



HY24

INTERIM FINANCIAL REPORT

for the half-year ended
31 December 2023

**Making a
difference.**

Cardno Limited
ABN 70 108 112 303
and its controlled entities

Cardno Limited and its controlled entities

Contents

31 December 2023

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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 half-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 21 February 2024. The directors have the power to amend and reissue the financial statements.

Cardno Limited and its controlled entities
Directors' report
31 December 2023

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') 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 half-year ended 31 December 2023.

Directors

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

Nathaniel Thomson	Chairman (appointed 6 December 2023) Executive Director (appointed 8 July 2022)
Jeffrey Forbes	Non-Executive Director
Susan Rozario	Director (appointed 6 December 2023)
Michael Alscher	Non-Executive Director and Chairman (resigned 6 December 2023)
Neville Buch	Alternate Director (resigned 6 December 2023)

Company Secretary

Nathaniel Thomson Executive Director and Company Secretary

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 half year ended December 2023, 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 sale of the Cardno International Development business.

Review of operations

The profit for the Group after providing for income tax amounted to \$7,158,000 (31 December 2022: loss of \$3,021,000).

	31 Dec 2023	31 Dec 2022
	\$'m	\$'m
Gross revenue	4.30	6.40
Fee revenue	4.30	6.40
Underlying EBITDAI ⁽¹⁾	(0.10)	0.10
Underlying NOPAT ⁽²⁾	(0.60)	(0.20)
Profit before tax from continuing operations	6.90	(3.10)
Profit before tax from discontinued operations	0.60	0.80
Net profit/ (loss) after tax from continuing operations	6.60	(3.80)
Net profit after tax from discontinued operations	0.60	0.80
Net profit after tax	7.20	(3.00)
Operating cash flow	(1.20)	(4.20)
Special dividend per share declared (cents)	-	170.00
Special dividend per share paid (cents)	17.70	122.00
Capital return per share (cents)	-	24.00
EPS from continuing operations – basic (cents)	16.78	(9.78)

(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.

Cardno Limited and its controlled entities

Directors' report

31 December 2023

First half FY24 financial results

The Group reports an underlying half-year loss after tax from continuing operations of \$0.60m (HY22: loss of \$0.20m) and a statutory profit after tax of \$7.20m (HY22: loss of \$3.00m). This statutory profit was primarily linked to the collection of outstanding debts related to Ingenieria Sustentable ('INSUS') S.A. in Ecuador and is not considered recurring in nature.

Underlying EBITDAI loss of \$0.10m (HY22: profit of \$0.10m) includes a \$0.4m EBITDAI recorded by the Latin American segment, offset by a \$0.5m loss in the Corporate segment representing head office costs.

The Group's underlying loss after tax from continuing and discontinued operations was of \$0.60m (HY22: \$0.20m loss).

Financial performance

Closing net assets of \$20.57m has increased marginally by \$0.16m since 30 June 2023. Settlement receipts from INSUS of \$8.8m were offset by dividend payments to shareholders of \$6.9m and the recognition of obligations to various JV's in INSUS books of \$1.6m.

Cash flow

The Group recorded a net operating cash outflow for the year ended 31 December 2023 of \$1.20m.

Segment overview

Latin America ('Latam')

Latin America's ('Entrix') underlying EBITDA for the half-year was \$0.4m, down from prior year amount of \$1.5m. Gross revenue was \$4.3m (compared to prior year comparative of \$6.4m). Last year was favourably impacted by the timing and delivery of major projects which we are not seeing this year.

EBITDA margin of 9% was also down on prior year margin of 24.1%.

