



2015
CARDNO
ANNUAL
REPORT





CARDNO'S VISION

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

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**



IN 2015, CARDNO CELEBRATES
70 YEARS OF OPERATIONS

At the end of WWII, engineers Gerry Cardno and Harold Davies combined their expertise to establish the Brisbane-based consultancy - Cardno & Davies. Cardno today has more than 8,000 staff worldwide, delivering physical, environmental and social infrastructure projects in more than 100 countries. We have much to celebrate in our history, and our future.

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The Company's Corporate Governance Statement can be viewed on the website at www.cardno.com/corporategovernance

Cover:

Left: Cardno restored riverine wetland habitat along a portion of the Hudson River in New York.

Centre: Cardno's dedicated professionals promote sustainable economic development and improve the wellbeing of people in developing countries.

Right: Cardno provided civil, structural and traffic engineering, as well as town planning services to Australia's largest and most advanced paediatric facility, the Lady Cilento Children's Hospital in Brisbane, Queensland.

Opposite:

Cardno delivered construction materials testing for the Bruce Highway Upgrade in South East Queensland.

PERFORMANCE

Cardno achieved a net operating profit after tax of A\$50.3 million, a 35.6 per cent decrease compared to the 2014 financial year. Reflecting the impact of goodwill impairment in the Americas and a write-down of our investment in Ecuador, we recorded a net loss after tax of \$145.2 million.

FIVE YEAR PERFORMANCE (A\$M)

	2011	2012	2013	2014	2015
Gross Revenue	831.2	965.8	1,195.4	1,309.6	1,426.9
EBITDA (i)	100.2	128.7	138.0	141.7	108.4
EBIT	88.0	111.1	114.3	115.2	(148.4)
NPAT	58.8	74.2	77.6	78.1	(145.2)
NOPAT (ii)	58.8	74.2	77.6	78.1	50.3
Operating Cash Flow	73.5	72.6	95.7	84.6	48.1
EPS - basic (cents)	56.29	61.73	55.09	52.04	(88.32)
NOPAT EPS - basic (cents)	56.29	61.73	55.09	52.04	30.59
Dividends per share (cents)	34.0	36.0	36.0	36.0	20.0

SEGMENT GROSS REVENUE (iii)

Americas	510.3	522.0	664.2	774.4	928.9
Asia Pacific	319.0	441.9	529.8	534.2	497.5

SEGMENT RESULT (before financing costs and taxation) (iii)

Americas	54.5	51.9	59.8	63.2	(178.2)
Asia Pacific	35.5	58.5	62.2	56.4	38.8

(i) EBITDA = EBIT plus depreciation and amortisation and impairment losses

(ii) NOPAT = NPAT plus tax effected impairment losses

(iii) During the year the Group changed its internal reporting structure which resulted in a change to its reportable segments. Comparative segment information has been represented.

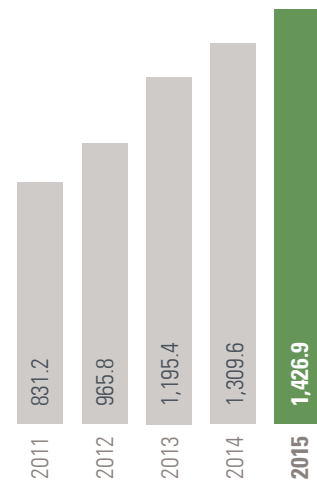
EBITDA and EBIT are unaudited. However, they are based on amounts extracted from the audited financial statements as reported in the consolidated statement of financial performance on page 53. These metrics provide a measure of Cardno's performance before the impact of non-cash expense items, such as depreciation and amortisation and impairment losses, as well as interest costs associated with Cardno's external debt facility and hire purchase arrangements.

NOPAT is unaudited. However it is based on amounts extracted from the audited financial statements. Refer to the NPAT to NOPAT reconciliation on page 27. This metric provides a measure of Cardno's operating performance before the impact of one off adjustments such as impairment losses write down to fair value for assets held for sale incurred during the current financial year.

Left and Right: Cardno has provided wetland monitoring services at the San Pedro Bay Mitigation Bank in Florida since 2008.

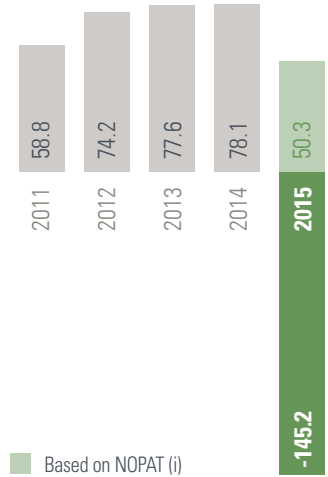
GROUP REVENUE
A\$ billion

\$1.4B ▲ **9.0%**



NET PROFIT/LOSS AFTER TAX
A\$ million

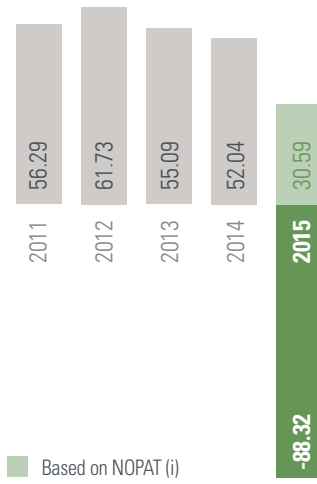
-\$145.2M ▼ **-285.9%**



Based on NOPAT (i)

EARNINGS PER SHARE (BASIC)
A\$ cents per share

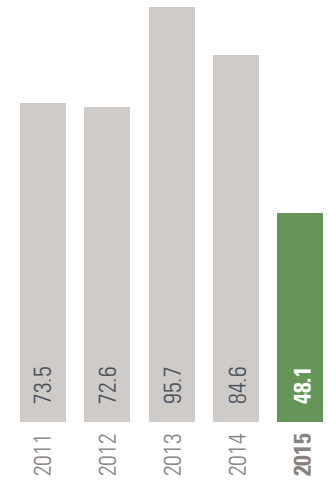
-88.32c ▼ **-269.7%**



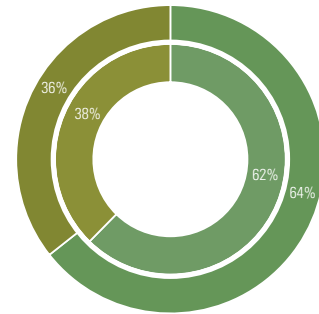
Based on NOPAT (i)

OPERATING CASH FLOW
A\$ million

\$48.1M ▼ **-43.1%**



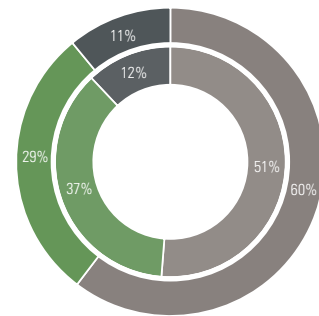
GROUP FEE REVENUE BY SEGMENT FY14 v FY15*



Inner Circle:
June 2014
Outer Circle:
June 2015

- Americas
- Asia Pacific

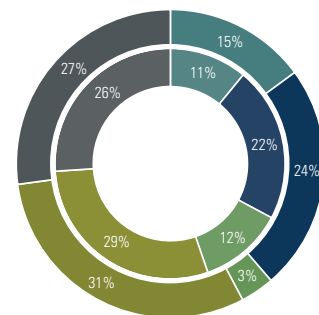
GROUP FEE REVENUE BY SERVICE FY14 v FY15*



Inner Circle:
June 2014
Outer Circle:
June 2015

- Engineering Survey & Planning
- Environment & Natural Resources
- Social Infrastructure, Economics & Software

GROUP FEE REVENUE BY MARKET FY14 v FY15*



Inner Circle:
June 2014
Outer Circle:
June 2015

- Contractors
- Oil & Gas
- Resources
- Government
- Other Private

(i) NOPAT = NPAT plus tax effected impairment losses

* Graph detail for FY2014 is presented on a proforma basis which assumes Cardno acquired its FY2014 merger partners on 1 July 2013.



CHAIRMAN'S STATEMENT

2015 was a challenging year for Cardno resulting in a decline in profitability across several markets in Australia and North America.

The company achieved a net operating profit after tax of A\$50.3 million, which is considerably lower than our FY2014 result.

As a result of a non-cash impairment charge relating to the carrying value of our businesses in the US and Ecuador, Cardno recorded a net loss after tax of A\$145.2 million and negative earnings per share of 88.32c.

Gross revenue increased 9 per cent, to A\$1,426.9 million. The company will pay a full-year, fully franked dividend of 20 cents, which is a payout ratio of 66 per cent of net operating profit after tax.

MARKET CONDITIONS

Like many in the engineering and construction sector, Cardno's performance was affected by adverse economic conditions in our key markets.

Our US business encountered a reduction in the demand for oil and gas services, slower than anticipated conversion of backlog into project starts and harsh winter weather in a number of locations.

In Australia, a continuing slowdown in the resource sector, a wind-down of major project work, and delays in infrastructure investment resulted in a lessening demand for services and intensified competition for consulting work. This impacted both our revenue and margins.

The economic outlook for Ecuador has deteriorated due to significant declines in oil revenue and general economic uncertainty. As at 30 June 2015, our Cardno Caminosca subsidiary in Ecuador has been written down to its fair value of zero and disclosed as held for sale.

IMPROVEMENT

Despite the external challenges, we are not satisfied with our results and are undertaking significant actions to improve overall business performance and profitability.

We continue to evaluate all components of our business with a view to improving margins and positioning Cardno for a return to organic growth.

In difficult markets, it is important we continue to match our resources to client and market demand, while retaining a collective focus on safety, streamlined service delivery and improving the cost effectiveness of internal functions.

We will continue to prudently invest in our people and systems to ensure our long-term success despite revenues being under pressure.

Cardno's backlog of work is strong and includes a range of high-quality clients. We are optimistic about the company's potential in the future.

OUR PEOPLE

Cardno's greatest asset is our people and we are committed to attracting, developing and retaining the very best staff for the company.

Cardno University provides training and personal development opportunities to ensure our global team of technical experts and professionals has the necessary range of skills, knowledge and experience to serve our global clients.

In FY2015, a Grow Cardno Academy was created to provide business development skills training to employees in client-facing roles, while we also improved operational efficiency of field staff through use of mobile technology.

With a workforce of 8,100 employees in 100 countries, staff diversity is a key competitive advantage, as greater diversity supports stronger operational and financial success. A new policy has been launched which highlights Cardno's commitment to a range of diversity initiatives across all aspects of business activities within the company.

SAFETY

The safety of our employees, contractors and clients is Cardno's top priority. This commitment is underpinned by our policies, processes and systems. Our Zero Harm program provides the resources for staff to fulfil their roles and responsibilities with a strong safety awareness.

Cardno works collaboratively with our clients to deliver specialist services and comprehensive project solutions. We must deliver this capability along with excellent safety procedures and performance.

Cardno's rigorous approach to risk awareness and communication helped us achieve improved Lost Time Injury Frequency and Total Recordable Injury Frequency rates in FY2015.

The safety of our people will continue to be of paramount importance, for employees in both field work and office-based activities.

LEADERSHIP

After an extensive search, the Board was pleased to announce the appointment of Richard Wankmuller, who commenced as CEO and Managing Director in June 2015. Richard will be a strong contributor for the company, with more than 30 years' experience successfully growing professional engineering services businesses.

He is a disciplined leader, focuses on priorities and performance, and has a deep understanding of client service delivery.

On behalf of the Board, I extend a sincere thanks to Graham Yerbury for the leadership and endeavour he demonstrated during his six months as Acting CEO. The team achieved much in difficult circumstances under his guidance. Graham resigned from Cardno in July to pursue an opportunity in the oil and gas sector. We wish him success.

I would also like to thank Michael Renshaw for his efforts during his time as CEO.

BOARD

Cardno's corporate governance practices are designed to deliver responsible stewardship, business integrity, accountability and effective risk management.

Our Directors bring a range of complementary skills to the Board, and all are committed to ensuring Cardno is an ethical, sustainable and responsible corporate citizen that delivers attractive returns for our shareholders.

After 10 years of diligent service, our longest-serving non-executive director, Ian Johnston, will retire from the Board following the Annual General Meeting in September 2015. We will miss Ian's collegiate style and significant capabilities. He has been a hard-working and committed colleague. A replacement for Ian will be announced in coming months.

OUTLOOK

Cardno continues to face challenges across a number of our key markets, however, we remain positive about the opportunities for the coming year.

In the Americas, we are well positioned with a record pipeline of work. A commitment to increased government spending in Asia Pacific should drive demand for engineering consulting services, although the timing of such investment is uncertain.

Merger and acquisition activity slowed in FY2015 due to the underlying business performance and our efforts to improve profitability. We continue to look for complementary businesses that will add relevant geography and skills to our current service platform.


Cardno has the capabilities and technical expertise to deliver the highest standard of professional services for our clients on projects across the world. Our new leadership team is committed to this objective.

THANK YOU

I wish to recognise Cardno's professional and dedicated staff for their commitment to working safely and delivering high quality client service over the past 12 months.

I would also like to thank my colleagues on the Board for their diligence and continued support.

Importantly, I thank our clients and shareholders for their confidence in this great company. ■



John Marlay
Chairman

Far left: Cardno worked with government agencies, consultants and the community to prepare structure plans for the award-winning Cockburn Central Town Centre and Cockburn Central West projects in Western Australia.

Left: Cardno delivered environmental and cultural resource field survey and permitting support for a 500-mile natural gas pipeline from Alabama to Florida.



CEO'S MESSAGE

Since joining the company in June 2015, I have met with thousands of Cardno people while visiting more than 40 of our offices throughout the world.

WHAT WE DO IS IMPORTANT

Along the way, I have seen firsthand some of the great work we do. This includes the international development assistance work we undertake, such as helping to eliminate human trafficking in Southeast Asia. We also support AIDS orphans and sustain HIV treatment in Uganda, and tackle poverty in Timor Leste through improved local governance and food security.

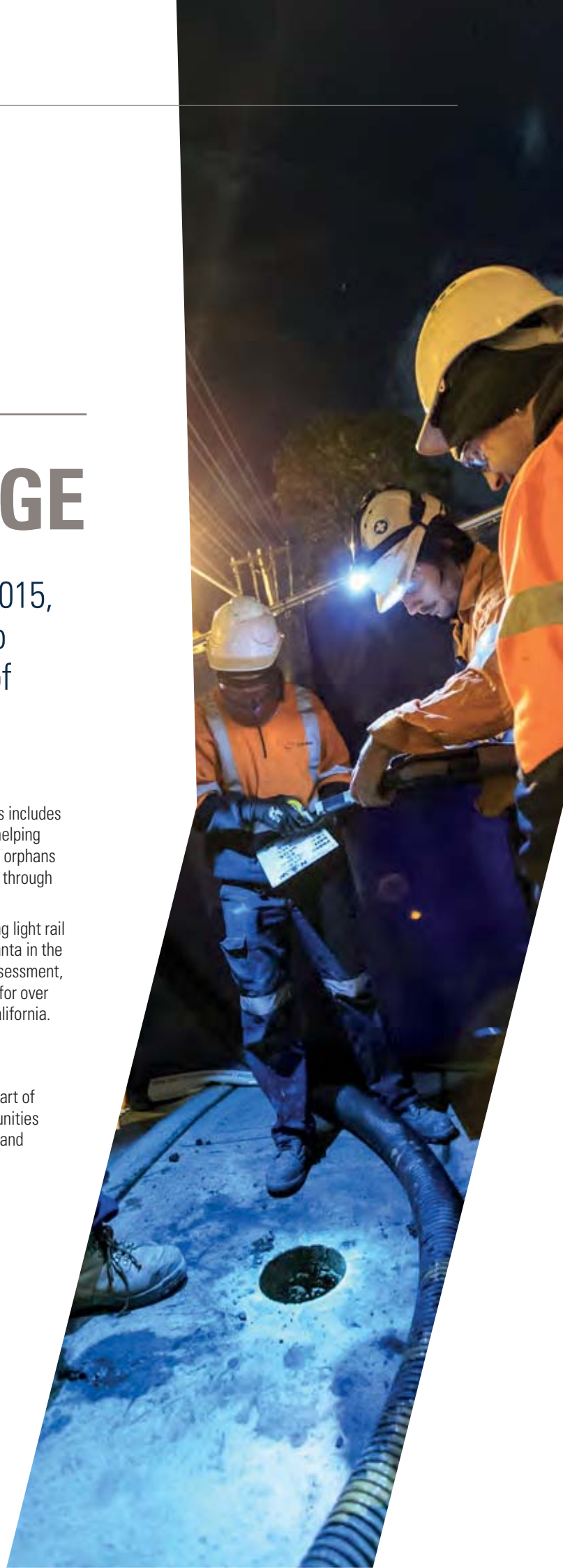
Our expert teams perform crucial transport infrastructure work, including light rail and streetcar projects in Sydney and the Gold Coast, Australia, and Atlanta in the United States. In addition, we also fulfil important human health risk assessment, water supply and environmental restoration activities, such as working for over 10 years to restore the fragile Tahoe Basin ecosystem in Nevada and California.

OUR PEOPLE MAKE A DIFFERENCE

As I reflect on this great work, I have to say that I am very proud to be part of a company that is truly making a difference and helping so many communities across the globe. What has really struck me is the quality of our people and their determination, hard work and commitment to success.

This allows me to remain confident about Cardno's future despite the challenges which the company has faced during recent times. While economic conditions remain difficult in a number of key markets, the response by our people over the past few months has convinced me that Cardno has a strong workforce that can successfully meet these challenges. We will do this through a renewed focus on teamwork and the delivery of superior client service throughout the world.

I look forward to continuing a dialogue on how we can improve our teamwork and client service capabilities as we develop our long-term plan, which I expect we will be able to communicate later this calendar year.



“I am very proud to be part of a company that is truly making a difference and helping so many communities across the globe.”

TEAMWORK DRIVES SUCCESS

Another clear message I received while visiting Cardno offices was that we have only just begun to capitalise on the synergies of our expert teams across the world. However, some of the results of our teamwork to date are very impressive. For example, we have been able to utilise “big data” management techniques developed during our work on the Gulf of Mexico oil spill on the Ichthys LNG project in Darwin. We have also successfully transferred our strong environmental remediation skills from the US to win similar work for a global oil and gas major in Australia.

CLIENT SERVICE MATTERS

The firms that win work are the ones which can better serve their clients and are more responsive to their needs over time. To accomplish this, Cardno must continue to understand our clients’ requirements better than our competitors. We must then satisfy these requirements more efficiently. Cardno is committed to structuring our business to achieve this outcome. This means our organisational structure and business processes must align with our clients’ needs, and we must have a culture which prioritises client relationships and responsiveness above everything else.

Great things happen when we get this alignment right. We win accolades from our clients, putting us ahead of our competitors and positioning Cardno as a pre-eminent firm in the markets in which we operate.

This client recognition is important to us, particularly when it comes as a result of our commitment to improved safety performance. In 2015, Cardno received a second consecutive award from a major global oil and gas company due to our flawless execution of environmental services work (see page 14).

THANK YOU

In closing, I would like to acknowledge and thank our people. I am grateful they choose to work for us and give us their best every day. I appreciate their effort and understand the road has not been easy. In the last four years alone we have brought in over 3,500 new people, all of whom came from other companies with their own ways of serving clients and delivering successful results.

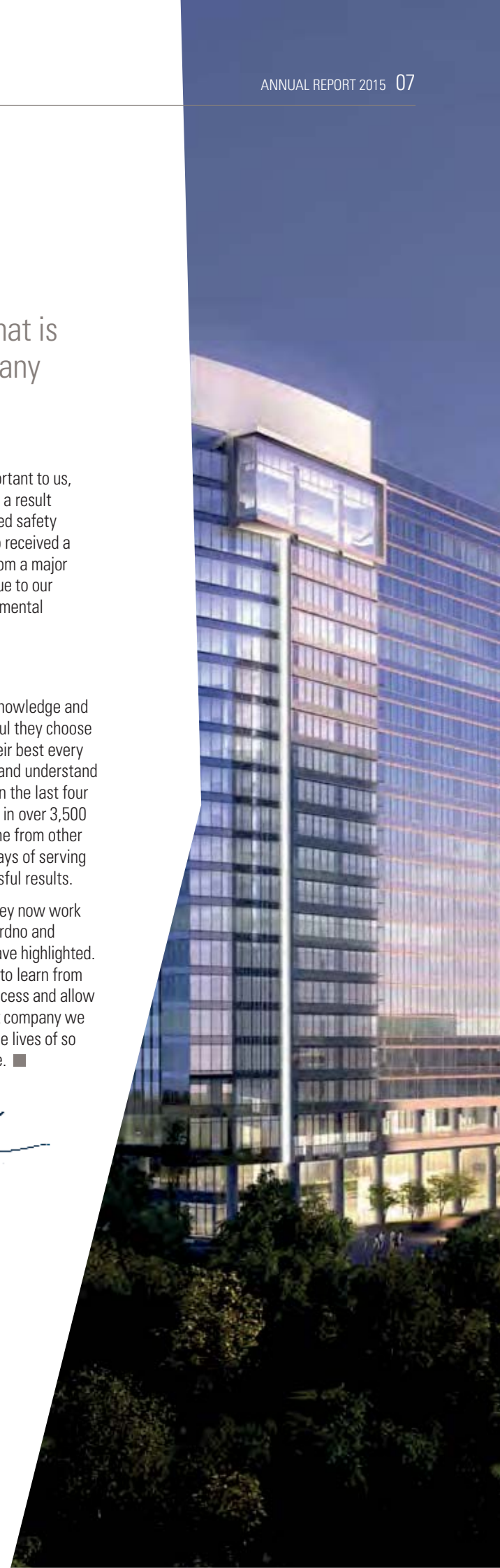
It is impressive to see how they now work together as a team across Cardno and deliver the type of results I have highlighted. This teamwork and an ability to learn from one another will drive our success and allow us to continue to be the great company we are, making a difference to the lives of so many people across the globe. ■



Richard Wankmuller
CEO and Managing Director

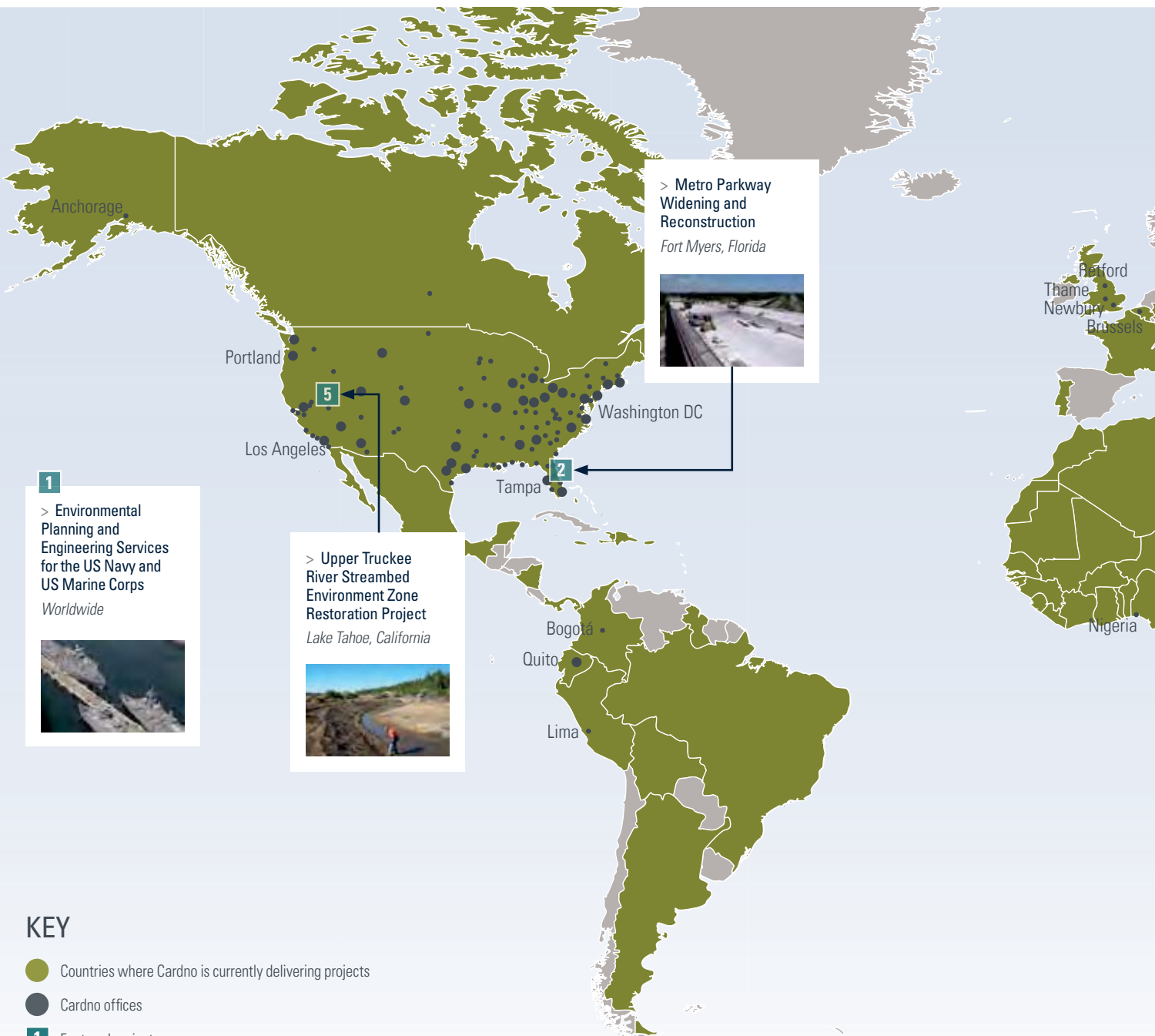
Left: Cardno provided specialist utility engineering services for the landmark Sydney Light Rail transportation infrastructure project.

