



cardno
financial
report

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Directors' Report

Cardno Limited and its Controlled Entities for the year ended 30 June 2012

The Directors present their report together with the consolidated financial statements of Cardno Limited (the Company) being the Company and the entities it controlled at the end of, or during, the year ended 30 June 2012.

1. Directors

The Directors of the Company in office during or since the year ended 30 June 2012 are set out below:

John Massey (Chairman - Non-Executive)

Andrew Buckley (Managing Director - Executive)

Anthony Barnes (Non-Executive)

Peter Cosgrove (Non-Executive)

Jeffrey Forbes (Executive and Company Secretary)

Trevor Johnson (Executive)

Ian Johnston (Non-Executive)

John Marlay (Non-Executive) (appointed 1 November 2011)

Tonianne Dwyer (Non-Executive) (appointed 25 June 2012)

Details of the qualifications, experience and responsibilities of the Directors are on pages 3 to 5.

2. Company Secretary

Jeffrey Forbes BCom, MAICD, MAusIMM was appointed to the position of Company Secretary on 10 July 2006.

Michael Pearson LLB, BA, ACIS was appointed to the position of Joint Company Secretary on 24 September 2009.

Directors' Report

Cardno Limited and its Controlled Entities for the year ended 30 June 2012

Director	Experience
<p>John C Massey BCom, CPA, FAICD(Life), FAIM Non-Executive Chairman Age 66</p> <p>Special Responsibilities As well as being Chairman of the Company, John is Chairman of the Board and Nominations Committee, and a member of the Remuneration Committee (Chairman of the Committee until 14 February 2012).</p>	<p>John Massey has been Chairman of Cardno Limited since July 2004 and a Non-Executive Director since March 2004. He has extensive commercial and leadership experience as a Chairman, Director and Chief Executive spanning many different industries.</p> <p>John is also Chairman of Sunstate Cement Limited and UQ Holdings, and a Director of Stockyard Beef Group. His previous appointments include such diverse companies as Brisbane Airport, Dairy Australia, Macmahon, Grainco, Thomas Cook and QDL Pharmaceuticals.</p> <p>In 2006, John was made a Life Fellow of the Australian institute of Company Directors for eminence in the field of directorship and was also subsequently awarded the 2010 Gold Medal which recognises the Outstanding Company Director in Queensland for achievements in corporate life and to the community.</p>
<p>Andrew D Buckley BE(Hons), FIEAust, FAICD Managing Director Age 55</p> <p>Special Responsibilities Andrew is a member of the Nominations Committee</p>	<p>Andrew was appointed Managing Director of the Cardno Group in 1997. He has over thirty years' experience in the management of design and implementation of engineering infrastructure, environment and development assistance projects. Andrew has worked in the design and construction of mining, engineering and infrastructure projects in Australia, Africa, USA and Asia. He has held senior management roles in the engineering, construction and development assistance sectors for over 20 years. Under Andrew's leadership the Cardno Group has grown from an annual turnover of approximately \$14 million in FY1997 to \$960 million in FY2012 and from less than 200 people to over 7,000.</p>
<p>Anthony H (Tony) Barnes BCom Non-Executive Director Age 62</p> <p>Special Responsibilities Tony is Chairman of the Board's Audit, Risk & Compliance Committee and a member of the Remuneration Committee.</p>	<p>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. He also held the position of Chief Executive Officer of Zinifex Limited for a period. He 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. Tony has extensive financial experience following a career which included more than 32 years with BHP, both within Australia and Internationally.</p> <p>Tony is also a Director of the Victorian Rugby Union Inc and the Parent – Infant Research Institute.</p>
<p>Peter J Cosgrove AC, MC ndc (Ind), jssc, psc (US), Dip Mil Stud, FAICD Non-Executive Director Age 65</p> <p>Special Responsibilities Peter is a member of the Nominations Committee</p>	<p>Retired General Peter Cosgrove joined Cardno as a Non-Executive Director in March 2007, bringing with him a wealth of experience and credentials. Peter is a director of Qantas Airways Limited, Qantas Superannuation Limited, and Australian Rugby Union Limited. He is Chancellor of the Australian Catholic University and holds a number of prestigious memberships and appointments including being a member of the Trustee Board of the Commonwealth Superannuation Corporation. 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.</p>

Directors' Report

Cardno Limited and its Controlled Entities for the year ended 30 June 2012

Director	Experience
<p>Jeffrey I Forbes BCom, MAICD, MAusIMM Chief Financial Officer, Company Secretary, Executive Director Age 59</p>	<p>Jeff joined Cardno in July 2006 as Chief Financial Officer, Company Secretary and Executive Director, Finance. Jeff has more than 33 years' experience as a finance manager, primarily in the resources sector prior to joining Cardno.</p> <p>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 has worked for a number of major companies including Rio Tinto, BHP and CSR.</p>
<p>Trevor C Johnson BE, MEngSc, PhD, FIEAust, CPEng, RPEQ, MAICD Executive Director Age 55</p> <p>Special Responsibilities Trevor was a member of the Board's Audit, Risk & Compliance Committee and retired on 25 June 2012.</p>	<p>Trevor has been a director of the Cardno Group since 1996, and an employee of the company for more than 25 years. He is a member of the Senior Executive team which assists the Managing Director in running the company.</p> <p>In his executive role as Director Corporate, Trevor is responsible for a number of acquisition, co-ordination and communication activities within Cardno.</p> <p>Trevor has more than 30 years' experience as a civil engineer, with special expertise in the fields of hydraulics, water quality and environmental analysis. He remains significantly involved in the company's operational activity, and is frequently commissioned as a technical expert witness on engineering matters.</p>
<p>Ian J Johnston DipCM, GradDip App Fin & Inv, ASIA, ACSA, ACIS, FAICD Non-Executive Director Age 63</p> <p>Special Responsibilities Ian is a member of the Board's Audit, Risk & Compliance Committee, the Remuneration Committee and the Nominations Committee.</p>	<p>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.</p> <p>Following a career of nearly 25 years in the banking industry, Ian joined RBS Morgans in 1988 as an Executive Director and Head of Corporate Finance and in 2003 became Chairman of Corporate Finance and a member of the Advisory Board.</p> <p>He is also a Director of Data #3 Limited and RBSM Foundation Limited. He is also a member of the National Trust of Queensland Brisbane City Hall Conservation Appeal Committee.</p> <p>Ian's previous Board appointments include The Rock Building Society Limited and Northern Energy Corporation Ltd.</p>
<p>John Marlay, B.Sc., FAICD Non-Executive Director Age 63</p> <p>Special Responsibilities John is Chairman of the Board's Remuneration Committee and a member of the Nominations Committee.</p>	<p>John Marlay joined Cardno as a Non-Executive Director in November 2011. He is also a Non-Executive Director of Incitec Pivot Limited (since 2006), Boral Limited (since 2009), Alesco Corporation Limited (since 2011) and the Independent Chairman of Tomago Aluminum Company (since 2010).</p> <p>From 2002 to 2008 John held the position of Chief Executive Officer and Managing Director of Alumina Limited.</p> <p>John held various senior management roles with Pioneer International Limited and Hanson PLC from 1995 to 2002. Prior to that John also held executive management positions with James Hardie Ltd and Esso Australia Ltd.</p>

Directors' Report

Cardno Limited and its Controlled Entities for the year ended 30 June 2012

Director	Experience
<p>Tonianne Dwyer BJuris (Hons), LLB (Hons), GAICD Non-Executive Director Age 49</p> <p>Special Responsibilities Tonianne was appointed a member of the Board's Audit, Risk & Compliance Committee on 1 July 2012.</p>	<p>Tonianne Dwyer became a Non-Executive Director of Cardno Limited in June 2012. She is also a Non-Executive Director of DEXUS Property Group and of DEXUS Wholesale Property Fund. Tonianne's executive career has included roles as Executive Director and Head of Funds Management at Quintain Estates and Development (2003-2010), Director, Investment Banking at Societe Generale/SG Cowen/Hambros Bank in London (1987-2003).</p>

3. 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.

4. Review of Results and Operations

Cardno achieved a record net profit after tax of \$74.2 million for the year ended 30 June 2012, a 26% increase over the 2011 financial year. Basic earnings per share was 61.73 cents, a 9.7% increase on the prior year of 56.29 cents. EBITDA rose 28% to \$128.7 million compared to the 2011 financial year of \$100.2 million.

The record profit for the year ended 30 June 2012 is the eighth consecutive year of annual profits and earnings per share growth since listing on the ASX in 2004.

Revenue was \$965.8 million, a 16% increase on the 2011 financial year despite the impact of the stronger Australian dollar.

Cardno had strong operating cash flow of \$72.6 million in the 2012 financial year.

Cardno's balance sheet remains strong with a debt to equity ratio of 36.2% and cash of \$107.9 million at 30 June 2012.

The record profit for the year ended 30 June 2012 reflects Cardno's focus on high growth markets and strategic acquisitions. A number of major factors contributed to this result. These included improved conditions in Australia led by resources and energy, continuing strong performance from the US business despite variable economic conditions, and ongoing contributions from acquisitions.

During the financial year Cardno made five acquisitions:

- Cardno Lane Piper, a 40 person environmental and geotechnical engineering firm based in Melbourne, Victoria in September 2011;
- Cardno Geotech Solutions, a 22 person geotechnical engineering and construction material testing firm based in Newcastle, New South Wales in October 2011;
- Cardno TEC, a 330 person consulting firm with specialist expertise in environmental management, asset management and marine infrastructure management headquartered in Charlottesville, Virginia, USA in October 2011;
- Cardno HRP, a 62 person town planning consultancy, environmental planning and landscape architecture group based in Brisbane, Queensland in November 2011; and
- Cardno ATC, a major 1,600 person consulting services firm providing environmental services, building sciences, geotechnical, construction material testing and other consultancy services headquartered in Lafayette, Louisiana, USA in March 2012.

Directors' Report

Cardno Limited and its Controlled Entities for the year ended 30 June 2012

In the second half of the 2012 financial year Cardno successfully completed a \$112.0 million capital raising from a fully underwritten placement of \$45.0 million and a 1:9 fully underwritten renounceable rights issue of \$67.0 million. The proceeds from the placement and rights issue were used to fund, in part, the acquisition of Cardno ATC and to maintain Cardno's balance sheet strength and flexibility for future growth.

The Board has declared a final dividend of 18 cents per share (70% franked) to be paid on 12 October 2012 to all shareholders registered on 14 September 2012. With the interim dividend of 18.0 cents per share (70% franked) in April 2012, this will result in a full year dividend of 36 cents per share (70% franked), which is also a record for Cardno.

Cardno continues to perform strongly across its markets and geographical locations and remains well positioned for further expansion through organic growth and strategic acquisitions.

5. 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	Date of payment
<i>Declared and paid during the year</i>				
- Final 2011 ordinary	17.0	18,665	70%	14 October 2011
- Interim 2012 ordinary	18.0	24,823	70%	4 April 2012
<i>Declared after end of year</i>				
- Final 2012 ordinary	18.0	24,931	70%	12 October 2012
<i>Dealt with in the financial report as:</i>				
- Dividends paid or provided		43,488		
- Noted as a subsequent event (Note 28)		24,931		
		<hr/>		
		68,419		

6. Events Subsequent to the Reporting Date

On 2 July 2012, Cardno acquired 100% of Marshall Miller & Associates, Inc and EM-Assist Inc for up to US\$31.0 million and US\$14.3 million respectively. Each of the acquisitions has a percentage of the purchase price subject to the attainment of performance targets. Marshall Miller & Associates, Inc is a 180-person mining, energy and environmental consulting firm headquartered in Virginia, USA while EM-Assist Inc is a 150-person environmental services and compliance management firm headquartered in California, USA. The acquisitions were funded by a combination of cash (from available cash reserves and debt facilities) and shares issued.

On 13 August 2012, the Directors of Cardno Limited declared a final dividend of 18 cents per share (70% franked) for the 2012 financial year. The dividend will be paid on 12 October 2012 to shareholders registered on 14 September 2012 and will total \$24,931,153. The dividend has not been provided for in the 30 June 2012 financial statements.

7. Likely Developments

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

8. Significant Changes in the State of Affairs

Other than as disclosed elsewhere in this Director's Report, there have been no significant changes in the state of affairs since 30 June 2011.

Directors' Report

Cardno Limited and its Controlled Entities for the year ended 30 June 2012

9. Indemnification and Insurance of Officers

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

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

10. Directors' Meetings

Attendance at Board meetings and Board Committee meetings for the year ended 30 June 2012 is set out below:

No. of Meetings Held	Board of Directors		Audit, Risk & Compliance Committee		Remuneration Committee		Nominations Committee	
	A	B	A	B	A	B	A	B
A H Barnes	13	14	4	4	7	7	♦	♦
A D Buckley	14	14	♦	♦	♦	♦	6	6
P J Cosgrove	13	14	♦	♦	♦	♦	6	6
T Dwyer*	1	1	-	-	♦	♦	♦	♦
J I Forbes	14	14	♦	♦	♦	♦	♦	♦
T C Johnson**	13	14	4	4	♦	♦	♦	♦
I J Johnston	14	14	4	4	7	7	6	6
J Marlay***	9	9	♦	♦	7	7	2	2
J C Massey	14	14	♦	♦	7	7	6	6

♦ 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.

* Tonia Dwyer was appointed to the Board on 25 June 2012 and the Audit, Risk and Compliance Committee from 1 July 2012.

** Trevor Johnson resigned from the Audit, Risk and Compliance Committee on 25 June 2012.

*** John Marlay was appointed to the Board, Remuneration and Nominations Committees on 1 November 2011.

11. Remuneration Report - Audited

The Board has designed Cardno's remuneration strategy to ensure its Managing Director and key management personnel are strongly aligned to achieving Cardno's business strategies and delivering value to shareholders.

Cardno's vision is to be a world leader in the provision of professional services to improve the physical and social environment. This vision will be achieved through focussing on our people, clients, growth, quality, safety and performance.

To achieve this vision we have designed the following remuneration strategy.

Remuneration Strategy

The Cardno group's remuneration strategy is designed to attract, retain and motivate appropriately qualified and experienced key management personnel in the engineering and professional consulting services sector. The ability of Cardno to deliver long term shareholder value relies significantly upon the capability of these key management personnel to drive business performance and client service satisfaction.

Directors' Report

Cardno Limited and its Controlled Entities for the year ended 30 June 2012

Cardno's remuneration strategy is provided through a framework which includes a mix of fixed and variable remuneration, including short-term and long-term performance-based incentives (Total Remuneration), designed to maximise the financial performance and growth of the Company over time. In general, the remuneration approach includes a reasonable percentage of potential annual remuneration for key management personnel to be delivered as at risk variable remuneration. The Board has determined that this remuneration method is likely to contribute significantly to improved key management personnel performance and better financial outcomes achieved in Cardno's operations.

Fixed Annual Remuneration for key management personnel is generally targeted at median levels compared to similar roles in the Cardno comparator group.

Exceptional performance by any individual key management person, as a result of achieving both superior financial results and specified business performance targets, which are demonstrably beyond expectations (i.e. exceeding at-target performance outcomes) can result in Total Remuneration for that key management person towards the 75th percentile compared to similar roles in the Cardno comparator group.

Cardno's business operations are international in their geographic reach, with employees located and operating in Australia and approximately 85 countries including New Zealand, the USA, and in countries in Europe, South America, Africa, Asia Pacific region and the Middle East. Cardno's remuneration framework is designed to reward our staff competitively in each country, and to promote their focus on growth in the business and for the retention of talented and motivated staff.

The Cardno Board retains discretion in approving the Managing Director's and the key management personnel's short term incentive (STI) payment and for the awarding of any Performance Rights as a long term incentive (LTI) award under the Performance Equity Plan (PEP). The Board is mindful of proposed Federal Government legislative changes in remuneration practices for publicly-listed companies (including potential remuneration clawback provisions), and intends to review Cardno's executive remuneration policy and practices when the final legislative requirements are published.

Underlying Principles of Cardno's Remuneration Strategy

a) Components of Remuneration

Fixed Annual Remuneration (FAR) remunerates key management personnel in line with market benchmarks and performance taking into account responsibilities of the individual's position, level of skill and experience and demonstrated performance in support of Cardno values.

Short Term Incentives (STI) rewards the achievement or exceeding of both financial and non-financial group, divisional, and personal objectives. The STI also provides alignment with shareholder rewards through improved short term earnings growth and business development.

Long Term Incentives (LTI) reward key management personnel for Cardno performance over a 3 year period. The LTI provides a retention element through an exposure to Cardno equities and an alignment with shareholder rewards through increasing total shareholder return (TSR).

b) Market Positioning

Cardno targets the FAR for key management personnel to align with the median against similar roles in a group of comparator companies. A range around the median provides flexibility to recognise capability and contribution, value to the organisation, individual performance and the tenure of individuals.

Key management personnel Total Remuneration, including FAR, STI and LTI is also targeted to be consistent with the median against similar roles in comparator companies. The Total Remuneration potential for the achievement of stretch performance against specific STI targets for individual key management personnel has the capacity to reach the 75th percentile compared to similar roles in the market for comparator companies.

Directors' Report

Cardno Limited and its Controlled Entities for the year ended 30 June 2012

c) Benchmarking remuneration

The primary source for remuneration benchmarking is a group of Australian listed companies in the Industrial Sector in the range of half to double Cardno's market capitalisation. For the Managing Director and key management personnel, remuneration levels for comparable roles in appropriate international jurisdictions are also taken into account.

d) Remuneration Committee

The Committee is responsible for reviewing and advising the Board on remuneration policies and practices. The Committee also reviews and advises the Board on the design and implementation of share rights and option schemes, incentive performance packages, superannuation entitlements, retirement and termination entitlements and fringe benefits policies.

The remuneration of Directors, Managing Director, key management personnel, managers and staff is reviewed by the Remuneration Committee which then provides recommendations to the Board. Board decisions on the remuneration of the Managing Director and key management personnel are made in the absence of the Executive Directors as appropriate.

The Committee obtains independent advice on the appropriateness of remuneration based on trends in comparative companies both locally and internationally. In 2012 the Committee engaged Ernst & Young to provide remuneration recommendations regarding the provision of market remuneration benchmarking reports for the Managing Director, other key management personnel and Non-Executive Directors. Ernst & Young has provided its recommendations to the Remuneration Committee.

The Committee is satisfied the advice received from Ernst & Young regarding the above services, is free from undue influence from the key management personnel to whom the advice relates, as the relevant criteria, as established by the Board have been satisfied. The criteria used by the Board are that the key management personnel to whom the advice relates were not involved in the selection and appointment of, or contract negotiation with, Ernst & Young as remuneration advisors. All documentation and communication (including confirmation by Ernst & Young that the remuneration recommendations were free from undue influence from the key management personnel to whom the advice relates) were provided directly to the Remuneration Committee. Additionally, the Board has put in place policies managing Ernst & Young's access to key management personnel on remuneration-related matters, including parameters for communication and the types of communication that can take place between Ernst & Young and key management personnel, to further ensure the recommendations are free from undue influence.

The remuneration recommendations were provided to the Remuneration Committee as an input into decision making only. The Committee considered the recommendations, along with other factors, in making its remuneration decisions. In 2012 the total fees paid to Ernst & Young for the remuneration recommendations were \$58,400.

Other remuneration related service fees and expenses relating to a review of the PEP were \$16,500.

The members of the Committee during the year were: John Marlay (Committee Chairman since February 2012), John Massey (retired as Committee Chairman from February 2012), Ian Johnston and Tony Barnes, all independent Non-Executive Directors.

The Committee met 7 times during the year and committee members' attendance record is disclosed in the table of directors' meetings on page 8.