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 fees 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
31 December 2023

	Statutory ⁽¹⁾		Underlying adjustments ⁽²⁾		Underlying ⁽¹⁾	
	31 Dec 2023 \$'000	31 Dec 2022 \$'000	31 Dec 2023 \$'000	31 Dec 2022 \$'000	31 Dec 2023 \$'000	31 Dec 2022 \$'000
Latin America	4,268	6,426	-	-	4,268	6,426
Other	-	-	-	-	-	-
Gross revenue	<u>4,268</u>	<u>6,426</u>	<u>-</u>	<u>-</u>	<u>4,268</u>	<u>6,426</u>
Latin America	7,513	(2,055)	(7,130)	3,607	383	1,552
Other	(478)	(1,441)	-	(1)	(478)	(1,442)
Continuing operations EBITDAI ^{(3),(5)}	7,035	(3,496)	(7,130)	3,606	(95)	110
Unrealised foreign exchange gains/(losses)	(221)	302	-	-	(221)	302
Total continuing operations EBITDAI ^{(3),(5)}	6,814	(3,194)	(7,130)	3,606	(316)	412
Depreciation, impairment and amortisation expenses	(82)	(80)	-	-	(82)	(80)
Amortisation of right-of-use assets	(30)	(29)	-	-	(30)	(29)
EBIT ^{(4),(5)}	6,702	(3,303)	(7,130)	3,606	(428)	303
Net finance costs	208	167	-	-	208	167
Finance costs on lease liabilities	(22)	(13)	-	-	(22)	(13)
Profit/(loss) from continuing operations before income tax	6,888	(3,149)	(7,130)	3,606	(242)	457
Income tax (expense)/benefit ⁽⁶⁾	(332)	(670)	-	-	(332)	(670)
Profit/(loss) from continuing operations after income tax	<u>6,556</u>	<u>(3,819)</u>	<u>(7,130)</u>	<u>3,606</u>	<u>(574)</u>	<u>(213)</u>
Discontinued operations, net of tax	<u>602</u>	<u>798</u>	<u>(602)</u>	<u>(798)</u>	<u>-</u>	<u>-</u>
Profit/(loss) after income tax	<u>7,158</u>	<u>(3,021)</u>	<u>(7,732)</u>	<u>2,808</u>	<u>(574)</u>	<u>(213)</u>
Attributable to: ordinary equity holders	<u>7,158</u>	<u>(3,021)</u>	<u>(7,732)</u>	<u>2,808</u>	<u>(574)</u>	<u>(213)</u>

(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
31 December 2023

	Consolidated	
	31 Dec 2023	31 Dec 2022
	\$'000	\$'000
Underlying loss from continuing and discontinued operations after income tax (attributable to ordinary equity holders)	(574)	(213)
<i>Underlying adjustments to EBITDAI:</i>		
Other non-trade loss/(income) recognised ⁽¹⁾	160	1,361
Receipt of settlement proceeds, net of provision adjustments ⁽²⁾	(8,878)	2,246
Other	-	(1)
Recognition of obligation to various JV's by INSUS ⁽³⁾	1,588	-
Total underlying adjustments to EBITDAI	(7,130)	3,606
<i>Underlying adjustments to income tax:</i>		
Tax effect of underlying adjustments	-	-
Tax effect of derecognition of the deferred tax assets relating to tax losses	-	-
Total underlying adjustments to income tax	-	-
Underlying adjustments relating to divested entities ⁽⁴⁾	(602)	(798)
Total underlying adjustments to discontinued operations	(602)	(798)
Statutory profit after income tax (attributable to ordinary equity holders)	7,158	(3,021)

- (1) Ongoing operating costs incurred in the wind down of INSUS and in pursuing the recovery of outstanding legal claims, see note 10 (2022: Successful recoveries on outstanding legal claims and recovery of debtors net of costs incurred by INSUS, see note 10).
- (2) Settlement proceeds in relation to INSUS, net of provisions released no longer required, see note 10. There were no settlement proceeds in 1H 2023.
- (3) Recognition of obligations to various JV's by INSUS proportionate to its share in the JV.
- (4) Gain on sale of the International Development divisions, see note 2.

