Cardno
Shaping the Future

FY16

CARDNO
2016 ANNUAL REPORT

for the year ended
30 June 2016

Cardno Limited
ABN 70 108 112 303
and its controlled entities

Chairman’s Letter

Dear Shareholder,

The past year has been a challenging period for Cardno as we begin to repair the operating structure of the Company. The business reported a loss of $194.9 million which involved a $178.2 million write off of goodwill. The company delivered an EBITDA from continuing operations of $42.3 million which was consistent with the guidance of $40 to $45 million of EBITDA provided in May 2016 but materially lower than the prior year. In the last seven months of the financial year the business sold ATC (a US based testing business) and ECS (an oil and gas construction business) and conducted two capital raisings to address the capital structure of the business.

FY16 PERFORMANCE

The poor performance of Cardno over FY16 is a reflection of strategic decisions made over several years by the prior Senior Management Team and Board. Cardno had established a head office and cost structure suitable for a business twice its size. The business had centralised decision making which pulled accountability away from the operating business units and limited their capacity to react to local market conditions. Operational staff were disempowered by an overhead structure and cost allocation process that was difficult to understand. Separately, through poor IT and financial systems implementation at a Group Executive and Board level, the Company lost visibility and awareness of its underlying financial performance which was compounded by running the business for short term results rather than long term shareholder value creation. This backdrop was exacerbated by a number of off strategy acquisitions approved by the Board and recommended by the Group Executive in their focus on growth, which included acquisitions in cyclical industries at high multiples at the top of the cycle. These acquisitions were then poorly integrated or not at all.

Basically, the size and sophistication of the business outgrew the skill set, capability and experience of the Senior Management Team and Board.

Stepping back from the 2016 group result and looking at the underlying business and where we are today, Cardno has:

- A highly qualified and competent workforce, with a strong focus on client service.
- The business continues to operate with a strong safety record and high calibre professional staff across multiple disciplines with a genuine focus on quality project delivery.
- The Australian business has performed above market peers, continued to win work and achieved top quartile industry EBITDA margins.
- The American business continues to deliver high quality engineering and environmental work but has been burdened with a complex allocation process that removed accountability and a cost and operating structure which does not make sense for a business of our size.

WHERE ARE WE GOING

Cardno began a transition to a new Board of Directors in November 2015 which was completed in March 2016 with the appointment of Gary Jandegian and Robert Prieto.

The new Board is made up of members with direct industry experience as well as “operators” – Former senior executives that bring a wealth of operating experience. This was important to create so that the Board could work effectively with Senior Management to support them in their goals, optimise outcomes, and hold them to account as well as provide some “been here before” experience.

Since January 2016 the Board has had six key goals to implement by June 2017:

- Repair the balance sheet and right size the capital structure
- Reorganise the organisation to be more effective and ensure the appropriate leadership is in place
- Right size the overhead structure
- Empower and hold to account the operating management teams
- Invest in the future growth and the development of the business
- Understand our client needs and how we can better service them from a whole of Company basis

Chairman's Letter *(continued)*

The first two goals have been the primary focus of the second half of the 2016 financial year and good progress has been made in this area. In June 2015, the business had $311 million of net debt (debt less cash) which, given the performance of the business, was unsustainable. As at June 2016, the net debt had reduced to $50 million as a result of asset sales, two capital raisings and a strong focus on working capital.

The Company has also reorganised Cardno's operating business into a simplified structure around two operating divisions in both the US and Australia, with the remaining businesses that don't fit within these core operations run as a separate portfolio with greater autonomy.

This portfolio includes the Construction Sciences business in Australia, the oil and gas focused business in the Americas and the Latin American operations. This separation was driven by the differences of these operations from Cardno's core engineering, environmental and international development services. This allows these businesses to better engage in their respective market places and be managed with different metrics and incentive structures that allow the entrepreneurial spirit of these businesses to be rebuilt.

OUTLOOK

The focus for 2017 is to continue the rebuild of Cardno. In late August, the Board put in place a joint interim CEO structure to implement a significant delayering and restructuring in both the Americas and Australia. This process will push operational responsibility back to the divisions and significantly simplify the cost allocation process to ensure that divisional managers have genuine ownership of their division's performance. It will lead to additional investment in business development resources and ensure that there is a focus on growing the business organically. Investment in systems will be put in place to drive increased transparency in the organisation to support the operations. The leadership team is being rebuilt, and the incentive structure is being reviewed to ensure the Company has the right engagement and reward system for staff going forward. This process is likely to lead to a number of one off costs in FY17, which the Board will report on separately. Once this restructure process is complete, the Board will look to recruit a permanent CEO in the second half of FY17.

I must caution shareholders that while the Board is enthusiastic and optimistic about Cardno's future, this process of rebuilding Cardno will take some time, and will require a lot of work by our staff. Shareholders need to be patient when measuring our performance.

The new Board has a strong sense of confidence in Cardno staff and the skills and projects we deliver on behalf of our clients. The quality of Cardno's work and the projects we deliver are of a very high standard and we should be proud of what Cardno achieves across all our clients and geographies. Our goal is to create an organisation that can execute quickly and effectively for clients with a strong sense of accountability and decision making at the divisional and business unit level. We aim to empower management and staff to meet the challenges set by our clients and thrive in the markets we operate in. We are fortunate we have a stable supportive shareholder register which has a desire to invest and see Cardno achieve its potential into the long term.

I would like to thank not only Cardno's staff for continuing to deliver exemplary service and project outcomes to our clients around the world, but also our clients and shareholders for their support over the past 12 months.

MICHAEL ALSCHER
Chairman

Consolidated Financial Statements

for the year ended 30 June 2016

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

Directors' Report

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 2016.

DIRECTORS

The names of Directors of the Company at any time during or since the end of the financial year are set out below. Directors were in office for this entire period unless otherwise stated.

M Alscher	Non-Executive Director, Chairman (appointed Director 6 November 2015 and Chairman 27 January 2016)
N Buch	Executive Director (appointed 6 November 2015) and joint acting Chief Executive Officer (appointed 29 August 2016)
S Sherman	Non-Executive Director (appointed 27 January 2016)
J Forbes	Non-Executive Director (appointed 27 January 2016)
G Jandegian	Executive Director (appointed 11 March 2016) and joint acting Chief Executive Officer (appointed 29 August 2016)
R Prieto	Non-Executive Director (appointed 11 March 2016)
N Thomson	Non-Executive Director (appointed 6 November 2015, resigned 27 January 2016 and re-appointed 24 May 2016)

FORMER DIRECTORS

R Wankmuller	Chief Executive Officer and Managing Director (resigned 29 August 2016)
A Barnes	Non-Executive Director (resigned 27 January 2016)
T Dwyer	Non-Executive Director (resigned 27 January 2016)
E Fessenden	Non-Executive Director (resigned 6 November 2015)
T Johnston	Executive Director (resigned 1 September 2015)
I Johnston	Non-Executive Director (resigned 23 September 2015)
J Marlay	Non-Executive Director, Chairman (resigned 27 January 2016)
G Murdoch	Non-Executive Director (resigned 6 November 2015)

The office of Company Secretary is held by Michael Pearson LLB, BA, ACIS, GAICD.

