Cardno Limited

ABN 70 108 112 303

2009 Financial Report

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Cardno Limited and its Controlled Entities for the year ended 30 June 2009

The Directors present their report together with the financial statements of Cardno Limited ("the Company") and of the consolidated entity, being the Company and the entities it controlled at the end of, or during, the year ended 30 June 2009.

Directors

The Directors of the Company in office during or since the year ended 30 June 2009 are set out below:

John Massey (Chairman - Non-executive)
Graham Tamblyn (Deputy Chairman - Executive)
Andrew Buckley (Managing Director - Executive)
Anthony Barnes (Non-executive) (appointed 31 July 2008)
Peter Cosgrove (Non-executive)
Jeffrey Forbes (Executive and Company Secretary)
Trevor Johnson (Executive)
Ian Johnston (Non-executive)

Details of the qualifications, experience and responsibilities of the Directors are on pages 4 to 7.

Company Secretary

Jeffrey Forbes BCom, MAICD, MAusIMM was appointed to the position of Company Secretary on 10 July 2006. Mr Forbes had been a Company Secretary of another unrelated listed company for 6 years prior to joining Cardno.

Mark Buggy BEng(Civil), MScLLB(Lon), PCLL(HK) resigned as Assistant Company Secretary effective 2 September 2008.

Director	Experience	Special Responsibilities
John C Massey BCom, CPA, FAICD(Life), FAIM Non-executive Chairman Age 63	John Massey has been Chairman of Cardno Limited since July 2004 and a Non-Executive Director since March 2004. John became a full-time company director in 1997, and brings to Cardno extensive and broadly-based commercial experience, leadership and strategic development skills developed as a Chairman, Director and Chief Executive spanning many different industries. John's other directorships are Macmahon Holdings Limited and the Stockyard / Kerwee Beef Group. He has been actively involved in corporate governance and director issues and was made a Life Fellow of the Australian Institute of Company Directors in recognition of his eminence in the field of directorship and for distinguished service, and is a member of the Board of Governors of the Committee for the Economic Development of Australia. John's previous Board appointments include Chairman of Symbiosis Group, Ventracor and Northstate Capital; Director of Dairy Australia, Brisbane Airport Corporation, SEQ Water and KR Castlemaine Foods.	As well as being Chairman of the company, John is also Chairman of the Board's Remuneration and Nominations Committees and a member of the Audit, Risk & Compliance Committee.
Graham G Tamblyn DipCE, MIEAust, CPEng, RPEQ, FAICD Deputy Chairman Executive Director Age 59	Graham commenced work with the engineering consultancy Cardno & Davies in 1973. He is an experienced civil engineer in the urban development field with involvement in such notable projects as the Kawana Waters master planned community, Noosa Waters, Twin Waters, and Pelican Waters. Graham's commitment to the urban development and engineering industry is evidenced by his considerable involvement in industry associations such as the Urban Development Institute of Australia of which he was Sunshine Coast Branch President for 6 years up to 2002. Graham's career has included periods as Managing Director and Chairman of Cardno Holdings Pty Ltd. Apart from ongoing technical project work Graham plays a role in assisting with the implementation of the Cardno Group's growth strategy of merger and acquisition.	

Director	Experience	Special Responsibilities
Andrew D Buckley BE(Hons), FIEAust, FAICD, CPEng, RPEQ Managing Director Age 52	Andrew was appointed Managing Director of the Cardno group in 1997. He has more than twenty-five years' experience in executive management, project management, design and implementation of engineering and development assistance projects. Andrew has worked in the management, design and construction of mining, engineering and infrastructure projects in Australia, Africa, USA and Asia. For the last 15 years he has worked in executive management roles in the engineering, construction and development assistance sectors with a special focus on growth. Under Andrew's leadership the Cardno group has grown from an annual turnover of approximately $14 million in FY1997 to $516 million in FY2009 and from less than 200 people to over 3,000. Andrew is a Non-executive Director of CBD Professional Services Pty Ltd, which is associated with Carter Newell Lawyers.	Andrew is a member of the Nominations Committee
Anthony H (Tony) Barnes BCom Non-executive Director Age 59	Tony Barnes has been a non-executive director of Cardno since 31 July 2008. He was formerly the Chief Financial Officer of Zinifex Limited, an international mining, exploration and development company. Mr Barnes also held the position of Chief Executive Officer of Zinifex Limited during a management change. Mr Barnes played a key role in the successful IPO of Zinifex Limited in May 2004 and its subsequent restructure culminating in the merger with Oxiana Limited in July 2008 to form Oz Minerals Limited. He has extensive financial experience following a career which included more than 32 years with BHP, both within Australia and Internationally. Tony is also a director of the Victorian Rugby Union.	Tony is Chairman of the Board's Audit, Risk & Compliance Committee and a member of the Remuneration Committee.

Director	Experience	Special Responsibilities
Peter J Cosgrove AC, MC ndc (Ind), jssc, psc (US), Dip Mil Stud, FAICD Non-executive Director Age 62	Retired General Peter Cosgrove joined Cardno as a Non Executive Director on 26 March 2007, bringing with him a wealth of experience and credentials. Peter is a director of Qantas Airways Limited and Qantas Superannuation Limited, Australian Rugby Union Limited, consultant to Deloitte Touche Tohmatsu and a Fellow of the Australian Institute of Company Directors. He also holds a number of prestigious memberships and board appointments. Peter was Chief of the Australian Defence Force from July 2002 until July 2005. In 1999 he was appointed as Commander of the International Forces in East Timor and helped the country transition to independence. Peter was awarded the Military Cross in Vietnam and he was appointed as a Companion of the Military Division of the Order of Australia, Companion of the New Zealand Order of Merit (CNZM) and Commander of the United States Legion of Merit. In 2001 Peter was the Australian of the Year.	Peter is a member of the Nominations Committee
Jeffrey I Forbes BCom, MAICD, MAusIMM Chief Financial Officer, Company Secretary, Executive Director Age 56	Jeff joined Cardno in July 2006 as Chief Financial Officer, Company Secretary and Executive Director, Finance. Jeff has more than 30 years experience as a finance manager, primarily in the resources sector prior to joining Cardno. Jeff has significant experience in the financing and development of resource projects in both Australia and in the Asia Pacific region. He has held senior positions domestically and internationally. Prior to joining Cardno he was an Executive Director, Chief Financial Officer and Company Secretary of Highlands Pacific Limited. Jeff has significant experience in capital raisings and during his career Jeff has worked for a number of major companies including Rio Tinto, BHP and CSR.	Jeff is a member of the Standing Due Diligence Committee.
Trevor C Johnson BE, MEngSc, PhD, FIEAust, CPEng, RPEQ, MAICD Executive Director Age 52	Trevor has 30 years experience as a civil engineer, with special expertise in the fields of hydraulics, water quality and environmental analysis. He continues to act as Project Director for many of Cardno's major urban development projects, and regularly appears as an expert witness on engineering matters. In his executive role as Director Corporate, he is also responsible for a number of acquisition, co-ordination and communication activities within the Group. Trevor has been an employee of Cardno for over 25 years, and has been a Director of Cardno Holdings Pty Ltd and subsequently Cardno Limited since 1996.	Trevor is Chairman of the Standing Due Diligence Committee and is a member of the Board's Audit, Risk & Compliance Committee.

Director	Experience	Special Responsibilities
Ian J Johnston DipCM, GradDip App Fin & Inv, ASIA, ACIS, FAICD Non-executive Director Age 60	Ian Johnston became a Non Executive Director of Cardno Limited in November 2004 bringing with him extensive experience in treasury, corporate banking and equity capital markets. Following a career of nearly 25 years in the banking industry, Ian joined ABN AMRO Morgans in 1988 as Head of Corporate Finance and is now Executive Chairman Corporate Finance and a member of its advisory board. He is also Chairman of BioPharmaceuticals Australia (Network) Pty Ltd, and a Director of AAM Foundation Limited and Data#3 Limited. He is also a member of the National Trust of Queensland Brisbane City Hall Conservation Appeal Committee and Rowland advisory board. Ian's previous Board appointments include Symbiosis Group Limited and The Rock Building Society Limited.	Ian is a member of the Board's Audit, Risk & Compliance Committee, the Remuneration Committee, the Nominations Committee and the Standing Due Diligence Committee.

Principal Activities

The principal activity of the consolidated entity during the financial year was operating as a provider of professional services in physical and social infrastructure. There were no changes to the principal activities of the Cardno group during the financial year under review.

Review of Results and Operations

Cardno achieved a record net profit after tax of $34.15 million for the financial year ended June 2009, a 24.4% increase over the 2008 financial year.

Revenue was $515.84 million which is 29.3% more than the previous year of $399.04 million.

Diluted earnings per share increased by 6.0% over the same period to 43.82 cents in the current financial year.

The Board has declared a fully franked final dividend of 14.0 cents per share, increasing the full year dividend to 28.0 cents which is an increase of 3.7% over the previous year.

The company's balance sheet is strong with low gearing, low net debt and a strong operating cash flow of $38.59 million.

Cardno's strategy of diversifying its operations through acquisitions and growth across multiple geographic regions and disciplines has helped the company reduce the impact of difficult economic conditions.

Performance has been affected by slower business conditions in some sectors, project delays, the stronger Australian dollar and one-off restructuring costs of around $3.0 million.

Cardno's global public sector and international development assistance businesses continued to perform strongly and have offset the slower performance with private sector clients.

The second half of the financial year was more challenging, however there are some positive signs for improved market conditions in the 2009/10 financial year, although it remains difficult to forecast the future outlook.

During the financial year Cardno made three acquisitions. The 450-person, Florida-based Cardno TBE has enabled Cardno to significantly increase its presence in US public infrastructure. In Australia, Cardno acquired two specialist businesses: Cardno Spectrum Survey, a West Australian-based survey and mapping consultancy and Sydney-based Cardno Ecology Lab, an ecology and marine sciences business.

Cardno intends to continue its successful growth strategy and will continue to consider strategic opportunities within Australia and internationally. A Share Purchase Plan was undertaken in March this year raising $16.7 million, which enables Cardno to be well positioned to continue this strategy.

Cardno Limited and its Controlled Entities for the year ended 30 June 2009

Dividends

Dividends paid or declared by the Company to members since the end of the previous financial year were:

Type	Cents per share	Total amount $'000	Franked/ unfranked	Date of payment
Declared and paid during the year				
- Final 2008 ordinary	14.0	10,535	Franked	10 October 2008
- Interim 2009 ordinary	14.0	10,898	Franked	27 March 2009
Declared after end of year				
- Final 2009 ordinary	14.0	11,798	Franked	13 October 2009
Dealt with in the financial report as:				
- Dividends paid or provided		21,434		
- Noted as a subsequent event	Note 30	11,798		
		33,232		

All dividends paid or declared by the Company since the end of the previous financial year were fully franked at 30%.

Events Subsequent to the Reporting Date

On 18 August 2009, the Directors of Cardno Limited declared a final dividend of 14.0 cents per share for the 2009 financial year. The fully franked dividend will be paid on 13 October 2009 to shareholders registered on 15 September 2009 and will total $11,798,115. The dividend has not been provided for in the 30 June 2009 financial statements.

Likely Developments

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

Significant Changes in the State of Affairs

Other than detailed elsewhere, there have been no significant changes in the state of affairs since 30 June 2008.

Indemnification and Insurance of Officers

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

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

Directors' Meetings

Attendance at Board meetings and Board Committee meetings for the year ended 30 June 2009 is set out below:

	Board of Directors		Audit, Risk & Compliance Committee		Remuneration Committee		Nominations Committee		Standing Due Diligence Committee	
No. of Meetings Held	A	B	A	B	A	B	A	B	A	B
A H Barnes	12	15	5	5	5	5	◆	◆	◆	◆
A D Buckley	15	15	◆	◆	◆	◆	3	3	◆	◆
P J Cosgrove	13	15	◆	◆	◆	◆	3	3	◆	◆
J I Forbes	15	15	◆	◆	◆	◆	◆	◆	2	2
T C Johnson	15	15	5	5	◆	◆	◆	◆	2	2
I J Johnston	15	15	5	5	6	6	3	3	2	2
J C Massey	15	15	5	5	6	6	3	3	◆	◆
G G Tamblyn	14	15	◆	◆	◆	◆	◆	◆	◆	◆

◆ not a member of this committee

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

REMUNERATION REPORT - AUDITED

Principles of Compensation

Compensation levels for directors, secretaries of the Company and relevant key management personnel of the consolidated entity are competitively set to attract and retain suitable qualified staff, reward the achievement of strategic objectives and achieve the broader outcome of creating value for shareholders. The remuneration structure takes into account:

- the capability and experience of the Directors and Senior Executives;
- the Directors' and Senior Executives' ability to control the performance of areas of the Company's business;
- the Company's performance; and
- the amount of incentives within each Director's and Senior Executive's remuneration.

Total shareholder return is an essential element of the Company's strategy, and the remuneration framework serves this aim by seeking to attract and retain high calibre executives. Since Cardno Limited was established in March 2004 the Company has exceeded the growth and profit targets set by the Board and this successful performance has been reflected in the remuneration of Executives.

The Executive Director and Senior Executive Remuneration Policy is set out below:

Cardno Limited seeks to set fair and market competitive remuneration for its Senior Executives to ensure high performance and long-term commitment while taking into consideration the best interest of shareholders. Senior Executives' remuneration consists of fixed salary, potential Performance Equity Plan participation, discretionary cash bonuses and other benefits including superannuation and salary sacrificing. In determining the salary of Senior Executives, an assessment of performance is completed and a review of the market is conducted. The Company takes into account the responsibilities of the individual's position, the level of skill and experience as well as the Company's business.

If the employment of a Senior Executive is terminated, the Senior Executive may be entitled to receive from the employer pay in lieu of notice and compensation for employee entitlements such as annual leave and long service leave up to the termination date and by reference to the Executive's remuneration.

Remuneration Committee

The Remuneration Committee reviews and makes recommendations to the board on remuneration issues and policies applicable to all staff for the consolidated entity. It is also responsible for reviewing share option schemes, incentive performance packages, superannuation entitlements, retirement and termination entitlements and fringe benefits policies.

The members of the Remuneration Committee during the year were John Massey (Chairman), Ian Johnston and Tony Barnes.

The Remuneration Committee is required to meet at least twice a year. The Remuneration Committee met six times during the year.

Compensation levels are reviewed annually by the Remuneration Committee through a process that considers individual, segment and overall performance of the consolidated entity. In addition, external consultants provide analysis and advice to ensure the directors' and senior executive's compensations are competitive in the market place were required.

Fixed Compensation

Fixed compensation consists of base compensation (which is calculated on a total cost basis) and includes any FBT charges related to employee benefits (including motor vehicles), as well as employer contributions to superannuation funds.

It should be noted that fixed remuneration is generally reviewed on an annual basis. However for the 2009 financial year the annual salary review was deferred.

Performance-linked Compensation

Performance-linked compensation includes both short-term and long-term incentives and is designed to reward key management personnel for meeting or exceeding their financial, divisional and personal objectives. The short-term incentive is an 'at risk' bonus provided in the form of cash. The long term incentive for executive directors is provided as a transitional cash incentive plan for 2009 and options for previous years, both measured over three years. The long term incentive for senior executives is provided as options over ordinary shares of the company under the rules of the Performance Equity Plan (PEP).

Short-Term Incentive Bonus

Each year the Remuneration Committee reviews the key performance indicators (KPIs) for the key management personnel. The KPIs generally include measures relating to the consolidated entity, the relevant segment, the individual and include financial, people, customers, strategy and risk measures. The principal financial performance objectives are compared to budgeted amounts. The non-financial objectives vary with position and responsibility.

At the end of the financial year the Remuneration Committee assesses the actual performance of the consolidated entity, the relevant segment and individual against the KPI's set at the beginning of the financial year. The Remuneration Committee approves the discretionary bonus to be paid to the individuals on the delegated authority of the board. The method of assessment was chosen as it provides the committee with an objective assessment of the individual performance. Half of the bonus is paid in the year the bonus is granted while the balance is paid 12 months later, subject to continuing employment.

Long-Term Incentive Bonus

Employee Share Acquisition Plans ("ESAP")

Shares are issued under the ESAP (made in accordance with thresholds set out in plans approved by shareholders at the 2007 AGM). It provides employees with the opportunity to acquire shares in the Company for no consideration as a bonus component of their remuneration. Employees with 12 months service or greater who have worked an average of 100 hours or more per month are entitled to $1,000 of shares each year and employees with 6 to 12 months service are entitled to $500 of shares each year. Employees who work part time, who have greater than 12 months service and who have worked more than 600 hours per year are also entitled to $500 of shares each year. Shares issued under ESAP rank equally with other fully paid ordinary shares from the date of issue.

Shares are issued in the name of the participating employee and are subject to a restriction period. The shares are restricted under the plan until the earlier of three years from the date of acquisition or the date they cease to be an employee. Once the restriction period is lifted the shares can be traded as fully paid ordinary shares. The ESAP has no conditions that could result in the recipient forfeiting ownership of shares.

The number of shares still under a restriction period at 30 June 2009 are detailed in the table below:

Grant Date	Number	Issue Price	Vested 30 June 2009	Balance
23 December 2005	102,186	$3.63	102,186	-
24 January 2007	104,160	$4.76	9,240	94,920
26 June 2007	1,890	$4.76	210	1,680
29 January 2008	198,880	$6.19	54,619	144,261
23 February 2009	485,287	$3.18	56,677	428,610

Fair value of shares issued during the reporting period is reported as the average market price over the 5 trading days prior to the date of the issue to employees.