Business risks

The main business risks facing the Group are as 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 paid A\$3.0m in July 2023, A\$0.9m in December 2023 and a further A\$2.0m on 2 January 2024 with the balance of \$4.9m (including principal and interest) expected to be repaid fully in March 2024. As at 31 December 2023, Cardno had \$13.1m cash on its balance sheet which the Directors believe is sufficient liquidity.
- **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 risk to the listed entity is remote, the outcomes of claims against INSUS may negatively impact on the recovery of additional funds from claims being pursued by INSUS as it continues to be wound down.

Significant changes in the state of affairs

In the half year to December 2023, the Company received \$3.9m from DT Global, with a further receipt of \$2m in January 2024 towards repayment of the outstanding amounts owing. The current owing from DT Global is \$4.9m inclusive of principal and interest payments.

During the half year, INSUS transferred to Australia \$8.8m (US\$5.9m) from funds received in settlement of legal claims.

There were no other significant changes in the state of affairs of the Group during the financial half-year.

Matters subsequent to the end of the financial half-year

The Company received a payment of \$2,000,000 from DT Global on 2 January 2024 towards repayment of outstanding principal and interest.

Cardno Limited and its controlled entities
Directors' report
31 December 2023

No other matter or circumstance has arisen since 31 December 2023 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.

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.

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.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



Nathaniel Thomson
Chairman

21 February 2024

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 to the Directors of Cardno Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2023, there have been:

- (i) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

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

DFK Laurence Varnay Auditors Pty Ltd



FAIZAL AJMAT
Director
Sydney, 21 February 2024

Cardno Limited and its controlled entities
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2023

	Note	Consolidated 31 Dec 2023 \$'000	31 Dec 2022 \$'000
Continuing operations			
Revenue	3	4,268	6,426
Other income		385	60
Financing income	4	189	168
Expenses			
Employee expenses		(1,620)	(2,684)
Consumables and materials used		2,683	(2,634)
Sub-consultant and contractor costs		(377)	(317)
Depreciation and amortisation expenses		(112)	(109)
Other expenses		1,494	(4,045)
Finance costs	4	(22)	(14)
Profit/(loss) before income tax expense from continuing operations		6,888	(3,149)
Income tax expense	6	(332)	(670)
Profit/(loss) after income tax expense from continuing operations		6,556	(3,819)
Profit after income tax expense from discontinued operations	2	602	798
Profit/(loss) after income tax expense for the half-year attributable to the owners of Cardno Limited		7,158	(3,021)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations - continuing operations		(84)	(591)
Other comprehensive income for the half-year, net of tax		(84)	(591)
Total comprehensive income for the half-year attributable to the owners of Cardno Limited		<u>7,074</u>	<u>(3,612)</u>
Total comprehensive income for the half-year is attributable to:			
Continuing operations		6,472	(4,410)
Discontinued operations		602	798
		<u>7,074</u>	<u>(3,612)</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 half-year ended 31 December 2023

		Cents	Cents
Earnings per share for profit/(loss) from continuing operations attributable to the owners of Cardno Limited			
Basic earnings per share	12	16.78	(9.78)
Diluted earnings per share	12	16.78	(9.78)
Earnings per share for profit from discontinued operations attributable to the owners of Cardno Limited			
Basic earnings per share	12	1.54	2.04
Diluted earnings per share	12	1.54	2.04
Earnings per share for profit/(loss) attributable to the owners of Cardno Limited			
Basic earnings per share	12	18.33	(7.73)
Diluted earnings per share	12	18.33	(7.73)