Particulars of Directors' qualifications, experience and special responsibilities are listed on the next page:

Directors' Report *(continued)*

Director	Experience	Special Responsibilities
Michael Alscher	Michael Alscher joined as a Non-Executive Director of Cardno Limited in November 2015. He then became Chairman in January 2016. He is the Managing Partner and founder of Crescent Capital Partners, a leading Australian based private equity firm with $1.5 billion in funds under management, specialising in high growth companies and certain industries such as healthcare and the services sector across multiple disciplines. Prior to founding Crescent in 2000, Michael was a strategy consultant at Bain International and the LEK Partnership as well as holding several senior operating roles. Michael is currently a Non-Executive Director of ClearView Limited. He is also the Non-Executive Chair of Australian Clinical Labs and National Dental Care. Michael is also a former Chairman and Director of Cover-More Group Limited and a former Director of Gowings Bros Limited, LifeHealthCare Group Limited, and Metro Performance Glass Limited. Michael holds a Bachelor of Commerce (Finance & Mathematics) from the University of New South Wales.	*Chairman* *Member of Audit, Risk & Compliance Committee* *Chairman of Remuneration Committee*
Neville Buch	Neville Buch became a Non-Executive Director of Cardno Limited in November 2015 and acting joint CEO on 29 August 2016. He is a Partner of Crescent Capital Partners where he heads Crescent's Operating Improvement Practice. He brings expertise in operational management and strategic planning. Prior to joining Crescent in 2009, Neville was the Chief Executive Officer of Wormald Australia and a Senior Executive of Tyco, where he was the Global Deputy Chairman of the Fire and Safety Division. He spent twelve years in senior management with Tyco, both in Australia and overseas and has significant experience in the United States, Europe and Asia. Neville is the Non-Executive Chair of GroundProbe, PrimePanels NZ, Steel-Line Garage Doors and Nude By Nature. Neville holds a Bachelor of Science in Electronic Engineering (Hons Computer Design) and a Masters of Business Administration from the University of Witwatersrand, South Africa.	*Executive Director and Acting Joint Chief Executive Officer* *Member of Remuneration Committee*
Steven Sherman	Steve Sherman joined Cardno Limited as a Non-Executive Director in January 2016. He is a Chartered Accountant with more than 30 years' experience in corporate restructuring and insolvency. His experience ranges from advising on and facilitating restructuring and turnaround strategies, to the re-engineering of entire businesses. Steve is the National Managing Partner of Ferrier Hodgson based in Sydney. He practices in the area of financial and operational restructuring and provides professional advice to financiers and lending syndicates, as well as company Boards and executives. Steve has a Bachelor of Commerce from the University of New South Wales. He is a Fellow of the Institute of Chartered Accountants, a member of the Australian Institute of Company Directors and the Australian Restructuring and Turnaround Association.	*Non-Executive Director* *Member of Audit, Risk & Compliance Committee* *Member of Remuneration Committee*
Jeffrey Forbes	Jeff Forbes is an experienced Finance Executive and Company Director with over 30 years' merger and acquisition, equity and capital markets and project development experience. He has significant expertise in the financing and development of resource projects in both Australia and in the Asia-Pacific region. Jeff previously worked at Cardno as CFO and Company Secretary before leaving to commence non-executive director roles. He has spent time as a member of the remuneration and audit and risk committees of both listed and unlisted companies in a variety of sectors. Prior to first joining Cardno in 2006, Jeff was the CFO, Company Secretary and Executive Director at Highlands Pacific Limited, a PNG-based mining and exploration company. He has significant experience in capital raisings and during his career has worked for a number of major companies including Rio Tinto, BHP and CSR. Jeff is the Non-Executive Chair of Herron Todd White Group and Non-Executive Director of PWR Holdings Ltd, Horizon Housing Company and Australian Affordable	*Non-Executive Director* *Audit, Risk & Compliance Committee Chairman* *Member of Remuneration Committee*

Director	Experience	Special Responsibilities
	Housing Solutions. Previously Jeff was a Non-Executive Director of Talon Petroleum Limited, Exoma Energy Limited, Affinity Education Limited and CMI Limited. Jeff holds a Bachelor of Commerce from the University of Newcastle and is a Graduate of the Australian Institute of Company Directors.	
Gary Jandegian	Gary Jandegian became a Non-Executive Director of Cardno Limited in March 2016 and acting joint CEO on 29 August 2016. He has more than 35 years’ experience in a range of executive and leadership roles in the engineering and construction industry. Gary spent 24 years at leading engineering, design and construction firm, URS Corporation, where he led the company’s Infrastructure and Environment Division for more than a decade. This generated annual revenues approaching US$4 billion with more than 20,000 employees across almost 50 countries. Gary was a key member of the URS executive management and risk management committees and worked across investor relations, mergers and acquisitions and change management. He was also responsible for an Executive Account Management sales model resulting in several multi-hundred million dollar accounts in the energy sector which was fundamental to URS’s growth strategy. He has served as a member of the Environment & Energy Committee, U.S. Chamber of Commerce, the Silicon Valley COO Roundtable and the Industry Leaders Council, American Society of Civil Engineers, Washington DC.	*Executive Director and Acting Joint Chief Executive Officer* *Member of Remuneration Committee*
Robert Prieto	Bob Prieto became a Non-Executive Director of Cardno Limited in March 2016. He has more than 40 years’ experience in the engineering, construction and infrastructure industries. Bob worked for 12 years as Senior Vice President at Fluor Corporation, a multinational engineering and construction firm, where he was executive sponsor for multiple national and international transportation programs and advised C-suite and “giga” project teams on programs totalling US$50 billion. Prior to this, he spent more than 20 years with professional services firm Parsons Brinckerhoff, where he worked in a range of executive positions focusing on corporate development and management, before spending six years as Chairman. Bob is active with a number of infrastructure and engineering industry councils, including the World Economic Forum, Millennium Challenge Corporate Advisory Council and as a Presidential Appointee to the Asia-Pacific Economic Cooperation (APEC) Business Advisory Council.	*Non-Executive Director* *Member of Audit, Risk & Compliance Committee* *Member of Remuneration Committee*
Nathanial Thomson	Nathanial joined as a Non-Executive Director of Cardno Limited in November 2015 before resigning in January 2016 and being reappointed in May 2016. Nathanial holds a Bachelor of Laws and a Bachelor of Finance from the University of Western Australia. Nathanial is a partner of Crescent Capital Partners and has more than 15 years of experience in strategy, investment and business management. Nathanial is currently a director of ASX listed ClearView Ltd and National Home Doctor Service Pty Ltd and has previously been a Director of NZX listed Metro Performance Glass Ltd, ASX listed Cover-More Ltd and ASX listed LifeHealthcare Ltd. Prior to joining Crescent Capital Partners, Nathanial worked at McKinsey & Co.	*Non-Executive Director* *Member of Remuneration Committee*

Director’s Report *(continued)*

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.

DIVIDENDS

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 was paid on 2 October 2015 to shareholders registered on 8 September 2015 and totalled $11,548,000. No interim or final dividend was declared for the financial year ended 30 June 2016.

EVENTS SUBSEQUENT TO REPORTING DATE

On the 16 September 2016, the Group signed an agreement for the sale of its software business, XP Solutions, for USD $49 million to private equity firm EQT. The net proceeds of the sale will be used to strengthen the Group’s capital structure and to further reduce net debt.

On the 16 September 2016, the Group completed a reduction in its debt facilities from USD $210.0 million to USD $108.5 million. The banks have also agreed to covenant waivers for the next two testing periods on any potential impairments and any non-cash and cash costs associated with completing a restructure of the Group.

The Group is currently implementing a restructure based on a new operating structure and separation of non-core business operations into a separately managed portfolio.

At the date of this report, the financial effects of the above subsequent events were not able to be estimated.

Other than the matters outlined above, there were no significant events subsequent to year end.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

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.

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 2015.

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.