Performance Equity Plan (PEP)

The PEP is designed to reward strong performance by individuals within the Cardno Group of companies. Options are issued under the PEP (made in accordance with thresholds set in the plan approved at the 2007 AGM) which provides certain employees (as determined by the Managing Director and Remuneration Committee) with the opportunity to acquire shares in the Company, or rights to acquire shares in the Company. The plan operates by granting an option to employees to purchase a prescribed number of shares at a pre-determined time in the future. During the 2009 financial year, options with a value of $992,610 were issued for a period of three years from the grant date.

Each option is convertible to one ordinary share. The exercise price of the options, determined in accordance with the rules of the plan, is based on the weighted average price of the Company's shares traded during the five days preceding the date of offering the option. All options expire on the earlier of their expiry date or termination of the employee's employment. The options may be exercised at any time during the seven day period ending thirty-six months after the date the options are issued.

There are no voting or dividend rights attached to the options. Voting rights and dividends will be attached to the unissued ordinary shares when the options have been exercised.

The plan rules contain a restriction on removing the "at risk" aspect of the instruments granted to executives. Plan participants may not enter into any transaction designed to remove the "at risk" aspect of an instrument before it vests.

Long-Term Incentive Bonus continued

Performance Equity Plan (PEP) continued

No options were exercised during the 2008/09 financial year. Options with a value of $241,975 lapsed during the year as a result of vesting conditions not being satisfied.

Grant Date	Exercise Date	Expiry Date	Exercise Price $	Fair Value at Grant Date* $	Number of Options at Beginning of Year	Options Granted	Options Lapsed	Options Vested Not Exercised	Number of Options as at 30 June 2009
26 October 2006	20 October 2008	26 October 2008	5.17	0.58	150,000	-	-	150,000	-
14 November 2006	8 November 2008	14 November 2008	5.30	0.56	861,500	-	-	861,500	-
25 October 2007	19 October 2009	25 October 2009	7.57	0.68	230,000	-	-	-	230,000
25 October 2007	19 October 2010	25 October 2010	7.57	0.92	330,000	-	-	-	330,000
5 December 2007	29 November 2009	5 December 2009	7.71	0.70	1,399,000	-	126,500	-	1,272,500
5 December 2007	29 November 2010	5 December 2010	7.71	0.95	1,880,500	-	161,500	-	1,719,000
5 December 2008	29 November 2011	5 December 2011	3.35	0.41	-	2,421,000	-	-	2,421,000
Weighted average exercise price					7.19	3.35	5.82	-	4.57
Weighted average remaining contract life									575 days
Total expense recognised $552,687 (2008: $495,793)									
* Excludes discount for the probability of vesting.									

The options outstanding at 30 June 2009 have not vested, are not exercisable at 30 June 2009 and have an exercise price in the range of $3.35 to $7.71.

The fair values of options granted during the year has been calculated using the Black-Scholes model, taking into account price volatility, risk free interest rates and the dividend yield. Where relevant, the fair value has been adjusted to account for the effects of non-tradability and other relevant restrictions.

The options are subject to a performance hurdle and will not vest unless there has been at least a 5% improvement per year (compounded) in the earnings per share of the company over the vesting periods.

The Board is considering a change to the PEP which has been recommended by an independent consultant to the Remuneration Committee. The change consists of the introduction of performance rights as well as options and will involve a change to the hurdles including a sliding scale EPS hurdle with an increase top level of EPS growth required for full vesting of options and rights.

Executive Director 2009 Transition Long Term Incentive Plan (TLTI)

The Executive Directors did not participate in the 2008 PEP. The Board determined to introduce an alternative cash based transitional long term incentive plan while the Company develops a new long term incentive plan for Executive Directors and senior management.

The purpose of the TLTI is to provide a component of executive remuneration which is linked to both the continued future service and company performance. The company performance will be measured over a period of three years commencing with FY2009. Performance will be measured by reference to two measures. The first measure will be total shareholder return (TSR)compared to the TSR of the smallest 100 companies in the S&P/ASX300 excluding companies in the resources and financial sectors and absolute growth in earnings per share (EPS). The Board has discretion to adjust earnings so that they accurately reflect ongoing company performance. Each measure will have an equal weighting. Performance will be measured at the end of FY2011.

Long-Term Incentive Bonus continued

Executive Director 2009 Transition Long Term Incentive Plan (TLTI) continued

In the event of a takeover or change-in-control, the stretch TLTI award opportunities will become immediately payable to participants. A takeover or change in control is deemed to have occurred when more than 30% of ordinary issued shares are acquired by, or their voting is controlled by, a person or group of related persons.

The award opportunities for the participants will be a percentage of the Executive Director's base package as at 1 July 2008 and be paid in cash:

Performance Level	Managing Director	Other Executive Directors
Below threshold	0%	0%
Threshold	25%	12.5%
Between threshold & target	Pro rata	Pro rata
Target	50%	25%
Between target & stretch	Pro rata	Pro rata
Stretch & above	100%	50%

The respective measures for TSR and EPS are:

Performance Level	Relative TSR	EPS Growth
Threshold	50^{th} Percentile	3% per annum compound
Target	62.5^{th} Percentile	5% per annum compound
Stretch	75^{th} Percentile	15% per annum compound

Employment Agreements

Employment Agreements have been entered into with Executive Directors and Senior Executives. The agreements contain remuneration, performance and confidentiality obligations on the part of both the employer and the employee. The Executives covenant that during the term of employment and for at least six months after termination they will not solicit any existing client or employee of the Company.

Non-Executive Directors

The Non-Executive Directors of Cardno Limited are entitled to a fee that is determined by the Board on commencement of the role and reviewed on an annual basis thereafter. The fee includes compulsory superannuation contributions. Non-Executive Directors do not participate in equity plans of the Company and do not receive retirement benefits.

Director, Executive Officer and Key Management Remuneration

Details of the nature and amount of each major element of remuneration of each director of the Company and each of the five named Company executives and relevant group executives who receive the highest remuneration are:

		Short Term				Long Term						
Director		Salary and Fees $	STI Cash Bonus $	Non-Monetary Benefits $	Total $	Superannuation Benefits $	Other Long Term Benefits $	Termination Benefits $	Share-based Payments/ Options	Total $	Proportion of Remuneration Performance Related	Value of Options as a Proportion of Remuneration
Non-Executive												
John Massey	2009	87,000	-	-	87,000	83,000	-	-	-	170,000	-	-
	2008	119,000	-	-	119,000	51,000	-	-	-	170,000	-	-
Anthony Barnes	2009	-	-	-	-	73,623	-	-	-	73,623		
	2008	-	-	-	-	-	-	-	-	-	-	-
Peter Cosgrove	2009	73,394	-	-	73,394	6,606	-	-	-	80,000	-	-
	2008	73,395	-	-	73,395	6,605	-	-	-	80,000	-	-
Ian Johnston	2009	73,394	-	-	73,394	6,606	-	-		80,000		
	2008	73,395	-	-	73,395	6,605	-	-	-	80,000	-	-
Executive												
Andrew Buckley	2009	524,633	225,000*	4,000	753,633	101,234	114,916*	-	23,575	993,358	36.6%	2.4%
	2008	478,869	350,000	4,000	832,869	92,131	-	-	33,397	958,397	40.0%	3.5%
Jeffrey Forbes	2009	228,083	60,000*	4,000	292,083	112,917	28,750*	-	11,254	445,004	22.5%	2.5%
	2008	246,321	100,000	4,000	350,321	79,679	-	-	15,138	445,138	25.9%	3.4%
Trevor Johnson	2009	297,425	57,500	4,000	358,925	50,105	29,310*	-	8,363	446,703	21.3%	1.9%
	2008	271,728	38,400	4,000	314,128	35,272	-	-	13,765	363,165	14.4%	3.8%
Graham Tamblyn	2009	240,688	27,737	4,000	272,425	55,987	25,056*	-	4,267	357,735	16.0%	1.2%
	2008	238,991	10,000	4,000	252,991	17,009	-	-	7,341	277,341	6.3%	2.6%
Former												
James Verco	2009	-	-	-	-	-	-	-	5,015	5,015	-	-
	2008	59,526	-	1,333	60,859	15,807	-	-	5,113	81,779	6.3%	6.3%
Total Compensation – 2009		1,524,617	370,237	16,000	1,910,854	490,078	198,032*	-	52,474**	2,651,438	23.4%	2.0%
Total Compensation – 2008		1,561,225	498,400	17,333	2,076,958	304,108	-	-	74,754**	2,455,820	23.3%	3.0%

* Includes STI and TLTI cash bonuses which have been accrued but not paid.

** The amount included in remuneration is the grant date fair value which has been amortised on a straight line basis over the expected vesting period.

Cardno Limited and its Controlled Entities for the year ended 30 June 2009

Director, Executive Officer and Key Management Remuneration continued

Executives		Short-Term Salary $	Short-Term STI Cash Bonus $	Short-Term Non-Monetary Benefits $	Short-Term Total $	Long-Term Superannuation Benefits $	Long-Term Other Long Term Benefits $	Termination Benefits $	Share-based Payments/ Options	Total $	Proportion of Remuneration Performance Related	Value of Options as a Proportion of Remuneration
Executives												
Roger Collins-Woolcock	2009	314,107	60,000	4,000	378,107	30,893	-	-	7,671	416,671	16.2%	1.8%
	2008	255,878	28,725	4,000	288,603	24,122	-	-	10,959	323,684	12.3%	3.4%
Steven Coote	2009	335,779	80,000	4,000	419,779	32,470	-	-	9,937	462,186	19.5%	2.2%
	2008	271,560	47,450	4,000	323,010	24,440	-	-	15,874	363,324	17.4%	4.4%
Paul Gardiner	2009	339,577	80,000	4,000	423,577	28,592	-	-	9,937	462,106	19.5%	2.2%
	2008	275,606	47,450	4,000	327,056	20,394	-	-	15,874	363,324	17.4%	4.4%
Michael Renshaw	2009	444,904**	45,000	3,600	493,504	-	-	-	7,671	501,175	10.5%	1.5%
	2008	303,945	30,000	3,000	336,945	-	-	-	11,307	348,252	11.9%	3.2%
Charles Tapp	2009	324,807	45,000	-	369,807	28,795	-	-	6,406	405,008	12.7%	1.6%
	2008	328,991	12,500	-	341,491	27,134	-	-	5,643	374,268	4.8%	1.5%
Total compensation – 2009		1,759,174	310,000	15,600	2,084,774	120,750	-	-	41,622*	2,247,146	15.6%	1.9%
Total compensation – 2008		1,435,980	166,125	15,000	1,617,105	96,090	-	-	59,657*	1,772,852	12.7%	3.4%

* The amount included in remuneration is the grant date fair value which has been amortised on a straight line basis over the expected vesting period.
** Salary includes expatriate benefits and is payable in USD.

Additional Information

Name	Year Granted	STI Paid %	STI Forfeited %	Options Granted %	Options Forfeited %	TLTI Granted %	TLTI Forfeited %
Andrew Buckley	2009	50%*	50%	0%	100%	100%	0%
Jeffrey Forbes	2009	50%*	50%	0%	100%	100%	0%
Trevor Johnson	2009	Note 1	Note 1	Note 1	Note 1	100%	0%
Graham Tamblyn	2009	Note 1	Note 1	Note 1	Note 1	100%	0%
Roger Collins-Woolcock	2009	Note 1	Note 1	Note 1	Note 1	Note 1	Note 1
Steven Coote	2009	Note 1	Note 1	Note 1	Note 1	Note 1	Note 1
Paul Gardiner	2009	Note 1	Note 1	Note 1	Note 1	Note 1	Note 1
Michael Renshaw	2009	Note 1	Note 1	Note 1	Note 1	Note 1	Note 1
Charles Tapp	2009	Note 1	Note 1	Note 1	Note 1	Note 1	Note 1

* In determining the level of bonus payable the Board took into account that despite the changed economic environment and difficult operating conditions the company produced a record profit.

Note 1: STI cash bonus & options paid under Cardno Performance Equity Plan. No STI incentive maximum or minimum amount is contracted between Cardno and the individuals noted in the table.

Cardno Limited and its Controlled Entities for the year ended 30 June 2009

Directors' Interests

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

	Cardno Limited Ordinary shares	Shares held in escrow	Options over Ordinary Shares
A H Barnes	3,348	-	-
A D Buckley	2,359,037	-	250,000
P J Cosgrove	-	-	-
J I Forbes	19,947	-	120,000
T C Johnson	1,967,399	-	90,000
I J Johnston	207,390	-	-
J C Massey	44,382	-	-
G G Tamblyn	1,426,330	-	60,000

The movement during the reporting period in the number of ordinary shares in Cardno Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

	Held at 1 July 2008	Purchases	Received as Compensation	Sales	Held at 30 June 2009
Non–Executive Directors					
John Massey	30,687	13,695	-	-	44,382
Anthony Barnes	-	3,348	-	-	3,348
Peter Cosgrove	-	-	-	-	-
Ian Johnston	200,000	7,390	-	-	207,390
Executive Directors					
Graham Tamblyn	1,407,000	19,330	-	-	1,426,330
Andrew Buckley	2,322,952	36,085	-	-	2,359,037
Jeffrey Forbes	3,377	16,570	-	-	19,947
Trevor Johnson	1,963,704	3,695	-	-	1,967,399
Executives					
Roger Collins-Woolcock	791,090	-	314	137,752	653,652
Steven Coote	556,546	-	314	-	556,860
Paul Gardiner	796,132	3,695	314	-	800,141
Michael Renshaw	149,284	3,615	314	-	153,213
Charles Tapp	161	-	314	-	475

Share Options

Options granted to Executive Directors and Officers of the Company

The Company granted options for no consideration over unissued ordinary shares in Cardno Limited to the following Executive Directors and key management personnel and to the following most highly remunerated Officers of the Company as part of their remuneration:

Key Management Personnel	Title	2009	2008
Andrew Buckley	Managing Director	-	250,000
Jeffrey Forbes	Executive Director	-	120,000
Trevor Johnson	Executive Director	-	90,000
Graham Tamblyn	Executive Director	-	60,000
James Verco*	Executive Director	-	40,000
Roger Collins-Woolcock	General Manager – South East Australia & NZ	60,000	75,000
Steven Coote	General Manager - Group Operations	70,000	100,000
Paul Gardiner	General Manager – North & West Australia	70,000	100,000
Michael Renshaw	General Manager – North America Region	60,000	75,000
Charles Tapp	General Manager – Emerging Markets Region	50,000	60,000

* resigned as director on 25 October 2007.

Non-Executive Directors do not participate in any of the Company's incentive plans.

All options were granted during the financial year. No options have been granted since the end of the financial year and up to the date of this report.

Cardno Limited and its Controlled Entities for the year ended 30 June 2009

The movement during the reporting period in the number of options over ordinary shares in Cardno Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

2009	Held at 1 July 2008	Granted as compensation	Expired	Held at 30 June 2009	Vested and exercisable at 30 June 2009
Directors					
A D Buckley	310,000	-	60,000	250,000	-
J I Forbes	150,000	-	30,000	120,000	-
T C Johnson	120,000	-	30,000	90,000	-
G G Tamblyn	75,000	-	15,000	60,000	-
Executives					
R J K Collins-Woolcock	100,000	60,000	25,000	135,000	-
S V Coote	140,000	70,000	40,000	170,000	-
P W Gardiner	140,000	70,000	40,000	170,000	-
M J Renshaw	100,000	60,000	25,000	135,000	-
C W N Tapp	60,000	50,000	-	110,000	-

Unissued shares under option

At the date of this report unissued ordinary shares of the Company under option are:

Exercise Date	Expiry date	Exercise price	Number of options
19 October 2009	25 October 2009	$7.57	230,000
19 October 2010	25 October 2010	$7.57	330,000
29 November 2009	5 December 2009	$7.71	1,272,500
29 November 2010	5 December 2010	$7.71	1,719,000
29 November 2011	5 December 2011	$3.35	2,421,000

These options do not entitle the holder to participate in any share issue of the Company.

Non-Audit Services

During the year WHK Horwath, the Company's auditor, has performed no other services in addition to their statutory audit duties as set out in Note 32. Subsidiary company auditors have performed other non-audit services and these are outlined in Note 32.

The Board of Directors has considered the position and, in accordance with advice received from the Audit, Risk & Compliance Committee, is satisfied that the provision of the non-audit services by the subsidiary auditors is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the subsidiary auditors, as set out above, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the Audit, Risk & Compliance Committee to ensure they do not impact the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in *APES 110 Code of Ethics for Professional Accountants.*

Lead Auditor's Independence Declaration Under Section 307C of the Corporations Act 2001

The lead auditor's independence declaration is set out on page 20 and forms part of the Directors' report for the year ended 30 June 2009.

Rounding of Amounts

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the Directors' report and financial statements. Amounts in the Directors' report and financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Signed in accordance with a resolution of directors.

On behalf of the Directors

JOHN C MASSEY
Chairman

Brisbane
18 August 2009

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, during the year ended 30 June 2009 there have been:

(i) no contraventions of the auditor independence requirements of 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.

Signed at Brisbane 18 August 2009.

