





Cardno's vision is to be a world leader in the provision of professional services to improve the physical and social environment.

Cardno is an ASX200 professional infrastructure and environmental services company, with expertise in the development and improvement of physical and social infrastructure for communities around the world. Cardno's team includes leading professionals who plan, design, manage and deliver sustainable projects and community programs. Cardno is an international company listed on the Australian Securities Exchange [ASX:CDD].

MISSION

Attracting, developing, retaining and rewarding valued **people**

Understanding and meeting the expectations of our **clients**

Sustaining the **growth** of our profile and markets

Continually improving the **safety** and **quality** of our service delivery

Creating shareholder value through high **performance**

VALUES

Self confidence:
Positive, Valued, Confident

Safety:
Responsible, Aware, Vigilant

Partnering:
Client-focused, Trusted, Inclusive

Great people:
Determined, Successful, Professional

Passion:
Committed, Courageous, Dynamic

Innovation:
Forward-thinking, Entrepreneurial, Creative

Integrity:
Ethical, Honest, Accountable

Sustainability:
Balanced, Aware, Considerate





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Cover:

Top Left: Cardno is providing nearshore marine environmental monitoring services for the large-scale Ichthys LNG Plant, Northern Territory, Australia.

Bottom Left: Cardno is playing a key role on the Interstate 4 Connector to Selmon Expressway project that will improve regional traffic patterns throughout Tampa, Florida.

Bottom Right: Through the AusAID-funded Cambodia Agricultural Value Chain Program, Cardno is working with communities to increase incomes for poor farmers.

Opposite:

As the lead consultant for Brisbane's award-winning River Quay, Cardno supplied exceptional design, detailing and coordination for the landmark project.

performance at a glance



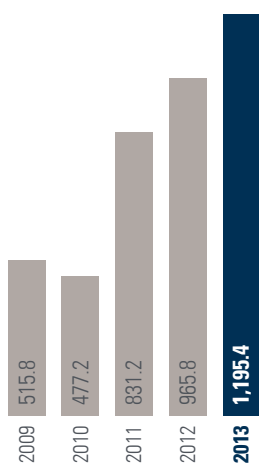
Cardno achieved a net profit after tax of A\$77.6m, a 4.7 per cent increase over the 2012 financial year. Earnings per share decreased by 10.8 per cent to 55.1 cents, while revenue was up 23.8 per cent to A\$1,195 million.

GROUP REVENUE

\$1.2B ↑ **23.8%**

CAGR*

+23.4%



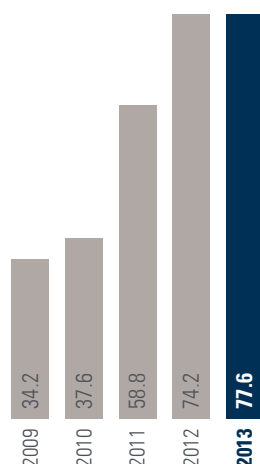
A\$ million

NET PROFIT AFTER TAX

\$77.6M ↑ **4.7%**

CAGR*

+22.8%



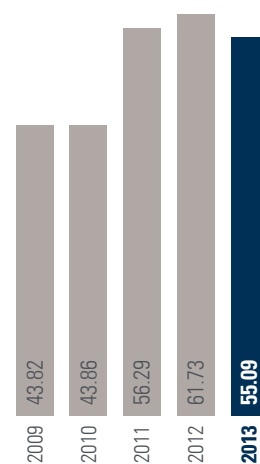
A\$ million

EARNINGS PER SHARE (BASIC)

55.1c ↓ **10.8%**

CAGR*

+5.9%



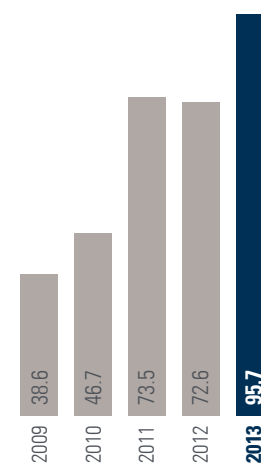
A\$ cents per share

OPERATING CASH FLOW

\$95.7M ↑ **31.8%**

CAGR*

+25.5%

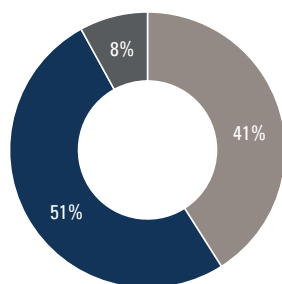


A\$ million

* CAGR = 5 Year Compound Annual Growth Rate.

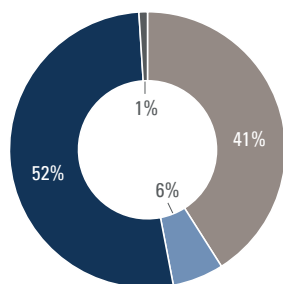
Above: Cardno's coal experts performed a pre-feasibility study for the new Greenfield Coal Mine in Indiana, USA, delivering multiple designs for alternate mines and access sites.

FEE REVENUE BY OPERATING SEGMENT (PROFORMA) FY2013*



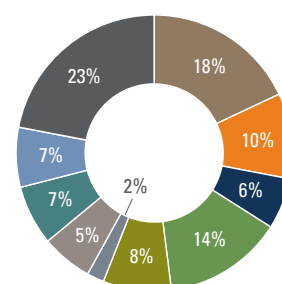
- Australia & NZ
- Americas & Software
- Emerging Markets

FEE REVENUE BY GEOGRAPHIC REGION (PROFORMA) FY2013*



- Australia & NZ
- Americas
- Asia Pacific
- UK & Africa

FEE REVENUE BY CLIENT TYPE (PROFORMA) FY2013*



- Oil, gas & energy
- Resources & mining
- Aid agency
- Contractor/Service provider
- Developer
- Government owned corporation
- Government - Federal
- Government - Local
- Government - State
- Other clients

*Graphs presented on a proforma basis which assumes Cardno acquired its FY2013 merger partners on 1 July 2012.

FIVE YEAR PERFORMANCE (A\$m)

| | 2009 | 2010 | 2011 | 2012 | 2013 |
|----------------------------|-------|-------|-------|-------|----------------|
| Revenue | 515.8 | 477.2 | 831.2 | 965.8 | 1,195.4 |
| EBITDA** | 57.7 | 55.3 | 100.2 | 128.7 | 135.3 |
| EBIT | 46.7 | 46.5 | 88.0 | 111.1 | 110.5 |
| NPAT | 34.2 | 37.6 | 58.8 | 74.2 | 77.6 |
| Operating Cash Flow | 38.6 | 46.7 | 73.5 | 72.6 | 95.7 |
| EPS - basic (cents) | 43.8 | 43.9 | 56.3 | 61.7 | 55.1 |
| Dividend per share (cents) | 28.0 | 29.0 | 34.0 | 36.0 | 36.0 |

SEGMENT REVENUE

| | | | | | |
|-------------------------|-------|-------|-------|-------|--------------|
| Americas & Software | 108.8 | 114.7 | 442.3 | 453.8 | 607.8 |
| Australia & New Zealand | 237.8 | 220.1 | 256.4 | 365.5 | 413.8 |
| Emerging Markets | 167.8 | 141.0 | 130.5 | 144.6 | 172.4 |

SEGMENT RESULT (before financing costs)

| | | | | | |
|-------------------------|------|------|------|------|-------------|
| Americas & Software | 6.9 | 11.1 | 51.8 | 49.2 | 59.2 |
| Australia & New Zealand | 29.9 | 34.3 | 34.0 | 55.9 | 55.1 |
| Emerging Markets | 7.0 | 4.0 | 4.2 | 5.4 | 5.5 |

** EBITDA = EBIT plus depreciation and amortisation

EBITDA and EBIT are unaudited. However, they are based on amounts extracted from the audited financial statements as reported in the consolidated statement of financial performance on page 61. These metrics provide a measure of Cardno's performance before the impact of non-cash expense items, such as depreciation and amortisation, as well as interest costs associated with Cardno's external debt facility and hire-purchase arrangements.

cardno's market sectors

The skills and experience of our team allow us to offer a broad range of **integrated services** in ten global market sectors.



BUILDINGS

Cardno plays a vital role in contributing to the built environment. Our structural, electrical, mechanical and facilities management services support clients to deliver commercially viable, cost-effective and innovative solutions. From health, education and institutional facilities, to commercial, residential and sports stadium projects, Cardno can assist with planning, design, construction, materials testing and facilities management. Our projects have won awards for sustainability and technological innovation.

LAND

Cardno is a leading provider of planning, environmental, design and construction services for residential, commercial and industrial development. From site assessment to project completion, we offer an extensive range of services based on our commitment to our clients, our stakeholder engagement and the recognition of the possibilities and potential stakeholder benefits which can flow from any development challenge. Our expertise is used to meet the complex challenges of water and terrain management, brownfield development and ecologically sensitive sites.



For more information about Cardno's markets and services please visit www.cardno.com



MANAGEMENT SERVICES

Cardno is recognised as a leader in the provision of management services and advice to a range of government and other organisations. Our experienced professionals work with our clients to review, evaluate and implement systems, procedures and policies to help manage and safeguard assets and achieve strong returns on investment. Cardno's management consulting skills associated with infrastructure development are many and varied, encompassing due diligence and feasibility studies, security audits, privatisation of infrastructure, asset management, facilities management, value engineering, risk management, and project and program management.

MINING AND ENERGY

Cardno has extensive capability, expertise and experience in the mining and energy sector. Our clients benefit from our commitment to providing high-level services and a full range of cost-effective, sustainable solutions for the resources sector worldwide. Cardno's expertise spans planning and permitting, resource reserve analysis, exploration, production, electrical design systems, transportation and conveyance for mining, oil and gas, electricity and hydropower projects. Community engagement and environmental services from Cardno play a key role in the start-up, operation and ultimate restoration of mining and energy projects.



COASTAL AND OCEAN

Cardno has expertise in the impact of natural and built environments in ocean, coastal and estuarine settings, and the assessment, management and protection of the aquatic environment in both salt and freshwater. Our specialist knowledge underpins the delivery of infrastructure which fosters economic growth and environmental sustainability. Cardno assists clients to plan, design and monitor diverse projects such as ports/harbours, marinas and breakwaters, subsea infrastructure, and offshore oil and gas facilities.



ENVIRONMENT

Cardno delivers commercially strategic environmental management solutions. We employ leading global expertise in terrestrial and marine ecology, hazardous materials and contaminated land, waste management, remediation, environmental impact statements, water resource management and regulatory compliance. Our multidisciplinary teams work closely with government, industry, developers, land owners and the community to utilise, conserve and enhance resources so natural systems are managed and preserved for current and future generations.

EMERGING MARKETS

Cardno has a long history of working in partnership with developing countries to deliver solutions for sustainable development. Through the expertise of professionals operating throughout the world, we investigate the underlying causes of poverty and focus on providing and improving the physical, economic and social infrastructure that sustains communities. Cardno utilises its own skilled staff and pool of talented global contractors to deliver projects ranging from water supply and sanitation, to educational reform, coordination of elections and international trade facilitation.



TRANSPORTATION

Cardno is at the forefront of expertise in the assessment, planning, construction design and management of transport infrastructure projects. Our experience spans both local and international projects, ranging from providing detailed analysis and reports to the delivery of major transportation projects. Working with both major contractors and government agencies, Cardno's expertise supports strategic road, highway, rail, sea and airport infrastructure. This encompasses both above-ground infrastructure, as well as tunnels and subsurface utility coordination.



WATER

Cardno is renowned for its comprehensive and leading skills in all stages of the water cycle in both the built and natural environment. Whether it is a detailed water supply analysis, a major flooding or water quantity investigation, a water rights assessment, or any other water or drought management issue, Cardno can provide the expertise needed to address client requirements. In addition to water cycle management, clients around the world tap into Cardno's expertise to plan, design and deliver water-related infrastructure, ranging from dams and reservoirs to water and wastewater conveyance, treatment and re-use.

DEFENCE

Cardno has significant experience in supporting defence-related projects globally through our environmental and infrastructure skills. Our expertise is valued by government agencies and contractors. Our specialists provide comprehensive services through a project's life cycle to help clients effectively address environmental and operational issues at installations and training facilities. From strategic business consulting and planning to facility assessment, environmental impact statements and design, Cardno team members are poised to support our clients' needs.



where we work

PEOPLE

8,000

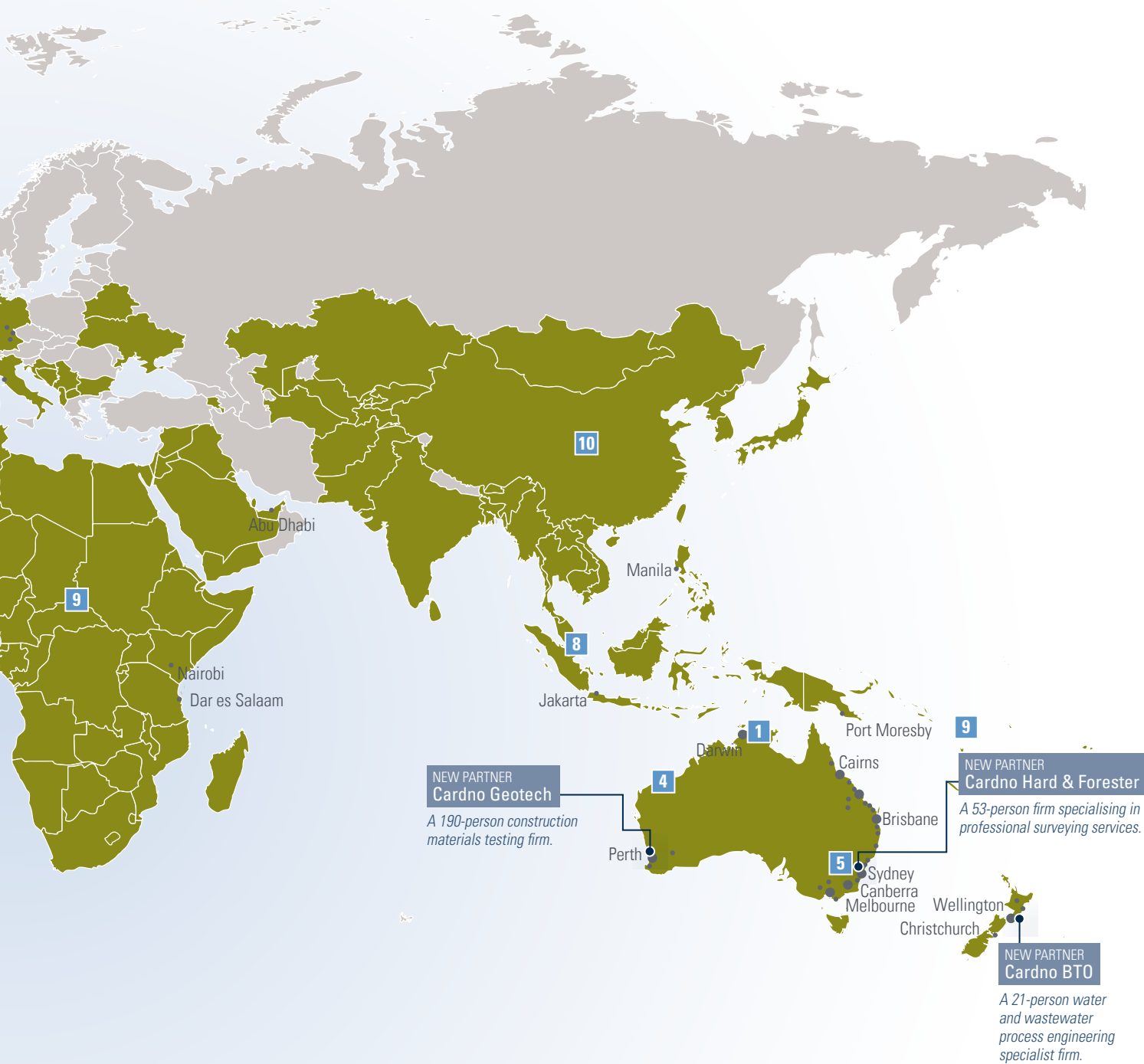
OFFICES

290

NEW MERGER PARTNERS

7

| KEY | <ul style="list-style-type: none"> ● Countries where Cardno is currently delivering projects ● Cardno offices | <ul style="list-style-type: none"> ● FY2013 merger partners 1 Featured projects (please refer to pages 8-11 for details) |
|-----|---|---|
|-----|---|---|



COUNTRIES

85

MARKET SECTORS

10

SERVICES

280

Our global team is extraordinarily diverse, with roles ranging from environmental scientists, engineering professionals and planners, to economists, emergency response personnel, large scale project managers, technical experts, industry specialists and designers of sustainable projects and community programs.

featured projects

> **1** ICHTHYS LNG PLANT NEARSHORE ENVIRONMENTAL MONITORING

Northern Territory,
Australia

> **2** SOPLADORA HYDROPOWER PROJECT

Morona Santiago,
Ecuador



For more information about Cardno's many projects please visit www.cardno.com

Cardno was commissioned by INPEX to provide nearshore marine environmental monitoring services for the large-scale Ichthys Gas Field Development Project. To support the infrastructure at Blaydin Point, dredging works are being carried out to seat and protect the Gas Export Pipeline and provide a safe access channel for shipping. Cardno's scope includes 12 work packages relating to the assessment of potential environmental effects as result of dredging and spoil disposal activities.

The Sopladora project is the third of four projects in the Paute River basin implemented to create a complex hydropower system. This involves a chain of power stations with direct intake from the previous station. Cardno's Latin American Division is providing hydropower expertise and various services through the lifecycle of the project, including studies for the optimisation of the design flow, validation of the feasibility studies, final designs for construction, and construction supervision.

> **3** HAILE
GOLD MINE

South Carolina,
America



Cardno is preparing a comprehensive Environmental Impact Statement for the proposed Haile Gold Mine near Kershaw, South Carolina, to support a permit decision by the US Army Corps of Engineers, Charleston District. The proposed mine project would consist of a 12-year phased mine plan with eight open pits, overburden storage areas, a processing mill, and a storage facility over a 4,500-acre area.

> **4** FORTESCUE
METALS GROUP
T155 PORT
EXPANSION

Western Australia,
Australia

> **5** LIGHTING DESIGN
FOR NAB BUILDING

New South Wales,
Australia



This ambitious project involved the expansion of the port facilities at Fortescue Metals Group's Anderson Point port to handle an annual capacity to 155 million tonnes of iron ore (T155). Cardno BEC engineers were responsible for the design, programming and commissioning of the site-wide automation and control system. This included the addition of two train-unloaders, a stacker, two reclaimers and two ship loaders along with the network of conveyors, sample stations and associated equipment.

Cardno has been awarded a prestigious Illuminating Engineering Society of Australia and New Zealand Award of Commendation for the lighting design of National Australia Bank's Client Floor in Sydney's CBD. Featuring natural light and views of the harbour and city, the fit-out placed high consideration on the environment with best practice and energy efficient light solutions used wherever possible.

Please refer to the global map on page 6 for project locations.

> **6** LONDON GATEWAY
SUBSURFACE UTILITY
ENGINEERING

Essex, United Kingdom

> **7** I-10 INTERCHANGE
CONSTRUCTION
MATERIALS
INSPECTION AND
TESTING

Arizona, North America



For more information
about Cardno's many
projects please visit
www.cardno.com

Cardno served as the lead subsurface utility engineering consultant for Europe's largest logistics park during the design phase of both the above ground and underground infrastructure. Cardno successfully surveyed and produced reliable 3D data on the 53,000 linear metres of utilities across the former oil refinery site and surrounding boundaries. The resultant data has proved vital for risk mitigation, leading to significant savings on redesign costs, and alleviated the cause for any design phase delays.

Cardno is providing construction materials testing and inspection services for a proposed five-level traffic interchange. The complex, two-year project will construct ten cast-in-place, post-tensioned box girder concrete bridges and one precast, pre-stressed Type V AASHTO girder concrete bridge. This includes retaining and sound walls, drainage, signage and pavement markings.

> 8 GARDENS BY THE BAY

Singapore, Asia



Cardno applied its environmental and engineering expertise to an ambitious marine parkland development. A long-term water quality model for the lake system was established to analyse run-off and source control measures, as well as to assess water quality processes. Cardno also helped convert normal building roofs to vegetated surfaces, applied bioretention processes to filter contaminants from water runoff, and introduced permeable paving to car park areas.

Image courtesy of Gardens by the Bay.

> 9 ALL ACP AGRICULTURAL COMMODITIES PROGRAM

Africa-Caribbean-Pacific



Cardno strengthens the capacity of stakeholders on this EU-funded program by developing sustainable commodity strategies, building producers and institutional capacity, developing supply chains, and implementing innovative market-based solutions. In Burkina Faso, Mali and Senegal, an exchange program with a rural women's organisation in India has been established, sharing knowledge and experiences for marketing and enhanced value for rice, maize and other cereals.

> 10 EU-CHINA TRADE PROJECT II

China, Asia



This five-year project aims to strengthen China's economic, trade and investment reform, in line with China's sustainable development path. Cardno's role involves designing and implementing activities in support of ongoing trade-related dialogues between China and the EU. Cardno's approach for what is currently the EU's largest trade-related technical assistance project in the world, consists of a three-tier strategy. It will address policy, legislative and regulatory reform at the local level; implement pilot projects at the provincial level, and oversee a nationwide integrated communications and dissemination strategy, including e-Learning.

Please refer to the global map on page 6 for project locations.

chairman's statement



Cardno's diversity and international reach provides strength during challenging economic times.

I am pleased to report that Cardno achieved a good result for shareholders in FY2013 in difficult global market conditions. The company delivered a record net profit after tax of \$77.6 million, up 4.7 per cent over FY2012, and maintained declared dividends at 36 cents per share. The final 18 cent dividend for FY2013 will be fully franked.

This performance was underpinned by our geographic and market diversity, which is supported by the capabilities of 8,000 staff in more than 290 offices in 85 countries. This diversity and international reach provides strength during challenging economic times, and this was particularly the case in FY2013.

Over the year we continued to actively pursue our growth strategy of combining acquisitions and organic growth across multiple markets, welcoming seven new merger partners to the company. All performed well, providing added value to the company.

Our overall performance was affected, however, by the adverse market conditions with increased competition leading to pressure on margins and contributing to a decrease in earnings per share. Management continues to focus on improving business performance to restore earnings per share growth.

Our businesses in the United States are robust and there are many opportunities for Cardno to grow and become a market leader in such a large marketplace. During the year we continued to expand our presence in the growing South American region, highlighted

by our important merger with Ecuador-based engineering consultancy Cardno Caminosca.

In the Australia and New Zealand Region, challenges remain after a decline in infrastructure spending in both public and private sectors and a slowdown in services to the mining industry. Again, management is focused on improving performance here in FY2014.

The Board is pleased to have been able to provide a strong dividend return for shareholders in FY2013. We are confident that Cardno's strategy is appropriate for the future and we are well-positioned to take advantage of improving global conditions in FY2014.

Clients

Throughout FY2013, we maintained a clear focus on meeting our clients' needs to fulfil their project requirements. Our capabilities and expertise in a broad range of sectors positions Cardno to capitalise on new markets and cross-selling opportunities across the company. We continue to deliver the highest standard of professional services on a range of projects across the world.

Our people

Cardno has the benefit of a truly diverse international team, which is the foundation of our competitive advantage. The company focuses on recruiting and retaining highly motivated professionals with proven work skills. We strive to hire locally and

Opposite left: Based in Australia and New Zealand, Cardno BTO is an engineering consulting firm that focuses on the water and wastewater industry.

Opposite right: Cardno AUS delivers subsurface utilities location and management for construction projects.



collaborate closely with communities to improve knowledge, diversity and skills.

Our history of successful project and service delivery is built on the capabilities of our people and their ability to adapt to changing conditions. On 1 July 2013, we restructured our Americas Region to better align our people and services with clients' needs.

Safety

Cardno has a steadfast commitment to developing and maintaining a safe working environment for all employees through the policies, procedures and reporting of our global Zero Harm program.

Our safety performance in FY2013 was pleasing, with improved results for the Lost Time Injury Frequency Rate and Total Recordable Injury Frequency Rate.

This performance is a credit to all Cardno managers and staff, who understand their responsibilities about safety in the workplace, wherever they are required to operate. However, we must remain vigilant as we continually seek to improve safety across our business through education and training programs.

Last year, Cardno continued its company-wide approach to safety, including the deployment of online safety training courses for all staff. These global courses complement our Zero Harm program both in the office and on job sites. Cardno has initiatives planned for FY2014 to further improve our safety performance.

Outlook

I am confident in Cardno's strategy for the coming years. We will continue to seek mergers with successful businesses that will complement and enhance our existing operations. We have a healthy balance sheet and future pipeline of work and will look to drive cross-selling opportunities across all markets and service areas.

The United States economy is showing signs of improvement. We are also cautiously optimistic about the outlook for Australia and New Zealand, and there are significant opportunities for our Emerging Markets business. Globally, we continue to develop ways to expand Cardno in the Americas, Asia and Europe.

Board of Directors

Cardno's corporate governance practices are designed to focus on responsible stewardship, business integrity, accountability and effective risk management for all shareholders. On behalf of the Board, I would like to emphasise our commitment to these principles, as we do our best to ensure Cardno is an ethical, sustainable and responsible corporate citizen, which contributes to better community engagement and delivers attractive returns for shareholders.

I would like to welcome our new Non-Executive Director Grant Murdoch to the Board. With more than 28 years of experience as a partner in audit and

corporate finance with international accounting firms, he brings great skills to our deliberations.

Thank you

I wish to congratulate Cardno's professional and committed staff for all of their efforts over the past 12 months. Managing Director Andrew Buckley and his executive team provided excellent leadership as the company continued to grow despite tough market conditions.

A warm thank you must go to Jeff Forbes, who retired from the position of Chief Financial Officer during 2013 after seven years in this role. He has been replaced by Graham Yerbury, who will undoubtedly prove to be a great asset to our company.

The Board is very proud of Cardno's highly professional team and have every confidence the company will continue to provide cutting-edge service to our many clients around the world in FY2014. Cardno appreciates the ongoing support of our shareholders and we are committed to delivering strong returns in the future. ■

John Marlay
Chairman

managing director's report



Cardno continued to grow our profit and execute our expansion strategy, both organically and through mergers and acquisitions.



Despite challenging market conditions affecting the demand for services, Cardno continued to grow our profit and execute our expansion strategy, both organically and through mergers and acquisitions in FY2013.

All of our regions are trading profitably, demonstrating the robustness of the Cardno business model, and we retain a healthy forward pipeline of project work.

Safety

With around 8,000 staff working in 85 countries, it is essential for Cardno to have a robust and consistent approach to staff safety. Our global Zero Harm safety program has seen our coordinated approach to workplace safety shift beyond compliance towards integration of safety into our company culture.

All Cardno employees are required to seek to continually improve safety across our business, and to take individual and company-wide responsibility for safety in daily activities.

As a company we aim for the Zero Harm program to be front of mind for all staff, through regular communication and compulsory training. As a result, we continue to embrace a workplace culture where all safety issues are promptly reported and addressed.

Performance

Cardno achieved a record net profit after tax of \$77.6 million for the year that ended 30 June 2013. This result is an increase of 4.6 per cent over the previous financial year and reflects our focus on high growth markets and strategic acquisitions.

Revenue was up 23.8 per cent from last financial year to \$1,195.4 million in FY2013, largely due to the positive contributions of new merger partners.

After several years of delivering strong organic growth, lack of confidence in the Australian market place and a slower than expected US economy led to a reduction in organic growth from 7.6 per cent in the first half to around 1 per cent for FY2013 overall. EBIT margins also fell from 15.8 per cent in FY2012 to 12.6 per cent this financial year.

We have recently launched a group-wide program focused on rebuilding our organic growth in FY2014 through increased business development and cross selling. We continue to focus on restoring margins.