Directors' Report

Cardno Limited and its Controlled Entities for the year ended 30 June 2012

Key Management Personnel Remuneration Structure

Cardno's key management personnel executive remuneration is structured as a mix of FAR and variable remuneration through at risk STI and LTI components. The mix of these components varies for different management levels but with a higher weighting to at risk remuneration as a percentage of Total Remuneration than other comparator group companies. This is seen as an important driver of Cardno's financial performance and long term growth in support of shareholders' interests.

Fixed remuneration is designed to provide a base salary whilst STI and LTI programs only reward key management personnel when selected business performance conditions, and financial and management outcomes are satisfied or exceeded. Participation in both STI and LTI schemes for the Managing Director and key management personnel are subject to continuing employment and the discretion of the Board.

a) Fixed Annual Remuneration (FAR)

FAR consists of a base salary including superannuation. Cardno benchmarks key management personnel FAR at the median compared to similar roles in market comparator companies. The comparator companies are those in the ASX 300 with half to double Cardno's average market capitalisation and with a similar organisational size operating within a similar industry group. Key management personnel have the flexibility to receive their FAR as cash, superannuation, and fringe benefits such as motor vehicles.

Remuneration levels are reviewed annually by the Remuneration Committee and recommendations made to the Board through a process that considers the individual, segment and overall performance of Cardno as well as the individual's level of skill, contribution and experience. The Committee also considers input and recommendations from the Managing Director on the remuneration and performance of each of the key management personnel. In addition Ernst & Young provided comparator analyses and independent advice to assist the Committee's assessment that key management personnel remuneration remains competitive in the market place.

b) Short-Term Incentive (STI)

STI is an at risk annual incentive payment provided in the form of cash. The STI is potentially available to key management personnel and other senior staff who have significant influence over the annual financial outcomes of the business and who are able to meet key divisional and personal objectives.

STI is assessed over the duration of Cardno's financial year, and consists of cash payments to key management personnel, with 50% of any award being deferred and paid 12 months after achievement. At least 60% of the potential incentive payment for at target performance for key management personnel is assessed on key performance indicators (KPIs) based on financial measures for the Cardno group overall and for the key management personnel's divisional financial performance (where relevant). The remaining incentive component is assessed on relevant KPIs based on specific non-financial parameters including safety, business growth, client relationships and working capital reduction. The principal financial performance objectives are based on results compared to budgeted financial outcomes. The non-financial objectives vary and are specific to position, responsibility and areas assessed by the Managing Director to be integral to each area of accountability.

Key management personnel can earn between 20% and 50% of their FAR (depending on position) for achieving at-target performance outcomes. In addition, key management personnel can achieve additional STI up to 10% of their FAR, for out-performance results through achievement of exceptional financial results and attainment of selected critical personal performance targets. This payment is based on the Managing Director's and the Remuneration Committee's assessment and judgment of performance, measured against the key management person's out-performance against specific goals.

Directors' Report

Cardno Limited and its Controlled Entities for the year ended 30 June 2012

The Board considers that the STI is an appropriate incentive designed to place a component of key management personnel remuneration at risk against meeting or exceeding both financial and non-financial targets.

Each year the Remuneration Committee reviews the proposed KPIs for the Managing Director and key management personnel, which are submitted to the Board for approval.

At the end of the financial year, the Remuneration Committee assesses the actual performance of Cardno and with input by the Managing Director the relevant division and the individual's performance against the KPIs set for the year. The Committee makes recommendations to the Board which approves the STI to be paid to the Managing Director, key management personnel and senior managers. This method of assessment and review provides the Committee with an objective assessment of individual performance.

The contracts for the Managing Director and Chief Financial Officer include payment of assessed STI without any deferral.

c) Long-Term Incentive (LTI)

The purpose of the LTI is to promote the alignment of the Managing Director and key management personnel decision making with the interests of shareholders, including the achievement of performance conditions which are likely to underpin sustainable long term business growth for Cardno. The delivery of LTI is made under the PEP.

Vesting of LTI is assessed against Cardno's 3 year historical financial results, based on both the compound annual growth in Cardno's earnings per share (EPS) (up to 50% potential) and the relative TSR achieved by Cardno compared with an ASX-listed comparator group (up to 50% potential). The LTI award for key management personnel under the PEP is paid in Performance Rights, which may vest after 3 years from the date of issue, dependent on continuing employment and the achievement of performance outcomes over that period.

This incentive is designed to ensure that any achievement by key management personnel is as a result of both stretching growth in Cardno's EPS, as well as aligning key management personnel rewards with shareholder returns. The Board exercises its discretion annually in inviting key management personnel to participate in the 3 year PEP. The LTI Plan has also included payment for other senior staff using Performance Options and Performance Rights.

In FY2013 it has been determined to discontinue the grant of Performance Options as an LTI. The Board considers the issue of Performance Rights with vesting based on the achievements of specific EPS and TSR outcomes, aligns the performance of key management personnel and other senior staff with the interests of shareholders.

Equity Plans

Cardno has two equity plans for staff as follows:

a) Performance Equity Plan (PEP)

The PEP incorporates the LTI and is designed to reward strong performance by staff within Cardno. Both Performance Options and Performance Rights to acquire ordinary shares in the Company were approved by shareholders in accordance with the PEP at the 2009 AGM. This approval followed an independent review of the executive LTI plan by Godfrey Remuneration who provided some remuneration advice to the Company at the time. Proposed amendments were adopted by the Board to ensure the interests and objectives of the shareholders, the Managing Directors, key management personnel and staff were aligned.

The Plan rules prohibit participants entering into any transaction designed to remove the at risk aspect of an instrument before it vests.

Directors' Report

Cardno Limited and its Controlled Entities for the year ended 30 June 2012

▪ Performance Options

The grant of Performance Options is discretionary and is generally limited to managers and staff who have been high performers throughout the year.

The plan operates by granting a Performance Option to managers and staff to purchase a prescribed number of shares at a pre-determined time in the future. During the 2012 financial year, Performance Options with a grant date fair value of \$3,103,110 were issued with a vesting period of three years from the grant date.

Each Performance Option is convertible to one ordinary share. The exercise price of the Performance 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 Performance Option. All Performance Options expire on the earlier of their expiry date or termination of the manager or staff member's employment. The Performance Options may be exercised at any time during a 12 month period commencing three years after the date the Performance Options are issued.

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

Movements in Performance Options during the Year:

Grant Date	Vesting Date	Expiry Date	Exercise Price \$	Fair Value at Grant Date \$	Number of Performance Options at Beginning of Year	Performance Options Granted	Performance Options Lapsed	Performance Options Exercised	Number of Performance Options as at 30 June 2012	
5 December 2008	29 November 2011	5 December 2011	3.35	0.41	2,001,000	-	82,750	1,918,250	-	
2 December 2009	2 December 2012	2 December 2013	4.43	0.77	2,038,700	-	-	-	2,038,700	
25 November 2010	25 November 2013	25 November 2014	4.84	0.77	3,274,500	-	-	-	3,274,500	
1 November 2011	1 November 2014	1 November 2015	5.26	0.81	-	3,831,000	-	-	3,831,000	
Weighted average exercise price						4.32	5.26	3.35	3.35	4.92
Weighted average remaining contract life										951 days
Total expense recognised \$1,410,871 (2011: \$1,681,706)										

The Performance Options outstanding at 30 June 2012 have not vested, are not exercisable at 30 June 2012 and have an exercise price in the range of \$4.43 to \$5.26.

The Performance Options issued prior to FY2010 are subject to a performance hurdle and will not vest unless there has been at least a compounded 5% improvement per year in the EPS of the Company over the vesting periods.

The Performance Options issued during and since FY2010 are subject to a performance hurdle and to vest the Company must achieve EPS growth in accordance with the following scale:

EPS Growth Over 3 Years	% of Performance Options in Tranche to Vest
< 12.5% (< 4% pa)	0%
12.5% (4% pa)	30%
> 12.5% (4% pa) & < 26% (8% pa)	Pro rata
26% (8% pa)	70%
> 26% (8% pa) & < 40% (12% pa)	Pro rata
≥ 40% (12% pa)	100%

Directors' Report

Cardno Limited and its Controlled Entities for the year ended 30 June 2012

The fair values of Performance 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.

For FY2013 it has been decided to change the provision of LTI under the PEP to all eligible staff to Performance Rights only and to discontinue the grant of Performance Options for this Plan. The Board considers the issue of Performance Rights based on the achievement of specific EPS and TSR targets better aligns the performance of key management personnel and those selected staff who participate in the PEP with the interests and objectives of shareholders.

▪ *Performance Rights*

The issue of Performance Rights is discretionary and for FY2012 and prior periods, was limited to the Managing Director, key management personnel and other senior managers. The Board approves the specific key management personnel and senior managers who are invited to participate in the allocation of Performance Rights on an annual basis. For FY2013, it is proposed that all eligible staff will be entitled to receive Performance Rights.

The plan operates by granting a Performance Right to the Managing Director, key management personnel and senior managers to acquire an ordinary share at nil consideration at a predetermined time in the future. During the 2012 financial year 627,500 Performance Rights with a grant date fair value of \$3,007,138 were issued with a vesting period of three years from the grant dates of 20 October 2011 and 1 November 2011.

Each Performance Right is convertible to one ordinary share. All Performance Rights expire on the earlier of their expiry date or termination of employment unless the Board determines otherwise. The Performance Rights may be exercised at any time during a one-year period commencing three years after the date the Performance Rights are issued provided the performance hurdles have been met.

There are no voting or dividend rights attached to the Performance Rights. Voting rights and dividends will attach to the ordinary shares issued when the Performance Rights have vested and been exercised.

Movements in Performance Rights during the Year:

Grant Date	Vesting Date	Expiry Date	Performance Hurdle	Fair Value at Grant Date \$	Number of Performance Rights at Beginning of Year	Performance Rights Granted	Performance Rights Lapsed	Performance Rights Vested Not Exercised	Number of Performance Rights as at 30 June 2012
22 October 2009	22 October 2012	22 October 2013	EPS Growth	3.96	67,500	-	-	-	67,500
			TSR	3.19	67,500	-	-	-	67,500
2 December 2009	2 December 2012	2 December 2013	EPS Growth	3.20	112,000	-	-	-	112,000
			TSR	2.30	112,000	-	-	-	112,000
21 October 2010	21 October 2013	21 October 2014	EPS Growth	3.78	76,250	-	-	-	76,250
			TSR	2.71	76,250	-	-	-	76,250
25 November 2010	25 November 2013	25 November 2014	EPS Growth	3.94	188,750	-	-	-	188,750
			TSR	2.96	188,750	-	-	-	188,750
20 October 2011	20 October 2014	20 October 2015	EPS Growth	4.21	-	72,500	-	-	72,500
			TSR	2.81	-	72,500	-	-	72,500
1 November 2011	1 November 2014	1 November 2015	EPS Growth	4.38	-	241,250	-	-	241,250
			TSR	2.97	-	241,250	-	-	241,250
Total expense recognised \$1,280,672 (2011: \$609,182)									

Directors' Report

Cardno Limited and its Controlled Entities for the year ended 30 June 2012

The fair values of Performance Rights granted during the year with a TSR performance hurdle, have been calculated using a Monte-Carlo simulation valuation model taking into account price volatility, risk free interest rates and comparator company shareholder return performance. A Black-Scholes model has been used to value the Performance Rights with an EPS performance hurdle taking into account risk free interest rates and the dividend yield.

The Performance Rights outstanding at 30 June 2012 have not vested, are not exercisable at 30 June 2012 and have no exercise price.

The Performance Rights are subject to performance hurdles of TSR (Tranche 1: 50%) and EPS growth (Tranche 2: 50%) in accordance with the following scale:

TSR of Cardno Relative to TSRs of Companies in Comparator Group Over 3 Years	% of Performance Rights to Vest (Tranche 1 50%)	EPS Growth Over 3 Years	% of Performance Rights to Vest (Tranche 2 50%)
< 50 th percentile	0%	< 12.5% (<4% pa)	0%
50 th percentile	50%	12.5% (4% pa)	30%
> 50 th & <75 th percentiles	Pro rata	> 12.5% (4% pa) & <26% (8% pa)	Pro rata
75 th percentile and above	100%	26% (8% pa)	70%
		> 26% (8% pa) & <40% (12% pa)	Pro rata
		≥40% (12% pa)	100%

Cardno's TSR is ranked against the TSR performance of a comparator group defined as the smallest companies in the S&P/ASX 300 excluding companies in the resources and financial sectors dated at 1 July 2009.

b) *Employee Share Acquisition Plan (ESAP)*

Shares are issued to all qualifying staff under the ESAP (excluding Cardno Limited Directors), in accordance with thresholds approved by Cardno shareholders at the 2009 AGM. It provides staff with the opportunity to acquire shares in the Company for no consideration as a bonus component of their remuneration. Staff with 12 months service or more, who have worked an average of 100 hours or more per month are entitled to \$1,000 of shares each year and staff with 6 to 12 months service are entitled to \$500 of shares each year. Staff 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.

Subject to the Board's discretion and depending on the overall performance of Cardno, shares are issued in the name of the participating staff member 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 at which the individual ceases to be a member of staff. 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 2012 are detailed in the table below:

Grant Date	Issue Price	Restriction Lifted FY2012	Restricted at 30 June 2012	Restriction Period Ends
9 March 2010	\$4.07	145,249	289,683	9 March 2013
25 February 2011	\$6.05	74,004	314,932	25 February 2014
31 January 2012	\$5.78	25,959	487,552	31 January 2015

Directors' Report

Cardno Limited and its Controlled Entities for the year ended 30 June 2012

Shares issued during the reporting period are valued at the volume weighted average market price over the 5 trading days prior to the date of the issue to staff, which approximates the fair value.

Employment Agreements

a) *Managing Director Remuneration Structure*

Mr Andrew Buckley's employment contract has no fixed term and provides both fixed and incentive based remuneration which includes STI and LTI.

The basis of Mr Buckley's fixed and variable remuneration is benchmarked against market comparator group companies that are within half to double of Cardno's average market capitalisation and also against companies of similar organisational size operating within a similar industry group.

Mr Buckley's FAR was \$750,000 for FY12.

STIs are assessed against two separate performance measures.

The first measure is an agreed target level profitability for Cardno. For FY12 an STI cash bonus of between 50% and 100% of up to \$700,000 was payable for achievement of between 95% and 105% of the agreed target level Group NPAT pro-rata between the qualification levels.

The second STI measure is a qualitative assessment of Mr Buckley's performance against specific criteria including financial growth, leadership, succession planning and critical relationships and takes into account the prevailing operating and economic conditions. A maximum of \$200,000 was payable under this measure for FY12.

The Board has discretion based on the recommendation of the Remuneration Committee, to award up to an additional \$200,000 for exceptional performance in the achievement of Group NPAT outcomes, business growth, his personal leadership and relative performance compared to other Chief Executive Officers in comparable companies.

LTI entitlements are awarded at the discretion of the Board on the recommendation of the Remuneration Committee based on the overall performance and growth of Cardno, EPS growth and relative TSR performance as well as other qualitative and quantitative measures of Cardno's longer term performance.

Mr Buckley's LTI entitlement includes the issue of Performance Rights pursuant to Cardno's Performance Equity Plan approved by shareholders at the 2009 AGM. The quantum of 80,000 Performance Rights was approved by shareholders at the 2011 AGM.

Details of termination benefits payable by way of cash or Performance Rights to Mr Buckley are outlined in the following table:

Mode of retirement from office	Notice period	Benefits Payable					
		Unpaid / accrued FAR	Accrued but untaken annual leave	Long service leave	Unpaid /Accrued STI	Severance payment	Unvested Performance Rights
Notice by Mr Buckley	12 months	Yes	Yes	Yes	Yes, at Board's discretion	No	At Board's discretion
Termination by the Company (except for misconduct)	12 months	Yes	Yes	Yes	Yes, at Board's discretion	No	At Board's discretion
Termination by the Company for misconduct	Nil	Nil	Yes	Yes	No	No	No

Directors' Report

Cardno Limited and its Controlled Entities for the year ended 30 June 2012

b) Key Management Personnel Employment Agreements

Each agreement varies according to the individual key management person but typically includes:

- a) Termination provisions relating to notice periods and payments similar to those outlined for the Managing Director above, except that notice periods are up to six months and reduced where termination is for performance reasons.
- b) Performance and confidentiality obligations on the part of both the employer and employee,
- c) Employee covenants that during the term of employment and for at least six months after termination the employee will not solicit any existing client or employee of the Company.

Non-Executive Directors

Non-Executive Directors remuneration is reviewed annually by the Board. The review takes account of recommendations of the Remuneration Committee and external benchmarking of comparable companies. In considering the level of remuneration for Non-Executive Directors, the Remuneration Committee uses independent external advice, industry survey data and other information about the level of fees and benefits being paid to Non-Executive Directors within comparator companies. The Board took independent advice in 2012 from Ernst & Young regarding Non-Executive Directors' remuneration.

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. Cardno targets to set Non-Executive Director fees at approximately the median of Non-Executive Director fees in the comparator group.

The aggregate fee pool for all of the Non-Executive Directors was approved by shareholders at the 2011 AGM with a maximum aggregate of \$900,000 including superannuation. The reasons for requesting an increase at that time were as follows:

- a) The previous limit of \$600,000 was approved by shareholders on 25 October 2007.
- b) At the time of the 2011 AGM the Board consisted of three Executive Directors and four Non-Executive Directors. It had been decided to continue transitioning the Board's composition to a greater membership of Non-Executive Directors who will be compensated under the aggregate fee pool increase.
- c) The recommendation was based on an independent external review of competitive board remuneration practices for similar companies.
- d) The Board was of the view that the proposed increase to Non-Executive Directors aggregate remuneration was commensurate with market remuneration paid to Non-Executive Directors at equivalent ASX listed companies in terms of growth and market capitalisation, and was necessary to retain and attract appropriately qualified Non-Executive Directors to the Company.
- e) The increase reflected the more onerous corporate governance environment and the commensurate increase in time and responsibility of Non-Executive Directors for Board activities.
- f) The Company did not intend to allocate the full amount immediately. The proposed increase was to allow for growth over time in both the remuneration and the number of Non-Executive Directors.

Directors' Report

Cardno Limited and its Controlled Entities for the year ended 30 June 2012

The FY12 Non-Executive Director fee structure, last increased in July 2010, is outlined below:

- Chairman of the Board: \$200,000 (covering all responsibilities as Chairman of the Board and member of any Board Committee).
- Other Non-Executive Directors: \$100,000 (covers all responsibilities as a member of the Board, including other Committee memberships and other duties including representing the Company externally).

As a consequence of Cardno's growth, the benchmarking of Non-Executive Directors fees compared with companies in the market comparator group, the increasing time commitment and demands on Directors and the need to plan for Non-Executive Director succession, the Board determined to restructure the manner in which Non-Executive Directors are remunerated for the financial year 2013.

The new fee structure for Non-Executive Directors from 1 July 2012 includes payment of a base Board fee and Committee fees as follows:

- Chairman of the Board: \$250,000 (covering all responsibilities as Chairman of the Board and Chairman and/or member of any Board Committee)
- Other Non-Executive Directors: \$100,000 (covering responsibilities as a member of the Board and other duties including representing the Company externally)
- Committee Chairman: \$20,000, and Committee member: \$10,000 (covering all responsibilities as either chairman or member respectively of the Audit, Risk & Compliance Committee and of the Remuneration Committee).
- No fees are payable to either the Chairman or a member of the Nominations Committee

It is not proposed to seek an increase to the aggregate fee pool for Non-Executive Directors at the 2012 AGM.

The remuneration of the Directors and key management personnel are set out in the following tables.