Director's Report *(continued)*

REVIEW OF RESULTS

Results from continuing operations:

PERFORMANCE (A$m)	2016	Restated [3] 2015
Gross Revenue	**1,196.5**	1,185.9
Fee Revenue	**809.2**	854.7
EBITDA [1]	**42.3**	111.9
NOPAT [2]	**7.5**	54.9
Net Loss after Tax from continuing operations	**(148.3)**	(184.2)
Operating Cash Flow	**56.4**	48.1
EPS - basic (cents)	**(79.19)**	(131.02)
NOPAT EPS - basic (cents)	**3.05**	29.35
Dividend per share (cents)	**-**	20.0

[1] EBITDA = EBIT plus depreciation and amortisation and impairment losses
[2] NOPAT = NPAT plus tax effected impairment losses
[3] Restated – refer Note 34 of the financial statements

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 26. 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 below. This metric provides a measure of Cardno's operating performance before the impact of non-cash adjustments such as impairment losses of goodwill and other assets.

NPAT TO NOPAT RECONCILIATION (A$m)	Statutory Result	Impairment of intangible assets	Loss from discontinued operations	NOPAT Results
Gross Revenue	1,196.5			**1,196.5**
EBITDA from continuing operations	42.3			**42.3**
Depreciation & amortisation	(26.2)			**(26.2)**
Impairment losses	(178.2)	178.2		**-**
EBIT	(162.1)	178.2		**16.1**
Tax benefit/(expense)	26.4	(22.4)		**4.0**
Finance costs and interest income	(12.6)			**(12.6)**
NPAT from continuing operations	(148.3)	155.8		**7.5**
Loss for the year from discontinued operations	(46.6)		46.6	**-**
Loss for the period	(194.9)	155.8	46.6	**7.5**

Highlights of Cardno's financial performance are as follows:

Total revenue from continuing operations for the year ended 30 June 2016 was $1,196.5 million, up 0.9% against the last corresponding period of $1,185.9 million. Revenue was supported by the stronger US dollar relative to the prior corresponding period, substantially increasing the translated revenue contribution from the Americas businesses. In constant currency terms, total revenue from continuing operations would have been down by 20%.

Revenue grew marginally in the Asia Pacific segment, which is largely denominated in Australian dollars, while a 20% constant currency decline in revenue in the Americas segment was due to difficult business and trading conditions across many divisions of the Group's Americas operations.

Net statutory loss after income tax is $194.9 million. This outcome was the net result of a number of factors, including impairment of goodwill and fair value write downs, impacting the current and prior reporting period.

Director's Report *(continued)*

The Group recorded a $46.6 million loss from discontinued operations in FY16 relating to the sale of its ATC business and ECS oil and gas business. In the prior year results, as restated, the Group wrote down or impaired the carrying value of these businesses by $56.2 million which, together with their operating loss for the period, created an aggregate loss in the prior corresponding period for these businesses of $60.9 million.

The Group also recorded impairment losses of $178.2 million in FY16 (2015: $288.0 million).

The Asia Pacific business operations were negatively impacted by difficult trading conditions in Queensland and Western Australia, largely offset by a solid performance in New South Wales. The Americas operations were significantly impacted by delayed or deferred project starts particularly in the engineering and natural resources businesses as well as a sharp reduction in oil and gas related projects. The Group overall was impacted by costs associated with rationalising and right sizing the business structure (including redundancies) and costs associated with the defence of the ultimately successful proportional takeover offer by Crescent Capital offset by the benefit of closing out a number of hedge arrangements.

(A$m)	Gross Revenue [1]		Fee Revenue		EBITDA		EBITDA Margin	
	2016	2015	2016	2015	2016	2015	2016	2015
Americas	687.0	688.4	461.6	493.7	9.3	61.6	2.0%	12.5%
Asia Pacific	509.5	497.5	347.6	361.0	43.6	48.0	12.5%	13.3%
Corporate	-	-	-	-	(10.6)	2.3	-	-
Total Segment	**1,196.5**	**1,185.9**	**809.2**	**854.7**	**42.3**	**111.9**	**5.2%**	**13.1%**

[1] Excluding intersegment revenue

Director’s Report *(continued)*

FINANCIAL POSITION (A$m)	2016	2015
Cash and cash equivalents	105.6	84.8
Trade and other receivables	191.1	266.5
Work in progress	115.3	154.6
Other current assets	26.3	41.3
Total Current Assets	**438.3**	**547.2**
Property plant and equipment	47.3	64.9
Intangible assets	322.6	548.1
Deferred tax assets	118.6	65.4
Other financial assets	3.8	7.6
Total non-current assets	**492.3**	**686.0**
Total assets	**930.6**	**1,233.2**
Trade and other payables	125.1	150.6
Loans and borrowings	2.8	3.0
Other current liabilities	87.3	103.9
Total Current Liabilities	**215.2**	**257.5**
Loans and borrowings	152.4	393.1
Other non-current liabilities	5.9	13.0
Non-current liabilities	**158.3**	**406.1**
Total liabilities	**373.5**	**663.6**
Net assets	**557.1**	**569.6**

Net assets of the Group remained largely in line with the prior year with a decrease in total assets being offset by a decrease in total liabilities.

Trade and other receivables plus work in progress less trade payables decreased through a strong focus on working capital management and the sale of the ATC business.

Intangible assets decreased from $548.1 million to $322.6 million due to the write down in goodwill, primarily in the Americas segment.

Net debt has reduced from $311.3 million to $49.6 million as a result of two capital raisings, the sale of ATC and working capital management and cash flows in the business.

At 30 June, the Group had significant financial capability with $134.3 million of undrawn bank facilities. Total interest expense and finance costs are low and the Group remains within its covenant obligations.

Director's Report *(continued)*

CASH FLOW (A$m)	2016	2015
Net cash from Operating Activities (ex tax)	50.7	72.0
Income tax paid	5.7	(23.9)
Net cash provided by operating activities	**56.4**	**48.1**
Proceeds on disposal of subsidiaries	85.9	-
Acquisition of subsidiaries, deferred consideration	(23.8)	(11.2)
Payments of property, plant and equipment	(19.3)	(24.3)
Other investing activities	8.7	0.3
Net cash used in investing activities	**51.5**	**(35.2)**
Proceeds from issue of shares	177.0	6.1
Net change in borrowings	(262.2)	18.4
Dividends paid	(7.7)	(42.1)
Other	4.8	(0.9)
Net cash used in financing activities	**(88.0)**	**(18.4)**
Net increase in cash	**19.9**	**(5.5)**
Cash and cash equivalents 1 July	84.8	85.9
Other	0.9	4.3
Cash and cash equivalents at 30 June	**105.6**	**84.8**

Net cash provided by operating activities in FY16 was 133% of EBITDA reflecting working capital management and cash conversion in FY16.

During the year the Group paid the final payments in relation to the Haynes Whaley and PPI acquisitions from prior years.

The dividend paid during the year relates to the FY15 dividend declared by the Board. No dividends has been declared for FY16.

OUTLOOK

Management and the Board has a strong sense of confidence in Cardno staff and the skills and projects we deliver on behalf of our clients. Key areas of focus for the next twelve months are:

> Shifting decision making from Cardno's head office to regional geographic managers and creating higher levels of empowerment and execution ability;

> Rebalancing capital and financial structures, through continued improved working capital management, debt reduction and improvement in utilisation levels;

> Streamlining the business to make it more attuned to its target markets and customers;

> Rebuilding EBITDA margins by investing in growth initiatives and building the business development pipeline; and

> Improve revenue per client by stronger focus on cross selling of all Cardno services.