WHK Horwath

WHK HORWATH

M. Q. Cole

RUSSELL Q COLE
Principal

Liability limited by a scheme approved under Professional Standards Legislation other than for the acts or omissions of financial services licensees.

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A WHK Group firm

WHK Pty Ltd trading as WHK Horwath Brisbane is a member of Crowe Horwath International Association, a Swiss verein.
Each member firm of Crowe Horwath is a separate and independent legal entity

The Board of Directors of Cardno Limited is ultimately responsible for all corporate governance matters of the consolidated entity and is accountable to the shareholders for the overall business performance of the company. Details of the corporate governance policies of the company can be found in the Investor Centre of the company's website, www.cardno.com.au.

Cardno Limited is committed to implementing and maintaining sound corporate governance practices and has considered the *ASX Corporate Governance Principles and Recommendations (Second Edition)* in the development of its corporate governance. The Board has assessed the company's current practice against these Principles and Recommendations and notes that the company's practices are consistent except where stated below.

Principle 1: Lay solid foundation for management and oversight

The role of the Board and delegation to Senior Executives has been formalised. The most significant responsibilities of the Board are:

- providing strategic guidance to the company including contributing to the development of and approving the corporate strategy;
- reviewing and approving business plans, the annual budget and financial plans including available resources and major capital expenditure initiatives;
- reviewing the operational and financial performance of the company's activities;
- reporting to shareholders and the market;
- ensuring compliance with prudential regulations and standards;
- ensuring adequate risk management processes are in place;
- reviewing internal controls and internal and external audit reports;
- monitoring and influencing the culture and reputation of the company;
- monitoring board composition, director selection and board process and performance;
- approving key executive appointments and ensuring executive succession planning;
- reviewing the performance and remuneration of the Managing Director and Senior Executives;
- ensuring that the Board as a whole has an appropriate understanding of each substantial segment of the business; and
- authorising and monitoring major investment and strategic commitments.

The Board has delegated to Senior Executives responsibility for the implementation of the company's strategic direction, business plans and day-to-day management of the company's operations.

The performance of Senior Executives is evaluated by the Board through formal performance reviews undertaken on an annual basis. The individual performance of each Senior Executive is reviewed against goals set in the previous year and new objectives are established for the following financial year. The performance reviews were completed during the year in accordance with the process agreed by the Board.

The Board endorses a culture of continuous improvement and will therefore continue to refine and develop its role and the delegation of responsibilities to management as the company develops.

The Board's responsibilities and functions are also contained in the company's Corporate Governance Policy which can be accessed in the Investor Centre on the company's website.

Principle 2: Structure the Board to add value

To add value, the Board has been formed so that it has effective composition, size and commitment to adequately discharge its responsibilities and duties. Collectively the Directors have a broad range of experience, expertise, skills, qualifications and contacts relevant to the business. Details of the skills and experience of each Director are contained in the Directors' Report and on the company's website.

The Board currently comprises four Non-executive Directors including the Chairman, and four Executive Directors.

The Board has adopted the following criteria to determine the independence of a Director as someone who must be a Non-executive Director and:

- is not a substantial shareholder of the company or an officer of, or otherwise associated directly with, a substantial shareholder of the company;
- within the last three years has not been employed in an executive capacity by the company or another group member, or been a director after ceasing to hold any such employment;
- within the last three years has not been a principal of a material professional adviser or a material consultant to the company or another group member or an employee materially associated with the service provided;
- is not a material supplier or customer of the company or another group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- has no material contractual relationship with the company or other group member other than as a Director of the company;
- has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the company; and
- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the company.

The Board has confirmed that based on this definition of independence, Mr Massey, General Cosgrove and Mr Barnes are independent Non-executive Directors. The Board determined that Mr Johnston meets the independence definition except with respect to his former role as a Director of ABN AMRO Morgans Limited. The Board noted Mr Johnston's current role with ABN AMRO Morgans and considers that it does not materially interfere with Mr Johnston's ability to act independently in the interests of the company.

It is currently considered appropriate to have a number of Executive Directors on the Board as they have a strong awareness of management issues and a deep knowledge of the company. The company has reduced the number of Executive Directors and increased the number of Non-executive Directors over recent years. The Board considers it appropriate to transition over time to a majority of Non-executive Directors.

The role of the Chairman and Chief Executive Officer are separate. The Chairman of the Board is Mr Massey who is an independent Non-executive Director. The Chief Executive Officer and Managing Director is Mr Buckley. Each Director, as part of his agreement with the company has the ability to seek independent advice at the company's expense after consultation with the Chairman.

The Nomination Committee is comprised by three Non-executive Directors, Mr Massey (Chairman), General Cosgrove, Mr Johnston and the Managing Director Mr Buckley. Details of the number of meetings of the Committee and members' attendance can be found in the Directors' Report.

The Nomination Committee facilitates Board and individual Director performance reviews and evaluation on at least an annual basis using an external facilitator as necessary to ensure independent professional scrutiny and benchmarking against developing best practices. The results of the review are presented to the Chairman and to the Board. A performance evaluation in the financial year 2009 was undertaken in accordance with board procedure and involving an independent board consultant.

The Board acknowledges that performance can always be enhanced and will continue to seek and consider ways of further enhancing performance both individually and collectively.

The Nomination Committee assists the Board in determining the composition of the Board and its committees. When considering a candidate as a Director, consideration is given to the candidate's ability to act in the best interests of shareholders as well as specific skills and expertise. Consideration is also given to the candidate's capacity to understand the impacts of various laws and regulations on their role and on the company including company law, trade practices legislation, environmental law, occupational health and safety, equal opportunity and taxation.

As the company has significant operations outside of Australia, consideration is also given to the candidate's ability to understand the impacts of foreign jurisdiction legislation, foreign currency issues and the business environment in the countries in which the company operates. In addition, consideration is given to the candidate's knowledge of the areas of the company's operations, risk management concepts and how they apply to the company and also whether the candidate is up to date with issues of corporate governance.

New Directors undergo an induction process in which they are given an extensive briefing on the company. This includes meetings with key executives, tours of the relevant premises, an induction package and presentations. A formal letter of appointment is provided.

In order to achieve continuing improvement in Board performance, all Directors are encouraged to undergo continuing professional development. Specifically, Directors are provided with the resources and training to address skills gaps where they are identified.

The Nomination Committee has responsibility for independently supervising the company's Leadership Development Programme as part of its succession considerations.

The roles and responsibilities of the Nomination Committee are summarised in the Investor Centre of the company's website.

Principle 3: Promote ethical and responsible decision making

The Board has adopted a Code of Conduct for Directors, Senior Executives and staff. The Code of Conduct is regularly reviewed and updated as necessary to ensure it reflects the highest standards of behaviour, professionalism and practices necessary to maintain confidence in the company's integrity. The code has six governing principles namely honesty and integrity, confidentiality of information, integrity of personal dealings, conflicts of interest, abiding by the law and gifts and entertainment.

The Board also promotes the maintenance of an open working environment in which all employees and contractors are able to report instances of unethical, improper, unlawful or undesirable conduct without fear of intimidation or reprisal. This is endorsed through the Whistleblowers Protection Policy.

The Board has adopted a policy for trading in Cardno securities by Directors, Senior Executives and staff. The purpose of these codes is to guide Directors and Senior Executives in the performance of their activities and to define the circumstances in which both they and staff, and any associates, are permitted to deal in securities.

These codes and policy have been designed with a view to ensuring the highest ethical and professional standards as well as compliance with legal obligations. Both codes and the policy are available for review in the Investor Centre of the company's website.

Principle 4: Safeguard integrity in financial reporting

The Managing Director and Chief Financial Officer have provided the Board with a statement confirming that the company's financial reports present a true and fair view of the company's financial position and are in accordance with relevant accounting standards. The Audit, Risk & Compliance Committee consists of three Non-executive Directors, Mr Barnes, Mr Johnston and Mr Massey and one Executive Director, Dr Johnson. Mr Barnes, an independent Non-executive Director, has recently been appointed as Chairman of the Audit, Risk & Compliance Committee in place of another Non-executive Director, Mr Johnston. Mr Barnes is not the Chairman of the company. Details of the number of meetings of the Committee and members attendance can be found in the Directors' Report.

The guidelines provide for the Audit, Risk & Compliance Committee to consist of at least three members and consist only of Non-executive Directors. The Board considers that it is appropriate to have one Executive Director on the Audit, Risk & Compliance Committee to ensure there is appropriate insight when considering the company's operations and risks.

The company determined that for the 2010 financial year external audit and thereafter to appoint a single global auditor for all the company's operations and conducted a formal tender process. Tenders were sought from appropriately qualified external audit firms. These tenders were assessed against specific criteria established and agreed by the Audit, Risk & Compliance Committee and Senior Executives. As a result of this process the Board will recommend to shareholders the appointment of KPMG as the company's external auditor commencing during the fiscal year 2010.

The Audit, Risk & Compliance Committee requires the rotation at least every three years of the external audit engagement partner. The selection of the external audit engagement partner is assessed against specific criteria established and agreed by the Audit, Risk & Compliance Committee.

The role, objective and responsibilities of the Audit, Risk & Compliance Committee is able to be accessed in the Investor Centre of the company's website.

Principle 5: Make timely and balanced disclosure

The company has adopted a Continuous Disclosure Policy which can be viewed in the Investor Centre of the company's website. The purpose of this policy is to set out the procedures to be followed to enable accurate, timely, clear and adequate disclosure to the market and compliance with the ASX Listing Rules regarding disclosure. The Policy also operates to ensure that all employees are aware of their obligations for compliance within the continuous disclosure obligations. The Board regularly reviews its disclosure to ensure the market is kept informed of price sensitive or significant information in accordance with the Listing Rules.

The Company Secretary has been nominated as the person responsible for communications with the Australian Securities Exchange (ASX). This role includes the responsibility for ensuring compliance with the continuous disclosure requirements in the ASX Listing Rules and overseeing and co-ordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the public. Further comments related to making timely and balanced disclosure are covered with consideration of the next Principle.

Principle 6: Respect the rights of shareholders

The Board recognises the important rights of shareholders and strives to communicate with shareholders regularly and clearly – both by electronic means and using more traditional communication methods. Shareholders are encouraged to attend and participate at general meetings. The company's auditors attend the Annual General Meeting of the company and are available to answer shareholders' questions.

The Communications Policy adopted by the company includes:

- communicating effectively with shareholders through releases to the market via the ASX, the media, the company's website, information mailed to shareholders and the general meetings of the company;
- all information disclosed to the ASX is posted on the company's website when it is disclosed to the ASX. Presentation material used in public presentations and to brief analysts is released to the ASX and posted on the company's website;
- giving shareholders ready access to balanced and understandable information about the company and corporate proposals; and
- the external auditor attending the Annual General Meeting and being available to answer shareholder questions about the conduct of the audit and the preparation and content of the Auditor's Report.

A copy of the company's Communications Policy is able to be reviewed in the Investor Centre of the company's website.

Principle 7: Recognise and manage risk

The Board, together with management, has sought to identify, monitor and mitigate risk. Internal controls are monitored on a continuous basis and wherever possible, improved. The issue of risk management is formalised in the company's Corporate Governance Policy and in the Audit, Risk & Compliance Committee Terms of Reference which are both kept under regular review. The review takes place at both committee level through the Board's Audit, Risk & Compliance Committee which meets at least four times each year, and at board level. The Audit, Risk & Compliance Committee has established policies and procedures to identify and monitor business risks as well as adopting an internal compliance and control system to manage material business risk.

The Operational Risk Management Committee, which is comprised of the Managing Director and Senior Executives who are representative of all aspects of the company's business across the globe, regularly reports to the Audit, Risk & Compliance Committee. The Operational Risk Management Committee has responsibility for oversight and maintenance of the Enterprise Wide Risk Management System, the company's Operational Risk Management Plan, which has been established in accordance with AS/NZ 4360:2004. The Operational Risk Management Committee also has responsibility for operational risks, quality control issues and operations processes.

The Audit, Risk & Compliance Committee reports to the Board regularly on the implementation and management of the Enterprise Wide Risk Management System and identifies significant risks to the company and how they are being mitigated and managed by management via the Operational Risk Management Committee.

This structure allows the company to assess risks ranging from low to very high and it is those risks that are identified as significant that are referred to in the Financial Report.

The company also monitors the quality and accuracy of its services through a Quality Management System. The details of the Quality Management System are available to staff via the company's intranet and client feedback is a feature of the system.

The Managing Director and Chief Financial Officer attest to the Board the soundness of the risk management and internal control systems each year and that the system is operating effectively in all material aspects in relation to financial risks.

The objective, roles and responsibilities of the Audit & Risk Compliance Committee and Operational Risk Management Committee and each committee's terms of reference are able to be accessed in the Investor Centre of the company's website.

Principle 8: Remunerate fairly and responsibly

The company has established a Remuneration Committee. The Remuneration Committee, which advises and reports to the Board, is chaired by the Chairman, Mr Massey and includes Mr Barnes and Mr Johnston, all Non-executive Directors. Details of the number of meetings of the committee and members' attendance can be found in the Directors' Report. The current remuneration of the Directors and the Senior Executives is published in the Directors' Report.

The Executive Director and Senior Executive Remuneration Policy is:

Cardno Limited seeks to set fair and market competitive remuneration for its Senior Executives to ensure high performance and long-term commitment while taking into consideration the best interest of shareholders. Senior Executives' remuneration consists of fixed salary, potential long term incentive participation, discretionary cash bonuses and other benefits including superannuation and salary sacrificing. In determining the salary of Senior Executives, an assessment of performance is completed and a review of the market is conducted. The company takes into account the responsibilities of the individual's position, the level of skill and experience as well as the company's business.
If the employment of a Senior Executive is terminated, the Senior Executive is entitled to receive pay in lieu of notice and compensation for employee entitlements such as annual leave and long service leave up to the termination date and by reference to the Senior Executive's remuneration.

Where the Executive Directors participate in equity-based incentive plans, the details are submitted to shareholders for approval.

The Remuneration Policy in regard to Non-executive Directors is:

The Non-executive Directors of Cardno Limited are entitled to a fee that is determined by the Board on commencement of the role and reviewed on an annual basis thereafter. The fee includes compulsory superannuation contributions. Non-executive Directors do not participate in equity plans of the company and do not receive retirement benefits. The fee covers both Board and sub-committee responsibilities.

The company's Trading Policy specifically prohibits any Director, Senior Executive or employee from transacting in short selling, trading in products which limit the risk associated with the holding of unvested securities or profiting from trading in securities which decrease in market value. A copy of this policy can be accessed in the Investor Centre of the company's website.

The role, objectives and responsibilities of the Remuneration Committee is able to be accessed in the Investor Centre of the company's website.

Income Statements

Cardno Limited and its Controlled Entities for the year ended 30 June 2009

	Note	Consolidated		Cardno Limited	
		2009 $'000	2008 $'000	2009 $'000	2008 $'000
Revenue	2	**515,842**	**399,035**	**28,721**	**22,145**
Consumables and materials used	3	(145,272)	(109,265)	-	-
Sub-consultant and contractor costs	3	(61,848)	(28,582)	-	(59)
Employee benefits expense		(231,464)	(190,718)	(655)	(276)
Depreciation and amortisation expenses	3	(11,003)	(8,088)	-	-
Financing costs	3	(4,637)	(3,775)	(583)	(3,082)
Other expenses		(19,526)	(19,921)	2,185	(1,010)
Profit/(loss) before income tax		42,092	38,686	29,668	17,718
Income tax (expense) / benefit	4	(7,939)	(11,234)	214	2,108
Net profit/(loss) for the year		**34,153**	**27,452**	**29,882**	**19,826**
Basic earnings per share (cents per share)	31	43.82	42.00	-	-
Diluted earnings per share (cents per share)	31	43.82	41.34	-	-

The income statements should be read in conjunction with notes 1 to 39 which form part of the financial statements.

Cardno Limited and its Controlled Entities as at 30 June 2009

	Note	Consolidated		Cardno Limited	
		2009 $'000	2008 $'000	2009 $'000	2008 $'000
CURRENT ASSETS					
Cash and cash equivalents	6	65,808	52,624	-	-
Trade and other receivables	7	92,072	83,219	195,973	183,686
Inventories	8	56,419	47,910	-	-
Other current assets	9	4,794	3,634	122	93
TOTAL CURRENT ASSETS		**219,093**	**187,387**	**196,095**	**183,779**
NON-CURRENT ASSETS					
Trade and other receivables	10	1,650	216	-	-
Other financial assets	11	553	37	97,370	73,610
Property, plant and equipment	12	27,014	22,026	-	-
Deferred tax assets	13	11,992	8,737	-	66
Intangible assets	14	222,091	165,175	-	-
Other non-current assets	15	213	266	210	266
TOTAL NON-CURRENT ASSETS		**263,513**	**196,457**	**97,580**	**73,942**
TOTAL ASSETS		**482,606**	**383,844**	**293,675**	**257,721**
CURRENT LIABILITIES					
Trade and other payables	16	58,779	41,560	44,736	7,377
Interest-bearing loans and borrowings	17	8,976	12,824	-	2,756
Current tax liabilities		4,115	9,368	4,989	7,614
Short term provisions	18	13,206	11,610	-	-
Other current liabilities	19	38,033	30,139	-	-
TOTAL CURRENT LIABILITIES		**123,109**	**105,501**	**49,725**	**17,747**
NON-CURRENT LIABILITIES					
Trade and other payables	20	-	198	-	-
Interest-bearing loans and borrowings	21	76,076	45,174	-	40,682
Deferred tax liabilities	13	10,940	9,040	816	-
Long term provisions	22	5,629	5,440	-	-
Other non-current liabilities	23	931	425	-	-
TOTAL NON-CURRENT LIABILITIES		**93,576**	**60,277**	**816**	**40,682**
TOTAL LIABILITIES		**216,685**	**165,778**	**50,541**	**58,429**
NET ASSETS		**265,921**	**218,066**	**243,134**	**199,292**
EQUITY					
Issued capital	24	227,457	192,063	227,457	192,063
Reserves		(4,293)	(4,035)	-	-
Retained earnings		42,757	30,038	15,677	7,229
TOTAL EQUITY		**265,921**	**218,066**	**243,134**	**199,292**

The balance sheets should be read in conjunction with notes 1 to 39 which form part of the financial statements.