Directors' Report

Cardno Limited and its Controlled Entities for the year ended 30 June 2012

Director and Key Management Personnel Remuneration

Details of the nature and amount of each major element of remuneration of each Director of the Company and other Key Management Personnel of the consolidated entity are:

Director		Short Term				Post Employment	Long Term	Termination Benefits	Share Based Payments		Total	Proportion of Remuneration Performance Related	Value of Performance Rights as a Proportion of Remuneration
		Salary and Fees	STI *	Non-Monetary Benefits	Total	Super-annuation Benefits	Other Long Term Benefits***		Shares	Performance Rights**			
		\$	\$	\$	\$	\$	\$	\$	\$	\$			
Non-Executive													
John Massey	2012	183,486	-	-	183,486	16,514	-	-	-	-	200,000	-	-
	2011	183,486	-	-	183,486	16,514	-	-	-	-	200,000	-	-
Anthony Barnes	2012	50,636	-	-	50,636	49,364	-	-	-	-	100,000	-	-
	2011	49,464	-	-	49,464	50,536	-	-	-	-	100,000	-	-
Peter Cosgrove	2012	91,743	-	-	91,743	8,257	-	-	-	-	100,000	-	-
	2011	91,743	-	-	91,743	8,257	-	-	-	-	100,000	-	-
Ian Johnston	2012	91,743	-	-	91,743	8,257	-	-	-	-	100,000	-	-
	2011	91,743	-	-	91,743	8,257	-	-	-	-	100,000	-	-
John Marlay	2012	53,517	-	-	53,517	4,816	-	-	-	-	58,333	-	-
	2011	-	-	-	-	-	-	-	-	-	-	-	-
Tonianne Dwyer	2012	1,923	-	-	1,923	173	-	-	-	-	2,096	-	-
	2011	-	-	-	-	-	-	-	-	-	-	-	-
Executive													
Andrew Buckley	2012	700,480	1,060,000	4,000	1,764,480	50,448	-	-	-	252,616	2,067,544	63.5%	12.2%
	2011	641,137	810,000	4,000	1,455,137	103,725	329,981	-	-	89,488	1,978,331	62.1%	4.5%
Jeffrey Forbes	2012	377,697	120,400	4,000	502,097	38,303	-	-	-	122,136	662,536	36.6%	18.4%
	2011	341,193	105,000	4,000	450,193	53,807	91,066	-	-	44,252	639,318	37.6%	6.9%
Trevor Johnson	2012	353,585	69,200	4,000	426,785	44,278	-	-	-	100,693	571,756	29.7%	17.6%
	2011	341,919	50,000	4,000	395,919	43,006	92,099	-	-	35,321	566,345	31.3%	6.2%
Former													
Graham Tamblyn (resigned 21/10/2010)	2012	-	-	-	-	-	-	-	-	-	-	-	-
	2011	100,083	20,000	4,000	124,083	14,033	79,076	-	-	27,372	244,564	51.7%	11.2%
Total Compensation – 2012		1,904,810	1,249,600	12,000	3,166,410	220,410	-	-	-	475,445	3,862,265	44.7%	12.3%
Total Compensation – 2011		1,840,768	985,000	16,000	2,840,768	298,135	592,222	-	-	196,433	3,928,558	45.1%	5.0%

* STIs which have been accrued at 30/06/2012 and to be paid in 2nd quarter FY2013.

** The amount included in remuneration is the grant date fair value which has been recognised in accordance with accounting standards over the expected vesting period.

*** Amounts earned under the Transitional Long Term Incentive plan (TLTI) no longer applicable in FY2012 and replaced by the LTI plan.

Directors' Report

Cardno Limited and its Controlled Entities for the year ended 30 June 2012

Director and Key Management Personnel Remuneration continued

Executives		Short-Term				Post Employment	Long Term	Termination Benefits	Share Based Payments		Total	Proportion of Remuneration Related	Value of Performance Options & Performance Rights as a Proportion of Remuneration
		Salary	STI*	Non-Monetary Benefits	Total	Super-annuation Benefits	Other Long Term Benefits		Shares	Performance Options & Performance Rights**			
		\$	\$	\$	\$	\$	\$	\$	\$	\$			
Executives													
Roger Collins-Woolcock	2012	424,463	88,862	4,000	517,325	23,700	-	-	1,000	117,856	659,881	31.3%	17.9%
	2011	363,699	85,000	4,000	452,699	36,531	-	-	1,000	45,508	535,738	24.4%	8.5%
Jean-Francois Floury	2012	376,438	93,233	-	469,671	25,000	-	-	1,000	28,929	524,600	23.3%	5.5%
	2011	111,688	25,000	-	136,688	10,052	-	-	-	-	146,740	17.0%	0.0%
Paul Gardiner	2012	401,802	107,750	4,000	513,552	22,080	-	-	1,000	118,447	655,079	34.5%	18.1%
	2011	367,761	60,000	4,000	431,761	33,009	-	-	1,000	48,244	514,014	21.1%	9.4%
Michael Renshaw	2012	493,598	184,500	-	678,098	19,939	-	-	1,000	126,121	825,158	37.6%	15.3%
	2011	418,213	120,000	-	538,213	-	-	-	1,000	45,508	584,721	28.3%	7.8%
Kylie Sprott	2012	279,479	70,200	-	349,679	19,874	-	-	1,000	63,879	434,433	30.9%	14.7%
	2011	244,754	65,000	-	309,754	22,608	-	-	1,000	14,946	348,308	23.0%	4.3%
Ross Thompson (effective 1/7/11)	2012	280,997	79,650	-	360,647	20,366	-	-	1,000	52,591	434,604	30.4%	12.1%
	2011	220,183	65,000	-	285,183	22,179	-	-	1,000	10,599	318,961	23.7%	3.3%
Total compensation – 2012		2,256,777	624,195	8,000	2,888,972	130,959	-	-	6,000	507,823	3,533,755	32.0%	14.4%
Total compensation – 2011		1,726,298	420,000	8,000	2,154,298	124,379	-	-	5,000	164,805	2,448,482	23.9%	6.7%

* STIs which have been accrued but not paid based on estimates of achievement of performance targets.

** The amount included in remuneration is the grant date fair value which has been recognised in accordance with accounting standards over the expected vesting period.

Additional Information Name	STI	
	Vested%	Forfeited %
Andrew Buckley	96%	4%
Jeffrey Forbes	86%	14%
Trevor Johnson	87.0%	13%
Roger Collins-Woolcock	59%	41%
Jean-Francois Floury	78%	22%
Paul Gardiner	72%	28%
Michael Renshaw	90%	10%
Kylie Sprott	78%	22%
Ross Thompson	89%	11%

Directors' Report

Cardno Limited and its Controlled Entities for the year ended 30 June 2012

Consequences of Performance on Shareholder Wealth

Cardno's financial performance and resultant benefits for shareholder return are demonstrated in the following table. The Remuneration Committee has taken these results into consideration when making recommendations to the Board for the Managing Director and other key management personnel in respect of the current financial year and the previous four financial years.

	2012	2011	2010	2009	2008
Net Profit After Tax (000's)	\$74,168	\$58,802	\$37,597	\$34,154	\$27,452
Dividends Paid or Provided (000's)	\$43,488	\$33,975	\$23,955	\$21,434	\$16,349
Change in Share Price – year on year (\$ per share)	\$2.18	\$1.49	\$0.53	-\$1.06	-\$2.69
Basic Earnings Per Share Growth	9.7%	28.3%	0.1%	4.3%	12.6%
Return on Capital Employed	20.5%	24.9%	17.3%	19.0%	25.8%

Over the past four years, Cardno's profit after income tax has grown at an average rate per annum of 28% and revenue from \$399 million (2008) to \$966 million (2012). During the same period average key management personnel total remuneration has grown by approximately 17% per annum.

Performance Rights for the Managing Director and Key Management Personnel

Details of vesting profiles of Performance Rights granted as remuneration to the Executive Directors and key management personnel of Cardno and still outstanding at 30 June 2012, including Performance Rights granted during the financial year are as follows:

Key Management Personnel	Outstanding Performance Rights	Grant Date	Vesting Date	% Vested in Year	% Forfeited in Year
Executive Directors					
Andrew Buckley	80,000	20-Oct-11	20-Oct-14	0.0%	0.0%
	70,000	21-Oct-10	21-Oct-13	0.0%	0.0%
	60,000	22-Oct-09	22-Oct-12	0.0%	0.0%
Jeffrey Forbes	35,000	20-Oct-11	20-Oct-14	0.0%	0.0%
	35,000	21-Oct-10	21-Oct-13	0.0%	0.0%
	30,000	22-Oct-09	22-Oct-12	0.0%	0.0%
Trevor Johnson	30,000	20-Oct-11	20-Oct-14	0.0%	0.0%
	27,500	21-Oct-10	21-Oct-13	0.0%	0.0%
	25,000	22-Oct-09	22-Oct-12	0.0%	0.0%
Senior Executives					
Roger Collins-Woolcock	40,000	1-Nov-11	1-Nov-14	0.0%	0.0%
	35,000	25-Nov-10	25-Nov-13	0.0%	0.0%
	30,000	2-Dec-09	2-Dec-12	0.0%	0.0%
Jean-Francois Floury	35,000	1-Nov-11	1-Nov-14	0.0%	0.0%
	40,000	1-Nov-11	1-Nov-14	0.0%	0.0%
	35,000	25-Nov-10	25-Nov-13	0.0%	0.0%
Paul Gardiner	30,000	2-Dec-09	2-Dec-12	0.0%	0.0%
	50,000	1-Nov-11	1-Nov-14	0.0%	0.0%
	35,000	25-Nov-10	25-Nov-13	0.0%	0.0%
Michael Renshaw	30,000	2-Dec-09	2-Dec-12	0.0%	0.0%
	30,000	1-Nov-11	1-Nov-14	0.0%	0.0%
	25,000	25-Nov-10	25-Nov-13	0.0%	0.0%
Kylie Sprott	8,000	2-Dec-09	2-Dec-12	0.0%	0.0%
	30,000	1-Nov-11	1-Nov-14	0.0%	0.0%
	25,000	25-Nov-10	25-Nov-13	0.0%	0.0%
Ross Thompson	30,000	1-Nov-11	1-Nov-14	0.0%	0.0%
	25,000	25-Nov-10	25-Nov-13	0.0%	0.0%

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

Directors' Report

Cardno Limited and its Controlled Entities for the year ended 30 June 2012

No Performance Rights granted during the financial year have vested. No Performance Rights have been granted since the end of the financial year and up to the date of this report. No Performance Rights were exercised during the financial year. Details of the performance criteria are included on page 14.

During the reporting period, the following shares were issued on the exercise of Performance Options previously granted as compensation:

Key Management Personnel	Number of shares	Amount paid \$/share
Roger Collins-Woolcock	60,000	\$3.35
Paul Gardiner	70,000	\$3.35
Michael Renshaw	60,000	\$3.35

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

Executive Directors and Key Management Personnel	Granted in year \$ (a) (Performance Rights)	Exercised in year \$ (b) (Performance Options)	Vested in year \$ (not exercised)
Executive Directors			
Andrew Buckley	372,000	-	-
Jeffrey Forbes	162,750	-	-
Trevor Johnson	139,500	-	-
Key Management Personnel			
Roger Collins-Woolcock	193,400	117,600	-
Jean-Francois Floury	169,225	-	-
Paul Gardiner	193,400	137,200	-
Michael Renshaw	241,750	117,600	-
Kylie Sprott	145,050	-	-
Ross Thompson	145,050	-	-

- (a) The value of Performance Rights granted in the year is the fair value of the Performance Rights calculated at grant date using the Monte-Carlo & Black-Scholes pricing models. The total value of the Performance Rights is allocated to remuneration over the vesting period (i.e. in years 20 October 2011 – 20 October 2014 and 1 November 2011 – 1 November 2014).
- (b) The value of Performance Options exercised during the year is calculated as the market price of the shares of the Company as at closing of trading on the date the Performance Options were exercised after deducting the price to exercise the option.

12. Directors' and Executives' 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	Performance Options	Performance Rights
Anthony Barnes	5,084	-	-	-
Andrew Buckley	2,520,261	-	-	210,000
Peter Cosgrove	979	-	-	-
Tonianne Dwyer	-	-	-	-
Jeffrey Forbes	31,237	-	-	100,000
Trevor Johnson	1,600,001	-	-	82,500
Ian Johnston	268,839	-	-	-
John Massey	64,816	-	-	-
John Marlay	3,500	-	-	-

Directors' Report

Cardno Limited and its Controlled Entities for the year ended 30 June 2012

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 2011	Purchases	Received as Compensation	Sales	Held at 30 June 2012
Non-Executive Directors					
Anthony Barnes	4,307	777	-	-	5,084
Peter Cosgrove	-	979	-	-	979
Tonianne Dwyer	-	-	-	-	-
Ian Johnston	241,955	26,884	-	-	268,839
John Marlay	-	3,500	-	-	3,500
John Massey	58,334	6,482	-	-	64,816
Executive Directors					
Andrew Buckley	2,450,261	70,000	-	-	2,520,261
Jeffrey Forbes	26,466	4,771	-	-	31,237
Trevor Johnson	2,050,001	50,000	-	(500,000)	1,600,001
Senior Executives					
Roger Collins-Woolcock	704,103	214,922	173	(170,000)	749,198
Jean-Francois Floury	-	-	86	-	86
Paul Gardiner	850,939	120,346	173	-	971,458
Michael Renshaw	191,286	60,000	173	-	251,459
Kylie Sprott	5,165	887	173	-	6,225
Ross Thompson	430	10,834	173	-	11,437

13. Unissued shares under Performance Options and Performance Rights

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

Exercise Date	Expiry date	Exercise price	Number of Performance Options
2 December 2012	2 December 2013	\$4.43	2,038,700
25 November 2013	25 November 2014	\$4.84	3,274,500
1 November 2014	1 November 2015	\$5.26	3,831,000

At the date of this report unissued ordinary shares of the Company in relation to Performance Rights are:

Exercise Date	Expiry date	Exercise price	Number of Performance Rights
22 October 2012	22 October 2013	Nil	135,000
2 December 2012	2 December 2013	Nil	224,000
21 October 2013	21 October 2014	Nil	152,500
25 November 2013	25 November 2014	Nil	377,500
20 October 2014	20 October 2015	Nil	145,000
1 November 2014	1 November 2015	Nil	482,500

These Performance Options and Performance Rights do not entitle the holder to participate in any share issue of the Company.

14. Non-Audit Services

During the year KPMG, the Company's auditor, has performed certain other services in addition to their statutory duties.

The Board has considered the non-audit services provided during the year by the auditor and in accordance with written advice provided by resolution of the Audit, Risk and Compliance Committee, is satisfied that the provision of those non-audit services during the year by the auditor is compatible

Directors' Report

Cardno Limited and its Controlled Entities for the year ended 30 June 2012

with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- All non-audit services were subject to the corporate governance procedures adopted by the Board and have been reviewed by the Audit, Risk and Compliance Committee to ensure they do not impact the integrity and objectivity of the auditor; and
- The non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for Cardno, acting as an advocate for Cardno or jointly sharing risks and rewards.

Details of the amounts paid to the auditor and its related practices for audit and non-audit services provided during the year are set out in note 30.

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

The lead auditor's independence declaration is set out on page 24 and forms part of the Directors' report for the year ended 30 June 2012.

16. 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
13 August 2012



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

To: the directors of Cardno Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2012 there have been:

- no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

A handwritten signature in blue ink, appearing to read 'Robert S. Jones', with a large, stylized flourish at the end.

Robert S Jones
Partner

Brisbane
13 August 2012

Corporate Governance Statement

Cardno Limited and its Controlled Entities for the year ended 30 June 2012

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 Cardno 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 Cardno's current practice against these Principles and Recommendations and notes that Cardno'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 the Managing Director and the senior management team has been formalised. The most significant responsibilities of the Board are:

- providing strategic guidance to Cardno 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 Cardno'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 Cardno;
- 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 management;
- 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 the Managing Director, together with his senior management team the responsibility for implementation of Cardno's strategic direction, business plans and day-to-day management of its operations.

The performance of the Managing Director and senior management team is evaluated by the Board through formal performance reviews undertaken on an annual basis. The individual performance of the Managing Director and each member of the senior management team is reviewed against goals set in the previous year and new objectives are established for the following financial year. 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 as Cardno develops.

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

Principle 2: Structure the Board to add value

The Board has been established so that it has appropriate 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.

Corporate Governance Statement

Cardno Limited and its Controlled Entities for the year ended 30 June 2012

The Board currently comprises six Non-Executive Directors including the Chairman, and three Executive Directors. In June this year Mr Massey announced he would retire as Chairman of the Board effective 14 August 2012. Mr John Marlay will take over as Chairman at that time. Mr Massey has advised that he will not seek re-election as a Director at the 2012 Annual General Meeting.

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 Cardno or an officer of, or otherwise associated directly with, a substantial shareholder of Cardno;
- within the last three years has not been employed in an executive capacity by Cardno 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 Cardno or another group member or an employee materially associated with the service provided;
- is not a material supplier or customer of Cardno 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 Cardno 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 Cardno; 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 Cardno.

The Board has confirmed that based on this definition of independence, Mr Massey, Mr Marlay, Mr Johnston, General Cosgrove, Ms Dwyer and Mr Barnes are independent Non-Executive Directors. The Board noted Mr Johnston's former role as a Director of RBS Morgans, which ended some years ago, and determined that Mr Johnston now meets the Board's definition of independence. The Board considers that Mr Johnston's current non-financial involvement with RBS Morgans does not interfere with his ability to act independently in the interests of Cardno.

The Board currently considers 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 Cardno. Cardno has reduced the number of Executive Directors and increased the number of Non-Executive Directors over recent years to the point where it now has a majority of Non-Executive Directors.

The role of the Chairman and Chief Executive Officer are separate. The Chairman of the Board is Mr Marlay who is an independent Non-Executive Director. The Chief Executive Officer and Managing Director is Mr Buckley.

Each Director, as part of their agreement with Cardno, has the ability to seek independent advice at Cardno's expense after consultation with the Chairman.

The Nominations Committee comprises three Non-Executive Directors, Mr Marlay (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 Nominations 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. 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.

Corporate Governance Statement

Cardno Limited and its Controlled Entities for the year ended 30 June 2012

The Nominations 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 Cardno including company law, trade practices legislation, environmental law, occupational health and safety, equal opportunity and taxation.

As Cardno 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 Cardno operates. In addition, consideration is given to the candidate's knowledge of the areas of Cardno's operations, risk management concepts and how they apply to Cardno 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 Cardno. This includes meetings with key executives, tours of the relevant businesses, 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 Nominations Committee has responsibility for independently supervising Cardno's Leadership Development Programme as part of its succession considerations. The Committee also proposes the development of policies relevant to Cardno's human resources, including the Diversity Policy.

The roles and responsibilities of the Nominations Committee are set out in its Terms of Reference which are displayed on the Investor Centre of Cardno's website.

Principle 3: Promote ethical and responsible decision making

The Board has adopted a Code of Conduct for Directors, senior managers 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 sets the standard of behaviour required in areas such as performance and conduct, health and safety, use of property, compliance with laws and professional standards, confidentiality of information and conflicts of interest.

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 and the Whistleblower hotline which is managed by an independent operator and accessible to all Cardno staff 24 hours a day, 7 days a week. The Audit, Risk & Compliance Committee receives notifications and reports of disclosures made under the policy. After due investigation, the Committee determines an appropriate response and whether corrective action is required to be taken.

The Board has adopted a policy for trading in Cardno securities by Directors, senior managers and staff. The purpose of this policy is to guide Directors and senior managers 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. This policy was updated during 2012 and the updated version was disclosed on the ASX in April 2012 in accordance with the ASX Listing Rules. The updated policy addresses each of the ASX requirements including provisions relating to the prohibition of trading by directors and senior executives in Cardno's securities during defined blackout periods.