Notwithstanding these challenges, we achieved an EBITDA of \$135.3 million in FY2013 - a rise of 5.1 per cent on last year. We witnessed strong growth in operating cash flow, up from \$72.6 million to \$95.7 million from FY2012 to FY2013.

Market conditions and the slowing of organic growth, combined with the larger number of shares on issue following our 2012 capital raising, contributed to basic earnings per share of 55.1 cents, a 10.8 per cent reduction from the 61.7 cents per share achieved in FY2012. Cardno's dividend was maintained at 36 cents, as it was in FY2012.

Challenges

These results were achieved in the face of worldwide economic challenges that affected most of our global markets. A general lack of confidence in the Australian marketplace resulted in delays to investment decisions and projects. The United States experienced an increased demand for private sector infrastructure services, but this growth was relatively slow and offset by flatter public sector and defence spending.

Our Americas business saw significant slowing in demand for our services on the Gulf of Mexico oil spill project. This was partly offset by strong growth in other parts of the region, such as South America.

While we remained conscious of matching resource levels to market demands, the geographic and discipline diversity of Cardno's global businesses continued to underpin the company's performance by reducing risk and volatility of earnings.



Strategy

In FY2013, we successfully pursued our merger and acquisition strategy, targeting complementary businesses with new geographical and skills coverage and a good cultural fit. All of these partners performed in line with expectations, allowing us to expand the business through increased sector diversification.

In order to drive our business performance into the future we worked hard to build our backlog of work and boost productivity.

Outlook

Cardno faces considerable challenges for the year ahead, but I am cautiously optimistic about our prospects for FY2014. We have a very healthy balance sheet and expected GDP growth in key markets should translate into increasing demand for our services.

Market conditions are difficult in Australia and New Zealand but we remain active on several ongoing mining and gas projects. There are also early signs of a pickup in residential construction in Australia.

Economic growth is forecast to improve in the United States, where the environmental sector is still strong, and there are also signs of improvement in the residential development sector.

Our Emerging Markets business remains an important contributor to Cardno with a strong pipeline of ongoing work. However, conditions in this market are constrained by slower government spending.

Changes

As part of Cardno's ongoing campaign to align our diverse business with market needs, our leadership team worked to introduce a more unified organisational structure. One key component of this was a restructure of the Americas Region, which is now organised into four operating divisions.

The financial year also heralded the departure of long-serving Chief Financial Officer, Jeff Forbes. I would like to extend my sincere thanks to Jeff for his exceptional work over the seven years he spent in the position as Cardno grew from 1,400 staff to more than 8,000 and annualised revenue of over \$1 billion.

Jeff was replaced by Graham Yerbury, who joined Cardno after a distinguished career in the mining, resources and oil and gas industries. Graham has quickly established himself as an important contributor to our senior executive team and we are thrilled to have him at Cardno.

Thank you

On behalf of the management team which I lead, I would like to thank our Chairman, John Marlay, and the Board of Directors for

their support over the past year. John moved seamlessly into the Chairman's role from his previous position on the Board, and his experience with listed companies was invaluable in a challenging time.

I am also very proud of my senior management team and staff for their strong contributions over the past 12 months. The company's stability during a difficult year is a testament to both their tenacity and expertise.

I look forward to working with them as Cardno strives to meet ambitious growth and performance goals over the coming years.

Lastly, I would like to thank our clients and shareholders for their unwavering support for this great, growing company. ■

Andrew Buckley
Managing Director and CEO
Cardno Limited

Above left: Cardno is contributing a third of the design and construction support resources for the Legacy Way tunnel project, Brisbane, Australia.

Above right: Cardno's Baba Multipurpose Project will greatly improve hydropower generation, irrigation, agriculture, flood control and tourism in Ecuador's Los Rios province.

a global business



Cardno's commitment to international expansion will increase cross selling of our expertise and our ability to better serve our clients.

In FY2013, Cardno continued to grow its geographical footprint, with more than 59 per cent of company revenue now generated outside Australia and New Zealand.

Under the guidance of **Executive General Manager International, Michael Renshaw**, we expanded our merger and acquisition strategy into new and exciting locations across the globe.

New opportunities were actively sought in Asia and the Americas, while Cardno also targeted work in the United Kingdom, Europe and Africa.

In FY2013, we further integrated the diverse parts of the business, allowing us to work together to better understand and service our clients and stakeholders.

New partners

The United States presents continued opportunities for growth, and in FY2013 we added Cardno EM-Assist, Cardno MM&A and Cardno ChemRisk.

We have moved further into the burgeoning economic region of South America, particularly with the addition of

Ecuador-based Cardno Caminosca. The 450-employee infrastructure engineering company brings considerable experience to the group, and is expected to provide high volumes of work for many years.

In the Australia and New Zealand Region we added Cardno BTO, Cardno Hard & Forester and Cardno Geotech to the team.

Looking ahead

Cardno will continue to build its presence in under-represented regions. In the coming years, we expect economic conditions and growth rates to improve in our key markets providing even more potential clients and opportunities for Cardno.

Our ongoing commitment to international expansion will increase cross selling of our expertise and our ability to better serve our clients.

With a globally diverse and talented workforce, the opportunities for collaboration across Cardno are extensive.

Above left: Cardno EM-Assist is a valued partner in the delivery of environmental, training and information management services.

Above right: The city of Abu Dhabi is subject to Green Building Advisory services from Cardno.

mergers and acquisitions

JULY 2012

> **Cardno MM&A:** is a diverse 180-person engineering and consulting firm based in Virginia, USA. As part of Cardno's Engineering and Environmental Services Division, MM&A provides the company with expertise in mining engineering, mine reserve evaluation, oil and gas exploration, feasibility studies and due diligence services for mining and resource projects. Cardno MM&A's clients include US government departments and several high-profile mining companies.

> **Cardno EM-Assist:** is a 140-person company based in California, USA, that operates within Cardno's Government Services Division. The firm specialises in environmental management and compliance services, encompassing air quality, hazardous materials, hazardous waste and environmental restoration. In addition, it markets a portfolio of customised software products which augment its core service offerings.

AUGUST 2012

> **Cardno BTO:** is a 21-person water and wastewater process engineering specialist firm that delivers exceptional service to public and private clients throughout Australia and New Zealand. It provides innovative solutions developed through strong relationships of mutual trust and respect with clients, as well as a commitment to quality and sustainability.

NOVEMBER 2012

> **Cardno Hard & Forester:** is a 53-person leading surveying firm based in Sydney, Australia. It has a strong client base including major civil contractors, councils, the state road authority, the rail authority and resource companies. It offers a complete range of professional surveying services, specialising in strategic planning, feasibility assessment, detailed design, construction and asset management.

DECEMBER 2012

> **Cardno ChemRisk:** is a 95-person environmental risk consulting firm based in San Francisco, USA. As part of Cardno's Natural Resource Management & Health Sciences Division, Cardno ChemRisk works with clients around the globe to improve the health and safety of their products, operations, workers, the public and the environment. Cardno ChemRisk's staff have backgrounds in areas such as toxicology, industrial hygiene, epidemiology, ecotoxicology, environmental sciences and risk assessment.

> **Cardno Caminosca:** is a 450-person engineering consulting company based in Ecuador. As part of Cardno's Latin American Division, the firm provides specialist engineering consulting services in the hydropower, mining, oil and gas, roads, water supply and sewerage, urban development, airports and stormwater sectors. Cardno Caminosca is involved in major hydropower projects and the development of oil and gas production in the Amazon region of South America.

FEBRUARY 2013

> **Cardno Geotech:** is a 190-person construction materials testing firm located in Western Australia. It services clients in major mining, LNG, iron ore and government infrastructure projects. It has contracts supporting works for large companies such as BHP Billiton, Rio Tinto and Fortescue Metals Group.

Cardno welcomed seven new merger partners in FY2013.



Above top: Cardno MM&A delivers solutions to clients in the mineral resource, environmental and carbon management industries in North and South America.

Above middle: Cardno Caminosca is providing construction supervision services to the Baba Multipurpose Hydropower Project in Ecuador.

Above bottom: Based in Western Australia, Cardno Geotech provides construction materials testing services to a wide range of clients.

americas (including Software)

OPERATIONAL REVIEW

The Americas Region delivered crucial services to key government and private clients, enhancing performance in core sectors such as oil and gas, transportation and the international mining market.

THE REGION PROVIDES

51%
OF CARDNO'S FEE REVENUE

Cardno's Americas Region provides a full suite of consulting services to clients throughout North and South America. It comprises more than 4,800 multi-disciplinary professionals who deliver skills and expertise from 220 offices.

Opposite left: Cardno completed an environmental impact report for the Crane Valley Dam Retrofit project in California.

Opposite centre: Cardno is the construction engineering consultant for the Interstate 4 Connector to Selmon Expressway in Tampa, Florida.

Opposite right: Cardno is working to restore aquatic habitat in a 45-acre, open-water section of the St. Louis River.

HIGHLIGHTS

In FY2013, the Americas Region delivered crucial services to key government and private clients, enhancing services in core sectors such as transportation, oil and gas, and the international mining market.

The region's revenue was up due to a combination of acquisitions and organic growth. However, growth was not as robust as expected due to delays in government sector funding and the completion of several key regional projects.

Cardno continued to receive recognition in the United States, climbing higher on the leading industry publication *Engineering News-Record's* annual list of the Top 500 Design firms for the fourth consecutive year. The region also secured improved rankings in the Industrial Petroleum/Process Firms, Hazardous Waste Firms, Pure Designers, and Designers in International Markets categories.

The Americas Region ranked #1 on the *2013 Zweig Letter Hot Firm List*, marking Cardno's third consecutive year as the fastest growing engineering and environmental consulting firm in the United States.

We successfully expanded operations throughout the Americas, adding new merger partners Cardno MM&A, Cardno EM-Assist, Cardno ChemRisk and Cardno Caminosca, as outlined on page 17.

Cardno's Software Division delivered 20 per cent organic growth out of its offices in the USA, UK and Australia.

This was due to continued sales of existing software to new markets and clients, as well as development of new software.

FUTURE OUTLOOK

We remain optimistic about the outlook for the Americas Region in FY2014 with growth opportunities in Latin American and Canadian markets.

Moderate growth is anticipated for specialist service areas, including product safety, health services and environmental risk management.

There will be a continuing focus on top-line revenue growth with particular emphasis on natural resource management, oil and gas, mining and transportation.

The organisational restructure implemented on 1 July 2013 should deliver cross-selling opportunities and other synergies to support revenue growth, which is expected to offset an anticipated reduction of services to the Gulf of Mexico oil spill project.

The Americas Region is also streamlining internal processes, targeting significant cost-savings while enhancing service and quality for clients and employees.

Initiatives include ongoing implementation and adoption of a region-wide travel management program and consolidated safety equipment procurement in support of Cardno's Zero Harm safety program.

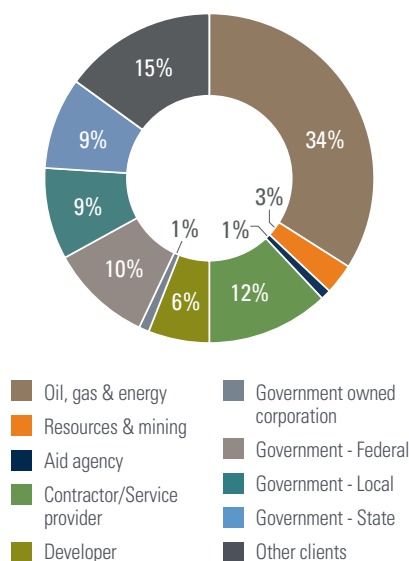


| A\$m | FY2013 | FY2012 |
|----------------------|-------------|-------------|
| Fee revenue | 447.7 | 317.5 |
| Recoverable expenses | 160.1 | 136.3 |
| Total revenue | 607.8 | 453.8 |
| EBIT | | |
| | 59.2 | 49.2 |
| Fee revenue margin | 13.2% | 15.5% |

AMERICAS EXECUTIVES

- > Paul Gardiner
General Manager
- > Bob Kroeger
Engineering and Environmental Services Division Manager
- > Michael Landry
Chief Financial Officer
- > Colby Manwaring
Software Division Manager
- > Bill Pavlick
Government Services Division Manager
- > Edgar Uribe
Latin America Division Manager
- > Todd Williams
Natural Resource and Health Sciences Division Manager

FEE REVENUE BY CLIENT TYPE (PROFORMA) FY2013



Right column: Cardno's Latin American Division is involved in the Mazar, Sopladora, and Cardenillo hydropower projects in South America.

GROWTH INTO LATIN AMERICA



Cardno is building its presence in the burgeoning Latin America region, particularly after our merger with one of the largest engineering consulting companies in Ecuador.

The combination of Cardno Caminosca's skills with our existing environmental capability creates a strong platform to deliver a complementary suite of services to local and international clients in the region.

Cardno has been delivering specialist services in Latin America since 1994. From our offices in Ecuador, Colombia and Peru, we work with clients to prevent, decrease or mitigate environmental impacts and minimise or manage environmental and natural resources liability.

Our team serves donors, partner governments, private clients and communities, providing strategic insights into the rich diversity of people, cultures, governments and business customs.

australia and new zealand

OPERATIONAL REVIEW

Cardno is optimistic about the opportunity to grow our market share across Australia and New Zealand, particularly in the transport, urban, and water and environment areas.



THE REGION PROVIDES

41%
OF CARDNO'S FEE REVENUE

The Australia and New Zealand Region (ANZ) provides consulting services in civil, structural, building services, environmental, traffic and transport, bridge, survey, subsurface utility, water engineering, geotechnical and land remediation, planning, landscape architecture and construction materials testing (CMT).

Opposite left: Cardno provided engineers and draftspersons for the design phases of the Glen Eira Sports and Aquatic Centre in Victoria.

Opposite centre: Cardno provided design, engineering and construction supervision services for the Swanson Street Tram Station in Melbourne, Australia.

Opposite right: Cardno carried out site preparation and civil works for the Pluto LNG project at Karratha, Western Australia.

HIGHLIGHTS

The contribution from new merger partners and projects enabled the ANZ Region to increase revenue levels in FY2013. The region responded to difficult market conditions by modifying the organisational structure to reflect business needs and actively seeking new clients and projects.

ANZ was also able to provide more diverse services as a result of three strategic acquisitions. These were Cardno Hard & Forester, Cardno Geotech and Cardno BTO, as highlighted on page 17.

Cardno Bowler increased its share of the mining, oil and gas, and infrastructure sectors by delivering high-quality geotechnical engineering, environmental services and CMT. This team continues to grow and provides services in remote locations.

Our operations have successfully capitalised on an increasingly robust New Zealand economy, while the NSW/ACT Division also extended its organic growth, specifically in the water and environment, urban infrastructure, survey and regional office teams.

The water and environment team demonstrated their expertise by securing additional work on the high-profile Ichthys LNG project in Darwin.

Our Queensland and Northern Territory Division performed solidly considering the challenging economic conditions. In particular the water supply and sewerage, geotechnical engineering and traffic teams were strong contributors.

Performance in our engineering consulting businesses in Western Australia and Victoria was below expectations.

In FY2013, Cardno increased its brand recognition, profile and connection with clients throughout the region with key initiatives such as continued sponsorship of the Queensland Reds rugby team.

Cardno was also recognised for its service to clients with a double win at the prestigious *BRW Client Choice Awards*.

Both awards were based on overall performance as measured by clients during the past 12 months. This success illustrates our commitment to client satisfaction, innovation and technical excellence.

FUTURE OUTLOOK

The outlook remains challenging with all levels of government being constrained in their spending. The mining slowdown is resulting in a more competitive market environment.

Confidence is returning gradually to the housing sector and some significant infrastructure projects are being forecast for NSW, Victoria and Queensland.

We are optimistic about growing our market share across Australia and New Zealand, particularly in the transport, urban, and water and environment areas, as we are able to leverage Cardno's powerful local and international expertise.

Cardno Bowler is expected to continue growing, deploying a highly-mobile workforce that is responsive to client needs, regardless of the remoteness of projects.

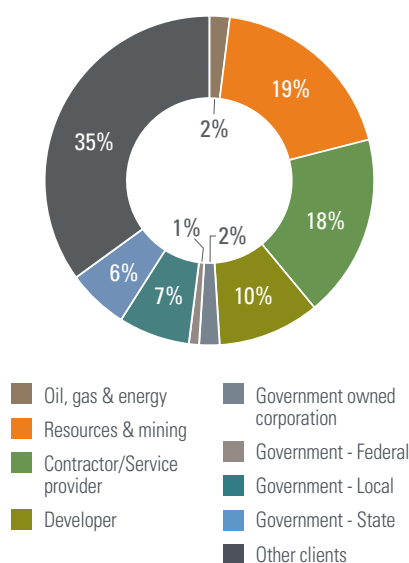


| A\$m | FY2013 | FY2012 |
|----------------------|-------------|-------------|
| Fee revenue | 361.4 | 324.0 |
| Recoverable expenses | 52.4 | 41.5 |
| Total revenue | 413.8 | 365.5 |
| EBIT | 55.1 | 55.9 |
| Fee revenue margin | 15.3% | 17.3% |

AUSTRALIA AND NEW ZEALAND EXECUTIVES

- > Roger Collins-Woolcock
General Manager
- > Geoff Bailey
Cardno BEC Division Manager
- > Jamie Alonso
Regional Operations Manager
- > Simon Amos
Western Australia Division Manager
- > Matt Courtney
Cardno Bowler Division Manager
- > Troy Donovan
Chief Financial Officer
- > Geoff Hadwen
Queensland and Northern Territory
Division Manager
- > John Moran
Victoria and New Zealand
Division Manager
- > Martin Wells
New South Wales and ACT
Division Manager

FEE REVENUE BY CLIENT TYPE (PROFORMA) FY2013



Right column: Cardno BEC has worked on numerous mining projects in several different environments.

CARDNO BEC HIGHLIGHTS



Engineering consultancy Cardno BEC continued its strong recent performance in FY2013, producing the highest revenue ever reported for the division. It worked on 90 individual projects and delivered on large, multi-year mining projects, completing the Rio Tinto Infrastructure project, Fortescue Metals Group port expansion and the Newcrest Lihir projects.

The division expanded into information technology, with a focus on optimisation works and process improvements.

With the forecast slowdown in Australian mining, Cardno BEC will focus on expansion into West Africa and Asia, having already secured significant projects in Ghana, Ivory Coast and Malaysia.

It is well positioned to meet the challenges ahead and further develop strong working relationships with clients.

emerging markets

OPERATIONAL REVIEW



THE REGION PROVIDES

8%
OF CARDNO'S FEE REVENUE

The Emerging Markets Region is Cardno's international development assistance business. Emerging Markets has nine corporate offices worldwide and works in over 85 countries. The team designs and implements large-scale sustainable solutions for both development assistance agencies and private clients.

Above left: Cardno is supporting the AusAID-funded Electoral Support Program Phase 3, which provides targeted assistance to improve the planning and conduct of national and local government elections in Papua New Guinea.

Above right: Cardno is providing key services through AusAID-funded Tingim Laip, Papua New Guinea's largest peer-led HIV prevention and care project, operating in 20 locations over 10 provinces.

HIGHLIGHTS

Emerging Markets maintained its profitability in difficult development aid markets in FY2013 while building its presence in new markets and contributing to Cardno's vision of establishing a global presence.

We continued our strategy of diversification between donor-funded programs and private client business.

In the Asia-Pacific area the social infrastructure business unit performed well and was awarded several multi-year contracts. The private clients unit pursued its alignment strategy with the extractive industries.

Business in the Americas was negatively impacted by a reduction in US Government budget spending. In addition, the overall pipeline of USAID-related work continued to shrink.

In Europe, the recovery of our UK operations continues as planned. Recent successes should see much improved profitability in FY2014.

Cardno's operations in Kenya are contributing increased earnings on the back of investments made over the last year. The Nairobi office also provides Cardno with a more significant East African presence.

FUTURE OUTLOOK

The challenging economic environment has placed pressure on official development assistance budgets. We continue to pursue our diversification strategy in terms of clients and service, combined with rigorous operational cost control.

New projects in the UK, US and Asia will underpin our financial performance in FY2014. The Asia-Pacific received a boost with the Australian Government increasing Official Development Assistance by 9.6 per cent to a record \$5.7 billion in FY2014.

The expansion of our Philippines, Indonesia and Kenya offices will bring us closer to our donors and key recipients, while improving opportunities to resource projects locally.

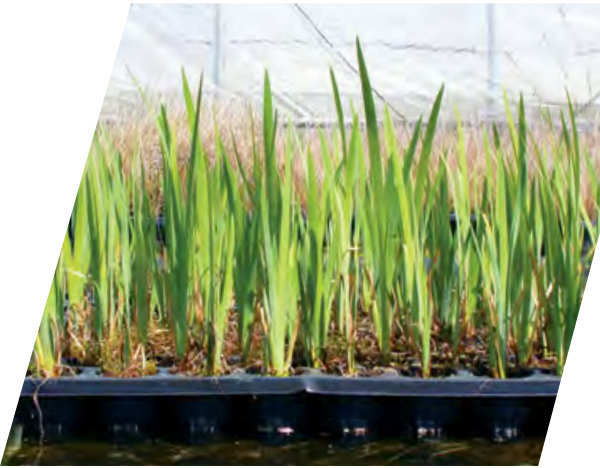
| A\$m | FY2013 | FY2012 |
|----------------------|--------|--------|
| Fee revenue | 79.0 | 71.8 |
| Recoverable expenses | 93.4 | 72.8 |
| Total revenue | 172.4 | 144.6 |

| EBIT | 5.5 | 5.4 |
|--------------------|------|------|
| Fee revenue margin | 7.0% | 7.5% |

EMERGING MARKETS EXECUTIVES

- > Jean-Francois Floury
General Manager
- > Richard Anderson
Regional Operations Manager
- > David Burton
Area Manager, Europe, Middle East and Africa
- > Kristen Collins
Area Manager, Asia Pacific
- > Russ Webster
Area Manager, North America

financial review



Cardno has achieved revenue growth by combining organic growth and strategic acquisitions; profit margins were constrained by difficult global market conditions.

FINANCIAL PERFORMANCE

Cardno successfully delivered a record net profit after tax of \$77.6 million for FY2013. This was a 4.7 per cent increase over FY2012 year and at the top end of the guidance given to the market in May 2013.

Revenue of \$1,195.4 million, a 23.8 per cent increase on the \$965.8 million generated in FY2012, was achieved despite difficult global market conditions. Cardno has continued its strategy of combining organic growth with acquisitions across multiple geographies and markets. The increase in Cardno's revenue was largely due to the contributions from merger partners acquired during the second half of FY2012 and in FY2013.

Cardno's organic revenue growth in FY2013 was around 1 per cent. This was down on the 7.6 per cent organic revenue growth achieved in the first half of FY2013.

The low level of organic revenue growth for FY2013 is largely attributed to the Americas Region as the Australia and New Zealand Region and the Emerging Markets Region individually achieved full-year organic revenue growth. Organic revenue growth for the Americas Region has been impacted by:

| PERFORMANCE (A\$m) | 2013 | 2012 |
|----------------------------|----------------|-------|
| Revenue | 1,195.4 | 965.8 |
| EBITDA | 135.3 | 128.7 |
| EBIT | 110.5 | 111.1 |
| NPAT | 77.6 | 74.2 |
| Operating Cash Flow | 95.7 | 72.6 |
| EPS - basic (cents) | 55.1 | 61.7 |
| Dividend per share (cents) | 36.0 | 36.0 |

- > the reduction in consulting work associated with the Gulf of Mexico oil spill project as it moved into a different phase of assessment;
- > the initial impacts of a US Government sequester on the awarding of government contracts, resulting in delays and reduction in US defence spending; and
- > extended winter weather and storms in North America, which reduced the number of field operating days.

While the Australian and New Zealand Region achieved organic revenue growth, this has been at a lower rate due to:

- > the lack of confidence in the Australian economic environment, impacting on investment decisions and reducing new projects; and
- > a longer than average wet season in Australia, which reduced the number of field operating days.

Cardno achieved an EBITDA of \$135.3 million in FY2013, a rise of 5.1 per cent compared to the \$128.7 million achieved in FY2012. The revenue increase did not flow into Cardno's EBIT.

The adverse market conditions, particularly those experienced in the second half of FY2013, reduced Cardno's EBIT margins from 15.8 per cent in FY2012 to 12.6 per cent in FY2013. This margin pressure was due to a combination of increased competition, constrained rates and higher costs.

There was also an increase in amortisation expenses as a result of the recognition of intangible assets for the acquisition accounting of the new merger partners in FY2013. Cardno also incurred some restructuring costs in an effort to reduce overheads.

Above: Cardno JFNew's full-service native plant nursery in Indiana has nearly 30 acres specifically in wetland plant production for restoration and native landscape projects in the US Midwest and beyond.

FINANCIAL PERFORMANCE continued



To mitigate the risk and volatility of margin erosion, Cardno ensures the accountability for profitability is delegated to a business unit level. Managers are empowered, and expected, to ensure we are matching resources to workload across the business.

Cardno has a strategy of merging with partners operating in complementary disciplines and high-potential geographies. This helps accelerate business growth, diversifies earnings and creates opportunities for cross selling, thereby reducing risk and volatility in profitability.

Cardno translates its foreign earnings into Australian dollars on a monthly basis at the average exchange rate for that month. The majority of these foreign earnings are denominated in US dollars. The average AUD:USD exchange rate for FY2013 was 1.031 compared to AUD:USD 1.038 for FY2012. Since 30 June 2013 the Australian dollar has continued to weaken against the US dollar with the spot AUD:USD exchange rate at 0.928 at 30 June 2013. If this exchange rate is maintained through the year it will have a positive impact on earnings for Cardno in FY2014.

Basic earnings per share was 55.1 cents, a reduction of 10.8 per cent from the 61.73 cents per share achieved in FY2012. This resulted from lower than anticipated organic net profit growth, combined with an increase in the weighted average number of shares on issue from a capital raising in February 2012.

There was also an issue of shares as part of the purchase price consideration for the acquisitions undertaken during FY2013. All FY2013 acquisitions are performing in line with Cardno's expectations and are EPS accretive.

The effective tax rate for FY2013 was 25.3 per cent as compared with 29.4 per cent in FY2012. The tax rate reduction is a result of an increase in research and development benefits, as well as the impact of prior year foreign tax credit claims in the United States.

Cardno's continued growth and trading performance is driven by underlying economic conditions in the markets and geographic sectors in which the company operates. These conditions underpin Cardno's ability to secure new projects and achieve organic growth. Competition for these projects can impact charge out rates of Cardno's people which are reflected in margins.

Weak economic conditions in Cardno's core markets are a key risk to FY2014 and future trading performance. Cardno is cautiously optimistic about the potential offered by a recovering United States economy, and recognises a favourable exchange rate will be positive for profit performance. However, Cardno is aware the Australian economy faces considerable challenges and the company is not immune to shocks and difficulties across our core markets.

AMERICAS (INCLUDING SOFTWARE) REGION

EBIT was \$59.2 million, up on FY2012 by 20.1 per cent. This growth is largely due to the full-year contribution of Cardno ATC, acquired in February 2012. In addition, there were important contributions from the additional four merger partners (Cardno MM&A, Cardno EM-Assist, Cardno ChemRisk and Cardno Caminosca) acquired in the first half of FY2013.

The contribution from these merger partners has more than offset the reduction in organic growth from existing operations. Economic growth in the United States has been low and the region's operations have been impacted by flat public sector expenditure and a reduction in defence spending. This came as a result of a US Government sequestration as well as the slowing of work on the Gulf of Mexico oil spill project, which is in its third year of operation and in a different recovery phase.

The Americas Region experienced a decline in the average EBIT margin in FY2013 compared to FY2012. This fall from 15.5 per cent in FY2012 to 13.2 per cent in FY2013 was due to Cardno ATC's position as a lower margin operation and a reduction in margins on the Gulf of Mexico oil spill work.