Right: Cardno provided structural engineering for a three-phase campus development in Houston, Texas.



WORKING GLOBALLY

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.



P 10 FOR THE FEATURED PROJECT DETAILS

PEOPLE

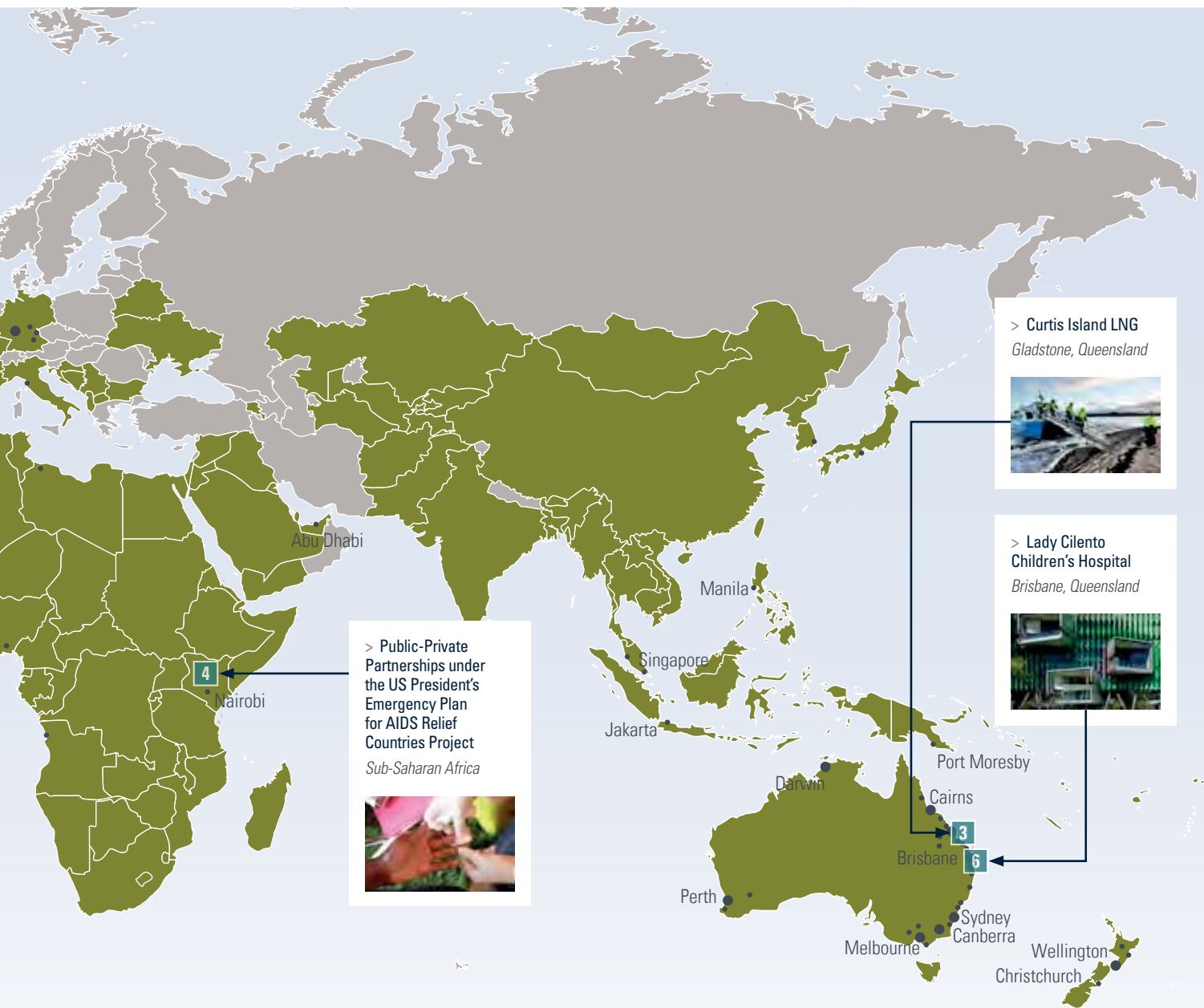
8,100

OFFICES

259

COUNTRIES

100



**WHAT WE DO / BUILDINGS / LAND / ENVIRONMENT / INTERNATIONAL DEVELOPMENT ASSISTANCE
MANAGEMENT SERVICES / ENERGY AND RESOURCES / TRANSPORTATION / WATER / DEFENCE**

FEATURED PROJECTS



1 ENVIRONMENTAL PLANNING AND ENGINEERING SERVICES FOR THE US NAVY AND US MARINE CORPS

Worldwide

As part of a five-year contract, Cardno is delivering worldwide environmental planning and engineering services to the US Navy and US Marine Corps. This is in addition to another contract with Naval Facilities Engineering Command (NAVFAC) Atlantic to support at-sea testing and training requirements, and working on similar initiatives with NAVFAC Pacific.

The global contract covers a wide variety of projects such as in-water noise modelling and marine mammal exposure impacts, dredging permitting and disposal, in-water construction, shoreline training and restoration.

Additionally, Cardno may be called upon to help with aircraft homebasing initiatives throughout the world.

Cardno's stellar record of performance supporting the US Navy's operational requirements was recognised by the Chief of Naval Operations, who awarded us their *2014 Environmental Planning Award* for outstanding support in preparation of the Environmental Impact Statement for Homebasing the F-35C Joint Strike Fighter on the West Coast of the US.

2 METRO PARKWAY WIDENING AND RECONSTRUCTION

Fort Myers, Florida

Cardno provided design and engineering services for the Metro Parkway widening and reconstruction from 1999 to 2014. The road required a major upgrade, including widening to six lanes, bridge construction, and the realignment and reconstruction of adjacent railroad tracks.

Cardno liaised with the Florida Department of Transportation (FDOT), emergency services and the community throughout the design and construction process. Our team conducted a detailed review of the Project Development and Environment study, which included public workshops.

Our team delivered techniques for the bridge construction, detailing alternative methods and cost analysis for each option. Cardno also collaborated with Lee County, City of Fort Myers, Seminole Gulf Railroad and Southwest Florida Water Management District to address construction concerns.

Cardno delivered professional engineering services in connection with the design of utility relocations impacted by the Metro Parkway improvements. This included the relocation of water pipelines, a submersible sewage pump station and several roadway crossings.

3 CURTIS ISLAND LNG

Gladstone, Queensland

Cardno is providing a range of services for the multi-billion dollar Australia Pacific, Queensland Curtis and Gladstone LNG projects in Queensland.

We have worked with clients at the sites on Curtis Island for several years and, due to exceptional service and value for money, have received numerous contract upgrades and extensions.

Our experts have delivered geotechnical engineering, construction materials testing, environmental testing, concrete integrity testing and quality assurance services.

Cardno teams work on projects from our National Association of Testing Authorities accredited site laboratories located on each of the Curtis Island projects. Through forging strong client relationships, Cardno is actively developing future partnering opportunities for LNG plant construction globally, particularly in the United States.

Continuing to capitalise on a superb reputation and client relationships, Cardno has also provided similar services to the Macedon, Wheatstone, Ichthys, Pluto and PNG LNG liquefaction projects.

P 08 FOR THE MAP OF PROJECT LOCATIONS



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



4 PUBLIC-PRIVATE PARTNERSHIPS UNDER THE US PRESIDENT'S EMERGENCY PLAN FOR AIDS RELIEF COUNTRIES PROJECT

Sub-Saharan Africa

Cardno is providing strategic services to a portfolio of public-private partnerships (PPPs) combatting the global HIV/AIDS epidemic. The Centers for Disease Control and Prevention (CDC) awarded Cardno a five-year cooperative agreement to manage the second phase of the PPPs under the US President's Emergency Plan for AIDS Relief (PEPFAR) Countries Project (P4).

Cardno collaborates with CDC and the Office of the US Global AIDS Coordinator to leverage US Government resources and private sector partners to meet the PEPFAR goals of improved health outcomes, sustainability and country ownership.

Our role includes funds management and governance, program technical support, PPP strategic expansion, capacity building and institutional strengthening, communications services, performance monitoring and evaluation and results impact assessments.

With a focus on Sub-Saharan Africa, these PPPs contribute to PEPFAR's goal of an AIDS-free generation through innovative interventions in the areas of health systems strengthening, treatment, and prevention of mother-to-child transmission.

5 UPPER TRUCKEE RIVER STREAMBED ENVIRONMENT ZONE RESTORATION PROJECT

Lake Tahoe, California

Cardno has been working on projects to restore the fragile Tahoe Basin ecosystem in Nevada and California for more than 10 years.

We recently completed project management and engineering services for the Upper Truckee River Streambed Environment Zone Restoration Project in California, which rehabilitated 3,500 linear feet of stream habitat.

The final design of this work included new channel and floodplain construction that increased floodplain connectivity, improved fish and wildlife habitats, and improved the quality of the water entering Lake Tahoe.

Our tasks comprised the analysis of hydrology and hydraulics of river, wetland, and upland habitats, an effective restoration design that addressed public access issues, the development of complete plans, specifications, and bid support.

For the construction management aspects of the project, Cardno served as resident engineer and resident inspector, ensured storm water pollution prevention planning compliance, prepared record drawings, and coordinated project close-out.

6 LADY CILENTO CHILDREN'S HOSPITAL

Brisbane, Queensland

Cardno's role on a state-of-the-art Brisbane health facility shows how we help deliver critical infrastructure needs to communities. We provided civil, structural and traffic engineering, and town planning services to Australia's most advanced paediatric facility, the Lady Cilento Children's Hospital.

It features eight main hospital levels, all requiring variations in the footprint to accommodate the internal atriums and the radiating "branches" which cantilever across the streetscape. To optimise the design, our team utilised 3D structural modelling, while wind tunnel testing was carried out to more accurately predict pressures on the building.

During the site investigations and acquisition process, Cardno provided town planning and traffic engineering advice and assisted the Queensland government to prepare the planning instrument regulating development in the precinct. Cardno also prepared the development applications for Queensland Health for all aspects of the project.

Traffic forecasting and road network analysis was also conducted, which informed the design of surrounding intersections, service entries and car parking arrangements.



ABOUT CARDNO

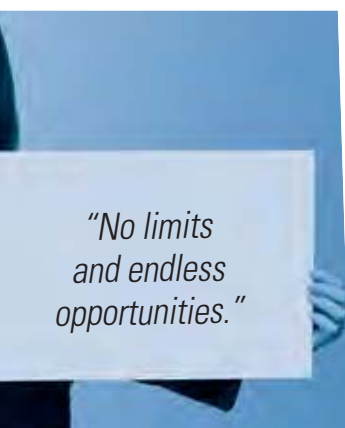
We are a global services company with expertise in the development and improvement of physical, social and environmental infrastructure for communities around the world.



Above: Cardno's marine and freshwater ecology group is undertaking statistical analysis of 'sponge garden' habitat in Melbourne's Port Phillip Heads.

AT CARDNO . . . IT'S MORE THAN A JOB

We are committed to respecting and encouraging the unique contributions of people with diverse backgrounds, experiences and perspectives.



Melissa Kattenberg,
Hervey Bay, Australia



Kyle Christensen,
Wellington, New Zealand



Violet Ketani,
Washington DC, United States

From trainee to international manager based on **Melissa Kattenberg's** 20-year career with Cardno has grown from strength to strength.

"The best part of my job is going into different parts of the business and seeing what they've developed and sharing the good ideas with others. Cardno is a great place to work because it is full of opportunities. You are only limited by the ceiling that you place upon yourself."

Kyle Christensen works on projects across New Zealand ranging from urban stormwater to river engineering, hydrogeology, ecology, contaminated land, planning and landscape architecture.

"The ability to call on our global expertise to deliver world class local solutions is what makes coming into work every day so satisfying."

Violet Ketani is a passionate public health specialist, with strong expertise in health systems strengthening, monitoring and evaluation, capacity building, HIV/AIDS, and public-private partnerships.

"Cardno has provided me mentorship and opportunity to grow within the company. My work is far from monotonous and I'm always learning something new about the business, which is an invaluable benefit to me." ►

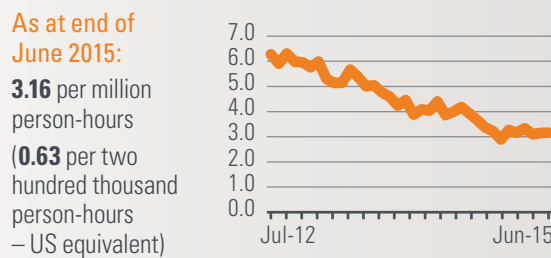


... IT'S ABOUT KEEPING OUR PEOPLE SAFE

Cardno takes individual and company-wide responsibility for safety in everything we do.

Cardno
ZERO HARM
 EVERY JOB. EVERY DAY.

GROUP TOTAL RECORDABLE INJURY FREQUENCY RATE



Cardno's Zero Harm safety program fosters an environment of shared responsibility and accountability, risk awareness and clear communication.

Our commitment to the continual improvement of our safety performance has been rewarded with two consecutive awards from a major global oil and gas company. The recognition came as a result of Cardno's flawless execution of environmental services work across a number of projects in the United States.

The awards highlight Cardno's extensive pre-field planning, management presence in the field, as well as the effectiveness of our safety tools. Specific actions included adding core safety expectations to job safety analysis, conducting injury and case management drills, implementing hazard identification best practice and an independent review process for construction and demolition projects to ensure thorough safety and technical planning.

Cardno's rigorous approach to risk management and the continual improvement in our safety culture played a key role in securing a five-year Master Services Agreement for Environmental Services with another global oil and gas major. Renowned for requiring a high safety standard, the client selected Cardno for our ability to service a nationwide contract safely through collective technical strength and extensive service offerings.

Above: Cardno is committed to ensuring a safe and healthy environment for employees and clients.



... IT'S DEVELOPING OUR PEOPLE

Enhancing the skills, knowledge and experience of Cardno's talented pool of 8,100 employees is critical to our success as a global organisation.



Cardno University delivers training aligned with the company's strategic plan and aims to inspire every employee to engage and exceed expectations.

In FY2015, a number of global training initiatives were introduced including:

- > A learning management system that houses over 200 courses and can track, monitor and record all eLearning and facilitator-led training
- > Project management for staff in technical and business services roles
- > Training to provide employees with advice and tactics about how to enhance client relationships and implement effective bid strategies
- > Compliance and occupational health and safety training to support and reinforce our Zero Harm safety program
- > Leadership development programs, including executive development in line with our succession planning program.

The company's best performers are rewarded with scholarships designed to further their career development in line with their talents and career goals. These include our Future Leader Scholarship to support Cardno's next generation of leaders; the Harold Davies Scholarship that rewards an outstanding performer in a professional role; our Richard Kell Scholarship awarded to exceptional engineers; and the Gerry Cardno Scholarship, which recognises an exceptional performer in a services role. ►

Above: Cardno University equips employees with the skills to shape their future and realise possibilities for career progression.



... IT'S BEING INNOVATIVE

Cardno empowers our people to think innovatively, to develop creative solutions and put them into action when solving complex project challenges.



Recently, our experts played a leading role on a pioneering project to boost transport infrastructure in Papua New Guinea (PNG). Working with the PNG Department of Works and other partners, Cardno developed a technological first that will assist with the planning of road improvement initiatives.

A Visual Road Condition Survey (VRCS) was conducted to collect and process data for a total of 6,025 kilometres – or 70 per cent - of national roads in the developing nation. This information now provides network managers with a useful tool to permit more accurate programming and budgeting of maintenance works.

Using footage captured during the VRCS, Cardno then delivered PNG's first 'Road Viewer Application' system. This tool allows users to view an interactive map and detailed video of various sections of road, often in remote locations, from their computer.

A comprehensive survey of this kind had never been successfully attempted before in PNG and Cardno was proud to play a key role in such an important development for the country.

The work was funded through the *Papua New Guinea – Australia Transport Sector Support Program* and Cardno was able to display how we make innovation happen in partnership with our clients.

... IT'S ABOUT CLIENT SERVICE

Cardno is committed to working collaboratively with clients to create lasting benefits for communities around the world.



Cardno has developed an important strategic partnership with property company Amex Corporation to develop the new township of Providence in Ripley Valley, which is located in the fastest-growing corridor in South East Queensland. The Valley will provide 50,000 new homes in the City of Ipswich over the next 20 years.

Since 2006, Cardno has provided extensive engineering and environmental services to help deliver the vision of a high quality, affordable and sustainable community.

Cardno has mobilised specialist expertise to add value and meet the project time and budget demands across a significant range of disciplines. As our trusting relationship has developed over time, the services we have provided have expanded. These include structural and geotechnical engineering, traffic and transport advice, detailed civil design integrating stormwater and reticulated networks, acoustic assessment, visual amenity and significant landscape masterplanning.

We are proud to collaborate with Amex on this pioneering project that aims to deliver best practice in design and an equally strong sense of community. ■

Above and right: Cardno's strategic partnership with Amex Corporation is delivering a crucial new community for South East Queensland.





OPERATIONAL REVIEW

AMERICAS

Cardno's Americas Region comprises 5,000 multi-disciplinary professionals who deliver services and expertise from more than 190 offices.

THE REGION PROVIDES **64%** OF CARDNO'S FEE REVENUE

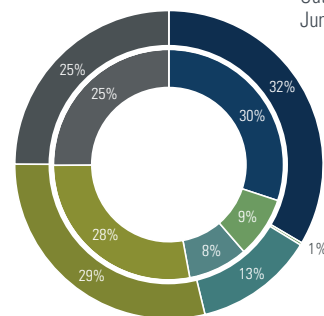
A\$m (i)	FY2015	FY2014
Fee revenue	660.9	561.3
Recoverable expenses	268.0	213.1
Total revenue	928.9	774.4
EBITDA	68.2	78.1
EBITDA margin	10.3%	13.9%

The **Americas Region** delivers expertise to private and public sector clients across the environmental, water, transportation, energy and resources, land, buildings, international development assistance and management services sectors.

(i) During the year the Group changed its internal reporting structure which resulted in a change to its reportable segments. Comparative segment information has been represented.

AMERICAS FEE REVENUE BY MARKET FY14 v FY15

Inner Circle: June 2014
Outer Circle: June 2015



- Contractors
- Oil & Gas
- Resources
- Government
- Other Private



HIGHLIGHTS

Our team of experts in the Americas Region provide a range of services including site planning, environmental permitting, health and ecological risk assessment, remediation and quality assurance through to civil design, subsurface utility engineering and construction management.

The region's performance was impacted by the wind-down of several large projects, winter weather conditions, a reduction in US Government expenditure and business integration costs. Our oil and gas operations also experienced a decline, with work in this sector affected by a drop in prices.

Fee revenue for FY2015 was \$660.9 million, an increase of 17.8 per cent on the previous year, reflecting full-year contributions from Cardno PPI and Cardno Haynes Whaley and currency movements. EBITDA margin declined from 13.9 per cent to 10.3 per cent.

The challenging conditions contributed to an organic revenue decline of 6.8 per cent. However, our backlog of secured work grew by 2.5 per cent to US\$554.8 million due to a recovery in the US economy, including increased defence spending.

In FY2015, the Americas Region's ongoing commitment to Zero Harm was rewarded with two consecutive safety awards from a major global oil and gas company.

The region undertook a range of integration activities in FY2015, implementing common financial systems and streamlining reporting structures, as well as introducing a shared services model for business services.

Additionally, components of the former Emerging Markets Division and Cardno's software division, XP Solutions, joined the Americas Region. Improved alignment of our engineering and social infrastructure teams has enhanced our ability to offer a range of services to clients.

XP Solutions has experienced strong growth in FY2015, driven by the success of new software products and strong demand across a range of markets.

Our US expertise was rewarded with a number 24 ranking in *Engineering News Record's* annual Top 225 International Design Firms, and the number 6 spot in the United States region list.

These results are improvements on previous rankings and strong evidence that Cardno's business in the Americas Region is highly respected and meeting the needs of our diverse client base.

FUTURE OUTLOOK

The region is focused on deepening our service delivery offerings, winning more work with new and existing clients, and growing revenues organically and through strategic acquisitions.

The US economic recovery appears to be slower than expected. We do expect opportunities will emerge from an expected increase in government expenditure.

We are well positioned to benefit from the FY2015 integration activities, allowing us to pass on these efficiencies to our clients through greater responsiveness and a broader range of services.

Recent wins will help fill the gap created by cancelled work and the completion of major projects, with the environmental and transport markets set for improvement.

We will continue to make adjustments to our business in response to market conditions, including the dramatic drop in oil prices.

Despite challenging market conditions, the Americas Region has the expertise and diverse platform from which to strengthen performance in FY2016.

Our team will capitalise on our local presence, strong client relationships and ability to cross-sell services so as to be the provider of choice for the physical and social infrastructure needs of our clients. ■

AMERICAS EXECUTIVES

- > **Paul Gardiner**
General Manager
- > **Marian Boreland**
International Development Assistance
- > **Chip Blankenhorn**
Natural Resources and Health Sciences
- > **Mark Gundacker**
Human Resources
- > **Bob Kroeger**
Engineering and Environmental Services
- > **Michael Landry**
Chief Financial Officer
- > **Colby Manwaring**
XP Solutions
- > **Bill Halperin**
Government Services
- > **Randy Sullivan**
Oil and Gas Services
- > **Edgar Uribe**
Latin America

Far Left: Cardno operates a full-service native plant nursery in the United States to provide quality-assured native seed and plant material for restoration, mitigation and native landscaping projects.