The 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 the code and the policy are available for review in the Investor Centre of the Cardno website.

Corporate Governance Statement

Cardno Limited and its Controlled Entities for the year ended 30 June 2012

Diversity Policy

The Board has adopted a Diversity Policy which is accessible on the Cardno website.

Cardno respects and values the competitive advantage of diversity and recognises the benefits of its integration throughout Cardno through the improvement of corporate performance and increasing shareholder value. Specifically, diversity is reinforced through both strategic and operational means, and by management nurturing and developing the collective relevant skills.

As at 30 June 2012, women comprised 31% of Cardno's workforce globally. The proportion of women in senior executive positions such as General Manager, Division Manager, Business Unit Manager and/or Vice President was 11%. The proportion of women on the Cardno Board was 11%.

Cardno has established objectives with the aim of recognising and increasing diversity within the organisation and the continued promotion of our people to senior and executive management roles, regardless of gender, age or race.

As part of the implementation of the policy, measurable objectives have been developed to create ongoing visibility and focus on diversity. As a rapidly growing organisation, Cardno's first objective is to ensure that it has accurate analytics regarding diversity. This will in turn help to refine the areas of focus and effort.

During 2011/12, Cardno implemented a flexible work policy in the Australia/New Zealand region aimed at promoting flexibility in work arrangements for all employees. In addition, Cardno University was launched globally and will provide opportunities to create exciting and rewarding career paths for Cardno staff.

In 2012/2013 Cardno aims to:

- undertake a comprehensive review of the analytics of diversity within the organisation to determine priority actions and programs. This will take place on both a region and global perspective and will include data regarding job roles and salary levels.
- identify and communicate emerging themes with regard to diversity relevant for Cardno's business and consequently establish further priorities and actions.
- increase the percentage of women at all levels in the company, including on the Board, in senior management and in professional roles.
- develop a "Women in Cardno" network to champion gender equality globally.
- implement a review of our recruitment practices with the aim of increasing our applicant diversity, including indigenous people in the Australia and New Zealand region.

Principle 4: Safeguard integrity in financial reporting

The Chief Executive Officer and Managing Director and Chief Financial Officer have provided the Board with a statement confirming that Cardno's financial reports present a true and fair view of its financial position and are in accordance with relevant accounting standards. During the year the Audit, Risk & Compliance Committee consisted of two Non-Executive Directors, Mr Barnes and Mr Johnston, and one Executive Director, Dr Johnson. In June 2012 Dr Johnson retired from the Committee and was replaced by Ms Dwyer, an independent Non-Executive Director. Mr Barnes, an independent Non-Executive Director, is Chairman of the Audit, Risk & Compliance Committee. Mr Barnes is not the Chairman of the company.

The Audit, Risk & Compliance Committee requires the rotation at least every five 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 are set out in its Terms of Reference which can be viewed in the Investor Centre of the company's website.

Corporate Governance Statement

Cardno Limited and its Controlled Entities for the year ended 30 June 2012

Principle 5: Make timely and balanced disclosure

Cardno 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 the policy to ensure it reflects best practice standards regarding disclosure and by following the policy ensures the market is kept informed of price sensitive or significant information in accordance with the Listing Rules. The policy was reviewed during the last financial year.

Cardno maintains a Confidential Information Policy which establishes standards of behaviour and processes regarding the manner in which the executives and employees handle confidential information relating to Cardno's business. A copy of the policy has been distributed to all staff and is accessible on the Cardno intranet.

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.

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. Cardno's auditors attend the Annual General Meeting of the company and are available to answer shareholders' questions.

The Board has adopted a Communications Policy that provides for:

- communicating effectively with shareholders through releases to the market via the ASX, the media, Cardno's website, information mailed to shareholders and the general meetings of Cardno;
- posting all information disclosed to the ASX on the Cardno 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 Cardno's website;
- giving shareholders ready access to balanced and understandable information about Cardno and corporate proposals; and
- having the external auditor attend 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 Cardno's Communications Policy is able to be reviewed in the Investor Centre of the Cardno website.

Principle 7: Recognise and manage risk

The Board, together with the Managing Director and senior 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 Cardno's Corporate Governance Policy and in the Audit, Risk & Compliance Committee Charter which are both kept under regular review 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 approved policies and

Corporate Governance Statement

Cardno Limited and its Controlled Entities for the year ended 30 June 2012

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 represent all aspects of Cardno'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 Cardno and how they are being mitigated and managed by management via the Operational Risk Management Committee.

This structure allows Cardno 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.

Cardno 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 Cardno's website. Details of the number of meetings of the Audit, Risk & Compliance Committee and members' attendance can be found in the Directors' Report.

Principle 8: Remunerate fairly and responsibly

Cardno has established a Remuneration Committee. The Remuneration Committee, which advises and reports to the Board, is chaired by Mr Johnston and includes Mr Marlay and Mr Barnes, all Non-Executive Directors. In January 2012 Mr Massey, while remaining as a member, retired as Chairman of the Committee and was replaced by Mr Marlay. In August 2012 when Mr Marlay became Chairman of Cardno, he stepped down as Chairman of the Committee but remains a member of the Committee. 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 Board has consciously designed Cardno's remuneration strategy to ensure its Managing Director and senior management team are strongly aligned to achieving Cardno's business strategies and deliver shareholder value.

Cardno's vision is to be a world leader in the provision of professional services to improve the physical and social environment. This vision will be achieved through focussing on our people, clients, growth, quality, safety and performance.

The Cardno group's remuneration strategy is designed to attract, retain and motivate appropriately qualified and experienced senior managers in the engineering and professional consulting services sector. The ability of Cardno to deliver long term shareholder value relies significantly upon the capability of these senior managers to drive business performance and client service satisfaction.

Corporate Governance Statement

Cardno Limited and its Controlled Entities for the year ended 30 June 2012

Cardno's remuneration strategy is provided through a framework which includes a mix of fixed and variable remuneration, including short-term and long-term performance-based incentives (Total Remuneration), designed to maximise the financial performance and growth of Cardno over time. In general, the remuneration approach includes a reasonable percentage of potential annual remuneration for senior managers to be delivered as a risk variable remuneration. The Board has determined that this remuneration method is likely to contribute significantly to improved senior manager performance and better financial outcomes achieved in Cardno's operations.

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

The Non-Executive Directors of Cardno Limited are entitled to fees that are determined by the Board on commencement of the role and reviewed on an annual basis taking into account competitive market practices for companies with a similar size and complexity to Cardno. Fees include compulsory superannuation contributions. Non-Executive Directors do not participate in equity plans of Cardno and do not receive retirement benefits. Fees are paid for Non-Executive Directors membership of the Board and for the Chairmen and members of the Audit, Risk and Compliance Committee and the Remuneration Committee, with the exception of the Chairman of the Company who is paid an all-inclusive annual fee inclusive of Committee fees.

The company's Trading Policy specifically prohibits any Director, senior managers 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 Cardno website.

The role, objectives and responsibilities of the Remuneration Committee is set out in its Terms of Reference which can be viewed in the Investor Centre of the Cardno website.

Consolidated Statement of Financial Performance

Cardno Limited and its Controlled Entities for the year ended 30 June 2012

	Note	2012 \$'000	2011 \$'000
Revenue	2	965,820	831,201
Employee expenses		(425,594)	(321,233)
Consumables and materials used		(200,950)	(158,212)
Sub-consultant and contractor costs		(171,305)	(216,345)
Depreciation and amortisation expenses	3	(16,111)	(11,356)
Financing costs	3	(7,500)	(4,501)
Other expenses		(39,318)	(35,251)
Profit before income tax		105,042	84,303
Income tax expense	4	(30,874)	(25,501)
Profit for the year		74,168	58,802
Profit attributable to:			
Owners of the Company		74,168	58,802
		74,168	58,802
Basic earnings per share (cents per share)	29	61.73	56.29
Diluted earnings per share (cents per share)	29	59.81	55.35

The statement of financial performance should be read in conjunction with notes 1 to 37 which form part of the financial statements.

Consolidated Statement of Comprehensive Income

Cardno Limited and its Controlled Entities for the year ended 30 June 2012

	2012 \$'000	2011 \$'000
Profit for the year	74,168	58,802
Other comprehensive income		
Exchange differences on translation of foreign operations	11,445	(26,908)
Other comprehensive income for the year, net of tax	11,445	(26,908)
Total comprehensive income for the year	85,613	31,894
Total comprehensive income attributable to:		
Owners of the Company	85,613	31,894
	85,613	31,894

The statement of comprehensive income should be read in conjunction with notes 1 to 37 which form part of the financial statements.

Consolidated Statement of Financial Position

Cardno Limited and its Controlled Entities as at 30 June 2012

	Note	2012 \$'000	2011 \$'000
CURRENT ASSETS			
Cash and cash equivalents	6	107,856	84,047
Trade and other receivables	7	175,471	118,205
Inventories	8	108,032	80,107
Other current assets	9	4,047	4,957
TOTAL CURRENT ASSETS		395,406	287,316
NON-CURRENT ASSETS			
Trade and other receivables	10	570	535
Other financial assets	11	783	669
Property, plant and equipment	12	43,497	31,937
Deferred tax assets	13	11,731	5,446
Intangible assets	14	506,762	355,709
TOTAL NON-CURRENT ASSETS		563,343	394,296
TOTAL ASSETS		958,749	681,612
CURRENT LIABILITIES			
Trade and other payables	15	122,990	151,222
Loans and borrowings	16	2,073	1,859
Current tax liabilities		12,644	5,514
Short term provisions	17	33,546	19,561
Other current liabilities	18	31,301	32,934
TOTAL CURRENT LIABILITIES		202,554	211,090
NON-CURRENT LIABILITIES			
Loans and borrowings	19	196,769	104,535
Deferred tax liabilities	13	493	140
Long term provisions	20	9,146	8,023
Other non-current liabilities	21	902	628
TOTAL NON-CURRENT LIABILITIES		207,310	113,326
TOTAL LIABILITIES		409,864	324,416
NET ASSETS		548,885	357,196
EQUITY			
Issued capital	22	460,947	311,383
Reserves		(23,970)	(35,415)
Retained earnings		111,908	81,228
TOTAL EQUITY		548,885	357,196

The statement of financial position should be read in conjunction with notes 1 to 37 which form part of the financial statements.

Consolidated Statement of Changes in Equity

Cardno Limited and its Controlled Entities for the year ended 30 June 2012

	Note	Share Capital Ordinary \$'000	Retained Earnings \$'000	Foreign Translation Reserve \$'000	Total \$'000
BALANCE AT 1 JULY 2010		252,080	56,399	(8,507)	299,972
Profit for the year		-	58,802	-	58,802
Exchange differences on translation of foreign operations		-	-	(26,908)	(26,908)
Total comprehensive income for the year		-	58,802	(26,908)	31,894
Transactions with owners in their capacity as owners:					
Shares issued	22	57,038	-	-	57,038
Employee share based payments	22	2,265	-	-	2,265
Dividends paid or provided	5	-	(33,973)	-	(33,973)
		59,303	(33,973)	-	25,330
BALANCE AT 30 JUNE 2011		311,383	81,228	(35,415)	357,196
Profit for the year		-	74,168	-	74,168
Exchange differences on translation of foreign operations		-	-	11,445	11,445
Total comprehensive income for the year		-	74,168	11,445	85,613
Transactions with owners in their capacity as owners:					
Shares issued	22	146,872	-	-	146,872
Employee share based payments	22	2,692	-	-	2,692
Dividends paid or provided	5	-	(43,488)	-	(43,488)
		149,564	(43,488)	-	106,076
BALANCE AT 30 JUNE 2012		460,947	111,908	(23,970)	548,885

The statement of changes in equity should be read in conjunction with notes 1 to 37 which form part of the financial statements.

Consolidated Statement of Cash Flows

Cardno Limited and its Controlled Entities for the year ended 30 June 2012

	Note	2012 \$'000	2011 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		991,723	858,262
Interest received		1,874	1,949
Finance costs paid		(7,755)	(5,338)
Cash paid to suppliers and employees		(884,264)	(757,529)
Income tax paid		(28,949)	(23,816)
NET CASH PROVIDED BY OPERATING ACTIVITIES	24(a)	72,629	73,528
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of subsidiaries, net of cash acquired	24(d)	(148,960)	(10,503)
Acquisition of subsidiaries, deferred consideration paid		(65,941)	(1,832)
Proceeds from sale of property, plant & equipment		835	588
Payments for property, plant & equipment		(15,897)	(9,063)
NET CASH USED IN INVESTING ACTIVITIES		(229,963)	(20,810)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		144,984	54,694
Share issue transaction costs		(3,774)	(2,054)
Proceeds from borrowings		240,581	10,294
Repayment of borrowings		(159,199)	(50,210)
Finance lease payments		(2,347)	(2,474)
Dividends paid		(40,794)	(31,942)
NET CASH PROVIDED BY/(USED IN) FINANCING ACTIVITIES		179,451	(21,692)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS HELD		22,117	31,026
CASH AND CASH EQUIVALENTS AT 1 JULY		84,047	56,282
Effects of exchange rate changes on cash and cash equivalents at the end of year		1,692	(3,261)
CASH AND CASH EQUIVALENTS AT 30 JUNE	24(b)	107,856	84,047

The statement of cash flow should be read in conjunction with notes 1 to 37 which form part of the financial statements.

Notes to the Consolidated Financial Statements

Cardno Limited and its Controlled Entities for the year ended 30 June 2012

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 2012 encompasses the Company and its subsidiaries (together referred to as "Cardno" or the "Group").

Cardno is a for-profit entity and operates as a provider of professional services in physical and social infrastructure.

The financial report was authorised for issue by the Board of Directors on 13 August 2012.

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The financial report of the consolidated entity also complies with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

(b) Basis of Preparation

The financial report has been prepared on a historical cost basis except for derivative financial instruments which are measured at fair value.

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

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2012, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of Cardno, except for AASB 9 *Financial Instruments*, which becomes mandatory for Cardno's 2016 consolidated financial statements and could change the classification and measurement of financial assets. Cardno does not plan to adopt this standard early and the extent of the impact has not been determined.

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, all financial information presented in Australian dollars has been rounded to the nearest thousand unless otherwise stated.

Certain comparative amounts in the financial report have been reclassified to conform with the current year's presentation.

(c) Basis of Consolidation

Subsidiaries

Subsidiaries are entities controlled by Cardno. Control exists 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 Cardno.

A list of the significant subsidiaries is contained in Note 37 to the financial statements. All controlled entities have a June financial year-end.

Transactions eliminated on consolidation

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

Notes to the Consolidated Financial Statements

Cardno Limited and its Controlled Entities for the year ended 30 June 2012

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(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 tax authority 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 tax authority are classified as operating cash flows.

(e) Foreign Currency

(i) Foreign currency transactions

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

(ii) Foreign operations

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

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

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

(iii) Hedge of net investment in foreign operation

Foreign currency differences arising on the translation of a financial liability designated as a hedge of a net investment in a foreign operation are recognised in other comprehensive income to the extent that the hedge is effective, and are presented within equity in the FCTR. To the extent that the hedge is ineffective, such differences are recognised in profit or loss. When the hedged part of a net investment is disposed of, the relevant amount in the FCTR is transferred to profit or loss as part of the profit or loss on disposal.

(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.

Notes to the Consolidated Financial Statements

Cardno Limited and its Controlled Entities for the year ended 30 June 2012

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(f) Revenue Recognition continued

Consulting revenue

Revenue from consulting services which are provided on a time and material basis is recognised at the contractual hourly rates as labour hours are delivered and direct expenses are incurred. 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 estimated total project costs.

Dividends

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

(g) Leases

Leases in terms of which Cardno assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. The corresponding rental obligations, net of finance charges, are included in current and non-current interest-bearing loans and borrowings. 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.

Other leases are operating leases and are not recognised in Cardno's statement of financial position. 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.

(h) Net Financing Costs

Interest income is recognised in profit and loss 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.

Notes to the Consolidated Financial Statements

Cardno Limited and its Controlled Entities for the year ended 30 June 2012

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(i) Income Tax continued

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

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

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

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.

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.

(j) Segment Reporting

Segment results that are reported to the chief operating decision makers include items directly attributed to the segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise head office expenses, financing costs, and income tax expense.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

(k) 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 impairment of receivables is made when there is objective evidence collection of the full nominal amount is no longer probable. Bad debts are written off as incurred.

(l) 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 as unearned revenue 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 Cardno's activities in general.

The recoverability of work in progress is reviewed on an ongoing basis. Amounts assessed as not recoverable from future billings are written off when identified.

Notes to the Consolidated Financial Statements

Cardno Limited and its Controlled Entities for the year ended 30 June 2012

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(m) 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, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Cost also may include transfers from other comprehensive income 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.

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 profit or loss.

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 Cardno and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation

Depreciation is calculated on the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

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

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

- | | |
|---|------------|
| • buildings | 40 years |
| • laboratory equipment, instruments and amenities | 4-7 years |
| • 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.

(n) Intangible Assets

Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to Cardno. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, Cardno takes into consideration potential voting rights that currently are exercisable.

Cardno measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus

Notes to the Consolidated Financial Statements

Cardno Limited and its Controlled Entities for the year ended 30 June 2012

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(n) Intangible Assets continued

Business Combinations and Goodwill continued

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

When the excess is negative, the gain is recognised immediately in profit or loss.

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

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

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

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

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

Works contracts, software intangibles and customer relationships

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

Patents and Licenses

Patents and licenses acquired by Cardno are considered to have indefinite 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.

(o) Amortisation

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

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

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

(p) Impairment

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

Notes to the Consolidated Financial Statements

Cardno Limited and its Controlled Entities for the year ended 30 June 2012

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(p) Impairment continued

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

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

Calculation of recoverable amount

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

The recoverable amount of other assets is the greater of their fair value less costs 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.

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

Reversals of impairment

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

An impairment loss in respect of goodwill is not reversed.

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

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

(q) 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 Cardno. Trade accounts payable are normally settled within 60 days. Trade and other payables are stated at cost.

(r) Interest Bearing Borrowings

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

(s) Employee Benefits

Wages, salaries and annual leave

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

Notes to the Consolidated Financial Statements

Cardno Limited and its Controlled Entities for the year ended 30 June 2012

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(s) Employee Benefits continued

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.

Defined contribution plans

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

Share-based payment transactions

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

(t) Provisions

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

Dividends

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

(u) Cash and Cash Equivalents

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

(v) Earnings per Share

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

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

The bonus element in a rights issue to existing shareholders increases the number of ordinary shares outstanding without a corresponding change in resources. In this case, the number of ordinary shares outstanding before the event is adjusted for the proportionate change in the number of ordinary shares outstanding as if the event had

Notes to the Consolidated Financial Statements

Cardno Limited and its Controlled Entities for the year ended 30 June 2012

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(v) Earnings per Share continued

occurred at the beginning of the earliest period presented. If the changes occur after the reporting period but before the financial statements are authorised for issue, the per share calculations for those and any prior period financial statements presented shall be based on the new number of shares. The fact that per share calculations reflect such changes in the number of shares shall be disclosed. In addition, basic and diluted earnings per share of all periods presented shall be adjusted for the effects of errors and adjustments resulting from changes in accounting policies, accounted for retrospectively.

(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.

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

- Estimating impairment of goodwill – refer to notes 1(p) and 14.
- Revenue recognition in relation to long term contracts including estimating stage of completion and total contract costs – refer notes 1(f) and 2.
- Accounting for business combinations including estimating fair values of identifiable assets acquired and liabilities assumed – refer notes 1(n) and 33.