FINANCIAL PERFORMANCE continued

| A\$m | Segment revenue | | EBIT | | EBIT margin* | |
|----------------------------------|-----------------|--------------|--------------|--------------|--------------|--------------|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| Americas (including Software) | 607.8 | 453.8 | 59.2 | 49.2 | 13.2% | 15.5% |
| Australia & New Zealand | 413.8 | 365.5 | 55.1 | 55.9 | 15.3% | 17.4% |
| Emerging markets | 172.4 | 144.6 | 5.5 | 5.4 | 6.8% | 7.4% |
| Total segment | 1,194.0 | 963.9 | 119.8 | 110.5 | 13.5% | 15.5% |

*Based on fee revenue

However, the outlook is positive with many opportunities for growth. The United States is experiencing an increase in its GDP growth; there are signs of improvement in the residential development sector, while the acquisition of Cardno Caminosca increases Cardno's presence in South America. In addition, work in hand remains strong.

AUSTRALIA AND NEW ZEALAND REGION

The ANZ Region operated in a challenging marketplace during FY2013. The economy experienced a decline in infrastructure spending in the public and private sectors with state governments and local authorities not committing to significant capital expenditure. Australia has experienced a slowdown in services to the mining sector with a halt on non-essential work and other capital expenditure delays. This resulted in a general lack of confidence in the Australian marketplace, impacting the financial performance of Cardno's the region in FY2013.

ANZ revenue was \$413.8 million, a 13.2 per cent increase on \$365.5 million in FY2012. This growth was achieved through a combination of organic growth, particularly from Cardno Bowler and the NSW/ACT Division, and the FY2013 contribution from the three new merger partners, Cardno BTO, Cardno Hard & Forester and Cardno Geotech. Cardno Bowler achieved strong organic growth from its projects in the mining, oil and gas and infrastructure

sectors. A large proportion of this organic growth was achieved from the construction materials testing work being performed on LNG projects in Central Queensland. The NSW/ACT Division won a large-scale near shore environmental monitoring contract for the Ichthys LNG project in Darwin. This strong growth has been partly offset by a decline in organic growth in Queensland, Western Australia and Victoria. These areas have been impacted by the reduction in government infrastructure spending, the reduction in urban infrastructure in the housing sector and the slowdown in capital expenditure in the mining sector.

As a result of the adverse market conditions, ANZ reported a reduction in EBIT from \$55.9 million in FY2012 to \$55.1 million in FY2013 with EBIT margins declining from 17.4 per cent in FY2012 to 15.3 per cent in FY2013. This was largely due to increased competition leading to rates pressure together with the near completion of a number of major projects in FY2012, such as Legacy Way and the Royal Children's Hospital in Brisbane.

The outlook for the Australia and New Zealand Region remains challenging with Governments constrained on infrastructure spending and the continuing mining slowdown. However, the LNG sector will continue to grow and provide opportunities and there are early signs of increased activity in the transport, urban and water and environment sectors on Australia's east coast.

EMERGING MARKETS

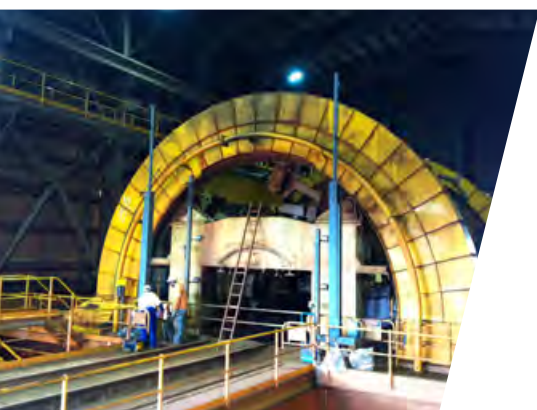
Cardno Emerging Markets achieved a 19.2 per cent increase in revenue from \$144.6 million in FY2012 to \$172.3 million in FY2013. This was achieved through organic growth and delivering projects in new markets. The divisions within Emerging Markets have experienced varying results in FY2013. The Asia-Pacific Division performed well, gaining new projects in PNG, Indonesia and the Philippines. This positive performance was offset by a reduction in US Government spending and a decline in the pipeline of USAID-related work. The Europe Division generated a loss for the year, principally due to turmoil in the European Union economy over the past 12 months.

These economic conditions resulted in Emerging Markets achieving a similar EBIT in FY2013 to that achieved in FY2012. It also experienced margin pressures due to the poor performance of the Europe Division and the change in the mix of projects as a result of entering new market sectors to offset the declining spending from aid agencies.

Above left: Cardno is playing a key role ensuring a safe, sufficient and sustainable water supply from the San Francisco Bay-Delta estuary in California.

Above centre: Cardno provided resource management planning, civil engineering and surveying services for the Hub Hornby Upgrade southwest of Christchurch, New Zealand.

Above right: Through the AusAID-funded Australia-Africa Partnerships Facility (AAPF), Cardno helps to develop partnerships between Australia and African countries which contribute to achieving their development priorities. Photo: Justin Hill/AusAID.



“ CARDNO’S BALANCE SHEET REMAINS HEALTHY WITH A DEBT-TO-EQUITY RATIO OF 38.2 PER CENT AND CASH OF \$90.6 MILLION AT 30 JUNE 2013. ”

Above: Cardno BEC has supplied and installed a fifth Laser Ore Car Detection System for BHP Billiton at Finucane Island, near Port Hedland, in Western Australia.

DIVIDENDS

Cardno has declared an 18 cent fully franked final dividend for FY2013. The Board has determined that it will prudently distribute as much franking

credit as possible but as the impact of our international profit contribution expands, the franking credits may naturally decline.

FINANCIAL POSITION

The increase in net assets at 30 June 2013 is largely due to an increase in goodwill recognised as part of the acquisitions of seven merger partners during FY2013. This goodwill has been partly offset by the increase in loans and borrowings as additional bank debt was used to fund a number of the acquisitions. The increase in Cardno’s working capital and other assets and liabilities is principally attributed to the net assets acquired from each of the merger partners.

Cardno’s balance sheet remains healthy with a debt-to-equity ratio of 38.2 per cent and cash of \$90.6 million at 30 June 2013. Cardno’s debt-to-equity ratio for FY2013 was below its targeted level of 40.0 per cent but up on the FY2012 ratio of 36.2 per cent. With the majority of Cardno debt denominated in US dollars, the increase in the FY2013 ratio is largely driven by the 7.3 per cent depreciation of the spot AUD:USD exchange rate to 0.9280 in FY2013, compared to the spot rate of 1.001 at 30 June 2012.

| BALANCE SHEET (A\$m) | 2013 | 2012 |
|-------------------------------|--------------|--------------|
| Trade and other receivables | 203.2 | 176.2 |
| Inventories | 134.9 | 111.3 |
| Other receivables | 8.6 | 4.6 |
| Trade and other payables | (151.0) | (123.0) |
| Other liabilities | (48.9) | (32.2) |
| Total working capital | 146.8 | 136.9 |
| Cash and cash equivalents | 90.6 | 107.9 |
| Loans and borrowings | (241.7) | (198.9) |
| Net debt* | (151.1) | (91.0) |
| Other financial assets | 1.7 | 0.8 |
| Property, plant and equipment | 56.9 | 43.5 |
| Intangible assets | 630.0 | 504.4 |
| Provisions | (51.5) | (42.6) |
| Deferred taxes | 7.8 | 9.5 |
| Tax liabilities | (8.1) | (12.6) |
| NET ASSETS | 632.5 | 548.9 |
| <i>Ratio:</i> | | |
| <i>Debt to equity</i> | <i>38.2%</i> | <i>36.2%</i> |
| <i>Net debt* to equity</i> | <i>23.9%</i> | <i>16.6%</i> |

* Total loans and borrowings less cash and cash equivalents

CASHFLOW

In FY2013, Cardno achieved a strong operating cash flow of \$95.7 million, a 31.8 per cent increase on the \$72.6 million generated in FY2012. This is largely due to an increase in receipts from customers as the group focuses on cash collections across all regions.

During FY2013, the following investing and financing activities took place:

- > The acquisition of seven new merger partners for a total purchase consideration of \$92.6 million (including deferred consideration);
- > Financing of the acquisitions was through a combination of cash reserves, bank debt and the issue of Cardno shares;
- > Investment in new and additional property, plant and equipment to grow and maintain business operations;

- > Repayment of bank debt and other lines of credit throughout FY2013 helped to maintain a strong balance sheet and a debt-to-equity ratio below Cardno's target of 40 per cent;
- > Purchase of own shares to be held in trust by the Cardno Limited Performance Equity Plan Trust. This trust was formed solely for the purpose of subscribing for, acquiring and holding shares for employees participating in the Performance Equity Plan (PEP) of Cardno Limited; and
- > Payment of dividends.

The investing and financing activities in FY2012 principally related to the acquisitions of Cardno TEC and Cardno ATC and the associated raising of equity to partly fund the acquisition of Cardno ATC.

| CASHFLOW (A\$m) | 2013 | 2012 |
|--|----------------|----------------|
| Net cash provided by operating activities | 95.7 | 72.6 |
| Investing activities | | |
| Acquisition of subsidiaries | (92.6) | (214.9) |
| Purchase/sale of property, plant and equipment | (18.6) | (15.1) |
| Net cash used in investing activities | (111.2) | (230.0) |
| Financing activities | | |
| Proceeds from issue of shares | 28.3 | 145.0 |
| Share issue transaction costs | (0.1) | (3.8) |
| Purchase of own shares | (6.0) | - |
| Proceeds from borrowings | 61.0 | 240.6 |
| Repayment of borrowings | (40.1) | (159.2) |
| Finance lease payments | (2.6) | (2.3) |
| Dividends paid | (46.0) | (40.8) |
| Net cash provided by / (used in) financing activities | (5.5) | 179.5 |
| Net increase/(decrease) in cash | (21.0) | 22.1 |
| Cash at 1 July | 107.9 | 84.1 |
| Effects of exchange rate changes at year end | 3.7 | 1.7 |
| Cash at 30 June | 90.6 | 107.9 |

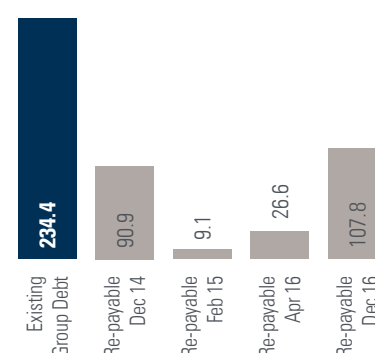
DEBT STRATEGY

Cardno's banking facility limits comprise working capital facilities of A\$59.0 million and US\$15.0 million, and term loan facilities of US\$245.0 million and GBP8.5 million. During FY2013, Cardno increased its existing term loan facilities by entering into an additional US\$50 million facility.

Cardno borrows funds in foreign currencies when acquiring merger partners to hedge its net investments in foreign operations. As these loans are net investment hedges, movements in exchange rates do not have an impact on Cardno's earnings.

As at 30 June 2013, Cardno has bank debt totalling \$234.4 million, an increase of \$40.4 million in FY2013, largely due to bank debt utilised in the acquisition of certain FY2013 merger partners. Cardno has \$106.6 million of undrawn facilities available for use in its continued acquisition strategy.

TERM DEBT REPAYMENT PROFILE (A\$m)



Cardno has \$90.9 million (US\$84.3 million) of USD denominated term acquisition debt repayable in December 2014. Cardno plans to refinance the debt repayable in December 2014. Cardno has commenced the refinancing process and it is anticipated it will be completed in early December 2013.

Cardno is also assessing substituting a portion of the group's existing term acquisition facilities by diversifying with an alternative source of funding that provided longer term tenor and reduces refinancing risk. ■

our people

The Zero Harm program responds to the changing needs of the business and clients.

SAFETY



Safety is a core Cardno value and, as the company has grown, we have integrated a single set of high level safety standards across the business.

Our rigorous approach to safety is reinforced through policies, processes and systems that promote an environment of shared responsibility, risk awareness and open communication.

Group HSEQ (Health Safety Environment and Quality) has implemented a global Zero Harm safety framework to underpin Cardno's region and division-specific programs. This co-ordinated approach has delivered significant results, with the successful introduction of a number of crucial safety initiatives across the Cardno group over the past year.

We have increased our focus on the important issue of safe driving through the roll-out of online driver safety courses for all employees. Staff also completed an

online Zero Harm Essentials safety training course, which promoted a proactive approach to identifying and resolving hazards before an injury happens.

In FY2013, Cardno achieved an improvement in our Lost Time Injury Frequency Rate and Total Recordable Injury Frequency Rate.

The Zero Harm program responds to the changing needs of the business and clients, and provides managers and staff with resources to fulfil their roles and responsibilities with regard to safety.

Cardno will continue to build on our firm commitment to workplace safety in FY2014 with more training opportunities and initiatives to ensure a safe and healthy environment for all employees.

“ GROUP HSEQ HAS IMPLEMENTED A GLOBAL ZERO HARM SAFETY FRAMEWORK TO UNDERPIN CARDNO'S REGION AND DIVISION-SPECIFIC PROGRAMS. ”

CARDNO CORPORATE UNIVERSITY

The growth of Cardno requires a skilled, knowledgeable workforce with staff that are adaptive, flexible and focused on the future.

Cardno University provides this through consistent learning and development across the company. Regardless of location or job type, our people are gaining globally-consistent core business skills, ensuring we have the necessary skills and training to provide high-level service to our clients.

Over the past 12 months, Cardno University has implemented a number of key learning and development initiatives.

These include project management training, executive and management development programs, various HSE courses committed to improving the health, safety and well-being of all staff.

Cardno University's vision is to continue to be recognised for developing world-class professionals, allowing the company to make the best of the talent held in our employee base.



CULTURE AND ENGAGEMENT

Our people bring strategic and technical expertise together to deliver value and long term results for our clients. The People section of our 2010-2015 Strategic Plan aligns to our broad group strategy and is focused on:

- > building a strong, cohesive culture that engages and unifies our employees on a global scale
- > developing leadership and technical capabilities across all levels of the company
- > ensuring that our employees have the necessary skills and training to serve our clients at the highest level

Cardno continually seeks to understand employees' views on a range of topics about the company in order to provide management with meaningful information to assist our workplace initiatives.

Our 2012 Global Employee Engagement Survey placed the company in the top 3 per cent of all firms surveyed globally with more than 2,000 staff for overall employee satisfaction.

As a result of feedback, initiatives have been implemented at a global, regional, divisional and business unit level. These include new orientation processes as well as programs to enhance internal communication, employee benefits, training and development, the staff intranet and mentoring.

GLOBAL BENEFITS

Cardno employees have access to a wide range of global benefits, complemented by competitive local benefits that align with our country-specific programs. These include:

A commitment to safety: Cardno's commitment to the continual improvement of our safety performance is enhanced through the provision of Zero Harm training, awareness and education initiatives.

Diversity: Cardno respects and values the competitive advantage of diversity and recognises the benefits of its integration throughout Cardno.

Employee Share Plan: More than 90 per cent of Cardno employees own shares in the Company, providing an opportunity for employees to directly share in – and contribute to – Cardno's success.

Performance Equity Plan: Cardno encourages our employees to perform. High achieving employees are recognised, based on attainment and exceedance of performance goals.

Professional development: Cardno offers a range of training programs, initiatives and annual scholarships which offer outstanding opportunities for professional development.

Work life balance: We provide mutually-beneficial flexible working arrangements and regular opportunities to participate in social and charitable activities.

A great company culture: Cardno's eight core values are shared and upheld by all employees. Our values engender positive attitudes, encourage personal and technical development and reward achievement, integrity and initiative.

Above left: Our Zero Harm safety program is managed globally and is responsive to the needs of the business.

Above centre: Cardno creates an environment for consistent learning and development for staff.

Above right: Cardno believes it is important to help develop the skills and capabilities of local people.

board of directors



John Marlay

B.Sc. (Chemistry major), FAICD

Chairman

Age 64

John Marlay joined Cardno as a Non-Executive Director in November 2011 and was appointed Cardno Chairman in August 2012. He is also a Non-Executive Director of Incitec Pivot Limited (since 2006), Boral Limited (since 2009) and the Independent Chairman of Tomago Aluminium Company (since 2010). In July 2013, John was appointed Independent Chairman of Flinders Ports Holdings Limited.

From 2002 to 2008 John held the position of Chief Executive Officer and Managing Director of Alumina Limited.

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.

Special Responsibilities

John is Chairman of the Nominations Committee and a member of the Remuneration Committee.

Andrew D Buckley

BE(Hons), FIEAust, FAICD

Managing Director

Age 56

Andrew was appointed Managing Director of the Cardno group in 1997. He has over thirty years' experience in the management, 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 A\$14 million in FY1997 to A\$1.2 billion in FY2013 and from less than 200 people to around 8,000.

Special Responsibilities

Andrew is a member of the Nominations Committee.



Anthony H (Tony) Barnes

BCom

Non-Executive Director

Age 63

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 in 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.

Tony is also a Director of Victorian Rugby Union Inc and the Parent-Infant Research Institute.

Special Responsibilities

Tony is Chairman of the Audit, Risk & Compliance Committee and a member of the Remuneration Committee.

Peter J Cosgrove

AC, MCndc (Ind), jssc, psc (US), Dip Mil Stud, FAICD

Non-Executive Director

Age 66

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 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 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 named Australian of the Year.

Special Responsibilities

Peter is a member of the Nominations Committee.



Tonianne Dwyer

BJuris (Hons), LLB (Hons), GAICD

Non-Executive Director

Age 50

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 and a Director of Queensland Treasury Corporation.

Tonianne’s executive career has included roles as Executive Director and Head of Funds Management at Quintain Estates and Development (2003-2010), and Director, Investment Banking at Societe Generale/SG Cowen/Hambros Bank in London (1987-2003).

Special Responsibilities

Tonianne is a member of the Audit, Risk & Compliance Committee and the Nominations Committee.

Trevor C Johnson

BE, MEngSc, PhD, FIEAust, CPEng, RPEQ, MAICD

Executive Director

Age 56

Trevor Johnson 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.

In his executive role as Director Corporate, Trevor is responsible for a number of acquisition, coordination and communication activities within Cardno.

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.

Ian J Johnston

DipCM, GradDip App Fin & Inv, ASIA, ACSA, ACIS, FAICD

Non-Executive Director

Age 64

Ian Johnston became a Non-Executive Director of Cardno Limited in November 2004, bringing with him extensive experience in treasury, corporate banking and equity capital markets.

Following a career of nearly 25 years in the banking industry, Ian joined 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.

He is also a Director of Data#3 Limited and RBSM Foundation Limited.

Ian’s previous Board appointments include Northern Energy Corporation Ltd.

Special Responsibilities

Ian is a member of the Audit, Risk & Compliance Committee and the Nominations Committee.

Grant Murdoch

M Com (Hons), FAICD, FICAA

Non-Executive Director

Age 61

Grant Murdoch became a Non-Executive Director of Cardno Limited in January 2013.

Grant is a Chartered Accountant with over 28 years of experience as a partner in audit and corporate finance with international accounting firms. For eight years, up to his retirement from the practice in July 2011, he headed the Corporate Finance team for Ernst & Young in Queensland Australia.

He is an independent Non-Executive Director of ALS Limited and QIC Limited, and is Chairman of the Board of Directors of The Endeavour Foundation and Senator of the University of Queensland. He is a Non-Executive Director of UQ Holdings and an Adjunct Professor of the BEL faculty at UQ.

Grant is a Fellow of the Australian Institute of Company Directors and a Fellow of the Institute of Chartered Accountants in Australia. He has a Master of Commerce (Honours) from the University of Canterbury, New Zealand and is a Graduate of the Kellogg Advanced Executive Program at the North Western University, Chicago USA.

Special Responsibilities

Grant is a member of the Audit, Risk & Compliance Committee and Chairman of the Remuneration Committee.

senior executives



Andrew Buckley
Managing Director

As Managing Director, Andrew has full responsibility for all global group activities at Cardno, including performance, profitability, growth, marketing, operations, client relations, quality and technical development.

In addition to managing the company, Andrew spends a considerable amount of time interacting with the investment community, including giving presentations and roadshows, and hosting discussions with industry analysts and shareholders.

He also manages the company's interaction with the media and other public engagements.

Andrew maintains relationships with major clients and Cardno's senior executives, and plays a significant role identifying and executing merger opportunities.

Graham Yerbury
Chief Financial Officer

Graham joined Cardno in March 2013 to oversee the financial, treasury, accounting, tax, commercial, risk management and internal audit services. He also leads the company's investor relations, statutory and corporate governance functions. Graham has held senior financial management positions in several countries, including that of chief financial officer in several ASX listed companies. He has extensive experience in large multi-national mining and oil and gas companies, and is highly skilled in capital raising, business integration, governance and shareholder engagement.

Trevor Johnson
Executive Director,
Director Corporate

Trevor Johnson has a multi-disciplinary role in supporting and enhancing technical and communication activities across Cardno. He oversees standards of technical excellence across the Cardno group, and has key responsibilities in merger and acquisition assessment. As a member of the Senior Executive Team, he is a primary contributor to policy and internal system development, as well as maintaining a technical role on project work.

Trevor also assists Cardno's corporate team and the Managing Director in review of policy and communication initiatives across all of the company's operations, based on his broad knowledge and understanding of the technical disciplines which the company delivers.

Michael Renshaw
Executive General
Manager International

Michael is responsible for the company's international growth (outside Australia and NZ) encompassing more than 5,700 staff across 85 countries. This includes oversight of the Americas Region, the Emerging Markets Region, the Software Division and new international markets, spanning the Americas (USA, Ecuador, Peru, Colombia), Europe (UK, Belgium and Germany), Asia (Indonesia, Philippines, PNG) and the Middle East (UAE) and various project across the globe.

In addition, Michael is responsible for planned expansion of Cardno's consulting operations in key target markets of Canada, Asia and selected opportunities in Europe.

Kylie Sprott
Division Manager –
Group Services and
Global HR Manager

Kylie Sprott manages Cardno's group services including Information Technology, Human Resources, Marketing and Communications, and Health, Safety, Environment and Quality. Kylie also holds the position of Global Human Resources Manager which includes overseeing the company's succession and development programs, including Cardno University. She plays a key role in the cultural due diligence aspect of merger and acquisition activities and is chair to several resulting integration committees. Kylie also chairs Cardno's Group Health and Safety committee.



Ross Thompson
Group Operations
Manager

Ross Thompson supports the Managing Director with the day-to-day operations of the company, and the management and implementation of the company's Strategic Plan, to ultimately increase value for Cardno's shareholders. He supports senior management with organic growth and mergers and acquisitions worldwide, playing a key role in geographic locations that are new to the Cardno group.

Paul Gardiner
General Manager
Americas (incl
Software)

As General Manager of Cardno's Americas Region, Paul leads over 4,800 staff across 220 offices in North and South America. During his tenure, Paul has overseen the growth of operations in Latin America from 150 staff to 600 staff and has diversified service offerings to include infrastructure design in the areas of hydropower, transportation and water/wastewater. In the United States, he has strengthened Cardno's core capabilities in the oil and gas, mining and natural resource management sectors.

Paul has also focused on creating operational efficiencies by aligning services offered through 12 brands into four core divisions – natural resource management and health sciences; engineering and environmental services; government services; and Latin America.

These newly formed divisions will enable Cardno professionals to seamlessly deliver diverse services to address complex client challenges.

Roger Collins-Woolcock
General Manager
Australia and
New Zealand

Roger is the General Manager of Cardno's Australia and New Zealand Region which, has over 2,000 staff operating from more than 60 offices.

The region provides services in civil, structural, water, environmental, coastal, bridge, geotechnical, subsurface utility, traffic and transport and building services engineering, as well as environmental science, survey, landscape architecture, construction materials testing, planning and facilities management.

Roger has focused on modifying the ANZ Region's structure to reflect business needs as the various divisions continue to seek new clients and projects. He has also overseen strong growth in New Zealand markets.

Jean-François Flourey
General Manager
– Cardno Emerging
Markets Region

Jean-François leads Cardno's Emerging Markets Region (EMR), a global development consulting business spanning Asia-Pacific, Africa, the Americas and Europe. The region operates from nine corporate offices worldwide in Brisbane, Brussels, Jakarta, Manila, Melbourne, Nairobi, Oxford, Port Moresby, and Washington DC as well as project locations in over 85 countries.

Jean-François oversees Cardno EMR's collective efforts in multiple geographies, sectors and technical areas, and provides his leadership expertise to a broad range of initiatives that improve the physical, environmental, economic and social infrastructure that underpins communities.

Geoff Bailey
Division Manager –
Cardno BEC

As Director – Cardno BEC, Geoff Bailey manages the growth and performance of Cardno BEC, Cardno's electrical engineering business based in Perth with additional offices in Brisbane and Tanzania.

Geoff manages the Business Unit Managers in the areas of Power Systems and Generation, Controls and Automation, Plant Integrity and Communication. Geoff also specialises in implementing grid power connections for mine sites particularly in West Africa.

Corporate Governance Statement

CARDNO LIMITED AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2013

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.

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 with it except where stated below.

The Board endorses a culture of continuous improvement and therefore continues to refine and develop its governance policies and practices to meet the needs of the business and in the interests of shareholders.

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 oversight including contributing to the development of and approving the corporate strategy;
- > reviewing and approving business plans, the annual budget and financial plans including reviewing the adequacy of resources and approving and monitoring major capital expenditure initiatives;
- > reviewing the operational and financial performance of Cardno's activities including monitoring budgetary control;
- > 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 the senior management team, the responsibility for implementation of Cardno's corporate strategy, its business plans and the 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'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 on pages 30 to 31 and on the company's website.

The Board currently comprises six Non-Executive Directors including the Chairman, and two Executive Directors. In January this year Mr Murdoch joined the Board as a Non-Executive Director. Mr Murdoch brings significant financial and business acumen to the Board derived through his extensive experience as a partner and in corporate finance with international accounting and consulting firms. In March, Executive Director and Chief Financial Officer Mr Forbes retired and resigned as a Director of the Board. He was replaced as Chief Financial Officer by Mr Yerbury who brings extensive experience as Chief Financial Officer of two ASX 100 companies as well as holding senior financial management positions in large multi-national mining and oil and gas companies. In line with market practice, Mr Yerbury has not been appointed as a Director. The tenure of the Independent Non-Executive Directors at 30 June 2013 was as follows:

| Non-Executive Director | Current tenure of Non-Executive Directors of Cardno Limited | | |
|------------------------|---|-----------|-----------|
| | 0-3 years | 3-6 years | 6-9 years |
| Ian Johnston | | | ✓ |
| Peter Cosgrove | | ✓ | |
| Tony Barnes | | ✓ | |
| John Marlay | ✓ | | |
| Tonianne Dwyer | ✓ | | |
| Grant Murdoch | ✓ | | |

In accordance with the constitution of Cardno Limited, one half of the Directors (excluding the Managing Director) retire at each Annual General Meeting. Accordingly Mr Barnes, Mr Forbes, Mr Johnson and Mr Marlay retired by rotation at the 2012 Annual General Meeting and, having offered themselves for re-election, were duly re-elected. In addition, Ms Dwyer, who had been appointed since the previous Annual General Meeting, offered herself for election as a Director and was duly elected.

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 Marlay, Mr Johnston, General Cosgrove, Ms Dwyer, Mr Barnes and Mr Murdoch 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 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 two Executive Directors on the Board as they have a strong awareness of management issues and a deep knowledge of the 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 Managing Director are separate. The Chairman of the Board is Mr Marlay who is an independent Non-Executive Director. The 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. ►

PRINCIPLE 2 continued

The Nominations Committee comprises four Non-Executive Directors, Mr Marlay (Chairman), General Cosgrove, Mr Johnston and Ms Dwyer 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 oversees and facilitates Board and individual Director performance reviews and evaluation on an annual basis. The Board conducts formal reviews of both individual and collective performance annually using both internal processes and external facilitators as necessary to ensure independent professional scrutiny and benchmarking against developing best practices. Upon becoming Chairman in 2012, Mr Marlay met individually with all Directors to seek their views on ways to improve the effectiveness of the Board. As a result of these meetings a number of areas of improvement were identified and implemented during the year including moving to electronic board papers, identification and resolution of priority issues impacting the Board and streamlining the Board agenda and the overall conduct of Board meetings. The results of both internal and external performance reviews are presented to, and discussed with, the Board. In addition, at the end of each Board meeting, Directors are invited to critically evaluate the meeting. This process has identified both areas of strength and opportunities for improvement in the process and conduct of meetings. The Board acknowledges that performance can always be improved and will continue to seek and consider ways of further enhancing performance both individually and collectively.

