on 31 December 2021.

(2) The Group completed the disposal of its Americas and Asia Pacific consulting businesses to Stantec on 9 December 2021. Sale proceeds were distributed to shareholders on 22 December 2021, by way of payment of a special dividend of 57 cents per share and a capital return of 92 cents per share. The capital return resulted in a reduction of issued capital of \$359,348,777.

The Group completed the disposal of its International Development business to DT Global on 30 June 2022. Sale proceeds were distributed to shareholders on 14 July 2022 and 22 August 2022, by way of payment of a special dividend of 78 cents per share and 44 cents per share, and a capital return of 24 cents per share. The capital return resulted in a reduction of issued capital in July 2022 of \$9,375,000.

Ordinary shares

Ordinary shares entitle the holder to participate in any dividends declared and any proceeds attributable to shareholders should the Company be wound up, in proportions that consider both the number of shares held and the extent to which those shares are paid up. The Company does not have authorised capital or par value in respect of its issued shares.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share buy-back

There is no current on-market share buy-back.

Capital risk management

The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

The capital risk management policy remains unchanged from the 30 June 2022 Annual Report.

Cardno Limited and its controlled entities
Notes to the consolidated financial statements
30 June 2023

Note 15. Issued capital (continued)

Dividend

Dividends paid during the financial year were as follows:

	Consolidated	
	2023	2022
	\$'000	\$'000
Final dividend paid during the year ended 30 June 2023 of nil cents (30 June 2022: 4.0 cents) per ordinary share	-	15,624
Special dividend paid during the year ended 30 June 2022 of 57.0 cents per ordinary share ⁽¹⁾	-	222,640
Special dividend paid during the year ended 30 June 2023 of 78.0 cents per ordinary share ⁽²⁾	30,467	-
Special dividend paid during the year ended 30 June 2023 of 44.0 cents per ordinary share ⁽³⁾	17,187	-
Special dividend paid during the year ended 30 June 2023 of 30.7 cents per ordinary share ⁽⁴⁾	11,992	-
	<u>59,646</u>	<u>238,264</u>

(1) The Group completed the disposal of its Americas and Asia Pacific consulting businesses to Stantec on 9 December 2021. Sale proceeds were distributed to Shareholders on 22 December 2021, by way of payment of a special dividend of 57 cents per share and a capital return of 92 cents per share (on a pre10:1 share consolidation basis).

(2) The Group completed the disposal of its International Development business to DT Global on 30 June 2022. Part of the sale proceeds were distributed to shareholders on 14 July 2022 by way of payment of a special dividend of 78 cents per share and a capital return of 24 cents per share.

(3) A second payment of special dividend was made to shareholders on 22 August 2022 of 44 cents per share.

(4) A third payment of special dividend was made to shareholders on 31 January 2023 of 30.7 cents per share.

Franking credits

	Consolidated	
	2023	2022
	\$'000	\$'000
Franking credits available for subsequent financial years based on a tax rate of 30%	<u>30</u>	<u>30</u>

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

- franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date

Performance Equity Plan ('PEP')

The PEP was designed to reward strong performance by individuals within the Cardno Group of companies. Performance Options and Performance Rights were 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 was granted to the employee for no consideration and vest upon the achievement of specified performance hurdles.

As of 30 June 2022, following the sale of the Group's Asia Pacific and Americas consulting divisions in December 2021, the Board made the decision to cancel all remaining PEPs with employee and resulted in the accelerated vesting of the grant date fair value. The Board compensated the participating employees for the cancellation of the PEP with a cash payment of \$17,500,000. To the extent that the compensation paid exceeded the fair value of the existing PEP, reassessed on the cancellation date, the excess was recognised as an expense. Total share-based payment expense as of 30 June 2022 was \$4,795,000. The excess of the cash compensation paid and the total share-based expense accounted for as a repurchase of equity instruments and recognised as general reserve was \$12,705,000.

As of 30 June 2023 and 30 June 2022, there were no PEP in place within the Group.

Cardno Limited and its controlled entities
Notes to the consolidated financial statements
30 June 2023

Note 15. Issued capital (continued)

Accounting policy for issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Accounting policy for dividends

Dividends are recognised when declared during the financial year and are no longer at the discretion of the Company.

Note 16. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. There are no critical accounting judgements, estimates and assumptions that are likely to affect the current or future financial years.