Notes to the Consolidated Financial Statements

Cardno Limited and its Controlled Entities for the year ended 30 June 2012

	2012 \$'000	2011 \$'000
2. REVENUE		
Fees from services	701,174	562,566
Fees from sale of goods	8,223	7,532
Fees from recoverable expenses	250,552	257,567
Interest received	1,874	1,948
Royalties	210	189
Rental income	636	616
Other	3,151	783
Revenue	965,820	831,201
3. EXPENSES, LOSSES AND (GAINS)		
Depreciation		
Motor vehicles	3,336	2,510
Other property, plant & equipment	8,675	7,381
Total Depreciation	12,011	9,891
Amortisation of intangibles		
Works contracts	3,511	1,146
Software intangibles	131	156
Customer relationships	458	163
Total Amortisation	4,100	1,465
Total Depreciation & Amortisation	16,111	11,356
Bad and doubtful debts	3,791	3,713
Financing costs		
Interest and finance charges	6,071	3,673
Amortisation of borrowing costs	1,429	828
Total financing costs	7,500	4,501
Rental expense relating to operating leases		
Minimum lease payments	27,292	21,969
Net loss/(gain) on disposal of property, plant and equipment	364	2
Foreign exchange (gains) / losses	(2,348)	(668)
4. INCOME TAX EXPENSE		
(a) The components of tax expense comprises:		
Current tax expense		
Current year	31,218	27,674
Adjustments for prior years	4,128	(623)
	35,346	27,051
Deferred tax expense		
Origination and reversal of temporary differences	1,078	(1,550)
Adjustments for prior years	(5,550)	-
	(4,472)	(1,550)
Total income tax expense/(benefit)	30,874	25,501

Notes to the Consolidated Financial Statements

Cardno Limited and its Controlled Entities for the year ended 30 June 2012

	2012 \$'000	2011 \$'000
4. INCOME TAX EXPENSE CONTINUED		
(b) Numerical reconciliation between tax expense and pre-tax profit		
Profit before tax	105,042	84,303
Income tax using the Australian corporation tax rate of 30% (2011: 30%)	31,513	25,291
Increase (decrease) in income tax expense due to:		
Non-deductible expenses	1,737	1,212
Adjustment for branch office taxation	3,999	3,361
Allowances for R&D expenditure	(1,609)	(3,353)
Benefit arising from amendment to Australian tax legislation	(1,975)	-
Sundry items	(1,369)	(385)
	32,296	26,126
Under / (over) provided in prior years	(1,422)	(625)
Income tax expense	30,874	25,501
5. DIVIDENDS PAID OR PROVIDED FOR ON ORDINARY SHARES		
(a) Dividends proposed subsequent to year end not recognised as a liability	24,931	18,663
70% franked dividend at 30% (2011: 70% at 30%) (Refer Note 28)		
(b) Dividends paid during the year (Final 2011: 17 cents per share, 70% franked at 30%. Interim 2012: 18 cents per share, 70% franked at 30%) (2011: all dividends 70% franked at 30%)	43,488	33,973
(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%	6,932	10,256
- franking credits that will arise from the payment of income tax payable as at the end of the financial year	10,932	7,925
	17,864	18,181
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 \$7,479,346 (2011: \$5,598,782)		
6. CASH AND CASH EQUIVALENTS		
Cash at bank and on hand	83,742	57,016
Restricted cash (project advances)	2,373	4,652
Bank short term deposits	21,741	22,379
	107,856	84,047
7. TRADE & OTHER RECEIVABLES (CURRENT)		
Trade debtors	181,147	119,415
Provision for doubtful debts	(12,233)	(6,376)
	168,914	113,039
Sundry debtors	6,557	5,166
	175,471	118,205
8. INVENTORIES (CURRENT)		
Work in progress	108,032	80,107

Notes to the Consolidated Financial Statements

Cardno Limited and its Controlled Entities for the year ended 30 June 2012

	2012 \$'000	2011 \$'000
9. OTHER CURRENT ASSETS		
Prepayments	2,035	3,040
Project advances	92	172
Security deposits	1,920	1,745
	4,047	4,957
10. TRADE & OTHER RECEIVABLES (NON-CURRENT)		
Sundry debtors	570	535
11. OTHER FINANCIAL ASSETS (NON-CURRENT)		
Investments in non-related entities	783	669
12. PROPERTY, PLANT & EQUIPMENT		
Laboratory equipment, instruments & amenities	25,044	13,694
Less accumulated depreciation	(16,459)	(8,554)
	8,585	5,140
Motor vehicles	24,567	18,830
Less accumulated depreciation & amortisation	(14,104)	(11,360)
	10,463	7,470
Office furniture & equipment	56,104	40,147
Less accumulated depreciation & amortisation	(38,417)	(27,501)
	17,687	12,646
Leasehold improvements	10,523	9,899
Less accumulated depreciation & amortisation	(5,112)	(4,497)
	5,411	5,402
Land and buildings	2,195	1,974
Less accumulated depreciation	(844)	(695)
	1,351	1,279
Total Property Plant & Equipment	43,497	31,937

Notes to the Consolidated Financial Statements

Cardno Limited and its Controlled Entities for the year ended 30 June 2012

	2012 \$'000	2011 \$'000
12. PROPERTY, PLANT & EQUIPMENT CONTINUED		
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.		
<i>Laboratory equipment, instruments & amenities</i>		
Carrying amount at the beginning of the year	5,140	4,453
Additions	3,044	1,914
Increase through merger acquisition	1,963	685
Disposals	(100)	(64)
Depreciation expense	(1,925)	(1,422)
Transfer between classes	300	(226)
Foreign exchange	163	(200)
Carrying amount at the end of the year	8,585	5,140
<i>Motor vehicles</i>		
Carrying amount at the beginning of the year	7,470	6,101
Additions	5,726	3,629
Increase through merger acquisition	1,052	747
Disposals	(374)	(270)
Depreciation and amortisation expense	(3,336)	(2,510)
Foreign exchange	97	(135)
Transfer between classes	(172)	(92)
Carrying amount at the end of the year	10,463	7,470
<i>Office furniture & equipment</i>		
Carrying amount at the beginning of the year	12,646	12,491
Additions	8,333	5,053
Increase through merger acquisitions	2,154	1,067
Disposals	(301)	(220)
Depreciation and amortisation expense	(5,628)	(4,863)
Foreign exchange	312	(955)
Transfer between classes	171	73
Carrying amount at the end of the year	17,687	12,646
<i>Leasehold improvements</i>		
Carrying amount at the beginning of the year	5,402	6,151
Additions	1,332	446
Increase through merger acquisitions	292	(17)
Disposals	(424)	(37)
Depreciation and amortisation expense	(1,024)	(1,044)
Foreign exchange	95	(342)
Transfer between classes	(262)	245
Carrying amount at end of the year	5,411	5,402
<i>Property</i>		
Carrying amount at the beginning of the year	1,279	12
Additions	126	13
Increase through merger acquisition	-	1,372
Depreciation expense	(98)	(52)
Transfer between classes	(37)	-
Foreign exchange	81	(66)
Carrying amount at the end of the year	1,351	1,279
Carrying amount at the end of the year	43,497	31,937

Notes to the Consolidated Financial Statements

Cardno Limited and its Controlled Entities for the year ended 30 June 2012

13. DEFERRED TAX ASSETS & LIABILITIES

	2012 \$'000	2011 \$'000
Recognised deferred tax assets and liabilities		
Deferred tax assets and liabilities are attributable to the following:		
Assets		
Accruals	20,282	7,906
Provisions	13,087	10,645
Work in progress	3,637	502
Unearned revenue	-	2,133
Other	2,818	1,309
Total deferred tax assets	39,824	22,495
Set-off of deferred tax liabilities	(28,093)	(17,049)
Net deferred tax assets	11,731	5,446
Liabilities		
Work in progress	19,568	10,140
Property, plant and equipment	2,673	1,067
Goodwill on acquisition	4,972	4,946
Other	1,373	1,036
Total deferred tax liabilities	28,586	17,189
Set-off of deferred tax assets	(28,093)	(17,049)
Net deferred tax liabilities	493	140
NET DEFERRED TAX ASSETS (LIABILITIES)	11,238	5,306

	1 July 2011 \$'000	Recognised in profit or loss \$'000	Adjustments to prior years \$'000	Acquired in business combination \$'000	30 June 2012 \$'000
30 June 2012					
Movement in temporary differences during the year:					
Accruals	7,004	8,783	3,056	603	19,446
Provisions	10,643	(1,526)	431	2,311	11,859
Unearned revenue	2,133	(2,133)	-	-	-
Sundry items	1,110	(1,641)	1,826	1,977	3,272
Property, plant & equipment	(207)	(1,741)	(407)	(725)	(3,080)
Work in progress	(10,139)	(3,053)	1,115	(2,739)	(14,816)
Goodwill on acquisition (USA)	(5,238)	233	(471)	33	(5,443)
	5,306	(1,078)	5,550	1,460	11,238

	1 July 2010 \$'000	Recognised in profit or loss \$'000	Adjustments to prior years \$'000	Acquired in business combination \$'000	30 June 2011 \$'000
30 June 2011					
Movement in temporary differences during the year:					
Accruals	2,335	4,357	-	312	7,004
Provisions	10,032	55	-	556	10,643
Unearned revenue	-	2,133	-	-	2,133
Sundry items	(103)	1,213	-	-	1,110
Property, plant & equipment	(139)	(68)	-	-	(207)
Work in progress	(7,544)	(2,374)	-	(221)	(10,139)
Goodwill on acquisition (USA)	(1,472)	(3,766)	-	-	(5,238)
	3,109	1,550	-	647	5,306

Notes to the Consolidated Financial Statements

Cardno Limited and its Controlled Entities for the year ended 30 June 2012

	2012 \$'000	2011 \$'000
14. INTANGIBLE ASSETS		
Goodwill at cost	499,277	352,133
Accumulated impairment losses	-	-
	499,277	352,133
Works contracts	9,505	3,622
Accumulated amortisation	(7,043)	(3,415)
	2,462	207
Patents and trademarks	2,110	2,110
Software intangibles	1,355	1,319
Accumulated amortisation	(765)	(616)
	590	703
Customer relationships	2,953	710
Accumulated amortisation	(630)	(154)
	2,323	556
Total Intangibles	506,762	355,709

	Goodwill \$'000	Works Contracts \$'000	Patents and Trademarks \$'000	Software Intangibles \$'000	Customer Relation- ships \$'000
Reconciliation of movement in carrying amounts from beginning of year to end of year:					
Consolidated					
2011					
Balance at the beginning of year	335,671	322	2,110	996	-
Additions:					
- acquisition through business combinations					
- current year	57,743	-	-	-	-
- reclassification of intangibles*	(1,800)	1,053	-	-	747
- prior year	255	-	-	-	-
Amortisation charges	-	(1,146)	-	(156)	(163)
Effect of foreign exchange	(39,736)	(22)	-	(137)	(28)
Closing value at 30 June 2011	352,133	207	2,110	703	556
2012					
Balance at the beginning of year	352,133	207	2,110	703	556
Additions:					
- acquisition through business combinations					
- current year	132,200	4,946	-	-	1,715
- reclassification of intangibles*	(1,297)	815	-	-	482
- prior year	1,500	-	-	-	-
Amortisation charges	-	(3,511)	-	(131)	(458)
Effect of foreign exchange	14,741	5	-	18	28
Closing value at 30 June 2012	499,277	2,462	2,110	590	2,323

* Amounts were reclassified from goodwill to identifiable intangible assets following completion of the purchase price accounting for acquisitions which occurred in the prior year.

Notes to the Consolidated Financial Statements

Cardno Limited and its Controlled Entities for the year ended 30 June 2012

14. INTANGIBLE ASSETS CONTINUED

	2012 \$'000	2011 \$'000
Goodwill is allocated to the following cash-generating units:		
Americas and Software	291,192	162,002
Emerging Markets Region	33,514	33,285
South East Australia & NZ	52,423	47,103
North & Western Australia	34,675	22,473
Geotechnical Division	48,321	47,210
Electrical Engineering Division	39,152	40,060
	499,277	352,133

For the purposes of impairment testing, goodwill is allocated to Cardno's management divisions which represent the lowest level within Cardno at which the goodwill is monitored for internal management purposes.

The 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 ranging from 13.2% to 15.2% (2011: 10.5% - 14.6%) (adjusted for risks specific to the cash generating unit) based on an estimate of Cardno's weighted average cost of capital.

The value-in-use calculations are based on budget forecasts for each cash generating unit for the 2013 year and longer term year-on-year growth rates which are based on underlying economic conditions and cash generating unit sector specific forecasts. Revenue, gross margin and costs have been estimated using growth assumptions ranging from 1% to 5%. Sensitivity analysis performed indicates any reasonable possible change in any of the key assumptions would not result in impairment.

	2012 \$'000	2011 \$'000
15. TRADE & OTHER PAYABLES (CURRENT)		
Trade payables & accruals	105,997	82,567
Vendor liability	16,993	68,655
	122,990	151,222
16. LOANS & BORROWINGS (CURRENT)		
Lease liabilities	1,771	1,609
Hire purchase liabilities	199	239
Bank loans	103	11
	2,073	1,859
(i) Details of the terms and conditions of loans and borrowings are set out in Note 19		
17. SHORT-TERM PROVISIONS		
Employee benefits	25,904	17,199
Legal provision	7,642	2,362
	33,546	19,561
Movements in legal provision:		
Balance at 1 July 2011	2,362	
Increase through merger acquisition	5,254	
Provision made during the year	700	
Provision used during the year	(571)	
Provision reversed during the year	(500)	
Effect of foreign exchange	397	
Balance at 30 June 2012	7,642	

Cardno makes provision for legal claims not covered by Cardno's professional indemnity policy and as at 30 June an estimate of the potential impact of these claims has been provided for. As a result of the acquisition of ATC Inc Cardno assumed a contingent liability of \$5.3 million in respect of various legal claims.

Notes to the Consolidated Financial Statements

Cardno Limited and its Controlled Entities for the year ended 30 June 2012

	2012 \$'000	2011 \$'000
18. OTHER CURRENT LIABILITIES		
Unearned revenue	31,301	32,923
Deferred rent	-	11
	31,301	32,934
19. LOANS & BORROWINGS (NON-CURRENT)		
Lease liabilities	3,895	3,128
Hire purchase liabilities	260	2
Bank Loans	192,614	101,405
	196,769	104,535

Bank Loans

As at 30 June 2012 Cardno has bank loans totalling \$194,012,464 (2011: \$101,416,141), with an effective interest rate of 2.20% (2011: 2.48%).

During the 2012 financial year, Cardno restructured its debt with a multiple currency facility, with four major financial institutions. The new facility diversifies Cardno's bank arrangements and extends the term of the debt by incorporating 3 year (\$94.1 million) and 5 year (\$99.9 million) facilities. The facility limits comprise a multi-currency working capital facility of AUD55.0 million (2011: AUD35.0 million) and term acquisition financing facilities of USD195.0 million (2011: USD129.1 million) and GBP8.55 million (2011: GBP8.55 million). The weighted average interest rate for term facilities ranges from 2.08% to 2.63% (2011: 2.56% to 2.91%). Funding available to Cardno from undrawn facilities is AUD69.1million at 30 June 2012 (2011: AUD66.6 million). Facilities are secured by an unlimited interlocking guarantee and indemnity.

The portion of the bank loans disclosed as a current liability represents amounts due to be repaid within one year.

There were no bank overdrafts in existence at 30 June 2012 (2011: Nil).

	2012 \$'000	2011 \$'000
20. LONG-TERM PROVISIONS		
Employee benefits	9,146	8,023
21. OTHER NON-CURRENT LIABILITIES		
Deferred rent	281	297
Other	621	331
	902	628

	30 June 2012		30 June 2011	
	No. of shares	\$'000	No. of shares	\$'000
22. ISSUED CAPITAL OF CARDNO LIMITED				
Balance at the beginning of the period	107,405,725	311,383	90,510,461	252,080
Shares issued during the period:				
- Dividend reinvestment scheme	468,704	2,694	399,663	2,033
- Shares issued for cash (net of transaction costs)	27,853,171	134,794	16,106,665	52,654
- Employee Tax Exempt Share Acquisition Plan	513,511	2,968	388,936	2,351
- Employee share based payments	-	2,692	-	2,265
- Exercise of Performance Options	1,918,250	6,416	-	-
Balance at the end of the year	138,159,361	460,947	107,405,725	311,383

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.

Notes to the Consolidated Financial Statements

Cardno Limited and its Controlled Entities for the year ended 30 June 2012

22. ISSUED CAPITAL OF CARDNO LIMITED CONTINUED

Performance Equity Plan (PEP)

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

Movements in Performance Options throughout the year were as follows:

Grant Date	Vesting Date	Expiry Date	Exercise Price \$	Fair Value at Grant Date \$	Number of Performance Options at Beginning of Year	Performance Options Granted	Performance Options Lapsed	Performance Options Exercised	Number of Performance Options as at 30 June 2012
5 December 2008	29 November 2011	5 December 2011	3.35	0.41	2,001,000	-	82,750	1,918,250	-
2 December 2009	2 December 2012	2 December 2013	4.43	0.77	2,038,700	-	-	-	2,038,700
25 November 2010	25 November 2013	25 November 2014	4.84	0.77	3,274,500	-	-	-	3,274,500
1 November 2011	1 November 2014	1 November 2015	5.26	0.81	-	3,831,000	-	-	3,831,000
Weighted average exercise price					4.32	5.26	3.35	3.35	4.92
Weighted average remaining contract life									951 days
Total expense recognised \$1,410,871 (2011: \$1,681,706)									

The Performance Options outstanding at 30 June 2012 have an exercise price in the range of \$4.43 to \$5.26. These Performance Options do not entitle the holder to participate in any share issue of the Company.

The Performance Options issued prior to FY2010 are subject to a performance hurdle and will not vest unless there has been at least a 5% compounded improvement per year in the earnings per share of the Company over the vesting periods.

The Performance Options issued during and since FY2010 are subject to a performance hurdle and to vest the Company must achieve earnings per share (EPS) growth in accordance with the following scale:

EPS Growth Over 3 Years	% of Performance Options in Tranche to Vest
< 12.5% (<4% pa)	0%
12.5% (4% pa)	30%
> 12.5% (4% pa) & < 26% (8% pa)	Pro rata
26% (8% pa)	70%
> 26% (8% pa) & < 40% (12% pa)	Pro rata
≥ 40% (12% pa)	100%

The fair value of Performance Options granted during the year have been calculated using the Black-Scholes model, taking into account price volatility, risk free interest rates and the dividend yield.

The model inputs for the fair value of Performance Options granted during the year ended 30 June 2012 include share price at grant date of \$5.29 (2011: \$4.86), expected price volatility of the Company's shares of 31% (2011: 30%), expected dividend yield of 6.30% (2011: 7.00%) and risk free interest rate of 3.19% (2011: 4.90%).