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.

Mr Murdoch was appointed to the Board on 1 January 2013. Mr Murdoch's qualifications and experience are outlined on page 31.

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 expects Directors and employees to observe high standards of behaviours and business ethics. All Directors, executives and employees are expected to act with integrity, striving at all times to enhance the reputation and performance of the Company. 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. The 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 policies have been designed with a view to ensuring the highest ethical and professional standards as well as compliance with legal obligations. The code and the policies are available for review in the Investor Centre of the Cardno website.

The Board continues its commitment to ensuring Zero Harm for all Cardno employees, clients, visitors and members of the public. To achieve this goal, the Board requires commitment and visible leadership from all managers, strong teamwork and the active participation of everyone to implement and reinforce this policy in all Cardno offices, facilities and in the field

DIVERSITY POLICY

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

The Diversity Policy recognises that diversity can take many forms: race, gender, ethnicity, sexual orientation, age, physical abilities, religious beliefs and political beliefs. Diversity helps Cardno to view its challenges through many different perspectives and helps the Board, management and staff to make better informed decisions for both Cardno and its clients. Cardno respects and values the competitive advantage of diversity and recognises the benefits of its integration throughout Cardno by improving corporate performance, increasing shareholder value.

Specifically, diversity is reinforced through both strategic and operational means, and by management nurturing and developing the collective relevant skills. Cardno's workforce encompasses around 8,000 men and women across the globe, with projects and offices in over 85 countries. The high level of diversity of its staff is celebrated and acknowledged as one of the Group's key competitive advantages and management is encouraged to continue to develop work practices and actively encourage diversity as Cardno grows. Some of the initiatives undertaken across the Group in 2012/13 are highlighted below.

In 2012/13 Cardno has undertaken a comprehensive review of the analytics of gender diversity within the organisation to determine priority actions and programs. The review, which has taken place at both a regional and global level and included analysis of data regarding job roles and salary levels, has helped us to highlight strengths, as well as to identify areas for improvement.

- > In 2012/13, Cardno employed 32 per cent females globally, a 1 per cent increase on 2011/12.
- > The number of women in senior management roles globally has grown to 17 per cent, a 6 per cent increase on 2011/12.
- > The global average salary for women is 88 per cent of the global average salary for all employees.

Cardno will continue to analyse this information and develop strategies to address any issues identified, particularly if circumstances exist where salary variances cannot be explained by length of service or levels of performance when comparing people performing the same role.

Within Cardno's three regions, Australia and New Zealand, Emerging Markets, and Americas and Software, a variety of diversity initiatives have been implemented to encourage and build awareness of diversity. These initiatives have involved not only Cardno staff but also the communities in which its employees work and live.

The following diversity initiatives have been implemented in 2012/13 Group Wide:

- > The "Women in Cardno" program has been established to promote a range of initiatives, both locally and globally, to achieve greater awareness and ultimately provide more opportunities for career paths. This program will be officially launched globally in September 2013.
- > Cultural awareness training has begun to be rolled out in conjunction with the merger with Cardno Caminosca (South America). Cardno is also working to translate major policies and procedures and the Cardno website to Spanish.
- > Cardno University has developed a Global Orientation Program, to be released in July, which strongly highlights the diversity of Cardno's people and projects and reinforces the responsibility of employees and managers to promote and encourage diversity.

Within Cardno's Australia and New Zealand Region a variety of programs have been introduced and delivered:

- > The Region has actively encouraged female staff to return to work after taking maternity leave by offering flexible job arrangements. Of the ANZ female employees taking maternity leave 100 per cent have returned to work in a capacity that best suits their individual requirements.
- > An Indigenous Engagement Proposal has been completed and the first stage of this proposal initiated. The Working Group will lead and develop a formal Indigenous Engagement Strategy, incorporating an Action Plan with measurable goals.

The America's and Software's Region has implemented a number of initiatives, including:

- > Recruitment practices have been reviewed to encourage minorities and women to apply for roles with the company. There has also been an increase in the participation in career fairs, and other similar programs in the community, that target minorities and women.
- > All recruitment advertising is posted to the US Government sponsored 'America's Job Exchange' which distributes job postings to thousands of national, state and community sites with a strong representation of diversity partners. ►

PRINCIPLE 3 continued

The Emerging Markets Region has provided assistance in developing nations, and implemented a range of initiatives including:

- > EMR employees have been actively involved in creating awareness of HIV on construction projects in Papua New Guinea.
- > For three years the Cardno Papua New Guinea office has been an active sponsor of the Westpac Women in Business Awards, which acknowledges the business achievements of women across Papua New Guinea.
- > Cardno EMR staff have contributed to the AusAID project Travelling Together, which works to improve road safety and access to people with a disability in Papua New Guinea.
- > Management has established a 'Gender Working Group' to work with clients and internally.
- > Cardno is committed to continually improving diversity at a global and regional level. Looking towards the future Cardno aims to reach the following diversity goals in the coming twelve months:
 - > Continue to roll out cultural awareness training and complete the translation of our policies and website to Spanish.
 - > Formally introduce and promote "Women in Cardno" as a strong network for women globally, including promotion in our global orientation program.
 - > Further develop the Indigenous Engagement Strategy in our ANZ Region and create an Action Plan that can be implemented by the Working Group.

Cardno is committed to increasing diversity on the Board and has set a target to appoint at least one further female Non-Executive Director by June 2015.

PRINCIPLE 4:

Safeguard integrity in financial reporting

The Board recognises the critical importance of sound financial management, the accurate and timely reporting of financial performance and the management of risk. To assist the Board in the fulfillment of its duties and governance obligations in this area, the Board has established an Audit, Risk and Compliance Committee. Its role, objective and responsibilities are set out in its Terms of Reference which can be viewed in the Investor Centre of the company's website. The Committee meets at least four times per year.

During the year the Audit, Risk & Compliance Committee consisted of four Non-Executive Directors, Mr Barnes, Mr Johnston, Ms Dwyer and Mr Murdoch who joined the Committee in January 2013. Mr Barnes, an independent Non-Executive Director, is Chairman of the Audit, Risk & Compliance Committee. Mr Barnes is not the Chairman of the company.

Some of the actions on which the Audit Risk & Compliance Committee dealt with during 2013 were:

- > making significant progress towards implementation of a consolidated software solution to enhance risk, audit and insurance management
- > continued global development and investment in internal audit processes and resources
- > improved reporting and transparency of breaches of Cardno policies
- > continued focus and vigilance on identification and mitigation of enterprise risks.

In respect of the current year, the 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.

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.

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 to ensure 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.

In the current year the Company has sought to improve its disclosure in its annual report by adopting *Regulatory Guide 247 Effective Disclosure* in an operating and financial review issued by the ASIC in March 2013. As a result the annual report provides more comprehensive information allowing shareholders to better evaluate the company.

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. Further comments related to making timely and balanced disclosure are covered with consideration of the next Principle.

PRINCIPLE 6:

Respect the rights of shareholders

The Board recognises the important rights of shareholders and strives to communicate with shareholders regularly and clearly – both by electronic means and using more traditional communication methods. Shareholders are encouraged to attend and participate at general meetings. 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;
- > all information disclosed to the ASX is posted 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
- > the external auditor attending the Annual General Meeting and being available to answer shareholder questions about the conduct of the audit and the preparation and content of the Auditor's Report.

At the 2013 Annual General Meeting Cardno will provide a live webcast to allow all Cardno shareholders around the world to view and listen to the event.

During 2013, Cardno continued to develop and sophisticate its website which can now be read in Australian, UK and American English and Colombian Spanish languages.

The website also allows members of the public to register to receive investor alerts when Cardno issues ASX and media announcements and other publications.

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's responsibility for the oversight of risk management is formalised in Cardno's Corporate Governance Policy. The Board, in consultation with executive management, is responsible for identifying relevant risks. The risk management responsibilities of the Audit, Risk & Compliance Committee are set out in its Charter.

In pursuit of the fulfillment of their responsibilities for risk management, the Board, together with the Managing Director and senior management, regularly review the effectiveness of the Group's risk management processes for the identification, monitoring and mitigation of risk. ►

PRINCIPLE 7 continued

In July, the Board undertook an externally facilitated workshop review to ensure that the Board had identified the key enterprise and strategic risks of the business. The results of this workshop has allowed the Board to identify and appoint 'owners' of these risks who will take responsibility to ensure appropriate risk mitigants are implemented. These risks will continue to be monitored by the Board.

In accordance with its responsibilities for risk management, the Audit, Risk & Compliance Committee has approved policies and procedures to identify and monitor business risks as well as adopting an internal compliance and control system to manage material business risk.

The Operational Risk Management Committee, which is comprised of the Managing Director and Senior Executives who are representative of all aspects of Cardno's business across the globe, reports at each Audit, Risk & Compliance Committee meeting. 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 the Operational Risk Management Committee are set out in their Charters, which were reviewed and updated during 2013. A copy of the Charter of each committee can be viewed in the Investor Centre of the Cardno 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 Murdoch and includes Mr Marlay and Mr Barnes, all Non-Executive Directors. In August 2012 Mr Marlay, while remaining as a member, retired as Chairman of the Committee and was replaced by Mr Johnston. In March 2013 Mr Johnston retired from the Committee and was replaced as Chairman by Mr Murdoch. Details of the number of meetings of the committee and members' attendance can be found 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. A detailed explanation of the remuneration strategy and arrangements is published in the Remuneration Report which forms part of the Directors' Report along with details of the current remuneration of the Directors and key management personnel.

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 Charter, which was reviewed and updated during 2013. A copy of the Charter can be viewed in the Investor Centre of the Cardno website.■

“ THE BOARD ENDORSES
A CULTURE OF CONTINUOUS
IMPROVEMENT AND THEREFORE
CONTINUES TO REFINE AND DEVELOP
ITS GOVERNANCE POLICIES AND
PRACTICES TO MEET THE NEEDS
OF THE BUSINESS AND IN THE
INTERESTS OF SHAREHOLDERS. ”

financial report

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Financial calendar

2012/2013

| | |
|--------------------------------|-------------------|
| Record Date for Final Dividend | 13 September 2013 |
| Final Dividend Paid | 11 October 2013 |
| Annual General Meeting | 17 October 2013 |

2013/2014

| | |
|--|------------------|
| Half-Year End | 31 December 2013 |
| Half-Year Results and Dividend Announced | 18 February 2014 |
| Record Date for Interim Dividend | 21 March 2014 |
| Interim Dividend Paid | 4 April 2014 |

Note: Dates subject to alteration

Directors' Report

CARDNO LIMITED AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2013

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 2013.

1: DIRECTORS

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

John Marlay

(Chairman - Non-Executive) (*appointed Chairman 15 August 2012*)

Andrew Buckley

(Managing Director - Executive)

Anthony Barnes

(Non-Executive)

Peter Cosgrove

(Non-Executive)

Tonianne Dwyer

(Non-Executive)

Trevor Johnson

(Executive)

Ian Johnston

(Non-Executive)

Grant Murdoch

(Non-Executive) (*appointed 1 January 2013*)

Jeffrey Forbes

(Executive and Company Secretary) (*resigned 6 March 2013*)

John Massey

(Non-Executive) (*resigned 18 October 2012*)

Details of the qualifications, experience and responsibilities of the Directors are on pages 30 to 31.

2: COMPANY SECRETARY

Jeffrey Forbes BCom, MAICD, MAusIMM was appointed to the position of Company Secretary on 10 July 2006 and resigned on 6 March 2013.

Michael Pearson LLB, BA, ACIS was appointed to the position of Joint Company Secretary on 24 September 2009 and became the sole Company Secretary on 6 March 2013 following the resignation of Jeffrey Forbes.

3: PRINCIPAL ACTIVITIES

The principal activity of the consolidated entity during the financial year was operating as a professional infrastructure and environmental services company, with expertise in the development and improvement of physical and social infrastructure for communities around the world. There were no changes to the principal activities of the Cardno Group during the financial year under review.

4: REVIEW OF RESULTS AND OPERATIONS

| PERFORMANCE (A\$m) | 2013 | 2012 |
|----------------------------|----------------|-------|
| Revenue | 1,195.4 | 965.8 |
| EBITDA** | 135.3 | 128.7 |
| EBIT | 110.5 | 111.1 |
| NPAT | 77.6 | 74.2 |
| Operating Cash Flow | 95.7 | 72.6 |
| EPS - basic (cents) | 55.1 | 61.7 |
| Dividend per share (cents) | 36.0 | 36.0 |

** EBITDA = EBIT plus depreciation and amortisation

EBITDA and EBIT are unaudited. However, they are based on amounts extracted from the audited financial statements as reported in the consolidated statement of financial performance on page 61. These metrics provide a measure of Cardno's performance before the impact of non-cash expense items, such as depreciation and amortisation, as well as interest costs associated with Cardno's external debt facility and hire-purchase arrangements.

A detailed analysis of the financial performance of Cardno is set out in the Financial Review and Operations Review Sections of the Annual Report. The Directors are pleased to report that Cardno achieved a record financial result for the year ended 30 June 2013. Highlights of Cardno's financial performance are as follows:

- > Net profit after tax was \$77.6 million for FY2013, a 4.7 per cent increase over FY2012.
- > Revenue for the Group was \$1,195.4 million, a 23.8 per cent increase on the \$965.8 million generated in FY2012. Revenue growth is largely attributed to the contributions of the merger partners acquired during the second half of FY2012 and FY2013.

- > Cardno achieved an EBITDA of \$135.3 million in FY2013 which is an increase of 5.1 per cent compared to \$128.7 million in FY2012. The increase in revenue did not flow through to Cardno's EBIT results. Adverse market conditions resulted in a reduction to Cardno's EBIT margins from 15.8 per cent in FY2012 to 12.6 per cent in FY2013.
- > Basic earnings per share was 55.1 cents per share, a reduction of 10.8 per cent from 61.7 cents per share in FY2012, reflecting the lower than anticipated organic net profit growth combined with an increase in the weighted average number of shares on issue.
- > Cardno had strong operating cash flow of \$95.7 million in FY2013 reflecting a significant increase on FY2012 of 31.8 per cent.
- > Cardno's balance sheet remains strong with a debt to equity ratio of 38.2 per cent and cash of \$90.6 million at 30 June 2013.
- > The Board has declared a final dividend of 18 cents per share (100 per cent franked) taking the full year dividend to 36 cents per share (85 per cent franked), which is in line with that delivered in FY2012. The Board has determined that it will prudently distribute as much franking credit as possible but as the impact of our international profit contribution expands, the franking credits may naturally decline.

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 2012 ordinary | 18.0 | 24,948 | 70% | 12 October 2012 |
| - Interim 2013 ordinary | 18.0 | 25,818 | 70% | 5 April 2013 |
| <i>Declared after end of year</i> | | | | |
| - Final 2013 ordinary | 18.0 | 25,871 | 100% | 11 October 2013 |
| <i>Dealt with in the financial report as:</i> | | | | |
| - Dividends paid or provided | | 50,766 | | |
| - Noted as a subsequent event (Note 28) | | 25,871 | | |
| | | 76,637 | | |

6: EVENTS SUBSEQUENT TO THE REPORTING DATE

On 19 August 2013, the Directors of Cardno Limited declared a final dividend of 18 cents per share (100 per cent franked) for FY2013. The dividend will be paid on 11 October 2013 to shareholders registered on 13 September 2013 and will total \$25,870,739. The dividend has not been provided for in the 30 June 2013 financial statements.

7: LIKELY DEVELOPMENTS

Cardno will continue to manage its global business in physical and social infrastructure and environmental services, 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 2012.

10: DIRECTORS' MEETINGS

Attendance at Board meetings and Board Committee meetings for the year ended 30 June 2013 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 | 16 | 16 | 4 | 4 | 6 | 6 | - | - |
| A D Buckley | 16 | 16 | - | - | - | - | 4 | 4 |
| P J Cosgrove | 15 | 16 | - | - | - | - | 4 | 4 |
| T Dwyer | 16 | 16 | 4 | 4 | - | - | 2 | 2 |
| J I Forbes* | 9 | 9 | - | - | - | - | - | - |
| T C Johnson | 16 | 16 | - | - | - | - | - | - |
| I J Johnston | 16 | 16 | 4 | 4 | 4 | 4 | 4 | 4 |
| J Marlay | 16 | 16 | - | - | 6 | 6 | 4 | 4 |
| J C Massey** | 3 | 3 | - | - | 3 | 3 | 2 | 2 |
| Grant Murdoch*** | 9 | 9 | 2 | 2 | 3 | 3 | - | - |

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.

* Jeffery Forbes resigned from the Board on 6 March 2013

** John Massey resigned from the Board on 18 October 2012

*** Grant Murdoch was appointed to the Board on 1 January 2013

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 willful 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.

11: REMUNERATION REPORT - AUDITED

The format of this remuneration report has been modified to improve readability and to facilitate shareholder understanding. A question and answer format has been adopted. This provides a mechanism by which Cardno can answer questions that have been asked previously by shareholders and other stakeholders.

REMUNERATION COMMITTEE ROLE

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 short and long term 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.

Following an extensive review of the remuneration framework in 2012 the Committee did not obtain any independent advice from remuneration consultants during 2013.

The members of the Committee during the year were: John Marlay (Committee Chairman until September 2012), Ian Johnston (Committee Chairman between September 2012 until retirement from the Committee in March 2013), Tony Barnes and Grant Murdoch (Committee Chairman from March 2013), all independent Non-Executive Directors.

The Committee met 6 times during the year and committee members' attendance record is disclosed in the table of Directors' meetings on page 44.

11.1 How does the Company's remuneration strategy take into account shareholders' interests?

Cardno's group 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 growth, employee engagement, client service satisfaction, safety and quality.

- > 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 most likely to contribute significantly to improved key management personnel performance and better financial outcomes achieved in Cardno's operations.

- > Exceptional performance by any individual key management person, as a result of achieving both 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 being towards the 75th percentile compared to similar roles in the comparator group (which is detailed in section 11.11).
- > 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.
- > 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). For key management personnel payment of 50 per cent of STI is deferred for 12 months. 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 if and when the final legislative requirements are enacted.

During 2013 there have been no significant or material changes to the structure or quantum of remuneration paid to the Managing Director or key management personnel.

OUTLOOK FOR 2014 REMUNERATION

Cardno will continue to maintain a remuneration framework which seeks to deliver long term value to shareholders by motivating key management personnel to drive business performance.

For the 2014 financial year Fixed Annual Remuneration (FAR) for key management personnel will remain at the same level as 2013 reflecting prevailing market and industry conditions. STI and LTI will continue to be at risk and subject to specific financial and non-financial Key Performance Indicators (KPIs) and the overall performance and growth of the company in comparison to its industry peers.

11: REMUNERATION REPORT - AUDITED continued

11.2 Company Performance and link to 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 remuneration of the Managing Director and other key management personnel in respect of the current financial year and the previous four financial years.

Over the past five years, Cardno's net profit after tax has grown at an average rate per annum of 30 per cent and revenue from \$399 million (2008) to \$1,195 million (2013). During the same period average key management personnel total remuneration has grown by approximately 16 per cent per annum.

| | 2013 | 2012 | 2011 | 2010 | 2009 |
|---|-----------------|----------|----------|----------|----------|
| Net Profit After Tax (000's) | \$77,639 | \$74,168 | \$58,802 | \$37,597 | \$34,154 |
| Dividends Paid or Provided (000's) | \$50,766 | \$43,488 | \$33,975 | \$23,955 | \$21,434 |
| Change in Share Price – year on year (\$ per share) | -\$2.38 | \$2.18 | \$1.49 | \$0.53 | -\$1.06 |
| Basic Earnings Per Share Growth | -10.8% | 9.7% | 28.3% | 0.1% | 4.3% |
| Return on Capital Employed | 17.6% | 20.5% | 24.9% | 17.3% | 19.0% |

11.3 How is executive pay structured at Cardno?

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).

11.4 How does Cardno ensure that executives, like shareholders, benefit in good times but that executives also receive less financial benefit when the Company does not perform as well?

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 agreed 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.

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

The remuneration of the Managing Director and key management personnel are set out in the following table.

ACTUAL REMUNERATION - AUDITED

| | | Fixed Annual Remuneration | | | | Short Term | | Termination Benefits | Share Based Payments | | Total | Proportion of Remuneration Performance Related | Value of Performance Rights as a Proportion of Remuneration |
|---|------|---------------------------|--------------------------|-----------------------|------------------|------------------|--------|----------------------|----------------------|------------------|--------------|--|---|
| | | Salary and Fees | Super-annuation Benefits | Non-Monetary Benefits | Total FAR | STI* | Shares | | Performance Rights** | | | | |
| Executive Directors | | | | | | | | | | | | | |
| Andrew Buckley (i) | 2013 | 768,916 | 27,084 | 4,000 | 800,000 | 580,000 | - | - | - | 1,503,961 | 46.8% | 8.2% | |
| | 2012 | 700,480 | 50,448 | 4,000 | 754,928 | 1,060,000 | - | - | - | 2,067,544 | 63.5% | 12.2% | |
| Trevor Johnson | 2013 | 400,186 | 22,814 | 4,000 | 427,000 | 51,660 | - | - | 46,681 | 525,341 | 18.7% | 8.9% | |
| | 2012 | 353,585 | 44,278 | 4,000 | 401,863 | 69,200 | - | - | 100,693 | 571,756 | 29.7% | 17.6% | |
| Executives*** | | | | | | | | | | | | | |
| Roger Collins-Woolcock | 2013 | 469,530 | 16,470 | 4,000 | 490,000 | 75,200 | - | - | 58,245 | 624,445 | 21.4% | 9.3% | |
| | 2012 | 424,463 | 23,700 | 4,000 | 452,163 | 88,862 | - | - | 117,856 | 659,881 | 31.3% | 17.9% | |
| Jean-Francois Flourey | 2013 | 388,380 | 25,620 | - | 424,000 | 64,898 | - | - | 16,960 | 506,858 | 16.2% | 3.3% | |
| | 2012 | 376,438 | 25,000 | - | 401,438 | 93,233 | - | - | 28,929 | 524,600 | 23.3% | 5.5% | |
| Paul Gardiner | 2013 | 508,232 | 15,000 | - | 523,232 | 136,000 | - | - | 58,245 | 718,477 | 27.0% | 8.1% | |
| | 2012 | 401,802 | 22,080 | 4,000 | 427,882 | 107,750 | - | - | 118,447 | 655,079 | 34.5% | 18.1% | |
| Michael Renshaw | 2013 | 507,530 | 16,470 | - | 524,000 | 212,500 | - | - | 63,091 | 800,591 | 34.4% | 7.9% | |
| | 2012 | 493,598 | 19,939 | - | 513,537 | 184,500 | - | - | 126,121 | 825,158 | 37.6% | 15.3% | |
| Kylie Sprott | 2013 | 312,530 | 16,470 | - | 329,000 | 74,800 | - | - | 37,353 | 442,153 | 25.4% | 8.4% | |
| | 2012 | 279,479 | 19,874 | - | 299,353 | 70,200 | - | - | 63,879 | 434,433 | 30.9% | 14.7% | |
| Ross Thompson | 2013 | 331,210 | 16,470 | - | 347,680 | 67,300 | - | - | 34,099 | 450,079 | 25.5% | 7.6% | |
| | 2012 | 280,997 | 20,366 | - | 301,363 | 79,650 | - | - | 52,591 | 434,604 | 30.4% | 12.1% | |
| Graham Yerbury <i>(appointed 06/03/2013)</i> | 2013 | 134,617 | 10,370 | - | 144,987 | 38,190 | - | - | - | 183,177 | 20.8% | 0.0% | |
| | 2012 | - | - | - | - | - | - | - | - | - | 0.0% | 0.0% | |
| Former Executive Director | | | | | | | | | | | | | |
| Jeffrey Forbes <i>(resigned 06/03/2013)</i> | 2013 | 369,161 | 22,885 | 4,000 | 396,046 | 96,415 | - | - | 38,791 | 531,252 | 25.5% | 7.3% | |
| | 2012 | 377,697 | 38,303 | 4,000 | 420,000 | 120,400 | - | - | 122,136 | 662,536 | 36.6% | 18.4% | |
| Total Compensation – 2013 | | 4,200,292 | 189,653 | 16,000 | 4,405,945 | 1,396,963 | - | - | 477,426 | 6,286,334 | 29.8% | 7.6% | |
| Total Compensation – 2012 | | 3,688,539 | 263,988 | 20,000 | 3,972,527 | 1,873,795 | - | - | 993,268 | 6,835,590 | 41.8% | 14.4% | |

* STIs which have been accrued at 30/06/2013 and to be paid in 2nd quarter FY2014.

** 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.

*** The position of each executive is set out on pages 32 to 33 of the Annual Report.

(i) Non-Monetary Benefits allocated to Andrew Buckley are able to be transferred to cash if not used.

11: REMUNERATION REPORT - AUDITED continued

11.5 How does company performance impact on executives' remuneration?

| Executives Name | STI FY2013 | | STI FY2012 | | LTI FY2013 | | LTI FY2012 | |
|------------------------|-----------------|--------|-----------------|--------|-------------------------------|--------------|-------------------------------|----------|
| | Potential \$ | Paid % | Potential \$ | Paid % | Performance Rights Granted | To Vest % | Performance Rights Granted | Vested % |
| Andrew Buckley | 1,300,000 | 45% | 1,100,000 | 96% | 70,000 | 69% | 60,000 | 100% |
| Jeffrey Forbes | 184,000 | 47% | 140,000 | 86% | 35,000 | 69% | 30,000 | 100% |
| Trevor Johnson | 100,000 | 52% | 80,000 | 87% | 27,500 | 69% | 25,000 | 100% |
| Roger Collins-Woolcock | 208,100 | 36% | 150,000 | 59% | 35,000 | 69% | 30,000 | 100% |
| Jean-Francois Floury | 170,000 | 38% | 120,300 | 78% | - | - | - | - |
| Paul Gardiner | 208,100 | 65% | 150,000 | 72% | 35,000 | 69% | 30,000 | 100% |
| Michael Renshaw | 302,500 | 70% | 205,000 | 90% | 35,000 | 69% | 30,000 | 100% |
| Kylie Sprott | 133,000 | 56% | 90,000 | 78% | 25,000 | 69% | 8,000 | 100% |
| Ross Thompson | 135,000 | 50% | 90,000 | 89% | 25,000 | 69% | - | - |
| Graham Yerbury | 204,000 | 19% | - | - | - | - | - | - |

Above are details of the vesting profile for 2013 and the previous year of the STI cash bonuses and LTI awarded as remuneration to each of the named key management personnel.

Performance Rights vesting relating to FY2013 were granted in October and November 2010 and are assessed on performance hurdles over the three year period to 30 June 2013. These Performance Rights are expected to vest on 21 October 2013 and 25 November 2013.

Performance Rights vested relating to FY2012 were granted in October and December 2009 and were assessed on performance hurdles over the three year period to 30 June 2012. These Performance Rights vested on 22 October 2012 and 2 December 2012. The number of Performance Rights vested were adjusted in accordance with the Listing Rules to take into account the pro-rata issue of shares during the three year period to 30 June 2012.

11.6 How is Cardno's short term incentive program structured and how does it drive value for shareholders?

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, regional 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 per cent of any award being deferred and paid 12 months after achievement. The contract for the Managing Director and the former Chief Financial Officer, Jeff Forbes include payment of assessed STI without any deferral.