Statements of Changes in Equity

Cardno Limited and its Controlled Entities for the year ending 30 June 2009

Consolidated	Note	Issued Capital Ordinary $'000	Retained Earnings $'000	Forex Reserve $'000	Total $'000
BALANCE AT 1 JULY 2007		**92,245**	**18,935**	**70**	**111,250**
Shares issued		96,961	-	-	96,961
Notes converted to shares		2,857	-	-	2,857
Profit for the period		-	27,452	-	27,452
Dividends paid or provided	5	-	(16,349)	-	(16,349)
Restatement of functional currency		-	-	(4,105)	(4,105)
BALANCE AT 30 JUNE 2008		**192,063**	**30,038**	**(4,035)**	**218,066**
Shares issued		32,741	-	-	32,741
Notes converted to shares		2,653	-	-	2,653
Profit for the period		-	34,153	-	34,153
Dividends paid or provided	5	-	(21,434)	-	(21,434)
Restatement of functional currency		-	-	(258)	(258)
BALANCE AT 30 JUNE 2009		**227,457**	**42,757**	**(4,293)**	**265,921**

Company	Note	Issued Capital Ordinary $'000	Retained Earnings $'000	Forex Reserve $'000	Total $'000
BALANCE AT 1 JULY 2007		**92,245**	**3,752**	**-**	**95,997**
Shares issued		96,961	-	-	96,961
Notes converted to shares		2,857	-	-	2,857
Profit for the period		-	19,826	-	19,826
Dividends paid or provided	5	-	(16,349)	-	(16,349)
BALANCE AT 30 JUNE 2008		**192,063**	**7,229**	**-**	**199,292**
Shares issued		32,741	-	-	32,741
Notes converted to shares		2,653	-	-	2,653
Profit for the period		-	29,882	-	29,882
Dividends paid or provided	5	-	(21,434)	-	(21,434)
BALANCE AT 30 JUNE 2009		**227,457**	**15,677**	**-**	**243,134**

The statements of changes in equity should be read in conjunction with notes 1 to 39 which form part of the financial statements.

Cash Flow Statements

Cardno Limited and its Controlled Entities for the year ended 30 June 2009

	Note	Consolidated 2009 $'000	Consolidated 2008 $'000	Cardno Limited 2009 $'000	Cardno Limited 2008 $'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash receipts from customers		550,769	421,574	-	-
Interest received		1,492	1,766	4,621	545
Finance costs		(4,768)	(3,775)	(776)	(3,082)
Cash paid to suppliers and employees		(494,189)	(375,083)	1,547	10,581
Income tax paid		(14,715)	(6,969)	(10,833)	(4,885)
NET CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES	26(a)	**38,589**	**37,513**	**(5,441)**	**3,159**
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of subsidiaries, net of cash acquired	26(d)	(42,023)	(66,558)	-	-
Payment of direct costs of acquisition		(620)	(896)	-	-
Additions to intangibles		-	(1,453)	-	-
Proceeds from sale of property, plant & equipment		1,588	460	-	-
Payments for property, plant & equipment		(9,716)	(5,205)	-	-
NET CASH PROVIDED BY/(USED IN) INVESTING ACTIVITIES		**(50,771)**	**(73,652)**	**-**	**-**
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of shares		28,587	94,092	28,587	94,092
Payment of vendor liability		-	(4,006)	-	-
Payments to/(from) controlled entities		-	-	37,013	(81,976)
Proceeds from/(Repayment of) borrowings		14,350	(2,900)	(40,785)	-
Dividends paid		(19,374)	(15,275)	(19,374)	(15,275)
NET CASH PROVIDED BY/(USED IN) FINANCING ACTIVITIES		**23,563**	**71,911**	**5,441**	**(3,159)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS HELD		**11,381**	**35,772**	**-**	**-**
CASH AND CASH EQUIVALENTS AT 1 JULY		**52,624**	**18,924**	**-**	**-**
Effects of exchange rate changes on cash and cash equivalents		1,803	(2,072)	-	-
CASH AND CASH EQUIVALENTS AT 30 JUNE	26(b)	**65,808**	**52,624**	**-**	**-**

The cash flow statements should be read in conjunction with notes 1 to 39 which form part of the financial statements.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Cardno Limited (the "Company") is a company incorporated and domiciled in Australia. The consolidated financial report of the Company for the year ended 30 June 2009 encompasses the Company and its subsidiaries (together referred to as the "consolidated entity").

The financial report was authorised for issue by the Board of Directors on 18 August 2009.

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB), Urgent Issues Group Interpretations ("UIG") and the Corporations Act 2001. The financial reports of the consolidated entity and the Company also comply with International Financial Reporting Standards and interpretations adopted by the International Accounting Standards Board.

(b) Basis of Preparation

The financial report has been prepared on an accrual and historical cost basis, modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

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

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2008, but have not been applied in preparing this financial report.

- Revised AASB 3 *Business Combinations* changes the application of acquisition accounting for business combinations and the accounting for non-controlling (minority) interests. Key changes include: the immediate expensing of all transaction costs; measurement of contingent consideration at acquisition date with subsequent changes through the income statement; measurement of non-controlling (minority) interests at full fair value or the proportionate share of the fair value of the underlying net assets; guidance on issues such as reacquired rights and vendor indemnities; and the inclusion of combinations by contract alone and those involving mutuals. The revised standard becomes mandatory for the Group's 30 June 2010 financial statements. The Group has not yet determined the potential effect of the revised standard on the Group's financial report.

- AASB 8 *Operating Segments* introduces the "management approach" to segment reporting. AASB 8, which becomes mandatory for the Group's 30 June 2010 financial statements, will require the disclosure of segment information based on the internal reports regularly reviewed by the Group's Chief Operating Decision Maker in order to assess each segment's performance and to allocate resources to them. Currently the Group presents segment information in respect of its business segments as its primary reporting segments and its geographical segments as its secondary reporting segments (see note 37). Under the management approach, changes will be required to the group segments.

- Revised AASB 101 *Presentation of Financial Statements* introduces as a financial statement (formerly "primary" statement) the "statement of comprehensive income" and makes changes to the statement of changes in equity. The revised standard does not change the recognition, measurement of disclosure of transactions and events that are required by other AASBs. The revised AASB 101 will become mandatory for the Group's 30 June 2010 financial statements. The Group has not yet determined the potential effect of the revised standard on the Group's disclosures.

- Revised AASB 123 *Borrowing Costs* removes the option to expense all borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised AASB 123 will become mandatory for the Group's 30 June 2010 financial statements and will constitute a change in accounting policy for the Group. In accordance with the transitional provisions the Group will apply the revised AASB 123 to qualifying assets for which capitalisation of borrowing costs commences on or after the effective date. The Group has not yet determined the potential effect of the revised standard on future earnings.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(b) Basis of Preparation continued

- Revised AASB 127 *Consolidated and Separate Financial Statements* changes the accounting for investments in subsidiaries. Key changes include: the remeasurement to fair value of any previous/retained investment when control is obtained/lost, with any resulting gain or loss being recognised in profit or loss; and the treatment of increases in ownership interest after control is obtained as transactions with equity holders in their capacity as equity holders. The revised standard will become mandatory for the Group's 30 June 2010 financial statements. The Group has not yet determined the potential effect of the revised standard on the Group's financial report.

- AASB 2008-1 *Amendments to Australian Accounting Standard – Share-based Payment: Vesting Conditions and Cancellations* changes the measurement of share-based payments that contain non-vesting conditions. AASB 2008-1 becomes mandatory for the Group's 30 June 2010 financial statements. The Group has not yet determined the potential effect of the amending standard on the Group's financial report.

- AASB 2008-7 *Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (effective 1 July 2009).* In July 2008, the AASB approved amendments to AASB 1 First-Time Adoption of International Financial Reporting Standards and AASB 127 Consolidated and Separate Financial Statements. The revised rules apply prospectively from 1 July 2009 so that:

  - All dividends received from investments in subsidiaries, jointly controlled entities or associates will be recognised as revenue including dividends declared out of pre-acquisition profits ie. These dividends will no longer be deducted from the cost of the investment. As a result, investments in subsidiaries, jointly controlled entities and associates may need to be tested for impairment when a dividend is paid.

  - Where there is, in substance, no change to Group interests, parent entities inserted above existing Groups shall measure its investments at the carrying amount of the net assets of the subsidiary rather than the subsidiary's fair value at the date of reorganisation.

- AASB 2008-8 *Amendments to IAS 39 Financial Instruments: Recognition and Measurement (applicable for annual reporting periods commencing from 1 July 2009).* AASB 2008-8 amends 139 *Financial Instruments: Recognition and Measurement* and must be applied retrospectively in accordance with AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors. This amendment makes two significant changes. It prohibits designating inflation as a hedgeable component of fixed rate debt and prohibits including time value in the one-sided hedge risk when designating options as hedges. The amendments are not expected to materially affect the Group.

- AASB Interpretation 17: *Distributions of Non-cash Assets to Owners and AASB 2008-13 Amendments to Australian Accounting Standards* arising from AASB Interpretation 17 (applicable for annual reporting periods commencing 1 July 2009). This interpretation applies to situations where an entity pays dividends by distributing non-cash assets to its shareholders. The interpretation which applies prospectively, clarifies that non-cash dividends paid or payable should be measured at the fair value of the net assets distributed or to be distributed. Any difference between the fair value and carrying value of the assets is recognised in profit or loss on distribution. The interpretation also clarifies when a liability for a dividend must be recognised and measured at fair value. The Group will apply the interpretation prospectively from 1 July 2009. The group has not yet determined the potential effect of the interpretation.

- AASB Interpretation 18: *Transfers of Assets from customers* (applicable for annual reporting periods commencing from 1 July 2009). The interpretation provides guidance on the accounting for contributions from customers in the form of transfers of property, plant and equipment, or the cash to acquire and construct property, plant and equipment. The Group will apply the interpretation prospectively from 1 July 2009. The interpretation is not expected to have a significant impact on the group.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(b) Basis of Preparation continued

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 (updated by CO 05/641 effective 28 July 2005 and CO 06/51 effective 31 January 2006) and in accordance with that Class Order, amounts in the financial report and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

(c) Basis of Consolidation

Subsidiaries
Subsidiaries are entities controlled by the Company. Control exits when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

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

Investments in subsidiaries are carried at their cost of acquisition in the Company's financial statements.

A list of the controlled entities is contained in Note 38 to the financial statements. All controlled entities have a June financial year-end.

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

(d) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the consolidated balance sheet.

Cash flows from operating activities are included in the cash flow statements on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(e) Foreign Currency

Foreign currency transactions
Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the foreign exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the translation of available-for-sale equity instruments, a financial liability designated as a hedge of the net investment in a foreign operation, or qualifying cash flow hedges, which are recognised directly in equity.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(e) Foreign Currency continued

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

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

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

(f) Revenue Recognition

Revenue is recognised at fair value of the consideration received net of the amount of goods and services tax (GST) payable to the taxation authority.

Sale of goods
Revenue from the sale of goods is recognised (net of rebates, discounts and other allowances) upon the delivery of goods to the customer.

Consulting revenue
Revenue is recognised when the service is provided. For long term contracts, revenue and expenses are recognised in accordance with the percentage of completion method. Where a loss is expected to arise from a contract, the loss is recognised immediately as an expense. The percentage of completion is determined by costs to date versus total project costs.

Interest revenue
Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset.

Sale of non-current assets
The gross proceeds of non-current asset sales are recognised as revenue at the date control of the asset passes to the buyer, usually when an unconditional contract of sale is signed.

Dividends
Revenue from dividends is recognised by the consolidated entity when dividends are received.

Revenue from distributions from controlled entities is recognised by the parent entity when they are declared by the controlled entities.

(g) Expenses

Operating lease payments
Payments made under operating leases which are subject to fixed annual increments are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense and are spread over the lease term.

Finance lease payments
Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(h) Net Financing Costs

Interest income is recognised in the income statement as it accrues, using the effective interest method.

Borrowing costs are calculated using the effective interest method and include interest, amortisation of discounts or premiums relating to borrowings and amortisation of ancillary costs incurred in connection with arrangement of borrowings and foreign exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

Borrowing costs are expensed as incurred unless they relate to qualifying assets. Qualifying assets are assets which take a substantial period of time to get ready for their intended use or sale. Where funds are borrowed specifically for the acquisition, construction or production of a qualifying asset, the amount of borrowing costs capitalised is the amount incurred in relation to that borrowing, net of any interest earned on those borrowings. Where funds are borrowed generally, borrowing costs are capitalised using a weighted average capitalisation rate.

(i) Income Tax

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

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

Deferred tax is recognised using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting or taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

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

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

Tax consolidation
The Company and its wholly-owned Australian resident entities are part of a tax-consolidated group. As a consequence, all members of the tax-consolidated group are taxed as a single entity from the date of forming the tax consolidated group. The head entity within the tax-consolidated group is Cardno Limited.

Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries are assumed by the head entity in the tax-consolidated group and are recognised by the Company as amounts payable (receivable) to/(from) other entities in the tax-consolidated group in conjunction with any tax funding arrangement amounts (refer below). Any difference between these amounts is recognised by the Company as an equity contribution or distribution.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(i) Income Tax continued

The Company recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

Nature of tax funding arrangements and tax sharing arrangements
The head entity, in conjunction with other members of the tax-consolidated group, has entered into a tax funding arrangement which sets out the funding obligations of members of the tax-consolidated group in respect of tax amounts. The tax funding arrangements require payments to/from the head entity equal to the current tax liability/(asset) assumed by the head entity and any tax-loss deferred tax asset assumed by the head entity, resulting in the head entity recognising an inter-entity receivables/(payables) equal in amount to the tax liability/(asset) assumed. The inter-entity receivables/(payables) are repayable at call.

Contributions to fund the current tax liabilities are payable as per the tax funding arrangement and reflect the timing of the head entity's obligation to make payments for tax liabilities to the relevant tax authorities.

The head entity in conjunction with other members of the tax-consolidated group, has also entered into a tax sharing agreement. The tax sharing agreement provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the tax sharing agreement is considered remote.

(j) Segment Reporting

A business segment is identified for a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is identified when products or services are provided within a particular economic environment subject to risks and returns that are different from those of segments operating in other economic environments.

(k) Non-current Assets Held for Sale and Discontinued Operations

Immediately before classification as held for sale, the measurement of the assets (and all assets and liabilities in a disposal group) is brought up-to-date in accordance with applicable accounting standards. Then, on initial classification as held for sale, non-current assets and disposal groups are recognised at the lower of carrying amount and fair value less costs to sell.

Impairment losses on initial classification as held for sale are included in profit or loss, even when there is a revaluation. The same applies to gains and losses on subsequent remeasurement.

A discontinued operation is a component of the consolidated entity's business that represents a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. A disposal group that is to be abandoned may also qualify.

(l) Trade and Other Receivables

Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectible debts. Interest income is recognised as it accrues. The recoverability of trade receivables is reviewed on an ongoing basis. An estimate for doubtful debts is made when collection of the full nominal amount is no longer probable. Bad debts are written off as incurred.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(m) Inventories

Work in progress is stated at the aggregate of contract costs incurred to date plus recognised profits less recognised losses and progress billings. If there are contracts where progress billings exceed the aggregate costs incurred plus profits less losses, the net amounts are presented under other liabilities.

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

(n) Property, Plant and Equipment

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

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. Borrowing costs related to the acquisition or construction of qualifying assets are recognised in profit or loss as incurred.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" in the income statement. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

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

Depreciation
Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

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

• buildings	40 years
• laboratory equipment, instruments and amenities	4-7 years
• equipment and motor vehicles	4-7 years
• leasehold improvements	4-5 years
• office furniture and equipment	3-11 years

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

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(o) Intangible Assets

Goodwill
All business combinations are accounted for by applying the purchase method as defined in the standard. Goodwill represents the excess of the cost of the acquisition over the fair value of the identifiable net assets acquired.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment.

Negative goodwill arising on an acquisition is recognised directly in the income statement.

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

Patents and Licenses
Patents and licenses acquired by the consolidated entity are considered to have infinite useful lives and are stated at cost less any impairment losses. Patents and licences are not amortised but tested for impairment annually.

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

(p) Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Goodwill and intangible assets with an indefinite life are systematically tested for impairment at each annual balance sheet date. Works contracts which are assigned a value are amortised over the life of the contract from the date they are available for use.

(q) Impairment

The carrying amount of the consolidated entity's assets, other than inventories (see paragraph (m)), and deferred tax assets (see paragraph (i)), are reviewed at each statutory reporting date to determine whether there is any indication of impairment. If any such indication exists, an impairment test is performed. The consolidated entity performs impairment testing of goodwill annually.