Notes to the Consolidated Financial Statements

Cardno Limited and its Controlled Entities for the year ended 30 June 2012

22. ISSUED CAPITAL OF CARDNO LIMITED CONTINUED

Movements in Performance Rights throughout the year were as follows:

Grant Date	Vesting Date	Expiry Date	Performance Hurdle	Fair Value at Grant Date \$	Number of Performance Rights at Beginning of Year	Performance Rights Granted	Performance Rights Lapsed	Performance Rights Vested Not Exercised	Number of Performance Rights as at 30 June 2012
22 October 2009	22 October 2012	22 October 2013	EPS Growth	3.96	67,500	-	-	-	67,500
			TSR	3.19	67,500	-	-	-	67,500
2 December 2009	2 December 2012	2 December 2013	EPS Growth	3.20	112,000	-	-	-	112,000
			TSR	2.30	112,000	-	-	-	112,000
21 October 2010	21 October 2013	21 October 2014	EPS Growth	3.78	76,250	-	-	-	76,250
			TSR	2.71	76,250	-	-	-	76,250
25 November 2010	25 November 2013	25 November 2014	EPS Growth	3.94	188,750	-	-	-	188,750
			TSR	2.96	188,750	-	-	-	188,750
20 October 2011	20 October 2014	20 October 2015	EPS Growth	4.21	-	72,500	-	-	72,500
			TSR	2.81	-	72,500	-	-	72,500
1 November 2011	1 November 2014	1 November 2015	EPS Growth	4.38	-	241,250	-	-	241,250
			TSR	2.97	-	241,250	-	-	241,250
Total expense recognised \$1,280,672 (2011: \$609,182)									

The fair values of Performance Rights granted during the year with a total shareholder return (TSR) performance hurdle, have been calculated using a Monte-Carlo simulation valuation model taking into account price volatility, risk free interest rates and comparator company shareholder return performance. The fair value of Performance Rights with the EPS growth hurdle was calculated using a Black-Scholes model taking into account risk free interest rates and the dividend yield.

The model inputs for the fair value of Performance Rights granted during the year ended 30 June 2012 include share price of \$5.09 for Performance Rights granted on 20 October 2011 (FY11: \$4.67, 21 October 2010) and \$5.29 for Performance Rights granted on 1 November 2011 (FY11: \$4.86, 25 November 2010), expected price volatility of 32% and 31% respectively (FY11: 32% and 30%), expected dividend yield of 6.3% (FY11: 7.00%) and risk free interest rate of 3.84% and 3.19% (FY11: 4.90%).

The Performance Rights are subject to performance hurdles measured over three financial years. 50% of the Performance Rights may vest, on a sliding scale, dependent on relative total shareholder return performance and 50% of the Performance Rights may vest, on a sliding scale, dependent on earnings per share growth in accordance with the following scale:

TSR of Cardno Relative to TSRs of Companies in Comparator Group Over 3 Years	% of Performance Rights to Vest (Tranche 1 50%)	EPS Growth Over 3 Years	% of Performance Rights to Vest (Tranche 2 50%)
< 50 th percentile	0%	< 12.5% (< 4% pa)	0%
50 th percentile	50%	12.5% (4% pa)	30%
> 50 th & < 75 th percentiles	Pro rata	> 12.5% (4% pa) & < 26% (8% pa)	Pro rata
75 th percentile and above	100%	26% (8% pa)	70%
		> 26% (8% pa) & < 40% (12% pa)	Pro rata
		≥ 40% (12% pa)	100%

Notes to the Consolidated Financial Statements

Cardno Limited and its Controlled Entities for the year ended 30 June 2012

22. ISSUED CAPITAL OF CARDNO LIMITED CONTINUED

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 2009 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.

23. RESERVES

Foreign Currency Translation Reserve

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

24. NOTES TO THE CASH FLOW STATEMENTS

(a) Reconciliation of Net Cash from Operating Activities to Net profit for the year

	2012 \$'000	2011 \$'000
Net profit for the year	74,168	58,802
Adjust for non-cash items		
Depreciation and amortisation	16,111	11,354
Gain/(loss) on sale of property, plant & equipment	364	2
Net exchange differences	4,702	(12,648)
Share based remuneration	5,660	4,630
Adjust for changes in assets and liabilities		
(increase) / decrease in assets:		
Inventories	(14,419)	(7,574)
Deferred tax assets	(4,122)	(604)
Trade receivables	(11,553)	227
Provision for doubtful debts	1,669	(3,822)
Other receivables	(430)	(1,166)
Prepayments	696	2,002
Other assets	(2,511)	(1,209)
Increase / (decrease) in liabilities:		
Trade payables	(5,379)	16,711
Income tax payable	6,397	2,813
Employee provisions	4,155	1,402
Unearned revenue	(1,850)	3,174
Other liabilities	(680)	(42)
Deferred tax liabilities	(350)	(524)
	72,629	73,528

Notes to the Consolidated Financial Statements

Cardno Limited and its Controlled Entities for the year ended 30 June 2012

	2012 \$'000	2011 \$'000
24. NOTES TO THE CASH FLOW STATEMENTS CONTINUED		
(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:		
Cash and cash equivalents (Note 6)	107,856	84,047
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 \$2,666,780 (2011: \$1,992,336) by means of finance leases. These acquisitions are not reflected in the cash flow statement.		
(d) Acquisition of entities		
Details of the acquisitions are as follows:		
Purchase consideration		
Cash consideration paid	156,231	21,940
Vendor liability	15,218	55,304
Consideration	171,449	77,244
Assets and liabilities held at acquisition date:		
Cash	7,269	11,437
Receivables	46,754	9,598
Deferred tax assets	2,163	1,291
Property, plant & equipment	5,462	4,109
Intangibles	6,623	-
Inventories	13,506	1,037
Creditors and borrowings	(29,881)	(4,230)
Deferred tax liabilities	(703)	(222)
Provisions	(11,944)	(3,520)
	39,249	19,500
Goodwill on acquisition*	132,197	57,744
Consideration	171,446	77,244
Net cash outflow on acquisition		
Cash consideration paid	156,231	21,940
Less cash acquired	(7,271)	(11,437)
	148,960	10,503

* As disclosed in note 33, the acquisition of ATC Inc was completed on 29 February 2012. Accordingly, the accounting for this acquisition has been completed on a provisional basis. Further analysis will be performed to determine and true up the fair value of identifiable assets acquired and liabilities assumed as part of the acquisition.

Notes to the Consolidated Financial Statements

Cardno Limited and its Controlled Entities for the year ended 30 June 2012

	2012 \$'000	2011 \$'000
25. CAPITAL AND LEASING COMMITMENTS		
(a) Finance leases and hire purchase		
Commitments in relation to finance leases are payable as follows:		
- Within one year	2,537	2,351
- Later than one year but not later than 5 years	5,003	3,749
- Later than 5 years	-	-
- Minimum lease payments	7,540	6,100
Less: Future finance charges	(1,415)	(1,122)
Recognised as a liability	6,125	4,978
Present value of minimum lease and hire purchase payment		
Commitments in relation to finance leases are payable as follows:		
- Within one year	1,970	1,848
- Later than one year but not later than 5 years	4,155	3,130
- Later than 5 years	-	-
Recognised as a liability	6,125	4,978
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 16)	1,970	1,848
Non-current (note 19)	4,155	3,130
	6,125	4,978
(b) Operating Leases		
- Within one year	33,352	23,720
- Later than one year but not later than 5 years	73,420	47,740
- Later than 5 years	16,804	23,557
Commitments not recognised in the financial statements	123,576	95,017
Cardno 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. Cardno 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.		
26. EMPLOYEE BENEFITS		
The aggregate employee benefit liability is comprised of:		
Accrued wages, salaries and on-costs (included in payables)	20,456	16,025
Provisions (current) (note 17)	25,904	17,199
Provisions (non-current) (note 20)	9,146	8,023
	55,506	41,247
Number of employees	No.	No.
Number of employees at 30 June	7,208	4,342
	\$	\$
Defined contribution superannuation expense	15,760,497	11,994,190

Notes to the Consolidated Financial Statements

Cardno Limited and its Controlled Entities for the year ended 30 June 2012

27. 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 Cardno, or which is likely to have a material effect on the financial performance of Cardno.

Cardno had contingent liabilities at 30 June 2012 in respect of:

	2012 \$'000	2011 \$'000
Bank guarantees	12,381	9,391

Cardno has bank guarantees with financial institutions. A multiple guarantee facility is available to Cardno totalling AUD\$19 million and USD\$5 million (2011: AUD\$19 million). These facilities are secured by an unlimited interlocking guarantee and indemnity.

28. SUBSEQUENT EVENTS

On 2 July 2012, Cardno acquired 100% of Marshall Miller & Associates, Inc and EM-Assist Inc for up to US\$31.0 million and US\$14.3 million respectively. Each of the acquisitions has a percentage of the purchase price subject to the attainment of performance targets. Marshall Miller & Associates, Inc is a 180-person mining, energy and environmental consulting firm headquartered in Virginia, USA while EM-Assist Inc is a 150-person environmental services and compliance management firm headquartered in California, USA. The acquisitions were funded by a mix of cash (from available cash reserves and debt facilities) and shares issued.

On 13 August 2012, the Directors of Cardno Limited declared a final dividend of 18 cents per share (70% franked) for the 2012 financial year. The dividend will be paid on 12 October 2012 to shareholders registered on 14 September 2012 and will total \$24,931,153. The dividend has not been provided for in the 30 June 2012 financial statements.

29. EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share at 30 June 2012 was based on the profit attributable to ordinary shareholders of \$74,168,212 (2011: \$58,802,020) and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2012 of 120,147,400 (2011: 104,463,652), calculated as follows:

	2012 \$	2011 \$
Profit attributable to ordinary shareholders	74,168,212	58,802,020
Weighted average number of ordinary shares	No.	No.
Issued ordinary shares at 1 July	107,405,725	90,510,461
Effect of shares issued for cash consideration	12,546,653	13,824,398
Effect of shares issued in respect of employee share scheme	195,022	128,793
Weighted average number of ordinary shares at 30 June	120,147,400	104,463,652

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

Notes to the Consolidated Financial Statements

Cardno Limited and its Controlled Entities for the year ended 30 June 2012

	2012 \$	2011 \$
29. EARNINGS PER SHARE CONTINUED		
Profit attributable to ordinary shareholders (diluted)		
Profit attributable to ordinary shareholders	74,168,212	58,802,020
Profit attributable to ordinary shareholders (diluted)	74,168,212	58,802,020
Weighted average number of ordinary shares (diluted)	No.	No.
Weighted average number of ordinary shares at 30 June	120,147,400	104,463,652
Effect of Performance Options and Performance Rights on issue	3,854,796	1,771,232
Weighted average number of ordinary shares (diluted) at 30 June	124,002,196	106,234,884

9,144,200 Performance Options issued during the 2010 to 2012 financial years and still on issue as at 30 June 2012 have been included in the calculation of diluted earnings per share because they are dilutive for the year ended 30 June 2012.

	2012 \$	2011 \$
30. AUDITOR'S REMUNERATION		
Audit services		
Auditors of the Company		
KPMG Australia:		
- Audit and review of financial reports	404,000	305,500
- Other regulatory requirements	4,500	-
Overseas KPMG firms:		
- Audit and review of financial reports	451,105	350,063
	859,605	655,563
Other services		
Auditors of the Company		
KPMG Australia:		
- Other assurance services	21,000	-
Overseas KPMG firms:		
- Other services	9,700	-
	30,700	-

31. KEY MANAGEMENT PERSONNEL DISCLOSURES

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

	2012 \$'000	2011 \$'000
Short-term employee benefits	6,055	4,996
Long-term benefits	-	592
Post-employment benefits	351	423
Termination benefits	-	-
Equity compensation benefits	989	366
	7,395	6,377

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.

Notes to the Consolidated Financial Statements

Cardno Limited and its Controlled Entities for the year ended 30 June 2012

31. KEY MANAGEMENT PERSONNEL DISCLOSURES CONTINUED

Performance Options and Performance Rights over equity instruments granted as compensation

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

2012 PERFORMANCE OPTIONS	Held at 1 July 2011	Granted as compensation	Lapsed	Vested & Exercised	Held at 30 June 2012	Vested and exercisable at 30 June 2012
Executive Directors						
Andrew Buckley	-	-	-	-	-	-
Jeffrey Forbes	-	-	-	-	-	-
Trevor Johnson	-	-	-	-	-	-
Senior Executives						
Roger Collins-Woolcock	60,000	-	-	(60,000)	-	-
Jean-Francois Floury	-	-	-	-	-	-
Paul Gardiner	70,000	-	-	(70,000)	-	-
Michael Renshaw	60,000	-	-	(60,000)	-	-
Kylie Sprott	-	-	-	-	-	-
Ross Thompson	-	-	-	-	-	-

No Performance Options held by key management personnel had vested and were exercisable as at 30 June 2012.

2011 PERFORMANCE OPTIONS	Held at 1 July 2010	Granted as compensation	Lapsed	Vested & expired (not exercised)	Held at 30 June 2011	Vested and exercisable at 30 June 2011
Executive Directors						
Andrew Buckley	150,000	-	-	(150,000)	-	-
Jeffrey Forbes	70,000	-	-	(70,000)	-	-
Trevor Johnson	50,000	-	-	(50,000)	-	-
Graham Tamblyn*	40,000	-	-	(40,000)	-	-
Senior Executives						
Roger Collins-Woolcock	105,000	-	-	(45,000)	60,000	-
Jean-Francois Floury	-	-	-	-	-	-
Paul Gardiner	125,000	-	-	(55,000)	70,000	-
Michael Renshaw	105,000	-	-	(45,000)	60,000	-
Kylie Sprott	-	-	-	-	-	-
Ross Thompson	-	-	-	-	-	-

*Retired from board of directors 21 October 2010

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

2012 PERFORMANCE RIGHTS	Held at 1 July 2011	Granted as compensation	Vested	Held at 30 June 2012	Vested and exercisable at 30 June 2012
Executive Directors					
Andrew Buckley	130,000	80,000	-	210,000	-
Jeffrey Forbes	65,000	35,000	-	100,000	-
Trevor Johnson	52,500	30,000	-	82,500	-
Senior Executives					
Roger Collins-Woolcock	65,000	40,000	-	105,000	-
Jean-Francois Floury	-	35,000	-	35,000	-
Paul Gardiner	65,000	40,000	-	105,000	-
Michael Renshaw	65,000	50,000	-	115,000	-
Kylie Sprott	33,000	30,000	-	63,000	-
Ross Thompson	25,000	30,000	-	55,000	-

Notes to the Consolidated Financial Statements

Cardno Limited and its Controlled Entities for the year ended 30 June 2012

31. KEY MANAGEMENT PERSONNEL DISCLOSURES CONTINUED

2011 PERFORMANCE RIGHTS	Held at 1 July 2010	Granted as compensation	Vested	Held at 30 June 2011	Vested and exercisable at 30 June 2011
Executive Directors					
Andrew Buckley	60,000	70,000	-	130,000	-
Jeffrey Forbes	30,000	35,000	-	65,000	-
Trevor Johnson	25,000	27,500	-	52,500	-
Graham Tamblyn*	20,000	20,000	-	40,000	-
Senior Executives					
Roger Collins-Woolcock	30,000	35,000	-	65,000	-
Jean-Francois Floury	-	-	-	-	-
Paul Gardiner	30,000	35,000	-	65,000	-
Michael Renshaw	30,000	35,000	-	65,000	-
Kylie Spratt	8,000	25,000	-	33,000	-
Ross Thompson	-	25,000	-	25,000	-

*Retired from board of directors 21 October 2010

The fair value of Performance Options and Performance Rights are provided in the Remuneration Report section of the Directors' Report and in note 22.

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 director and key management person, including their related parties, is as follows:

2012

	Held at 1 July 2011	Purchases	Received as Compensation	Sales	Held at 30 June 2012
Non-Executive Directors					
Anthony Barnes	4,307	777	-	-	5,084
Peter Cosgrove	-	979	-	-	979
Tonianne Dwyer*	-	-	-	-	-
Ian Johnston	241,955	26,884	-	-	268,839
John Marlay**	-	3,500	-	-	3,500
John Massey	58,334	6,482	-	-	64,816
Executive Directors					
Andrew Buckley	2,450,261	70,000	-	-	2,520,261
Jeffrey Forbes	26,466	4,771	-	-	31,237
Trevor Johnson	2,050,001	50,000	-	(500,000)	1,600,001
Senior Executives					
Roger Collins-Woolcock	704,103	214,922	173	(170,000)	749,198
Jean-Francois Floury	-	-	86	-	86
Paul Gardiner	850,939	120,346	173	-	971,458
Michael Renshaw	191,286	60,000	173	-	251,459
Kylie Spratt	5,165	887	173	-	6,225
Ross Thompson	430	10,834	173	-	11,437

* Tonianne Dwyer was appointed as a director on 25 June 2012

** John Marlay was appointed as a director on 1 November 2011

Notes to the Consolidated Financial Statements

Cardno Limited and its Controlled Entities for the year ended 30 June 2012

31. KEY MANAGEMENT PERSONNEL DISCLOSURES CONTINUED

2011

	Held at 1 July 2010	Purchases	Received as Compensation	Sales	Held at 30 June 2011
Non-Executive Directors					
Anthony Barnes	3,466	841	-	-	4,307
Peter Cosgrove	-	-	-	-	-
Ian Johnston	207,390	34,565	-	-	241,955
John Massey	50,000	8,334	-	-	58,334
Executive Directors					
Andrew Buckley	2,359,037	91,224	-	-	2,450,261
Jeffrey Forbes	21,305	5,161	-	-	26,466
Trevor Johnson	1,967,399	82,602	-	-	2,050,001
Graham Tamblyn*	1,216,851	31,360	-	(238,695)	1,009,516
Senior Executives					
Roger Collins-Woolcock	653,897	50,041	165	-	704,103
Paul Gardiner	800,386	50,388	165	-	850,939
Michael Renshaw	163,817	27,304	165	-	191,286
Kylie Spratt	3,580	1,420	165	-	5,165
Ross Thompson	348	82	-	-	430

*Retired from board of directors 21 October 2010

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

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

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

32. FINANCIAL RISK MANAGEMENT

The main risks arising from Cardno's financial instruments are interest rate risk, foreign exchange risk, credit risk and liquidity risk. Cardno uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and foreign exchange risks and ageing analysis for credit risk. The Board through the Audit, Risk & Compliance Committee 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 mitigation practices and procedures in order to maintain a consistent level of quality across Cardno which includes the minimisation of risk. The policies for managing each of Cardno's risks are summarised below and remain unchanged from the prior year.

Cardno holds the following financial instruments:

	2012 \$'000	2011 \$'000
Financial assets		
Cash and cash equivalents	107,856	84,047
Trade and other receivables	176,041	118,740
Investments in non-related entities	783	669
	284,680	203,456
Financial liabilities		
Trade and other payables	130,632	153,584
Interest-bearing loans and borrowings	198,842	106,394
	329,474	259,978

Notes to the Consolidated Financial Statements

Cardno Limited and its Controlled Entities for the year ended 30 June 2012

32. FINANCIAL RISK MANAGEMENT CONTINUED

Credit risk

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

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

Cardno 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 a rating approved by the Audit, Risk & Compliance Committee.

There are no material concentrations of credit risk.

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

	2012 \$'000	2011 \$'000
Australia & New Zealand	62,830	54,524
Americas	87,853	44,680
Asia Pacific	13,020	8,240
Europe & Africa	5,211	5,595
	168,914	113,039

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

	2012		2011	
	Gross \$'000	Impairment \$'000	Gross \$'000	Impairment \$'000
Not past due (current)	96,743	-	58,428	-
Past due 0-30 days (30 day ageing)	41,904	-	31,056	-
Past due 31-60 days (60 day ageing)	13,973	-	7,895	-
Past due more than 60 days	28,527	12,233	22,036	6,376
	181,147	12,233	119,415	6,376

Cardno establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined on historical data of payment statistics for similar financial assets. Based on historic default rates, Cardno believes that no impairment allowance is necessary in respect of receivables less than 60 days.