At least 68 per cent 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 an STI cash bonus of between 20 per cent and 50 per cent of their FAR (depending on position) for achieving at-target performance outcomes. In addition, in 2014 key management personnel can achieve additional STI up to 20 per cent (FY2013: 10 per cent) 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 individual specific goals.

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.

11: REMUNERATION REPORT - AUDITED continued

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.

Examples of the financial and non-financial KPI's which were set for key management personnel during 2013 are detailed below:

| Key Performance Indicators (KPI) to achieve 100% of STI Target | | Performance Measure |
|--|-----|---|
| People | 32% | Unmanaged staff turnover (% rolling 12 months) |
| Clients | | Client Performance Score |
| Growth | | Fee Growth (% of Fee, YTD Vs YTD 12 months prior) |
| Safety & Quality | | Loss Time Injury Frequency Rate |
| Performance | 68% | Overall Company performance Vs Budget Region performance Vs Budget Days sales outstanding for debtors |

| Key Performance Indicators (KPI) to achieve additional STI of 10% of FAR for Outperformance* | Performance Measure |
|--|---------------------------------------|
| Financial Overachievement | Regional Performance > 10% Vs Budget |
| Other agreed specific goals | Individual Critical Performance Goals |
| Consider performance related to market | |
| Health and Safety discipline | |
| Cross selling focus | |

*Each of these criteria may vary slightly depending on the role of the key management personnel

11.7 How is Cardno's long term incentive program structured and how does it drive value for shareholders?

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 Performance Equity Plan (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 (up to 50 per cent potential) and the relative TSR achieved by Cardno compared with an ASX-listed comparator group (up to 50 per cent potential).

For details of hurdles and granting of Performance Rights see section 11.11

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 (for details of vesting hurdles see section 11.11).

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

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

The issue of Performance Rights is discretionary and for prior periods, was limited to the Managing Director, key management personnel and other senior managers and eligible staff. In 2013 it was determined that the issue of Performance Rights be extended to eligible staff considered to have been high performers in their respective roles. 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.

The PEP operates by granting a Performance Right to the Managing Director, key management personnel, senior managers and eligible staff to acquire an ordinary share at nil consideration at a predetermined time in the future. During 2013 1,700,165 Performance Rights with a grant date fair value of \$9,449,817 were issued with a vesting period of three years from the grant dates of 18 October 2012 and 1 November 2012.

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.

Further details of how LTI was valued and measured in 2013 can be found in section 11.11.

11: REMUNERATION REPORT - AUDITED continued

11.8 Does Cardno operate an equity plan in which all staff can participate and create value for shareholders?

Yes, Cardno invites all employees to participate in an Employee Share Acquisition Plan (ESAP).

Under this plan shares are issued to all qualifying staff (excluding Cardno Limited Directors), in accordance with thresholds approved by Cardno shareholders at the 2012 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 2013 are detailed in the table below:

| Grant Date | Issue Price | Restriction Lifted at 30 June 2013 | Restricted at 30 June 2013 | Restriction Period Ends |
|------------------|-------------|------------------------------------|----------------------------|-------------------------|
| 25 February 2011 | \$6.05 | 126,066 | 262,870 | 25 February 2014 |
| 31 January 2012 | \$5.78 | 105,112 | 408,399 | 31 January 2015 |
| 11 March 2013 | \$6.82 | 23,154 | 618,516 | 11 March 2016 |

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.

11.9 Managing Director and Key Management Personnel Employment Agreements

MANAGING DIRECTOR

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 \$800,000 for 2013.

STIs are assessed against two separate performance measures.

The first measure is an agreed target level profitability for Cardno. For 2013 an STI cash bonus of between 50 per cent and 100 per cent of up to \$800,000 was payable for achievement of between 95 per cent and 105 per cent of the agreed target level Group Net Profit After Tax (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 2013.

The Board has discretion based on the recommendation of the Remuneration Committee, to award up to an additional \$300,000 for exceptional performance in the achievement of Group NPAT outcomes in excess of target, business growth and leadership of critical elements to underpin achievement of Cardno's 2015 Strategic Plan.

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 Earnings Per Share (EPS) growth and relative Total Shareholder Return (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 2012 AGM. The award of 90,000 Performance Rights was approved by shareholders at the 2012 AGM.

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

11: REMUNERATION REPORT - AUDITED continued

| 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 |

KEY MANAGEMENT PERSONNEL

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

- Termination provisions relating to notice periods and payments similar to those outlined for the Managing Director, except that notice periods are up to six months and reduced where termination is for performance reasons.
- Performance and confidentiality obligations on the part of both the employer and employee,
- 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.

11.10 How is Non-Executive Director pay structured?

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. 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.

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 fee structure for Non-Executive Directors from 1 July 2012 included payments 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
- > The aggregate fee pool for all of the Non-Executive Directors was approved by shareholders at the 2011 AGM with a maximum aggregate of \$900k including superannuation.

It is not proposed to seek an increase to the aggregate fee pool for Non-Executive Directors at the 2013 AGM.

The total compensation paid to Non-Executive Directors increased in 2013 in comparison with 2012. This was primarily attributable to an increase in the number of Non-Executive Directors on the Board and the fact that 2013 was the first year in which Directors received payment of fees for performing the role as Chairman or member of the Audit, Risk & Compliance Committee and the Remuneration Committee.

The remuneration of the Non-Executive Directors is set out in the following table on the next page.

ACTUAL REMUNERATION - AUDITED

| | | Fixed Annual Remuneration | | | | | Short Term STI | Termination Benefits | Share Based Payments | | Total | Proportion of Remuneration Performance Related | Value of Performance Rights as a Proportion of Remuneration |
|--|------|---------------------------|---------------------------------|------------------------------|----------------|----------|-------------------|-------------------------|-----------------------|----------------|----------|---|---|
| | | Salary and Fees | Super- annuation Benefits | Non- Monetary Benefits | Total FAR | Shares | | | Performance Rights | | | | |
| | | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | | | |
| Non-Executive Directors | | | | | | | | | | | | | |
| John Marlay | 2013 | 220,643 | 16,068 | - | 236,711 | - | - | - | - | 236,711 | - | - | |
| | 2012 | 53,517 | 4,816 | - | 58,333 | - | - | - | - | 58,333 | - | - | |
| Anthony Barnes | 2013 | 106,931 | 23,094 | - | 130,025 | - | - | - | - | 130,025 | - | - | |
| | 2012 | 50,636 | 49,364 | - | 100,000 | - | - | - | - | 100,000 | - | - | |
| Peter Cosgrove | 2013 | 91,743 | 8,276 | - | 100,019 | - | - | - | - | 100,019 | - | - | |
| | 2012 | 91,743 | 8,257 | - | 100,000 | - | - | - | - | 100,000 | - | - | |
| Tonianne Dwyer | 2013 | 100,917 | 9,104 | - | 110,021 | - | - | - | - | 110,021 | - | - | |
| | 2012 | 1,923 | 173 | - | 2,096 | - | - | - | - | 2,096 | - | - | |
| Ian Johnston | 2013 | 113,948 | 10,276 | - | 124,224 | - | - | - | - | 124,224 | - | - | |
| | 2012 | 91,743 | 8,257 | - | 100,000 | - | - | - | - | 100,000 | - | - | |
| Grant Murdoch <i>(appointed 01/01/2013)</i> | 2013 | 51,103 | 4,622 | - | 55,725 | - | - | - | - | 55,725 | - | - | |
| | 2012 | - | - | - | - | - | - | - | - | - | - | - | |
| Former | | | | | | | | | | | | | |
| John Massey <i>(resigned 18/10/2012)</i> | 2013 | 45,997 | 3,761 | - | 49,758 | - | - | - | - | 49,758 | - | - | |
| | 2012 | 183,486 | 16,514 | - | 200,000 | - | - | - | - | 200,000 | - | - | |
| Total Compensation – 2013 | | 731,282 | 75,201 | - | 806,483 | - | - | - | - | 806,483 | - | - | |
| Total Compensation – 2012 | | 473,048 | 87,381 | - | 560,429 | - | - | - | - | 560,429 | - | - | |

11: REMUNERATION REPORT - AUDITED continued

11.11 What are the performance hurdles for the LTI Plan?

The Board considers the issue of Performance Rights based on the achievement of specific EPS and TSR targets aligns the performance of key management personnel and those selected staff who participate in the PEP with the interests and objectives of shareholders.

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%) |
|--|---|-------------------------------|---|
| <50th percentile | 0% | <12.5% (<4% pa) | 0% |
| 50th percentile | 50% | 12.5% (4% pa) | 30% |
| >50th & <75th percentiles | Pro rata | >12.5% (4% pa) & <26% (8% pa) | Pro rata |
| 75th percentile and above | 100% | 26% (8% pa) | 70% |
| | | >26% (8% pa) & <40% (12% pa) | Pro rata |
| | | ≥40% (12% pa) | 100% |

a) TSR

In FY2012 the Board determined to alter the definitions of the TSR Comparator Group to reflect the Company's continued growth. For Performance Rights issued in FY2013 the TSR Comparator Group (listed below) comprises companies ranked between 101-200 in the S&P/ASX 300 (i.e. the second 100 companies in the S&P/ASX 300) based on market capitalisation as at 1 July 2012 excluding companies classified in Financial, Energy, Metals and Mining GICS sectors.

Companies ranked between 101-200 in the S&P/ASX 300 (i.e. the second 100 companies in the S&P/ASX 300) based on market capitalisation as at 1 July 2012 excluding companies classified in the Financial, Energy, Metals and Mining GICS sectors.

| Company | TSR (%) | Rank | Percentile Rank |
|---|----------------|----------|-----------------|
| AUSDRILL | 307.08% | 1 | 100.0% |
| MAC SERVICES GROUP (Delisted 31/12/10) | 247.18% | 2 | 99.0% |
| NRW HOLDINGS | 237.00 | 3 | 98.0% |
| HASTINGS DIVR UTILS.FUND | 189.19% | 4 | 97.0% |
| CARDNO | 177.31% | 5 | 96.0% |
| WATTYL (Delisted 16/09/10) | 172.13% | 6 | 94.9% |
| IMDEX | 165.22% | 7 | 93.9% |
| EMECO HOLDINGS | 164.51% | 8 | 92.9% |
| FLEETWOOD | 149.70% | 9 | 91.9% |
| FLIGHT CENTRE | 137.13% | 10 | 90.9% |
| APA GROUP | 133.37% | 11 | 89.9% |
| MINERAL RESOURCES | 133.28% | 12 | 88.9% |
| ENVESTRA | 127.25% | 13 | 87.9% |
| MONDELPHOUS GROUP | 120.90% | 14 | 86.9% |
| AUSTRALIAN INFR FUND | 106.20% | 15 | 85.9% |
| CONNECTEAST GROUP (Delisted 02/11/11) | 104.69% | 16 | 84.8% |
| SKILLED GROUP | 103.47% | 17 | 83.8% |
| SPARK INFRASTRUCTURE GP | 90.34% | 18 | 82.8% |
| SAI GLOBAL | 90.19% | 19 | 81.8% |
| INDUSTREA | 82.67% | 20 | 80.80% |
| STW COMMUNICATIONS GROUP | 79.71% | 21 | 79.8% |
| CORPORATE EXPRESS AUS (Delisted 08/09/10) | 78.58% | 22 | 78.8% |
| CONSOLIDATED MEDIA HDG | 78.37% | 23 | 77.8% |
| AUSTAR UNITED COMMS (Delisted 27/04/12) | 77.65% | 24 | 76.8% |
| ADELAIDE BRIGHTON | 69.50% | 25 | 75.8% |
| GRAINCORP | 68.65% | 26 | 74.7% |
| DUET GROUP | 66.92% | 27 | 73.7% |
| AWB (Delisted 10/12/10) | 65.66% | 28 | 72.7% |
| MERMAID MARINE AUS | 64.27% | 29 | 71.7% |
| GUS HOLDINGS | 63.51% | 30 | 70.7% |
| AUSTereo GROUP (Delisted 16/05/11) | 62.36% | 31 | 69.7% |
| SEEK | 61.96% | 32 | 68.7% |
| MACMAHON HOLDINGS | 61.48% | 33 | 67.7% |
| ANSELL | 59.77% | 34 | 66.7% |
| RIDLEY | 56.63% | 35 | 65.7% |
| SMS MAIN & TECH | 55.92% | 36 | 64.6% |
| INVOCARE | 53.29% | 37 | 63.6% |

11: REMUNERATION REPORT - AUDITED continued

| Company | TSR (%) | Rank | Percentile Rank |
|---|---------|------|-----------------|
| HEALTHSCOPE (Delisted 14/10/10) | 52.40% | 38 | 62.6% |
| VIRGIN AUSTRALIA HDG | 48.89% | 39 | 61.6% |
| LION SELECTION (Delisted 05/02/10) | 46.40% | 40 | 60.6% |
| SEVEN NETWORK (Delisted 09/07/10) | 42.87% | 41 | 59.6% |
| SOUTHERN CROSS MEDIA GP. | 41.06% | 42 | 58.6% |
| BRADKEN | 40.60% | 43 | 57.6% |
| BOART LONGYEAR | 40.03% | 44 | 56.6% |
| SPOTLESS GROUP | 38.53% | 45 | 55.6% |
| UXC | 38.15% | 46 | 54.5% |
| MELBOURNE IT | 33.11% | 47 | 53.5% |
| REDBANK ENERGY | 28.72% | 48 | 52.5% |
| ENERGY DEVELOPMENTS | 21.18% | 49 | 51.5% |
| CRANE GROUP (Delisted 06/05/11) | 20.04% | 50 | 50.5% |
| CHALLENGER INFR.FUND | 17.01% | 51 | 49.5% |
| PRIMEAG AUSTRALIA | 16.11% | 52 | 48.5% |
| CABCHARGE AUSTRALIA | 16.00% | 53 | 47.5% |
| GRD (Delisted 04.12.09) | 12.50% | 54 | 46.5% |
| TRANSFIELD SVS.INFR.FD (Delisted 11/07/11) | 11.09% | 55 | 45.5% |
| REFLEX HOLDINGS | 9.38% | 56 | 44.4% |
| WOTIF COM HOLDINGS | 3.08% | 57 | 43.4% |
| GWA GROUP | 1.73% | 58 | 42.4% |
| PMP | 1.65% | 59 | 41.4% |
| IRESS | 1.47% | 60 | 40.4% |
| PROGRAMMED MAINT.SVS | 1.07% | 61 | 39.4% |
| SERVICE STREAM | -0.65% | 62 | 38.4% |
| TRANSFIELD SERVICES | -5.82% | 63 | 37.4% |
| AUSENCO | -9.60% | 64 | 36.4% |
| THE REJECT SHOP | -12.41% | 65 | 35.4% |
| SIGMA PHARMS. | -13.67% | 66 | 34.3% |
| AUSTRALIAN PHARM.INDS | -13.77% | 67 | 33.3% |
| HILLS HOLDINGS | -19.57% | 68 | 32.3% |
| SALMAT | -21.34% | 69 | 31.3% |
| AUSTRALIAN AGRICULTURAL | -21.77% | 70 | 30.3% |
| BOOM LOGISTICS | -22.98% | 71 | 29.3% |
| TASSAL GROUP | -24.23% | 72 | 28.3% |
| PRIME INFRASTRUCTURE GP (Delisted -2/06/11) | -33.66% | 73 | 27.3% |
| ALESCO | -35.68% | 74 | 26.3% |
| JB HI FI | -35.85% | 75 | 25.3% |
| PACIFIC BRANDS | -35.90% | 76 | 24.2% |
| AUSTAL | -36.94% | 77 | 23.2% |
| ENERGY WORLD | -41.46% | 78 | 22.2% |

| Company | TSR (%) | Rank | Percentile Rank |
|-----------------------------------|---------|------|-----------------|
| BIOTA HOLDINGS | -42.42% | 79 | 21.2% |
| TRANSPACIFIC INDS.GP | -43.56% | 80 | 20.2% |
| APN NEWS & MEDIA | -44.87% | 81 | 19.2% |
| OAKTON | -45.31% | 82 | 18.2% |
| TEN NETWORK HOLDINGS | -46.29% | 83 | 17.2% |
| SEVEN WEST MEDIA | -46.63% | 84 | 16.2% |
| SILEX SYSTEMS | -46.69% | 85 | 15.2% |
| PHARMAXIS | -55.43% | 86 | 14.1% |
| VDM GROUP | -64.85% | 87 | 13.1% |
| AJ LUCAS GROUP | -67.94% | 88 | 12.1% |
| ISOFT GROUP (Delisted 03/08/11) | -72.70% | 89 | 11.1% |
| INFIGEN ENERGY | -78.82% | 90 | 10.1% |
| COFFEY INTERNATIONAL | -79.03% | 91 | 9.1% |
| NOMAD BUILDING SOLUTIONS | -79.55% | 92 | 8.1% |
| GUNNS (Suspended 13/03/12) | -83.53% | 93 | 7.1% |
| PAPERLINX | -85.90% | 94 | 6.1% |
| GEODYNAMICS | -87.58% | 95 | 5.1% |
| ELDERS | -91.50% | 96 | 4.0% |
| NEPTUE MARINE SERVICES | -94.18% | 97 | 3.0% |
| REVERSE | -94.95% | 98 | 2.0% |
| RIVERCITY MOTORWAY GROUP | -95.76% | 99 | 1.0% |
| HASTIE GROUP (Suspended 17/04/12) | -98.41% | 100 | 0.0% |

Information included in the table above has not been audited.

B) EPS

The growth in earnings per share is calculated by comparing the basic earnings per share 'EPS' achieved by Cardno in the base year (eg: year to June 2010) with that achieved in the final year of the performance period (eg year to June 2013). The compound annual growth rate (CAGR) of EPS over the three year period to 30 June 2013 was 7.9 per cent. Based on this result 399,081 of Performance Rights will vest on 21 October 2013 and 25 November 2013.

Performance Rights granted as Remuneration

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 2013, including those granted during the financial year are as follows on the opposite table:

11: REMUNERATION REPORT - AUDITED continued

| Key Management Personnel | Outstanding Performance Rights | Grant Date | Vesting Date | % Vested in Year | % Forfeited in Year |
|---------------------------------|--------------------------------|------------|--------------|------------------|---------------------|
| Executive Directors | | | | | |
| Andrew Buckley | 90,000 | 18-Oct-12 | 18-Oct-15 | 0.0% | 0.0% |
| | 80,000 | 20-Oct-11 | 20-Oct-14 | 0.0% | 0.0% |
| | 70,000 | 21-Oct-10 | 21-Oct-13 | 0.0% | 0.0% |
| Trevor Johnson | 30,000 | 18-Oct-12 | 18-Oct-15 | 0.0% | 0.0% |
| | 30,000 | 20-Oct-11 | 20-Oct-14 | 0.0% | 0.0% |
| | 27,500 | 21-Oct-10 | 21-Oct-13 | 0.0% | 0.0% |
| Key Management Personnel | | | | | |
| Roger Collins-Woolcock | 40,000 | 1-Nov-12 | 1-Nov-15 | 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% |
| Jean-Francois Floury | 35,000 | 1-Nov-12 | 1-Nov-15 | 0.0% | 0.0% |
| | 35,000 | 1-Nov-11 | 1-Nov-14 | 0.0% | 0.0% |
| Paul Gardiner | 40,000 | 1-Nov-12 | 1-Nov-15 | 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% |
| Michael Renshaw | 50,000 | 1-Nov-12 | 1-Nov-15 | 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% |
| Kylie Sprott | 30,000 | 1-Nov-12 | 1-Nov-15 | 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% |
| | 8,397 | 2-Dec-09 | 2-Dec-12 | 100.0% | 0.0% |
| Ross Thompson | 30,000 | 1-Nov-12 | 1-Nov-15 | 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% |

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

No Performance Rights granted during 2013 have vested. No Performance Rights have been granted since the end of the financial year and up to the date of this report. Details of the performance criteria are included on page 53.

11: REMUNERATION REPORT - AUDITED continued

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

| Executive Directors & Key Management Personnel | Number of shares | Amount paid \$/share |
|--|------------------|----------------------|
| Andrew Buckley | 62,976 | Nil |
| Trevor Johnson | 26,240 | Nil |
| Jeffrey Forbes | 31,488 | Nil |
| Roger Collins-Woolcock | 31,488 | Nil |
| Paul Gardiner | 31,488 | Nil |
| Michael Renshaw | 31,488 | Nil |

The movement during the reporting period, by value, 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:

| Executive Directors and Key Management Personnel | Granted in year \$ (a) (Performance Rights) | Exercised in year \$ (b) (Performance Rights) | Vested in year \$ (not exercised) |
|--|--|--|--------------------------------------|
| Executive Directors | | | |
| Andrew Buckley | 504,000 | 496,251 | - |
| Jeffrey Forbes | - | 248,125 | - |
| Trevor Johnson | 168,000 | 206,771 | - |
| Key Management Personnel | | | |
| Roger Collins-Woolcock | 222,200 | 193,996 | - |
| Jean-Francois Floury | 194,425 | - | - |
| Paul Gardiner | 222,200 | 193,966 | - |
| Michael Renshaw | 277,750 | 193,966 | - |
| Kylie Sprott | 168,855 | - | 50,503 |
| Ross Thompson | 166,650 | - | - |

- (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 Rights 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 Rights were exercised.

11: REMUNERATION REPORT - AUDITED continued

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 | Performance Options Vested not Exercised as at 30 June 2013 | Number of Performance Options as at 30 June 2013 |
|--|------------------|------------------|-------------------|-----------------------------|--|-----------------------------|----------------------------|-------------------------------|---|--|
| 2 December 2009 | 2 December 2012 | 2 December 2013 | 4.19 | 0.77 | 2,038,700 | - | 177,100 | 979,326 | 882,274 | - |
| 25 November 2010 | 25 November 2013 | 25 November 2014 | 4.84 | 0.77 | 3,274,500 | - | 454,500 | - | - | 2,820,000 |
| 1 November 2011 | 1 November 2014 | 1 November 2015 | 5.26 | 0.81 | 3,831,000 | - | 251,000 | - | - | 3,580,000 |
| Weighted average exercise price | | | | | 4.87 | - | 4.83 | 4.19 | 4.19 | 4.97 |
| Weighted average remaining contract life | | | | | | | | | | 704 days |
| Total expense recognised \$747,027 (2012: \$1,410,871) | | | | | | | | | | |

Of the Performance Options outstanding at 30 June 2013, 882,274 have vested and are exercisable. These have an exercise price of \$4.19. The remaining 6,400,000 Performance Options outstanding have not vested, are not exercisable at 30 June 2013 and have an exercise price in the range of \$4.84 to \$5.26. No Performance Options are held by KMP at 30 June 2013 (2012: Nil).

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 Exercised | Performance Rights Vested not Exercised as at 30 June 2013 | Number of Performance Rights as at 30 June 2013 |
|--|------------------|------------------|--------------------|-----------------------------|---|----------------------------|---------------------------|------------------------------|--|---|
| 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 | - | - | 99,000 | 13,000 | - |
| | | | TSR | 2.30 | 112,000 | - | - | 99,000 | 13,000 | - |
| 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 | - | 28,750 | - | - | 160,000 |
| | | | TSR | 2.96 | 188,750 | - | 28,750 | - | - | 160,000 |
| 20 October 2011 | 20 October 2014 | 20 October 2015 | EPS Growth | 4.21 | 72,500 | - | 17,500 | - | - | 55,000 |
| | | | TSR | 2.81 | 72,500 | - | 17,500 | - | - | 55,000 |
| 1 November 2011 | 1 November 2014 | 1 November 2015 | EPS Growth | 4.38 | 241,250 | - | 15,000 | - | - | 226,250 |
| | | | TSR | 2.97 | 241,250 | - | 15,000 | - | - | 226,250 |
| 18 October 2012 | 18 October 2015 | 18 October 2016 | EPS Growth | 6.74 | - | 60,000 | - | - | - | 60,000 |
| | | | TSR | 4.46 | - | 60,000 | - | - | - | 60,000 |
| 1 November 2012 | 1 November 2015 | 1 November 2016 | EPS Growth | 6.68 | - | 790,083 | - | - | - | 790,083 |
| | | | TSR | 4.43 | - | 790,083 | - | - | - | 790,083 |
| Total expense recognised \$1,379,732 (2012: \$1,280,672) | | | | | | | | | | |

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.

Of the Performance Rights outstanding at 30 June 2013, 26,000 have vested and are exercisable at no exercise price. The remaining Performance Rights outstanding have not vested, are not exercisable at 30 June 2013 and have no exercise price.

11: REMUNERATION REPORT - AUDITED continued

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 | \$4.19 | 882,274 |
| 25 November 2013 | 25 November 2014 | \$4.84 | 2,820,000 |
| 1 November 2014 | 1 November 2015 | \$5.26 | 3,580,000 |

Performance Options are held by selected eligible staff participating in the PEP who are not considered key management personnel.

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 |
|------------------|------------------|----------------|------------------------------|
| 2 December 2012 | 2 December 2013 | Nil | 26,000 |
| 21 October 2013 | 21 October 2014 | Nil | 152,500 |
| 25 November 2013 | 25 November 2014 | Nil | 320,000 |
| 20 October 2014 | 20 October 2015 | Nil | 110,000 |
| 1 November 2014 | 1 November 2015 | Nil | 452,500 |
| 18 October 2015 | 18 October 2016 | Nil | 120,000 |
| 1 November 2015 | 1 November 2016 | Nil | 1,580,165 |

12: DIRECTORS' INTERESTS

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

| | Cardno Limited Ordinary Shares | Shares held in Escrow | Performance Options | Performance Rights |
|----------------|--------------------------------|-----------------------|---------------------|--------------------|
| Anthony Barnes | 5,346 | - | - | - |
| Andrew Buckley | 2,483,237 | - | - | 240,00 |
| Peter Cosgrove | 1,024 | - | - | - |
| Tonianne Dwyer | - | - | - | - |
| Trevor Johnson | 1,626,241 | - | - | 87,500 |
| Ian Johnston | 268,839 | - | - | - |
| John Marlay | 6,095 | - | - | - |
| Grant Murdoch | 42,737 | - | - | - |

13: 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 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.

14: LEAD AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

The lead auditor's independence declaration is set out on page 60 and forms part of the Directors' report for the year ended 30 June 2013.

15: 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 MARLAY

Chairman

Brisbane

19 August 2013

Auditor's Independence Declaration



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 2013 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.

A handwritten signature in black ink that reads 'Robert S. Jones'.

KPMG

A handwritten signature in black ink that reads 'Robert S. Jones'.