Director's Report *(continued)*

DIRECTORS' MEETINGS

Attendance at Board meetings and Board Committee meetings for the year ended 30 June 2016 is set out below:

	Board of Directors		**Audit, Risk Compliance Committee**		**Remuneration Committee**	
No. of Meetings Held	**A**	**B**	**A**	**B**	**A**	**B**
M Alscher (i)	8	11	2	2	4	4
N Buch (i)	8	11	-	-	4	4
S Sherman (ii)	9	9	2	2	4	4
J Forbes (ii)	9	9	2	2	4	4
G Jandegian (iii)	6	6	-	-	3	3
R Prieto (iii)	6	6	1	1	3	3
N Thomson (iv)	8	9	-	-	3	3
R Wankmuller (v)	29	29	-	-	-	-
J Marlay (vi)	20	21	-	-	1	1
A Barnes (vi)	19	21	2	2	1	1
T Dwyer (vi)	20	21	2	2	-	-
G Murdoch (vii)	15	15	1	1	1	1
E Fessenden (vii)	13	15	-	-	1	1
I Johnston (viii)	5	5	1	1	-	-
T Johnson (ix)	5	5	-	-	-	-

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 Alscher and Neville Buch were appointed to the Board on 6 November 2015
(ii) Steven Sherman and Jeffrey Forbes were appointed to the Board on 27 January 2016
(iii) Gary Jandegian and Robert Prieto were appointed to the Board on 11 March 2016
(iv) Nathanial Thomson appointed 6 November 2015, resigned 27 January 2016 and re-appointed 24 May 2016
(v) Richard Wankmuller resigned as Chief Executive Officer and Managing Director on 29 August 2016
(vi) John Marlay, Anthony Barnes and Tonianne Dwyer resigned from the Board on 27 January 2016
(vii) Grant Murdoch and Elizabeth Fessenden resigned from the Board on 6 November 2015
(viii) Ian Johnston resigned from the Board on 23 September 2015
(ix) Trevor Johnson resigned from the Board on 1 September 2015

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**
M Alscher	-	-	-	-
N Buch	-	-	-	-
S Sherman	-	-	-	-
J Forbes	148,619	-	-	-
G Jandegian	-	-	-	-
R Prieto	-	-	-	-
N Thomson	-	-	-	-

Remuneration Report (Audited)

This Remuneration Report (Report) outlines the remuneration arrangements for Key Management Personnel (KMP) of the Group in accordance with the requirements of the *Corporations Act 2001* and its Regulations. The information in this Report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

CONTENTS

The Report contains the following sections:

A. RESPONSE TO 2015 REMUNERATION REPORT AT AGM

At its 2015 Annual General Meeting ("AGM") Cardno received a first strike against its Remuneration Report, due mainly to the decision by Crescent Capital Partners ("Crescent") Cardno's largest shareholder at the time, to vote against the Report. Crescent's reasons were communicated to the previous Cardno Board prior to the meeting and included criticism that the Group's human resource and remuneration strategy had delivered poor financial performance and unstable senior management. In addition, Crescent was of the view that the previous Board had failed to properly incentivise the CEO and KMP to address underlying issues with the business or by aligning the interests of the CEO with shareholders from an equity perspective. Shareholder comments on the Remuneration Report at the AGM also focused on seeking clarification on issues relating to the CEO's remuneration and how Performance Rights were issued to those KMP who had left the business.

As a result of the strike, the Group's remuneration strategy has undergone extensive review and changes are in the process of being implemented in relation to Total Fixed Remuneration (TFR), Short Term Incentives (STI) and Long Term Incentives (LTI). In relation to STI and LTI schemes, the pool of senior managers eligible to access the program will be reduced.

The strategy has been amended to more clearly link STI to the financial performance of the business in the form of achievement of scorecards with specific key financial performance indicators (KPI's) set as targets. These KPI's will be based primarily on financial measures such as EBITDA targets.

The focus of the LTI scheme will aim to ensure an incentive program that fundamentally underpins sustained improved performance of the business and restoration and creation of shareholder value. The new scheme will provide for the issue of Performance Rights for nil consideration to KMP and senior management who contribute to the achievement of performance hurdles over a three-year period related to targeted EBITDA levels (adjusted for acquisitions and divestitures) and share price levels that focus on rebuilding shareholder value and profit expectations. Given the deterioration in share price and operating profit, the Board considers traditional measures such as TSR and EPS performance relative to a peer group is not appropriate until such time as the Company returns to a level of consistent financial performance. Accordingly, the Board has determined absolute financial (EBITDA) and share price performance hurdles are more appropriate in the immediate future.

Remuneration Report (Audited) *(continued)*

B. KEY MANAGEMENT PERSONNEL

Key Management Personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any Director (whether Executive or otherwise) of the Company.

Reflecting Cardno's focus on its core business, there were a significant number of changes to the KMP and broader Executive team during the year. Key changes included (including post year-end):

- The resignation of CEO and Managing Director Richard Wankmuller on 29 August 2016.
- The position of General Manager, Global Business Services, held by Kylie Sprott, was made redundant.
- The position of General Manager, Asia Pacific, held by Paul Gardiner, was made redundant.
- Graham Yerbury resigned from his position as Chief Financial Officer in July 2015 and Peter Barker commenced in the role from 1 March 2016.
- The position of General Manager, Americas, held by Mark Swatek was made redundant.

For the purposes of this Report, the Chief Executive Officer and Chief Financial Officer are considered KMP.

The KMP disclosed for the financial year ended 30 June 2016 are detailed in the following table.

Name	Title	Period KMP (if less than full year)
NON-EXECUTIVE DIRECTORS		
M Alscher	Chairman and Non-Executive Director	6 November 2015
N Buch [1]	Non-Executive Director	6 November 2015
S Sherman	Non-Executive Director	27 January 2016
J Forbes	Non-Executive Director	27 January 2016
G Jandegian [1]	Non-Executive Director	11 March 2016
R Prieto	Non-Executive Director	11 March 2016
N Thomson	Non-Executive Director	6 November 2015 to 27 January 2016 reappointed 24 May 2016
FORMER NON-EXECUTIVE DIRECTORS		
A Barnes	Non-Executive Director	Until 27 January 2016
T Dwyer	Non-Executive Director	Until 27 January 2016
E Fessenden	Non-Executive Director	Until 6 November 2015
I Johnston	Non-Executive Director	Until 23 September 2015
J Marlay	Non-Executive Director	Until 27 January 2016
G Murdoch	Non-Executive Director	Until 6 November 2015
EXECUTIVES		
P Barker	Chief Financial Officer	From 1 March 2016
FORMER EXECUTIVES		
R Wankmuller	Executive Director and Chief Executive Officer	Until 29 August 2016
T Johnson	Executive Director	Until 1 September 2015
P Gardiner	GM Asia Pacific	Until 6 June 2016
M Swatek	GM Americas	Until 6 June 2016
K Sprott	GM Global Business Services	Until 19 January 2016
G Yerbury	Chief Financial Officer	Until 23 October 2015

[1] N Buch and G Jandegian became joint acting CEO on 29 August 2016.

Remuneration Report (Audited) *(continued)*

C. ROLE OF THE REMUNERATION COMMITTEE

Prior to the transition of the Board in November 2015, following the proportional takeover bid by Crescent, the Remuneration Committee was comprised of all independent Non-Executive Directors, namely Grant Murdoch (Committee Chair), Tony Barnes, John Marlay and Elizabeth Fessenden. Subsequently the Committee is now comprised of all non- executive directors of the Board and Michael Alscher is the Committee Chair.

The remuneration of Directors, the CEO, KMP, managers and staff is reviewed by the Remuneration Committee.

Board decisions on the remuneration of the Chief Executive Officer and Key Management Personnel are made in the absence of the CEO and KMP.

The Committee obtains independent advice from remuneration consultants on the appropriateness of remuneration based trends in comparative countries, both locally and internationally. No advice was obtained during the year ended 30 June 2016.