Left: Cardno helped develop the design and guided construction for expansion work on Alfred I. DuPont Hospital for Children in Delaware.

Right: Cardno delivers surveying and mapping, subsurface utility engineering and utility coordination services for transport infrastructure projects.



OPERATIONAL REVIEW

ASIA PACIFIC

Cardno's Asia Pacific Region comprises 3,100 professional staff operating from more than 60 offices.

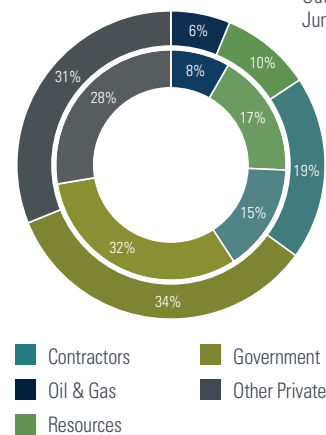
THE REGION PROVIDES **36%** OF CARDNO'S FEE REVENUE

A\$m (i)	FY2015	FY2014
Fee revenue	361.2	404.4
Recoverable expenses	136.3	129.8
Total revenue	497.5	534.2
EBITDA	49.3	68.0
EBITDA margin	13.6%	16.8%

The **Asia Pacific Region** provides services in civil, structural, water, environmental, coastal, bridge, geotechnical, subsurface utility, traffic and transport engineering, as well as environmental science, surveying, landscape architecture, construction materials testing, planning and asset management, and international development assistance.

ASIA PACIFIC FEE REVENUE BY MARKET FY14 v FY15

Inner Circle: June 2014
Outer Circle: June 2015



(i) During the year the Group changed its internal reporting structure which resulted in a change to its reportable segments. Comparative segment information has been represented.

HIGHLIGHTS

Cardno's Asia Pacific Region was formed during FY2015, incorporating the company's Australia and New Zealand Region and components of the former Emerging Markets Division.

This new structure allows for improved integration of our engineering and social infrastructure teams, as well as an increased focus on expanding service offerings to clients throughout Asia.

The region encountered uneven market conditions in FY2015 resulting in fee revenue of \$361.2 million, down 10.7 per cent on the prior year. Our operations suffered from a slowdown in resources sector expenditure with a decline in global commodity prices and lessening demand for mining services in divisions such as Construction Sciences and BEC/WA.

The change of state governments in Victoria and Queensland adversely impacted performance following delays and cancellations of a number of publicly-funded infrastructure programs, particularly in the transport sector.

Cardno also completed work on a number of major projects that have yet to be replaced, such as INPEX LNG, Legacy Way and the Gold Coast Light Rail.

These conditions resulted in increased market competition and the downsizing of a number of our operations impacting on the region's EBITDA margin, which declined to 13.6 per cent from 16.8 per cent the previous year.

In FY2015, the region reinforced its Zero Harm program through the introduction of a Health and Safety Management System to improve performance and prevent injuries.

Despite the difficult market conditions, the Asia Pacific Region's backlog of future work grew 8.8 per cent to \$305.5 million and this can be partially attributed to recent success with infrastructure bids.

Our services to oil and gas clients in Australia continue to expand, and we have won contracts with new global clients.

Good results were achieved by our teams that operate in the transport and property sectors in NSW, while urban development

showed signs of improvement in Queensland, and Victoria posted a steady result.

While our operations in New Zealand experienced a decline in revenue, the International Development Assistance business had a positive year, finishing well ahead of budget.

The Asia Pacific Region did not undertake any acquisitions in FY2015, retaining a focus on improving service offerings, delivering high quality work on numerous small and medium-sized projects and strengthening relationships with long-term clients.

FUTURE OUTLOOK

The outlook for the Asia Pacific Region remains variable in FY2016 due to the continued scaling back of investment in mineral and energy developments. This will affect the demand for consultancy services, intensifying competition for work and reducing margins.

Despite the winding back of resources activity, Cardno will have opportunities to assist clients with the ongoing service requirements on major LNG facilities in Queensland, Western Australia and PNG.

There are good prospects in the transport infrastructure sector, particularly in NSW, as governments deliver on funding commitments for road and rail projects.

While there remains uncertainty surrounding public sector spending and investment confidence in some states, it is expected projects delayed from the previous year will start up in FY2016.

We are enthusiastic about the collaboration opportunities provided by the new regional structure, as we aim to increase Cardno's share of the resources, transport and environment markets across Asia.

Further efficiency measures will be implemented in a bid to match our staff offerings to client needs, and we will retain a steadfast commitment to safety and staff development.

Our expertise across a range of disciplines will help us navigate the challenges of the next 12 months as we work closely with our clients to improve communities throughout the region. ■

ASIA PACIFIC EXECUTIVES

- > **Paul Gardiner**
Acting General Manager
- > **Jamie Alonso**
Victoria and International Development Assistance
- > **Matt Courtney**
Construction Sciences
- > **Troy Donovan**
Chief Financial Officer
- > **Michael Drake-Brockman**
Cardno BEC and Western Australia
- > **Geoff Hadwen**
Northern Division
- > **Janelle Mellor**
Human Resources
- > **Martin Wells**
New South Wales, Australian Capital Territory and New Zealand

Far Left: Cardno provided specialist utility engineering services for the landmark Sydney Light Rail transportation infrastructure project.

Left: The Sydenham Street subdivision is an urban regeneration project in the City of Gosnells, Western Australia.

Right: Cardno adopts a stringent approach to evaluating project and economic feasibility, based on rigorous research and experience.



FINANCIAL REVIEW

Challenging markets resulted in a significant decline in financial and operational performance for Cardno during the 2015 financial year.

FINANCIAL PERFORMANCE

PERFORMANCE (A\$m)	Jun-15	Jun-14
Gross Revenue	1,426.9	1,309.6
EBITDA	108.4	141.7
EBIT	(148.4)	115.2
NPAT	(145.2)	78.1
NOPAT	50.3	78.1
Operating Cash Flow	48.1	84.6
EPS - basic (cents)	(88.32)	52.04
NOPAT EPS - basic (cents)	30.59	52.04
Dividends per share (cents)	20.0	36.0

Cardno reported a net operating profit after tax (NOPAT) of \$50.3 million, a decline of 35.6 per cent over the prior year. Net loss after tax, after the inclusion of a post tax non-cash impairment charge of \$195.5 million, was \$145.2 million. The impairment charge is associated with the reduced carrying value of our business in the United States and the write-down of part of our Ecuadorian business which is being held for sale.

This disappointing set of results reflects a slow down in the Asia Pacific Region, dominated by the decline of resource-related activity in Australia, combined with a lower than expected performance in the Americas. The Americas' performance is a result of variable growth in the markets we serve, costs associated with integration and centralisation, and severe impacts of winter weather from December through to February.

Gross revenue for the Group was \$1.4 billion, an increase of 9 per cent over the prior year. Similarly, net fee revenue increased by 5.9 per cent to \$1 billion reflecting the

full year contribution of merger partners acquired in 2014. Organic fee revenue declined by 7.9 per cent during the year when the impact of M&A is excluded. Both Americas and Asia Pacific reported declines in net fee revenue on an organic basis.

Operating EBITDA was \$108.4 million for the year, a decline of 23.5 per cent over the prior year result. The steeper percentage decline in EBITDA versus fee revenue reflects the lower margins earned as Cardno transitioned off higher margin, longer-term projects in both Asia Pacific and the Americas. In addition, the businesses experienced higher restructure and redundancy costs as management responded to changes in market demands. Overall EBITDA margin for the year declined to 10.6 per cent versus 14.7 per cent in FY2014. EBITDA margins in Asia Pacific continued to outperform the Americas due to business mix.

The post-tax impairment charge of \$147.9 million associated with the US business and the \$47.6 million write-down of our investment in Ecuador. The lower-than-expected performance of the US business in the second half of FY2015 triggered a reassessment by management of the pace of recovery in that market and a downgrade in our future profit expectations. As a result, Cardno has written down the carrying value of goodwill associated with past acquisitions in the Americas region.

In February 2015, Cardno advised shareholders that it was investigating a series of transactions in Cardno Caminosca, Ecuador. That investigation is ongoing and Cardno continues to cooperate with the relevant regulatory authorities. In the intervening period the economic outlook for Ecuador has deteriorated as a result of significant declines in oil revenue and general economic uncertainty. As at 30 June 2015, that part of the business has been written down to its fair value and disclosed as held for sale. In addition, Cardno has commenced legal action against

the previous owners of Caminosca S.A. for breach of sale and purchase contract conditions including representations and warranties. Under the terms of the sale and purchase agreement this matter is now before arbitrators in Florida, USA. It is expected that the binding arbitration will be resolved in FY2016.

As a result of the impairment charges basic earnings per share were negative 88.32 cents. Excluding these impacts the operating earnings per share was 30.59 cents. This normalised result was 41.2 per cent lower than the prior year.

The effective tax rate for the group was 9.1 per cent, reflecting the tax effect of the impairment charges. On a NOPAT basis the effective tax rate was 21.9 per cent in FY2015 versus 26.9 per cent in the prior year. This rate reflects an increase in income earned in lower tax jurisdictions largely from Cardno PPI and a lower profit contribution from the United States operations. We expect the taxation rate to return to prior year levels of between 27 per cent and 30 per cent in FY2016.

During the year Cardno commenced a restructure of the business with a consequent change to the segment reporting disclosures. To achieve improved cross-selling and integration the Emerging Markets business was divided into two parts: Asia Pacific and Americas, Europe and Africa with these two operations being absorbed by the newly-formed Asia Pacific Region and the Americas Region respectively. Operationally these reporting line changes were effected by May 2015. In addition, the XP Solutions business that develops and distributes engineering software has been absorbed into the Americas Region. As a result, Cardno will now report only two segments, being Asia Pacific and the Americas – all tables and analysis has been updated to reflect these changes.

ASIA PACIFIC REGION

The Asia Pacific Region fee revenue declined by 10.7 per cent to \$361.2 million with a consequent reduction in EBITDA margin to 13.6 per cent from 16.8 per cent in the prior year. These results reflect the conclusion of resource-related major projects in Australia, typically at higher margin, and subsequent reduced activity in that sector due to commodity price volatility, especially for the bulk commodities of coal and iron ore. Challenged public sector fiscal positions have inhibited the expected growth in infrastructure spend in all Australian states except New South Wales. Cardno has been fortunate to secure infrastructure planning and design work in that state as well as securing water and urban development work for private sector land developers and local authorities in Queensland.

Elsewhere in Australia, Cardno has secured significant environmental planning and remediation work in Victoria for a multinational oil and gas company. New Zealand was a disappointing market for Cardno in FY2015 due to the deferral of some major water infrastructure projects as well as a rundown in Christchurch work. To counter these factors Cardno has opened an office in Auckland and recruited specialists in service areas with increased demand.

Recent project wins are reflected in an improved backlog for the Asia Pacific region with an 8.8 per cent increase over the prior year to \$305.5 million. This provides some comfort that there is a reasonable platform of committed work to support the business in FY2016. In addition, subsequent to 30 June 2015, Cardno negotiated a significant multi-year materials testing services supply agreement with a multinational concrete and quarrying organisation adding an additional \$100 million to the Asia Pacific region backlog. ►

Far left: Cardno provided structural engineering services for the Tysons Corner Center in McLean, Virginia. Photographer: Alan Karchmer

Left: Cardno develops sustainable approaches to water resource management by integrating science and engineering, economics and regulatory compliance expertise with an understanding of natural systems.

FINANCIAL PERFORMANCE continued

A\$m	Segment revenue		EBIT		EBITDA		EBITDA margin*	
	2015	2014	2015	2014	2015	2014	2015	2014
Americas	928.9	774.4	(178.2)	63.2	68.2	78.1	10.3%	13.9%
Asia Pacific	497.5	534.2	38.8	56.4	49.3	68.0	13.6%	16.8%
Total segment	1,426.4	1,308.6	(139.4)	119.6	117.5	146.1	11.5%	15.1%

*Based on fee revenue

There is a positive outlook for the Asia Pacific Region with an increase in backlog and recent project wins. These indicate that the recent restructuring of the business away from the resources sector and matching of resource levels to market demand are starting to pay dividends. We consider the eastern states of Victoria, New South Wales and Queensland hold the most promise for recovery, although we expect this to be variable in terms of activity and timing. The creation of the Asia Pacific Region has also spurred greater activity in the development of a broader service offering across Asia and we believe that our environmental services will be an important component of that expansion. Cardno is well positioned in terms of staffing levels, geographic coverage and service offering to continue to improve profitability as the Australian economy pivots away from its dependence on the resources sector towards an investment in public and private infrastructure.

AMERICAS REGION

The fee revenue in the Americas increased by 17.8 per cent in Australian dollar terms to \$660.9 million but only by 8.5 per cent in US dollar terms. This increase reflected the full-year contribution of Cardno Haynes Whaley and Cardno PPI. Of these recent acquisitions Cardno PPI has faced the headwinds of a significantly lower oil price and the impact this has had on the demand for services. This business is performing below the expectations that we had at acquisition in March 2014, however it continues to be profitable and has taken necessary steps to match resources to demand.

EBITDA for the region was \$68.2 million, a decrease of 12.7 per cent compared to FY2014. EBITDA margin also declined to 10.3 per cent for the year from 13.9 per cent in FY2014. This reflects the completion of higher margin, major projects during the year without similar replacement projects, increased costs associated with normalising employee benefits as the businesses are integrated, restructure costs including centralisation costs and the effects of severe winter weather from December through to February.

In response to these challenges the Americas Region has been focused on ensuring the correct match between

resources and market demands, operations with marginal profitability are being closed, co-location of offices is being accelerated and the centralisation of functional support in Denver is nearing completion.

Backlog for the region has increased in both Australian and US dollar terms with a 2.5 per cent increase to US\$554.8 million. This represents almost 12 months of revenue for the region suggesting that the business outlook is well supported by committed projects. The Natural Resources and Health Sciences Division that previously completed the work around the Gulf of Mexico oil spill has increased its backlog of work and continues to see a strong pipeline of opportunities. Similarly, after a slower than expected recovery in work for the US Government, the Government Services Division has improved both its backlog and ability to bid for task orders. The outlook for the Oil and Gas Division will continue to be subdued in the operational support and development drilling areas. However, the quality and asset management area has a positive outlook and is expected to grow in the coming year. The remaining parts of our Americas operation are expected to perform in line with growth in the economy.

Right: Cardno is a key member of an alliance that will deliver new water and wastewater infrastructure to Logan City, in Australia, over the next three years.



FINANCIAL POSITION

BALANCE SHEET (A\$m)	2015	2014
Trade and other receivables	266.5	245.5
Inventories	154.6	142.6
Other assets	12.8	11.2
Trade and other payables	(150.6)	(137.0)
Other liabilities	(43.9)	(49.5)
Total working capital	239.4	212.8
Cash and cash equivalents	84.8	85.9
Loans and borrowings	(396.1)	(306.1)
Net debt*	(311.3)	(220.2)
Other financial assets	7.6	3.6
Property, plant and equipment	64.9	60.7
Intangible assets	668.3	751.6
Provisions	(47.4)	(45.0)
Net deferred taxes	43.4	15.9
Current tax assets / (liabilities)	4.6	(15.9)
NET ASSETS	669.5	763.5
<i>Ratio:</i>		
<i>Net debt to EBITDA</i>	<i>2.9</i>	<i>1.6</i>
<i>Net debt* to equity</i>	<i>46.5%</i>	<i>28.8%</i>

* Total loans and borrowings less cash and cash equivalents

Net Assets for the Group declined over FY2014 due to the impact of the impairment of the Americas goodwill and the write-down of Cardno Caminosca. Absent these impacts the balance sheet is largely unchanged, however the lower profitability of the Group combined with lower operating cash flow has resulted in an increase in the Net Debt position and a deterioration of net debt to equity ratio, which increased to 46.5 per cent. Net Debt to EBITDA ratio increased to 2.9 times.

The focus of the Group is to significantly improve operating cash flow through the improvements in working capital performance. This will greatly assist in the reduction of debt and an overall improvement in key financial ratios. The second half of FY2015 saw a significant improvement in cash flow due to changes to processes and increased accountability.

The Group continues to have significant financial capability with \$258.9 million of undrawn bank facilities at year end. Total interest expense and finance costs are low, reflecting the Group's ability to borrow in US dollars and access the historically low rates available in that market without having to put in place financial derivatives to hedge the Australian dollar. The Group remains within its covenant obligations.

CASH FLOW

CASH FLOW (A\$m)	2015	2014
Net cash provided by operating activities	48.1	84.6
Investing activities		
Acquisition of subsidiaries	(11.2)	(191.6)
Purchase/sale of fixed assets	(23.0)	(19.1)
Purchase of intangible assets	(1.0)	(0.6)
Net cash used in investing activities	(35.2)	(211.3)
Financing activities		
Proceeds from issue of shares	6.1	94.0
Share issue transaction costs	(0.0)	(1.0)
Purchase of own shares	1.2	9.4
Proceeds from borrowings	707.2	224.8
Repayment of borrowings	(688.8)	(152.1)
Finance lease payments	(2.0)	(2.0)
Dividends paid	(42.1)	(50.9)
Net cash provided by / (used in) financing activities	(18.4)	122.3
Net increase/(decrease) in cash	(5.5)	(4.4)
Cash at 1 July	85.9	90.6
Transfer to disposal group held for sale	(1.5)	0.0
Effects of exchange rate changes	5.9	(0.3)
Cash at 30 June	84.8	85.9

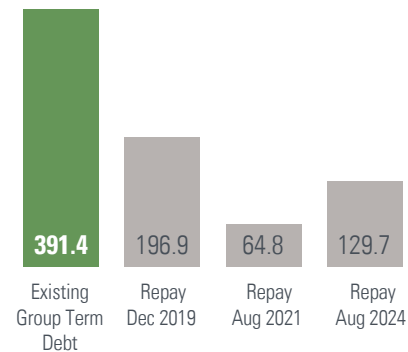
After a slow start in the first half of FY2015, the Group delivered a strong full-year operating cash flow. This was achieved through greatly improved working capital management in the second half.

Cash flows associated with investing activities were down significantly compared to the prior year due to the absence of any merger or acquisition activity. There was the payment of deferred settlement amounts to the vendors of GMTS and Haynes Whaley. Investment in property plant and equipment was up marginally on FY2014 reflecting investments in new computer software systems and hardware.

Financing activities during the year reflect the receipt of the proceeds of the US Private Placement funds that were used to replace existing bank debt. The Group actively manages the amounts drawn down on the revolving bank facilities by applying surplus cash to reduce debt levels. Overall cash on hand at year end of \$84.8 million was broadly flat with the prior year. ►

DEBT STRATEGY

TERM DEBT REPAYMENT PROFILE A\$ million



During FY2015, Cardno completed two important funding activities closing its debut long term note issue in the US Private Placement (USPP) market in August 2014 and successfully renegotiating an annual extension of term of its existing five-year, multi-currency revolving bank debt facilities, in December 2014.

The annual extension of term improved pricing on Cardno's bank debt facilities and extended maturity until December 2019.

Cardno's banking partners Commonwealth Bank of Australia, Hong Kong and Shanghai Banking Corporation, Standard Chartered Bank and Westpac Banking Corporation collectively provide a strong mix of ancillary service capabilities and geographical presence supporting Cardno's global operations.

The long term note includes seven-year tranche of US\$50 million maturing August 2021 and US\$100 million 10-year tranche maturing August 2024. The proceeds were used to replace a portion of the Group's existing bank loans and increased the Group's average debt maturity by 2.1 years. This transaction has allowed Cardno to achieve its debt strategy objective of establishing its brand in the USPP market and developing relationships with blue chip institutional investors that it can grow with over the long term.

Simultaneously, Cardno issued fixed to floating US dollar interest rate swaps matching the tranches and elected to fair value hedge the interest rate risk in accordance with AASB139. There was no requirement to swap the US dollar note proceeds into the Group's Australian dollar

functional currency given the size of Cardno's significant US operations. Cardno's US dollar debt facilities are naturally hedged against US dollar investment and revenue streams.

Cardno's combined term debt facilities comprise the USPP long term note and term bank debt facilities of US\$480 million and working capital facilities of \$10 million and US\$15 million. As at 30 June 2015, Cardno has term debt totalling \$391.4 million, an increase of \$88.3 million from FY2014, primarily due to AUD/USD foreign exchange rate revaluations on US dollar debt of \$70.2 million. The weighted average interest rate of term debt (including the impact of interest rate hedges) as at 30 June 2015 is 1.74 per cent (2014:1.94 per cent).

Cardno has \$258.9 million (2014: \$72.1 million) of undrawn bank debt facilities available to support the business through both organic and future M&A expansion.

DIVIDENDS

Cardno has declared a 7 cent per share fully franked final dividend for FY2015. This will result in a full-year dividend of 20 cents per share fully franked. This is below the full year dividend of 36 cents per share in FY2014 but represents a similar payout level of 66 per cent of full year NOPAT.

The Board has determined to maintain the current Dividend Reinvestment Program. The Board has determined that it will prudently distribute as many franking credits as possible. The amount of franking credits available will depend on the future mix of Australian and international profits. ■

NPAT TO NOPAT RECONCILIATION

	FY2015 RESULT (A\$m)			
	Statutory Result	Impairment of Goodwill	Write down in fair value for assets held for sale	NOPAT Result
Revenue	1,426,916			1,426,916
EBITDA	108,406			108,406
Depreciation & amortisation	(32,821)			(32,821)
Impairment of intangibles and goodwill	(224,023)	(177,856)	(46,167)	0
EBIT	(148,438)	(177,856)	(46,167)	75,585
Interest expense	(11,179)			(11,179)
Tax benefit / (expense)	14,450	30,013	(1,442)	(14,121)
NPAT	(145,168)	(147,843)	(47,609)	50,284
EPS (basic - cents per share)	(88.32)			30.59
Dividend (cents per share)	20			20

10 YEAR PERFORMANCE

PERFORMANCE (A\$m)										
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenue	186.8	265.3	399.0	515.8	477.2	831.2	965.8	1,195.4	1,309.6	1,426.9
EBITDA	25.6	33.2	50.6	57.7	55.3	100.2	128.7	138.0	141.7	108.4
EBIT	22.1	28.0	42.5	46.7	46.5	88.0	111.1	114.3	115.2	(148.4)
NPAT	12.7	18.5	27.5	34.2	37.6	58.8	74.2	77.6	78.1	(145.2)
NOPAT	12.7	18.5	27.5	34.2	37.6	58.8	74.2	77.6	78.1	50.3
Operating Cash Flow	13.4	25.8	37.5	38.6	46.8	73.5	72.6	95.7	84.6	48.1
EPS - basic (cents)	31.37	37.29	42.00	43.82	43.86	56.29	61.73	55.09	52.04	(88.32)
NOPAT EPS - basic (cents)	31.37	37.29	42.00	43.82	43.86	56.29	61.73	55.09	52.04	30.59
Dividend per share (cents)	19.0	22.5	27.0	28.0	29.0	34.0	36.0	36.0	36.0	20.0
SEGMENT REVENUE										
Americas	15.4	51.1	129.9	215.2	193.6	510.3	522.0	664.2	774.4	928.9
Asia Pacific	171.0	213.9	267.3	299.2	282.3	319.0	441.9	529.8	534.2	497.5
SEGMENT RESULT (before financing costs and taxation)										
Americas	1.1	4.1	8.5	11.4	13.8	54.5	51.9	59.8	63.2	(178.2)
Asia Pacific	20.7	23.5	32.2	32.3	35.5	35.5	58.5	62.2	56.4	38.8

BOARD OF DIRECTORS



To view each director's full profile, see pages 33 - 35, or visit www.cardno.com



Board profiles listed left to right.