Robert S Jones
Partner

Brisbane
19 August 2013

Consolidated Statement of Financial Performance

CARDNO LIMITED AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2013

| | Note | 2013 \$'000 | 2012 \$'000 |
|--|------|------------------|----------------|
| Revenue | 2 | 1,195,352 | 965,820 |
| Employee expenses | | (564,788) | (425,594) |
| Consumables and materials used | | (254,873) | (200,950) |
| Sub-consultant and contractor costs | | (195,158) | (171,305) |
| Depreciation and amortisation expenses | 3 | (23,660) | (16,111) |
| Financing costs | 3 | (7,610) | (7,500) |
| Other expenses | | (45,241) | (39,318) |
| Profit before income tax | | 104,022 | 105,042 |
| Income tax expense | 4 | (26,383) | (30,874) |
| Profit for the year | | 77,639 | 74,168 |
| Profit attributable to: | | | |
| Owners of the Company | | 77,639 | 74,168 |
| | | 77,639 | 74,168 |
| Basic earnings per share (cents per share) | 29 | 55.09 | 61.73 |
| Diluted earnings per share (cents per share) | 29 | 53.43 | 59.81 |

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 2013

| | 2013 \$'000 | 2012 \$'000 |
|--|----------------|----------------|
| Profit for the year | 77,639 | 74,168 |
| Other comprehensive income | | |
| Items that may be subsequently reclassified to profit or loss: | | |
| Exchange differences on translation of foreign operations | 23,368 | 11,445 |
| Other comprehensive income for the year, net of tax | 23,368 | 11,445 |
| Total comprehensive income for the year | 101,007 | 85,613 |
| Total comprehensive income attributable to: | | |
| Owners of the Company | 101,007 | 85,613 |
| | 101,007 | 85,613 |

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 2013

| | Note | 2013 \$'000 | 2012 \$'000 |
|--------------------------------------|------|------------------|----------------|
| Current Assets | | | |
| Cash and cash equivalents | 6 | 90,635 | 107,856 |
| Trade and other receivables | 7 | 203,165 | 176,227 |
| Inventories | 8 | 134,927 | 111,260 |
| Other current assets | 9 | 8,017 | 4,047 |
| Total Current Assets | | 436,744 | 399,390 |
| Non-Current Assets | | | |
| Trade and other receivables | 10 | 614 | 570 |
| Other financial assets | 11 | 1,652 | 783 |
| Property, plant and equipment | 12 | 56,862 | 43,497 |
| Deferred tax assets | 13 | 8,328 | 10,137 |
| Intangible assets | 14 | 630,040 | 504,372 |
| Total Non-Current Assets | | 697,496 | 559,359 |
| Total Assets | | 1,134,240 | 958,749 |
| Current Liabilities | | | |
| Trade and other payables | 15 | 150,952 | 122,990 |
| Loans and borrowings | 16 | 3,017 | 2,073 |
| Current tax liabilities | | 8,142 | 12,644 |
| Short term provisions | 17 | 38,715 | 33,546 |
| Other current liabilities | 18 | 48,378 | 31,301 |
| Total Current Liabilities | | 249,204 | 202,554 |
| Non-Current Liabilities | | | |
| Loans and borrowings | 19 | 238,711 | 196,769 |
| Deferred tax liabilities | 13 | 490 | 493 |
| Long term provisions | 20 | 12,768 | 9,146 |
| Other non-current liabilities | 21 | 543 | 902 |
| Total Non-Current Liabilities | | 252,512 | 207,310 |
| Total Liabilities | | 501,716 | 409,864 |
| Net Assets | | 632,524 | 548,885 |
| Equity | | | |
| Issued capital | 22 | 500,374 | 460,947 |
| Reserves | | (6,631) | (23,970) |
| Retained earnings | | 138,781 | 111,908 |
| Total Equity | | 632,524 | 548,885 |

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 2013

| | Note | Share Capital Ordinary \$'000 | Retained Earnings \$'000 | Foreign Translation Reserve \$'000 | Reserve for Own Shares \$'000 | Total \$'000 |
|--|------|-------------------------------------|-----------------------------|--|-------------------------------------|-----------------|
| Balance at 1 July 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 |
| Profit for the year | | - | 77,639 | - | - | 77,639 |
| Exchange differences on translation of foreign operations | | - | - | 23,368 | - | 23,368 |
| Total comprehensive income for the year | | - | 77,639 | 23,368 | - | 101,007 |
| Transactions with owners in their capacity as owners: | | | | | | |
| Shares issued | 22 | 27,168 | - | - | - | 27,168 |
| Employee share based payments | 22 | 2,127 | - | - | - | 2,127 |
| Own shares issued* | | 10,132 | - | - | (10,132) | - |
| Own shares sold* | | - | - | - | 4,103 | 4,103 |
| Dividends paid or provided | 5 | - | (50,766) | - | - | (50,766) |
| | | 39,427 | (50,766) | - | (6,029) | (17,368) |
| Balance at 30 June 2013 | | 500,374 | 138,781 | (602) | (6,029) | 632,524 |

* Shares issued are held in trust by the Cardno Limited Performance Equity Plan Trust which has been formed solely for the purpose of subscribing for, acquiring and holding shares for the benefit of employees participating in the Performance Equity Plan (PEP) of Cardno Limited. Own shares sold are those shares transferred to PEP participants on exercise of Performance Options.

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 2013

| | Note | 2013 \$'000 | 2012 \$'000 |
|--|-------|------------------|------------------|
| Cash Flows from Operating Activities | | | |
| Cash receipts from customers | | 1,251,338 | 991,723 |
| Interest received | | 1,421 | 1,874 |
| Finance costs paid | | (7,471) | (7,755) |
| Cash paid to suppliers and employees | | (1,116,662) | (884,264) |
| Income tax paid | | (32,896) | (28,949) |
| Net Cash Provided by Operating Activities | 24(a) | 95,730 | 72,629 |
| Cash Flows from Investing Activities | | | |
| Acquisition of subsidiaries, net of cash acquired | 24(d) | (81,520) | (148,960) |
| Acquisition of subsidiaries, deferred consideration paid | | (11,083) | (65,941) |
| Proceeds from sale of property, plant & equipment | | 1,639 | 835 |
| Payments for property, plant & equipment | | (20,252) | (15,897) |
| Net Cash Used in Investing Activities | | (111,216) | (229,963) |
| Cash Flows from Financing Activities | | | |
| Proceeds from issue of shares | | 18,182 | 144,984 |
| Share issue transaction costs | | (98) | (3,774) |
| Sale of own shares* | | 4,103 | - |
| Proceeds from borrowings | | 61,042 | 240,581 |
| Repayment of borrowings | | (40,096) | (159,199) |
| Finance lease payments | | (2,571) | (2,347) |
| Dividends paid | | (46,047) | (40,794) |
| Net Cash Provided by/(Used in) Financing Activities | | (5,485) | 179,451 |
| Net Increase/(Decrease) in Cash and Cash Equivalents Held | | (20,971) | 22,117 |
| Cash and Cash Equivalents at 1 July | | 107,856 | 84,047 |
| Effects of exchange rate changes on cash and cash equivalents at the end of year | | 3,750 | 1,692 |
| Cash and Cash Equivalents at 30 June | 24(b) | 90,635 | 107,856 |

* Own shares sold are those shares transferred to PEP participants on exercise of Performance Options.

The statement of cash flows 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 2013

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 2013 encompasses the Company and its subsidiaries (together referred to as "Cardno" or the "Group").

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

The financial report was authorised for issue by the Board of Directors on 19 August 2013.

(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) adopted by the International Accounting Standards Board (IASB).

(b) Basis of Preparation

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

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

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.

From 1 July 2012 the Group applied amendments to AASB 101 *Presentation of Financial Statements* outlined in AASB 2011-9 *Amendments to Australian Standards – Presentation of Items of Other Comprehensive Income*. This change only relates to disclosures and has had no impact on consolidated earnings per share or net income. The changes have been applied retrospectively and require the Group to separately present those items of other comprehensive income that may be classified to profit or loss in the future from those that will never be reclassified to profit or loss.

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. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

AASB 9 Financial Instruments (2010), AASB 9 Financial Instruments (2009)

AASB 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under AASB 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. AASB 9 (2010) introduces additional

requirements relating to financial liabilities. The IASB currently has an active project that may result in limited amendments to the classification and measurement requirements of AASB 9 and add new requirements to address the impairment of financial assets and hedge accounting.

AASB 9 (2010 and 2009) are effective for annual periods beginning on or after 1 January 2015 with early adoption permitted. The adoption of AASB 9 (2010) is expected to have an impact on the Group's financial assets, but no impact on the Group's financial liabilities.

AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities (2011)

AASB 10 introduces a single control model to determine whether an investee should be consolidated. As a result, the Group may need to change its consolidation conclusion in respect of investees, which could lead to changes in the current accounting for these investees although this is considered unlikely (see note (c) below in relation to subsidiaries).

Under AASB 11, the structure of the joint arrangement, although still an important consideration, is no longer the main factor in determining the type of joint arrangement and therefore the subsequent accounting.

- > The Group's interest in a joint operation, which is an arrangement in which the parties have rights to the assets and obligations for the liabilities, will be accounted for on the basis of the Group's interest in those assets and liabilities.
- > The Group's interest in a joint venture, which is an arrangement in which the parties have rights to the net assets, will be equity accounted.

The Group is currently assessing the impact of adopting AASB 11 but at this stage it is not expected to have an impact on the Group's financial position.

AASB 12 brings together into a single standard all the disclosure requirements about an entity's subsidiaries, joint arrangements, associates and unconsolidated structured entities. The Group is currently assessing the disclosure requirements for interests in subsidiaries, interests in joint arrangements and associates and unconsolidated structured entities in comparison with the existing disclosures. AASB 12 requires the disclosure of information about the nature, risks and financial effects of these interests.

These standards are effective for annual periods beginning on or after 1 January 2013 with early adoption permitted.

AASB 13 Fair Value Measurement (2011)

AASB 13 provides a single source of guidance on how fair value is measured, and replaces the fair value measurement guidance that is currently dispersed throughout Australian Accounting Standards. Subject to limited exceptions, AASB 13 is applied when fair value measurements or disclosures are required or permitted by other AASB's. The Group is currently reviewing its methodologies in determining fair values. AASB 13 is effective for annual periods beginning on or after 1 January 2013 with early adoption permitted.

Notes to the Consolidated Financial Statements

CARDNO LIMITED AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2013

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued

(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.

(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 statement of financial position.

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 2013

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued

(f) Revenue Recognition continued

Consulting services revenue and recoverable expenses

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 recoverable 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 profit or loss 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 or 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.

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.

Notes to the Consolidated Financial Statements

CARDNO LIMITED AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2013

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued

(i) Income Tax continued

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. The recoverability of trade receivables is reviewed on an ongoing basis and a provision for impairment determined at both a specific and collective level. All individually significant receivables are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment the Group uses historical trends of the probability of default adjusted for management's judgement around current economic and credit conditions. 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.

(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. 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.

Notes to the Consolidated Financial Statements

CARDNO LIMITED AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2013

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued

(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
- > 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 losses.

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

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

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

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

Works contracts, software intangibles and customer relationships

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

Patents and Trademarks

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

Subsequent expenditure

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

(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.

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.

Notes to the Consolidated Financial Statements

CARDNO LIMITED AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2013

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued

(p) Impairment continued

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.

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.

Notes to the Consolidated Financial Statements

CARDNO LIMITED AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2013

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued

(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 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 2013

| | 2013 | 2012 |
|---|------------------|----------------|
| | \$'000 | \$'000 |
| 2. REVENUE | | |
| Fees from consulting services | 877,273 | 701,174 |
| Fees from sale of goods | 8,697 | 8,223 |
| Fees from recoverable expenses | 305,957 | 250,552 |
| Interest received | 1,421 | 1,874 |
| Royalties | 89 | 210 |
| Rental income | 33 | 636 |
| Other | 1,882 | 3,151 |
| Revenue | 1,195,352 | 965,820 |
| 3. EXPENSES, LOSSES AND (GAINS) | | |
| Depreciation | | |
| Motor vehicles | 4,160 | 3,336 |
| Other property, plant & equipment | 12,883 | 8,675 |
| Total Depreciation | 17,043 | 12,011 |
| Amortisation of non-current assets | | |
| Patents and trademarks | 39 | - |
| Works contracts | 4,067 | 3,511 |
| Software intangibles | 233 | 131 |
| Customer relationships | 2,278 | 458 |
| Total Amortisation | 6,617 | 4,100 |
| Total Depreciation & Amortisation | 23,660 | 16,111 |
| Bad and doubtful debts | 4,104 | 3,791 |
| Financing costs | | |
| Interest and finance charges | 6,481 | 6,071 |
| Amortisation of borrowing costs | 1,129 | 1,429 |
| Total financing costs | 7,610 | 7,500 |
| Rental expense relating to operating leases | | |
| Minimum lease payments | 34,240 | 27,292 |
| Net loss/(gain) on disposal of property, plant and equipment | (61) | 364 |
| Foreign exchange (gains) / losses | (51) | (2,348) |
| 4. INCOME TAX EXPENSE | | |
| (a) The components of tax expense comprises: | | |
| Current tax expense | | |
| Current year | 26,306 | 31,218 |
| Adjustments for prior years | (1,732) | 4,128 |
| | 24,574 | 35,346 |
| Deferred tax expense | | |
| Origination and reversal of temporary differences | 1,809 | 1,078 |
| Adjustments for prior years | - | (5,550) |
| | 1,809 | (4,472) |
| Total income tax expense | 26,383 | 30,874 |

Notes to the Consolidated Financial Statements

CARDNO LIMITED AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2013

| | 2013 \$'000 | 2012 \$'000 |
|--|------------------------------|------------------------------|
| 4. INCOME TAX EXPENSE continued | | |
| (b) Numerical reconciliation between tax expense and pre-tax profit | | |
| Profit before tax | 104,022 | 105,042 |
| Income tax using the Australian corporation tax rate of 30% (2012: 30%) | 31,207 | 31,513 |
| Increase (decrease) in income tax expense due to: | | |
| Non-deductible expenses | 1,249 | 1,737 |
| Adjustment for branch office taxation | 112 | 3,999 |
| Allowances for R&D expenditure | (2,943) | (1,609) |
| Benefit arising from amendment to Australian tax legislation | 9 | (1,975) |
| Sundry items | (1,519) | (1,369) |
| | 28,115 | 32,296 |
| Under / (over) provided in prior years | (1,732) | (1,422) |
| Income tax expense | 26,383 | 30,874 |

The effective tax rate for FY2013 was 25.3 per cent as compared with 29.4 per cent in FY2012. The tax rate reduction is a result of an increase in research and development benefits, as well as the impact of prior year foreign tax credit claims in the United States.

| | 2013 \$'000 | 2012 \$'000 |
|--|------------------------------|------------------------------|
| 5. DIVIDENDS PAID OR PROVIDED FOR ON ORDINARY SHARES | | |
| (a) Dividends proposed subsequent to year end not recognised as a liability 100% franked dividend at 30% (2012: 70% at 30%) (Refer Note 28) | 25,871 | 24,931 |
| (b) Dividends paid during the year (36 cents per share, 70% franked at 30%) (2012: 35 cents per share, 70% franked at 30%) | 50,766 | 43,488 |
| (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% | 13,472 | 6,932 |
| > franking credits that will arise from the payment of income tax payable as at the end of the financial year | 8,355 | 10,932 |
| | 21,827 | 17,864 |

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 \$11,087,460 (2012: \$7,479,346)

| | 2013 \$'000 | 2012 \$'000 |
|------------------------------------|------------------------------|------------------------------|
| 6 CASH AND CASH EQUIVALENTS | | |
| Cash at bank and on hand | 60,539 | 83,742 |
| Restricted cash (project advances) | 2,949 | 2,373 |
| Bank short term deposits | 27,147 | 21,741 |
| | 90,635 | 107,856 |

| | 2013 \$'000 | 2012 \$'000 |
|--|------------------------------|------------------------------|
| 7 TRADE & OTHER RECEIVABLES (CURRENT) | | |
| Trade debtors | 210,342 | 181,147 |
| Provision for doubtful debts | (12,777) | (11,477) |
| | 197,565 | 169,670 |
| Sundry debtors | 5,600 | 6,557 |
| | 203,165 | 176,227 |

| | 2013 \$'000 | 2012 \$'000 |
|--------------------------------|------------------------------|------------------------------|
| 8 INVENTORIES (CURRENT) | | |
| Work in progress | 134,927 | 111,260 |

Notes to the Consolidated Financial Statements

CARDNO LIMITED AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2013

| | 2013 | 2012 |
|--|---------------|---------------|
| | \$'000 | \$'000 |
| 9. OTHER CURRENT ASSETS | | |
| Prepayments | 5,400 | 2,035 |
| Project advances | 502 | 92 |
| Security deposits | 2,115 | 1,920 |
| | 8,017 | 4,047 |
| 10. TRADE & OTHER RECEIVABLES (NON CURRENT) | | |
| Sundry debtors | 614 | 570 |
| 11. OTHER FINANCIAL ASSETS (NON-CURRENT) | | |
| Investments in non-related entities | 1,652 | 783 |
| 12. PROPERTY, PLANT & EQUIPMENT | | |
| Laboratory equipment, instruments & amenities | 36,843 | 25,044 |
| Less accumulated depreciation | (23,771) | (16,459) |
| | 13,072 | 8,585 |
| Motor vehicles | 30,810 | 24,567 |
| Less accumulated depreciation | (17,385) | (14,104) |
| | 13,425 | 10,463 |
| Office furniture & equipment | 66,651 | 56,104 |
| Less accumulated depreciation | (45,506) | (38,417) |
| | 21,145 | 17,687 |
| Leasehold improvements | 15,282 | 10,523 |
| Less accumulated amortisation | (7,437) | (5,112) |
| | 7,845 | 5,411 |
| Land and buildings | 2,398 | 2,195 |
| Less accumulated depreciation | (1,023) | (844) |
| | 1,375 | 1,351 |
| Total Property Plant & Equipment | 56,862 | 43,497 |

Notes to the Consolidated Financial Statements

CARDNO LIMITED AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2013

| | 2013 | 2012 |
|--|---------------|---------------|
| | \$'000 | \$'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 | 8,585 | 5,140 |
| Additions | 4,908 | 3,044 |
| Increase through merger acquisition | 3,120 | 1,963 |
| Disposals | (180) | (100) |
| Depreciation expense | (3,502) | (1,925) |
| Foreign exchange | 150 | 300 |
| Transfer between classes | (9) | 163 |
| Carrying amount at the end of the year | 13,072 | 8,585 |
| <i>Motor vehicles</i> | | |
| Carrying amount at the beginning of the year | 10,463 | 7,470 |
| Additions | 6,310 | 5,726 |
| Increase through merger acquisition | 1,380 | 1,052 |
| Disposals | (611) | (374) |
| Depreciation expense | (4,160) | (3,336) |
| Foreign exchange | 187 | 97 |
| Transfer between classes | (144) | (172) |
| Carrying amount at the end of the year | 13,425 | 10,463 |
| <i>Office furniture & equipment</i> | | |
| Carrying amount at the beginning of the year | 17,687 | 12,646 |
| Additions | 9,446 | 8,333 |
| Increase through merger acquisitions | 1,786 | 2,154 |
| Disposals | (569) | (301) |
| Depreciation expense | (7,545) | (5,628) |
| Foreign exchange | 407 | 312 |
| Transfer between classes | (67) | 171 |
| Carrying amount at the end of the year | 21,145 | 17,687 |
| <i>Leasehold improvements</i> | | |
| Carrying amount at the beginning of the year | 5,411 | 5,402 |
| Additions | 2,609 | 1,332 |
| Increase through merger acquisitions | 1,104 | 292 |
| Disposals | (152) | (424) |
| Amortisation expense | (1,484) | (1,024) |
| Foreign exchange | 136 | 95 |
| Transfer between classes | 221 | (262) |
| Carrying amount at end of the year | 7,845 | 5,411 |
| <i>Land & buildings</i> | | |
| Carrying amount at the beginning of the year | 1,351 | 1,279 |
| Additions | 38 | 126 |
| Increase through merger acquisition | - | - |
| Depreciation expense | (107) | (98) |
| Transfer between classes | 93 | (37) |
| Foreign exchange | - | 81 |
| Carrying amount at the end of the year | 1,375 | 1,351 |
| Carrying amount at the end of the year | 56,862 | 43,497 |

Notes to the Consolidated Financial Statements

CARDNO LIMITED AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2013

| | 2013 | 2012 |
|--|---------------|---------------|
| | \$'000 | \$'000 |
| 13. DEFERRED TAX ASSETS & LIABILITIES | | |
| Recognised deferred tax assets and liabilities | | |
| Assets | | |
| Accruals | 16,021 | 20,281 |
| Provisions | 20,899 | 11,493 |
| Work in progress | 457 | 3,637 |
| Other | 2,881 | 2,819 |
| Total deferred tax assets | 40,258 | 38,230 |
| Set-off of deferred tax liabilities | (31,930) | (28,093) |
| Net deferred tax assets | 8,328 | 10,137 |
| Liabilities | | |
| Work in progress | 16,766 | 19,568 |
| Property, plant and equipment | 3,541 | 2,673 |
| Goodwill on acquisition | 8,982 | 4,972 |
| Prepayments | 1,067 | 598 |
| Other | 2,064 | 775 |
| Total deferred tax liabilities | 32,420 | 28,586 |
| Set-off of deferred tax assets | (31,930) | (28,093) |
| Net deferred tax liabilities | 490 | 493 |
| NET DEFERRED TAX ASSETS (LIABILITIES) | 7,838 | 9,644 |

Notes to the Consolidated Financial Statements

CARDNO LIMITED AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2013

| 13. DEFERRED TAX ASSETS & LIABILITIES continued | | | | | |
|--|--------------|------------------------------------|----------------------------------|--|------------------------|
| 30 June 2013 | 1 July 2012 | Recognised in profit or loss | Adjustments to prior years | Acquired in business combination | 30 June 2013 |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Movement in temporary differences during the year: | | | | | |
| Accruals | 20,281 | 1,034 | (5,630) | 336 | 16,021 |
| Provisions | 11,493 | (1,104) | 8,969 | 1,541 | 20,899 |
| Unearned revenue | - | - | - | - | - |
| Sundry items | 2,044 | 405 | (314) | (1,318) | 817 |
| Property, plant & equipment | (2,673) | 119 | (50) | (937) | (3,541) |
| Prepayments | (598) | (230) | (239) | - | (1,067) |
| Work in progress | (15,931) | 1,013 | (1,326) | (65) | (16,309) |
| Goodwill on acquisition (USA) | (4,972) | (3,046) | (964) | - | (8,982) |
| | 9,644 | (1,809) | 446 | (443) | 7,838 |
| 30 June 2012 | 1 July 2011 | Recognised in profit or loss | Adjustments to prior years | Acquired in business combination | 30 June 2012 |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Movement in temporary differences during the year: | | | | | |
| Accruals | 7,004 | 8,783 | 3,891 | 603 | 20,281 |
| Provisions | 10,643 | (1,526) | 1,659 | 717 | 11,493 |
| Unearned revenue | 2,133 | (2,133) | - | - | - |
| Sundry items | 1,244 | (1,216) | - | 2,016 | 2,044 |
| Property, plant & equipment | (207) | (1,741) | - | (725) | (2,673) |
| Prepayments | (134) | (425) | - | (39) | (598) |
| Work in progress | (10,139) | (3,053) | - | (2,739) | (15,931) |
| Goodwill on acquisition (USA) | (5,238) | 233 | - | 33 | (4,972) |
| | 5,306 | (1,078) | 5,550 | (134) | 9,644 |
| | | | | 2013 \$'000 | 2012 \$'000 |
| 14. INTANGIBLE ASSETS | | | | | |
| Goodwill at cost | | | | 617,733 | 496,887 |
| | | | | 617,733 | 496,887 |
| Works contracts | | | | 15,329 | 9,505 |
| Accumulated amortisation | | | | (11,726) | (7,043) |
| | | | | 3,603 | 2,462 |
| Patents and trademarks | | | | 2,081 | 2,110 |
| Software intangibles | | | | 1,822 | 1,355 |
| Accumulated amortisation | | | | (1,068) | (765) |
| | | | | 754 | 590 |
| Customer relationships | | | | 9,037 | 2,953 |
| Accumulated amortisation | | | | (3,168) | (630) |
| | | | | 5,869 | 2,323 |
| Total Intangible Assets | | | | 630,040 | 504,372 |

Notes to the Consolidated Financial Statements

CARDNO LIMITED AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2013

14. INTANGIBLE ASSETS continued

| | Goodwill | Works Contracts | Patents and Trademarks | Software Intangibles | Customer Relationships |
|---|----------------|--------------------|---------------------------|-------------------------|---------------------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Reconciliation of movement in carrying amounts from beginning of year to end of year: | | | | | |
| 2012 | | | | | |
| Balance at the beginning of year | 352,133 | 207 | 2,110 | 703 | 556 |
| Additions: | | | | | |
| > acquisition through business combinations | | | | | |
| - current year | 129,810 | 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 | 496,887 | 2,462 | 2,110 | 590 | 2,323 |
| 2013 | | | | | |
| Balance at the beginning of year | 496,887 | 2,462 | 2,110 | 590 | 2,323 |
| Additions: | | | | | |
| > acquisition through business combinations | | | | | |
| - current year | 94,740 | 5,172 | 10 | 355 | 3,096 |
| - reclassification of intangibles* | (2,524) | 51 | - | - | 2,472 |
| Write off | - | - | (39) | - | - |
| Amortisation charges | - | (4,068) | - | (233) | (2,278) |
| Effect of foreign exchange | 28,630 | (14) | - | 42 | 256 |
| Closing value at 30 June 2013 | 617,733 | 3,603 | 2,081 | 754 | 5,869 |

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

| | 2013 \$'000 | 2012 \$'000 |
|---|----------------|----------------|
| Goodwill is allocated to the following cash-generating units: | | |
| Professional Services | | |
| > Americas and Software | 381,591 | 288,802 |
| > Australia & New Zealand | 163,171 | 135,419 |
| > Electrical Engineering Division | 39,152 | 39,152 |
| Emerging Markets Region | 33,819 | 33,514 |
| | 617,733 | 496,887 |

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 per cent to 15.2 per cent (2012: 13.2 per cent - 15.2 per cent) (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 2014 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 2 per cent to 7 per cent (2012: 1 per cent - 5 per cent). Sensitivity analysis performed indicates any reasonable possible change in any of the key assumptions would not result in impairment.

Notes to the Consolidated Financial Statements

CARDNO LIMITED AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2013

14. INTANGIBLE ASSETS continued

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

| | Growth Rate | Pre-Tax Discount Rate |
|-----------------------------------|--------------------|------------------------------|
| Professional Services | | |
| > Americas and Software | 3.1% | 15.2% |
| > Australia & New Zealand | 6.9% | 14.3% |
| > Electrical Engineering Division | 2.8% | 14.3% |
| Emerging Markets Region | 2.1% | 13.2% |

| | 2013 \$'000 | 2012 \$'000 |
|--|------------------------|------------------------|
|--|------------------------|------------------------|

15. TRADE & OTHER PAYABLES (CURRENT)

| | | |
|---------------------------|----------------|----------------|
| Trade payables & accruals | 109,647 | 105,997 |
| Vendor liability | 41,305 | 16,993 |
| | 150,952 | 122,990 |

16. LOANS & BORROWINGS (CURRENT)

| | | |
|---------------------------|--------------|--------------|
| Lease liabilities | 1,741 | 1,771 |
| Hire purchase liabilities | 243 | 199 |
| Bank loans (i) | 1,033 | 103 |
| | 3,017 | 2,073 |

(i) Details of the terms and conditions of loans and borrowings are set out in Note 19

17. SHORT-TERM PROVISIONS

| | | |
|-------------------|---------------|---------------|
| Employee benefits | 29,086 | 25,904 |
| Legal provision | 9,629 | 7,642 |
| | 38,715 | 33,546 |

Movements in legal provision:

| | | |
|-------------------------------------|--------------|--------------|
| Balance at 1 July | 7,642 | 2,362 |
| Increase through merger acquisition | 1,731 | 5,254 |
| Provision made during the year | 850 | 700 |
| Provision used during the year | (652) | (571) |
| Provision reversed during the year | (500) | (500) |
| Effect of foreign exchange | 558 | 397 |
| Balance at 30 June | 9,629 | 7,642 |

Cardno makes provision for the potential impact of legal claims not covered by Cardno's professional indemnity policy. As a result of the acquisition of MM&A and Caminosca the Group assumed a contingent liability of \$1.7 million (2012: ATC Inc \$5.3 million) in respect of various legal claims.

| | 2013 \$'000 | 2012 \$'000 |
|--------------------------------------|------------------------|------------------------|
| 18. OTHER CURRENT LIABILITIES | | |
| Unearned revenue | 48,356 | 31,301 |
| Deferred rent | 22 | - |
| | 48,378 | 31,301 |

Notes to the Consolidated Financial Statements

CARDNO LIMITED AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2013

| | 2013 | 2012 |
|---|----------------|----------------|
| | \$'000 | \$'000 |
| 19. LOANS & BORROWINGS (NON-CURRENT) | | |
| Lease liabilities | 5,138 | 3,895 |
| Hire purchase liabilities | 290 | 260 |
| Bank loans | 233,283 | 192,614 |
| | 238,711 | 196,769 |

Bank Loans

As at 30 June 2013 Cardno has bank loans totalling \$234,442,361 (2012: \$194,012,464), with an effective interest rate of 2.23 per cent (2012: 2.20 per cent).