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

D. NON-EXECUTIVE DIRECTORS' REMUNERATION

Non-Executive Directors are paid a fee for being a Director of the Board and an additional fee if they chair certain Board Committees. Non-Executive Director fees are not linked to the performance of the Group and Non-Executive Directors do not participate in any of the Company's incentive plans.

Non-Executive Director fees are reviewed annually, and are determined within an aggregate Directors' fee pool limit, which is periodically recommended for approval by shareholders. The Board seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain Directors of appropriate calibre, whilst incurring a cost that is acceptable to shareholders.

The current aggregate fee limit of $1,150,000 was approved by shareholders at the Company's 2014 Annual General Meeting. There is no intention to increase Non-Executive Directors' fees for the 2017 financial year.

The fee structure (which is inclusive of superannuation contributions (where compulsory) for Non-Executive Directors) is detailed in the following table.

	Board $	Audit, Risk & Compliance Committee $	Remuneration Committee $
Board prior to January 2016			
Chairman	275,000	22,000	22,000
Non-Executive Director	110,000	11,000	11,000
Australian based Board post January 2016 (AUD)			
Chairman	200,000	13,500	-
Non-Executive Director	100,000	13,500	-
US based Board post January 2016 (USD)			
Non-Executive Director	100,000	11,000	-

Gary Jandegian and Robert Prieto also have agreements with Cardno Limited to provide project specific consultancy advice for which they may receive remuneration not exceeding $50,000 USD per annum. These amounts are included in their remuneration in the table below.

Remuneration Report (Audited) *(continued)*

D. NON-EXECUTIVE DIRECTORS' REMUNERATION CONTINUED

The remuneration received by Non-Executive Directors for the years ended 30 June 2016 and 30 June 2015 is set out in the following table.

		Salary and Fees $	Superannuation Benefits $	Total $
NON-EXECUTIVE				
M Alscher	**2016**	**130,411**	**-**	**130,411**
	2015	-	-	-
N Buch	**2016**	**65,205**	**-**	**65,205**
	2015	-	-	-
S Sherman	**2016**	**41,062**	**3,901**	**44,963**
	2015	-	-	-
J Forbes	**2016**	**46,045**	**4,374**	**50,419**
	2015	-	-	-
G Jandegian	**2016**	**51,268**	**-**	**51,268**
	2015	-	-	-
R Prieto	**2016**	**55,028**	**-**	**55,028**
	2015	-	-	-
N Thomson	**2016**	**33,151**	**-**	**33,151**
	2015	-	-	-
FORMER NON-EXECUTIVE				
A Barnes	**2016**	**86,181**	**8,187**	**94,368**
	2015	104,100	34,897	138,997
T Dwyer	**2016**	**77,864**	**7,397**	**85,261**
	2015	114,360	10,864	125,224
E Fessenden	**2016**	**59,419**	**-**	**59,419**
	2015	134,169	-	134,169
I Johnston	**2016**	**37,747**	**3,586**	**41,333**
	2015	107,408	10,204	117,612
J Marlay	**2016**	**160,528**	**12,723**	**173,251**
	2015	248,562	18,783	267,345
G Murdoch	**2016**	**56,962**	**5,411**	**62,373**
	2015	138,505	13,127	151,632
Total 2016		**900,871**	**45,579**	**946,450**
Total 2015		847,104	87,875	934,979

E. EXECUTIVE REMUNERATION STRATEGY AND STRUCTURE

The Group's executive remuneration strategy has undergone extensive review and changes are in the process of being implemented in relation to Total Fixed Remuneration (TFR), Short Term Incentives (STI) and Long Term Incentives (LTI). In relation to both the STI and LTI schemes, the pool of senior managers eligible to access the program will be reduced.

The Board, has developed and adopted a structure driven by criteria which comprises a mix of fixed and variable remuneration components as outlined below.

Total Fixed Remuneration (TFR)

Consists of base salary plus statutory superannuation contributions and other benefits.

KMP and senior managers receive a fixed remuneration package which is reviewed annually by the Remuneration Committee and the Board taking into consideration the responsibilities of the role, the qualifications and experience of the incumbent and benchmark market data including those companies with which the Group competes for talent.

In reviewing TFR the Committee and the Board takes into consideration business and individual performance as well as the factors outlined above.

There are no guaranteed base pay increases included in any KMP contract.

Short-Term Incentive (STI)

Target STI opportunities are expressed as a percentage of TFR.

For the year ended 30 June 2016, STI payments were determined by achievement of clearly defined financial and non-financial performance targets. The Committee and the Board are responsible for reviewing the achievement of targets.

For the Managing Director, STIs are assessed against two separate performance measures. These measures relate to specific, financial, strategic and corporate development targets. The other KMP's STI was assessed against the following criteria:

Key Performance Indicators (KPI) to Achieve 100% of STI Target		Performance Measure	Results
Budget	50%	Achievement of Budget	Not Achieved
CEO Initiatives	50%	Achievement of Initiative	Achieved

For FY17 the strategy has been amended to more clearly link STI to the financial performance of the business in the form of achievement of scorecards with specific key financial performance indicators (KPI's) set as targets. These KPI's will be based primarily on financial measures such as EBITDA targets.

Long-Term Incentive (LTI)

Target LTI opportunities are expressed as a percentage of TFR.

Performance Rights issued under the previous LTI plan are tested against the relevant performance hurdles at the end of the performance period. Refer section H for the terms and conditions of the Performance Rights. Other than the Performance Rights granted to the CEO as approved at the Company's AGM in September 2015, no Performance Rights were issued to other KMP during the year ended 30 June 2016.

For FY17 the focus of the LTI scheme will aim to ensure an incentive program that fundamentally underpins sustained improved performance of the business and restoration and creation of shareholder value. The new scheme will provide for the issue of Performance Rights for nil consideration to KMP and senior management who contribute to the achievement of performance hurdles over a three-year period related to targeted EBITDA levels (adjusted for acquisitions and divestitures) and share price levels that focus on rebuilding shareholder value and profit expectations. Given the deterioration in share price and operating profit, the Board considers traditional measures such as TSR and EPS performance relative to a peer group is not appropriate until such time as the Company returns to a level of consistent financial performance. Accordingly, the Board has determined absolute financial (EBITDA) and share price performance hurdles are more appropriate in the immediate future.

Subject to meeting the relevant performance hurdles, upon vesting, the Performance Rights will be converted into ordinary shares in the Company.

Remuneration Report (Audited) *(continued)*

F. EXECUTIVE KEY MANAGEMENT PERSONNEL - CONTRACT TERMS

On 29 August 2016, CEO and Managing Director Richard Wankmuller resigned.

Mr Wankmuller received 12 months' salary in lieu of notice in accordance with his contract as well as accrued annual leave.

Mr Wankmuller will also be paid the first instalment of his FY16 STI totalling $475,000 which was due to be paid in October 2016 and was approved by the Board in October 2015. This amount has been included in the remuneration tables below. No other STI is payable. All unvested LTI in the form of Performance Rights lapsed on the cessation of his employment.

KMP are employed on the basis of Executive Service Agreements (Agreements). These Agreements contain a range of terms and conditions including remuneration and other benefits, notice periods and termination benefits. The key contract terms are as follows:

> **Contract term**: no fixed term.

> **Notice Period**: (resignation or termination without cause) 3 or 6 months.

The Company may terminate Agreements immediately for cause, in which case the Executive is not entitled to any payment in lieu of notice or contractual compensation.

The Agreements also provide for an Executive's participation in the STI and LTI plans subject to Board approval of their eligibility and in accordance with the terms and conditions of the respective plans.