Ian Johnston

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

Non-Executive Director

Age 66

- > 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 in the banking industry, Ian joined Morgans Stockbroking Limited in 1988 as an Executive Director and Head of Corporate Finance and was Chairman Corporate Finance until his retirement in October 2013.
- > He is currently an independent Non-Executive Director of Data#3 Limited.

Tonianne Dwyer

BJuris (Hons), LLB (Hons), GAICD

Non-Executive Director

Age 52

- > 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, a Non-Executive Director of Metcash Limited 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.

Anthony (Tony) Barnes

BCom

Non-Executive Director

Age 65

- > Tony Barnes has been a Non-Executive Director of Cardno since July 2008.
- > He was formerly the Chief Financial Officer of Zinifex Limited, an international mining, exploration and development company.
- > Tony is also a Director of the Victorian Rugby Union Inc, the Parent-Infant Research Institute and the Leo Cussen Centre for Law.

Grant Murdoch

M Com (Hons), FAICD, FICAA

Non-Executive Director

Age 63

- > Grant Murdoch became a Non-Executive Director of Cardno Limited in January 2013.
- > 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, OzForex Limited and QIC Limited, and is Chairman of the Board of Directors of The Endeavour Foundation and Senator of the University of Queensland.



John Marlay

B.Sc. (Chemistry major), FAICD

Chairman

Age 66

- > John Marlay joined Cardno as a Non-Executive Director in November 2011 and was appointed Chairman in August 2012.
- > From 2002 to 2008, he held the position of Chief Executive Officer and Managing Director of Alumina Limited.
- > Prior to that, John also held executive management positions with James Hardie Ltd and Esso Australia Ltd.

Richard Wankmuller

BCE, MCSE

Chief Executive Officer and Managing Director

Age 57

- > Richard joined Cardno as Chief Executive Officer and Managing Director in 2015.
- > He has more than 30 years' experience in professional engineering services, implementing several successful growth and transformation strategies across international and domestic markets.
- > Prior to joining Cardno, Richard was a Director of GHD Group Pty Limited and President of GHD Americas, where he helped grow the firm from 350 employees to about 4,000.

Trevor Johnson

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

Executive Director

Age 58

- > Trevor Johnson has been a Director of the Cardno Group since 1996, and an employee of the company for more than 35 years.
- > He is also a member of the Executive Leadership Team which oversees Cardno's worldwide operations and assists the Managing Director in running the company.
- > Trevor has more than 35 years' experience as a civil engineer, with special expertise in the fields of hydraulics, water quality and environmental analysis.

Elizabeth Fessenden

MBA, MS Systems Engineering, BS Electrical Engineering

Non-Executive Director

Age 60

- > Elizabeth Fessenden joined Cardno as a Non-Executive Director in June 2014.
- > She is retired from a career with Alcoa where she last held the position of president of their worldwide flexible packaging business.
- > She is currently an independent non-executive director for Quarles Petroleum and was previously a director for Polymer Group Inc. from 2008-2011 and a Trustee for Clarkson University from 1990-2012.

SENIOR EXECUTIVES



Executive profiles listed left to right.

Cardno is helping to shape the future for communities around the world.

Richard Wankmuller
Chief Executive Officer
and Managing Director

As Chief Executive Officer and Managing Director, Richard is responsible for growth, performance, profitability, marketing, operations, client relations and technical development. In addition to managing the company, he spends time meeting with the investment community, giving presentations and roadshows, and hosting discussions with industry analysts and shareholders.

Richard manages Cardno's interaction with the media and other public engagements and maintains relationships with major clients and Cardno's senior executives. He also has a deep understanding of client service delivery and plays a significant role identifying and executing merger opportunities.

Richard joined Cardno in 2015 and has more than 30 years' experience in professional engineering services.

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 multinational mining and oil and gas companies, and is highly skilled in capital raising, business integration, governance and shareholder engagement.

Graham resigned from Cardno in July 2015 to pursue an opportunity in the oil and gas sector and will leave the company in October.



Trevor Johnson
General Manager
Global Technical Leadership

Trevor Johnson has a multi-disciplinary role supporting the enhancement of Cardno's technical reputation and capabilities, as well as acting as a link between operational units and business service functions of the company. As a member of the Executive Leadership Team, he has a principal role in assisting the Managing Director and the other members of the team with communication activities with both internal and external stakeholders.

Trevor has been an Executive Director of the Cardno group since 1996, and an employee of the company for more than 35 years. He holds Bachelor, Masters and Doctoral degrees in civil engineering from the University of Queensland, and is a water engineering specialist. Trevor maintains significant connections with the professional engineering community, and was recently appointed as an Adjunct Professor in the School of Civil Engineering at the University of Queensland. He remains significantly involved in the company's operational activities, and is frequently commissioned as a technical expert witness on civil engineering matters.

Kylie Sprott
General Manager
Global Business Services

Kylie Sprott manages Cardno's global business services team including Information Technology, Human Resources, Marketing and Communications, and Health, Safety, Security, 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 is the Chairperson of the Women in Cardno Governing Body that works to improve the diversity of the workforce. In addition, Kylie leads the Grow Cardno initiative that is focused on improving organic growth across Cardno's global business.

Paul Gardiner
General Manager Americas
Acting General Manager Asia Pacific

As General Manager of Cardno's Americas Region, Paul leads about 5,000 staff across 190 offices in North and South America. During his tenure, Paul has strengthened Cardno's core capabilities in the oil and gas, mining and natural resource management sectors. He has also focused on creating operational efficiencies by aligning services and enabling Cardno professionals to seamlessly deliver diverse services to address complex client challenges.

In FY2015, Paul also oversaw Cardno's Asia Pacific business, which has nearly 3,000 staff operating from more than 60 offices. The region provides services in civil, structural, water, environmental, coastal, bridge, water infrastructure, geotechnical, subsurface utility, traffic and transport and building services engineering, as well as environmental science, survey, landscape architecture, construction materials testing, and planning.

FINANCIAL REPORT

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FINANCIAL CALENDAR

2014/2015

Record Date for Final Dividend	8 September 2015
Final Dividend Paid	2 October 2015
Annual General Meeting	23 September 2015

2015/2016

Half-Year End	31 December 2015
Half-Year Results Announced	23 February 2016

Note: Dates subject to alteration

DIRECTORS' REPORT

Cardno Limited and its Controlled Entities
for the year ended 30 June 2015

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 2015.

1: DIRECTORS

The Directors of the Company in office during or since the year ended 30 June 2015 are set out below:

John Marlay (Chairman - Non-Executive)

Anthony Barnes (Non-Executive)

Tonianne Dwyer (Non-Executive)

Elizabeth Fessenden (Non-Executive)

Trevor Johnson (Executive)

Ian Johnston (Non-Executive)

Grant Murdoch (Non-Executive)

Michael Renshaw (Managing Director – Executive)
(resigned 12 January 2015)

Graham Yerbury (Acting Managing Director – Executive)
(12 January 2015 – 29 June 2015)

Richard Wankmuller (Managing Director – Executive)
(appointed 29 June 2015)

Details of the qualifications, experience and responsibilities of the Directors follow.

John Marlay - Chairman

B.Sc. (Chemistry major), FAICD

Age 66

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 Independent Chairman of Flinders Ports Holdings Limited (since 2013).

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.

Richard Wankmuller - Chief Executive Officer
and Managing Director

BCE, MCSE
Age 57

Richard joined Cardno as Chief Executive Officer and Managing Director in 2015.

He has more than 30 years' experience in professional engineering services, implementing several successful growth and transformation strategies across international and domestic markets.

Prior to joining Cardno, Richard was a Director of GHD Group Pty Limited and President of GHD Americas, where he helped grow the firm from 350 employees to about 4,000.

From 2007 to 2010, he had global responsibility for Parsons' Water and Infrastructure business. During this time Parsons moved their global market position from outside the top 20 to number eight.

Prior to joining Parsons, he spent 17 years in senior executive roles at international infrastructure engineering company, MWH, working across the water, infrastructure, environment, construction, mining, and oil and gas industries.

He was also a member of GHD's Board of Directors from 2013 to 2015, and served on MWH's parent company's Board of Directors (MWH Global Inc.) from 2002 to 2007.

Anthony (Tony) Barnes - Non-Executive Director

BCom
Age 65

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 the Victorian Rugby Union Inc, the Parent-Infant Research Institute and the Leo Cussen Centre for Law.

SPECIAL RESPONSIBILITIES

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

Tonianne Dwyer - Non-Executive Director

BJuris (Hons), LLB (Hons), GAICD
Age 52

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, a Non-Executive Director of Metcash Limited and a Non-Executive 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.

Elizabeth Fessenden - Non-Executive Director

MBA, MS Systems Engineering, BS Electrical Engineering
Age 60

Elizabeth Fessenden joined Cardno as a Non-Executive Director on 1 June 2014. She is retired from a career with Alcoa where she last held the position of president of worldwide flexible packaging business.

Elizabeth's US-based Alcoa career also included positions in engineering management, marketing, smelting plant management, and executive development and staffing. Early in her career she held a Professional Engineering license.

Following her retirement from Alcoa, she joined a private equity firm where she advised portfolio company executive teams and served on the boards of several manufacturing companies.

In May 2014, she completed her six year term as a director of O'Brien & Gere, a consulting engineering firm in the US. She is currently an independent non-executive director for Quarles Petroleum.

Previously she was a director for Polymer Group Inc. from 2008-2011 and a Trustee for Clarkson University from 1990-2012.

As an experienced corporate and not-for-profit board director, she is cited for driving change and adding value in the area of operations, financials and strategic direction.

SPECIAL RESPONSIBILITIES

Elizabeth is a member of the Remuneration Committee.

Trevor Johnson - Executive Director*BE, MEngSc, PhD, FIEAust, CPEng, RPEQ, MAICD*Age 58

Trevor Johnson has been a Director of the Cardno group since 1996, and an employee of the company for more than 35 years. He is also a member of the Executive Leadership Team which oversees Cardno's worldwide operations and assists the Managing Director in running the company.

In his executive role as General Manager Global Technical Leadership, Trevor is primarily responsible for the maintenance of technical capability and standards across the group. He also carries out a number of acquisition, coordination and communication activities within Cardno.

Trevor has more than 35 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. In 2015, Trevor was appointed as an Adjunct Professor in the School of Civil Engineering at the University of Queensland.

Ian Johnston - Non-Executive Director*DipCM, GradDip App Fin & Inv, ASIA, ACSA, ACIS, FAICD*Age 66

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 Morgans Stockbroking Limited (now Morgans Financial Limited) in 1988 as an Executive Director and Head of Corporate Finance. He was Chairman Corporate Finance until his retirement in October 2013. He remains a member of its Advisory Board.

Ian has served as a director of ASX-listed companies, private companies, government-owned corporations and not-for-profit organisations. He is currently an independent Non-Executive Director of Data#3 Limited. Ian is a Fellow of the Australian Institute of Company Directors.

SPECIAL RESPONSIBILITIES

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

Grant Murdoch - Non-Executive Director*M Com (Hons), FAICD, FICAA*Age 63

Grant Murdoch became a Non-Executive Director of Cardno Limited in January 2013. Grant is a Chartered Accountant with over 38 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, OzForex 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.

2: COMPANY SECRETARY

Michael Pearson LLB, BA, ACIS, GAICD (Company Secretary).

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)	2015	2014
Revenue	1,426.9	1,309.6
EBITDA*	108.4	141.7
EBIT	(148.4)	115.2
NPAT	(145.2)	78.1
NOPAT**	50.3	78.1
Operating Cash Flow	48.1	84.6
EPS - basic (cents)	(88.32)	52.04
NOPAT EPS - basic (cents)	30.59	52.04
Dividend per share (cents)	20.0	36.0

* EBITDA = EBIT plus depreciation and amortisation and impairment losses

** NOPAT = NPAT plus tax effected impairment losses

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 53. These metrics provide a measure of Cardno's performance before the impact of non-cash expense items, such as depreciation and amortisation and impairment losses, as well as interest costs associated with Cardno's external debt facility and hire purchase arrangements.

NOPAT is unaudited. However it is based on amounts extracted from the audited financial statements. Refer to the NPAT to NOPAT reconciliation on page 27. This metric provides a measure of Cardno's operating performance before the impact of one off adjustments such as impairment losses write down to fair value for assets held for sale incurred during the current financial year.

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 report that Cardno's result for the year ended 30 June 2015 showed a significant decline from FY2014 due to challenging markets in Australia and the United States.

Highlights of Cardno's financial performance are as follows:

- > Cardno delivered a net operating profit after tax (NOPAT) of \$50.3 million for FY2015. This was a 35.6 per cent decrease from

FY2014. Net loss after tax, after the inclusion of a post tax non-cash impairment charge of \$195.5 million, was \$145.2 million. The impairment charge is associated with the reduced carrying value of our business in the United States and the write down of part of the Ecuadorian business which is being held for sale.

- > Revenue of \$1,426.9 million was up 9.0 per cent on FY2014. This was mainly due to full year contributions of FY2014 merger partners. Organic revenue declined for the second year in a row as long term major projects in Australia and the United States wound down without similar engagements to replace them.
- > Cardno achieved an EBITDA of \$108.4 million in FY2015 which is a decrease of 23.5 per cent compared to the record EBITDA achieved in FY2014. The steeper percentage decline in EBITDA versus fee revenue reflects the lower margins earned as Cardno transitioned off higher margin longer term projects in both Asia Pacific and the Americas. In addition, the businesses experienced higher restructure and redundancy costs as management responded to changes in market demands.
- > Basic earnings per share (EPS) was negative 88.32 cents per share as a result of the impairment charges recognised. Excluding these impacts the operating earnings per share was 30.59 cents. This operating result is a decrease of 41.2 per cent over FY2014.
- > Cardno achieved an operating cash flow of \$48.1 million which represents a solid result at 96 per cent of NOPAT. This result however represents a 43.1 per cent decrease on FY2014.
- > The Board has declared a final dividend of 7 cents per share (100 per cent franked) to be paid on 2 October 2015 to all shareholders registered on 8 September 2015. With the interim dividend of 13 cents per share (100 per cent franked) in April 2015, this will result in a full year dividend of 20 cents per share (100 per cent franked), which is a 44.4 per cent decrease to that delivered in FY2014.

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 2014 ordinary	17.0	28,060	100%	10 October 2014
- Interim 2015 ordinary	13.0	21,391	100%	7 April 2015
<i>Declared after end of year</i>				
- Final 2015 ordinary	7.0	11,594	100%	2 October 2015
<i>Dealt with in the financial report as:</i>				
- Dividends paid or provided		49,451		
- Noted as a subsequent event (note 29)		11,594		
		61,045		

6: EVENTS SUBSEQUENT TO THE REPORTING DATE

On 17 August 2015, the Directors of Cardno Limited declared a final dividend of 7 cents per share (100 per cent franked) for the 2015 financial year. The dividend will be paid on 2 October 2015 to shareholders registered on 8 September 2015 and will total \$11,594,347. The dividend has not been provided for in the 30 June 2015 financial statements.

7: LIKELY DEVELOPMENTS

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

8: SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Other than as disclosed elsewhere in this Directors' Report, there have been no significant changes in the state of affairs since 30 June 2014.

10: DIRECTORS' MEETINGS

Attendance at Board meetings and Board Committee meetings for the year ended 30 June 2015 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	18	19	4	4	7	8	-	-
T Dwyer	19	19	4	4	-	-	5	5
E A Fessenden	19	19	-	-	8	8	-	-
T C Johnson	19	19	-	-	-	-	-	-
I J Johnston	19	19	4	4	-	-	5	5
J Marlay	19	19	-	-	7	8	5	5
G Murdoch	17	19	4	4	8	8	-	-
M J Renshaw (i)	8	8	-	-	-	-	-	-
R N Wankmuller (ii)	-	-	-	-	-	-	-	-
G K Yerbury (iii)	9	9	-	-	-	-	-	-

- = not a member of this committee

A = number of meetings attended.

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

(i) Michael Renshaw resigned from the Board on 12 January 2015.

(ii) Richard Wankmuller was appointed to the Board on 29 June 2015.

(iii) Graham Yerbury was appointed to the Board on 12 January 2015 and resigned on 29 June 2015.

9: INDEMNIFICATION AND INSURANCE OF OFFICERS

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

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

11: REMUNERATION REPORT - AUDITED

The Directors of Cardno Limited present the Remuneration Report for the Company for the financial year ended 30 June 2015. The information contained in the Report, which forms part of the Directors' Report, has been audited by KPMG.

This Report details remuneration information for the Managing Director, Key Management Personnel and Non-Executive Directors who have responsibility for controlling the activities of Cardno.

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SUMMARY OF REMUNERATION MATTERS IN 2015

Cardno's group remuneration strategy is designed to attract, retain and incentivise qualified and experienced Key Management Personnel in the engineering, environment and professional consulting services sector.

In June 2015 Richard Wankmuller was appointed Chief Executive Officer and Managing Director of Cardno taking over from Chief Financial Officer Graham Yerbury who had performed the role in an acting capacity since January 2015 following the resignation of Michael Renshaw.

Other key executive changes were undertaken to streamline the Executive Leadership Team (ELT). The roles of General Manager Australia and New Zealand performed by Mr Roger Collins-Woolcock and Division Manager Emerging Markets, performed by Ross Thompson were made redundant. A new role of General Manager Asia Pacific was created and continues to be performed in an acting capacity by Paul Gardiner, General Manager Americas pending completion of the recruitment process for the position. A new executive role, General Manager Strategic Business Development was created and will be filled in early FY2016.

Due to the failure of the Company to meet specific financial goals, Key Management Personnel and the Acting CEO did not earn any Short Term Incentives (STI) in FY2015.

Long Term Incentives (LTI) were awarded to Key Management Personnel for the 2015 year to continue to drive the long term performance of the business. It is proposed to seek shareholder approval for Mr Wankmuller's LTI at the Annual General Meeting in September 2015.

OUTLOOK FOR 2016 REMUNERATION

Changes planned for the remuneration structure in 2016 are adjustments to the weighting of STI for "at target" goals and for outperformance. It is also planned to increase the percentage of fixed annual remuneration available to be awarded as an LTI. This means a significant proportion of Key Management Personnel remuneration will continue to be "at risk" and subject to specific financial and non-financial key performance indicators (KPI's).

During FY2016, a targeted retention incentive will be introduced for certain key management to support the retention of a stable senior leadership team during the important business transformation underway. This is designed to improve Cardno's financial performance and to grow shareholder value as a result. The retention incentive will be issued in the form of retention rights to acquire ordinary shares for no consideration and will vest 24 months from date of issue if the executive remains employed with Cardno. No performance conditions will attach to retention rights.

11: REMUNERATION REPORT - AUDITED CONTINUED

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

The ability of Cardno to deliver long term shareholder value relies significantly upon the capability of Key Management Personnel to drive business performance and growth, employee engagement, client service satisfaction, safety and quality.

Cardno's financial performance and resultant benefits for shareholder return are demonstrated in the below table.

Despite the decline in FY2015 net profit, over the past five years, Cardno's revenue has grown from \$831.2m (2011) to \$1,426.9m (2015). During the same period average Key Management Personnel (excluding executive and non-executive directors) total remuneration has increased by approximately 7.3 per cent per annum.

	2015	2014	2013	2012	2011
Gross Revenue (000's)	\$1,426,916	\$1,309,597	\$1,195,352	\$965,820	\$831,201
Net Profit / (Loss) After Tax (000's)	(\$145,168)	\$78,134	\$77,639	\$74,168	\$58,802
Dividends Paid or Provided (000's)	\$49,452	\$56,530	\$50,766	\$43,488	\$33,975
Change in Share Price – year on year (\$ per share)	(\$3.09)	\$1.14	(\$2.38)	\$2.18	\$1.49
Basic Earnings Per Share Growth	(269.7%)	(5.5%)	(10.8%)	9.7%	28.3%
Return on Capital Employed	(22.2%)	15.1%	17.6%	20.5%	24.9%
Total Key Management Personnel Remuneration (000's) (i)	\$3,175	\$2,819	\$3,707	\$3,534	\$2,446

(i) Key Management Personnel excluding executive and non-executive directors.

11.2 How is executive pay structured at Cardno?

Cardno's remuneration strategy is offered through a mix of fixed and variable remuneration including short and long term performance-based incentives (Total Remuneration). This is designed to maximise the financial performance and growth of the Company over time.

Exceptional performance by Key Management Personnel which exceeds at-target performance outcomes can result in Total Remuneration for that person being towards the 75th percentile compared to similar roles in the comparator group (which is detailed in section 11.5 on page 43).

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.

The Cardno Board retains discretion in approving the Managing Director's and the Key Management Personnel's STI payment and for the awarding of any Performance Rights as a LTI award under the Performance Equity Plan (PEP).

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.

LTI rewards Key Management Personnel for Cardno's performance over a three 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).

Fixed Annual Remuneration (FAR) 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 table on the following page.

ACTUAL REMUNERATION - AUDITED

		Short Term			Post-Employment		Termination		Share Based Payments		Total	Proportion of Remuneration Performance Related
		Salary and Fees (ii)	Short Term Incentive STI	Non-Monetary Benefits	Total	Superannuation Benefits	Benefits (iii)	Shares	Performance Rights (iv)			
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Executive Directors												
Trevor Johnson (i)	2015	438,216	-	-	438,216	26,784	-	-	-	70,892	535,892	13.2%
	2014	396,530	-	4,000	400,530	25,859	-	-	-	66,706	493,095	13.5%
Richard Wankmuller (appointed 29/06/2015)	2015	-	-	-	-	-	-	-	-	-	-	-
	2014	-	-	-	-	-	-	-	-	-	-	-
Executives (v)												
Paul Gardiner (i, vi)	2015	768,643	-	-	768,643	-	-	-	-	100,117	868,760	11.5%
	2014	590,163	-	-	590,163	15,315	-	-	500	96,152	702,130	13.7%
Kylie Sprott (i)	2015	442,985	-	-	442,985	25,632	-	-	-	73,438	542,055	13.5%
	2014	310,086	-	-	310,086	20,303	-	-	500	71,101	401,990	17.7%
Graham Yerbury (i)	2015	562,493	-	-	562,493	32,203	-	-	-	56,529	651,225	8.7%
	2014	409,207	-	-	409,207	32,499	-	-	500	25,526	467,732	5.5%
Former Executive Directors & Executives												
Michael Renshaw (resigned 12/01/2015)	2015	368,771	-	-	368,771	13,518	932,936	-	-	135,593	1,450,818	9.3%
	2014	564,851	-	-	564,851	17,859	-	-	500	116,150	699,360	16.6%
Roger Collins-Woolcock (ceased 29/01/2015)	2015	269,829	-	-	269,829	18,302	728,788	-	-	96,380	1,113,299	8.7%
	2014	451,595	-	4,000	455,595	25,794	-	-	500	96,152	578,041	16.6%
Andrew Buckley (resigned 01/03/2014)	2015	-	-	-	-	-	-	-	-	-	-	-
	2014	516,983	125,000	4,000	645,983	13,683	281,782	-	-	190,125	1,131,573	27.8%
Jean-Francois Flourey (resigned 24/01/2014)	2015	-	-	-	-	-	-	-	-	-	-	-
	2014	236,883	-	-	236,883	17,348	203,765	-	-	-	457,996	-
Ross Thompson (ceased to be a KMP 01/01/2014)	2015	-	-	-	-	-	-	-	-	-	-	-
	2014	166,265	-	-	166,265	8,887	-	-	-	36,385	211,537	17.2%
Total Compensation – 2015		2,850,937	-	-	2,850,937	116,439	1,661,724	-	-	532,949	5,162,049	10.3%
Total Compensation – 2014		3,642,563	125,000	12,000	3,779,563	177,547	495,547	2,500	698,297	5,143,454	16.0%	

(i) A review of responsibilities for each Key Management Person was performed and roles benchmarked in April 2014.