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 31 December 2023

	Note	Consolidated 31 Dec 2023 \$'000	30 Jun 2023 \$'000
Assets			
Current assets			
Cash and cash equivalents		13,116	8,328
Trade and other receivables		9,194	14,270
Contract assets		1,174	1,358
Other		47	80
Total current assets		<u>23,531</u>	<u>24,036</u>
Non-current assets			
Property, plant and equipment		377	472
Right-of-use assets		116	145
Deferred tax assets	6	56	-
Total non-current assets		<u>549</u>	<u>617</u>
Total assets		<u>24,080</u>	<u>24,653</u>
Liabilities			
Current liabilities			
Trade and other payables		2,025	2,513
Contract liabilities		40	40
Lease liabilities	7	59	58
Income tax payable	6	178	-
Employee benefits		74	238
Provisions		681	1,002
Total current liabilities		<u>3,057</u>	<u>3,851</u>
Non-current liabilities			
Lease liabilities	7	63	90
Employee benefits		392	304
Total non-current liabilities		<u>455</u>	<u>394</u>
Total liabilities		<u>3,512</u>	<u>4,245</u>
Net assets		<u>20,568</u>	<u>20,408</u>
Equity			
Issued capital	8	1,355	1,355
Reserves		752	836
Retained profits		18,461	18,217
Total equity		<u>20,568</u>	<u>20,408</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 half-year ended 31 December 2023

Consolidated	Issued capital \$'000	General reserves \$'000	Foreign currency reserve \$'000	Demerger reserve \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2022	10,730	(27,316)	1,444	151,320	(47,211)	88,967
Loss after income tax expense for the half-year	-	-	-	-	(3,021)	(3,021)
Other comprehensive income for the half-year, net of tax	-	-	(591)	-	-	(591)
Total comprehensive income for the half-year	-	-	(591)	-	(3,021)	(3,612)
<i>Transactions with owners in their capacity as owners:</i>						
Return of capital	(9,375)	-	-	-	-	(9,375)
Dividends paid (note 9)	-	-	-	-	(47,654)	(47,654)
Balance at 31 December 2022	<u>1,355</u>	<u>(27,316)</u>	<u>853</u>	<u>151,320</u>	<u>(97,886)</u>	<u>28,326</u>

Consolidated	Issued capital \$'000	General reserves \$'000	Foreign currency reserve \$'000	Demerger reserve \$'000	Retained profits \$'000	Total equity \$'000
Balance at 1 July 2023	1,355	-	836	-	18,217	20,408
Profit after income tax expense for the half-year	-	-	-	-	7,158	7,158
Other comprehensive income for the half-year, net of tax	-	-	(84)	-	-	(84)
Total comprehensive income for the half-year	-	-	(84)	-	7,158	7,074
<i>Transactions with owners in their capacity as owners:</i>						
Dividends paid (note 9)	-	-	-	-	(6,914)	(6,914)
Balance at 31 December 2023	<u>1,355</u>	<u>-</u>	<u>752</u>	<u>-</u>	<u>18,461</u>	<u>20,568</u>

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 half-year ended 31 December 2023

	Consolidated	
Note	31 Dec 2023	31 Dec 2022
	\$'000	\$'000
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	5,456	7,295
Payments to suppliers and employees (inclusive of GST)	(6,696)	(11,197)
Interest received	368	60
Interest and other finance costs paid	(20)	93
Income taxes paid	(349)	(421)
	<u>(1,241)</u>	<u>(4,170)</u>
Net cash used in operating activities		
Cash flows from investing activities		
Proceeds from disposal of discontinued operations, net of cash disposed of	8,775	30,573
Proceeds from disposal of business assets	3,900	-
Payments for property, plant and equipment	(207)	(184)
Transaction costs incurred on sale of discontinued operations	-	(2,835)
	<u>12,468</u>	<u>27,554</u>
Net cash from investing activities		
Cash flows from financing activities		
Dividends paid	9 (6,914)	(47,654)
Return of capital	-	(9,375)
Proceeds from borrowings from related party	-	5,000
Repayment of lease liabilities	(27)	143
	<u>(6,941)</u>	<u>(51,886)</u>
Net cash used in financing activities		
Net increase/(decrease) in cash and cash equivalents	4,286	(28,502)
Cash and cash equivalents at the beginning of the financial half-year	8,328	46,609
Effects of exchange rate changes on cash and cash equivalents	502	106
	<u>13,116</u>	<u>18,213</u>
Cash and cash equivalents at the end of the financial half-year		

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
31 December 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 in 2022 and only 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 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.