G. EXECUTIVE KEY MANAGEMENT PERSONNEL - REMUNERATION TABLES

The remuneration received by Executive KMP for the years ended 30 June 2016 and 30 June 2015 is set out in the following table.

The share-based payments reflect the amounts required under the Australian Accounting Standards to be expensed by the Company in relation to any long term incentives and the deferral component of any short-term incentives. It represents the value of vested and unvested equity expensed during the period including reversal for forfeited equity incentives and the probability of the incentives vesting. These figures are accounting values and not the amounts actually received by Executive KMP. Whether or not Executive KMP realise any value from these share based payments will depend upon the satisfaction of the applicable performance conditions.

Remuneration Report (Audited) *(continued)*

		SHORT-TERM BENEFITS			SHARE-BASED PAYMENTS	POST EMPLOYMENT		
		Salary and Fees $	STI Cash $	Non-Monetary Benefits $	Performance Rights $	Superannuation Benefits $	Termination Benefits [4] $	Total $
EXECUTIVE KEY MANAGEMENT PERSONNEL								
P Barker	**2016**	**135,894**	**29,667**	**-**	**-**	**6,563**	**-**	**172,124**
	2015	-	-	-	-	-	-	-
FORMER EXECUTIVE KEY MANAGEMENT PERSONNEL								
R Wankmuller[1]	**2016**	**1,504,439**	**475,000**	**5,677**	**132,972**	**11,313**	**-**	**2,129,401**
	2015	-	-	-	-	-	-	-
T Johnson	**2016**	**70,561**	**-**	**3,660**	**12,687**	**3,438**	**-**	**90,346**
	2015	438,216	-	-	70,892	26,784	-	535,892
P Gardiner	**2016**	**787,740**	**-**	**4,895**	**(226,835)**	**9,100**	**562,966**	**1,137,866**
	2015	768,643	-	-	100,117	-	-	868,760
M Swatek	**2016**	**281,358**	**-**	**1,278**	**-**	**6,753**	**33,613**	**323,002**
	2015	-	-	-	-	-	-	-
K Sprott	**2016**	**255,954**	**-**	**-**	**(211,102)**	**16,956**	**427,825**	**489,633**
	2015	442,985	-	-	73,438	25,632	-	542,055
G Yerbury	**2016**	**259,557**	**-**	**-**	**(133,706)**	**8,045**	**-**	**133,896**
	2015	562,493	-	-	56,529	32,203	-	651,225
M Renshaw [2]	2015	368,771	-	-	135,593	13,518	932,936	1,450,818
R Collins-Woolcock [3]	2015	269,829	-	-	96,380	18,302	728,788	1,113,299
Total 2016		**3,295,503**	**504,667**	**15,510**	**(425,984)**	**62,168**	**1,024,404**	**4,476,268**
Total 2015		2,850,937	-	-	532,949	116,439	1,661,724	5,162,049

[1] R Wankmuller was paid in USD and AUD during the year. His salary includes USD $400k sign on bonus. Richard received 250,549 performance rights at the September 2015 AGM which lapsed on his resignation on 29 August 2016.

[2] M Renshaw resigned as CEO and Managing Director on 12 January 2015.

[3] R Collins-Woolcock resigned as General Manager – Australia and New Zealand on 29 January 2015.

[4] Termination benefits include amounts paid in lieu of notice, redundancy severance, accrued leave balances and any STI or LTI awarded at the Boards discretion.

Remuneration Report (Audited) *(continued)*

Proportion of Performance Related Remuneration

		Percentage of Target STI Received[1]	Percentage of Remuneration Performance Related[2]
EXECUTIVE KEY MANAGEMENT PERSONNEL			
P Barker[3]	**2016**	**50%**	**17.2%**
	2015	-	-
FORMER EXECUTIVE KEY MANAGEMENT PERSONNEL			
R Wankmuller	**2016**	**33%**	**28.6%**
	2015	-	-
T Johnson	**2016**	**-**	**14.0%**
	2015	-	13.1%
P Gardiner	**2016**	**-**	**(19.9%)**
	2015	-	11.5%
K Sprott	**2016**	**-**	**(43.1%)**
	2015	-	13.5%
G Yerbury	**2016**	**-**	**(99.9%)**
	2015	-	8.7%

1 *Calculated based on STI as a percentage of pro-rata target.*

2 *Calculated based on STI cash, other cash bonuses and share based payments as a percentage of total remuneration.*

3 *STI pro-rata based on period of employment.*

Remuneration Report (Audited) *(continued)*

Performance Rights Granted and Movement During the Year

The aggregate number of Performance Rights in the Company that were granted as compensation, exercised and lapsed to each Executive KMP for the year ended 30 June 2016 is set out in the following table.

	Balance at 1 July 2015	Rights Granted During the Year as Remuneration	Value of Right Granted During the Year	Rights Exercised During the Year	Value of Rights Exercised During the Year[1]	Lapsed / Cancelled During the Year	Value of Lapsed / Cancelled[2]	Balance at 30 June 2016	Maximum Total Yet to Vest
	No.	No.	$	No.	$	No.	$	No.	No.
EXECUTIVE KEY MANAGEMENT PERSONNEL									
P Barker	-	-	-	-	-	-	-	-	-
FORMER EXECUTIVE KEY MANAGEMENT PERSONNEL									
R Wankmuller	-	250,549	518,636	-	-	-	-	250,549	-
T Johnson	138,000	-	-	-	-	138,000	592,740	N/A	-
P Gardiner	189,000	-	-	-	-	189,000	604,070	N/A	-
K Sprott	136,000	-	-	-	-	136,000	597,640	N/A	-
G Yerbury	128,000	-	-	-	-	128,000	524,270	N/A	-

1. *Calculated per Performance Right as the market value of Cardno shares on the date of exercise.*
2. *Value is calculated at fair market value of the performance right on date of grant.*

The number of Performance Rights included in the balance at 30 June 2016 for the Executive KMP is set out in the following table.

ISSUED	**2016**		
	LTI	**Balance at 30 June 2016**	**Vested & Exercisable at the End of the Year**
EXECUTIVE KEY MANAGEMENT PERSONNEL			
P Barker	-	-	-
FORMER EXECUTIVE KEY MANAGEMENT PERSONNEL			
R Wankmuller	250,549	250,549	-
T Johnson	-	N/A	-
P Gardiner	-	N/A	-
K Sprott	-	N/A	-
G Yerbury	-	N/A	-

The unvested Performance Rights have a minimum value of zero if they do not reach the 50th percentile relative TSR measure, or if EPS hurdles are not met. Refer to section H.

Subsequent to year end, no Performance Rights have been issued to KMP. No terms of Performance Rights transactions have been altered by the Company during the reporting period. The Board has not exercised its discretion to allow the early vesting of any Performance Rights under any of the incentive plans.

Securities Trading Policy

The Company prohibits KMP from entering into any hedging arrangements or acquiring financial products (such as equity swaps, caps and collars or other hedging products) over unvested Performance Rights which have the effect of reducing or limiting exposure to risks associated with the market value of the Company's securities.

No Directors or Senior Executives may directly or indirectly enter into any margin loan facility against the Company's securities unless the prior written consent of the Chairman of the Board is obtained.

H. LTI SHARE PLANS

Existing LTI plans are delivered through the Performance Equity Plan (PEP). Under this plan any LTI award is paid in Performance Rights.

Performance Period:

The performance period for Performance Rights issued under the PEP is three years and the rights vest subject to the achievement of Performance Hurdles detailed below. The issue of Performance Rights is discretionary and applied to eligible staff considered to have been high performers in their respective roles.

All Performance Rights expire on the earlier of their expiry date or termination of employment. There are no voting or dividend rights attached to the Performance Rights.