- Revenue recognition in relation to long term contracts including estimating stage of completion and total contract costs – refer to note 3.
- Assessment of the Group to continue as a going concern – refer to note 28.
- Contingent assets and liabilities associated with the Insus business – refer to note 19.
- 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 6.
- Assessing the recoverability of trade receivables and contract assets – refer to note 8.

Note 17. Financial instruments

The main risks arising from the Group's financial instruments are foreign exchange risk, credit risk and liquidity risk.

The Board, through the Audit, Risk & Compliance Committee ('ARRC') reviews and agrees policies for managing these risks and ensures that the 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 the Group which includes the minimisation of risk.

The policies for managing each risk are summarised below and remain unchanged from the prior year:

Market risk

Foreign currency risk

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The Group is exposed to foreign exchange risk in relation to the net assets of Entrix Latam (USD 3.0m) and with INSUS in relation to the repatriation of funds to Australia collected either from debtors or from settlement of legal claims.

The Group does not engage in transactions which are of a speculative nature and has no foreign currency denominated loans designated as hedges as of 30 June 2023 and 30 June 2022.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group which arises principally from receivables from customers. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The Group has a credit policy in place and the exposure to the credit risk is monitored in an on-going basis. The Group does not require collateral in respect of in respect of financial assets.

The Group has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables as disclosed in note 8.

Cardno Limited and its controlled entities
Notes to the consolidated financial statements
30 June 2023

Note 17. Financial instruments (continued)

There are no material concentrations of credit risk for trade receivables at the reporting date (2022: 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.

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.

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

	Consolidated	
	2023	2022
	\$'000	\$'000
Americas	<u>3,352</u>	<u>1,783</u>

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

	Consolidated	
	2023	2022
	\$'000	\$'000
Americas	<u>1,358</u>	<u>3,155</u>

Liquidity risk

Vigilant liquidity risk management requires the Group to maintain sufficient liquid assets (mainly cash and cash equivalents) to be able to pay debts as and when they become due and payable.

The Group manages liquidity risk by maintaining adequate cash reserves by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Remaining contractual maturities

The following tables detail the Group's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated – 2023	1 year or less \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Remaining contractual maturities \$'000
Non-derivatives					
<i>Non-interest bearing</i>					
Trade payables and accruals	2,513	-	-	-	2,513
<i>Interest-bearing – variable</i>					
Lease liability	58	63	27	-	148
Total non-derivatives	<u>2,571</u>	<u>63</u>	<u>27</u>	<u>-</u>	<u>2,661</u>

Cardno Limited and its controlled entities
Notes to the consolidated financial statements
30 June 2023

Note 17. Financial instruments (continued)

Consolidated – 2022	1 year or less \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Remaining contractual maturities \$'000
Non-derivatives					
<i>Non-interest bearing</i>					
Trade payables and accruals	6,509	-	-	-	6,509
<i>Interest-bearing – variable</i>					
Lease liability	30	-	-	-	30
Total non-derivatives	<u>6,539</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,539</u>

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Note 18. Commitments

The Group had no capital commitments as at 30 June 2023 and 30 June 2022.

Note 19. Contingent liabilities and assets

	Consolidated	
	2023	2022
	\$'000	\$'000
Insurance bonds	<u>-</u>	<u>1,498</u>

The insurance bonds are denominated in United States dollars and relate to projects contracted by the Company's Latin American division. The insurance bonds do not have a contractual facility limit and are issued on a case-by-case basis.

There are no insurance bonds as at 30 June 2023.

Matters relating to: Ingenieria Sustentable (INSUS) S.A. ('INSUS') – previously known as Cardno Caminosca S.A ('Caminosca')

Cardno continues its progress in the wind down of INSUS's operations in Latin America. There are a number of ongoing activities being conducted in relation to winding down the business including the resolution of a number of legal claims both by and against INSUS, collection of outstanding debtors and finalisation of taxation audits by local tax authorities in Ecuador.

Where the Directors consider these matters were probable to result in an outflow of future economic benefits for Cardno and the amount could be reliably measured, they have been provided for on the statement of financial position. To the extent that there remains uncertainty relating to the outcome of these matters and the Group's exposure, both positive or negative, or is unable to be reliably measured, they are considered to represent contingent assets and liabilities of the Group.