(ii) Salary and fees for Trevor Johnson, Paul Gardiner and Kylie Sprott includes one-time payments associated with their higher duties as detailed on page 45. Salary and fees for Graham Yerbury includes additional compensation associated with his role as Acting CEO for part of the year. Additional compensation information is detailed on page 45.

(iii) Detail of termination benefits paid to Michael Renshaw and Roger Collins-Woolcock are set out on page 41 and includes payout of accrued annual and long service leave.

(iv) 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.

(v) The position of each executive is set out on pages 30 to 31 of the Annual Report.

(vi) Salary and fees for Paul Gardiner are paid in USD. The amounts disclosed in the above table are the AUD equivalent.

11: REMUNERATION REPORT - AUDITED CONTINUED

During FY2015, Michael Renshaw and Roger Collins-Woolcock ceased employment with Cardno. Amounts paid to both as part of their employment contracts and deeds of release, have been recognised in the above remuneration table as termination benefits. The breakdown of these termination benefits are detailed below.

	Payment in lieu of notice	Redundancy Severance	Accrued Leave	Performance Rights(i)	Total Termination Benefits
Executive Director					
Michael Renshaw <i>(resigned 12/01/2015)</i>	573,749	-	155,174	204,013	932,936
Executives					
Roger Collins-Woolcock <i>(ceased 29/01/2015)</i>	192,170	269,043	138,260	129,315	728,788

(i) The Performance Rights termination benefits provided, relate to unvested Performance Rights which Michael Renshaw and Roger Collins-Woolcock retain on ceasing employment and remains subject to EPS and TSR performance conditions details on page 43.

11.3 How does company performance impact on executives' remuneration?

Executives Name	STI FY2015			STI FY2014		LTI FY2015		LTI FY2014	
	Potential \$	Awarded %	Paid %	Potential \$	Paid %	Performance Rights Granted (i)	To Vest %	Performance Rights Granted	Vested %
Michael Renshaw (ii)	563,836	0%	0%	586,841	0%	50,000	0%	50,000	39%
Trevor Johnson	195,750	0%	0%	120,000	0%	30,000	0%	30,000	39%
Roger Collins-Woolcock (iii)	169,816	0%	0%	256,461	0%	40,000	0%	40,000	39%
Paul Gardiner	324,000	0%	0%	263,755	0%	40,000	0%	40,000	39%
Kylie Sprott	252,000	0%	0%	166,261	0%	30,000	0%	30,000	39%
Graham Yerbury	300,000	0%	0%	248,461	0%	-	-	-	-

(i) Performance Rights granted in 2012 to vest based on achievement of performance hurdles for the period 2012 to 2015.

(ii) Potential STI for Michael Renshaw has been pro rated for the year ended 30 June 2015.

(iii) Potential STI for Roger Collins-Woolcock has been pro rated for the year ended 30 June 2015.

Above are details of the vesting profile for 2015 and the previous year of the STI cash bonuses and LTI awarded as remuneration to each of the named Key Management Personnel.

Performance Rights due to vest in FY2016 were granted in October and November 2012 and are assessed on performance hurdles over the three year period to 30 June 2015. These Performance Rights will not vest as performance hurdles were not achieved.

Performance Rights which partially vested in FY2015 were granted in October and November 2011 and were assessed on performance hurdles over the three year period to 30 June 2014. These Performance Rights vested in October 2014 and November 2014. The number of Performance Rights vested was 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 2014.

11: REMUNERATION REPORT - AUDITED CONTINUED

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

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.

There are two components to the STI structure.

Firstly, up to 70 per cent of "at target" performance STI is assessed on financial KPI's such as the Group's overall financial and Key Management Personnel's divisional and functional financial performance (where relevant) against budget.

The second component is assessed on non-financial KPIs including safety, business growth, working capital reduction, staff turnover, succession planning and executive leadership. These vary according to position, responsibility and areas assessed by the Managing Director to be integral to each area of accountability.

For the Managing Director, STIs are assessed against two separate performance measures. These measures relate to specific, financial, strategic and corporate development targets.

Key Management Personnel can earn an STI ranging between 40-50 per cent of FAR (depending on position) for achieving at-target performance outcomes and up to an additional 20 per cent of FAR for out-performance through achievement of exceptional financial results. This payment is based on the Managing Director's and Remuneration Committee's assessment and judgment of performance, measured against the key management person's outperformance against individual specific goals.

In FY2015, no STI was payable to the Acting Chief Executive Officer, Mr Yerbury or Key Management Personnel due to the failure of the Company to meet specific financial goals.

In FY2016, Key Management Personnel (excluding the Managing Director) will be able to earn STI of 40 per cent of FAR for achieving "at target" performance and an additional 20 per cent for outperformance and LTI of up to 50 per cent of FAR. Details of the Managing Director's STI for FY2016 are set out in section 11.6 on page 44.

The financial KPI's for the "at target" portion of STI is Group NPAT and a combination of organic growth and revenue factor performance drivers. Non-financial KPI's are safety measures including Lost Time Injury Rate (LTIR) and operational measures such as staff turnover, succession planning and executive leadership.

The following tables provides a summary of achievement against performance measures for Key Management Personnel in FY2015.

Key Performance Indicators (KPI) to achieve 100% of STI Target		Performance Measure	Results (i, ii)
People	20%	Unmanaged staff turnover (% rolling 12 months)	Partially Achieved
Working Capital		Day sales outstanding for debtors	Partially Achieved
Growth & Clients		Fee Growth from strategic clients	Partially Achieved
Safety & Quality	10%	Loss Time Injury Frequency Rate	Achieved
Financial Performance	70%	Overall Company performance Vs Budget	Not Achieved
		Region performance Vs Budget	Not Achieved
		Days sales outstanding for debtors	Partially Achieved

Key Performance Indicators (KPI) to achieve additional STI of 10% of FAR for Outperformance (iii)	Performance Measure	Results (i)
Financial Overachievement	Regional Performance > 10% Vs Budget	Not Achieved

(i) The results have not been audited.

(ii) Although some performance measures were partially achieved Key Management Personnel did not receive any STI award for FY2015.

(iii) Each of these criteria may vary slightly depending on the role of the Key Management Personnel.

11: REMUNERATION REPORT - AUDITED CONTINUED

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

The LTI program seeks to align the Managing Director and Key Management Personnel decision making with the interests of shareholders. It also encourages the achievement of performance conditions likely to sustain long term business growth for Cardno. The delivery of LTI is made under the Performance Equity Plan (PEP).

Any LTI award is paid in Performance Rights. These may vest after 3 years from the date of issue and are dependent on continuing employment and the achievement of performance outcomes over the period. These outcomes are 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).

The issue of Performance Rights is discretionary and applies to eligible staff considered to have been high performers in their respective roles by the Board.

For the Managing Director, in FY2016 LTI entitlements up to 60 per cent of FAR may be awarded at the discretion of the Board on the recommendation of the Remuneration Committee. These are based on the overall performance and growth of Cardno Earnings Per Share (EPS) growth and relative Total Shareholder Return

(TSR) performance. For Key Management Personnel (excluding the Managing Director) in FY2016, the potential award is up to 50 per cent of FAR. 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 are exercised.

The PEP operates by granting a Performance Right to acquire an ordinary share at nil consideration at a predetermined time in the future. During 2015 2,999,568 Performance Rights with a grant date fair value of \$9,691,131 were issued with a vesting period of three years from the grant dates of October 2014 and November 2014.

Further details of how LTI was valued and measured in 2015 can be found in section 11.8 on page 48.

The Board considers the issue of Performance Rights based on the achievement of specific EPS and TSR targets to align 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	% of Performance Rights to Vest	EPS Growth Over 3 Years	% of Performance Rights to Vest
Over 3 Years	(Tranche 1 50%)		(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 FY2015 the TSR Comparator Group comprised 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 2014 excluding companies' classified in Financial, Energy, Metals and Mining GICS sectors. Based on the TSR result, it is expected that no Performance Rights granted in 2012 will vest on October 2015 and November 2015.

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 (i.e. year to June 2012) with that achieved in the final year of the performance period (i.e. year to June 2015). The compound annual growth rate (CAGR) of EPS over the three year period to 30 June 2015 was -205.36 per cent.

Based on the EPS result, none of the Performance Rights granted in 2012 in Tranche 2 will vest in October 2015 and November 2015.

11: REMUNERATION REPORT - AUDITED CONTINUED

11.6 Managing Director and Key Management Personnel Employment Agreements

MANAGING DIRECTOR

Mr Wankmuller commenced as Managing Director on 29 June 2015 and is paid a cash fixed annual remuneration of \$950,000 inclusive of superannuation. His employment contract has no fixed term and provides both fixed and incentive based remuneration which includes STI and LTI.

Mr Wankmuller is able to earn a maximum STI of up to \$1,425,000, if he is able to achieve the following performance measures;

- > Specific strategic and corporate development measures - \$950,000,
- > Exceptional financial outperformance of the company is excess of budget targets - \$475,000.

LTI in the form of Performance Rights equivalent to 60 per cent of FAR will be granted to Mr Wankmuller subject to receiving shareholder approval at the Annual General Meeting in 2015.

Mr Wankmuller will also be entitled to a one off payment of US\$600,000 payable in three tranches over 3 years provided he

remains in continued employment with Cardno at specific milestone dates in recognition of his forfeiture of entitlements at this former employer GHD Group.

Cardno will also pay Mr Wankmuller's relocation expenses including airfares from the US for him and his family, removal and transportation costs, accommodation in Brisbane for a period up to 12 months and financial and non-financial assistance with immigration, visa and tax advice. Such expenses are repayable by Mr Wankmuller on a pro rata basis if he voluntarily resigns or his employment is terminated by Cardno within 12 months.

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

Mode of retirement from office	Notice period	Benefits Payable					
		Unpaid / accrued FAR	Accrued but untaken annual leave	Long service leave	Unpaid / Accrued STI	Severance payment	Unvested Performance Rights
Notice by Mr Wankmuller	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	Yes	Yes	Yes	No	No	No

Former Managing Director and Chief Executive Officer Michael Renshaw resigned on 12 January 2015. Mr Renshaw did not receive any STI relative to the financial performance measures of Cardno for FY2015.

Mr Renshaw will retain unvested Performance Rights previously awarded following shareholder approval at the 2012, 2013 and 2014 Annual General Meetings. These Performance Rights, totalling 250,000, will remain subject to both EPS and TSR performance hurdles for any future payment. Specific details of the termination payments paid to Mr Renshaw in accordance with his employment agreement are contained in the table on page 41.

11: REMUNERATION REPORT - AUDITED CONTINUED

KEY MANAGEMENT PERSONNEL

Each agreement varies according to the individual Key Management Person but typically includes:

- (a) Termination provisions incorporating notice periods and payments of 6 months, except that notice periods are reduced where termination is for performance reasons.
- (b) Performance and confidentiality obligations on the part of both the employer and employee.
- (c) Employee covenants that during the term of employment and for at least six months after termination the employee will not solicit any existing client or employee of the Company.
- (d) Eligibility to participate in the Performance Equity Plan, based on financial and non-financial KPI's.
- (e) With the exception of the notice period, the termination benefits payable to Mr Wankmuller in the above table, are generally replicated in the Employment Agreements with Key Management Personnel.

Between 12 January 2015 and 30 June 2015 Mr Yerbury's salary was increased to \$700,000 per annum in consideration of him performing the role as Acting Chief Executive Officer, meaning he received additional payments totaling \$92,055 during this period.

In recognition of higher duties performed by each of the Key Management Personnel between January and June 2015, each received a one-time payment to reflect their individual contribution details of which are as follows:

> Paul Gardiner (paid in USD)	\$50,000
> Kylie Spratt	\$30,000
> Trevor Johnson	\$30,000

Mr Collins–Woolcock ceased employment on 29 January 2015. Mr Collins- Woolcock did not receive any STI, relative to the financial performance measures of Cardno for FY2015.

Mr Collins-Woolcock will retain unvested Performance Rights and these Performance Rights, totalling 171,000, will remain subject to both EPS and TSR performance hurdles for any future payment. Specific details of the termination payments paid to Mr Collins-Woolcock are contained in the table on page 41.

11.7 How is Non-Executive Director pay structured?

Non-Executive Directors' remuneration is reviewed annually by the Board. The review takes account of recommendations from 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 part of the need to plan for Non-Executive Director succession, approval was sought and obtained from shareholders at the 2014 Annual General Meeting for an increase in the maximum aggregate remuneration payable to Non-Executive Directors of \$900,000 to a maximum sum of \$1,150,000 a year. The benchmarking of Non-Executive Directors fees compared with companies in the market comparator group, the increasing time commitment and complexity for Directors.

The fee structure (which is inclusive of superannuation contributions where compulsory) for Non-Executive Directors has remained constant since 2011 and from 23 October 2014 was adjusted as follows:

- > Chairman of the Board: \$275,000 (covering all responsibilities as Chairman of the Board and Chairman and/or member of any Board Committee)
- > Other Non-Executive Directors: \$110,000 (covering responsibilities as a member of the Board and other duties including representing the Company externally)
- > Committee Chairman: \$22,000, and Committee member: \$11,000 (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 remuneration of the Non-Executive Directors is set out in the following table on the next page.

ACTUAL REMUNERATION - AUDITED												
		Short Term			Post Employment		Termination Benefits	Share Based Payments		Total	Proportion of Remuneration Performance Related	
		Salary and Fees	Short Term Incentive STI	Non-Monetary Benefits	Total	Superannuation Benefits		Shares	Performance Rights			
		\$	\$	\$	\$	\$	\$	\$	\$	\$		
Non-Executives												
John Marlay	2015	248,562	-	-	248,562	18,783	-	-	267,345	-	-	
	2014	232,803	-	-	232,803	16,663	-	-	249,466	-	-	
Anthony Barnes	2015	104,100	-	-	104,100	34,897	-	-	138,997	-	-	
	2014	94,316	-	-	94,316	35,684	-	-	130,000	-	-	
Tonianne Dwyer	2015	114,360	-	-	114,360	10,864	-	-	125,224	-	-	
	2014	100,667	-	-	100,667	9,333	-	-	110,000	-	-	
Elizabeth Fessenden (i)	2015	134,169	-	-	134,169	-	-	-	134,169	-	-	
	2014	-	-	-	-	-	-	-	-	-	-	
Ian Johnston	2015	107,408	-	-	107,408	10,204	-	-	117,612	-	-	
	2014	100,667	-	-	100,667	9,333	-	-	110,000	-	-	
Grant Murdoch (ii)	2015	138,505	-	-	138,505	13,127	-	-	151,632	-	-	
	2014	109,819	-	-	109,819	10,181	-	-	120,000	-	-	
Former Executive Directors & Executives												
Peter Cosgrove <i>(resigned 28/01/2014)</i>	2015	-	-	-	-	-	-	-	-	-	-	
	2014	53,394	-	-	53,394	4,939	-	-	58,333	-	-	
Total Compensation – 2015		847,104	-	-	847,104	87,875	-	-	934,979	-	-	
Total Compensation – 2014		691,666	-	-	691,666	86,133	-	-	777,799	-	-	

(i) Salary and fees for Elizabeth Fessenden are paid in USD. The amounts disclosed in the above table are the AUD equivalent.

(ii) Salary and fees for Grant Murdoch include back payment of prior year fees not previously paid.

11: REMUNERATION REPORT - AUDITED CONTINUED

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, the Managing Director, Key Management Personnel, managers and staff is reviewed by the Remuneration Committee which then provides recommendations to the Board.

Board decisions on the remuneration of the Managing Director and Key Management Personnel are made in the absence of the Executive Directors as appropriate.

The Committee obtains independent advice from remuneration consultants on the appropriateness of remuneration based trends in comparative countries, both locally and internationally.

In 2015, the Remuneration Committee appointed Ernst & Young as an adviser to assist with remuneration advice in relation to the provision of market remuneration data for Executive and Non-Executive Director roles, general executive remuneration trends and information and advice regarding termination arrangements for the departing Managing Director and Chief Executive Officer and the incoming Chief Executive Officer Richard Wankmuller. Ernst & Young were engaged by and reported to the Remuneration Committee. During the 2015 financial year no remuneration recommendations, as defined by the Corporations Act, were provided by Ernst & Young.

The members of the Committee during the year were: Grant Murdoch (Committee Chair), Tony Barnes, John Marlay and Elizabeth Fessenden, all independent Non-Executive Directors.

The Committee met eight times during the year and committee members' attendance record is disclosed in the table of Directors' meetings (refer to page 37).

11: REMUNERATION REPORT - AUDITED CONTINUED

11.8 The Value and Measure of LTI in 2015

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 2015, including those granted during the financial year are as follows in the table below:

Key Management Personnel	Outstanding Performance Rights	Grant Date	Vesting Date	% Vested in Year	% Forfeited in Year	Fair Value at Grant Date
Executive Directors						
Trevor Johnson	30,000	18-Oct-12	18-Oct-15	0.0%	0.0%	5.60
	40,000	17-Oct-13	17-Oct-16	0.0%	0.0%	4.75
	68,000	23-Oct-14	23-Oct-17	0.0%	0.0%	3.46
Michael Renshaw <i>(resigned 12/01/2015)</i>	50,000	1-Nov-12	1-Nov-15	0.0%	0.0%	5.56
	70,000	11-Nov-13	11-Nov-16	0.0%	0.0%	5.47
	130,000	23-Oct-14	23-Oct-17	0.0%	0.0%	3.46
Key Management Personnel						
Roger Collins-Woolcock <i>(ceased 29/01/2015)</i>	40,000	1-Nov-12	1-Nov-15	0.0%	0.0%	5.56
	55,000	11-Nov-13	11-Nov-16	0.0%	0.0%	5.47
	76,000	10-Nov-14	10-Nov-17	0.0%	0.0%	3.22
Paul Gardiner	40,000	1-Nov-12	1-Nov-15	0.0%	0.0%	5.56
	55,000	11-Nov-13	11-Nov-16	0.0%	0.0%	5.47
	94,000	10-Nov-14	10-Nov-17	0.0%	0.0%	3.22
Kylie Sprott	30,000	1-Nov-12	1-Nov-15	0.0%	0.0%	5.56
	40,000	11-Nov-13	11-Nov-16	0.0%	0.0%	5.47
	66,000	10-Nov-14	10-Nov-17	0.0%	0.0%	3.22
Graham Yerbury	50,000	11-Nov-13	11-Nov-16	0.0%	0.0%	5.47
	78,000	10-Nov-14	10-Nov-17	0.0%	0.0%	3.22

Performance Rights granted to Executive Directors and Key Management Personnel have a one year exercise period after the vesting date. The expiry date of the Performance Rights is one year subsequent to the vesting date. Non-Executive Directors do not participate in any of the Company's incentive plans.

No Performance Rights granted during 2015 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 43.

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
Roger Collins-Woolcock	15,518	Nil
Paul Gardiner	15,518	Nil
Trevor Johnson	11,638	Nil
Michael Renshaw	19,397	Nil
Kylie Sprott	11,638	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			
Trevor Johnson	234,940	66,919	-
Michael Renshaw	449,150	107,653	-
Key Management Personnel			
Roger Collins-Woolcock	244,340	86,125	-
Paul Gardiner	302,210	86,125	-
Kylie Sprott	212,190	64,591	-
Graham Yerbury	250,770	-	-

- (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 and Black-Scholes pricing models. The total value of the Performance Rights is allocated to remuneration over the vesting period (i.e. in years 18 October 2012 – 18 October 2015 and 1 November 2012 – 1 November 2015).
- (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

2015 Performance Rights	Held at 1 July 2014	Granted as compensation	Vested	Lapsed	Held at 30 June 2015	Vested and exercisable at 30 June 2015
Executive Directors						
Trevor Johnson	100,000	68,000	11,638	18,362	138,000	-
Michael Renshaw (i)	170,000	130,000	19,397	30,603	250,000	-
Senior Executives						
Roger Collins-Woolcock (ii)	135,000	76,000	15,518	24,482	171,000	-
Paul Gardiner	135,000	94,000	15,518	24,482	189,000	-
Kylie Sprott	100,000	66,000	11,638	18,362	136,000	-
Graham Yerbury	50,000	78,000	-	-	128,000	-

(i) Michael Renshaw resigned as a director on 12 January 2015

(ii) Roger Collins-Woolcock ceased to be a Key Management Person on 29 January 2015

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:

Share Movements Directors and Key Management Personnel	Held at 1 July 2014	Purchases	Received as Compensation	Sales	Held at 30 June 2015
Non-Executive Directors					
Anthony Barnes	5,657	399	-	-	6,056
Tonianne Dwyer	3,000	9,000	-	-	12,000
Elizabeth Fessenden	-	3,982	-	-	3,982
Ian Johnston	268,839	30,000	-	68,839	230,000
John Marlay	16,095	14,000	-	-	30,095
Grant Murdoch	43,555	59	-	-	43,614
Executive Directors					
Richard Wankmuller (i)	-	-	-	-	-
Trevor Johnson	1,649,964	61,638	-	-	1,711,602
Michael Renshaw (ii)	313,305	69,789	-	50,314	N/A
Senior Executives					
Roger Collins-Woolcock (iii)	761,122	731,257	-	681,966	N/A
Paul Gardiner	821,682	65,418	-	49,900	837,200
Kylie Sprott	10,971	18,351	-	30	29,292
Graham Yerbury	5,889	8,750	-	-	14,639

(i) Richard Wankmuller was appointed as a director on 29 June 2015

(ii) Michael Renshaw resigned as a director on 12 January 2015

(iii) Roger Collins-Woolcock ceased to be a Key Management Person on 29 January 2015

12: DIRECTORS' INTERESTS

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

	Ordinary Shares	Shares held in Escrow	Performance Options	Performance Rights
Anthony Barnes	6,056	-	-	-
Tonianne Dwyer	12,000	-	-	-
Elizabeth Fessenden	3,982	-	-	-
Trevor Johnson	1,711,602	-	-	138,000
Ian Johnston	230,000	-	-	-
John Marlay	30,095	-	-	-
Grant Murdoch	43,614	-	-	-
Richard Wankmuller (i)	-	-	-	-

(i) Richard Wankmuller was restricted from acquiring shares in Cardno in accordance with the Cardno Securities Trading Policy.

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 31.

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

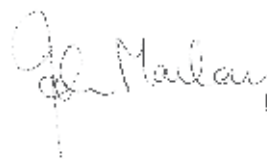
The lead auditor's independence declaration is set out on page 52 and forms part of the Directors' report for the year ended 30 June 2015.

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

17 August 2015

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 2015 there have been:

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

A handwritten signature in black ink, appearing to read 'M. Petrie'.

KPMG

A handwritten signature in black ink, appearing to read 'M. Petrie'.