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

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

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

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

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(q) Impairment continued

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

An impairment loss in respect of goodwill is not reversed.

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

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

(r) Trade and Other Payables

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

(s) Interest Bearing Borrowings

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

(t) Employee Benefits

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

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

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

Employee option scheme
The Company has granted options to certain employees under an employee option scheme. Under this scheme, the directors may issue options to persons whom they wish to reward for strong performance.

The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using the Black-Scholes model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(u) Provisions

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

Dividends
A provision for dividends payable is recognised in the reporting period in which the dividends are declared.

(v) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and investments in money market instruments. Bank overdrafts are shown within Interest-bearing loans and borrowings in current liabilities on the balance sheets.

(w) Critical accounting estimates and judgements

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

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

(i) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1(q). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions. Refer to note 14 for details.

(ii) Estimated professional indemnity costs

The Group estimates and records those amounts that it believes will be payable as a result of professional indemnity claims. The exact amount of the legal settlement is unknown until such time as the deductible limit is reached or settlement occurs.

Cardno Limited and its Controlled Entities for the year ended 30 June 2009

	Consolidated		Cardno Limited	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
2. REVENUE				
Fees from services and sale of goods	410,673	312,464	-	-
Fees from recoverable expenses	101,911	83,712	-	-
Dividends received – wholly owned controlled entities	-	-	24,100	21,600
Interest received	1,472	1,766	4,621	545
Royalties	147	-	-	-
Other	1,639	1,093	-	-
Revenue	**515,842**	**399,035**	**28,721**	**22,145**
3. EXPENSES, LOSSES AND (GAINS)				
Consumables and materials used	145,272	109,265	-	-
Sub consultant & contractor costs	61,848	28,582	-	59
Depreciation				
Motor vehicles	1,472	794	-	-
Plant & equipment	6,019	4,727	-	-
Total Depreciation	**7,491**	**5,521**	**-**	**-**
Amortisation of non-current assets				
Works contracts	770	125	-	-
Software intangibles	303	139	-	-
Motor vehicles under lease	1,119	696	-	-
Plant & equipment under lease	1,320	1,607	-	-
Total Amortisation	**3,512**	**2,567**	**-**	**-**
Total Depreciation & Amortisation	**11,003**	**8,088**	**-**	**-**
Bad and doubtful debts	**3,263**	**1,421**	**-**	**-**
Financing costs				
Interest and finance charges	4,409	3,426	469	2,744
Amortisation of borrowing costs	228	349	114	338
Total financing costs	**4,637**	**3,775**	**583**	**3,082**
Rental expense relating to operating leases				
Minimum lease payments	**19,303**	**11,294**	**-**	**-**
Net loss on disposal of property, plant and equipment	**432**	**-**	**-**	**-**
Foreign exchange (gains) / losses	**(4,144)**	**1,403**	**-**	**-**
4. INCOME TAX EXPENSE				
(a) The components of tax expense comprises:				
Current tax expense				
Current year	14,097	11,799	1,146	(2,331)
Adjustments for prior years	(3,747)	438	(1,747)	266
	10,350	12,237	(601)	(2,065)
Deferred tax expense				
Origination and reversal of temporary differences	(2,411)	(988)	387	(43)
Change in New Zealand tax rate	-	(15)	-	-
Total income tax expense/(benefit)	**7,939**	**11,234**	**(214)**	**(2,108)**

	Consolidated 2009 $'000	Consolidated 2008 $'000	Cardno Limited 2009 $'000	Cardno Limited 2008 $'000
4. INCOME TAX EXPENSE CONTINUED				
(b) Numerical reconciliation between tax expense and pre-tax net profit				
Profit before tax	42,092	38,686	29,668	17,718
Income tax using the Australian corporation tax rate of 30% (2008: 30%)	12,628	11,606	8,901	5,315
Increase in income tax expense due to:				
Non-deductible expenses	218	228	-	-
PEP Option Value	197	137	-	-
Adjustment for branch office taxation	623	478	-	-
Amortisation of works contracts	3	15	-	-
Decrease in income tax expense due to:				
Australian owned R&D expenditure	(1,791)	(1,140)	(1,748)	(1,140)
Other R&D Expenditure	(64)	-	-	-
Tax exempt revenue	(840)	(230)	(7,230)	(6,480)
Adjustment for branch office taxation	-	(131)	-	-
Section 338(h)(10)adjustment USA	(975)	-	-	-
Other	(104)	(152)	(137)	(69)
Change in New Zealand tax rate	-	(15)	-	-
	9,895	10,796	(214)	(2,374)
Under / (over) provided in prior years	(1,956)	438	-	266
Income tax expense on pre-tax net profit	**7,939**	**11,234**	**(214)**	**(2,108)**
5. DIVIDENDS PAID OR PROVIDED FOR ON ORDINARY SHARES				
(a) Dividends proposed not recognised as a liability 100% franked dividend at 30% (2008: 30%) (Refer Note 30)			11,798	10,464
(b) Dividends paid during the year (28 cents per share) 100% franked dividend at 30% (2008: 30%)			21,434	16,349
(c) Franking credit balance The amount of franking credits available for the subsequent financial year are:				
- franking account balance as at the end of the financial year at 30%			9,384	5,873
- franking credits that will arise from the payment of income tax payable as at the end of the financial year			2,273	6,327
			11,657	**12,200**
The impact on the franking account of dividends proposed after the balance sheet date but not recognised as a liability is to reduce it by $5,056,335 (2008: $4,484,482)				
6. CASH AND CASH EQUIVALENTS				
Cash at bank and on hand	34,796	20,663	-	-
Restricted cash (project advances)	5,005	6,305	-	-
Bank short term deposits	26,007	25,656	-	-
	65,808	**52,624**	**-**	**-**

	Consolidated		Cardno Limited	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
7. TRADE & OTHER RECEIVABLES (CURRENT)				
Trade debtors	93,283	80,766	-	-
Provision for doubtful debts	(5,403)	(3,112)	-	-
	87,880	**77,654**	**-**	**-**
Sundry debtors	3,976	5,132	7	-
Forward exchange contract	216	433	-	-
Dividends receivable – wholly owned controlled entities	-	-	24,100	21,600
Receivable - notional tax asset	-	-	35,984	26,680
Loans – wholly owned controlled entities	-	-	135,882	135,406
	92,072	**83,219**	**195,973**	**183,686**

Terms and conditions relating to the above financial instruments

(i) Details of the terms and conditions of related party receivables are set out in Note 36.

	Consolidated 2009 $'000	Consolidated 2008 $'000	Cardno Limited 2009 $'000	Cardno Limited 2008 $'000
8. INVENTORIES (CURRENT)				
Work in progress	**56,419**	**47,910**	**-**	**-**
9. OTHER CURRENT ASSETS				
Prepayments	3,945	2,986	-	-
Borrowing costs	124	93	122	93
Project advances	109	191	-	-
Security deposits	616	364	-	-
	4,794	**3,634**	**122**	**93**
10. TRADE & OTHER RECEIVABLES (NON-CURRENT)				
Sundry debtors	1,650	-	-	-
Forward exchange contract	-	216	-	-
	1,650	**216**	**-**	**-**
11. OTHER FINANCIAL ASSETS (NON-CURRENT)				
Investments in subsidiaries	-	-	97,370	73,610
Investments in non-related entities	553	37	-	-
	553	**37**	**97,370**	**73,610**
12. PROPERTY, PLANT & EQUIPMENT				
Laboratory equipment, instruments & amenities – at cost	9,834	5,383	-	-
Less accumulated depreciation	(6,065)	(2,562)	-	-
	3,769	**2,821**	**-**	**-**
Equipment & motor vehicles – at cost	6,741	5,848	-	-
Less accumulated depreciation	(4,449)	(2,704)	-	-
	2,292	**3,144**	**-**	**-**
Office furniture & equipment – at cost	39,397	26,331	-	-
Less accumulated depreciation	(29,363)	(17,166)	-	-
	10,034	**9,165**	**-**	**-**
Leasehold improvements – at cost	6,904	2,840	-	-
Less accumulated depreciation	(1,443)	(659)	-	-
	5,461	**2,181**	**-**	**-**

	Consolidated		Cardno Limited	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
12. PROPERTY, PLANT & EQUIPMENT CONTINUED				
Office furniture & equipment under lease	2,091	4,184	-	-
Less accumulated amortisation	(988)	(2,710)	-	-
	1,103	**1,474**	**-**	**-**
Motor vehicles – under hire purchase	1,193	107	-	-
Less accumulated depreciation	(395)	(68)	-	-
	798	**39**	**-**	**-**
Motor vehicles & field lab equipment – under lease	5,014	3,495	-	-
Less accumulated amortisation	(1,931)	(1,311)	-	-
	3,083	**2,184**	**-**	
Leasehold improvements – under lease	1,200	2,123	-	-
Less accumulated amortisation	(889)	(1,116)	-	-
	311	**1,007**	**-**	**-**
Property	233	70	-	-
Less accumulated depreciation	(70)	(59)	-	-
	163	**11**	**-**	**-**
Total Property, Plant & Equipment	**27,014**	**22,026**	**-**	**-**

	Consolidated 2009 $'000	Cardno Limited 2009 $'000
(a) Movements in carrying amounts		
Movements in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year.		
Laboratory equipment, instruments & amenities – at cost		
Carrying amount at the beginning of the year	2,821	-
Additions	689	-
Increase through merger acquisition	1,375	-
Disposals	(390)	-
Depreciation expense	(1,087)	-
Transfer between classes	436	-
Foreign exchange	(75)	-
Carrying amount at the end of the year	**3,769**	**-**
Equipment & motor vehicles – at cost		
Carrying amount at the beginning of the year	3,144	-
Additions	357	-
Increase through merger acquisitions	941	-
Disposals	(840)	-
Depreciation expense	(1,472)	-
Foreign exchange	446	-
Transfer between classes	(284)	-
Carrying amount at the end of the year	**2,292**	**-**

	Consolidated 2009 $'000	Cardno Limited 2009 $'000
12. PROPERTY, PLANT & EQUIPMENT CONTINUED		
(a) Movements in carrying amounts continued		
Office furniture & equipment – at cost		
Carrying amount at the beginning of the year	9,165	-
Additions	4,794	-
Increase through merger acquisitions	588	-
Disposals	(267)	-
Depreciation expense	(4,389)	-
Foreign exchange	349	-
Transfer between classes	(206)	-
Carrying amount at the end of the year	**10,034**	**-**
Leasehold improvements – at cost		
Carrying amount at the beginning of the year	2,181	-
Additions	3,726	-
Increase through merger acquisitions	301	-
Disposals	(508)	-
Depreciation expense	(543)	-
Foreign exchange	264	-
Transfer between classes	40	-
Carrying amount at end of the year	**5,461**	**-**
Office furniture & equipment – under lease		
Carrying amount at the beginning of the year	1,474	-
Additions	174	-
Disposals	(15)	-
Amortisation expense	(1,050)	-
Foreign exchange	130	-
Transfer between classes	390	-
Carrying amount at the end of the year	**1,103**	**-**
Motor vehicles – under hire purchase		
Carrying amount at the beginning of the year	39	-
Additions	679	-
Depreciation expense	(37)	-
Transfer between classes	117	-
Carrying amount at the end of the year	**798**	**-**
Motor vehicles & field lab equipment – under lease		
Carrying amount at the beginning of the year	2,184	-
Additions	1,977	-
Amortisation expense	(1,082)	-
Foreign exchange	33	-
Transfer between classes	(29)	-
Carrying amount at the end of the year	**3,083**	**-**
Leasehold improvements – under lease		
Carrying amount at the beginning of the year	1,007	-
Increase through merger acquisitions	19	-
Additions	19	-
Amortisation expense	(270)	-
Transfer between classes	(464)	-
Carrying amount at the end of the year	**311**	**-**
Property – at fair value		
Carrying amount at the beginning of the year	11	-
Additions	150	-
Foreign exchange	2	-
Carrying amount at the end of the year	**163**	**-**

	Consolidated 2009 $'000	Cardno Limited 2009 $'000
12. PROPERTY, PLANT & EQUIPMENT CONTINUED		
(a) Movements in carrying amounts continued		
Total Property, Plant & Equipment		
Carrying amount at the beginning of the year	22,026	-
Additions	12,565	-
Increase through merger acquisitions	3,224	-
Disposals	(2,020)	-
Depreciation & amortisation expense	(9,930)	-
Transfer between classes	-	-
Foreign exchange	1,149	-
Carrying amount at the end of the year	**27,014**	**-**

	Consolidated		Cardno Limited	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
13. DEFERRED TAX ASSETS & LIABILITIES				
Recognised deferred tax assets and liabilities				
Deferred tax assets and liabilities are attributable to the following:				
Assets				
Amortised expenses	-	51	-	-
Accruals	1,719	1,310	-	-
Provisions	8,176	6,140	-	-
Unrealised foreign exchange gains	-	479	-	66
Carried forward tax losses	932	177	-	-
Lease timing	326	164	-	-
Deferred rent	-	131	-	-
Property, plant and equipment	393	-	-	-
Other	446	285	-	-
TAX ASSETS	**11,992**	**8,737**	**-**	**66**
Liabilities				
Unrealised foreign exchange gains	1,026	71	816	-
Work in progress	7,122	6,280	-	-
Prepayments	403	106	-	-
Property, plant and equipment	2	150	-	-
Cash to accrual adjustment	1,447	2,133	-	-
Intangible items	823	300	-	-
Other	117	-	-	-
TAX LIABILITIES	**10,940**	**9,040**	**816**	**-**
14. INTANGIBLE ASSETS				
Goodwill at cost	220,328	163,639	-	-
Accumulated amortisation and impairment losses	(2,293)	(2,293)	-	-
	218,035	161,346	-	-
Works contracts	2,900	1,759	-	-
Accumulated amortisation	(2,336)	(1,723)	-	-
	564	36	-	-
Patents and licenses	2,110	2,115	-	-
Software intangibles	1,795	1,817	-	-
Accumulated amortisation	(413)	(139)	-	-
	1,382	1,678	-	-
	222,091	**165,175**	**-**	**-**

	Consolidated		Cardno Limited	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
14. INTANGIBLE ASSETS CONTINUED				
Intangibles are allocated to cash-generating units which are based on the group's management divisions.				
North America and Software	100,977	49,336	-	-
Emerging Markets Region	34,497	33,796	-	-
South East Australia & N.Z	25,033	23,157	-	-
North & Western Australia	24,583	21,885	-	-
Geotechnical Division	37,001	37,001	-	-
	222,091	**165,175**	**-**	**-**

Cash generating units have been restructured to reflect the lowest level of management control within the business. This allocation has been independently assessed as in compliance with the requirements of AASB136. The 30 June 2008 comparative CGUs have been reclassified to reflect the changes in CGUs at 30 June 2009.

	Goodwill	Works Contracts	Patents and Trademarks	Software Intangibles
	$'000	$'000	$'000	$'000
Reconciliation of movement in carrying amounts from beginning of year to end of year:				
Consolidated				
Year ended 30 June 2008				
Balance at the beginning of year	101,272	152	2,110	-
Additions:				
- acquisition through business combinations				
- current year	63,000	-	5	1,817
- prior year	1,453	-	-	-
Amortisation charges	-	(125)	-	(139)
Effect of foreign exchange	(4,379)	9	-	-
Closing value at 30 June 2008	**161,346**	**36**	**2,115**	**1,678**
Year ended 30 June 2009				
Balance at the beginning of year	161,346	36	2,115	1,678
Additions:				
- acquisition through business combinations				
- current year	47,236	1,039	-	-
- prior year	(36)	-	(5)	-
Amortisation charges	-	(770)	-	(303)
Effect of foreign exchange	9,489	259	-	7
Closing value at 30 June 2009	**218,035**	**564**	**2,110**	**1,382**

The recoverable amount of each cash-generating unit above is determined based on value-in-use calculations. Value-in-use is calculated based on the present value of cash flow projections over a 5 year period including a terminal value at the end of year five. The cash flows are discounted using a pre-tax discount rate of 12.8% (2008: 14.4%) based on an estimate of the group's weighted average cost of capital.

The value-in-use calculations are based on budget forecasts for each cash generating unit for the 2010 year and longer term year-on-year growth rates as assessed by operational management of the businesses. The growth rate is calculated as the average growth rate over the forecast period based upon 2009 baseline performance. These forecasts are based on underlying economic conditions and historical growth of project revenue. Growth in the North America and Software CGU is reflective of revenue generating synergies from continued operational integration of North American engineering and software businesses and realisation of scale advantages. Costs are calculated taking into account historical gross margins as well as estimated cost inflation over the period.