As set out in the Group's ASX announcement on 4 August 2022, these matters include:

- INSUS has made a number of legal claims against previous customers and project partners that the Directors estimate could lead to recoveries of between US\$0 and US\$16m. INSUS won three cases in FY2023. One was fully paid in May and included in the FY23 results. The remaining two are being paid in 6 instalments from June to November, INSUS repatriated US\$0.7m in June 2023, US\$1.8m in July 2023, and another \$3.2 expected by November 2023. INSUS share of the remaining legal cases that could deliver positive outcomes is approximately US\$8m.
- a number of legal claims have been made against INSUS in relation to its historical project activity which if successful, could amount to between US\$0 and US\$170m.

Cardno Limited and its controlled entities
Notes to the consolidated financial statements
30 June 2023

Note 19. Contingent liabilities and assets (continued)

There is significant uncertainty regarding the quantum and timing of the potential outcome of these claims, which are at various stages and being pursued through court actions in Ecuador, no assets or liabilities have been recognised in the Group's financial statements as at 30 June 2023 (2022: \$nil).

The Directors continue to monitor and implement strategies to mitigate the potential risks to the Group arising from the claims against INSUS. The Directors have received advice that under company law in Ecuador, the possibility of the legal claims resulting in recourse to INSUS's immediate Australian parent entity, Cardno International Pty Ltd, or the Group's parent entity, Cardno Limited, is remote. While the Directors also consider this risk to be remote, the outcomes of these claims against INSUS may negatively impact upon the recovery of any funds from claims being pursued by INSUS as it continues to be wound down.

The Group recorded an aggregate \$1,162,000 of non-recurring losses during the year ended 30 June 2023 (2022: gain of \$11,500,000) relating to these matters. Costs were incurred in the ongoing recovery in pursuing outstanding legal recoveries and the movement in provisions relating to INSUS to mitigate any financial risk they may be exposed to.

Note 20. Events after the reporting period

In July 2023, the Company received a payment of \$3,000,000 from DT Global towards repayment of the outstanding amounts owing. In addition, the Australian head office also received US\$1,800,000 from INSUS settlement of legal claims in South America.

The Company intends to pay the outstanding balance of the dividend of \$6,900,000 (\$0.177 per share) on 31 August 2023.

Other than the matters noted above, there has not arisen in the interval between 30 June 2023 and the date of this report any item that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Cardno Limited and its controlled entities
Notes to the consolidated financial statements
30 June 2023

Note 21. Cash flow information

Reconciliation of profit after income tax to net cash used in operating activities

	Consolidated	
	2023	2022
	\$'000	\$'000
Profit after income tax (expense)/benefit for the year	1,070	509,354
Adjustments for:		
Depreciation and amortisation	213	16,906
Net gain on disposal of property, plant and equipment	-	(258)
Share-based payments	-	12,705
Foreign exchange differences	(742)	537
Loss on sale of disposed entities	-	(464,310)
Write off FCTR – discontinued and liquidated operations	-	(91,835)
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	2,650	(55,074)
Decrease in provision for doubtful debts	(4,219)	(7,701)
Decrease in other receivables	508	3,385
Decrease in contract assets	1,797	21,913
Decrease/(increase) in prepayments	599	(8,853)
Decrease in other assets	-	1,228
Decrease in deferred tax assets	-	37,876
Decrease in trade and other payables	(5,264)	(5,766)
Decrease in contract liabilities	(81)	(2,394)
Increase in provision for income tax	16	5,955
Decrease in deferred tax liabilities	-	(1,752)
Increase/(decrease) in employee benefits	(63)	3,365
Increase in other liabilities	(339)	2,994
Net cash used in operating activities	<u>(3,855)</u>	<u>(21,725)</u>

Non-cash investing and financing activities

	Consolidated	
	2023	2022
	\$'000	\$'000
Additions to the right-of-use assets	<u>174</u>	<u>5,607</u>

Cardno Limited and its controlled entities
Notes to the consolidated financial statements
30 June 2023

Note 21. Cash flow information (continued)