The facility limits comprise working capital facilities of AUD59.0 million (2012: AUD55.0 million) and USD15.0 million (2012: USD15.0 million) and term loan facilities of USD245.0 million (2012: USD195.0 million) and GBP8.55 million (2012: GBP8.55 million). The weighted average interest rate for term facilities ranges from 2.06 per cent to 2.51 per cent (2012: 2.08 per cent to 2.63 per cent). Funding available to Cardno from undrawn facilities is AUD106.6 million at 30 June 2013 (2012: AUD69.1 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 2013 (2012: Nil).

| | 2013 | 2012 |
|--|---------------|---------------|
| | \$'000 | \$'000 |
| 20. LONG-TERM PROVISIONS | | |
| Employee benefits | 12,768 | 9,146 |
| 21. OTHER NON-CURRENT LIABILITIES | | |
| Deferred rent | 273 | 281 |
| Other | 270 | 621 |
| | 543 | 902 |

| | 30 June 2013 | | 30 June 2012 | |
|---|----------------------|----------------|----------------------|----------------|
| | No. of shares | \$'000 | No. of shares | \$'000 |
| 22. ISSUED CAPITAL OF CARDNO LIMITED | | | | |
| Balance at the beginning of the period | 138,159,361 | 460,947 | 107,405,725 | 311,383 |
| Shares issued during the period: | | | | |
| > Dividend reinvestment scheme | 665,448 | 4,719 | 468,704 | 2,694 |
| > Shares issued for cash (net of transaction costs) | 2,722,668 | 18,085 | 27,853,171 | 134,794 |
| > Employee Tax Exempt Share Acquisition Plan | 641,670 | 4,364 | 513,511 | 2,968 |
| > Employee share based payments | - | 2,127 | - | 2,692 |
| > Own shares issued (i) | 1,537,180 | 10,132 | - | - |
| > Exercise of Performance Options (ii) | - | - | 1,918,250 | 6,416 |
| Balance at the end of the year | 143,726,327 | 500,374 | 138,159,361 | 460,947 |

(i) Shares issued are held in trust by the Cardno Limited Performance Equity Plan Trust which has been formed solely for the purpose of subscribing for, acquiring and holding shares for the benefit of employees participating in the Performance Equity Plan (PEP) of Cardno Limited.

(ii) During 2013, 979,326 shares delivered on exercise of Performance Options were sold from shares held in trust by the Cardno Limited Performance Equity Plan Trust and recognised in the Group's reserve for own shares (refer note 23).

Notes to the Consolidated Financial Statements

CARDNO LIMITED AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2013

22. ISSUED CAPITAL OF CARDNO LIMITED continued

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.

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 | Performance Options Vested not Exercised as at 30 June 2013 | Number of Performance Options as at 30 June 2013 | |
|--|------------------|------------------|----------------------|--------------------------------|--|-----------------------------|----------------------------|-------------------------------|---|--|----------|
| 2 December 2009 | 2 December 2012 | 2 December 2013 | 4.19 | 0.77 | 2,038,700 | - | 177,100 | 979,326 | 882,274 | - | |
| 25 November 2010 | 25 November 2013 | 25 November 2014 | 4.84 | 0.77 | 3,274,500 | - | 454,500 | - | - | 2,820,000 | |
| 1 November 2011 | 1 November 2014 | 1 November 2015 | 5.26 | 0.81 | 3,831,000 | - | 251,000 | - | - | 3,580,000 | |
| Weighted average exercise price | | | | | | 4.87 | - | 4.83 | 4.19 | 4.19 | 4.97 |
| Weighted average remaining contract life | | | | | | | | | | | 704 days |
| Total expense recognised \$747,027 (2012: \$1,410,871) | | | | | | | | | | | |

The Performance Options outstanding at 30 June 2013 have an exercise price in the range of \$4.19 to \$5.26. These Performance Options do not entitle the holder to participate in any share issue of the Company.

Performance Options 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% |

There have been no Performance Options granted in FY2013. The fair value of Performance Options granted in previous financial years was 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 per cent (2011: 30 per cent), expected dividend yield of 6.30 per cent (2011: 7.00 per cent) and risk free interest rate of 3.19 per cent (2011: 4.90 per cent).

Notes to the Consolidated Financial Statements

CARDNO LIMITED AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2013

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 Exercised | Performance Rights Vested not Exercised as at 30 June 2013 | Number of Performance Rights as at 30 June 2013 |
|------------------|------------------|------------------|--------------------|-----------------------------|---|----------------------------|---------------------------|------------------------------|--|---|
| 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 | - | - | 99,000 | 13,000 | - |
| | | | TSR | 2.30 | 112,000 | - | - | 99,000 | 13,000 | - |
| 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 | - | 28,750 | - | - | 160,000 |
| | | | TSR | 2.96 | 188,750 | - | 28,750 | - | - | 160,000 |
| 20 October 2011 | 20 October 2014 | 20 October 2015 | EPS Growth | 4.21 | 72,500 | - | 17,500 | - | - | 55,000 |
| | | | TSR | 2.81 | 72,500 | - | 17,500 | - | - | 55,000 |
| 1 November 2011 | 1 November 2014 | 1 November 2015 | EPS Growth | 4.38 | 241,250 | - | 15,000 | - | - | 226,250 |
| | | | TSR | 2.97 | 241,250 | - | 15,000 | - | - | 226,250 |
| 18 October 2012 | 18 October 2015 | 18 October 2016 | EPS Growth | 6.74 | - | 60,000 | - | - | - | 60,000 |
| | | | TSR | 4.46 | - | 60,000 | - | - | - | 60,000 |
| 1 November 2012 | 1 November 2015 | 1 November 2016 | EPS Growth | 6.68 | - | 790,083 | - | - | - | 790,083 |
| | | | TSR | 4.43 | - | 790,083 | - | - | - | 790,083 |

Total expense recognised \$1,379,732 (2012: \$1,280,672)

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 2013 include share price of \$7.97 for Performance Rights granted on 18 October 2012 (2012: \$5.09, 20 October 2011) and \$7.90 for Performance Rights granted on 1 November 2012 (2012: \$5.29, 1 November 2011), expected price volatility of 29 per cent and 29 per cent respectively (2012: 32 per cent and 31 per cent), expected dividend yield of 5.6 per cent (2012: 6.3 per cent) and risk free interest rate of 2.60 per cent and 2.56 per cent (2012: 3.84 per cent and 3.19 per cent).

The Performance Rights are subject to performance hurdles measured over three financial years. 50 per cent of the Performance Rights may vest, on a sliding scale, in accordance with the table below:

| 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%) |
|--|---|-------------------------------|---|
| <50th percentile | 0% | <12.5% (<4% pa) | 0% |
| 50th percentile | 50% | 12.5% (4% pa) | 30% |
| >50th & <75th percentiles | Pro rata | >12.5% (4% pa) & <26% (8% pa) | Pro rata |
| 75th 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 2013

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.

Reserve for Own Shares

The reserve for the Company's own shares comprises the cost of the Company's shares held by the Group. The shares are held in trust by the Cardno Limited Performance Equity Plan Trust which has been formed solely for the purpose of subscribing for, acquiring and holding shares for the benefit of employees participating in the Performance Equity Plan (PEP) of Cardno Limited and its associated employees. At 30 June 2013 the Group held 557,854 of the Company's shares (2012: Nil).

24. NOTES TO THE CASH FLOW STATEMENT

| | 2013 | 2012 |
|--|---------------|---------------|
| | \$'000 | \$'000 |
| (a) Reconciliation of Net Cash from Operating Activities to Net profit for the year | | |
| Net profit for the year | 77,639 | 74,168 |
| Adjust for non-cash items | | |
| Depreciation and amortisation | 23,660 | 16,111 |
| Gain/(loss) on sale of property, plant & equipment | (61) | 364 |
| Net exchange differences | 10,574 | 4,702 |
| Share based remuneration | 6,491 | 5,660 |
| Adjust for changes in assets and liabilities (increase) / decrease in assets: | | |
| Inventories | (12,375) | (14,419) |
| Deferred tax assets | 5,132 | (4,122) |
| Trade receivables | (3,128) | (11,553) |
| Provision for doubtful debts | (1,077) | 1,669 |
| Other receivables | 914 | (430) |
| Prepayments | (917) | 697 |
| Other assets | 2,200 | (2,511) |
| Increase / (decrease) in liabilities: | | |
| Trade payables | (12,068) | (5,379) |
| Income tax payable | (9,113) | 6,397 |
| Employee provisions | 1,439 | 4,155 |
| Unearned revenue | 9,045 | (1,850) |
| Other liabilities | (95) | (680) |
| Deferred tax liabilities | (2,531) | (350) |
| | 95,730 | 72,629 |

Notes to the Consolidated Financial Statements

CARDNO LIMITED AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2013

| | 2013 | 2012 |
|---|----------------|----------------|
| | \$'000 | \$'000 |
| 24. NOTES TO THE CASH FLOW STATEMENT 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) | 90,635 | 107,856 |
| 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 \$3,376,825 (2012: \$2,666,780) by means of finance leases. These acquisitions are not reflected in the cash flow statement. | | |
| (d) Acquisition of entities | | |
| Details of significant acquisitions are set out in note 33. Summarised financial information relating to items presented in the cash flow statement is as follows: | | |
| Purchase consideration | | |
| Cash consideration paid | 98,435 | 156,231 |
| Vendor liability | 33,827 | 15,218 |
| Consideration | 132,262 | 171,449 |
| Assets and liabilities held at acquisition date: | | |
| Cash | 16,915 | 7,269 |
| Receivables | 27,794 | 46,754 |
| Deferred tax assets | 1,729 | 2,163 |
| Property, plant & equipment | 7,389 | 5,462 |
| Intangibles | 8,634 | 6,623 |
| Inventories | 14,520 | 13,506 |
| Creditors and borrowings | (16,807) | (29,881) |
| Deferred tax liabilities | (2,528) | (703) |
| Provisions | (20,123) | (11,944) |
| | 37,523 | 39,249 |
| Goodwill on acquisition | 94,739 | 132,197 |
| Consideration | 132,262 | 171,446 |
| Net cash outflow on acquisition | | |
| Cash consideration paid | 98,435 | 156,231 |
| Less cash acquired | (16,915) | (7,271) |
| | 81,520 | 148,960 |

Notes to the Consolidated Financial Statements

CARDNO LIMITED AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2013

| | 2013 | 2012 |
|---|---------------------|---------------------|
| | \$'000 | \$'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 | 2,658 | 2,537 |
| > Later than one year but not later than 5 years | 6,451 | 5,003 |
| > Later than 5 years | - | - |
| Minimum lease payments | 9,109 | 7,540 |
| Less: Future finance charges | (1,697) | (1,415) |
| Recognised as a liability | 7,412 | 6,125 |
| Present value of minimum lease and hire purchase payment | | |
| Commitments in relation to finance leases are payable as follows: | | |
| > Within one year | 1,984 | 1,970 |
| > Later than one year but not later than 5 years | 5,428 | 4,155 |
| > Later than 5 years | - | - |
| Recognised as a liability | 7,412 | 6,125 |
| 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) | 1,984 | 1,970 |
| Non-current (note 19) | 5,428 | 4,155 |
| | 7,412 | 6,125 |
| (b) Operating Leases | | |
| > Within one year | 38,387 | 33,352 |
| > Later than one year but not later than 5 years | 83,776 | 73,420 |
| > Later than 5 years | 10,404 | 16,804 |
| Commitments not recognised in the financial statements | 132,567 | 123,576 |
| The Group leases office premises under non-cancellable operating leases, with terms varying from 3 to 10 years. The majority of leases provide for an option of renewal at the end of the lease term. Premise leases are subject to annual review for changes in the CPI index and contain restrictions on sub-leasing. The Group also leases various plant & equipment under terms between 2 and 5 years as well as software licenses with a term of 3 years subject to annual review based on the number of licences exercised. | | |
| | 2013 | 2012 |
| | \$'000 | \$'000 |
| 26. EMPLOYEE BENEFITS | | |
| The aggregate employee benefit liability is comprised of: | | |
| Accrued wages, salaries and on-costs (included in payables) | 21,069 | 20,456 |
| Provisions (current) (note 17) | 29,086 | 25,904 |
| Provisions (non-current) (note 20) | 12,768 | 9,146 |
| | 62,923 | 55,506 |
| Number of employees | | |
| Number of employees at 30 June | No. 8,021 | No. 7,208 |
| | \$ | \$ |
| Defined contribution superannuation expense | 18,906,052 | 15,760,497 |

Notes to the Consolidated Financial Statements

CARDNO LIMITED AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2013

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 2013 in respect of:

| | 2013 | 2012 |
|-----------------|---------------|---------------|
| | \$'000 | \$'000 |
| Bank guarantees | 15,610 | 12,381 |

Cardno has bank guarantee facilities with financial institutions denominated in Australian dollars, United States dollars, Great British pounds and United Arab Emirates Dirham. The guarantee facilities available to Cardno total AUD\$40.5 million (2012: AUD\$24.0 million). These facilities are secured by an unlimited interlocking guarantee and indemnity or a parent company guarantee.

28. SUBSEQUENT EVENTS

On 19 August 2013, the Directors of Cardno Limited declared a final dividend of 18 cents per share (100 per cent franked) for the 2013 financial year. The dividend will be paid on 11 October 2013 to shareholders registered on 13 September 2013 and will total \$25,870,739. The dividend has not been provided for in the 30 June 2013 financial statements.

| | 2013 | 2012 |
|---|--------------------|--------------------|
| | \$ | \$ |
| 29. EARNINGS PER SHARE | | |
| Basic earnings per share | | |
| The calculation of basic earnings per share was based on the following: | | |
| Profit attributable to ordinary shareholders | 77,638,671 | 74,168,212 |
| Weighted average number of ordinary shares | No. | No. |
| Issued ordinary shares at 1 July | 138,159,361 | 107,405,725 |
| Effect of shares issued for cash consideration | 2,580,444 | 12,546,653 |
| Effect of shares issued in respect of employee share scheme | 180,636 | 195,022 |
| Weighted average number of ordinary shares at 30 June | 140,920,441 | 120,147,400 |
| | Cents | Cents |
| Basic Earnings per Share | 55.09 | 61.73 |

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 2013

| | 2013 | 2012 |
|---|--------------------|--------------------|
| | \$ | \$ |
| 29. EARNINGS PER SHARE continued | | |
| The calculation of diluted earnings per share was based on the following: | | |
| Profit attributable to ordinary shareholders (diluted) | 77,638,671 | 74,168,212 |
| Weighted average number of ordinary shares (diluted) | No. | No. |
| Weighted average number of ordinary shares at 30 June | 140,920,441 | 120,147,400 |
| Effect of Performance Options and Performance Rights on issue | 4,385,561 | 3,854,796 |
| Weighted average number of ordinary shares (diluted) at 30 June | 145,306,002 | 124,002,196 |
| | Cents | Cents |
| Diluted Earnings per Share | 53.43 | 59.81 |

30. AUDITOR'S REMUNERATION

| | | |
|---|------------------|----------------|
| Audit services | | |
| Auditors of the Company | | |
| KPMG Australia: | | |
| > Audit and review of financial reports | 497,500 | 404,000 |
| > Other regulatory requirements | - | 4,500 |
| Overseas KPMG firms: | | |
| > Audit and review of financial reports | 573,186 | 451,105 |
| | 1,070,686 | 859,605 |
| Other services | | |
| Auditors of the Company | | |
| KPMG Australia: | | |
| > Other assurance services | 15,250 | 21,000 |
| Overseas KPMG firms: | | |
| > Other assurance services | - | 9,700 |
| | 15,250 | 30,700 |

31. KEY MANAGEMENT PERSONNEL DISCLOSURES

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

| | 2013 | 2012 |
|------------------------------|---------------|---------------|
| | \$'000 | \$'000 |
| Short-term employee benefits | 6,345 | 6,055 |
| Post-employment benefits | 265 | 351 |
| Equity compensation benefits | 483 | 989 |
| | 7,093 | 7,395 |

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 2013

31. KEY MANAGEMENT PERSONNEL DISCLOSURES continued

Performance Options and Performance Rights over equity instruments granted as compensation

There was no movement during the reporting period and no Performance Options are held, by any key management person, or their related parties as at 30 June 2013 (2012: Nil).

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:

| 2013 PERFORMANCE RIGHTS | Held at 1 July 2012 | Granted as compensation | Vested | Held at 30 June 2013 | Vested and exercisable at 30 June 2013 |
|----------------------------|------------------------|----------------------------|--------|-------------------------|--|
| Executive Directors | | | | | |
| Andrew Buckley | 210,000 | 90,000 | 60,000 | 240,000 | - |
| Jeffrey Forbes* | 100,000 | - | 30,000 | 70,000 | - |
| Trevor Johnson | 82,500 | 30,000 | 25,000 | 87,500 | - |
| Senior Executives | | | | | |
| Roger Collins-Woolcock | 105,000 | 40,000 | 30,000 | 115,000 | - |
| Jean-Francois Floury | 35,000 | 35,000 | - | 70,000 | - |
| Paul Gardiner | 105,000 | 40,000 | 30,000 | 115,000 | - |
| Michael Renshaw | 115,000 | 50,000 | 30,000 | 135,000 | - |
| Kylie Sprott | 63,000 | 30,397 | - | 93,397 | 8,000 |
| Ross Thompson | 55,000 | 30,000 | - | 85,000 | - |

* Jeffrey Forbes resigned as a director on 6 March 2013

| 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 | - |

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

Notes to the Consolidated Financial Statements

CARDNO LIMITED AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2013

31. KEY MANAGEMENT PERSONNEL DISCLOSURES continued

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:

| 2013 | Held at 1 July 2012 | Purchases | Received as Compensation | Sales | Held at 30 June 2013 |
|--------------------------------|------------------------|-----------|-----------------------------|-----------|-------------------------|
| Non-Executive Directors | | | | | |
| Anthony Barnes | 5,084 | 262 | - | - | 5,346 |
| Peter Cosgrove | 979 | 45 | - | - | 1,024 |
| Tonianne Dwyer | - | - | - | - | - |
| Ian Johnston | 268,839 | - | - | - | 268,839 |
| John Marlay | 3,500 | 2,595 | - | - | 6,095 |
| John Massey* | 64,816 | - | - | (50,000) | NA |
| Grant Murdoch** | 42,737 | - | - | - | 42,737 |
| Executive Directors | | | | | |
| Andrew Buckley | 2,520,261 | 62,976 | - | (100,000) | 2,483,237 |
| Jeffrey Forbes*** | 31,237 | 64,583 | - | (31,488) | NA |
| Trevor Johnson | 1,600,001 | 26,240 | - | - | 1,626,241 |
| Senior Executives | | | | | |
| Roger Collins-Woolcock | 749,198 | 596,121 | 146 | (564,633) | 780,832 |
| Jean-Francois Floury | 86 | - | 146 | - | 232 |
| Paul Gardiner | 971,458 | 31,488 | 146 | (120,000) | 883,092 |
| Michael Renshaw | 251,459 | 91,965 | 146 | (60,477) | 283,093 |
| Kylie Sprott | 6,225 | - | 146 | - | 6,371 |
| Ross Thompson | 11,437 | - | 146 | - | 11,583 |
| Graham Yerbury | - | 5,850 | - | - | 5,850 |

* John Massey resigned as a director on 18 October 2012

** Grant Murdoch was appointed as a director on 1 January 2013

*** Jeffrey Forbes resigned as a director on 6 March 2013

NA = Not Applicable

| 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 Sprott | 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

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.

Notes to the Consolidated Financial Statements

CARDNO LIMITED AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2013

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:

| | 2013 | 2012 |
|---------------------------------------|----------------|----------------|
| | \$'000 | \$'000 |
| Financial assets | | |
| Cash and cash equivalents | 90,635 | 107,856 |
| Trade and other receivables | 203,779 | 176,041 |
| Investments in non-related entities | 1,652 | 783 |
| | 296,066 | 284,680 |
| Financial liabilities | | |
| Trade and other payables | 150,952 | 130,632 |
| Interest-bearing loans and borrowings | 241,728 | 198,842 |
| | 392,680 | 329,474 |

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.

In line with the Treasury policy, investments are allowed only in liquid securities and only with counterparties that have a credit rating equal to or better than a rating approved by the Audit, Risk & Compliance Committee (ARCC). The Treasury policy is reviewed by the ARCC annually.

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:

| | 2013 | 2012 |
|-------------------------|----------------|----------------|
| | \$'000 | \$'000 |
| Australia & New Zealand | 64,544 | 62,830 |
| Americas | 110,282 | 88,608 |
| Asia Pacific | 16,436 | 13,020 |
| Europe & Africa | 6,303 | 5,211 |
| | 197,565 | 169,669 |

Notes to the Consolidated Financial Statements

CARDNO LIMITED AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2013

32. FINANCIAL RISK MANAGEMENT continued

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

| | 2013 | | 2012 | |
|-------------------------------------|-----------------|----------------------|-----------------|----------------------|
| | Gross \$'000 | Impairment \$'000 | Gross \$'000 | Impairment \$'000 |
| Not past due (current) | 123,904 | - | 96,743 | - |
| Past due 0-30 days (30 day ageing) | 34,912 | - | 41,904 | - |
| Past due 31-60 days (60 day ageing) | 17,473 | - | 13,973 | - |
| Past due more than 60 days | 34,054 | 12,777 | 28,527 | 11,477 |
| | 210,343 | 12,777 | 181,147 | 11,477 |

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

| | 2013 \$'000 | 2012 \$'000 |
|------------------------------------|----------------|----------------|
| Balance at 1 July | 11,477 | 6,376 |
| Impairment loss recognised | 4,104 | 3,757 |
| Receivables written off | (4,776) | (2,551) |
| Increase through entities acquired | 1,621 | 3,671 |
| Effect of foreign exchange | 351 | 224 |
| Balance at 30 June | 12,777 | 11,477 |

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 2013 | 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 | 150,952 | 150,952 | 150,952 | - | - |
| Finance leases & hire purchase | 7,412 | 9,109 | 2,658 | 6,451 | - |
| Bank loans* | 234,316 | 247,045 | 5,225 | 241,820 | - |
| | 392,680 | 407,106 | 158,835 | 248,271 | - |

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

Notes to the Consolidated Financial Statements

CARDNO LIMITED AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2013

32. FINANCIAL RISK MANAGEMENT continued

| 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 | 207,754 | 4,370 | 203,384 | - |
| | 329,474 | 345,926 | 137,539 | 208,387 | - |

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.

Cardno borrows funds in foreign currencies to hedge its net investments in foreign operations. Cardno has loans totalling \$225.4 million (2012: \$184.2 million) denominated in US dollars (USD) and \$9.1 million (2012: \$9.8 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 2013, a 10 per cent strengthening of the Australian dollar against the USD and GBP would have increased equity by \$20.5 million (2012: \$16.7 million) and \$0.8 million (2012: \$0.9 million) respectively. A 10 per cent weakening of the Australian dollar against the USD and GBP would have decreased equity by \$25.0 million (2012: \$20.5 million) and \$1.0 million (2012: \$1.1 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:

| | June 2013 | | June 2012 | |
|----------------------------------|-------------------------|------------------|-------------------------|-----------------|
| | Effective Interest Rate | Balance \$'000 | Effective Interest Rate | Balance \$'000 |
| Variable rate instruments | | | | |
| Cash assets | 1.38% | 90,635 | 1.72% | 107,856 |
| Bank loans | 2.23% | (233,283) | 2.20% | (192,614) |
| | | (142,648) | | (84,758) |
| Fixed rate instruments | | | | |
| Finance leases & hire purchase | 6.95% | (7,412) | 7.61% | (6,125) |
| Bank loans | 3.44% | (1,033) | 2.77% | (103) |
| | | (8,445) | | (6,228) |

Notes to the Consolidated Financial Statements

CARDNO LIMITED AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2013

32. FINANCIAL RISK MANAGEMENT continued

Market risk continued

Group sensitivity

At 30 June 2013, 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 \$499,000 higher/lower (2012: \$297,000 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.

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 2013

(a) Subsidiaries acquired

| 2013 | Country of Incorporation | Principal Activity | Effective Acquisition Date | Proportion of Shares Acquired (%) |
|--|--------------------------|--|----------------------------|-----------------------------------|
| Marshall Miller & Associates Inc | USA | Mining Energy and Environmental Services | 1 July 2012 | 100 |
| EM-Assist Inc | USA | Environmental Services & Compliance Management | 1 July 2012 | 100 |
| Better Technical Options Ltd | New Zealand | Water & Waste Water Treatment Engineering | 1 August 2012 | 100 |
| Hard & Forester Pty Ltd | Australia | Survey | 1 October 2012 | 100 |
| ChemRisk LLC | USA | Environmental Services | 1 December 2012 | 100 |
| Caminosca S.A. | Ecuador | Engineering Consultancy | 1 December 2012 | 100 |
| Geotech Materials Testing Services Pty Ltd | Australia | Infrastructure Services | 1 February 2013 | 100 |

In the Group's Americas and Software segment, Marshall Miller & Associates, Inc (MM&A) was acquired to increase Cardno's expertise in mining engineering, mine reserve evaluation, oil and gas exploration, feasibility studies and due diligence services for mining and resource projects. The acquisition of EM-Assist, Inc further expands the Group's expertise in environmental management in both the defence and private sector markets. The ChemRisk, LLC acquisition provides Cardno with an international platform for environmental risk consulting, while Caminosca S.A. significantly expands Cardno's South American portfolio and will play an important role in Cardno's diversification strategy.

In the Group's Australia and New Zealand segment, Better Technical Options Ltd (BTO) and Hard & Forester Pty Ltd were acquired to expand Cardno's water and waste water treatment, as well as the Group's survey capabilities. The acquisition of Geotech Materials Testing Services Pty Ltd (GMTS) will allow Cardno to build on its current construction materials testing, geotechnical engineering, and environmental testing capabilities in Australia.

Notes to the Consolidated Financial Statements

CARDNO LIMITED AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2013

33. BUSINESS COMBINATIONS continued

(a) Subsidiaries acquired continued

The acquired businesses contributed revenue and net profit after tax (NPAT) to the Group for the year ended 30 June 2013 as follows:

| 2013 | Revenues Contributed (\$) | NPAT Contributed (\$) |
|--|---------------------------------|-----------------------------|
| Marshall Miller & Associates Inc | 27,057,488 | 1,582,929 |
| EM-Assist Inc & Caminosca S.A. | 30,430,174 | 3,098,739 |
| Better Technical Options Ltd and Hard & Forester Pty Ltd | 10,645,704 | 1,782,362 |
| ChemRisk LLC | 12,452,874 | 1,309,513 |
| Geotech Materials Testing Services Pty Ltd | 12,669,645 | 2,380,438 |

If all of the acquisitions during the year ended 30 June 2013 had occurred on 1 July 2012, the Group's revenue and NPAT for the year would have been \$1,240,447,942 and \$85,404,750 respectively.

(b) Purchase consideration

| 2013 | Americas & Software | | | Australia & New Zealand | |
|--------------------------|---------------------|--------------------------|---------------|-------------------------|----------------------------|
| | MM&A | EM-Assist & Caminosca | ChemRisk | GMTS | Hard & Forester and BTO |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Cash | 25,415 | 20,991 | 24,333 | 17,467 | 10,229 |
| Deferred settlement | 2,788 | 6,471 | 2,877 | 764 | - |
| Contingent consideration | 2,998 | 5,347 | 3,357 | 7,988 | 1,237 |
| Total | 31,201 | 32,809 | 30,567 | 26,219 | 11,466 |

Deferred and contingent purchase considerations

Purchase consideration of MM&A includes deferred settlement of USD\$2,790,000 which is payable 18 months after completion. Cardno Limited has also agreed to pay the selling shareholders of MM&A additional consideration of USD\$3,000,000 if the acquiree's earnings before interest, tax, depreciation and amortisation (EBITDA) on a stand alone basis over the period 1 August 2012 to 31 July 2013 is USD\$6,400,000 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 EBITDA is between USD\$5,800,000 and USD\$6,400,000 the payment will be pro-rated.