14. INTANGIBLE ASSETS CONTINUED

The following assumptions were used in the value-in-use calculations:

	Growth Rate	Pre-Tax Discount Rate
North America and Software	6.6%	12.8%
Emerging Markets Region	4.1%	12.8%
South East Australia & N.Z	3.6%	12.8%
North & Western Australia	4.3%	12.8%
Geotechnical Division	3.0%	12.8%

	Consolidated		Cardno Limited	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
15. OTHER NON-CURRENT ASSETS				
Borrowing costs	**213**	**266**	**210**	**266**
16. TRADE & OTHER PAYABLES (CURRENT)				
Trade payables & accruals	48,633	41,165	46	242
Forward exchange contract	236	395	-	-
Vendor liability	9,910	-	-	-
Loans - wholly owned controlled entities	-	-	44,690	7,135
	58,779	**41,560**	**44,736**	**7,377**
(i) Details of the terms and conditions of related party payables are set out in Note 36.				
17. INTEREST-BEARING LOANS & BORROWINGS (CURRENT)				
Lease liabilities	1,928	2,468	-	-
Hire purchase liabilities	418	254	-	-
Convertible notes	-	2,756	-	2,756
Bank Loans	6,630	7,346	-	-
	8,976	**12,824**	**-**	**2,756**
(i) Details of the terms and conditions of loans and borrowings are set out in Note 21				
Convertible Notes				
Opening Balance	2,756	5,613	2,756	5,613
Amount converted to equity	(2,653)	(2,857)	(2,653)	(2,857)
Amount redeemed	(103)	-	(103)	-
Carrying amount of liability at 30 June (Note 17)	**-**	**2,756**	**-**	**2,756**
18. SHORT-TERM PROVISIONS				
Employee benefits	13,128	11,573	-	-
Training benefits	78	37	-	-
	13,206	**11,610**	**-**	**-**
19. OTHER CURRENT LIABILITIES				
Unearned revenue	**38,033**	**30,139**	**-**	**-**
20. TRADE & OTHER PAYABLES (NON-CURRENT)				
Forward exchange contract	**-**	**198**	**-**	**-**

Forward exchange contract

The group has two forward exchange contracts in place at 30 June 2009 expiring on 30 September 2009 and 31 December 2009 with a contract rate of 0.8785 USD/AUD. The contracts have a face value of USD $95,000 each.

	Consolidated 2009 $'000	Consolidated 2008 $'000	Cardno Limited 2009 $'000	Cardno Limited 2008 $'000
21. INTEREST-BEARING LOANS & BORROWINGS (NON-CURRENT)				
Lease liabilities	3,482	3,442	-	-
Hire purchase liabilities	340	359	-	-
Bank Loans	72,254	41,373	-	40,682
	76,076	**45,174**	**-**	**40,682**

Bank Loans

As at 30 June 2009 the group has bank loans totalling $78,884,102 (2008: $48,719,124), with an effective interest rate of 3.01% (2008: 5.56%).

The facility limits are multi-currency comprising an on-demand working capital / guarantee facility of AUD19.0m and term acquisition financing facilities of USD44.1m and GBP8.55m repayable in June 2011. Pricing of the working capital facility is BBR plus 1.1% whilst current interest rates on term facilities range from 2.71%pa. – 3.74% pa. The undrawn portion of facilities at 30 June 2009 was AUD10.0m. Facilities are secured by an unlimited interlocking guarantee and indemnity.

There were no bank overdrafts in existence at 30 June 2009 (2008: Nil).

	Consolidated 2009 $'000	Consolidated 2008 $'000	Cardno Limited 2009 $'000	Cardno Limited 2008 $'000
22. LONG-TERM PROVISIONS				
Employee entitlements	**5,629**	**5,440**	-	-
23. OTHER NON-CURRENT LIABILITIES				
Deferred Rent	420	339	-	-
Other	511	86	-	-
	931	**425**	**-**	**-**

	30-Jun-09 No. of shares	30-Jun-08 No. of shares	30-Jun-09 $'000	30-Jun-08 $'000
24. ISSUED CAPITAL OF CARDNO LIMITED				
Balance at the beginning of the period	73,509,653	57,318,821	192,063	92,245
Shares issued during the period:				
- Dividend reinvestment scheme	558,162	170,041	2,036	1,074
- Shares issued for cash	8,658,018	14,181,147	28,612	92,401
- Employee Tax Exempt Share Acquisition Plan	485,287	216,736	1,541	1,342
- Employee Performance Equity Plan	-	-	552	455
- Options exercised	-	480,000	-	1,689
- Conversion of Convertible Notes	1,061,129	1,142,908	2,653	2,857
Balance at the end of the year	**84,272,249**	**73,509,653**	**227,457**	**192,063**

The Company does not have authorised capital or par value in respect of its issued shares.

All shares are ordinary shares and have the right to receive dividends as declared and, in the event of winding up the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of members.

24. ISSUED CAPITAL OF CARDNO LIMITED CONTINUED

Movements in options throughout the year were as follows:

Grant Date	Exercise Date	Expiry Date	Exercise Price $	Fair Value at Grant Date* $	Number of Options at Beginning of Year	Options Granted	Options Lapsed	Options Vested Not Exercised	Number of Options as at 30 June 2009
26 October 2006	20 October 2008	26 October 2008	5.17	0.58	150,000	-		150,000	-
14 November 2006	8 November 2008	14 November 2008	5.30	0.56	861,500	-		861,500	-
25 October 2007	19 October 2009	25 October 2009	7.57	0.68	230,000	-	-	-	230,000
25 October 2007	19 October 2010	25 October 2010	7.57	0.92	330,000	-	-	-	330,000
5 December 2007	29 November 2009	5 December 2009	7.71	0.70	1,399,000	-	126,500	-	1,272,500
5 December 2007	29 November 2010	5 December 2010	7.71	0.95	1,880,500	-	161,500	-	1,719,000
5 December 2008	29 November 2011	5 December 2011	3.35	0.41	-	2,421,000	-	-	2,421,000
Weighted average exercise price					7.19	3.35	5.82	-	4.57
Weighted average remaining contract life									575 days
Total expense recognised $552,687 (2008: $495,793)									
* Excludes discount for probability of vesting.									

The options outstanding at 30 June 2009 have an exercise price in the range of $3.35 to $7.71. These options do not entitle the holder to participate in any share issue of the Company.

The fair values of options granted during the year has been calculated using the Black-Scholes model, taking into account price volatility, risk free interest rates and the dividend yield. Where relevant, the fair value has been adjusted to account for the effects of non-tradability and other relevant restrictions.

The model inputs for the fair value of options granted during the year ended 30 June 2009 include share price at grant date of $3.26, expected price volatility of the companies shares of 33%, expected dividend yield of 8.28% and risk free interest rate of 6.73%.

25. RESERVES

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

	Consolidated		Cardno Limited	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
26. NOTES TO THE CASH FLOW STATEMENTS				
(a) Reconciliation of Net Cash from Operating Activities to Net profit/(loss) for the year				
Net profit/(loss) for the year	**34,153**	**27,452**	**29,882**	**19,826**
Adjust for non-cash items				
Depreciation	7,492	5,521	-	-
Amortisation	3,511	2,567	-	-
Dividend received	-	-	(24,100)	(21,600)
Gain/(loss) on sale of property, plant & equipment	432	(21)	-	-
Net exchange differences	(2,528)	3,173	-	-
Share based remuneration	2,094	1,797	-	(80)
Adjust for changes in assets and liabilities (increase) / decrease in:				
Inventories	(4,714)	(4,200)	-	-
Deferred tax assets	(3,027)	1,210	66	142
Trade receivables	1,856	(1,861)	-	-
Provision for doubtful debts	1,540	118	-	-
Other receivables	65	(4,200)	(9,310)	-
Prepayments	(181)	(156)	-	-
Other assets	(44)	-	27	-
Increase / (decrease) in:				
Trade payables	(4,133)	(1,464)	(197)	580
Income tax payable	(5,654)	2,312	(2,625)	4,291
Employee provisions	(2,591)	(698)	-	-
Unearned revenue	7,894	7,553	-	-
Other liabilities	519	-	-	-
Deferred tax liabilities	1,905	(1,590)	816	-
	38,589	**37,513**	**(5,441)**	**3,159**

(b) Reconciliation of cash

For the purposes of the cash flow statements, cash includes cash on hand, restricted cash and bank deposits at call net of bank overdrafts. Cash at the end of the year as shown in the cash flow statements is reconciled to related items in the accounts as follows:

	Consolidated 2009 $'000	Consolidated 2008 $'000	Cardno Limited 2009 $'000	Cardno Limited 2008 $'000
Cash and cash equivalents (Note 6)	65,808	52,624	-	-

Restricted cash (project advances) can only be drawn in relation to specific projects for which it has been provided.

(c) Non-cash financing and investing activities

During the financial year, the consolidated entity acquired property, plant and equipment with an aggregate fair value of $2,848,899 (2008: $2,049,223) by means of finance leases. These acquisitions are not reflected in the cash flow statements.

(d) Acquisition of entities

Details of the acquisitions are as follows:

	Consolidated 2009 $'000	Consolidated 2008 $'000	Cardno Limited 2009 $'000	Cardno Limited 2008 $'000
Purchase consideration				
Cash consideration	43,973	73,640	-	-
Vendor liability	9,027	-	-	-
Accrued costs relating to acquisition	91	-	-	-
Direct costs relating to acquisition	620	896	-	-
Consideration	**53,711**	**74,536**	-	-

	Consolidated		Cardno Limited	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
26. NOTES TO THE CASH FLOW STATEMENTS CONTINUED				
Assets and liabilities held at acquisition date:				
Cash	1,950	7,294	-	-
Receivables	15,217	11,609	-	-
Deferred tax assets	233	212	-	
Property, plant & equipment	3,224	4,604	-	-
Intangibles	1,039	1,817	-	-
Inventories	3,795	94	-	-
Bank overdraft	-	(212)	-	
Creditors and borrowings	(10,721)	(11,505)	-	-
Provisions	(8,262)	(2,377)	-	-
	6,475	11,536	-	-
Goodwill on acquisition	47,236	63,000	-	-
Consideration	**53,711**	**74,536**	**-**	**-**
Net cash outflow on acquisition				
Cash consideration	43,973	73,640	-	-
Less balance acquired	(1,950)	(7,082)	-	-
	42,023	**66,558**	**-**	**-**
27. CAPITAL AND LEASING COMMITMENTS				
Finance leases and hire purchase				
Commitments in relation to finance leases are payable as follows:				
- Within one year	2,975	3,184	-	-
- Later than one year but not later than 5 years	4,481	4,196	-	-
- Later than 5 years	-	-	-	-
- Minimum lease payments	7,456	7,380	-	-
Less: Future finance charges	(1,288)	(857)	-	-
Recognised as a liability	**6,168**	**6,523**	**-**	**-**
Present value of minimum lease and hire purchase payment				
Commitments in relation to finance leases are payable as follows:				
- Within one year	2,346	2,722	-	-
- Later than one year but not later than 5 years	3,822	3,801	-	-
- Later than 5 years	-	-	-	-
Recognised as a liability	**6,168**	**6,523**	**-**	**-**
Finance leases are taken out over motor vehicle, leasehold improvements and plant and equipment, with terms varying between 3 and 5 years.				
Representing lease and hire purchase liabilities:				
Current (note 17)	2,346	2,722	-	-
Non-current (note 21)	3,822	3,801	-	-
	6,168	**6,523**	**-**	**-**

	Consolidated 2009 $'000	Consolidated 2008 $'000	Cardno Limited 2009 $'000	Cardno Limited 2008 $'000
27. CAPITAL AND LEASING COMMITMENTS CONTINUED				
Operating Leases				
- Within one year	20,347	14,510	-	-
- Later than one year but not later than 5 years	42,163	35,175	-	-
- Later than 5 years	20,683	21,980	-	-
Commitments not recognised in the financial statements.	**83,193**	**71,665**	**-**	**-**

The group leases office premises under operating leases, with terms varying from 3 to 10 years. The majority of leases provide for an option of renewal at the end of the lease term. Premise leases are subject to annual review for changes in the CPI index and contain restrictions on sub-leasing. The group also leases various plant & equipment under terms between 2 and 5 years as well as software licenses with a term of 3 years subject to annual review based on the number of licences exercised.

	Consolidated 2009 $'000	Consolidated 2008 $'000	Cardno Limited 2009 $'000	Cardno Limited 2008 $'000
28. EMPLOYEE BENEFITS & COMPENSATION COMMITMENT				
The aggregate employee benefit liability is comprised of:				
Accrued wages, salaries and on-costs (included in payables)	13,693	11,031	-	-
Provisions (current) (note 18)	13,128	11,573	-	-
Provisions (non-current) (note 22)	5,629	5,440	-	-
	32,450	**28,044**	**-**	**-**
Number of employees				
Number of full time equivalent employees at 30 June	**3,008**	**2,883**	**-**	**-**

29. CONTINGENT LIABILITIES

As at the date of this report, there is no current litigation or pending or threatened litigation which would not be covered by professional indemnity insurance or has not already been provided for in the financial statements of the Company, or which is likely to have a material effect on the financial performance of the consolidated entity.

The parent entity and consolidated entity had contingent liabilities at 30 June 2009 in respect of:

	Consolidated 2009 $'000	Consolidated 2008 $'000	Cardno Limited 2009 $'000	Cardno Limited 2008 $'000
Guarantees	9,891	14,846	4,700	8,603

The Group has both financial and performance guarantees. A multiple guarantee facility is available to the group totalling $19 million (2008: $20 million). The facility is secured by an unlimited interlocking guarantee and indemnity.

30. SUBSEQUENT EVENTS

On 18 August 2009, the Directors of Cardno Limited declared a final dividend of 14.0 cents per share for the 2009 financial year. The fully franked dividend will be paid on 13 October 2009 to shareholders registered on 15 September 2009 and will total $11,798,115. The dividend has not been provided for in the 30 June 2009 financial statements.

	Consolidated 2009	Consolidated 2008
31. EARNINGS PER SHARE		
Basic earnings per share		
The calculation of basic earnings per share at 30 June 2009 was based on the profit attributable to ordinary shareholders of $34,153,794 (2008: $27,451,472) and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2009 of 77,932,437 (2008: 65,362,040), calculated as follows:		
Profit attributable to ordinary shareholders	**34,153,794**	**27,451,472**
Weighted average number of ordinary shares		
Issued ordinary shares at 1 July	73,509,653	57,318,821
Effect of shares issued for cash consideration	3,201,881	7,078,215
Effect of shares issued in respect of employee share scheme	168,496	91,195
Effect of shares issued from conversion of convertible notes	1,052,407	873,809
Weighted average number of ordinary shares at 30 June	**77,932,437**	**65,362,040**

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

Diluted earnings per share

Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:

	Consolidated 2009	Consolidated 2008
Profit attributable to ordinary shareholders (diluted)		
Profit attributable to ordinary shareholders	34,153,794	27,451,472
After-tax effect of interest on convertible notes	-	212,958
Profit attributable to ordinary shareholders (diluted)	**34,153,794**	**27,664,430**
Weighted average number of ordinary shares (diluted)		
Weighted average number of ordinary shares at 30 June	77,932,437	65,362,040
Effect of convertible notes	9,069	1,371,414
Effect of share options on issue	1,066	190,246
Weighted average number of ordinary shares (diluted) at 30 June	**77,942,572**	**66,923,700**

The 3,551,500 options issued during the 2007 and 2008 financial years and still on issue as at 30 June 2009 are not included in the calculation of diluted earnings per share because they are not dilutive for the year ended 30 June 2009. These options could potentially dilute basic earnings per share in the future.

	Consolidated 2009 $	Consolidated 2008 $	Cardno Limited 2009 $	Cardno Limited 2008 $
32. AUDITOR'S REMUNERATION				
Amounts received or due and receivable by parent entity auditor (WHK Horwath)				
- an audit or review of the financial report of the entity and any other entity in the consolidated entity	159,903	132,647	-	-
- other assurance services	-	-	-	-
	159,903	**132,647**	**-**	**-**

32. AUDITOR'S REMUNERATION CONTINUED

	Consolidated 2009 $	Consolidated 2008 $	Cardno Limited 2009 $	Cardno Limited 2008 $
Amounts received or due and receivable by auditors of the subsidiaries in the group				
- an audit or review of the financial report of the entity and any other entity in the consolidated entity	507,273	266,910	-	-
- taxation services	127,590	85,117	-	-
- other assurance services	21,548	-	-	-
	656,411	**352,027**	**-**	**-**

33. KEY MANAGEMENT PERSONNEL DISCLOSURES

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

	Consolidated 2009 $'000	Consolidated 2008 $'000	Cardno Limited 2009 $'000	Cardno Limited 2008 $'000
Short-term employee benefits	3,996	3,694	234	183
Other long-term benefits	198	-	-	-
Post-employment benefits	611	400	170	147
Termination benefits	-	-	-	-
Equity compensation benefits	94	134	-	-
	4,899	**4,228**	**404**	**330**

Apart from the details disclosed in this note, no Director has entered into a material contract with the Company or the consolidated entity since the end of the previous financial year and there were no material contracts involving Directors' interests existing at year-end.

Options and rights over equity instruments granted as compensation

The movement during the reporting period in the number of options over ordinary shares in Cardno Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

2009	Held at 1 July 2008	Granted as compensation	Expired	Held at 30 June 2009	Vested and exercisable at 30 June 2009
Directors					
A D Buckley	310,000	-	60,000	250,000	-
J I Forbes	150,000	-	30,000	120,000	-
T C Johnson	120,000	-	30,000	90,000	-
G G Tamblyn	75,000	-	15,000	60,000	-
Executives					
R J K Collins-Woolcock	100,000	60,000	25,000	135,000	-
S V Coote	140,000	70,000	40,000	170,000	-
P W Gardiner	140,000	70,000	40,000	170,000	-
M J Renshaw	100,000	60,000	25,000	135,000	-
C W N Tapp	60,000	50,000	-	110,000	-

No options held by key management personnel had vested or were exercisable as at 30 June 2009.