Changes in liabilities arising from financing activities

Consolidated	Loans and borrowings \$'000	Lease liabilities \$'000	Total \$'000
Balance at 1 July 2021	22,288	90,451	112,739
Net cash used in financing activities	(25,312)	(12,040)	(37,352)
Amortisation of capitalised borrowing costs	390	-	390
Interest expense	-	1,986	1,986
Payment of interest expense	-	(1,986)	(1,986)
Acquisition of leases	-	5,966	5,966
Changes through discontinued operations (note 2)	-	(86,166)	(86,166)
Exchange differences	2,634	1,816	4,450
	<hr/>	<hr/>	<hr/>
Balance at 30 June 2022	-	27	27
Net cash used in financing activities	-	(53)	(53)
Acquisition of leases	-	174	174
	<hr/>	<hr/>	<hr/>
Balance at 30 June 2023	<u>-</u>	<u>148</u>	<u>148</u>

Note 22. Earnings per share

	Consolidated	
	2023	2022
	\$'000	\$'000
<i>Earnings per share for loss from continuing operations</i>		
Loss after income tax attributable to the owners of Cardno Limited	<u>(614)</u>	<u>(36,598)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>39,060,663</u>	<u>39,033,611</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>39,060,663</u>	<u>39,033,611</u>
	Cents	Cents
Basic earnings per share	(1.57)	(93.76)
Diluted earnings per share	(1.57)	(93.76)
	Consolidated	
	2023	2022
	\$'000	\$'000
<i>Earnings per share for profit from discontinued operations</i>		
Profit after income tax attributable to the owners of Cardno Limited	<u>1,684</u>	<u>545,952</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>39,060,663</u>	<u>39,033,611</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>39,060,663</u>	<u>39,033,611</u>

Cardno Limited and its controlled entities
Notes to the consolidated financial statements
30 June 2023

Note 22. Earnings per share (continued)

	Cents	Cents
Basic earnings per share	4.31	1,398.67
Diluted earnings per share	4.31	1,398.67
	Consolidated	
	2023	2022
	\$'000	\$'000
<i>Earnings per share for profit</i>		
Profit after income tax attributable to the owners of Cardno Limited	<u>1,070</u>	<u>509,354</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>39,060,663</u>	<u>39,033,611</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>39,060,663</u>	<u>39,033,611</u>
	Cents	Cents
Basic earnings per share	2.74	1,304.91
Diluted earnings per share	2.74	1,304.91

Accounting policy for earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Cardno Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Note 23. Related party disclosures

Compensation

The aggregate compensation made to Directors and other members of key management personnel of the Group is set out below:

	Consolidated	
	2023	2022
	\$	\$
Short-term employee benefits	272,641	1,382,466
Post-employment benefits	7,907	56,550
Termination benefits	-	102,291
Share-based payments	-	1,738,895
	<u>280,548</u>	<u>3,280,202</u>

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

Cardno Limited and its controlled entities
Notes to the consolidated financial statements
30 June 2023

Note 23. Related party disclosures (continued)

Two of Cardno's Directors (Messrs Alscher and Thomson) and alternate director Neville Buch are partners at Crescent Capital Partners ('CCP'), Cardno's largest shareholder. Invoices are issued by Crescent Capital monthly for their Director fees. Refer to the Remuneration Report for further details.

During the year, the Company paid \$126,400 (2022: \$11,440) to CCP for the services of a CCP staff member to perform the role of the Company's Interim Group CFO in 2023 and Acting Asia Pac CFO in 2022.

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.

Note 24. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 28:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2023 %	2022 %
Cardno International Pty Ltd	Australia	100%	100%
ENTRIX Americas, SA	Ecuador	100%	100%
Cardno Entrix (Colombia) S.A.S.	Colombia	100%	100%
Caminosca S.A.S	South America	100%	100%
Entrix International Inc. ¹	United States of America	100%	100%
Cardno Hold Pty Ltd ¹	Australia	100%	100%

(1) Entity established in the year ended 30 June 2022 as part of a corporate restructure which occurred prior to the sale of the Asia Pacific, Americas and International Development divisions (refer note 2).

Note 25. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent	
	2023 \$'000	2022 \$'000
Profit after income tax	18,206	375,100
Total comprehensive income	18,206	375,100

Cardno Limited and its controlled entities
Notes to the consolidated financial statements
30 June 2023

Note 25. Parent entity information (continued)

Statement of financial position

	Parent	
	2023	2022
	\$'000	\$'000
Total current assets	14,001	81,600
Total assets	14,001	81,600
Total current liabilities	2,690	19,475
Total liabilities	2,690	19,475
Equity		
Issued capital	1,356	10,730
Demerger reserve	-	151,320
Retained profits/(accumulated losses)	9,955	(99,925)
Total equity	<u>11,311</u>	<u>62,125</u>

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

Except as disclosed in note 26 'Deed of cross guarantee', the parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2023 and 30 June 2022.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2023 and 30 June 2022.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2023 and 30 June 2022.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 28, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 26. Deed of cross guarantee

The following entities are party to a deed of cross guarantee under which each company guarantees the debts of the others:

By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare financial statements and Directors' report under Corporations Instrument 2016/785 issued by the Australian Securities and Investments Commission.