Performance Hurdles:

Performance Rights issued were allocated in two equal tranches: 50% is subject to the achievement of a relative Total Shareholder Return (TSR) performance hurdle and 50% is subject to an Earnings Per Share (EPS) performance hurdle. These conditions are tested independently.

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

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

Under Tranche 1 – up to 50% of the Performance Rights will vest if the Group achieves a certain TSR ranking within the S&P/ASX 300 Industrial Sector Index (excluding companies involved in financial, energy, metals and mining).

Under Tranche 2 – up to 50% of Performance Rights vest if the Group achieves certain EPS performance targets.

Number of Performance Rights:

There are currently 3,677,019 Performance Rights on issue at 30 June 2016. As a share-based payment, these Performance Rights were valued for accounting and reporting purposes using the Monte Carlo simulation method.

I. THE GROUP'S PERFORMANCE

The Group's performance in respect of the current financial year and the previous four financial years is summarised in the following table.

	2016	2015	2014	2013	2012
Gross Revenue – Continuing Operations (000's)	$1,196,450	$1,185,949	$1,309,597	$1,195,352	$965,820
Net Profit / (Loss) After Tax (000's)	($194,919)	($245,068)	$78,134	$77,639	$74,168
Dividends Paid or Provided (000's)	$11,548	$49,452	$56,530	$50,766	$43,488
Change in Share Price – year on year ($ per share)	($1.18)	($3.09)	$1.14	($2.38)	$2.18

J. OTHER RELATED PARTY TRANSACTIONS

Share Holdings

The movement for the year ended 30 June 2016 in the number of ordinary shares in the Company held, directly or indirectly or beneficially, by each KMP, including their related parties, is detailed in the following table.

Name	Balance at the Start of the Year	Changes due to Equity Raise Entitlement	Received During the Year on the Exercise of Rights	Other Changes During the Year	Balance at the End of the Year
NON-EXECUTIVE DIRECTOR					
M Alscher	-	-	-	-	-
N Buch	-	-	-	-	-
S Sherman	-	-	-	-	-
J Forbes	76,822	71,797	-	-	148,619
G Jandegian	-	-	-	-	-
R Prieto	-	-	-	-	-
N Thomson	-	-	-	-	-
FORMER NON-EXECUTIVE DIRECTOR					
A Barnes	6,056	2,859	-	162	N/A
T Dwyer	12,000	6,896	-	-	N/A
E Fessenden	3,982	-	-	-	N/A
I Johnston	230,000	-	-	-	N/A
J Marlay	30,095	25,917	-	15,000	N/A
G Murdoch	43,614	-	-	24	N/A
EXECUTIVE KEY MANAGEMENT PERSONNEL					
P Barker	-	-	-	-	-
FORMER EXECUTIVE KEY MANAGEMENT PERSONNEL					
R Wankmuller	-	603,583	-	250,000	853,583
T Johnson	1,711,602	-	-	-	N/A
P Gardiner	837,200	200,000	-	-	N/A
K Sprott	29,292	5,794	-	(562)	N/A
G Yerbury	14,639	-	-	391	N/A

Loans to Executive Key Management Personnel

There were no loans to Executive KMP made during the period and no outstanding balances at reporting date.

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.

Other than Crescent Capital, who received a $0.5 million sub-underwriting fee on the same terms as other underwriters of the offer as part of the equity raise, none of these entities transacted with the Company or its subsidiaries in the reporting period.

Directors’ Report *(continued)*

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 33.

LEAD AUDITOR’S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2011

The lead auditor’s independence declaration is set out on page 25 and forms part of the Directors’ report for the year ended 30 June 2016.

ROUNDING OF AMOUNTS

The Company is of a kind referred to in ASIC Corporations Instrument 2016/191 issued by the Australian Securities and Investments Commission, relating to the “rounding off” of amounts in the Directors’ Report. Amounts in the Directors’ Report have been rounded off in accordance with that Class Order to the nearest hundred thousand dollars or, in certain cases, to the nearest dollar.

This Report is made in accordance with a resolution of the Directors.

MICHAEL ALSCHER
Chairman

21 September 2016

KPMG

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 2016 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.

KPMG

KPMG

Simon Crane
Partner

Brisbane
21 September 2016

Consolidated Statement of Financial Performance

Cardno Limited and its Controlled Entities for the year ended 30 June 2016

	Note	2016 $'000	Restated* 2015 $'000
Revenue from continuing operations	5	**1,196,450**	**1,185,949**
Other Income	5	17,602	11,955
Employee expenses		(584,317)	(587,771)
Consumables and materials used		(367,752)	(351,133)
Sub-consultant and contractor costs		(177,936)	(123,651)
Impairment losses	7	(178,282)	(287,966)
Depreciation and amortisation expenses		(26,167)	(29,851)
Financing costs	6	(13,728)	(10,673)
Other expenses		(40,551)	(22,922)
Loss before income tax		(174,681)	(216,063)
Income tax benefit	8	26,405	31,899
Loss for the year from continuing operations		**(148,276)**	**(184,164)**
Loss for the year from discontinued operations, net of tax	4	(46,643)	(60,904)
Loss for the period		**(194,919)**	**(245,068)**
Loss attributable to:			
Owners of the Company		(194,919)	(245,068)
		(194,919)	(245,068)
Continuing Operations			
Basic earnings per share (cents per share)	28	(60.24)	(98.46)
Diluted earnings per share (cents per share)	28	(60.24)	(98.46)
Continuing and Discontinuing Operations			
Basic earnings per share (cents per share)	28	(79.19)	(131.02)
Diluted earnings per share (cents per share)	28	(79.19)	(131.02)

Consolidated Statement of Comprehensive Income

Cardno Limited and its Controlled Entities for the year ended 30 June 2016

	Note	2016 $'000	Restated* 2015 $'000
Loss for the year		**(194,919)**	**(245,068)**
Items that may be subsequently reclassified to profit or loss:			
Exchange differences on translation of foreign operations		20,447	82,993
Reclassification of exchange differences on disposal of subsidiary	4	(5,204)	-
Other comprehensive income for the year, net of tax		15,243	82,993
Total comprehensive income for the year		(179,676)	(162,075)
Total comprehensive income attributable to:			
Owners of the Company		(179,676)	(162,075)
		(179,676)	**(162,075)**

** See Note 4 and 34 for details about restatement of comparative information*

The statement of performance and statement of comprehensive income should be read in conjunction with the notes to the financial statements.

Consolidated Statement of Financial Position

Cardno Limited and its Controlled Entities as at 30 June 2016

	Note	2016 $'000	Restated* 2015 $'000
CURRENT ASSETS			
Cash and cash equivalents	10	105,613	84,750
Trade and other receivables	11	191,053	266,513
Work in progress	12	115,305	154,611
Other current assets	25	11,276	12,794
Current tax receivable		4,819	19,349
Assets held for sale	3	10,233	9,191
TOTAL CURRENT ASSETS		**438,299**	**547,208**
NON-CURRENT ASSETS			
Other financial assets, including derivatives	26	3,770	7,625
Property, plant and equipment	13	47,310	64,851
Deferred tax assets	9	118,580	65,448
Intangible assets	14	322,604	548,084
TOTAL NON-CURRENT ASSETS		**492,264**	**686,008**
TOTAL ASSETS		**930,563**	**1,233,216**
CURRENT LIABILITIES			
Trade and other payables	15	125,115	150,566
Loans and borrowings	16	2,795	2,982
Current tax liabilities		-	14,785
Employee benefits		33,216	33,549
Provisions	17	3,139	3,410
Other current liabilities	18	40,691	43,047
Liabilities held for sale	3	10,233	9,191
TOTAL CURRENT LIABILITIES		**215,189**	**257,530**
NON-CURRENT LIABILITIES			
Loans and borrowings	16	152,425	393,108
Deferred tax liabilities	9	531	1,752
Employee benefits		4,545	10,342
Other non-current liabilities		776	876
TOTAL NON-CURRENT LIABILITIES		**158,277**	**406,078**
TOTAL LIABILITIES		**373,466**	**663,608**
NET ASSETS		**557,097**	**569,608**
EQUITY			
Issued capital	19	820,374	641,661
Reserves		77,325	62,082
Retained earnings / (losses)		(340,602)	(134,135)
TOTAL EQUITY		**557,097**	**569,608**