Mitchell Petrie
Partner

Brisbane
17 August 2015

CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE

Cardno Limited and its Controlled Entities for the year ended 30 June 2015

	Note	2015 \$'000	2014 \$'000
Revenue	2A	1,426,916	1,309,597
Other Income	2B	11,449	6,595
Employee expenses		(705,806)	(628,647)
Consumables and materials used		(403,478)	(293,063)
Sub-consultant and contractor costs		(174,754)	(204,600)
Impairment losses	3	(224,023)	-
Depreciation and amortisation expenses	3	(32,821)	(26,493)
Financing costs	3	(11,179)	(8,465)
Other expenses		(45,922)	(48,158)
Profit / (loss) before income tax		(159,618)	106,766
Income tax (expense) / benefit	4	14,450	(28,632)
Profit / (loss) for the year		(145,168)	78,134
Profit / (loss) attributable to:			
Owners of the Company		(145,168)	78,134
		(145,168)	78,134
Basic earnings per share (cents per share)	30	(88.32)	52.04
Diluted earnings per share (cents per share)	30	(88.32)	50.61

The statement of financial performance should be read in conjunction with notes 1 to 38 which form part of the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Cardno Limited and its Controlled Entities for the year ended 30 June 2015

	2015 \$'000	2014 \$'000
Profit / (loss) for the year	(145,168)	78,134
Other comprehensive income		
Items that may be subsequently reclassified to profit or loss:		
Exchange differences on translation of foreign operations	82,993	(5,698)
Other comprehensive income for the year, net of tax	82,993	(5,698)
Total comprehensive income for the year	(62,175)	72,436
Total comprehensive income attributable to:		
Owners of the Company	(62,175)	72,436
	(62,175)	72,436

The statement of comprehensive income should be read in conjunction with notes 1 to 38 which form part of the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Cardno Limited and its Controlled Entities as at 30 June 2015

	Note	2015 \$'000	2014 Restated* \$'000
Current Assets			
Cash and cash equivalents	6	84,750	85,885
Trade and other receivables	7	266,513	244,885
Inventories	8	154,611	142,586
Other current assets	9	12,794	11,196
Current tax receivable		19,349	-
Assets held for sale	10	9,191	-
Total Current Assets		547,208	484,552
Non-Current Assets			
Trade and other receivables	11	-	605
Other financial assets, including derivatives	12	7,625	3,610
Property, plant and equipment	13	64,851	60,709
Deferred tax assets	14	45,167	16,671
Intangible assets	15	668,265	760,832
Total Non-Current Assets		785,908	842,427
Total Assets		1,333,116	1,326,979
Current Liabilities			
Trade and other payables	16	150,566	146,254
Loans and borrowings	17	2,982	3,149
Current tax liabilities		14,785	15,870
Short term provisions	18	36,959	32,181
Other current liabilities	19	43,047	48,306
Liabilities held for sale	10	9,191	-
Total Current Liabilities		257,530	245,760
Non-Current Liabilities			
Loans and borrowings	20	393,108	302,927
Deferred tax liabilities	14	1,752	816
Long term provisions	21	10,342	12,854
Other non-current liabilities	22	876	1,106
Total Non-Current Liabilities		406,078	317,703
Total Liabilities		663,608	563,463
Net Assets		669,508	763,516
Equity			
Issued capital	23	641,661	623,875
Reserves		62,082	(20,744)
Retained earnings		(34,235)	160,385
Total Equity		669,508	763,516

* Restated (refer to note 34).

The statement of financial position should be read in conjunction with notes 1 to 38 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 2015

	Note	Share Capital Ordinary \$'000	Retained Earnings \$'000	Foreign Translation Reserve \$'000	Reserve for Own Shares \$'000	Total \$'000
Balance at 1 July 2013		500,374	138,781	(602)	(6,029)	632,524
Profit for the year		-	78,134	-	-	78,134
Exchange differences on translation of foreign operations		-	-	(5,698)	-	(5,698)
Total comprehensive income for the year		-	78,134	(5,698)	-	72,436
Transactions with owners in their capacity as owners:						
Shares issued	23	100,879	-	-	-	100,879
Employee share based payments	23	4,790	-	-	-	4,790
Own shares issued*		17,832	-	-	(17,832)	-
Own shares sold*		-	-	-	9,417	9,417
Dividends paid or provided	5	-	(56,530)	-	-	(56,530)
		123,501	(56,530)	-	(8,415)	58,556
Balance at 30 June 2014		623,875	160,385	(6,300)	(14,444)	763,516
Loss for the year		-	(145,168)	-	-	(145,168)
Exchange differences on translation of foreign operations		-	-	82,993	-	82,993
Total comprehensive income for the year		-	(145,168)	82,993	-	(62,175)
Transactions with owners in their capacity as owners:						
Shares issued	23	13,512	-	-	-	13,512
Employee share based payments	23	2,946	-	-	-	2,946
Own shares issued*		1,328	-	-	(1,328)	-
Own shares sold*		-	-	-	1,161	1,161
Dividends paid or provided	5	-	(49,452)	-	-	(49,452)
		17,786	(49,452)	-	(167)	(31,833)
Balance at 30 June 2015		641,661	(34,235)	76,693	(14,611)	669,508

* 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 38 which form part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Cardno Limited and its Controlled Entities for the year ended 30 June 2015

	Note	2015 \$'000	2014 \$'000
Cash Flows from Operating Activities			
Cash receipts from customers		1,474,734	1,370,518
Interest received		506	978
Finance costs paid		(7,456)	(10,440)
Cash paid to suppliers and employees		(1,395,805)	(1,249,117)
Income tax paid		(23,856)	(27,328)
Net Cash Provided by Operating Activities	25(a)	48,123	84,611
Cash Flows from Investing Activities			
Acquisition of subsidiaries, net of cash acquired	25(d)	-	(163,265)
Acquisition of subsidiaries, deferred consideration paid		(11,187)	(28,319)
Payments for intangible assets		(1,005)	(603)
Proceeds from sale of property, plant and equipment		1,288	2,257
Payments for property, plant and equipment		(24,273)	(21,390)
Net Cash Used in Investing Activities		(35,177)	(211,320)
Cash Flows from Financing Activities			
Proceeds from issue of shares		6,135	94,003
Share issue transaction costs		(18)	(1,036)
Sale of own shares*		1,161	9,417
Proceeds from borrowings		707,228	224,837
Repayment of borrowings		(688,849)	(152,075)
Finance lease payments		(2,028)	(1,978)
Dividends paid		(42,055)	(50,873)
Net Cash Provided by/(Used in) Financing Activities		(18,426)	122,295
Net Increase/(Decrease) in Cash and Cash Equivalents Held		(5,480)	(4,414)
Cash and Cash Equivalents at 1 July		85,885	90,635
Reclassification of cash included in disposal group held for sale (refer note 10)		(1,592)	-
Effects of exchange rate changes on cash and cash equivalents at the end of year		5,937	(336)
Cash and Cash Equivalents at 30 June	25(b)	84,750	85,885

* 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 38 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 2015

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 2015 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 17 August 2015.

(a) Statement of compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The financial statements of the consolidated entity also comply 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.

Impact of new or amended accounting standards

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 July 2014. These standards are not expected to have a significant impact on the Group's consolidated financial statements.

AASB 2013-4 Novation of derivatives and hedge accounting

Annual improvements project – 2010-2012 cycle (AASB 2014-1 Part A)

Annual improvements project – 2011-2013 cycle (AASB 2014-1 Part A)

AASB 2013-4 Novation of derivatives and hedge accounting

AASB 2013-4 makes amendments to AASB 139 to permit the continuation of hedge accounting in circumstance where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulation. There has been no impact on the recognised assets, liabilities and comprehensive income of the Group.

Annual improvements project – 2010-2012

Minor amendments have been made to AASB 3 Business Combinations relating to accounting for contingent consideration. This is effective for business combinations acquired after 1 July 2014 thus has no impact on the Group for this financial year.

Annual Improvements project – 2011-2013

Amendments have been made to AASB 140 to clarify the interrelationship of AASB 3 Business Combinations and AASB 140 Investment Property. This amendment has no impact on the Group.

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2014, 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

AASB 9 (2009) includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments.

AASB 9 is effective for annual periods beginning on or after 1 January 2018 with early adoption permitted. The adoption of these standards is expected to have an impact on the Group's financial assets, but no impact on the Group's financial liabilities.

AASB 15 Revenue from Contracts with Customers (2015)

AASB 15 (2015) establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces AASB 111 Construction Contracts, AASB 118 Revenue and AASB 1004 Contributions. The new standard's core principle requires entities to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services.

AASB 15 is effective for annual reporting periods beginning on or after 1 January 2017 with early adoption permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of AASB 15.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Cardno Limited and its Controlled Entities for the year ended 30 June 2015

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued

(c) Basis of Consolidation

Subsidiaries

Subsidiaries are entities controlled by Cardno. Control exists when the Company is exposed to, or has rights to, variable returns from its involvement with an entity and has the ability to affect those returns through its power over the entity. 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 38 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.

(f) Revenue Recognition

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

Sale of goods

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

Consulting services revenue

Revenue from consulting services which are provided on a time and material basis is recognised at the contractual hourly rates as labour hours are delivered and 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Cardno Limited and its Controlled Entities for the year ended 30 June 2015

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued

(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.

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. Intersegment pricing is determined on an arm's length basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Cardno Limited and its Controlled Entities for the year ended 30 June 2015

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued

(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) Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property or biological assets, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held-for-sale and subsequent gains or losses on remeasurement are recognised in profit and loss.

Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortised or depreciated.

(n) Property, Plant and Equipment

Recognition and measurement

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

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, 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.

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.

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 2015

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued

(o) 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.

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.

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.

(p) 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.

(q) Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivatives are designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- > hedges of fair value of recognised assets or liabilities or a firm commitment (fair value hedges)
- > hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probably forecast transactions (cash flow hedges), or
- > hedges of a net investment in a foreign operation (net investment hedges).

Cardno documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. Cardno also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

(i) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Cardno Limited and its Controlled Entities for the year ended 30 June 2015

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued

(q) Derivatives and hedging activities continued

(ii) 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.

(r) 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.

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

(s) 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.

(t) 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.

(u) 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 corporate bonds at balance date, which most closely match the terms of maturity of the related liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Cardno Limited and its Controlled Entities for the year ended 30 June 2015

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued

(u) Employee Benefits continued

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.

(v) 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.

(w) 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.

(x) 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.

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.

(y) 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(r) and 15.
- > Revenue recognition in relation to long term contracts including estimating stage of completion and total contract costs – refer notes 1(f) and 2A.
- > Accounting for business combinations including estimating fair values of identifiable assets acquired and liabilities assumed – refer notes 1(o) and 34.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Cardno Limited and its Controlled Entities for the year ended 30 June 2015

	2015	2014
	\$'000	\$'000
2A. REVENUE		
Fees from consulting services	1,004,479	951,518
Fees from sale of goods	13,094	10,955
Fees from recoverable expenses	404,333	342,992
Interest received	506	978
Royalties	158	118
Rental income	226	45
Other	4,120	2,991
Revenue	1,426,916	1,309,597
2B. OTHER INCOME		
Non-refundable R&D tax incentives	2,413	2,415
Reversal of contingent consideration liability	-	3,453
Foreign exchange gains	9,036	727
Other Income	11,449	6,595
3. EXPENSES, LOSSES AND (GAINS)		
Depreciation		
Motor vehicles	4,841	4,790
Other property, plant and equipment	17,747	14,992
Total Depreciation	22,588	19,782
Amortisation of non-current assets		
Works contracts	2,076	3,674
Software intangibles	1,711	256
Customer relationships	6,446	2,781
Total Amortisation	10,233	6,711
Total Depreciation & Amortisation	32,821	26,493
Impairment losses		
Impairment of goodwill (note 15)	177,856	-
Impairment loss on remeasurement of disposal group (note 10)	46,167	-
Total Impairment Losses	224,023	-
Bad and doubtful debts	9,847	2,503
Financing costs		
Interest and finance charges	11,179	8,465
Total Financing Costs	11,179	8,465
Rental expense relating to operating leases		
Minimum lease payments	41,937	39,040
Net loss/(gain) on disposal of property, plant and equipment	185	(518)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Cardno Limited and its Controlled Entities for the year ended 30 June 2015

	2015	2014
	\$'000	\$'000
4. INCOME TAX EXPENSE		
(a) The components of tax expense comprises:		
Current tax expense		
Current year	15,145	37,835
Adjustments for prior years	(5,553)	(257)
	9,592	37,578
Deferred tax expense		
Current year	(26,963)	(6,291)
Adjustments for prior years	2,921	(2,655)
	(24,042)	(8,946)
Total income tax expense / (benefit)	(14,450)	28,632
(b) Numerical reconciliation between tax expense and pre-tax profit		
Profit / (loss) before tax	(159,618)	106,766
Income tax using the Australian corporation tax rate of 30% (2014: 30%)	(47,885)	32,030
Increase (decrease) in income tax expense due to:		
Non-deductible expenses	5,776	3,640
Effect of tax rates in foreign jurisdictions	(11,187)	(1,057)
Allowances for R&D expenditure	(734)	(725)
Impairment of goodwill	43,430	-
Sundry items	(1,218)	(2,344)
	(11,818)	31,544
Under / (over) provided in prior years	(2,632)	(2,912)
Income tax expense / (benefit)	(14,450)	28,632
The effective tax rate for FY2015 was 9.1 per cent as compared to 26.8 per cent in FY2014. The tax benefit on losses reflects the tax effect of the impairment charges where goodwill is deductible for tax in the USA. This rate also reflects an increase in income earned in lower tax jurisdictions and a lower profit contribution from the United States.		
(c) Amounts recognised directly in equity		
Share based payments	283	1,989
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% (2014: 100% at 30%) (Refer note 30)	11,594	27,755
(b) Dividends paid during the year (30 cents per share, 100% franked at 30%) (2014: all dividends 100% franked at 30%)	49,452	56,530
(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%	2,325	5,781
> franking credits that will arise from the payment of income tax payable as at the end of the financial year	13,059	11,971
	15,384	17,752
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 \$4,968,857 (2014: \$11,895,165)		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Cardno Limited and its Controlled Entities for the year ended 30 June 2015

	2015	2014
	\$'000	\$'000
6 CASH AND CASH EQUIVALENTS		
Cash at bank and on hand	79,510	62,258
Restricted cash (project advances)	5,118	3,030
Bank short term deposits	122	20,597
	84,750	85,885
7 TRADE & OTHER RECEIVABLES (CURRENT)		
Trade debtors	265,146	247,757
Provision for doubtful debts (note 33)	(16,252)	(11,376)
	248,894	236,381
Sundry debtors	17,619	8,504
	266,513	244,885
8 INVENTORIES (CURRENT)		
Work in progress	154,611	142,586
9. OTHER CURRENT ASSETS		
Prepayments	8,871	7,981
Project advances	1,709	1,090
Security deposits	2,214	2,125
	12,794	11,196
10. DISPOSAL GROUP HELD FOR SALE		

In May 2015, management committed to a plan to sell Caminosca S.A., a controlled entity based in Ecuador and part of the Americas segment. Accordingly, Caminosca S.A. is presented as a disposal group held for sale.

(a) Impairment losses relating to the disposal group

Total impairment losses of \$46.2 million for write downs of the disposal group to the lower of its carrying amount and its fair value less costs to sell have been included in 'impairment losses' in the consolidated statement of financial performance. The impairment losses have been applied to adjust the carrying amount of the following assets and liabilities within the disposal group.

	2015
	\$'000
Inventories	21,926
Vendor liability	(566)
Investments	1,549
Trade receivables	7,074
Goodwill and intangibles	12,351
Accruals	3,833
	46,167

The net contribution to the Group's profit after tax by the disposal group, prior to being classified as held for sale, was \$4.7 million (before the impact of the write down).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Cardno Limited and its Controlled Entities for the year ended 30 June 2015

10. DISPOSAL GROUP HELD FOR SALE continued

(b) Assets and liabilities of disposal group held for sale

At 30 June 2015, the disposal group was stated at fair value less costs to sell and comprised the following assets and liabilities.

	2015 \$'000
Cash and cash equivalents	1,592
Trade and other receivables	5,538
Property, plant and equipment	1,919
Deferred tax assets	58
Other current assets	84
Assets held for sale	9,191
Trade and other payables	3,674
Interest bearing loans and borrowings	119
Employee benefits	1,748
Current tax liabilities	3,650
Liabilities held for sale	9,191

(c) Cumulative income or expenses included in Other Comprehensive Income

Cumulative income included within the foreign currency translation reserve relating to the disposal group is \$3,792,447.

(d) Measurement of fair values

i. Fair value hierarchy

The non-recurring fair value measurement of the disposal group is classified as a Level 3 fair value (refer note 33(a)) and is based on management's estimate of expected cash flows adjusted for risk and uncertainty associated with the sale process.

	2015 \$'000	2014 \$'000
11. TRADE & OTHER RECEIVABLES (NON CURRENT)		
Sundry debtors	-	605
12. OTHER FINANCIAL ASSETS (NON-CURRENT)		
Investments in non-related entities	3,496	3,610
Interest rate swaps used for hedging	4,129	-
	7,625	3,610

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Cardno Limited and its Controlled Entities for the year ended 30 June 2015

	2015	2014
	\$'000	\$'000
13. PROPERTY, PLANT & EQUIPMENT		
Laboratory equipment, instruments & amenities	49,604	41,357
Less accumulated depreciation	(33,143)	(25,920)
	16,461	15,437
Motor vehicles	31,335	30,248
Less accumulated depreciation	(21,524)	(17,499)
	9,811	12,749
Office furniture & equipment	88,735	72,897
Less accumulated depreciation	(63,320)	(52,094)
	25,415	20,803
Leasehold improvements	21,922	17,927
Less accumulated amortisation	(11,181)	(8,361)
	10,741	9,566
Land and buildings	3,578	3,270
Less accumulated depreciation	(1,155)	(1,116)
	2,423	2,154
Total Property Plant & Equipment	64,851	60,709

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.

	2015	2014
	\$'000	\$'000
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	15,437	13,072
Additions	4,837	4,820
Increase through merger acquisition	-	2,209
Reclass to assets held for sale	(226)	-
Disposals	(325)	(199)
Depreciation expense	(5,013)	(4,287)
Foreign exchange	1,222	(52)
Transfer between classes	529	(126)
Carrying amount at the end of the year	16,461	15,437

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Cardno Limited and its Controlled Entities for the year ended 30 June 2015

	2015	2014
	\$'000	\$'000
13. PROPERTY, PLANT & EQUIPMENT continued		
<i>Motor vehicles</i>		
Carrying amount at the beginning of the year	12,749	13,425
Additions	1,465	3,969
Increase through merger acquisition	-	587
Reclass to assets held for sale	(497)	-
Disposals	(262)	(497)
Depreciation and amortisation expense	(4,841)	(4,790)
Foreign exchange	1,419	(36)
Transfer between classes	(222)	91
Carrying amount at the end of the year	9,811	12,749
<i>Office furniture & equipment</i>		
Carrying amount at the beginning of the year	20,803	21,145
Additions	13,962	7,656
Increase through merger acquisitions	-	865
Reclass to assets held for sale	(1,196)	-
Disposals	(642)	(445)
Depreciation and amortisation expense	(10,448)	(8,840)
Foreign exchange	1,562	19
Transfer between classes	1,374	403
Carrying amount at the end of the year	25,415	20,803
<i>Leasehold improvements</i>		
Carrying amount at the beginning of the year	9,566	7,845
Additions	3,924	4,334
Increase through merger acquisitions	-	167
Disposals	(213)	(598)
Depreciation and amortisation expense	(2,175)	(1,748)
Foreign exchange	1,320	(66)
Transfer between classes	(1,681)	(368)
Carrying amount at end of the year	10,741	9,566
<i>Land & buildings</i>		
Carrying amount at the beginning of the year	2,154	1,375
Additions	109	754
Increase through merger acquisition	-	163
Disposals	(32)	(118)
Depreciation expense	(111)	-
Foreign exchange	303	(20)
Transfer between classes	-	-
Carrying amount at the end of the year	2,423	2,154
Carrying amount at the end of the year	64,851	60,709

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Cardno Limited and its Controlled Entities for the year ended 30 June 2015

	2015 \$'000	2014 \$'000
14. DEFERRED TAX ASSETS & LIABILITIES		
Recognised deferred tax assets and liabilities		
Assets		
Accruals	24,517	26,759
Provisions	21,772	17,034
Work in progress	-	662
Intangibles	15,591	-
Other	5,663	3,715
Total deferred tax assets	67,543	48,170
Set-off of deferred tax liabilities	(22,376)	(31,499)
Net deferred tax assets	45,167	16,671
Liabilities		
Work in progress	21,313	17,445
Property, plant and equipment	-	1,473
Intangibles	755	12,948
Prepayments	1,047	1,477
Other	1,013	(1,028)
Total deferred tax liabilities	24,128	32,315
Set-off of deferred tax assets	(22,376)	(31,499)
Net deferred tax liabilities	1,752	816
NET DEFERRED TAX ASSETS (LIABILITIES)	43,415	15,855

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Cardno Limited and its Controlled Entities for the year ended 30 June 2015

14. DEFERRED TAX ASSETS & LIABILITIES continued

30 June 2015	1 July 2014	Recognised in profit or loss	Adjustments to prior years	Other*	30 June 2015
	\$'000	\$'000	\$'000	\$'000	\$'000
Movement in temporary differences during the year:					
Accruals	26,760	(5,886)	(829)	4,472	24,517
Provisions	17,034	3,616	(814)	1,936	21,772
Sundry items	3,269	2,059	(236)	(442)	4,650
Prepayments	(1,477)	523	224	(317)	(1,047)
Work in progress	(16,783)	(1,600)	(666)	(2,264)	(21,313)
Intangibles	(12,948)	28,251	(600)	133	14,836
	15,855	26,963	(2,921)	3,518	43,415
30 June 2014	1 July 2013	Recognised in profit or loss	Adjustments to prior years	Other*	30 June 2014
	\$'000	\$'000	\$'000	\$'000	\$'000
Movement in temporary differences during the year:					
Accruals	16,021	11,128	713	(1,102)	26,760
Provisions	20,899	(2,285)	(193)	(1,387)	17,034
Unearned revenue	-	-	-	-	-
Sundry items	817	613	750	847	3,027
Property, plant and equipment	(3,541)	2,448	1,448	(113)	242
Prepayments	(1,067)	(460)	24	26	(1,477)
Work in progress	(16,309)	(1,001)	(39)	566	(16,783)
Goodwill on acquisition (USA)	(8,982)	(4,152)	(47)	233	(12,948)
	7,838	6,291	2,656	(930)	15,855

* Other adjustments relate to impacts of translating foreign operations and acquisitions

	2015 \$'000	2014 Restated \$'000
15. INTANGIBLE ASSETS		
Goodwill at cost	640,685	728,085
	640,685	728,085
Works contracts	18,574	17,825
Accumulated amortisation	(18,290)	(15,249)
	284	2,576
Patents and trademarks	2,081	2,081
Software intangibles	7,265	5,446
Accumulated amortisation	(3,406)	(1,416)
	3,859	4,030
Customer relationships	35,184	29,900
Accumulated amortisation	(13,828)	(5,840)
	21,356	24,060
Total Intangible Assets	668,265	760,832

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Cardno Limited and its Controlled Entities for the year ended 30 June 2015

15. 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:					
2014					
Balance at the beginning of year	617,733	3,603	2,081	754	5,869
Additions:					
> internal development	-	-	-	603	-
> acquisition through business combinations - current year*	117,942	2,621	-	2,883	20,993
Write off	-	-	-	-	-
Amortisation charges	-	(3,674)	-	(256)	(2,781)
Effect of foreign exchange	(7,590)	26	-	46	(21)
Closing value at 30 June 2014	728,085	2,576	2,081	4,030	24,060

* Restated (refer to note 34)

2015					
Balance at the beginning of year	728,085	2,576	2,081	4,030	24,060
Additions:					
> internal development	-	-	-	1,005	-
Impairment on remeasurement of disposal group (note 10)	(12,024)	(327)	-	-	-
Amortisation charges	-	(2,076)	-	(1,711)	(6,446)
Impairment of goodwill*	(177,856)	-	-	-	-
Effect of foreign exchange	102,480	111	-	535	3,742
Closing value at 30 June 2014	640,685	284	2,081	3,859	21,356

* During the year ended 30 June 2015, the Americas CGU achieved earnings results below management's expectations, particularly in the second half of the year, stemming from patchy growth in various sectors across the region, severe impacts of winter weather in December 2014 through February 2015 and a significantly lower oil price. This triggered a reassessment by management of the pace of recovery in this market and the forecasts used to estimate the recoverable amount of goodwill attaching to this CGU. Based on this assessment an impairment loss of \$177.9 million (2014: Nil) has been recognised.