Business performance by segments is only shown for the prior half-year 31 December 2022 as there was only one reportable segment (Latam) in 2023.

	Continuing operations			Discontinued operations	
	Latin America \$'000	Other \$'000	Total \$'000	ID \$'000	Total \$'000
Consolidated 31 December 2022					
Segment revenue					
Fees from consulting services	6,426	-	6,426	-	-
Total segment revenue	<u>6,426</u>	<u>-</u>	<u>6,426</u>	<u>-</u>	<u>-</u>
Underlying EBITDAI	1,552	(1,442)	110		-
Sale of international development division	-	-	-	(791)	(791)
Provision adjustment relating to INSUS	(2,246)	-	(2,246)		-
Other non-trade income recognised net of costs incurred	(1,361)	-	(1,361)		-
Other		1	1		-
Depreciation and amortisation	(80)		(80)		-
Amortisation of right-of-use assets	(29)		(29)		-
Unrealised foreign exchange losses	(2)	304	302		-
Finance costs and interest income ^(*)			167	1,589	1,589
Finance costs on lease liabilities			(13)		-
Profit before income tax			<u>(3,149)</u>		<u>798</u>
Income tax (expense)/benefit			<u>(670)</u>		<u>-</u>
Profit/(loss) after income tax			<u><u>(3,819)</u></u>		<u><u>798</u></u>

* DT Global (the purchaser of the International Development business) pays interest computed on a daily basis on the outstanding amounts owing to Cardno. The finance costs shown above reflects the interest owing recognised in the December 2022 financial statements.

Cardno Limited and its controlled entities
Notes to the consolidated financial statements
31 December 2023

Note 2. Discontinued operations (continued)

	Consolidated	
	31 Dec 2023	31 Dec 2022
	\$'000	\$'000
Gain on sale		
Interest income	602	1,589
Transaction costs	-	(791)
Gain on disposal before income tax	<u>602</u>	<u>798</u>
Income tax expense	-	-
Gain on disposal after income tax	<u><u>602</u></u>	<u><u>798</u></u>

Note 3. Revenue

A. Revenue from continuing operations

	Consolidated	
	31 Dec 2023	31 Dec 2022
	\$'000	\$'000
From continuing operations		
<i>Revenue from contracts with customers</i>		
Fees from consulting services	<u>4,268</u>	<u>6,426</u>

Disaggregation of revenue

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

	Consolidated	
	31 Dec 2023	31 Dec 2022
	\$'000	\$'000
<i>Geographical regions</i>		
Latin America	<u>4,268</u>	<u>6,426</u>
<i>Timing of revenue recognition</i>		
Services transferred over time	<u>4,268</u>	<u>6,426</u>

Contract balances

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

	Consolidated	
	31 Dec 2023	30 Jun 2023
	\$'000	\$'000
Receivables (included in Trade and other receivables)	1,710	11,909
Allowance for expected credit losses	(153)	(8,557)
Contract assets	1,174	1,358
Contract liabilities	40	40

Cardno Limited and its controlled entities
Notes to the consolidated financial statements
31 December 2023

Note 4. Net financing (income)/costs

	Consolidated	
	31 Dec 2023	31 Dec 2022
	\$'000	\$'000
Continuing operations		
Interest paid	-	1
Interest on leases	22	13
Finance costs	22	14
Interest received	(189)	(168)
Net finance income	(167)	(154)

Note 5. Expenses

	Consolidated	
	31 Dec 2023	31 Dec 2022
	\$'000	\$'000
Included in the Group's profit from continuing operations is the following:		
Bad debt expense/(recovery)	(6,134)	283

(1) Bad debt provision movement relates to INSUS, see note 10.

Note 6. Income tax

The Group's income tax expense from continuing operations for the half-year ended 31 December 2022 and 31 December 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 taxable losses.