During the year ended 30 June 2022, a number of entities previously party to the deed were disposed as a result of the of the sale of the Americas and Asia pacific consulting divisions and the sale of the International Development division (see note 2). The entities revoked from the deed at the time of disposal were:

- 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

Cardno Limited and its controlled entities
Notes to the consolidated financial statements
30 June 2023

Note 26. Deed of cross guarantee (continued)

After removing the above entities from the deed, the only remaining entity party to the deed is Cardno Limited with the supplementary financial information is disclosed in note 25 'Parent entity information'.

Note 27. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by DFK Laurence Varnay Auditors Pty Ltd, the auditor of the Company:

	Consolidated	
	2023	2022
	\$	\$
<i>Audit services - DFK Laurence Varnay Auditors Pty Ltd (2022: KPMG)</i>		
Audit or review of the financial statements	64,618	422,000
<i>Other services - DFK Laurence Varnay Auditors Pty Ltd (2022: KPMG)</i>		
Other services	-	80,521
	64,618	502,521

Note 28. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out either in the respective notes or below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Going concern

In preparing the financial report, the Directors have assessed the ability of the Group to continue as a going concern which contemplates that there is no intention to liquidate the Company and the Group or to cease trading or there is no realistic alternative other than to liquidate or cease trading.

The Directors continue to assess plans for the Group following the sale of the International Development business in June 2022 and it waits for the balance of proceeds outstanding from the sale. The Directors believe that the quantum of cash reserves to date will be sufficient for the Group to continue as a going concern for at least 12 months from the date of this annual report.

The INSUS business in Latin America is involved in a number of legal claims both by and against it as set out in note 19. In assessing the cash reserves to be retained in the Australian domiciled entities, the Directors have assumed that the activities relating to these claims and their outcome will be funded from the cash balances held by INSUS and will not result in any additional funding needing to be provided by the Group. As at 30 June 2023, INSUS had cash balance of US\$1,297,983. Uncertainties to these legal claims are outlined in note 19 and the Directors' strategy to mitigate the risks to the Group from them have been taken into account when considering the appropriateness of the going concern basis of preparation.

In the unexpected event that the level of cash reserves retained by the Group is not sufficient, or additional liabilities or obligations arise that were not anticipated by the Directors at the date of signing this annual report (such as the resolution of the legal claims relating to INSUS), and the Group is not able to implement alternative strategies to obtain funding or mitigate its obligations, it may not be able to continue as a going concern.

Cardno Limited and its controlled entities
Notes to the consolidated financial statements
30 June 2023

Note 28. Significant accounting policies (continued)

Based on the above information and cash flow forecasts prepared, the directors are of the opinion that the Group is well positioned to meet its objectives and obligations going forward and therefore that the basis upon which the financial statements are prepared is appropriate in the circumstances.

Should the Group be unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 16.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 25.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Cardno Limited ('Company' or 'parent entity') as at 30 June 2023 and the results of all subsidiaries for the year then ended. Cardno Limited and its subsidiaries together are referred to in these financial statements as the 'Group'.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Foreign currency translation

The financial statements are presented in Australian dollars, which is Cardno Limited's functional and presentation currency.

Note 28. Significant accounting policies (continued)

Foreign currency transactions

Foreign currency transactions are translated into the Group's functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

An income tax benefit will arise for the financial year where an income tax loss is incurred and, where permitted to do so, is carried-back against a qualifying prior period's tax payable to generate a refundable tax offset.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- when the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- when the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Note 28. Significant accounting policies (continued)

Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Reserves

General reserve

This reserve is used to record amounts associated with the repurchase of equity instruments associated with the Group's Performance Equity Plan ('PEP') with employees (note 15). The general reserve was transferred to retained earnings as at 30 June 2023.