Notes to the Consolidated Financial Statements

Cardno Limited and its Controlled Entities for the year ended 30 June 2012

32. FINANCIAL RISK MANAGEMENT CONTINUED

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

	2012 \$'000	2011 \$'000
Balance at 1 July	6,376	8,986
Impairment loss recognised	3,757	3,713
Receivables written off	(2,551)	(6,622)
Increase through entities acquired	4,427	1,212
Effect of foreign exchange	224	(913)
Balance at 30 June	12,233	6,376

Liquidity risk

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

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

30 June 2012	Carrying amount \$'000	Contractual cash flows \$'000	Less than 1 year \$'000	1 – 5 years \$'000	Over 5 years \$'000
Non-derivative financial liabilities					
Trade and other payables	130,632	130,632	130,632	-	-
Finance leases & hire purchase	6,125	7,540	2,537	5,003	-
Bank loans*	192,717	193,084	470	192,614	-
	329,474	331,256	133,629	197,617	-

* Bank loans are term facilities maturing on various dates between December 2014 and December 2016

30 June 2011	Carrying amount \$'000	Contractual cash flows \$'000	Less than 1 year \$'000	1 – 5 years \$'000	Over 5 years \$'000
Non-derivative financial liabilities					
Trade and other payables	153,584	153,584	153,584	-	-
Finance leases & hire purchase	4,978	6,100	2,351	3,749	-
Bank loans	101,416	101,635	238	101,397	-
	259,978	261,319	156,173	105,146	-

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 functional currency of the respective Group entities. Cardno operates internationally and is exposed to foreign exchange risk arising from the currency exposure to the Australian dollar.

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

Notes to the Consolidated Financial Statements

Cardno Limited and its Controlled Entities for the year ended 30 June 2012

32. FINANCIAL RISK MANAGEMENT CONTINUED

Market risk continued

Cardno borrows funds in foreign currencies to hedge its net investments in foreign operations. Cardno has loans totalling \$184.2 million (2011: \$91.3 million) denominated in US dollars (USD) and \$9.8 million (2011: \$11.0 million) denominated in pounds sterling (GBP) which have been designated as hedges of Cardno's net investments in subsidiaries with functional currencies in those currencies.

As at 30 June 2012, a 10% strengthening of the Australian dollar against the USD and GBP would have increased equity by \$16.7 million (2011: \$8.3 million) and \$0.9 million (2011: \$1.0 million) respectively. A 10% weakening of the Australian dollar against the USD and GBP would have decreased equity by \$20.5 million (2011: \$10.1 million) and \$1.1 million (2011: \$1.2 million) respectively. There would be no impact on profit and loss as the loans are designated as net investment hedges.

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

(b) Interest rate risk

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

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

	30 June 2012		30 June 2011	
	Effective Interest Rate	Balance \$'000	Effective Interest Rate	Balance \$'000
Variable rate instruments				
Cash assets	1.72%	107,856	2.43%	84,047
Bank loans	2.20%	(192,614)	2.48%	(101,408)
		(84,758)		(17,361)
Fixed rate instruments				
Finance leases & hire purchase	7.61%	(6,125)	7.89%	(4,978)
Bank loans	2.77%	(103)	8.00%	(8)
		(6,228)		(4,986)

Group sensitivity

At 30 June 2012, if interest rates had changed by +/- 50 basis points from the year-end rates with all other variables held constant, profit after tax for the year would have been \$297,000 higher/lower (2011: \$64,000 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

Cardno'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.

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

Notes to the Consolidated Financial Statements

Cardno Limited and its Controlled Entities for the year ended 30 June 2012

32. FINANCIAL RISK MANAGEMENT CONTINUED

Market risk continued

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

33. BUSINESS COMBINATIONS

Year ended 30 June 2012

(a) ATC Associates Inc

In February 2012, Cardno acquired ATC Associates Inc, a major 1,600 person consulting services firm providing environmental, building sciences, geotechnical and construction material testing and other consultancy services headquartered in Lafayette, Louisiana, USA. The effective date of acquisition was 1 March 2012.

For the period 1 March 2012 - 30 June 2012, the acquired business contributed revenues of \$65,645,626 and net profit after tax of \$2,342,895. If the acquisition had occurred on 1 July 2011 revenue and net profit after tax for Cardno would have been \$1,094,806,210 and \$77,205,611 respectively.

Details of acquisition

	<u>\$'000</u>
Purchase Consideration	
Cash	90,864
Vendor liability	<u>4,646</u>
Total purchase consideration	95,510
Fair value of net identifiable assets acquired*	<u>22,366</u>
Goodwill	73,144

* The acquisition of ATC was completed on 29 February 2012. Accordingly, the accounting for this acquisition has been completed on a provisional basis. Further analysis will be performed to determine and true up the fair value of identifiable assets acquired and liabilities assumed as part of the acquisition.

At the time of purchase the vendors of ATC subscribed for shares in Cardno Limited to the value of \$572,992. The fair value of the ordinary shares issued was based on the 10 day volume weighted average price (VWAP). The fair value price was \$5.68 for the purchase of shares by vendors of ATC issued 29 February 2012.

The purchase consideration for ATC includes a deferred settlement of USD\$5,000,000 which is payable 18 months after completion.

The goodwill recognised is attributable to the skills and technical talent of the employees of ATC and the synergies expected to be achieved from integrating the business into Cardno's existing operations. The goodwill is not expected to be deductible for tax purposes.

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

	<u>Fair Value</u> <u>\$'000</u>
Cash	106
Receivables	31,402
Property, plant and equipment	3,133
Inventories	13,087
Deferred tax assets	994
Intangible assets	2,078
Creditors & borrowings	(18,660)
Deferred tax liabilities	(690)
Provisions	<u>(9,084)</u>
Net identifiable assets acquired	22,366

Notes to the Consolidated Financial Statements

Cardno Limited and its Controlled Entities for the year ended 30 June 2012

33. BUSINESS COMBINATIONS CONTINUED

Outflow of cash to acquire subsidiaries, net of cash acquired

Cash consideration paid	90,864
Cash balance acquired	106
Outflow of cash	90,758

(b) TEC, Inc

In October 2011 Cardno acquired TEC, Inc a 330-person consulting firm with specialist expertise in environmental management, asset management and marine infrastructure management especially related to port infrastructure and defence facilities. Headquartered in Charlottesville, Virginia, USA, TEC has 15 mainland U.S. offices and 5 off-shore offices including Hawaii, Guam, Germany, Belgium and Italy.

The effective date of the acquisition was 1 October 2011, and the acquired business contributed revenues of \$45,850,310 and net profit after tax of \$2,806,043 to Cardno for the year. If the acquisition had occurred on 1 July 2011 revenue and net profit after tax for Cardno would have been \$978,311,684 and \$74,988,073 respectively.

Details of acquisition

	\$'000
Purchase Consideration	
Cash	45,716
Vendor liability and contingent consideration	9,199
Total purchase consideration	54,915
Fair value of net identifiable assets acquired	13,300
Goodwill	41,615

At the time of purchase the vendors of TEC subscribed for shares in Cardno Limited to the value of \$6,425,389. The fair value of the ordinary shares issued was based on the 10 day volume weighted average price (VWAP). The fair value price was \$4.83 for the purchase of shares by vendors of TEC issued 13 February 2012.

The purchase consideration for TEC includes deferred settlement of US\$563,636 which is payable 24 months after completion.

Cardno Limited has agreed to pay the selling shareholders of TEC additional consideration of USD\$8,330,000 if the acquiree's normalised EBITDA over the period 2 October 2011 to 28 September 2012 is USD\$7,200,000 or more. This amount has been included in the purchase consideration based on estimates of the acquiree's financial performance over the earn-out period. Where the normalised EBITDA is between USD\$6,000,000 and USD\$7,200,000 the payment will be pro-rated.

The goodwill recognised is attributable to the skills and technical talent of the employees of TEC and the synergies expected to be achieved from integrating the business into Cardno's existing operations. The goodwill is expected to be deductible for tax purposes.

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

	Fair Value
	\$'000
Cash	4,185
Receivables	11,170
Property, plant and equipment	649
Deferred tax assets	1,164
Intangible assets	4,544
Creditors & borrowings	(7,811)
Provisions	(601)
Net identifiable assets acquired	13,300

Notes to the Consolidated Financial Statements

Cardno Limited and its Controlled Entities for the year ended 30 June 2012

33. BUSINESS COMBINATIONS CONTINUED

Outflow of cash to acquire subsidiaries, net of cash acquired

Cash consideration paid	45,716
Cash balance acquired	4,185
Outflow of cash	41,531

(c) Lane Piper Pty Ltd, Geotech Solutions Pty Ltd and Humphrey Reynolds Perkins Group

During the year ended 30 June 2012 Cardno acquired Lane Piper Pty Ltd with an effective date of 1 September 2011, Geotech Solutions Pty Ltd with an effective date of 1 October 2011, and Humphrey Reynolds Perkins (HRP) Group with an effective date 1 November 2011.

Lane Piper is an environmental and geotechnical engineering firm with around 40 staff and is based in Melbourne. Geotech Solutions is a geotechnical engineering, and construction material testing firm based in Newcastle with around 22 staff. HRP is a town planning consultancy, environmental planning and landscape architecture group based in Brisbane and has around 62 staff.

The acquired business contributed revenues of \$16,722,466 and net profit after tax of \$2,370,625 to Cardno for the year. If the acquisitions had occurred on 1 July 2011 revenue and net profit after tax for Cardno would have been \$972,010,107 and \$74,735,027 respectively.

Details of acquisitions

	\$'000
Purchase Consideration	
Cash	19,651
Vendor liability and contingent consideration	1,373
Total purchase consideration	21,024
Fair value of net identifiable assets acquired	3,586
Goodwill	17,438

At the time of purchase the vendors of Lane Piper subscribed for shares in Cardno Limited to the value of \$1,074,304, the vendors of Geotech Solutions subscribed for shares in Cardno Limited to the value of \$281,698 and the vendors of HRP subscribed for shares in Cardno Limited to the value of \$3,312,499. The fair value of the ordinary shares issued was based on the 10 day volume weighted average price (VWAP). The fair value price was \$5.15 for the purchase of shares by vendors of Lane Piper issued 19 September 2011, \$4.69 for the purchase of shares by vendors of Geotech Solutions issued 21 October 2011 and \$5.34 for the purchase of shares by vendors of HRP issued 25 November 2011.

Cardno Limited has agreed to pay the selling shareholders of Lane Piper additional consideration of \$1,000,000 if the acquiree's normalised EBIT over the period 1 September 2011 to 31 August 2012 is \$1,100,000 or more. This amount has been included in the purchase consideration based on estimates of the acquiree's financial performance over the earn-out period. Where the normalised EBIT is between \$850,000 and \$1,100,000 the payment will be pro-rated.

Cardno Limited has agreed to pay the selling shareholders of Geotech Solutions additional consideration of \$373,215 if the acquiree's normalised EBIT over the period 1 October 2011 to 30 September 2012 is \$500,000 or more. This amount has been included in the purchase consideration based on estimates of the acquiree's financial performance over the earn-out period. Where the normalised EBIT is between \$375,596 and \$500,000 the payment will be pro-rated.

The goodwill recognised is attributable to the skills and technical talent of the employees of Lane Piper, Geotech Solutions and HRP and the synergies expected to be achieved from integrating the business into Cardno's existing operations. The goodwill will not be deductible for tax purposes.

Notes to the Consolidated Financial Statements

Cardno Limited and its Controlled Entities for the year ended 30 June 2012

33. BUSINESS COMBINATIONS CONTINUED

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

	Fair Value
	\$'000
Cash	2,980
Receivables	3,657
Property, plant and equipment	1,680
Inventories	320
Creditors & borrowings	(3,944)
Provisions	(1,107)
Net identifiable assets acquired	3,586
Outflow of cash to acquire subsidiaries, net of cash acquired	
Cash consideration paid	19,651
Cash balance acquired	2,980
Outflow of cash	16,671

Year ended 30 June 2011

(a) JF New & Associates

In December 2010, Cardno acquired JF New & Associates (JFNEW), an environmental consulting firm specialising in natural resources management, environmental permitting, habitat restoration, mitigation banking, native plant materials and cultural resources consulting. The effective date was 31 December 2010.

For the period 1 January 2011 - 30 June 2011, the acquired business contributed revenues of \$7,919,751 and net profit after tax of \$596,691. If the acquisition had occurred on 1 July 2010 revenue and NPAT for Cardno would have been \$842,869,782 and \$59,874,331 respectively.

Details of acquisition

	\$'000
Purchase Consideration	
Cash	9,655
Vendor liability and contingent consideration	2,528
Total purchase consideration	12,183
Fair value of net identifiable assets acquired	4,708
Goodwill	7,475

At the time of purchase the vendors of JFNEW subscribed for shares in Cardno Ltd to the value of \$2,409,835. The fair value of the ordinary shares issued was based on the 10 day VWAP of Cardno Ltd shares. The fair value price was \$5.43 for the purchase of shares by vendors of JF New issued 7 January 2011.

Cardno Limited agreed to pay the selling shareholders of JFNEW, additional consideration of USD\$2,000,000 if the acquiree's normalised EBITDA over the period 1 January 2011 to 31 December 2012 was USD\$2,400,000. This has now been achieved and was paid during the year ended 30 June 2012. The hold back consideration was due and payable 18 months after completion. This amount was paid on 2 July 2012 in accordance with the Share Sale Agreement.

The goodwill is attributable to the skills and technical talent of the employees of JFNEW and the synergies expected to be achieved from integrating the Company into Cardno's existing operations.

Notes to the Consolidated Financial Statements

Cardno Limited and its Controlled Entities for the year ended 30 June 2012

33. BUSINESS COMBINATIONS CONTINUED

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

	Fair Value
	<u>\$'000</u>
Cash	606
Receivables	1,997
Property, plant and equipment	2,467
Inventories	339
Creditors & borrowings	(568)
Provisions	(133)
Net identifiable assets acquired	<u>4,708</u>
Outflow of cash to acquire subsidiaries, net of cash acquired	
Cash consideration paid	9,655
Cash balance acquired	606
Outflow of cash	<u>9,049</u>

(b) Roadtest Services Pty Ltd

In June 2011, Cardno acquired Roadtest Services Pty Ltd, an Australian based construction materials testing and geotechnical engineering firm with around 60 staff based in Central Queensland. The effective date of acquisition was 1 April 2011.

For the period 1 April 2011 - 30 June 2011, the acquired business contributed revenues of \$2,428,405 and net profit after tax of \$975,569. If the acquisition had occurred on 1 July 2010 revenue and NPAT for Cardno would have been \$839,067,516 and \$61,106,731 respectively.

Details of acquisition

	<u>\$'000</u>
Purchase Consideration	
Cash	12,285
Vendor liability and contingent consideration	-
Total purchase consideration	12,285
Fair value of net identifiable assets acquired	965
Goodwill	11,320

At the time of purchase the vendors of Roadtest Services Pty Ltd subscribed for shares in Cardno Ltd to the value of \$3,071,322. The fair value of the ordinary shares issued was based on the 5 day VWAP of Cardno Ltd shares in the 5 days prior to the date of issuance of the shares. The fair value price was \$5.66 for the purchase of shares by vendors of Roadtest issued 15 June 2011.

The goodwill is attributable to the skills and technical talent of the employees of Roadtest Services and the synergies expected to be achieved from integrating the company into Cardno's existing operations.

Notes to the Consolidated Financial Statements

Cardno Limited and its Controlled Entities for the year ended 30 June 2012

33. BUSINESS COMBINATIONS CONTINUED

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

	Fair Value
	\$'000
Cash	631
Receivables	478
Property, plant and equipment	502
Creditors & borrowings	(139)
Provisions	(507)
Net identifiable assets acquired	965
Outflow of cash to acquire subsidiaries, net of cash acquired	
Cash consideration paid	12,285
Cash balance acquired	631
Outflow of cash	11,654

During the current year, the accounting for this acquisition was finalised and as such amounts that had previously been determined provisionally have been revised and reflected in the tables above.

(c) BEC Engineering Pty Ltd

In June 2011 Cardno acquired BEC Engineering Pty Ltd, an Australian based electrical engineering services firm with around 100 staff. The effective date of acquisition was 1 June 2011.

For the period 1 June to 30 June 2011, the acquired business contributed revenues of \$3,783,473 and net profit after tax of \$599,795. If the acquisition had occurred on 1 July 2010 revenue and NPAT for Cardno would have been \$863,137,384 and \$63,959,562 respectively.

Details of acquisition

	\$'000
Purchase Consideration	
Cash	51,310
Vendor liability and contingent consideration	1,000
Total purchase consideration	52,310
Fair value of net identifiable assets acquired	13,159
Goodwill	39,151

Under the purchase agreement, the vendors of BEC subscribed for shares in Cardno Ltd to the value of \$11,250,015. The fair value of the ordinary shares issued was based on the 5 day VWAP of Cardno Ltd shares in the 5 days prior to the date of issuance of the shares. The fair value price was \$5.52 for the purchase of shares by vendors of BEC issued 6 July 2011.

Cardno Limited has agreed to pay the selling shareholders of BEC Group additional consideration of \$1,000,000 if the acquiree's normalised EBIT over the period 1 July 2011 to 30 June 2012 is \$9,000,000 or more. As at 30 June 2012, the earn-out had been achieved but not paid.

The goodwill is attributable to the skills and technical talent of the employees of the BEC Group and the synergies expected to be achieved from integrating the company into Cardno's existing operations.

Notes to the Consolidated Financial Statements

Cardno Limited and its Controlled Entities for the year ended 30 June 2012

33. BUSINESS COMBINATIONS CONTINUED

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

	Fair Value
	\$'000
Cash	8,853
Receivables	6,532
Deferred tax assets	1,290
Property, plant and equipment	1,140
Inventories	699
Intangible assets	1,297
Creditors and borrowings	(3,717)
Deferred tax liabilities	(610)
Provisions	(2,325)
Net identifiable assets acquired	13,159
Outflow of cash to acquire subsidiaries, net of cash acquired	
Cash consideration paid*	51,310
Cash balance acquired	8,853
Outflow of cash	42,457

* The cash component of the purchase consideration was paid on 6 July 2011. As at 30 June 2011, the amount payable of \$51,310,000 had been recognised as a vendor liability and included in note 15.

During the current year, the accounting for this acquisition was finalised and as such amounts that had previously been determined provisionally have been revised and reflected in the tables above.

34. SEGMENT INFORMATION

Cardno has three reportable segments managed separately by location and service provided. Internal management reports on the performance of these reportable segments are reviewed monthly by the Managing Director, Chief Financial Officer and Group Operations Manager. The following summary describes the operations in each of Cardno's reportable segments:

- Professional Services Australia and New Zealand – provides consulting engineering, planning, surveying, landscape architecture, environmental services, electrical engineering and geotechnical services in that region.
- Professional Services Americas and Software – provides consulting engineering, planning, surveying, landscape architecture and environmental services in the Americas and software sales globally.
- International Development Assistance – manages aid projects on behalf of unilateral and multilateral government agencies and private clients.

Comparative segment information has been represented in conformity with the requirement of AASB 8 *Operating Segments*.