Note 7. Lease liabilities

	Consolidated	
	31 Dec 2023	30 Jun 2023
	\$'000	\$'000
<i>Current liabilities</i>		
Lease liability	59	58
<i>Non-current liabilities</i>		
Lease liability	63	90
	122	148

Note 8. Issued capital

	Consolidated			
	31 Dec 2023	30 Jun 2023	31 Dec 2023	30 Jun 2023
	Shares	Shares	\$'000	\$'000
Ordinary shares - fully paid	39,060,663	39,060,663	1,355	1,355

Cardno Limited and its controlled entities
Notes to the consolidated financial statements
31 December 2023

Note 9. Dividends

Dividends paid during the financial half-year were as follows:

	Consolidated	
	31 Dec 2023	31 Dec 2022
	\$'000	\$'000
Special dividend paid during the half-year ended 31 December 2022 of 78.0 cents per ordinary share ⁽¹⁾	-	30,467
Special dividend paid during the half-year year ended 31 December 2022 of 44.0 cents per ordinary share ⁽²⁾	-	17,187
Special dividend paid during the year ended 30 June 2023 of 30.7 cents per ordinary share ⁽³⁾	-	-
Special dividend paid during the half-year year ended 31 December 2022 of 17.7 cents per ordinary share ⁽⁴⁾	6,914	-
	<u>6,914</u>	<u>47,654</u>

- (1) 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.
- (2) A second payment of special dividend was made to shareholders on 22 August 2022 of 44 cents per share.
- (3) A third payment of special dividend was made to shareholders on 31 January 2023 of 30.7 cents per share totalling \$11,992,000 (not appearing in the comparative period above).
- (4) The fourth and final payment of special dividend was made to shareholders on 31 August 2023 of 17.7 cents per share.

Note 10. Contingent liabilities

The Group had no bank guarantees as at 31 December 2023 and 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 with settlements proceeds received in Australia from May to December 2023 of USD \$6.6m. INSUS share of the remaining legal cases that could deliver positive outcomes is approximately US\$11.3m. (Estimates are updated each half year following discussion with the Ecuadorian lawyers using their best estimates of recovery). The timing of any potential receipts are over multiple years and advice from Cardno lawyers is that it is likely that less than \$1m of collections will be received in the next 12 months.
- 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\$279m. The large variation in this value is due to two cases, one case with a negative impact of USD126m being removed from previous reported numbers in June as the timeline for lodgement of documents has expired, whilst another case the negative impact (whilst remote) has now been adjusted to \$260m, previously noted as US\$26m. As noted above, Cardno has received independent legal advice that these claims do not extend to the Australian entities of Cardno, and if a material claim is successful, its primary impact will be the closure of INSUS and the inability of INSUS to collect any outstanding debts that are due to it.

Cardno Limited and its controlled entities
Notes to the consolidated financial statements
31 December 2023

Note 10. Contingent liabilities (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 31 December 2023 (30 June 2023: \$nil). Current legal advice received by Cardno is that it is unlikely that more than \$1m of collections will be received in the next 12 months.

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 non-recurring gain of \$7,130,000 during the half-year ended 31 December 2023 (31 December 2022: losses of \$3,606,000) relating to settlement proceeds, provision adjustments, investment loss and costs incurred in pursuing the recovery of outstanding legal claims or defending litigation against INSUS.

Note 11. Events after the reporting period

The Company received a payment of \$2,000,000 from DT Global on 2 January 2024 towards repayment of outstanding principal and interest.

No other matter or circumstance has arisen since 31 December 2023 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.