Purchase consideration of EM-Assist includes a deferred settlement of USD\$1,250,000 which is payable 18 months after completion. Cardno Limited has also agreed to pay the selling shareholders of EM-Assist additional consideration of USD\$1,500,000 if the acquiree's EBITDA on a stand alone basis over the period 1 July 2012 to 30 June 2013 is USD\$2,800,000 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 EBITDA is between USD\$2,200,000 and USD\$2,800,000 the payment will be pro-rated.

Cardno Limited has agreed to pay the selling shareholders of BTO additional consideration of NZD\$527,898 if the acquiree's earnings before interest and tax (EBIT) on a stand alone basis over the period 1 August 2012 to 31 July 2013 is NZD\$1,125,000 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 EBIT is between NZD\$960,000 and NZD\$1,125,000 the payment will be pro-rated.

Cardno Limited has agreed to pay the selling shareholders of Hard & Forester additional consideration of \$830,000 if the acquiree's EBIT on a stand alone basis over the period 1 October 2012 to 30 September 2013 is \$2,000,000 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 EBIT is between \$1,800,000 and \$2,000,000 the payment will be pro-rated.

ChemRisk's purchase consideration includes a deferred settlement of USD\$3,000,000 which is payable 18 months after completion. Cardno Limited has also agreed to pay the selling shareholders of ChemRisk additional consideration of USD\$3,500,000 if the acquiree's EBITDA on a stand alone basis over the period 1 December 2012 to 30 November 2013 is USD\$6,100,000 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 EBITDA is between USD\$4,900,000 and USD\$6,100,000 the payment will be pro-rated.

Notes to the Consolidated Financial Statements

CARDNO LIMITED AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2013

33. BUSINESS COMBINATIONS continued

(b) Purchase consideration continued

The purchase consideration for GMTS includes a deferred settlement of \$763,660 which is payable 24 months after completion. Cardno Limited has also agreed to pay the selling shareholders of GMTS additional consideration of \$7,987,500 if the acquiree's EBIT on a stand alone basis over the period 1 February 2013 to 31 January 2014 is \$7,130,000 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 EBIT is between \$5,000,000 and \$7,130,000 the payment will be pro-rated.

The purchase consideration of Caminosca includes a deferred settlement of USD\$1,000,000 which is payable 24 months after completion. Cardno Limited has also agreed to pay the selling shareholders of Caminosca additional consideration of USD\$4,000,000 if the acquiree's EBIT on a stand alone basis over the period 1 December 2012 to 30 November 2013 is USD\$3,500,000 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 EBIT is between USD\$2,700,000 and USD\$3,500,000 the payment will be pro-rated. Deferred consideration in respect of Caminosca also includes an amount of USD\$4,428,516 which is expected to be paid during the 2014 financial year. Under the terms of the acquisition the vendors are required to use these proceeds to subscribe for Cardno shares.

Acquisition of ordinary shares in Cardno Limited

At the time of acquisition, the vendors of each acquiree were required to use a portion of the cash consideration paid to subscribe for ordinary shares in Cardno Limited. A summary of the number and fair value of ordinary shares issued in relation to each acquisition during 2013 is set out below:

| 2013 | Shares subscribed in Cardno Limited (\$) | Fair Value of Shares Issued (\$) | Shares Issue Date |
|--|--|--|-------------------|
| Marshall Miller & Associates Inc | 2,121,433 | 7.53 | 4 July 2012 |
| EM-Assist Inc | 366,624 | 7.53 | 4 July 2012 |
| Better Technical Options Ltd | 593,299 | 8.28 | 27 August 2012 |
| Hard & Forester Pty Ltd | 1,964,030 | 7.83 | 6 November 2012 |
| ChemRisk LLC | 8,258,800 | 6.06 | 10 December 2012 |
| Geotech Materials Testing Services Pty Ltd | 4,303,086 | 6.91 | 20 February 2013 |

The Fair value of the ordinary shares issued for each acquisition was based on the 10 day volume weighted average price (VWAP).

(c) Assets acquired and liabilities assumed at the date of acquisition

| 2013 | Americas & Software | | | Australia & New Zealand | |
|---|---------------------|------------------------------------|--------------------|-------------------------|--------------------------------------|
| | MM&A \$'000 | EM-Assist & Caminosca \$'000 | ChemRisk \$'000 | GMTS \$'000 | Hard & Forester and BTO \$'000 |
| Cash | 1,899 | 9,813 | 225 | 3,972 | 1,006 |
| Receivables | 5,191 | 7,759 | 7,969 | 5,123 | 2,259 |
| Property, plant and equipment | 2,004 | 1,101 | 769 | 2,299 | 1,118 |
| Inventories | 3,350 | 10,802 | 82 | - | 284 |
| Deferred taxes | 677 | (1,336) | - | (577) | 437 |
| Intangible assets | 961 | 3,159 | 1,754 | 2,749 | - |
| Creditors & borrowings | (3,165) | (17,188) | (2,314) | (1,417) | (1,422) |
| Provisions | (542) | (5,742) | (230) | (3,668) | (1,640) |
| Fair value of net identifiable assets acquired | 10,375 | 8,368 | 8,255 | 8,481 | 2,042 |

Notes to the Consolidated Financial Statements

CARDNO LIMITED AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2013

33. BUSINESS COMBINATIONS continued

(d) Goodwill arising on acquisition

| 2013 | Americas & Software | | | Australia & New Zealand | |
|--|---------------------|-----------------------|---------------|-------------------------|-------------------------|
| | MM&A | EM-Assist & Caminosca | ChemRisk | GMTS | Hard & Forester and BTO |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Consideration transferred | 31,201 | 32,809 | 30,567 | 26,219 | 11,466 |
| Less: fair value of net identifiable assets acquired | (10,375) | (8,369) | (8,254) | (8,481) | (2,042) |
| Goodwill arising on acquisition | 20,826 | 24,440 | 22,313 | 17,738 | 9,424 |

The goodwill recognised in relation to the acquisitions is attributable to the skills and technical talent of the employees of the acquisition and the synergies expected to be achieved from integrating the businesses into the Group's existing operations. Goodwill is not expected to be deductible for tax.

(e) Net cash outflow on acquisition of subsidiaries

| | 2013 \$'000 |
|-------------------------|----------------|
| Cash consideration paid | 98,435 |
| Cash balance acquired | (16,915) |
| Outflow of cash | 81,520 |

Year Ended 30 June 2012

(a) Subsidiaries acquired

| 2012 | Country of Incorporation | Principal Activity | Effective Acquisition Date | Proportion of Shares Acquired (%) |
|---------------------------------------|--------------------------|--|----------------------------|-----------------------------------|
| Lane Piper Pty Ltd | Australia | Environmental Services | 1 September 2011 | 100 |
| Geotech Solutions Pty Ltd | Australia | Geotechnical Services | 1 October 2011 | 100 |
| TEC Inc | USA | Environmental Services | 1 October 2011 | 100 |
| Humphrey Reynolds Perkins (HRP) Group | Australia | Multidisciplinary Consultancy Services | 1 November 2011 | 100 |
| ATC Associates Inc | USA | Environmental Services | 1 March 2012 | 100 |

In FY2012, both TEC, Inc and ATC Associates Inc were acquired to further strengthen Cardno's exposure to the USA environmental and natural resources management market and both are highly complementary to Cardno's existing businesses in the region. Geotech Solutions Pty Ltd was acquired to expand the Group's geotechnical engineering and construction materials testing capabilities.

Lane Piper Pty Ltd was acquired to continue the growth of the Group's environmental and geotechnical businesses around Australia and internationally while HRP was acquired to facilitate further growth and cross selling with the Group's well established Queensland multidisciplinary consultancy services in the transport, urban infrastructure and resources markets.

The acquired business contributed revenue and net profit after tax (NPAT) to the Group for the year ended 30 June 2012 as follows:

| 2012 | Revenues Contributed (\$) | NPAT Contributed (\$) |
|-------------------------------------|---------------------------|-----------------------|
| Lane Piper, Geotech Solutions & HRP | 16,722,466 | 2,370,625 |
| TEC, Inc | 45,850,310 | 2,806,043 |
| ATC Associates Inc | 65,645,626 | 2,342,895 |

If all of the acquisitions during the year ended 30 June 2012 had occurred on 1 July 2011, the Group's revenue and NPAT for the year would have been \$1,116,465,310 and \$78,530,302 respectively.

Notes to the Consolidated Financial Statements

CARDNO LIMITED AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2013

33. BUSINESS COMBINATIONS continued

(b) Purchase consideration

| 2012 | Americas & Software | | Australia & New Zealand |
|--------------------------|---------------------|---------------|---------------------------|
| | TEC | ATC | Lane Piper, HRP & Geotech |
| | \$'000 | \$'000 | \$'000 |
| Cash | 45,716 | 90,864 | 19,651 |
| Deferred settlement | 648 | 4,646 | - |
| Contingent consideration | 8,551 | - | 1,373 |
| Total | 54,915 | 95,510 | 21,024 |

Deferred and contingent purchase considerations

Purchase consideration for the acquisitions of TEC includes a deferred settlement of USD\$563,636 which is payable 24 months after completion. Cardno Limited also agreed to pay the selling shareholders of TEC additional consideration of USD\$8,330,000 if the acquiree's EBITDA on a stand alone basis over the period 2 October 2011 to 28 September 2012 was USD\$7,200,000 or more. This was achieved and paid during the year ended 30 June 2013.

Purchase consideration for the acquisition of ATC included a deferred settlement of USD\$5,000,000 which is payable 18 months after completion in the year ending 30 June 2014.

Cardno Limited had agreed to pay the selling shareholders of Lane Piper additional consideration of \$1,000,000 if the acquiree's EBIT on a stand alone basis over the period 1 September 2011 to 31 August 2012 was \$1,100,000 or more. This was achieved and paid during the year ended 30 June 2013.

Cardno Limited had also agreed to pay the selling shareholders of Geotech Solutions additional consideration of \$373,215 if the acquiree's EBIT on a stand alone basis over the period 1 October 2011 to 30 September 2012 was \$500,000 or more. This was achieved and paid during the year ended 30 June 2013.

Acquisition of ordinary shares in Cardno Limited

At the time of acquisition, the vendors of each acquiree were required to use a portion of the cash consideration received to subscribe for ordinary shares in Cardno Limited. A summary of the number and fair value of the ordinary shares issued in relation to each acquisition during 2012 is set out below:

| 2012 | Shares subscribed in Cardno Limited (\$) | Fair Value of Shares Issued (\$) | Shares Issue Date |
|---------------------------------------|--|--|-------------------|
| Lane Piper Pty Ltd | 1,074,304 | 5.15 | 19 September 2011 |
| Geotech Solutions Pty Ltd | 281,698 | 4.69 | 21 October 2011 |
| TEC Inc | 6,425,389 | 4.83 | 13 February 2012 |
| Humphrey Reynolds Perkins (HRP) Group | 3,312,499 | 5.34 | 25 November 2011 |
| ATC Associates Inc | 572,992 | 5.68 | 29 February 2012 |

The fair value of the ordinary shares issue for each acquisition was based on the 10 day volume weighted average price (VWAP).

Notes to the Consolidated Financial Statements

CARDNO LIMITED AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2013

33. BUSINESS COMBINATIONS continued

(c) Assets acquired and liabilities assumed at the date of acquisition

| 2012 | Americas & Software | | Australia & New Zealand |
|---|---------------------|---------------|---------------------------|
| | TEC | ATC | Lane Piper, HRP & Geotech |
| | \$'000 | \$'000 | \$'000 |
| Cash | 4,185 | 106 | 2,980 |
| Receivables | 11,170 | 31,402 | 3,657 |
| Property, plant and equipment | 649 | 3,133 | 1,680 |
| Inventories | - | 13,087 | 320 |
| Deferred taxes | 1,164 | 334 | - |
| Intangible assets | 4,544 | 2,078 | - |
| Creditors & borrowings | (7,811) | (18,660) | (3,944) |
| Provisions | (601) | (9,084) | (1,107) |
| Fair value of net identifiable assets acquired | 13,300 | 22,396 | 3,586 |

(d) Goodwill arising on acquisition

| 2012 | Americas & Software | | Australia & New Zealand |
|--|---------------------|---------------|---------------------------|
| | TEC | ATC | Lane Piper, HRP & Geotech |
| | \$'000 | \$'000 | \$'000 |
| Consideration transferred | 54,915 | 95,510 | 21,024 |
| Less: fair value of net identifiable assets acquired | (13,300) | (22,366) | (3,586) |
| Goodwill arising on acquisition | 41,615 | 73,144 | 17,438 |

The goodwill recognised in relation to the 2012 acquisitions is attributable to the skills and technical talent of the employees of the acquisition and the synergies expected to be achieved from integrating the businesses into the Group's existing operations. Goodwill relating to the acquisition of TEC is expected to be deductible for tax. Goodwill relating to the other acquisitions is not expected to be deductible for tax purposes.

(e) Net cash outflow on acquisition of subsidiaries

| | 2012 \$'000 |
|-------------------------|----------------|
| Cash consideration paid | 156,231 |
| Cash balance acquired | (7,271) |
| Outflow of cash | 148,960 |

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.
- > Emerging Markets – manages aid projects on behalf of unilateral and multilateral government agencies and private clients.

Notes to the Consolidated Financial Statements

CARDNO LIMITED AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2013

34. SEGMENT INFORMATION continued

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

| 2013 | Professional Services Australia & New Zealand \$'000 | Professional Services Americas & Software \$'000 | Emerging Markets \$'000 | Total \$'000 |
|---|---|---|-------------------------------|-----------------|
| Segment revenue | | | | |
| Fees from services and sale of goods | 361,003 | 447,653 | 80,789 | 889,445 |
| Fees from recoverable expenses | 52,431 | 160,139 | 93,387 | 305,957 |
| Inter-segment revenue | - | (468) | (3,007) | (3,475) |
| External sales | 413,434 | 607,324 | 171,169 | 1,191,927 |
| Other income | 320 | 501 | 1,183 | 2,004 |
| Total segment revenue | 413,754 | 607,825 | 172,352 | 1,193,931 |
| Segment profit before financing costs | 55,120 | 59,155 | 5,493 | 119,768 |
| Segment assets | 348,288 | 650,541 | 98,496 | 1,097,325 |
| Segment liabilities | 86,895 | 120,020 | 42,531 | 249,446 |
| Other | | | | |
| Acquisitions of non-current assets | 38,359 | 78,119 | 862 | 117,340 |
| Depreciation and amortisation of assets | 10,683 | 12,508 | 470 | 23,661 |

| 2012 | Professional Services Australia & New Zealand \$'000 | Professional Services Americas & Software \$'000 | Emerging Markets \$'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 profit 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 |

Notes to the Consolidated Financial Statements

CARDNO LIMITED AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2013

34. SEGMENT INFORMATION continued

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

| | 2013 \$'000 | 2012 \$'000 |
|--|------------------|----------------|
| Revenues | | |
| Total revenue for reportable segments | 1,193,931 | 963,946 |
| Interest revenue | 1,421 | 1,874 |
| Consolidated revenue | 1,195,352 | 965,820 |
| Profit or loss | | |
| Reportable segment result before net financing costs | 119,768 | 110,515 |
| Interest Revenue | 1,421 | 1,874 |
| Finance costs | (7,611) | (7,500) |
| Other corporate (costs)/gains | (9,556) | 153 |
| Profit before tax | 104,022 | 105,042 |
| Income tax expense | (26,383) | (30,874) |
| Profit after tax | 77,639 | 74,168 |
| Assets | | |
| Total assets for reportable segments | 1,097,325 | 914,603 |
| Other assets | 26,705 | 31,386 |
| Unallocated assets | 10,210 | 12,760 |
| Consolidated total assets | 1,134,240 | 958,749 |
| Liabilities | | |
| Total liabilities for reportable segments | 249,446 | 180,844 |
| Bank loans unallocated | 250,361 | 194,012 |
| Other unallocated liabilities | 1,909 | 35,008 |
| Consolidated total liabilities | 501,716 | 409,864 |

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.

| | 2013 | | 2012 | |
|-------------------------|--------------------|--|--------------------|--|
| | Revenues \$'000 | Total Non-Current Assets \$'000 | Revenues \$'000 | Total Non-Current Assets \$'000 |
| Australia & New Zealand | 477,173 | 265,466 | 421,173 | 230,846 |
| Americas | 638,859 | 388,451 | 491,614 | 301,258 |
| Asia Pacific | 56,194 | 14,213 | 26,129 | 285 |
| UK & Africa | 21,705 | 19,385 | 25,030 | 18,440 |
| Other segments | - | 9,981 | - | 12,514 |
| | 1,193,931 | 697,496 | 963,946 | 563,343 |

Notes to the Consolidated Financial Statements

CARDNO LIMITED AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2013

35. PARENT ENTITY DISCLOSURES

As at, and throughout, the financial year ending 30 June 2013 the parent Company of Cardno was Cardno Limited.

| | Company | |
|--|----------------|----------------|
| | 2013 \$'000 | 2012 \$'000 |
| Results of the parent entity | | |
| Profit for the year | 37,142 | 88,244 |
| Other comprehensive income | - | - |
| Total comprehensive income for the year | 37,142 | 88,244 |
| Financial position of the parent entity at year end | | |
| Current assets | 453,622 | 397,454 |
| Total assets | 690,532 | 621,852 |
| Current liabilities | 128,891 | 86,013 |
| Total liabilities | 128,891 | 86,013 |
| Total equity of the parent entity comprising of: | | |
| Share capital | 500,374 | 460,948 |
| Revaluation reserve | - | - |
| Retained earnings | 61,267 | 74,891 |
| Total equity | 561,641 | 535,839 |
| Parent entity contingencies | | |
| Bank guarantees | 2,070 | 2,290 |

A multiple guarantee facility is available to Cardno totalling \$19 million (2012: \$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 2013

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 2013 is set out as follows:

| | 2013 | 2012 |
|---|----------------|----------------|
| | \$'000 | \$'000 |
| Revenue | 440,186 | 395,664 |
| Employee expenses | (208,113) | (168,194) |
| Consumables and materials used | (114,497) | (82,989) |
| Sub-consultant and contractor costs | (46,669) | (36,868) |
| Depreciation and amortisation expenses | (67) | (31) |
| Finance costs | (6,326) | (6,836) |
| Other expenses | 3,864 | 4,078 |
| Profit before income tax | 68,378 | 104,824 |
| Income tax expense | (14,601) | (9,702) |
| Net profit for the year | 53,777 | 95,122 |
| Other comprehensive income for the year | 7,848 | 2,011 |
| Total comprehensive income for the year | 61,625 | 97,133 |
| Retained earnings at the beginning of the year | 89,259 | 37,625 |
| Transfers to and from reserves | (7,848) | (2,011) |
| Dividends recognised during the year | (50,766) | (43,488) |
| Retained earnings at the end of the year | 92,270 | 89,259 |
| Attributable to: | | |
| Owners of the Company | 92,270 | 89,259 |

Notes to the Consolidated Financial Statements

CARDNO LIMITED AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2013

36. DEED OF CROSS GUARANTEE continued

Statement of financial position

| | 2013 \$'000 | 2012 \$'000 |
|---------------------------------------|------------------|----------------|
| Current Assets | | |
| Cash and cash equivalents | 28,810 | 26,190 |
| Trade and other receivables | 808,636 | 534,496 |
| Inventories | 29,466 | 28,804 |
| Other current assets | 1,733 | 772 |
| Total Current Assets | 868,645 | 590,262 |
| Non-Current Assets | | |
| Other financial assets | 393,303 | 348,738 |
| Property, plant and equipment | 229 | 152 |
| Deferred tax assets | 11,545 | 7,549 |
| Intangible assets | 41,849 | 41,849 |
| Other non-current assets | 413 | 881 |
| Total Non-Current Assets | 447,339 | 399,169 |
| Total Assets | 1,315,984 | 989,431 |
| Current Liabilities | | |
| Trade and other payables | 428,730 | 197,096 |
| Interest-bearing loans and borrowings | 234,442 | - |
| Current tax liabilities | 12,580 | 13,061 |
| Short term provisions | 14,508 | 13,071 |
| Other current liabilities | 10,494 | 9,361 |
| Total Current Liabilities | 700,754 | 232,589 |
| Non-Current Liabilities | | |
| Interest-bearing loans and borrowings | - | 194,012 |
| Deferred tax liabilities | 5,864 | 6,231 |
| Long term provisions | 10,818 | 8,304 |
| Other non-current liabilities | - | 34 |
| Total Non-Current Liabilities | 16,682 | 208,581 |
| Total Liabilities | 717,436 | 441,170 |
| Net Assets | 598,548 | 548,261 |
| Equity | | |
| Issued capital | 500,388 | 460,949 |
| Reserves | 5,890 | (1,947) |
| Retained earnings | 92,270 | 89,259 |
| Total Equity | 598,548 | 548,261 |

Notes to the Consolidated Financial Statements

CARDNO LIMITED AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2013

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% |

Notes to the Consolidated Financial Statements

CARDNO LIMITED AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2013

37. CONTROLLED ENTITIES continued

| Name | Country of Incorporation | Equity Holding |
|--|---------------------------------|-----------------------|
| 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% |
| Marshall Miller & Associates, Inc | United States of America | 100% |
| EMAssist LLC | United States of America | 100% |
| Better Technical Options Limited | New Zealand | 100% |
| Hard & Forester Pty Ltd | Australia | 100% |
| ChemRisk LLC | United States of America | 100% |
| Caminosca S.A. | Ecuador | 100% |
| Geotech Materials Testing Services Pty Ltd | Australia | 100% |

Directors' Declaration

CARDNO LIMITED AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2013

1. In the opinion of the Directors of Cardno Limited (the Company):
 - (a) the consolidated financial statements and notes set out on pages 61 to 105 and the Remuneration Report in section 11 of the Directors' Report, set out on pages 45 to 58, 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 2013 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 2013.
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 19th day of August 2013.

Signed in accordance with a resolution of the Directors.



JOHN MARLAY

Chairman

Independent Auditor's Report



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 2013, 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.

Independent Auditor's Report continued



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 2013 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 in section 11 of the Directors' Report for the year ended 30 June 2013. 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 2013, complies with Section 300A of the *Corporations Act 2001*.

A handwritten signature in black ink that reads 'Kpmg'.

KPMG

A handwritten signature in black ink that reads 'Robert S. Jones'.

Robert S Jones
Partner

Brisbane
19 August 2013

Additional Shareholder Information

CARDNO LIMITED AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2013

DISTRIBUTION OF ORDINARY SHAREHOLDERS

The number of shareholders, by size of holding, as at 15 August 2013 were:

| | Ordinary Shares | |
|--------------------|-------------------|--------------------|
| | Number of Holders | Number of Shares |
| 1 – 1,000 | 7,836 | 2,614,533 |
| 1,001 – 5,000 | 4,324 | 10,734,302 |
| 5,001 – 10,000 | 1,152 | 8,336,490 |
| 10,001 – 100,000 | 1,103 | 27,484,245 |
| 100,001 – and over | 105 | 94,556,757 |
| Total | 14,520 | 143,726,327 |

As at 15 August 2013 there were 919 shareholders who held less than a marketable parcel of 79 shares.

TWENTY LARGEST ORDINARY SHAREHOLDERS

The number of the twenty largest holders as at 15 August 2013 were:

| | Listed Ordinary Shares | |
|---|------------------------|---------------|
| | Number Held | Percentage |
| J P Morgan Nominees Australia Limited | 16,602,181 | 11.55% |
| HSBC Custody Nominees (Australia) Limited | 13,729,628 | 9.55% |
| National Nominees Limited | 13,233,934 | 9.21% |
| RBC Investor Services Australia Nominees Pty Limited <PIPOOLED A/C> | 5,930,670 | 4.13% |
| Citicorp Nominees Pty Limited | 4,659,866 | 3.24% |
| BNP Paribas Noms Pty Ltd <DRP> | 3,917,216 | 2.73% |
| Andrew Buckley | 2,483,237 | 1.73% |
| Citicorp Nominees Pty Limited <Colonial First State Inv A/C> | 1,937,956 | 1.35% |
| Bailey Engineering Pty Ltd <Gatling A/C> | 1,809,752 | 1.26% |
| J P Morgan Nominees Australia Limited <Cash Income A/C> | 1,737,197 | 1.21% |
| Trevor Johnson | 1,626,241 | 1.13% |
| ChemRisk Inc | 1,053,180 | 0.73% |
| Milton Corporation Limited | 959,966 | 0.67% |
| Mr Malcolm David Pound | 903,284 | 0.63% |
| Graham Tamblyn | 874,637 | 0.61% |
| Paul Gardiner | 883,092 | 0.61% |
| Patrick L Beyer & William E Crown III <Patrick L Beyer G R A A/C> | 790,000 | 0.55% |
| Roger John Kenneth Collins-Woolcock | 780,832 | 0.54% |
| Anne Felicity Phillips | 780,000 | 0.54% |
| R A Young Investments Pty Ltd <Young Super Fund A/C> | 770,000 | 0.54% |
| Total | 75,462,869 | 52.51% |

Additional Shareholder Information

CARDNO LIMITED AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2013

SUBSTANTIAL SHAREHOLDERS

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

| | Number Held | Percentage |
|------------------------------------|--------------------|-------------------|
| Perpetual Limited and subsidiaries | 13,398,961 | 9.32% |
| Denver Investments | 8,662,876 | 6.03% |

VOTING RIGHTS

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

ESCROWED SHARES

There are currently 2,739,304 ordinary shares held in escrow. This is approximately 1.91 per cent of the company's issued share capital. The details are as follows:-

- > 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 per cent 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 0.03 per cent 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 per cent 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 per cent of the company's issued share capital.
- > In accordance with the Share Sale Agreement between Cardno Limited and the shareholders of Hard & Forester Pty Ltd completed on 6 November 2012, ordinary shares issued as part of the purchase price are escrowed for a period of 18 months to 6 May 2014. This agreement affects 250,908 shares, being approximately 0.175 per cent of the company's issued share capital.
- > In accordance with the Share Sale Agreement between Cardno Limited and the shareholders of ChemRisk LLC completed on 10 December 2012, ordinary shares issued as part of the purchase price are escrowed for a period of 18 months to 10 June 2014. This agreement affects 1,363,070 shares, being approximately 0.95 per cent of the company's issued share capital.
- > In accordance with the Share Sale Agreement between Cardno Limited and the shareholders of Geotech Material Testing Services Pty Ltd completed on 20 February 2013, ordinary shares issued as part of the purchase price are escrowed for a period of 18 months to 20 August 2014. This agreement affects 622,544 shares, being approximately 0.433 per cent of the company's issued share capital.

Additional Shareholder Information

CARDNO LIMITED AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2013

OPTIONS

As at 15 August 2013 the details of Performance Options on issue are as follows:

| Number of Option Holders | Number of Options on Issue |
|---------------------------------|-----------------------------------|
| 504 | 7,282,274 |

VOTING RIGHTS OF OPTIONS

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

RIGHTS

As at 15 August 2013 the details of Performance Rights on issue are as follows:

| Number of Rights Holders | Number of Rights on Issue |
|---------------------------------|----------------------------------|
| 711 | 2,761,165 |

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

Trevor Johnson

Ian Johnston

Grant Murdoch

Chief Financial Officer

Graham Yerbury

Company Secretary

Michael Pearson

Registered office

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Bankers

HSBC Bank Australia Limited
Commonwealth Bank of Australia
National Australia Bank
Westpac Banking Corporation

BUILDINGS

LAND

COASTAL AND OCEAN

ENVIRONMENT

EMERGING MARKETS

MANAGEMENT SERVICES

MINING AND ENERGY

TRANSPORTATION

WATER

DEFENCE

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