	2015 \$'000	2014 \$'000
Goodwill is allocated to the following groups of cash-generating units:		
> Americas	412,497	499,764
> Asia Pacific	228,188	228,321
	640,685	728,085

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. During the year the Group changed its internal reporting structure which resulted in a change to the allocation of goodwill to groups of cash generating units (CGU). In the prior year there were four CGU's being Americas, Emerging Markets, Australia & New Zealand and Software. As a result of the change, Software and parts of Emerging Markets are now included in the Americas CGU. Australia & New Zealand, along with the rest of the Emerging Markets is now the Asia Pacific CGU. Comparative information above has been restated to maintain consistency with current year presentation.

The Group uses the value in use method to estimate the recoverable amount of its CGU. Value in-use is calculated based on the present value of cash flow projections over a five year period and include a terminal value at the end of year five. The cash flow projections over the five year period are based on the Group's budget for 2016 and year on year growth rates over the forecasted period based on management's estimates of underlying economic conditions, past performance and other factors anticipated to impact the CGU's performance. The long term growth rate used in calculating the terminal value is based on long term growth estimates for the countries and industries in which the CGU operates.

The cash flows are discounted to their present value using a pre-tax discount rate on Cardno's weighted average cost of capital adjusted for country and industry specific risks associated with the CGU.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Cardno Limited and its Controlled Entities for the year ended 30 June 2015

15. INTANGIBLE ASSETS continued

The key assumptions used in the estimation of recoverable amount are set out below:

	Five year compound average Growth Rate		Terminal Growth Rate		Pre-Tax Discount Rate	
	2015	2014	2015	2014	2015	2014
> Americas	10.00%	9.68%	3.00%	3.00%	12.70%	14.00%
> Asia Pacific	2.68%	2.09%	3.00%	3.00%	12.30%	14.70%

Sensitivity analysis performed indicates a reasonable possible change in any of the key assumptions for the Asia Pacific CGU would not result in impairment.

The carrying amount of the Americas CGU was determined to be higher than its recoverable amount of \$711.0 million and an impairment loss of \$177.9 million was recognised in 2015 (2014: Nil). The impairment loss was fully allocated to goodwill and included in 'impairment losses' in the consolidated statement of financial performance.

Following the impairment loss recognised in the Group's Americas CGU, the recoverable amount was equal to the carrying amount. Therefore, any adverse movement in a key assumption would lead to further impairment.

	2015 \$'000	2014 \$'000
16. TRADE & OTHER PAYABLES (CURRENT)		
Trade payables & accruals	127,466	115,409
Vendor liability	23,100	30,845
	150,566	146,254
17. LOANS & BORROWINGS (CURRENT)		
Lease liabilities	1,849	1,944
Hire purchase liabilities	40	57
Bank loans (i)	1,093	1,148
	2,982	3,149
(i) Details of the terms and conditions of loans and borrowings are set out in note 20		
18. SHORT-TERM PROVISIONS		
Employee benefits	33,549	28,024
Legal provision	3,410	4,157
	36,959	32,181
Movements in legal provision:		
Balance at 1 July	4,157	9,629
Increase through merger acquisition	-	93
Provision made during the year	1,243	1,143
Provision used during the year	(959)	(1,922)
Provision reversed during the year	(1,484)	(4,794)
Effect of foreign exchange	453	8
Balance at 30 June	3,410	4,157

The Group makes provision for legal claims not covered by the Group's professional indemnity policy and as at 30 June 2015 an estimate of the potential impact of these claims have been provided for.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Cardno Limited and its Controlled Entities for the year ended 30 June 2015

	2015	2014
	\$'000	\$'000
19. OTHER CURRENT LIABILITIES		
Unearned revenue	40,187	47,289
Deferred rent	2,860	1,017
	43,047	48,306
20. LOANS & BORROWINGS (NON-CURRENT)		
Lease liabilities	1,580	3,548
Hire purchase liabilities	-	40
Bank loans	192,870	299,339
Long term notes	198,658	-
	393,108	302,927

Long Term Notes

On 15 August 2014, the Group closed long term note issue in the US Private Placement debt market. The note is subject to a fixed rate of interest and is denominated in US dollars with a \$65.8 million tranche maturing August 2021 and a \$132.9 million tranche maturing August 2024. The proceeds were used to repay a portion of the Group's existing bank loans.

The long term note has been designated as part of a fair value hedge in relation to interest rate risk management. The note carrying value includes a fair value adjustment uplift of \$4.1 million (2014: Nil), being the revaluation of the debt for the hedged risk. This fair value loss in the carrying value of the notes is offset by a gain of \$4.1 million (2014: Nil) on the interest rate swap instruments which are designated as an effective fair value hedge and recognised as a fair value derivative asset (note 12).

Interest is payable semi-annually to noteholders. The weighted average interest rate (including the impact of interest rate hedge) of the long term note as at 30 June 2015 is 1.74 per cent (2014: Nil).

Under the terms of the note agreement, the Company and a number of its wholly-owned subsidiaries jointly and severally guarantee and indemnify the noteholders in relation to the issuer's obligations.

Bank Loans

The Group has bank loans of \$194.0 million (2014: \$300.5 million) as at 30 June 2015 with weighted average interest rate of 1.75 per cent (2014: 1.94 per cent). Funding available to the Group from undrawn facilities is \$258.9 million (2014: \$72.1 million). The loans disclosed as current represents amounts repayable within one year.

The Group's facility limits comprise working capital facilities of \$10.0 million (2014: \$10.0 million) and US\$15.0 million (2014: US\$15.0 million) as well as a multi-currency bilateral revolving term facility of US\$330.0 million (2014: US\$330.0 million). The Group completed a one year extension of the revolving term facility during the year extending the maturity until December 2019.

There were no bank overdrafts in existence at 30 June 2015 (2014: Nil).

Under the terms of the agreements, the Company and a number of its wholly-owned subsidiaries jointly and severally guarantee and indemnify the banks in relation to each borrower's obligations.

	2015	2014
	\$'000	\$'000
21. LONG-TERM PROVISIONS		
Employee benefits	10,342	12,854
22. OTHER NON-CURRENT LIABILITIES		
Deferred rent	589	854
Other	287	252
	876	1,106

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Cardno Limited and its Controlled Entities for the year ended 30 June 2015

	30 June 2015		30 June 2014	
	No. of shares	\$'000	No. of shares	\$'000
23. ISSUED CAPITAL OF CARDNO LIMITED				
Balance at the beginning of the period	162,627,638	623,875	143,726,327	500,374
Shares issued during the period:				
> Dividend reinvestment scheme	1,667,137	7,397	872,488	5,658
> Shares issued for cash (net of transaction costs)	1,088,757	6,115	15,077,784	92,966
> Employee Tax Exempt Share Acquisition Plan	-	-	351,039	2,255
> Employee share based payments	-	2,946	-	4,790
> Own shares issued (i)	250,000	1,328	2,600,000	17,832
> Exercise of Performance Options (ii)	-	-	-	-
Balance at the end of the year	165,633,532	641,661	162,627,638	623,875

(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 2015, 245,831 (2014: 2,481,030) shares delivered on exercise of Performance Options and Performance Rights were obtained 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 24).

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 process 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 the option 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	Number of Performance Options as at 30 June 2015
1 November 2011	1 November 2014	1 November 2015	5.26	0.81	3,053,000	-	3,053,000	-	-	-
Weighted average exercise price					5.26	-	5.26	-	-	0.00
Weighted average remaining contract life										0 days
Total expense recognised Nil (2014: \$510,034)										

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Cardno Limited and its Controlled Entities for the year ended 30 June 2015

23. ISSUED CAPITAL OF CARDNO LIMITED continued

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 were no Performance Options granted in FY2015. 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.

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 2015	Number of Performance Rights as at 30 June 2015
20 October 2011	20 October 2014	20 October 2015	EPS Growth	4.21	55,000	-	33,663	21,337	-	-
			TSR	2.81	55,000	-	33,663	21,337	-	-
1 November 2011	1 November 2014	1 November 2015	EPS Growth	4.38	208,750	-	127,767	75,164	5,819	-
			TSR	2.97	208,750	-	127,767	75,164	5,819	-
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	704,270	-	68,787	-	-	635,483
			TSR	4.43	704,270	-	68,787	-	-	635,483
17 October 2013	17 October 2016	17 October 2017	EPS Growth	5.50	80,000	-	-	-	-	80,000
			TSR	3.99	80,000	-	-	-	-	80,000
11 November 2013	11 November 2016	11 November 2017	EPS Growth	6.10	939,960	-	70,200	-	-	869,760
			TSR	4.84	939,960	-	70,200	-	-	869,760
23 October 2014	23 October 2017	23 October 2018	EPS Growth	4.63	-	99,000	-	-	-	99,000
			TSR	2.28	-	99,000	-	-	-	99,000
10 November 2014	10 November 2017	10 November 2018	EPS Growth	4.47	-	1,400,784	1,780	-	-	1,399,004
			TSR	1.96	-	1,400,784	1,780	-	-	1,399,004

Total expense recognised \$2,662,501 (2014: \$2,290,744)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Cardno Limited and its Controlled Entities for the year ended 30 June 2015

23. ISSUED CAPITAL OF CARDNO LIMITED continued

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 2015 include share price of \$5.46 for Performance Rights granted on 23 October 2014 (2014: \$6.49, 17 October 2013) and \$5.27 for Performance Rights granted on 10 November 2014 (2014: \$7.19, 11 November 2013), expected price volatility of 30 per cent and 30 per cent respectively (2014: 31 per cent and 31 per cent), expected dividend yield of 5.5 per cent (2014: 5.5 per cent) and risk free interest rate of 2.57 per cent and 2.57 per cent (2014: 2.99 per cent and 3.06 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 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%

Employee Share Acquisition Plans (ESAP)

No shares were issued under the ESAP in FY2015. In prior years, shares were issued under the ESAP in accordance with thresholds set out in plans approved by shareholders at the 2009 AGM. It provided 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 had worked an average of 100 hours or more per month were entitled to \$500 of shares and employees with 6 to 12 months service were entitled to \$250 of shares. 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.

24. 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 associates employees. At 30 June 2015 the Group held 357,716 of the Company's shares (2014: 353,547).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Cardno Limited and its Controlled Entities for the year ended 30 June 2015

	2015 \$'000	2014 \$'000
25. NOTES TO THE CASH FLOW STATEMENT		
(a) Reconciliation of Net Cash from Operating Activities to Net profit for the year		
Net profit for the year	(145,168)	78,134
Adjust for non-cash items		
Depreciation and amortisation	32,821	26,493
Impairment loss	224,023	-
Gain/(loss) on sale of property, plant and equipment	185	(518)
Unrealised foreign exchange (gain)/loss	(9,036)	(727)
Net unrealised (gain)/loss on fair value hedge	83	-
Share based remuneration	2,946	7,033
Adjust for changes in assets and liabilities (increase) / decrease in assets:		
Inventories	(7,687)	190
Deferred tax assets	(25,153)	(8,343)
Trade receivables	7,918	5,632
Provision for doubtful debts	5,556	(1,717)
Other receivables	(8,593)	(1,826)
Prepayments	(1,024)	(123)
Other assets	(13,218)	(3,445)
Increase / (decrease) in liabilities:		
Trade payables	4,002	(16,122)
Income tax payable	(16,785)	7,332
Employee provisions	4,761	(1,702)
Unearned revenue	(7,677)	(2,000)
Other liabilities	(767)	(4,007)
Deferred tax liabilities	936	327
	48,123	84,611

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Cardno Limited and its Controlled Entities for the year ended 30 June 2015

	2015 \$'000	2014 \$'000
25. 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)	84,750	85,885
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 \$27,094 (2014: \$154,863) 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 34. Summarised financial information relating to items presented in the cash flow statement is as follows:		
Purchase consideration		
Cash consideration paid	-	170,044
Vendor liability	-	25,003
Consideration	-	195,047
Assets and liabilities held at acquisition date:*		
Cash	-	6,779
Receivables	-	49,673
Deferred tax assets	-	-
Property, plant and equipment	-	4,186
Intangibles	-	26,496
Inventories	-	7,851
Creditors and borrowings	-	(15,221)
Deferred tax liabilities	-	(1,341)
Provisions	-	(1,318)
	-	77,105
Goodwill on acquisition	-	117,942
Consideration	-	195,047
Net cash outflow on acquisition		
Cash consideration paid	-	170,044
Less cash acquired	-	(6,779)
	-	163,265

* Comparative information has been restated (refer to note 34)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Cardno Limited and its Controlled Entities for the year ended 30 June 2015

	2015 \$'000	2014 \$'000
26. CAPITAL AND LEASING COMMITMENTS		
(a) Finance leases and hire purchase		
Commitments in relation to finance leases are payable as follows:		
> Within one year	2,251	2,491
> Later than one year but not later than 5 years	1,779	4,152
> Later than 5 years	-	-
Minimum lease payments	4,030	6,643
Less: Future finance charges	(561)	(1,054)
Recognised as a liability	3,469	5,589
Present value of minimum lease and hire purchase payment		
Commitments in relation to finance leases are payable as follows:		
> Within one year	1,889	2,001
> Later than one year but not later than 5 years	1,580	3,588
> Later than 5 years	-	-
Recognised as a liability	3,469	5,589
Finance leases are taken out over motor vehicle, leasehold improvements and plant and equipment, with terms varying between 3 and 5 years.		
Representing lease and hire purchase liabilities:		
Current (note 17)	1,889	2,001
Non-current (note 20)	1,580	3,588
	3,469	5,589
(b) Operating Leases		
> Within one year	43,123	40,445
> Later than one year but not later than 5 years	80,317	87,431
> Later than 5 years	15,779	18,400
Commitments not recognised in the financial statements	139,219	146,276

The Group leases office premises under non-cancellable operating leases, with terms varying from three 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 and equipment under terms between two and five years as well as software licenses with a term of three years subject to annual review based on the number of licenses exercised.

	2015 \$'000	2014 \$'000
27. EMPLOYEE BENEFITS		
The aggregate employee benefit liability is comprised of:		
Accrued wages, salaries and on-costs (included in payables)	25,655	28,525
Provisions (current) (note 18)	33,549	28,024
Provisions (non-current) (note 21)	10,342	12,854
	69,546	69,403
Defined contribution superannuation expense	21,221	21,445

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Cardno Limited and its Controlled Entities for the year ended 30 June 2015

28. 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 2015 in respect of:

	2015	2014
	\$'000	\$'000
Bank guarantees	35,390	26,043

Cardno has bank guarantee facilities/bond 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 \$97.8 million (2014: \$78.3 million). These facilities are secured by an unlimited interlocking guarantee and indemnity or a parent company guarantee.

29. SUBSEQUENT EVENTS

On 17 August 2015, the Directors of Cardno Limited declared a final dividend of 7 cents per share (100 per cent franked) for the 2015 financial year. The dividend will be paid on 2 October 2015 to shareholders registered on 8 September 2015 and will total \$11,594,347. The dividend has not been provided for in the 30 June 2015 financial statements.

	2015	2014
	\$	\$
30. EARNINGS PER SHARE		
Basic earnings per share		
The calculation of basic earnings per share was based on the following:		
Profit attributable to ordinary shareholders	(145,167,785)	78,134,444
Weighted average number of ordinary shares		
	No.	No.
Issued ordinary shares at 1 July	162,627,638	143,726,327
Effect of shares issued for cash consideration	1,740,614	6,329,844
Effect of shares issued in respect of employee share scheme	-	100,022
Weighted average number of ordinary shares at 30 June	164,368,252	150,156,193
Basic Earnings per Share	Cents	Cents
	(88.32)	52.04

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 2015

	2015 \$	2014 \$
30. EARNINGS PER SHARE continued		
Diluted earnings per share		
The calculation of diluted earnings per share was based on the following:		
Profit attributable to ordinary shareholders (diluted)	(145,167,785)	78,134,444
Weighted average number of ordinary shares (diluted)	No.	No.
Weighted average number of ordinary shares at 30 June	164,368,252	150,156,193
Effect of Performance Options and Performance Rights on issue	-	4,218,881
Weighted average number of ordinary shares (diluted) at 30 June	164,368,252	154,375,074
	Cents	Cents
Diluted Earnings per Share	(88.32)	50.61
	2015 \$	2014 \$
31. AUDITOR'S REMUNERATION		
Audit services		
Auditors of the Company		
KPMG Australia:		
> Audit and review of financial reports	579,500	445,000
> Other regulatory requirements	-	-
Overseas KPMG firms:		
> Audit and review of financial reports	887,528	737,795
	1,467,028	1,182,795
Other services		
Auditors of the Company		
KPMG Australia:		
> Other assurance services	6,000	6,000
	6,000	6,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Cardno Limited and its Controlled Entities for the year ended 30 June 2015

32. KEY MANAGEMENT PERSONNEL DISCLOSURES

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

	2015 \$	2014 \$
Short-term employee benefits	3,698,041	4,471,229
Post-employment benefits	204,314	263,680
Equity compensation benefits	532,949	700,797
Termination benefits	1,661,724	485,547
	6,097,028	5,921,253

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.

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.

33. FINANCIAL INSTRUMENTS – FAIR VALUE AND RISK MANAGEMENT

(a) Determination of fair values

In determining fair value measurement for disclosure purposes, the Group uses the following fair value measurement hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation.

(b) Fair values of financial instruments

The Group's financial assets and liabilities are included in the balance sheet at amounts that approximate fair values with the exception of fixed rate long term notes which have a fair value of \$197.8 million (2014: Nil). The basis for determining fair value of long term notes is calculated based on discounted expected future principal and interest cash flows, discounted at the market rate of interest at the measurement date.

The fair value at 30 June 2015 of derivative assets (2014: Nil) held for risk management, which are the Group's only financial instruments carried at fair value, was a net gain of \$4.1 million (2014: Nil) measured using Level 2 valuation techniques as defined in the fair value hierarchy above. The Group does not have any financial instruments that are categorised as Level 1 or Level 3 in the fair value hierarchy.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Cardno Limited and its Controlled Entities for the year ended 30 June 2015

33. FINANCIAL INSTRUMENTS – FAIR VALUE AND RISK MANAGEMENT continued

(c) 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 (ARCC) 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 financial risks are summarised below and remain unchanged from the prior year.

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 below.

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 Group's 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 ARCC. The Treasury policy is reviewed by the ARCC annually.

There are no material concentrations of credit risk.

Trade receivables

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

	2015 \$'000	2014 \$'000
Australia & New Zealand	47,496	64,621
Americas	164,276	138,051
Asia Pacific	12,757	14,445
Europe & Africa	24,365	19,264
	248,894	236,381

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

	2015		2014	
	Gross \$'000	Impairment \$'000	Gross \$'000	Impairment \$'000
Not past due (current)	120,844	-	131,727	-
Past due 0-30 days (30 day ageing)	47,811	-	37,009	-
Past due 31-60 days (60 day ageing)	26,124	-	21,911	-
Past due more than 60 days	70,367	16,252	57,110	11,376
	265,146	16,252	247,757	11,376

Cardno establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables.

The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Cardno Limited and its Controlled Entities for the year ended 30 June 2015

33. FINANCIAL INSTRUMENTS – FAIR VALUE AND RISK MANAGEMENT continued

Credit risk continued

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

	2015 \$'000	2014 \$'000
Balance at 1 July	11,376	12,777
Impairment loss recognised	9,487	2,503
Receivables written off	(5,457)	(4,125)
Increase through entities acquired	-	316
Effect of foreign exchange	846	(95)
Balance at 30 June	16,252	11,376

Liquidity risk

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

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

30 June 2015	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	150,566	150,566	150,566	-	-
Finance leases & hire purchase	3,469	4,030	2,251	1,779	-
Bank loans	193,963	225,687	5,170	220,517	-
Long term notes	198,658	261,019	7,748	30,992	222,279
Derivative financial instruments					
Interest rate swaps used for hedging	(4,129)	(6,696)	(3,752)	(3,640)	696
	542,527	634,606	161,983	249,648	222,975

30 June 2014	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	146,254	146,254	146,254	-	-
Finance leases & hire purchase	5,589	6,643	2,491	4,152	-
Bank loans	300,487	350,170	7,380	342,789	-
	452,330	503,067	156,125	346,941	-

The long term note includes US\$50.0 million seven year tranche maturing August 2021 and US\$100.0 million 10 year tranche maturing August 2024. Bank loans are term facilities maturing in December 2019.

The gross outflows/(inflows) disclosed in the tables above for derivative financial assets represent the contractual undiscounted cash flows of derivative financial instruments held for risk management purposes and which are usually not closed out prior to contractual maturity. The disclosure shows net cash flow amounts for derivatives that are net cash settled.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Cardno Limited and its Controlled Entities for the year ended 30 June 2015

33. FINANCIAL INSTRUMENTS – FAIR VALUE AND RISK MANAGEMENT continued

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 \$357.3 million (2014: \$294.0 million) denominated in US dollars (USD) and \$12.8 million (2014: \$10.8 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. Cardno also has working capital loans totalling \$25.2 million (2014: Nil) denominated in USD and \$0.2 million (2014: Nil) denominated in GBP.

As at 30 June 2015, a 10 per cent strengthening of the Australian dollar against the USD and GBP would have increased equity by \$34.8 million (2014: \$26.7 million) and \$1.2 million (2014: \$1.0 million) respectively. A 10 per cent weakening of the Australian dollar against the USD and GBP would have decreased equity by \$42.5 million (2014: \$32.7 million) and \$1.4 million (2014: \$1.2 million) respectively. There would be no impact on profit and loss as the loans are designated as net investment hedges.

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

(b) Interest rate risk

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

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

	June 2015		June 2014	
	Effective Interest Rate	Balance \$'000	Effective Interest Rate	Balance \$'000
Variable rate instruments				
Cash assets	0.62%	84,750	1.43%	85,885
Bank loans	1.74%	(193,963)	1.94%	(299,339)
		(109,213)		(213,454)
Effect of interest rate swaps*		(194,502)		-
		(303,715)		(213,454)
Fixed rate instruments				
Finance leases & hire purchase	6.30%	(3,469)	6.48%	(5,589)
Bank loans	-	-	1.94%	(1,148)
Long term notes	3.98%	(198,658)	-	-
		(202,127)		(6,737)
Effect of interest rate swaps*		194,502		-
		(7,625)		(6,737)

*Represents the net notional amount of interest rate swaps used for hedging.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Cardno Limited and its Controlled Entities for the year ended 30 June 2015

33. FINANCIAL INSTRUMENTS – FAIR VALUE AND RISK MANAGEMENT continued

Group sensitivity

Cash flow sensitivity analysis for variable rate instruments

At 30 June 2015, 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 \$1,063,000 higher/lower (2014: \$747,000 higher/lower), mainly as a result of lower/higher interest expense on variable term debt 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 value sensitivity analysis for fixed rate instruments

The Group has designated interest rate contracts as hedging instruments under a fair value hedge accounting model in relation to its fixed rate long term notes. The interest rate contracts swap the fixed interest payable on the long term loan notes to variable interest rates for the term of the debt. In accordance with the Group's accounting policy (refer note 1(q)(i)) changes in fair value of the interest rate contracts together with the change in fair value of the debt arising from changes in interest rates are recognised in the profit and loss (to the extent the fair value hedge is effective). In 2015, the change in fair value of interest rate contracts was \$4.1 million (2014: Nil) and was offset in the Group's profit and loss statement by change in fair value of the hedged risk of \$4.1 million (2014: Nil). A change of 50 basis points in interest rates at the reporting date would not materially impact the Group's profit and loss before income tax (2014: Nil).