Note 12. Earnings per share

	Consolidated	
	31 Dec 2023	31 Dec 2022
	\$'000	\$'000
<i>Earnings per share for profit/(loss) from continuing operations</i>		
Profit/(loss) after income tax attributable to the owners of Cardno Limited	6,556	(3,819)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	39,060,663	39,060,663
Weighted average number of ordinary shares used in calculating diluted earnings per share	39,060,663	39,060,663
	Cents	Cents
Basic earnings per share	16.78	(9.78)
Diluted earnings per share	16.78	(9.78)

	Consolidated	
	31 Dec 2023	31 Dec 2022
	\$'000	\$'000
<i>Earnings per share for profit from discontinued operations</i>		
Profit after income tax attributable to the owners of Cardno Limited	602	798

Cardno Limited and its controlled entities
Notes to the consolidated financial statements
31 December 2023

Note 12. Earnings per share (continued)

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	39,060,663	39,060,663
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>39,060,663</u>	<u>39,060,663</u>
	Cents	Cents
Basic earnings per share	1.54	2.04
Diluted earnings per share	1.54	2.04

	Consolidated	
	31 Dec 2023	31 Dec 2022
	\$'000	\$'000
<i>Earnings per share for profit/(loss)</i>		
Profit/(loss) after income tax attributable to the owners of Cardno Limited	<u>7,158</u>	<u>(3,021)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	39,060,663	39,060,663
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>39,060,663</u>	<u>39,060,663</u>
	Cents	Cents
Basic earnings per share	18.33	(7.73)
Diluted earnings per share	18.33	(7.73)

Note 13. Related party transactions

No Director has entered into a material contract with the Company, or the consolidated entity since the end of the previous financial year and there were no material contracts involving Directors' interests existing on 31 December 2023.

Cardno current Director Nathaniel Thomson and Ex-Director and Chairman Michael Alscher are partners at Crescent Capital Partners ('CCP'), Cardno's largest shareholder. In addition, Cardno's Interim CFO and Director Susan Rozario is an employee of CCP. Invoices are issued quarterly for Directors Fees and monthly for financial services provided by the CFO.

During the half year, \$62,800 was payable to CCP (December 2022: \$23,200) for the services of Susan Rozario to perform the role of Cardno's Interim Group CFO.

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 14. Material accounting policy information

These general purpose financial statements for the interim half-year reporting period ended 31 December 2023 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

Cardno Limited and its controlled entities
Notes to the consolidated financial statements
31 December 2023

Note 14. Material accounting policy information (continued)

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2023 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, 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. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group during the financial half-year ended 31 December 2023 and are not expected to have a significant impact for the full financial year ending 30 June 2024.

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

Cardno Limited and its controlled entities
Directors' declaration
31 December 2023

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2023 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



Nathaniel Thomson
Chairman

21 February 2024

Independent Auditor's Review Report to the Members of Cardno Limited

Report on the Half Year Financial Report

Conclusion

We have reviewed the accompanying **Half-year Financial Report** of Cardno Limited (the company) and its subsidiaries (the Group), which comprises the consolidated interim statement of financial position as at 31 December 2023, the consolidated interim statement of financial performance, consolidated interim statement of comprehensive income for the half-year ended 31 December 2023, consolidated interim statement of changes in equity and consolidated interim statement of cash flows for the half year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

- giving a true and fair view of the Group's financial position as at 31 December 2023 and of its performance for the half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with Auditing Standard on Review Engagement *ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's responsibilities for the review of the half-year 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 & Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Emphasis of Matter

We draw attention to Note 10 in the Half-year Financial Report which describes the contingent liabilities relating to the Group's INSUS business in Ecuador and its involvement in a number of significant legal claims where the outcome is uncertain. Our conclusion is not modified in respect of this matter.

Independent Auditor's Review Report to the Members of Cardno Limited (Cont'd)

Directors' Responsibility for the Half-year Financial Report

The Directors of the Company are responsible for:-

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

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

Our responsibility is to express a conclusion on the Half-year Financial Report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2023 and of its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

Independence

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

DFK Laurence Varnay Auditors Pty Ltd



FAIZAL AJMAT
Director
Sydney, 21 February 2024

Cardno Limited and its controlled entities
Corporate directory
31 December 2023

Directors	Nathanial Thomson (Chairman) Jeffrey Forbes Susan Rozario
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



Registered office

Cardno Limited ABN
70 108 112 303

Level 8,
210 George Street
Sydney NSW 2000
Australia

<https://cddho.com>