Foreign currency translation reserve

The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars. It is also used to recognise gains and losses on hedges of the net investments in foreign operations.

Demerger reserve

This reserve is used to recognise the gain on demerger of Integra Group Limited in 2020. The demerger reserve was transferred to retained earnings as at 30 June 2023.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Rounding of amounts

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

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2023. The Group has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

Cardno Limited and its controlled entities
Directors' declaration
30 June 2023

In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 28 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2023 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 26 to the financial statements.

Signed in accordance with a resolution of Directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the Directors



Nathaniel Thomson
Acting Chairman

24 August 2023

Cardno Limited
ABN 70 108 112 303

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) and Controlled Entities (the Group), which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion:

- a) The accompanying Financial Report of the Company is 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 2023 and of their financial performance for the year then ended; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. 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 auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 19 in the Financial Report which describes the contingent liabilities relating to the Group's INSUS business in Ecuador and its involvement in several significant legal claims where the outcome is uncertain. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the year ended 30 June 2023. 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.

Apart from above the key audit matters are:

Key audit matters	How our audit addressed the key audit matters
<p>Going concern Refer to Note 28</p> <p>We identified going concern as a key audit matter due to the significant level of judgement required in evaluating the Group's assessment of going concern and the events or conditions that may cast significant doubt on their ability to continue as a going concern as disclosed in Note 28. The Directors have determined that the going concern basis of accounting is appropriate in preparing the financial report based on cash flow projections which included a number of assumptions and high level of judgements. The directors are of the opinion that the range of possible outcomes considered in arriving at this judgement does not give rise to a material uncertainty casting significant doubt on the Group's ability to continue as a going concern. The levels of uncertainty was critically scrutinised, as it related to the Group's ability to continue as a going concern, within the assumptions and judgements, concentrating on:</p> <ul style="list-style-type: none"> • no intention by Board to liquidate the Company and the Group or to cease trading during the forecast period; • quantum of cash reserves to date and balance of proceeds outstanding from sale will be sufficient to continue as a going concern during the forecast period; 	<p>Our audit procedures in relation to going concern included:</p> <ul style="list-style-type: none"> • we critically analysed The Group's forecasts for the next 12 months from the date of signing the financial statements by assessing: <ul style="list-style-type: none"> - Recoverability of remaining proceeds from sale of the International Development business against signed underlying purchase and sale agreement and obtaining confirmation; - Planned August 2023 distributions to shareholders against minutes of meeting and ASX announcement; and - Expenditures for ongoing activities for consistency with nature of remaining business, historical patterns and knowledge of business including site visits to Ecuador. • made inquiries with local and Ecuador management and the Directors as well as review of Board minutes to understand future plans for the Group for the forecast period;

Key audit matters	How our audit addressed the key audit matters
<ul style="list-style-type: none"> • Outcome from legal claims against INSUS business will be funded from INSUS cash balance and will not result in any additional funding needed to be provided by the Group. 	<ul style="list-style-type: none"> • meetings with INSUS primary legal advisor in Ecuador in March 2023 and post year end as well as obtaining confirmations to understand the status of legal claims relating to INSUS business and Board’s strategies to mitigate potential risk for the Company’s and Group’s ability to continue as a going concern; • assessing the competence, capabilities and objectivity of external legal advisors and • evaluating note 28 by comparing to our understanding of the matter, the events and conditions within cash flow forecast and plans to address the events.
<p>Contingent Liabilities We identified above as a key audit matter due to the fact that as disclosed at Note 19, there is a significant uncertainty regarding the quantum and timing of potential outcome of number of legal claims both by and against INSUS including the Directors’ strategy to mitigate the risks to the Group when considering the appropriateness of the going concern basis of preparation and completeness of liability.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> • Meetings with primary external legal advisor in Quito, Ecuador in relation to each legal claim both by and against INSUS; • Review of solicitor confirmations and assessing competence, capabilities and objectivity of advisors; • Review of legal settlement proceeds pre and post year end upto date of signing; • Review of minutes of Board meeting; and • Critically assess management representation and disclosure at note 19.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group’s annual report for the year ended 30 June 2023 but does not include the financial report and our auditor’s report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon. In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider

Other Information (Cont'd)

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. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are 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 and 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.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up

Auditor's Responsibilities for the Audit of the Financial Report (Cont'd)

to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report *Opinion on the Remuneration Report*

We have audited the Remuneration Report included on pages 11-15 of the Directors' Report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of Cardno Limited, for the year ended 30 June 2023 complies with section 300A of the *Corporations Act 2001*.