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.

34. BUSINESS COMBINATIONS

Year Ended 30 June 2015

(a) Businesses acquired

There were no acquisitions made during the year ended 30 June 2015.

Year Ended 30 June 2014

(a) Businesses acquired

2014	Country of Incorporation	Principal Activity	Effective Acquisition Date	Proportion of Shares Acquired (%)
Haynes Whaley Associates Inc	USA	Structural Engineering	8 October 2013	N/A
PPI Group of Companies	Various	Oil and Gas Engineering	1 March 2014	100%
I.T. Transport Limited	UK	Transportation Consulting	1 April 2014	100%

In the Group's Americas segment, a subsidiary, Cardno Haynes Whaley Inc was established to acquire the business assets of Haynes Whaley Associates Inc, a 100 person structural engineering firm headquartered in Houston, Texas with additional offices in Reston, Virginia and Austin, Texas. The acquisition of Haynes Whaley Associates Inc (HWA) enhances the Group's structural engineering capabilities across a broad range of commercial, public and institutional clients. The Group also acquired the PPI group of companies (PPI) with an effective date of 1 March 2014. PPI provides specialist engineering services to the oil and gas sector in the United States, West Africa and Asia Pacific and employs 760 staff. The addition of PPI's engineering services to the midstream and upstream oil and gas sector is expected to complement the Group's existing environmental and permitting capabilities in this market as well as new capabilities and proprietary systems in asset and quality management.

During the year the Group also acquired I.T. Transport Limited (ITT) with an effective date of 1 April 2014. Headquartered in Oxfordshire, UK, ITT is a specialist boutique transportation consulting firm who work in the international development sector. ITT have a solid history of delivering on complex transport projects and providing high quality services across the world, particularly in Africa, South Asia and Latin America. ITT was acquired to enhance Cardno's transport policy formulation, transport planning, program implementation and capacity building capabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Cardno Limited and its Controlled Entities for the year ended 30 June 2015

34. BUSINESS COMBINATIONS continued

The acquired businesses contributed revenue and net profit after tax (NPAT) to the Group for the year ended 30 June 2014 as follows:

2014	Revenues Contributed (\$)	NPAT Contributed (\$)
Cardno Haynes Whaley Inc	18,486,094	1,820,679
PPI Group of Companies	61,011,642	2,719,094
I.T. Transport Limited	984,154	169,639

If all of the acquisitions during the year ended 30 June 2014 had occurred on 1 July 2013, the Group's revenue and NPAT for the year would have been \$1,420,891,008 and \$89,974,068 respectively.

(b) Purchase consideration

2014	Americas		
	HWA \$'000	PPI \$'000	ITT \$'000
Cash	17,654	150,189	2,201
Deferred settlement	3,451	17,491	1,676
Contingent consideration	2,385	-	-
Total	23,490	167,680	3,877

Deferred and contingent purchase considerations

Purchase consideration of HWA includes deferred settlement of US\$3,400,000 which is payable 24 months after completion. Cardno Limited has also agreed to pay the selling shareholders of HWA additional consideration of US\$2,000,000 if the acquiree's earnings before interest, tax, depreciation and amortisation (EBITDA) on a stand alone basis over the period 1 November 2013 to 31 October 2014 is US\$4,800,000 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. This was achieved and paid during the year 30 June 2015.

Purchase consideration of PPI includes deferred settlement of US\$14,500,000 which is payable 18 months after completion.

Purchase consideration of ITT includes deferred settlement of GBP220,000 which is payable 24 months after completion.

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 2014 is set out below:

2014	Shares subscribed in Cardno Limited (\$)	Fair Value of Shares Issued (\$)	Shares Issue Date
Cardno Haynes Whaley Inc	3,418,230	6.21	9 October 2013
PPI Group of Companies	34,476,710	6.38	14 March 2014
I.T. Transport Limited	548,499	7.02	14 April 2014

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 2015

34. BUSINESS COMBINATIONS continued

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

2014	Americas		
	HWA \$'000	PPI* \$'000	ITT* \$'000
Cash	-	4,639	2,140
Receivables	7,645	41,769	259
Property, plant and equipment	168	4,012	6
Inventories	488	6,521	842
Deferred revenue	(424)	-	(509)
Intangible assets	2,637	23,859	-
Creditors & borrowings	(1,214)	(12,401)	(673)
Deferred taxes	-	(1,341)	-
Provisions	(514)	(733)	(71)
Total	8,786	66,325	1,994

* At 30 June 2014, the Group had completed the accounting for the acquisition of PPI and ITT on a provisional basis. The finalisation of the assessment of the fair values of the identifiable assets and liabilities acquired resulted in adjustments to previously reported items and in particular, the recognition of identifiable intangible assets separate from goodwill. Comparative information has been restated to recognise the adjustments as if they had been completed at the acquisition date in accordance with the requirements of accounting standards.

The fair value of receivables acquired includes trade receivables with a fair value of \$43,616,853. The gross amount due is \$43,932,720 of which \$315,867 is considered doubtful.

(d) Goodwill arising on acquisition

2014	Americas		
	HWA \$'000	PPI \$'000	ITT \$'000
Consideration transferred	23,490	167,680	3,877
Less: fair value of net identifiable assets acquired	(8,786)	(66,325)	(1,994)
Goodwill arising on acquisition	14,704	101,355	1,883

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

	2014 \$'000
Cash consideration paid	170,044
Cash balance acquired	(6,779)
Outflow of cash	163,265

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Cardno Limited and its Controlled Entities for the year ended 30 June 2015

35. SEGMENT INFORMATION

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

- > Professional Services Asia Pacific – provides consulting engineering, planning, surveying, landscape architecture, environmental services, electrical engineering, geotechnical services as well as managing aid projects on behalf of unilateral and multilateral government agencies and private clients in that region.
- > Professional Services Americas – provides consulting engineering, planning, surveying, landscape architecture, environmental services and software sales globally. It also manages aid projects on behalf of unilateral and multilateral government agencies and private clients in that region.

During the year, the Group changed its internal reporting structure which resulted in a change to its reportable segments. Comparative segment information has been represented in conformity with the requirement of AASB 8 Operating Segments.

2015	Professional Services Asia Pacific	Professional Services Americas	Total
	\$'000	\$'000	\$'000
Segment revenue			
Fees from services and sale of goods	364,135	694,274	1,058,409
Fees from recoverable expenses	136,299	268,033	404,332
Inter-segment revenue	(3,168)	(37,667)	(40,835)
External sales	497,266	924,640	1,421,906
Other revenue	211	4,293	4,504
Total segment revenue	497,477	928,933	1,426,410
Other Income	2,413	-	2,413
Segment result before financing costs	38,779	(178,186)	(139,407)
Segment assets	396,248	857,136	1,253,384
Segment liabilities	81,167	148,435	229,602
Other			
Acquisitions of non-current assets	9,220	24,205	33,425
Depreciation and amortisation of assets	10,491	22,330	32,821
Impairment losses	-	224,023	224,023

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Cardno Limited and its Controlled Entities for the year ended 30 June 2015

35. SEGMENT INFORMATION continued

2014*	Professional Services Asia Pacific	Professional Services Americas	Total
	\$'000	\$'000	\$'000
Segment revenue			
Fees from services and sale of goods	412,234	564,509	976,743
Fees from recoverable expenses	129,875	213,117	342,992
Inter-segment revenue	(8,111)	(6,159)	(14,270)
External sales	533,998	771,467	1,305,465
Other revenue	234	2,920	3,154
Total segment revenue	534,232	774,387	1,308,619
Other Income	2,415	-	2,415
Segment result before financing costs	56,366	63,232	119,598
Segment assets	409,376	876,831	1,286,207
Segment liabilities	88,791	143,197	231,988
Other			
Acquisitions of non-current assets	8,121	144,837	152,958
Depreciation and amortisation of assets	11,649	14,844	26,493

* The Group has changed the composition of its reportable segments during the year end and restates its comparative information accordingly.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Cardno Limited and its Controlled Entities for the year ended 30 June 2015

35. SEGMENT INFORMATION continued

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

	2015 \$'000	2014 \$'000
Revenues		
Total revenue for reportable segments	1,426,410	1,308,619
Interest revenue	506	978
Consolidated revenue	1,426,916	1,309,597
Profit or loss		
Reportable segment result before net financing costs	(139,407)	119,598
Interest Revenue	506	978
Other income – contingent consideration	-	3,453
Finance costs	(11,179)	(8,465)
Other corporate (costs) / gains	(9,538)	(8,798)
Profit before tax	(159,618)	106,766
Income tax expense	14,450	(28,632)
Profit after tax	(145,168)	78,134
Assets		
Total assets for reportable segments	1,253,384	1,286,207
Other assets	7,400	20,484
Unallocated assets	72,332	20,288
Consolidated total assets	1,333,116	1,326,978
Liabilities		
Total liabilities for reportable segments	229,602	231,988
Bank loans unallocated	401,576	300,487
Other unallocated liabilities	32,430	30,988
Consolidated total liabilities	663,608	563,463

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.

	2015		2014	
	Revenues \$'000	Total Non-Current Assets \$'000	Revenues \$'000	Total Non-Current Assets \$'000
Australia & New Zealand	384,705	254,915	466,268	262,889
Americas	830,208	376,354	721,295	460,479
Asia Pacific	121,469	12,669	77,528	25,358
UK & Africa	90,028	83,429	43,528	73,407
Other segments	-	58,541	-	20,294
	1,426,410	785,908	1,308,619	842,427

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Cardno Limited and its Controlled Entities for the year ended 30 June 2015

36. PARENT ENTITY DISCLOSURES

As at, and throughout, the financial year ending 30 June 2015 the parent Company of Cardno was Cardno Limited.

	Company	
	2015 \$'000	2014 \$'000
Results of the parent entity		
Profit / (loss) for the year	(5,758)	39,191
Other comprehensive income	-	-
Total comprehensive income for the year	(5,758)	39,191
Financial position of the parent entity at year end		
Current assets	696,610	553,234
Total assets	904,099	862,344
Current liabilities	273,720	194,541
Total liabilities	273,720	194,541
Total equity of the parent entity comprising of:		
Share capital	641,661	623,875
Revaluation reserve	-	-
Retained earnings	(11,282)	43,928
Total equity	630,379	667,803
Parent entity contingencies		
Bank guarantees	2,018	2,107

A multiple guarantee facility is available to Cardno totalling \$15 million (2014: \$15 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 37.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Cardno Limited and its Controlled Entities for the year ended 30 June 2015

37. 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 2015 is set out as follows:

Statement of comprehensive income and retained earnings		
	2015	2014
	\$'000	\$'000
Revenue	451,550	459,939
Employee expenses	(191,314)	(202,840)
Consumables and materials used	(104,714)	(118,093)
Sub-consultant and contractor costs	(80,672)	(56,005)
Depreciation and amortisation expenses	(84)	(83)
Impairment losses	(162,760)	-
Finance costs	(9,380)	(7,174)
Other expenses	10,119	2,620
Profit / (loss) before income tax	(87,225)	78,364
Income tax expense	(19,103)	(17,868)
Net profit / (loss) for the year	(106,358)	60,496
Other comprehensive income for the year	17,744	(1,113)
Total comprehensive income for the year	(88,614)	59,383
Retained earnings at the beginning of the year	96,236	92,270
Transfers to and from reserves	(17,744)	1,113
Dividends recognised during the year	(49,452)	(56,530)
Retained earnings at the end of the year	(59,574)	96,236
Attributable to:		
Owners of the Company	(59,574)	96,236

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Cardno Limited and its Controlled Entities for the year ended 30 June 2015

37. DEED OF CROSS GUARANTEE continued

Statement of financial position

	2015 \$'000	2014 \$'000
Current Assets		
Cash and cash equivalents	2,024	21,735
Trade and other receivables	1,091,398	953,055
Inventories	32,351	25,253
Other current assets	1,063	2,995
Total Current Assets	1,126,836	1,003,038
Non-Current Assets		
Trade and other receivables	-	-
Other financial assets, including derivatives	361,814	461,067
Property, plant and equipment	129	137
Deferred tax assets	17,167	11,414
Intangible assets	41,849	41,849
Other non-current assets	-	2,094
Total Non-Current Assets	420,959	516,561
Total Assets	1,547,795	1,519,599
Current Liabilities		
Trade and other payables	500,441	438,470
Interest-bearing loans and borrowings	-	-
Current tax liabilities	11,226	10,561
Short term provisions	15,393	13,911
Other current liabilities	9,089	12,174
Total Current Liabilities	536,149	475,116
Non-Current Liabilities		
Interest-bearing loans and borrowings	391,528	303,081
Deferred tax liabilities	5,577	5,643
Long term provisions	10,008	10,867
Other non-current liabilities	-	-
Total Non-Current Liabilities	407,113	319,591
Total Liabilities	943,262	794,707
Net Assets	604,533	724,892
Equity		
Issued capital	641,661	623,875
Reserves	22,446	4,781
Retained earnings	(59,574)	96,236
Total Equity	604,533	724,892

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Cardno Limited and its Controlled Entities for the year ended 30 June 2015

38. CONTROLLED ENTITIES

Cardno's significant subsidiaries are listed below.

Name	Country of Incorporation	Equity Holding 2015	Equity Holding 2014
Cardno Holdings Pty Ltd	Australia	100%	100%
Cardno (Qld) Pty Ltd	Australia	100%	100%
Cardno Staff Pty Ltd	Australia	100%	100%
Cardno Staff No. 2 Pty Ltd	Australia	100%	100%
Cardno Operations Pty Ltd	Australia	100%	100%
Cardno International Pty Ltd	Australia	100%	100%
Cardno (WA) Pty Ltd	Australia	100%	100%
Cardno CCS Pty Ltd	Australia	100%	100%
Cardno Lawson Treloar Pty Ltd	Australia	100%	100%
Cardno (NSW/ACT) Pty Ltd	Australia	100%	100%
Cardno Willing Pty Ltd	Australia	100%	100%
Cardno Victoria Pty Ltd	Australia	100%	100%
Cardno Emerging Markets (Australia) Pty Ltd	Australia	100%	100%
Cardno UK Limited	United Kingdom	100%	100%
Cardno Emerging Markets (UK) Limited	United Kingdom	100%	100%
Cardno Emerging Markets (East Africa) Limited	Kenya	100%	100%
Cardno NZ Limited	New Zealand	100%	100%
Cardno Holdings New Zealand Limited	New Zealand	100%	100%
Cardno USA, Inc.	United States of America	100%	100%
Cardno, Inc.	United States of America	100%	100%
Cardno Emerging Markets Belgium s.a.	Belgium	100%	100%
Cardno (NT) Pty Ltd	Australia	100%	100%
Cardno (PNG) Ltd	Papua New Guinea	100%	100%
XP Software Pty Ltd	Australia	100%	100%
XP Software, Inc.	United States of America	100%	100%
XP Software Solutions Ltd	United Kingdom	100%	100%
Cardno Construction Sciences Pty Ltd	Australia	100%	100%
Cardno ITC Pty Ltd	Australia	100%	100%
Cardno Australian Underground Services Pty Ltd	Australia	100%	100%
Environmental Resolutions, Inc	United States of America	100%	100%
ENTRIX, Inc.	United States of America	100%	100%
ENTRIX Americas, SA	Ecuador	100%	100%
J.F. New & Associates, Inc.	United States of America	100%	100%
Cardno Roadtest Pty Ltd	Australia	100%	100%
Cardno BEC Pty Ltd	Australia	100%	100%
Cardno BEC (Qld) Pty Ltd	Australia	100%	100%
Cardno (Colombia) S.A.S.	Colombia	100%	100%
Cardno Emerging Markets (USA), Ltd	United States of America	100%	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Cardno Limited and its Controlled Entities for the year ended 30 June 2015

38. CONTROLLED ENTITIES continued

Name	Country of Incorporation	Equity Holding 2015	Equity Holding 2014
Cardno Humphrey Reynolds Perkins Pty Ltd	Australia	100%	100%
Cardno Humphrey Reynolds Perkins Jewell Pty Ltd	Australia	100%	100%
Cardno Humphrey Reynolds Perkins Gold Coast Pty Ltd	Australia	100%	100%
Cardno Humphrey Reynolds Perkins Sunshine Coast Pty Ltd	Australia	100%	100%
Cardno Chenoweth Environmental Planning & Landscape Architecture Pty Ltd	Australia	100%	100%
Cardno LP Pty Ltd	Australia	100%	100%
Moriedale Holdings Pty Ltd	Australia	100%	100%
Geotech Solutions Pty Limited	Australia	100%	100%
Cardno GS, Inc.	United States of America	100%	100%
ATC Group Holdings, Inc.	United States of America	100%	100%
Marshall Miller & Associates, Inc.	United States of America	100%	100%
Cardno EM-Assist, Inc.	United States of America	100%	100%
Cardno BTO Limited	New Zealand	100%	100%
Cardno Hard & Forester Pty Ltd	Australia	100%	100%
Cardno ChemRisk, LLC	United States of America	100%	100%
Caminosca S.A.S	South America	100%	100%
Cardno Geotech Pty Ltd	Australia	100%	100%
Cardno Haynes Whaley, Inc.	United States of America	100%	100%
Cardno PPI, LLC	United States of America	100%	100%
Cardno PPI Engineering & Construction Services, LLC	United States of America	100%	100%
Cardno PPI Quality & Asset Management, LLC	United States of America	100%	100%
Cardno PPI Technology Services, LLC	United States of America	100%	100%
PPI Australia Pty Ltd	Australia	100%	100%
PPI Quality & Asset Management (Singapore) Pte Ltd	Singapore	100%	100%
PPI Quality & Asset Management (Malaysia) Sdn Bhd	Malaysia	100%	100%
Cardno PPI Technology Services Nigeria Limited	Nigeria	100%	100%
Cardno South Africa (Pty) Ltd	South Africa	100%	100%
I.T. Transport Limited	United Kingdom	100%	100%

DIRECTORS' DECLARATION

Cardno Limited and its Controlled Entities for the year ended 30 June 2015

1. In the opinion of the Directors of Cardno Limited (the Company):
 - (a) the consolidated financial statements and notes set out on pages 53 to 97 and the Remuneration Report in section 11 of the Directors' Report, set out on pages 38 to 50, 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 2015 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 38 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 2015.
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 17th day of August 2015.

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 2015, and the 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 38 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 2015 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 2015. 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 2015 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 'M. Petrie'.

Mitchell Petrie
Partner

Brisbane
17 August 2015

ADDITIONAL SHAREHOLDER INFORMATION

Cardno Limited and its Controlled Entities for the year ended 30 June 2015

DISTRIBUTION OF ORDINARY SHAREHOLDERS

The number of shareholders, by size of holding, as at 11 August 2015 were:

	Ordinary Shares	
	Number of Holders	Number of Shares
1 – 1,000	8,346	2,617,200
1,001 – 5,000	4,062	10,396,510
5,001 – 10,000	1,262	9,291,236
10,001 – 100,000	1,227	29,526,974
100,001 – and over	111	113,801,612
Total	15,008	165,633,532

As at 11 August 2015 there were 3,379 shareholders who held less than a marketable parcel of 180 shares.

TWENTY LARGEST ORDINARY SHAREHOLDERS

The names of the twenty largest holders as at 11 August 2015 were:

	Listed Ordinary Shares	
	Number Held	Percentage
MALVERN CAPITAL INVESTMENTS	29,526,217	17.83%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	27,890,261	16.84%
J P MORGAN NOMINEES AUSTRALIA LIMITED	11,512,656	6.95%
CITICORP NOMINEES PTY LIMITED	7,916,049	4.78%
NATIONAL NOMINEES LIMITED	2,757,751	1.66%
TREVOR JOHNSON	1,711,602	1.03%
HALJAN MANAGEMENT LP	1,523,123	0.92%
BRAMS HOLDING LP	1,523,123	0.92%
LAGOMAR VENTURES LP	1,523,123	0.92%
MILTON CORPORATION LIMITED	1,204,699	0.73%
ANDREW DAVID BUCKLEY	1,174,261	0.71%
MR STEPHEN GRANT PEDERICK + MISS DENISE ANNE PEDERICK <PEDERICK FAMILY A/C>	974,446	0.59%
BNP PARIBAS NOMS PTY LTD <DRP>	892,280	0.54%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	878,690	0.53%
PAUL GARDINER	837,200	0.51%
ROGER COLLINS-WOOLCOCK	810,413	0.49%
TAMBLYN INVESTMENTS PTY LTD	800,000	0.48%
ANNE FELICITY PHILLIPS	780,000	0.47%
ANCAM PTY LTD <ANCAM FAMILY DISCRET ACCOUNT>	619,087	0.37%
MR MALCOLM DAVID POUND	573,284	0.35%
TOTAL	95,428,265	57.62%

ADDITIONAL SHAREHOLDER INFORMATION

Cardno Limited and its Controlled Entities for the year ended 30 June 2015

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
Malvern Capital Investments Pty Limited	29,526,188*	17.83%
Invesco Australia Limited	12,002,686	7.25%

* The 29,526,188 shares (constituting 17.83 per cent of Cardno shares) represents Malvern Capital Investments' (Malvern) actual votes arising from relevant interests. As disclosed in the Notice of change of interest of substantial holder form dated 17 July 2015, Malvern has entered into an arrangement under which Deutsche Bank AG, Sydney branch (DB) can elect to require Malvern to acquire 1,780,000 shares (constituting 1.07 per cent of Cardno shares) but Malvern does not presently have a relevant interest arising from this arrangement.

VOTING RIGHTS

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

ESCROWED SHARES

There are currently 5,693,849 ordinary shares held in escrow. This is approximately 3.44 per cent of the company's issued share capital. The details are as follows:-

- > In accordance with the Share Sale Agreement between Cardno Limited and the shareholders of the PPI Group completed on 14 March 2014, ordinary shares issued as part of the purchase price are escrowed for a period of 18 months to 14 September 2015. This agreement affects 5,332,268 shares, being approximately 3.22 per cent of the company's issued share capital.
- > In accordance with the Share Sale Agreement between Cardno Limited and the shareholders of the IT Transport Limited completed on 14 April 2014, ordinary shares issued as part of the purchase price are escrowed for a period of 18 months to 14 October 2015. This agreement affects 78,117 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 Geotech Material Testing Services Pty Ltd completed on 20 February 2013, ordinary shares issued on 1 May 2014 as part of the purchase price are escrowed for a period of 18 months to 1 November 2015. This agreement affects 283,464 shares, being approximately 0.17 per cent of the company's issued share capital.

ADDITIONAL SHAREHOLDER INFORMATION

Cardno Limited and its Controlled Entities for the year ended 30 June 2015

RIGHTS

As at 11 August 2015 the details of Performance Rights on issue are as follows:

Number of Rights Holders	Number of Rights on Issue
1,003	5,983,039

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

Chief Executive Officer and Managing Director

Richard Wankmuller

Directors

Anthony Barnes

Tonianne Dwyer

Elizabeth Fessenden

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

Westpac Banking Corporation

Standard Chartered Bank



Right: Cardno provided construction engineering inspection services for the I-275 design-build project located in Tampa, Florida.



Registered office

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www.cardno.com/youtube

70 YEARS of **shaping** the future
1945-2015