Notes to the Consolidated Financial Statements

Cardno Limited and its Controlled Entities for the year ended 30 June 2012

34. SEGMENT INFORMATION CONTINUED

2012	Professional Services Australia & NZ \$'000	Professional Services Americas & Software \$'000	International Development Assistance \$'000	Total \$'000
Segment revenue				
Fees from services and sale of goods	321,809	316,879	73,320	712,008
Fees from recoverable expenses	41,497	136,256	72,799	250,552
Inter-segment revenue	-	(150)	(2,461)	(2,611)
External sales	363,306	452,985	143,658	959,949
Other income	2,235	861	901	3,997
Total segment revenue	365,541	453,846	144,559	963,946
Segment result				
before financing costs	55,920	49,224	5,371	110,515
Segment assets	338,937	475,932	99,734	914,603
Segment liabilities	71,583	72,914	36,347	180,844
Other				
Acquisitions of non-current assets	27,933	134,222	204	162,359
Depreciation and amortisation of assets	8,211	7,465	435	16,111

2011	Professional Services Australia & NZ \$'000	Professional Services Americas & Software \$'000	International Development Assistance \$'000	Total \$'000
Segment revenue				
Fees from services and sale of goods	229,607	257,303	84,282	571,192
Fees from recoverable expenses	26,022	184,701	46,844	257,567
Inter-segment revenue	-	(133)	(960)	(1,093)
External sales	255,629	441,871	130,166	827,666
Other income	758	447	382	1,587
Total segment revenue	256,387	442,318	130,548	829,253
Segment result				
before financing costs	34,021	51,806	4,175	90,002
Segment assets	285,907	272,162	90,876	648,945
Segment liabilities	128,778	19,404	48,059	196,241
Other				
Acquisitions of non-current assets	58,852	13,643	542	73,037
Depreciation and amortisation of assets	6,325	4,512	519	11,356

Notes to the Consolidated Financial Statements

Cardno Limited and its Controlled Entities for the year ended 30 June 2012

34. SEGMENT INFORMATION CONTINUED

Reconciliations of reportable segment revenues, profit or loss, assets and liabilities

	2012 \$'000	2011 \$'000
Revenues		
Total revenue for reportable segments	963,946	829,253
Interest revenue	1,874	1,948
Consolidated revenue	965,820	831,201
Profit or loss		
Reportable segment result before net financing costs	110,515	90,002
Interest Revenue	1,874	1,948
Finance costs	(7,500)	(4,501)
Other corporate (costs)/gains	153	(3,146)
Profit before tax	105,042	84,303
Income tax expense	(30,874)	(25,501)
Profit after tax	74,168	58,802
Assets		
Total assets for reportable segments	914,603	648,945
Other assets	31,386	-
Unallocated assets	12,760	32,667
Consolidated total assets	958,749	681,612
Liabilities		
Total liabilities for reportable segments	180,844	196,241
Bank loans unallocated	194,012	102,344
Other unallocated liabilities	35,008	25,831
Consolidated total liabilities	409,864	324,416

Geographical information

In presenting information on a geographical basis segment revenue from external customers and segment assets are attributed based on geographic locations of business unit.

	2012		2011	
	Revenues \$'000	Total Non-Current Assets \$'000	Revenues \$'000	Total Non-Current Assets \$'000
Australia & NZ	421,173	230,846	306,471	151,534
Americas	491,614	301,258	480,874	214,160
Asia Pacific	26,129	285	15,334	687
UK & Africa	25,030	18,440	26,574	21,785
Other segments	-	12,514	-	6,130
	963,946	563,343	829,253	394,296

Notes to the Consolidated Financial Statements

Cardno Limited and its Controlled Entities for the year ended 30 June 2012

35. PARENT ENTITY DISCLOSURES

As at, and throughout, the financial year ending 30 June 2012 the parent Company of Cardno was Cardno Limited.

	Company	
	2012 \$'000	2011 \$'000
Results of the parent entity		
Profit for the year	88,244	42,696
Other comprehensive income	-	-
Total comprehensive income for the year	88,244	42,696
Financial position of the parent entity at year end		
Current assets	397,454	291,975
Total assets	621,852	449,661
Current liabilities	86,013	108,086
Total liabilities	86,013	108,141
Total equity of the parent entity comprising of:		
Share capital	460,948	311,383
Revaluation reserve	-	-
Retained earnings	74,891	30,137
Total equity	535,839	341,520
Parent entity contingencies		
Bank guarantees	2,290	2,214

A multiple guarantee facility is available to Cardno totalling \$19 million (2011: \$19 million). The facility is secured by an unlimited interlocking guarantee and indemnity.

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

Parent entity guarantees in respect of debts of its subsidiaries

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

Further details of the Deed of Cross Guarantee and the subsidiaries subject to the deed, are disclosed below in note 36.

Notes to the Consolidated Financial Statements

Cardno Limited and its Controlled Entities for the year ended 30 June 2012

36. DEED OF CROSS GUARANTEE

Pursuant to ASIC Class Order 98/1418 (as amended) dated 13 August 1998, the wholly-owned subsidiaries listed below are relieved from the Corporations Act 2001 requirements for preparation, audit and lodgement of financial reports, and Directors' reports.

It is a condition of the Class Order that the Company and each of the subsidiaries enter into a Deed of Cross Guarantee. The effect of the Deed is that the Company guarantees to each creditor payment in full for any debt in the event of winding up of any of the subsidiaries under certain provisions of the Corporations Act 2001. If a winding up occurs under other provisions of the Act, the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Company is wound up.

The subsidiaries subject to the Deed are:

- Cardno Holdings Pty Ltd
- Cardno (Qld) Pty Ltd
- Cardno Staff Pty Ltd
- Cardno Bowler Pty Ltd
- Cardno Emerging Markets (Australia) Pty Ltd
- Cardno (NSW/ACT) Pty Ltd

A consolidated statement of comprehensive income and consolidated statement of financial position, comprising the Company and controlled entities which are a party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, for the year ended 30 June 2011 is set out as follows:

Statement of comprehensive income and retained earnings

	2012 \$'000	2011 \$'000
Revenue	395,664	287,971
Employee expenses	(168,194)	(143,792)
Consumables and materials used	(82,989)	(50,712)
Sub-consultant and contractor costs	(36,868)	(41,983)
Depreciation and amortisation expenses	(31)	(50)
Finance costs	(6,836)	(3,883)
Other expenses	4,078	725
Profit before income tax	104,824	48,276
Income tax expense	(9,702)	(7,184)
Net profit for the year	95,122	41,092
Other comprehensive income for the year	2,011	(2,639)
Total comprehensive income for the year	97,133	38,453
Retained earnings at the beginning of the year	37,625	30,508
Transfers to and from reserves	(2,011)	2,639
Dividends recognised during the year	(43,488)	(33,975)
Retained earnings at the end of the year	89,259	37,625
Attributable to:		
Owners of the Company	89,259	37,625

Notes to the Consolidated Financial Statements

Cardno Limited and its Controlled Entities for the year ended 30 June 2012

36. DEED OF CROSS GUARANTEE CONTINUED

Statement of financial position

	2012 \$'000	2011 \$'000
CURRENT ASSETS		
Cash and cash equivalents	26,190	24,422
Trade and other receivables	534,496	294,771
Inventories	28,804	18,569
Other current assets	772	879
TOTAL CURRENT ASSETS	590,262	338,641
NON-CURRENT ASSETS		
Trade and other receivables	-	-
Other financial assets	348,738	269,304
Property, plant and equipment	152	517
Deferred tax assets	7,549	6,571
Intangible assets	41,849	40,738
Other non-current assets	881	370
TOTAL NON-CURRENT ASSETS	399,169	317,500
TOTAL ASSETS	989,431	656,141
CURRENT LIABILITIES		
Trade and other payables	197,096	172,485
Current tax liabilities	13,061	6,681
Short term provisions	13,071	10,935
Other current liabilities	9,361	6,776
TOTAL CURRENT LIABILITIES	232,589	196,877
NON-CURRENT LIABILITIES		
Interest-bearing loans and borrowings	194,012	102,344
Deferred tax liabilities	6,231	4,497
Long term provisions	8,304	7,333
Other non-current liabilities	34	31
TOTAL NON-CURRENT LIABILITIES	208,581	114,205
TOTAL LIABILITIES	441,170	311,082
NET ASSETS	548,261	345,059
EQUITY		
Issued capital	460,949	311,384
Reserves	(1,947)	(3,950)
Retained earnings	89,259	37,625
TOTAL EQUITY	548,261	345,059

Notes to the Consolidated Financial Statements

Cardno Limited and its Controlled Entities for the year ended 30 June 2012

37. CONTROLLED ENTITIES

Cardno's significant subsidiaries are listed below.

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 International Pty Ltd	Australia	100%
Cardno (WA) Pty Ltd	Australia	100%
Cardno CCS Pty Ltd	Australia	100%
Cardno Lawson Treloar Pty Ltd	Australia	100%
Cardno (NSW/ACT) Pty Ltd	Australia	100%
Cardno Willing Pty Ltd	Australia	100%
Cardno Victoria Pty Ltd	Australia	100%
Cardno Emerging Markets (Australia) Pty Ltd	Australia	100%
Cardno UK Limited	United Kingdom	100%
Cardno Emerging Markets (UK) Limited	United Kingdom	100%
Cardno Emerging Markets (East Africa) Limited	Kenya	100%
Cardno NZ Limited	New Zealand	100%
Cardno Holdings New Zealand Limited	New Zealand	100%
Cardno USA, Inc.	United States of America	100%
Cardno Emerging Markets (USA), Ltd	United States of America	100%
Emerging Markets Group (EMG) s.a.	Belgium	100%
Cardno WRG, Inc.	United States of America	100%
Cardno TCB Limited	New Zealand	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%
Micro Drainage Limited	United Kingdom	100%
Cardno Bowler Pty Ltd	Australia	100%
TBE Group, Inc	United States of America	100%
TBE Holdings, Inc	United States of America	100%
Cardno ITC Pty Ltd	Australia	100%
Cardno Australian Underground Services Pty Ltd	Australia	100%
Environmental Resolutions, Inc	United States of America	100%
ENTRIX Holding Company	United States of America	100%
ENTRIX Inc	United States of America	100%
ENTRIX Americas, SA	Ecuador	100%
Cardno JF New, Inc	United States of America	100%
Cardno Roadtest Pty Ltd	Australia	100%
Cardno BEC Pty Ltd	Australia	100%
Cardno BEC (Qld) Pty Ltd	Australia	100%
Cardno (Colombia) S.A.S.	Colombia	100%
Cardno Humphrey Reynolds Perkins Pty Ltd	Australia	100%
Cardno Humphrey Reynolds Perkins Jewell Pty Ltd	Australia	100%
Cardno Humphrey Reynolds Perkins Gold Coast Pty Ltd	Australia	100%
Cardno Humphrey Reynolds Perkins Sunshine Coast Pty Ltd	Australia	100%
Cardno Chenoweth Environmental Planning & Landscape Architecture Pty Ltd	Australia	100%
Cardno Lane Piper Pty Ltd	Australia	100%
Moriedale Holdings Pty Ltd	Australia	100%
Geotech Solutions Pty Limited	Australia	100%
TEC, Inc	United States of America	100%
ATC & Associates Inc	United States of America	100%

Directors' Declaration

Cardno Limited and its Controlled Entities for the year ended 30 June 2012

1. In the opinion of the Directors of Cardno Limited (the Company):
 - (a) the consolidated financial statements and notes set out on pages 32 to 79 and the Remuneration Report in section 11 of the Directors' Report, set out on pages 7 to 21, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of Cardno's financial position as at 30 June 2012 and of its performance for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
 - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. There are reasonable grounds to believe that the Company and Cardno entities identified in Note 37 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those Group entities pursuant to ASIC Class Order 98/1418.
3. The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2012.
4. The Directors draw attention to Note 1(a) to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Dated at Brisbane on the 13th day of August 2012.

Signed in accordance with a resolution of the Directors.



JOHN C MASSEY
Chairman



Independent auditor's report 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 consolidated statement of financial position as at 30 June 2012, and consolidated statement of financial performance, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 37, comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the Group 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 of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 1(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply 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 of the financial report that gives a true and fair view 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 performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

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



Independence

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

Auditor's opinion

In our opinion:

- a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Group's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001;
- b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1(a).

Report on the remuneration report

We have audited the Remuneration Report included on pages 7 to 21 of the Directors' Report for the year ended 30 June 2012. 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 auditing standards.

Auditor's opinion

In our opinion, the Remuneration Report of Cardno Limited for the year ended 30 June 2012, complies with Section 300A of the *Corporations Act 2001*.

KPMG

Robert S Jones
Partner

Brisbane
13 August 2012

Additional Shareholder Information

Distribution of Ordinary Shareholders

The number of shareholders, by size of holding, as at 31 August 2012 were:

	Ordinary Shares	
	Number of Holders	Number of Shares
1 – 1,000	5,918	2,195,579
1,001 – 5,000	4,122	10,155,987
5,001 – 10,000	1,168	8,375,457
10,001 – 100,000	1,164	28,516,165
100,001 – and over	124	89,334,856
Total	12,496	138,578,044

As at 31 August 2012 there were 660 shareholders who held less than a marketable parcel of 68 shares.

Twenty Largest Ordinary Shareholders

The names of the twenty largest holders as at 31 August 2012 were:

	Listed Ordinary Shares	
	Number Held	Percentage
J P Morgan Nominees Australia Limited	16,113,737	11.63%
National Nominees Limited	14,892,036	10.75%
HSBC Custody Nominees (Australia) Limited	9,252,561	6.68%
J P Morgan Nominees Australia Limited <Cash Income A/C>	5,630,298	4.06%
BNP Paribas Noms Pty Ltd <Master Cust DRP>	3,187,102	2.30%
Andrew Buckley	2,420,261	1.75%
Geoffrey Allen Bailey & Wendy Ann Bailey <Gatling A/C>	1,875,508	1.35%
Pat Beyer	1,617,179	1.17%
Trevor Johnson	1,600,174	1.15%
Citicorp Nominees Pty Limited	1,397,745	1.01%
Equity Trustees Limited <SGH20>	1,140,000	0.82%
Steve M Zigan <Steve M Zigan Annuity A/C>	1,006,015	0.73%
Malcolm David Pound	998,284	0.72%
Paul Gardiner	971,458	0.70%
Merrill Lynch (Australia) Nominees Pty Limited	905,975	0.65%
Graham Tamblyn	852,338	0.62%
Joseph E O'Connell <Joseph O'Connell Annuity A/C>	791,648	0.57%
Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	788,967	0.57%
Anne Felicity Phillips	780,000	0.56%
R A Young Investments Pty Ltd <Young Super Fund A/C>	770,000	0.56%
Total	66,991,286	48.35%

Substantial Shareholders

There are currently no shareholders who have notified the company as being substantial shareholders in accordance with section 671B of the Corporations Act 2001.

Voting Rights

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

Additional Shareholder Information

Escrowed Shares

There are currently 5,086,654 ordinary shares held in escrow. This is approximately 3.02% 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 Roadtest completed on 15 June 2011, ordinary shares issued as part of the purchase price are escrowed for a period of 18 months to 15 December 2012. This agreement affects 542,189 shares, being approximately 0.39% of the company's issued share capital.
- In accordance with the Share Sale Agreement between Cardno Limited and the shareholders of BEC Engineering Pty Ltd completed on 6 July 2011, ordinary shares issued as part of the purchase price are escrowed for a period of 18 months to 6 January 2013. This agreement affects 1,820,495 shares, being approximately 1.31% of the company's issued share capital.
- In accordance with the Share Sale Agreement between Cardno Limited and the shareholders of Lane & Piper Pty Ltd completed on 19 September 2011, ordinary shares issued as part of the purchase price are escrowed for a period of 18 months to 19 March 2013. This agreement affects 208,792 shares, being approximately 0.15% of the company's issued share capital.
- In accordance with the Share Sale Agreement between Cardno Limited and the shareholders of Geotech Solutions Pty Ltd completed on 21 October 2011, ordinary shares issued as part of the purchase price are escrowed for a period of 18 months to 21 April 2013. This agreement affects 60,107 shares, being approximately 0.04% of the company's issued share capital.
- In accordance with the Share Sale Agreement between Cardno Limited and the shareholders of Humphreys Reynolds Perkins Group completed on 25 November 2011, ordinary shares issued as part of the purchase price are escrowed for a period of 18 months to 25 May 2013. This agreement affects 620,338 shares, being approximately 0.45% of the company's issued share capital.
- In accordance with the Share Sale Agreement between Cardno Limited and the shareholders of Locom Australia Pty Ltd completed on 19 January 2012, ordinary shares issued as part of the purchase price are escrowed for a period of 18 months to 19 July 2013. This agreement affects 1,907 shares, being approximately 0.001% of the company's issued share capital.
- In accordance with the Stock Purchase Agreement between Cardno Limited and the shareholders of TEC Inc completed on 13 February 2012, ordinary shares issued as part of the purchase price are escrowed for a period of 18 months to 17 April 2013. This agreement affects 1,330,044 shares, being approximately 0.96% of the company's issued share capital.
- In accordance with the Agreement and Plan of Merger between Cardno Limited and the shareholders of ATC Group Holdings Inc completed on 29 February 2012, ordinary shares issued as part of the purchase price are escrowed for a period of 18 months to 29 August 2013. This agreement affects 100,884 shares, being approximately 0.07% of the company's issued share capital.
- In accordance with the Stock Purchase Agreement between Cardno Limited and the shareholders of EM-Assist Inc completed on 4 July 2012, ordinary shares issued as part of the purchase price are escrowed for a period of 18 months to 3 January 2014. This agreement affects 48,665 shares, being approximately 0.04% of the company's issued share capital.
- In accordance with the Stock Purchase Agreement between Cardno Limited and the shareholders of Marshall Miller & Associates Inc completed on 4 July 2012, ordinary shares issued as part of the purchase price are escrowed for a period of 18 months to 3 January 2014. This agreement affects 281,595 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 Better Technical Options completed on 27 August 2012, ordinary shares issued as part of the purchase price are escrowed for a period of 18 months to 27 February 2014. This agreement affects 71,638 shares, being approximately 0.05% of the company's issued share capital.

Additional Shareholder Information

Options

As at 31 August 2012 the details of Performance Options on issue are as follows:

Number of Option Holders	Number of Options on Issue
548	9,144,200

Voting Rights of Options

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

Rights

As at 31 August 2012 the details of Performance Rights on issue are as follows:

Number of Rights Holders	Number of Rights on Issue
26	1,516,500

Voting Rights of Rights

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

Corporate Directory

Board of Directors

Chairman

John Marlay

Managing Director

Andrew Buckley

Directors

Anthony Barnes

Peter Cosgrove

Tonianne Dwyer

Jeffrey Forbes

Trevor Johnson

Ian Johnston

John Massey

Chief Financial Officer & Company Secretary

Jeffrey Forbes

Joint Company Secretary

Michael Pearson

Registered Office

Cardno Limited

ABN 70 108 112 303

Level 11, Green Square North Tower

515 St Paul's Terrace

FORTITUDE VALLEY QLD 4006

Ph: +61 7 3369 9822

Fax: +61 7 3369 9722

Website: www.cardno.com

Share Registry

Computershare Investor Services Pty Limited

117 Victoria Street

WEST END QLD 4101

Ph: 1300 552 270 (within Australia)

+61 3 9415 4000 (outside Australia)

Website: www.computershare.com.au

Auditors

KPMG

Level 16, Riparian Plaza

71 Eagle Street

BRISBANE QLD 4000

Ph: +61 7 3233 3111

Fax: +61 7 3233 3100

Website: www.kpmg.com.au

Lawyers

McCullough Robertson Lawyers

Level 11, Central Plaza Two

66 Eagle Street

BRISBANE QLD 4000

Ph: +61 7 3233 8888

Fax: +61 7 3229 9949

Website: www.mccullough.com.au

Kirkland & Ellis LLP

300 North LaSalle

Chicago, Illinois 60654

USA

Ph: +1 312 862 2000

Fax: +1 312 862 2200

Website: www.kirkland.com

Bankers

HSBC Bank Australia Limited

300 Queen Street

BRISBANE QLD 4000

Ph: +61 7 3835 7820

Fax: +61 7 3835 7830

Website: www.hsbc.com.au

Registered office

Cardno Limited
ABN 70 108 112 303

Level 11, North Tower
Green Square
515 St Paul's Terrace
Fortitude Valley
QLD 4006 Australia

Phone + 617 3369 9822

Fax + 617 3369 9722

cardno@cardno.com

www.cardno.com