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

DFK Laurence Varnay Auditors Pty Ltd



Faizal Ajmat
Director

Sydney

Dated: 24th day of August 2023

Cardno Limited and its controlled entities
Shareholder information
30 June 2023

The shareholder information set out below was applicable as at 2 August 2023.

Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

	Ordinary shares	
	Number of holders	% of total shares issued
1 to 1,000	1,809	1.52
1,001 to 5,000	722	4.16
5,001 to 10,000	126	2.46
10,001 to 100,000	147	8.88
100,001 and over	27	82.98
	2,831	100.00
Holding less than a marketable parcel	1,937	1.89

Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary shares	
	Number held	% of total shares issued
Crescent Capital Investments	21,794,638	55.80
J P Morgan Nominees Australia Pty Limited	2,496,089	6.39
Hsbc Custody Nominees (Australia) Limited	2,125,946	5.44
Citicorp Nominees Pty Limited	1,045,035	2.68
BNP Paribas Nominees Pty Ltd ACF Clearstream	857,648	2.20
Sharesies Nominee Limited (Child A/C)	723,747	1.85
Neweconomy Com Au Nominees Pty Limited (900 Account)	580,069	1.49
Morgan Stanley Australia Securities (Nominee) Pty Limited	512,771	1.31
Merrill Lynch (Australia) Nominees Pty Limited	291,901	0.75
Superhero Securities Limited	214,002	0.55
Mr Dugald Roderick Southwell	205,651	0.53
Miengrove Pty Ltd	195,000	0.50
Haljan Management LP	168,620	0.43
Miengrove Pty Ltd (G J & P K Bird Super A/C)	165,000	0.42
BNP Paribas Nominees Pty Ltd (IB AU Noms Retail Client)	161,757	0.41
Mr Paul Sze Yuen Cheung and Mrs Pauline Kwok Sim Cheung	157,103	0.40
Mr Yao Ming Qian	136,228	0.35
Mr Hoang Bui	127,762	0.33
South Gippsland Wines Pty Ltd	120,000	0.31
Loop Looper Pty Ltd	114,178	0.29
	32,193,145	82.43

Unquoted equity securities

There are no unquoted equity securities.

Cardno Limited and its controlled entities
Shareholder information
30 June 2023

Substantial holders

Substantial holders in the Company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
Crescent Capital Investments	21,794,638	55.80
J P Morgan Nominees Australia Pty Limited	2,496,089	6.39
HSBC Custody Nominees (Australia) Limited	2,125,946	5.44

Voting rights

The voting rights attached to ordinary shares are set out below:

Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

There are no other classes of equity securities.

Cardno Limited and its controlled entities

Corporate directory

30 June 2023

Directors	Michael Alscher (Chairman) Nathanial Thomson Jeffrey Forbes
Company secretary	Nathanial Thomson
Registered office	Level 8, 210 George Street Sydney NSW 2000
Share register	Computershare Investor Services Pty Limited Level 1, 200 Mary Street Brisbane QLD 4000
Auditor	DFK Laurence Varnay Auditors Pty Ltd Suite 1, Level 12 222 Pitt Street Sydney NSW 2000
Solicitors	Gilbert + Tobin Lawyers Level 35, Tower Two International Towers Sydney 200 Barangaroo Avenue Barangaroo NSW 2000
Bankers	HSBC
Stock exchange listing	Cardno Limited shares are listed on the Australian Securities Exchange (ASX code: CDD)
Website	https://cddho.com
Corporate Governance Statement	<p>The directors and management are committed to conducting the business of Cardno Limited in an ethical manner and in accordance with the highest standards of corporate governance. Cardno Limited has adopted and substantially complied with the ASX Corporate Governance Principles and recommendations (Fourth Edition) ('Recommendations') to the extent appropriate to the size and nature of its operations.</p> <p>The Corporate Governance Statement, which sets out the corporate governance practices that were in operation during the financial year and identifies and explains any Recommendations that have not been followed was approved at the same time as the annual report and can be found at https://cddho.com.</p>



Registered office

Cardno Limited ABN
70 108 112 303

Level 8,
210 George Street
Sydney NSW 2000
Australia

<https://cddho.com>