33. KEY MANAGEMENT PERSONNEL DISCLOSURES CONTINUED

2008	Held at 1 July 2007	Granted as compensation	Exercised	Held at 30 June 2008	Vested and exercisable at 30 June 2008
Directors					
A D Buckley	100,000	250,000	40,000	310,000	-
J I Forbes	30,000	120,000	-	150,000	-
T C Johnson	50,000	90,000	20,000	120,000	-
G G Tamblyn	15,000	60,000	-	75,000	-
J G A Verco*	25,000	40,000	10,000	55,000	-
Executives					
R J K Collins-Woolcock	35,000	75,000	10,000	100,000	-
S V Coote	60,000	100,000	20,000	140,000	-
P W Gardiner	60,000	100,000	20,000	140,000	-
M J Renshaw	40,000	75,000	15,000	100,000	-
C W N Tapp	-	60,000	-	60,000	-

*resigned as director on 25 October 2007

The fair value of options is provided in the Remuneration Report section of the Directors' Report and in Note 24.

Movements in shares

The movement during the reporting period in the number of ordinary shares in Cardno Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

2009

	Held at 1 July 2008	Purchases	Received as Compensation	Sales	Held at 30 June 2009
Non–Executive Directors					
John Massey	30,687	13,695	-	-	44,382
Anthony Barnes	-	3,348	-	-	3,348
Peter Cosgrove	-	-	-	-	-
Ian Johnston	200,000	7,390	-	-	207,390
Executive Directors					
Graham Tamblyn	1,407,000	19,330	-	-	1,426,330
Andrew Buckley	2,322,952	36,085	-	-	2,359,037
Jeffrey Forbes	3,377	16,570	-	-	19,947
Trevor Johnson	1,963,704	3,695	-	-	1,967,399
Executives					
Roger Collins-Woolcock	791,090	-	314	137,752	653,652
Steven Coote	556,546	-	314	-	556,860
Paul Gardiner	796,132	3,695	314	-	800,141
Michael Renshaw	149,284	3,615	314	-	153,213
Charles Tapp	161	-	314	-	475

33. KEY MANAGEMENT PERSONNEL DISCLOSURES CONTINUED

2008

	Held at 1 July 2007	Purchases	Received as Compensation	Sales	Held at 30 June 2008
Non–Executive Directors					
John Massey	29,973	714	-	-	30,687
Peter Cosgrove	-	-	-	-	-
Ian Johnston	172,219	27,781	-	-	200,000
Executive Directors					
Graham Tamblyn	1,425,000	7,000	-	25,000	1,407,000
Andrew Buckley	2,275,810	47,142	-	-	2,322,952
Jeffrey Forbes	2,543	834	-	-	3,377
Trevor Johnson	1,942,990	20,714	-	-	1,963,704
Former Executive Director					
James Verco	1,104,947	12,142	-	-	1,117,089
Executives					
Roger Collins-Woolcock	780,929	10,161	-	-	791,090
Steven Coote	435,671	120,875	-	-	556,546
Paul Gardiner	774,543	21,589	-	-	796,132
Michael Renshaw	111,579	37,705	-	-	149,284
Charles Tapp	-	161	-	-	161
John King	75,853	20,835	-	-	96,688
Stephen Richards	89,928	4,483	-	-	94,411

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.

One of these entities transacted with the Company or its subsidiaries in the reporting period. The terms and conditions of the transactions with management persons and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-Director related entities on an arm's length basis.

The aggregate amounts recognised during the year relating to key management personnel and their related parties were as follows:

(i) Mr A D Buckley is a Director of CBD Professional Services Pty Ltd. The aggregate amount the consolidated entity billed for services performed by Mr Buckley was $25,220 (2008: $27,513). The consolidated entity also used Carter Newell Lawyers (associated with CBD Professional Services Pty Ltd) for legal advice throughout the year and the aggregate amount of fees expensed was $5,136 (2008: $116,761).

34. FINANCIAL RISK MANAGEMENT

The main risks arising from the Group's financial instruments are interest rate risk, foreign exchange risk, credit risk and liquidity risk. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and foreign exchange risks and aging analysis for credit risk. The Board through the Audit, Risk & Compliance Committee reviews and agrees policies for managing these risks and ensures strategies are implemented in the business. A Quality Management System and an Operational Risk Committee supports consistent risk minimisation 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 of the Group's risks are summarised below and remain unchanged from the prior year.

34. FINANCIAL RISK MANAGEMENT CONTINUED

The Group and the parent entity hold the following financial instruments:

	Consolidated		Cardno Limited	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Financial assets				
Cash and cash equivalents	65,808	52,624	-	-
Trade and other receivables	93,722	83,435	195,973	183,686
Investments in non-related entities	553	37	-	-
	160,083	**136,096**	**195,973**	**183,686**
Financial liabilities				
Trade and other payables	58,779	41,758	44,736	7,377
Interest-bearing loans and borrowings	85,052	57,998	-	43,438
	143,831	**99,756**	**44,736**	**50,815**

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers. For the parent entity it arises from receivables due from subsidiaries.

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

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on customers in accordance with the policy. The consolidated entity does not require collateral in respect of financial assets. Investments are allowed only in liquid securities and only with counterparties that have a credit rating equal to or better than an approved rating. There are no significant concentrations of credit risk within the Group.

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

	Consolidated		Cardno Limited	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Australia & New Zealand	35,459	40,200	-	-
North America	29,055	24,608	-	-
Asia Pacific	12,920	8,917	-	-
UK & Africa	10,446	3,929	-	-
	87,880	**77,654**	**-**	**-**

None of the parent entity's receivables are past due or impaired (2008: Nil).

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

	2009		2008	
	Gross	Impairment	Gross	Impairment
	$'000	$'000	$'000	$'000
Not past due (current)	42,122	-	40,329	-
Past due 0-30 days (30 day ageing)	17,341	-	14,468	-
Past due 31-60 days (60 day ageing)	9,024	-	7,423	-
Past due more than 60 days (+90 day ageing)	24,796	5,403	18,546	3,112
	93,283	**5,403**	**80,766**	**3,112**

34. FINANCIAL RISK MANAGEMENT CONTINUED

Credit risk continued

Based on historic default rates, the Group believes that no impairment allowance is necessary in respect of receivables not past due or past due by up to 60 days. For those receivables outstanding more than 60 days each debtor has been individually analysed and a provision for impairment established as necessary.

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

	Consolidated	
	2009 $'000	2008 $'000
Balance at 1 July	3,112	2,994
Impairment loss recognised	2,951	1,062
Receivables written off	(1,602)	(805)
Merger acquisition	751	28
Foreign exchange	191	(167)
Balance at 30 June	**5,403**	**3,112**

Liquidity risk

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

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

Consolidated 30 June 2009	Carrying amount	Contractual cash flows $'000	Less than 1 year	1 – 5 years	Over 5 years
Non-derivative financial liabilities					
Trade and other payables	58,543	58,543	58,543	-	-
Finance leases & hire purchase	6,168	7,456	2,975	4,481	-
Bank loans	78,884	79,067	6,919	72,148*	-
Derivative financial liabilities					
Forward exchange contract	236	236	236	-	-
	143,831	**145,302**	**68,673**	**76,629**	**-**

* Bank loans are a term facility repayable in June 2011.

Cardno Limited 30 June 2009	Carrying amount	Contractual cash flows $'000	Less than 1 year	1 – 5 years	Over 5 years
Non-derivative financial liabilities					
Trade and other payables	46	46	46	-	-
Loans to subsidiaries	44,690	44,690	44,690	-	-
	44,736	**44,736**	**44,736**	-	**-**

34. FINANCIAL RISK MANAGEMENT CONTINUED

Liquidity risk continued

Consolidated 30 June 2008	Carrying amount	Contractual cash flows $'000	Less than 1 year	1 – 5 years	Over 5 years
Non-derivative financial liabilities					
Trade and other payables	41,165	41,165	41,165	-	-
Finance leases & hire purchase	6,523	7,380	3,184	4,196	-
Convertible notes	2,756	2,756	2,756	-	-
Bank loans	48,719	48,878	8,016	40,862*	-
Derivative financial liabilities					
Forward exchange contract	593	593	395	198	-
	99,756	**100,772**	**55,516**	**45,256**	**-**

Cardno Limited 30 June 2008	Carrying amount	Contractual cash flows $'000	Less than 1 year	1 – 5 years	Over 5 years
Non-derivative financial liabilities					
Trade and other payables	242	242	242	-	-
Loans to subsidiaries	7,135	7,135	7,135	-	-
Convertible notes	2,756	2,756	2,756	-	-
Bank loans	40,682	40,729	47	40,682*	-
	50,815	**50,862**	**10,180**	**40,682**	

* Bank loans are a term facility repayable in June 2011.

Market risk

(a) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The Group operates internationally and is exposed to foreign exchange risk arising from the currency exposure to the Australian dollar. Natural hedges are used to minimise this risk by having various foreign currency loans subsequently lent out to the Group's foreign operations and foreign currency cash balances to pay foreign currency creditors. This policy is reviewed on a regular basis.

At the reporting date the Company, whose functional currency is the Australian dollar (AUD), has loans with financial institutions totalling $54.7 million denominated in US dollars (USD) and $17.5 million denominated in Sterling (GBP). This exposure is hedged naturally by subsequently lending these amounts out to the Company's UK and USA subsidiaries payable in those currencies by way of an intercompany loan. Therefore no currency exposure exists on these loans at balance date.

The group also has two forward exchange contracts in place at 30 June 2009 expiring on 30 September 2009 and 31 December 2009 with a contract rate of 0.8785 USD/AUD. The contracts have a face value of USD $95,000 each. A summary of the exposure at the reporting date is as follows:

	Consolidated		Cardno Limited	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Forward exchange contract – current receivable	216	433	-	-
Forward exchange contract – non-current receivable	-	216	-	-
Forward exchange contract – current payable	(236)	(395)	-	-
Forward exchange contract – non-current payable	-	(198)	-	-
	(20)	**56**	**-**	**-**

34. FINANCIAL RISK MANAGEMENT CONTINUED

Market risk continued

(b) Interest rate risk

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

At the reporting date the interest rate profile of the parent entity's and the Group's interest-bearing financial instruments was:

Consolidated	30 June 2009		30 June 2008	
	Effective Interest Rate	Balance $'000	Effective Interest Rate	Balance $'000
Variable rate instruments				
Cash assets	2.48%	65,808	5.45%	52,624
Bank loans	3.00%	(78,728)	5.50%	(47,508)
		(12,920)		5,116
Fixed rate instruments				
Finance leases & hire purchase	8.49%	(6,168)	8.11%	(6,523)
Bank loans	6.56%	(156)	7.67%	(1,211)
Convertible notes	-	-	9.00%	(2,756)
		(6,324)		(10,490)

Cardno Limited	30 June 2009		30 June 2008	
	Effective Interest Rate	Balance $'000	Effective Interest Rate	Balance $'000
Variable rate instruments				
Cash assets	-	-	-	-
Bank loans	-	-	5.62%	(40,682)
		-		(40,682)
Fixed rate instruments				
Convertible notes	-	-	9.00%	(2,756)
		-		(2,756)

Group sensitivity

At 30 June 2009, if interest rates had changed by -/+ 50 basis points from the year-end rates with all other variables held constant, post-tax profit for the year would have been $233,000 higher/lower (2008: $65,000 higher/lower), mainly as a result of lower/higher interest expense on variable bank loans partially offset by higher/lower interest income from cash and cash equivalents. There have been no changes in the underlying assumptions from the previous year.

Fair values

The carrying values of financial assets and liabilities approximate their fair values due to their relatively short-term nature.

Capital risk management

The Group's and the parent entity's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

34. FINANCIAL RISK MANAGEMENT CONTINUED

Capital risk management continued

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

The Board of Directors monitors the return on capital, which the Group defines as net operating income divided by total shareholders' equity. The Board of Directors also monitors the level of dividends to ordinary shareholders.

35. BUSINESS COMBINATIONS

During the year the group made the following acquisitions:

(a) The group acquired the issued share capital of The Ecology Lab Pty Ltd and Spectrum Survey & Mapping Pty Ltd with an effective acquisition date of 1 July 2008.

The acquired businesses contributed revenues of $8,876,918 and net profit after tax of $981,663 to the Group for the year.

The Ecology Lab is a Sydney based consultant specialising in marine and freshwater ecology while Spectrum Survey & Mapping is a specialist survey firm based in Perth and Kalgoorlie.

Details of acquisitions

	$'000
Purchase Consideration	
Cash	7,400
Direct costs relating to the acquisitions	122
Total purchase consideration	7,522
Fair value of net identifiable assets acquired	2,987
Goodwill	4,535

The assets and liabilities arising from the acquisitions are as follows:

	Acquirees' carrying amount $'000	Fair Value $'000
Cash	1,527	1,527
Receivables	1,995	1,995
Inventories	17	17
Deferred tax assets	233	233
Property, plant and equipment	1,581	1,581
Creditors & borrowings	(1,288)	(1,288)
Provisions	(1,078)	(1,078)
Net identifiable assets acquired	**2,987**	**2,987**
Outflow of cash to acquire subsidiaries, net of cash acquired		
Cash consideration		7,400
Less: Balances acquired		
Cash		1,527
Outflow of cash		**5,873**

35. BUSINESS COMBINATIONS CONTINUED

(b) The group also acquired the issued share capital of TBE Group Inc, a US based infrastructure services firm with offices across 19 US states as well as China, the UK and Canada, with an effective acquisition date of 15 September 2008 and contributed revenues of $75,381,574 and net profit after tax (NPAT) of $6,260,221 to the group.

If the acquisition had occurred on 1 July 2008 revenue and NPAT contributed for the year would have been $90,888,400 (USD$67,711,375) and $7,703,934 (USD$5,841,076) respectively.

Details of acquisition

	$'000
Purchase Consideration	
Cash	36,573
Vendor liability – earn-out agreement	9,027
Direct costs relating to the acquisitions	589
Total purchase consideration	46,189
Fair value of net identifiable assets acquired	3,488
Goodwill	42,701

The assets and liabilities arising from the acquisition are as follows:

	Acquirees' carrying amount $'000	Fair Value $'000
Cash	423	423
Receivables	13,222	13,222
Inventories	3,778	3,778
Property, plant and equipment	1,643	1,643
Intangibles	-	1,039
Provisions	(7,184)	(7,184)
Creditors & borrowings	(9,433)	(9,433)
Net identifiable assets acquired	**2,449**	**3,488**

Outflow of cash to acquire subsidiary, net of cash acquired	
Cash consideration	36,573
Less: Balances acquired	
Cash	423
Outflow of cash	**36,150**

36. RELATED PARTY DISCLOSURES

Ultimate Parent
Cardno Limited is the ultimate parent company.

Interests held in controlled entities are set out in Note 38 to the financial statements.

Transactions with Other Related Parties

	Consolidated		Cardno Limited	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
(a) Amounts receivable from other related parties				
Aggregate amounts receivable from:				
Current				
- Controlled entities	-	-	195,966	183,686
(b) Amounts owing to other related parties				
Aggregate amounts payable to:				
Current				
- Controlled entities	-	-	44,690	7,135

The amounts payable and receivable have arisen as a result of the following:

(i) Loans advanced to Controlled Entities
(ii) Provision of accounting, administrative and financial assistance (management fees)
(iii) Loans for purchase of assets and working capital
(iv) Tax consolidations transfer of liabilities

The loans between Cardno Limited and all related companies are at call and interest free.

37. SEGMENT INFORMATION

The group is now organised on a global basis into two business segments being professional services and software, and the emerging markets region which works in the international development assistance field.

In presenting information on the basis of geographical segments, segment revenue, results, assets and liabilities are based on the geographical location of the assets. The consolidated entity's geographical segments reported are Australia, North America, Asia Pacific, UK and Africa.

Inter-segment pricing is determined on an arm's length basis.

Primary Reporting Format – Business Segments

2009	Professional Services & Software	Emerging Markets Region	Total $'000	Eliminations $'000	Grouped $'000
Segment revenue					
Fees from services and sale of goods	285,037	125,636	410,673	-	410,673
Fees from recoverable expenses	46,029	55,882	101,911	-	101,911
External sales	331,066	181,518	512,584	-	512,584
Inter-segment revenue	-	-	-	-	-
Other income	1,262	524	1,786	-	1,786
Total segment revenue	332,328	182,042	514,370	-	514,370
Segment result					
EBIT	36,292	8,965	45,257	-	45,257
Net finance costs			(3,165)	-	(3,165)
Profit before tax			42,092	-	42,092
Income tax expense			(7,939)	-	(7,939)
Profit after tax			34,153	-	34,153
Assets					
Segment assets	460,280	93,992	554,272	(84,549)	469,723
Unallocated assets			12,883	-	12,883
Total assets			567,155	(84,549)	482,606
Liabilities					
Segment liabilities	150,137	50,981	201,118	(84,549)	116,569
Unallocated liabilities			100,116	-	100,116
Total liabilities			301,234	(84,549)	216,685
Other					
Acquisitions of non-current segment assets	63,947	362	64,309	-	64,309
Depreciation and amortisation of segment assets	10,127	876	11,003	-	11,003

37. SEGMENT INFORMATION CONTINUED

Primary Reporting Format – Business Segments continued

2008	Professional Services & Software	Emerging Markets Region	Total $'000	Eliminations $'000	Grouped $'000
Segment revenue					
Fees from services and sale of goods	222,203	90,261	312,464	-	312,464
Fees from recoverable expenses	25,276	58,436	83,712	-	83,712
External sales	247,479	148,697	396,176	-	396,176
Inter-segment revenue	-	137	137	(137)	-
Other income	508	585	1,093	-	1,093
Total segment revenue	247,987	149,419	397,406	(137)	397,269
Segment result					
EBIT	35,158	5,674	40,832	(137)	40,695
Net finance costs			(2,009)	-	(2,009)
Profit before tax			38,823	(137)	38,686
Income tax expense			(11,234)	-	(11,234)
Profit after tax			27,589	(137)	27,452
Assets					
Segment assets	339,487	84,826	424,313	(49,603)	374,710
Unallocated assets			9,134	-	9,134
Total assets			433,447	(49,603)	383,844
Liabilities					
Segment liabilities	98,818	40,363	139,181	(49,603)	89,578
Unallocated liabilities			76,200	-	76,200
Total liabilities			215,381	(49,603)	165,778
Other					
Acquisitions of non-current segment assets	74,517	751	75,268	-	75,268
Depreciation and amortisation of segment assets	7,464	624	8,088	-	8,088

Cardno Limited and its Controlled Entities for the year ended 30 June 2009

37. SEGMENT INFORMATION CONTINUED

Secondary Reporting Format – Geographical Segments

2009	Australia & NZ $'000	North America $'000	Asia Pacific $'000	UK & Africa $'000	Total $'000	Eliminations $'000	Grouped $'000
Segment revenue							
Fees from services and sale of goods	261,891	103,917	12,055	32,810	410,673	-	410,673
Fees from recoverable expenses	16,058	58,411	10,150	17,292	101,911	-	101,911
External sales	277,949	162,328	22,205	50,102	512,584	-	512,584
Inter-segment revenue	-	-	-	-	-	-	-
Other income	641	697	29	419	1,786	-	1,786
Total segment revenue	278,590	163,025	22,234	50,521	514,370	-	514,370
Segment result							
EBIT	31,964	6,172	2,446	4,675	45,257	-	45,257
Net finance costs					(3,165)	-	(3,165)
Profit before tax					42,092	-	42,092
Income tax expense					(7,939)	-	(7,939)
Profit after tax					34,153	-	34,153
Assets							
Segment assets	315,396	159,627	15,325	63,924	554,272	(84,549)	469,723
Unallocated assets					12,883	-	12,883
Total assets					567,155	(84,549)	482,606
Liabilities							
Segment liabilities	53,235	95,341	3,609	48,933	201,118	(84,549)	116,569
Unallocated liabilities					100,116	-	100,116
Total liabilities					301,234	(84,549)	216,685
Other							
Acquisitions of non-current segment assets	19,283	44,344	114	568	64,309	-	64,309
Depreciation and amortisation of segment assets	8,372	2,328	177	126	11,003	-	11,003

37. SEGMENT INFORMATION CONTINUED

Secondary Reporting Format – Geographical Segments continued

2008	Australia & NZ $'000	North America $'000	Asia Pacific $'000	UK & Africa $'000	Total $'000	Eliminations $'000	Grouped $'000
Segment revenue							
Fees from services and sale of goods	208,889	65,570	10,165	27,840	312,464	-	312,464
Fees from recoverable expenses	41,060	28,027	6,813	7,812	83,712	-	83,712
External sales	249,949	93,597	16,978	35,652	396,176	-	396,176
Inter-segment revenue	-	-	-	137	137	(137)	-
Other income	237	531	169	156	1,093	-	1,093
Total segment revenue	250,186	94,128	17,147	35,945	397,406	(137)	397,269
Segment result							
EBIT	31,346	6,425	891	2,170	40,832	(137)	40,695
Net finance costs					(2,009)	-	(2,009)
Profit before tax					38,823	(137)	38,686
Income tax expense					(11,234)	-	(11,234)
Profit after tax					27,589	(137)	27,452
Assets							
Segment assets	278,573	76,204	8,470	61,066	424,313	(49,603)	374,710
Unallocated assets					9,134	-	9,134
Total assets					433,447	(49,603)	383,844
Liabilities							
Segment liabilities	47,510	34,459	4,625	52,587	139,181	(49,603)	89,578
Unallocated liabilities					76,200	-	76,200
Total liabilities					215,381	(49,603)	165,778
Other							
Acquisitions of non-current segment assets	53,773	(2,786)	289	23,992	75,268	-	75,268
Depreciation and amortisation of segment assets	6,339	1,443	107	199	8,088	-	8,088

The group provides engineering related software products which has not been reported separately as it represents less than 10% of sales to external customers.

38. RECLASSIFICATION OF AMOUNTS

(a) Reclassification of project advances to cash and cash equivalents in the previous financial year

In the prior financial year, project cash accounts held by the group containing funds received and used for specific projects being undertaken by the group, were classified as project advances in other current assets. It has been determined that these cash balances meet the definition of cash and cash equivalents and have been disclosed as restricted cash (project advances).

The incorrect classification had the effect of overstating project advances and understating cash and cash equivalents at 30 June 2008 by $6,305,000. There was no effect on total current assets, total assets or profit at 30 June 2008. The reclassification also had the effect of understating operating cash flows for the year ended 30 June 2008 by $2,855,000 and cash and cash equivalents held at 1 July 2007 by $3,450,000.

The reclassification has been corrected by restating each of the affected financial statement line items for the prior year, as described above. The abovementioned reclassifications had no impact on the financial statements of the parent entity.

38. RECLASSIFICATION OF AMOUNTS CONTINUED

(b) Correction to recording the impact of exchange rate changes on cash and cash equivalents in the previous financial year.

In the prior financial year the effects of foreign exchange rate changes on cash and cash equivalents held or due at 30 June 2008 were not disclosed separately on the face of the cash flow statement. This had the effect of understating operating cash flows by $2,072,000 and has been corrected by restating each of the affected financial statement line items as described.

39. CONTROLLED ENTITIES

Name	Country of Incorporation	Equity Holding
Cardno Holdings Pty Ltd	Australia	100%
Cardno (Qld) Pty Ltd	Australia	100%
Cardno Staff Pty Ltd	Australia	100%
Cardno Staff No. 2 Pty Ltd	Australia	100%
Cardno Operations Pty Ltd	Australia	100%
Cardno Investments Pty Ltd	Australia	100%
Cardno International Pty Ltd	Australia	100%
Advanced Water & Wastewater Technologies Pty Ltd	Australia	100%
Cardno (WA) Pty Ltd	Australia	100%
Cardno CCS Pty Ltd	Australia	100%
Cardno Lawson Treloar Pty Ltd	Australia	100%
Cardno MBK PNG Ltd	Papua New Guinea	100%
Cardno (NSW) Pty Ltd	Australia	100%
Cardno BLH Pty Limited	Australia	100%
Cardno Willing Pty Ltd	Australia	100%
Cardno Victoria Pty Ltd	Australia	100%
Cardno Alexander Browne Pty Ltd	Australia	100%
Cardno (Vic) Pty Ltd	Australia	100%
Cardno Young Pty Ltd	Australia	100%
Cardno Acil Pty Ltd	Australia	100%
Cardno Eppell Olsen Pty Ltd	Australia	100%
Cardno UK Limited	United Kingdom	100%
Cardno Agrisystems Limited	United Kingdom	100%
Cardno Agrisystems Africa Limited	Kenya	100%
Barton Enterprises Pty Ltd	Australia	100%
Cardno Forbes Rigby Pty Ltd	Australia	100%
Cardno Gilbert Rose Pty Ltd	Australia	100%
Cardno Saraceni Pty Ltd	Australia	100%
Cardno Low & Hooke No. 1 Unit Trust	Australia	100%
Cardno Low & Hooke No. 2 Unit Trust	Australia	100%
Cardno Low & Hooke Pty Ltd	Australia	100%
Cardno Low & Hooke Management Services Pty Ltd	Australia	100%
Bresfine Pty Ltd	Australia	100%
Cardno NZ Limited	New Zealand	100%
Cardno USA, Inc.	United States of America	100%
Emerging Markets Group, Ltd	United States of America	100%
Emerging Markets Group (EMG) Ltd	United Kingdom	100%
Emerging Markets Group (Consulting) Limited	United Kingdom	100%
Emerging Markets Group (EMG) s.a.	Belgium	100%
Cardno WRG, Inc.	United States of America	100%
Cardno TCB Limited	New Zealand	100%
Cardno Willing (NSW) Pty Ltd	Australia	100%
Cardno (NT) Pty Ltd	Australia	100%
Cardno (PNG) Ltd	Papua New Guinea	100%
XP Software Pty Ltd	Australia	100%
XP Software Inc.	United States of America	100%
Hydrotech Research Pty Ltd	Australia	100%
Cardno Ullman & Nolan Pty Ltd	Australia	100%
Cardno Ullman & Nolan Geotechnic Pty Ltd	Australia	100%

39. CONTROLLED ENTITIES CONTINUED

Name	Country of Incorporation	Equity Holding
Cardinal Surveys Pty Ltd	Australia	100%
Ullman & Nolan Pty Ltd	Australia	100%
Cardno Ullman & Nolan Geotechnic (NT) Pty Ltd	Australia	100%
TCB Limited	New Zealand	100%
Middleton Williams & Co Limited	New Zealand	100%
Cardno Buckland Pty Ltd	Australia	100%
Micro Drainage Limited	United Kingdom	100%
Cardno Bowler Pty Ltd	Australia	100%
Bowler Geotechnical Pty Ltd	Australia	100%
Bowler Geotechnical Cairns Pty Ltd	Australia	100%
Bowler Geotechnical Sydney West Pty Ltd	Australia	100%
Bowler Geotechnical Gold Coast Pty Ltd	Australia	100%
J&D Civil Testing Pty Ltd	Australia	100%
Sandhorse Pty Ltd	Australia	100%
Kurtway Pty Ltd	Australia	100%
Bowler Geotechnical (SC) Pty Ltd	Australia	100%
Dumley Pty Ltd	Australia	100%
Russhan Pty Ltd	Australia	100%
L.A. & S.R. Thorne Pty Ltd	Australia	100%
Cardno Spectrum Survey Pty Ltd	Australia	100%
Cardno Ecology Lab Pty Ltd	Australia	100%
Cardno TBE Group, Inc	United States of America	100%
TBE Holdings, Inc	United States of America	100%
TBE International Group, Inc	United States of America	100%
SUE Corporation	United States of America	100%
TBE Caribe, Inc	United States of America	100%
TBE Group (Gulf Coast), Inc	United States of America	100%
TBE Group (Michigan), Inc	United States of America	100%
Cardno TBE (UK) Ltd	United Kingdom	100%
TBE Group (Canada), ULC	Canada	100%
TBE H&J Subsurface Utility – Engineering (Beijing) Limited	China	100%
TBE H&J Subsurface Utility – Engineering (Hong Kong) Limited	China	100%

Directors' Declaration

Cardno Limited and its Controlled Entities for the year ended 30 June 2009

The directors of the company declare that:

1. the financial statements and notes, as set out on pages 21 to 64, are in accordance with the Corporations Act 2001 and:
   (a) comply with Accounting Standards and the Corporations Regulations 2001; and
   (b) give a true and fair view of the financial position as at 30 June 2009 and of the performance for the year ended on that date of the company and consolidated entity;
2. The Managing Director and Chief Financial Officer have each declared that:
   (a) The financial records of the company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
   (b) The financial statements and notes for the financial year comply with the Accounting Standards; and
   (c) The financial statements and notes for the financial year give a true and fair view;
3. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they come due and payables.

Dated at Brisbane on the 18th day of August 2009.

Signed in accordance with a resolution of the directors.

JOHN C MASSEY
Chairman

WHK Horwath

To the members of Cardno Limited

Report on the Financial Report

We have audited the accompanying financial report of Cardno Limited (the Company), which comprises the balance sheets as at 30 June 2009, and the income statements, statements of changes in equity and cash flow statements for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Liability Limited by a scheme approved under Professional Standards Legislation other than for the acts or omissions of financial services licencees

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Crowe Horwath™

WHK Pty Ltd trading as WHK Horwath Brisbane is a member of Crowe Horwath International Association, a Swiss verein.
Each member firm of Crowe Horwath is a separate and independent legal entity

WHK Horwath

Independence

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

Auditor's Opinion

In our opinion the financial report of Cardno Limited is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2009 and of their performance for the year ended on that date; and

(b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

The financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included on pages 10-18 of the directors' report for the year ended 30 June 2009. 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.

Auditor's Opinion

In our opinion the Remuneration Report of Cardno Limited for the year ended 30 June 2009, complies with section 300A of the *Corporations Act 2001.*

WHK Horwath

WHK HORWATH

M. R. Cole

RUSSELL COLE
Principal

Brisbane, 18 August 2009

Additional Shareholder Information

Distribution of Ordinary Shareholders

The number of shareholders, by size of holding, as at 24 August 2009 were:

	Ordinary Shares	
	Number of Holders	Number of Shares
1 – 1,000	3,954	1,751,889
1,001 – 5,000	3,375	8,943,528
5,001 – 10,000	1,159	8,286,361
10,001 – 100,000	856	20,066,258
100,001 – and over	120	45,224,213
Total	**9,464**	**84,272,249**

As at 24 August 2009 there were 674 shareholders who held less than a marketable parcel of 114 shares.

Twenty Largest Ordinary Shareholders

The names of the twenty largest holders as at 24 August 2009 were:

	Listed Ordinary Shares	
	Number Held	Percentage
RBC Dexia Investor Services Australia Nominees Pty Limited < PIIC A/C>	2,435,748	2.89%
J P Morgan Nominees Australia Limited	2,420,081	2.87%
Andrew Buckley	2,359,037	2.80%
RBC Dexia Investor Services Australia Nominees Pty Limited < PIPOOLED A/C>	2,258,480	2.68%
National Nominees Limited	2,213,208	2.63%
Trevor Johnson	1,967,399	2.33%
Merrill Lynch (Australia) Nominees Pty Limited	1,852,461	2.20%
Graham Tamblyn	1,426,330	1.69%
ANZ Nominees Limited <Cash Income A/C>	1,199,399	1.42%
R A Young Investments Pty Ltd <Young Super Fund A/C>	1,180,000	1.40%
Malcolm David Pound	1,093,755	1.30%
Patrick L Beyer <The P L Beyer Revocable A/C>	1,076,610	1.28%
David Bowler	996,867	1.18%
Paul Gardiner	800,141	0.95%
Anne Felicity Phillips	757,358	0.90%
Roger Collins-Woolcock	653,652	0.78%
KMS Properties Pty Ltd <Verco Family A/C>	629,811	0.75%
Ancam Pty Ltd <Ancam Family Discretionary A/C>	619,087	0.73%
Steven Coote	556,860	0.66%
Edwin Ronald Vowles	541,562	0.64%
Total	**27,037,846**	**32.08%**

Additional Shareholder Information

Substantial Shareholders

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

	Number of Shares Held	Percentage
Perpetual Limited and subsidiaries	5,127,343	6.08%

Voting Rights

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

Escrowed Shares

There are currently 7,130,929 ordinary shares held in escrow. This is approximately 8.46% of the company's issued share capital. The details are as follows:-

- In accordance with the Share Sale Agreement between Cardno Limited and the shareholders of Micro Drainage Limited completed on 5 March 2008, ordinary shares issued as part of the purchase price are escrowed for a period of 18 months to 4 September 2009. This agreement affects 1,058,323 shares, being approximately 1.26% of the company's issued share capital.

- In accordance with the Share Sale Agreement between Cardno Limited and the shareholders of Bowler Geotechnical Holdings Pty Ltd completed on 29 February 2008, ordinary shares issued as part of the purchase price are escrowed for a period of 18 months to 29 August 2009. This agreement affects 3,583,444 shares, being approximately 4.25% of the company's issued share capital.

- In accordance with the Share Sale Agreement between Cardno Limited and the shareholders of The Ecology Lab Pty Limited completed on 13 August 2008, ordinary shares issued as part of the purchase price are escrowed for a period of 18 months to 18 February 2010. This agreement affects 170,588 shares, being approximately 0.20% of the company's issued share capital.

- In accordance with the Share Sale Agreement between Cardno Limited and the shareholders of Spectrum Survey and Mapping Pty Ltd completed on 21 August 2008, ordinary shares issued as part of the purchase price are escrowed for a period of 18 months to 21 February 2010. This agreement affects 456,947 shares, being approximately 0.54% of the company's issued share capital.

- In accordance with the Stock Purchase Agreement between Cardno Limited and the stockholders of TBE Group Inc completed on 15 September 2008, ordinary shares issued as part of the purchase price are escrowed for periods of 12 and 18 months with 426,982 escrowed to 15 September 2009 and 1,434,645 escrowed to 15 March 2009. This agreement affects 1,861,627 shares, being approximately 2.21% of the company's issued share capital.

Options

As at 24 August 2009 the details of Options on issue are as follows:

Number of Option Holders	Number of Options on Issue
358	5,972,500

Voting Rights of Options

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

Corporate Directory

Board of Directors

Chairman
John Massey

Deputy Chairman
Graham Tamblyn

Managing Director
Andrew Buckley

Directors
Anthony Barnes
Peter Cosgrove
Jeffrey Forbes
Trevor Johnson
Ian Johnston

Chief Financial Officer & Company Secretary
Jeffrey Forbes

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