** See Note 34 for details about restatement of comparative information*

Consolidated Statement of Changes in Equity

Cardno Limited and its Controlled Entities for the year ended 30 June 2016

	Note	Share Capital Ordinary $'000	Retained Earnings / (losses) $'000	Foreign Translation Reserve $'000	Reserve for Own Shares $'000	Total $'000
BALANCE AT 1 JULY 2014		**623,875**	**160,385**	**(6,300)**	**(14,444)**	**763,516**
Loss for the year		-	(245,068)	-	-	(245,068)
Exchange differences on translation of foreign operations		-	-	82,993	-	82,993
Total comprehensive income for the year		**-**	**(245,068)**	**82,993**	**-**	**(162,075)**
Transactions with owners in their capacity as owners:						
Shares issued	19	13,512	-	-	-	13,512
Employee share based payments	19	2,946	-	-	-	2,946
Own shares issued*		1,328	-	-	(1,328)	-
Own shares sold*		-	-	-	1,161	1,161
Dividends paid or provided	19	-	(49,452)	-	-	(49,452)
		17,786	**(49,452)**	**-**	**(167)**	**(31,833)**
BALANCE AT 30 JUNE 2015		**641,661**	**(134,135)**	**76,693**	**(14,611)**	**569,608**
Loss for the year		-	(194,919)	-	-	(194,919)
Exchange differences on translation of foreign operations		-	-	20,447	-	20,447
Reclassification of exchange difference on disposal of subsidiary	4	-	-	(5,204)	-	(5,204)
Total comprehensive income for the year		**-**	**(194,919)**	**15,243**	**-**	**(179,676)**
Transactions with owners in their capacity as owners:						
Shares issued	19	176,923	-	-	-	176,923
Employee share based payments	19	1,790	-	-	-	1,790
Own shares issued*		-	-	-	-	-
Own shares sold*		-	-	-	-	-
Dividends paid or provided	19	-	(11,548)	-	-	(11,548)
		178,713	**(11,548)**	**-**	**-**	**167,165**
BALANCE AT 30 JUNE 2016		**820,374**	**(340,602)**	**91,936**	**(14,611)**	**557,097**

* *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 the notes to the financial statements.

Consolidated Statement of Cash Flows

Cardno Limited and its Controlled Entities for the year ended 30 June 2016

	Note	2016 $'000	Restated* 2015 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		1,372,935	1,474,734
Interest received		1,196	506
Finance costs paid		(11,583)	(7,456)
Cash paid to suppliers and employees		(1,311,859)	(1,395,805)
Income tax refund received / (paid)		5,698	(23,856)
NET CASH PROVIDED BY OPERATING ACTIVITIES	**27**	**56,387**	**48,123**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds on disposal of subsidiaries	4	85,943	-
Acquisition of subsidiaries, deferred consideration paid		(23,857)	(11,187)
Payments for intangible assets		(1,122)	(1,005)
Proceeds from sale of property, plant and equipment		9,826	1,288
Payments for property, plant and equipment		(19,312)	(24,273)
NET CASH USED IN INVESTING ACTIVITIES		**51,478**	**(35,177)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		177,038	6,135
Share issue transaction costs		(5,648)	(18)
Sale of own shares*		-	1,161
Proceeds from borrowings		444,598	707,228
Repayment of borrowings		(706,749)	(688,849)
Proceeds from termination of interest rate swap		11,761	-
Finance lease payments		(1,305)	(2,028)
Dividends paid		(7,693)	(42,055)
NET CASH PROVIDED BY/(USED IN) FINANCING ACTIVITIES		**(87,998)**	**(18,426)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS HELD		**19,867**	**(5,480)**
CASH AND CASH EQUIVALENTS AT 1 JULY		**84,750**	**85,885**
Reclassification of cash included in disposal group held for sale		77	(1,592)
Effects of exchange rate changes on cash and cash equivalents at the end of year		919	5,937
CASH AND CASH EQUIVALENTS AT 30 JUNE	**10**	**105,613**	**84,750**

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

The statement of cash flow should be read in conjunction with the notes to the financial statements.

Notes to the Consolidated Financial Statements

Cardno Limited and its Controlled Entities for the year ended 30 June 2016

Set out below is an index of the notes to the financial statements, the details of which are available on the pages that follow:

GROUP STRUCTURE

1. 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 Group's Chief Executive Officer (Chief Operating Decision Maker). 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.

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. Segment result is measured as the segment profit before interest, tax, depreciation and impairment losses. Unallocated items mainly comprise other income, 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. Segment assets and liabilities have not been disclosed as these are not provided to the Chief Operating Decision Maker. This information is provided at a Group level only.

2016	Professional Services Asia Pacific $'000	Professional Services Americas $'000	Unallocated $'000	Total $'000
SEGMENT REVENUE – CONTINUING OPERATIONS				
Fees from services and sale of goods	347,585	461,624	-	809,209
Fees from recoverable expenses	161,510	223,350	-	384,860
Inter-segment revenue	4,581	26,693	-	31,274
Segment Revenue	513,676	711,667	-	1,225,343
Other revenue	384	1,997	-	2,381
Total Segment Revenue	514,060	713,664	-	1,227,724
Inter-segment elimination				(31,274)
Total Revenue from continuing operations				**1,196,450**
Segment Result	**43,567**	**9,268**	**(10,535)**	**42,300**
Impairment losses	(26,734)	(151,548)	-	(178,282)
Depreciation and amortisation expense	(8,898)	(17,269)	-	(26,167)
Profit/(loss) from continuing operations before interest and income tax	**7,935**	**(159,549)**	**(10,535)**	**(162,149)**
Finance costs and interest income				(12,532)
Loss from continuing operations before income tax				**(174,681)**
Income tax benefit				26,405
Loss from continuing operations after income tax				**(148,276)**
Net loss from discontinued operations after income tax				(46,643)
Loss from continuing and discontinuing operations after income tax				**(194,919)**
Acquisition of property, plant & equipment	13,966	6,043	-	20,009

1. SEGMENT INFORMATION CONTINUED

2015	Professional Services Asia Pacific $'000	Professional Services Americas $'000*	Unallocated $'000	Total $'000
SEGMENT REVENUE – CONTINUING OPERATIONS				
Fees from services and sale of goods	360,967	493,752	-	854,719
Fees from recoverable expenses	136,299	190,552	-	326,851
Inter-segment revenue	3,168	37,667	-	40,835
Segment Revenue	500,434	721,971	-	1,222,405
Other revenue	282	4,097	-	4,379
Total Segment Revenue	500,716	726,068	-	1,226,784
Inter-segment elimination				(40,835)
Total Revenue from continuing operations				1,185,949
Segment Result	**47,998**	**61,553**	**2,370**	**111,921**
Impairment losses	-	(287,966)	-	(287,966)
Depreciation and amortisation expense	(10,032)	(19,819)	-	(29,851)
Profit/(loss) from continuing operations before interest and income tax	**37,966**	**(246,232)**	**2,370**	**(205,896)**
Finance costs and interest income				(10,167)
Loss from continuing operations before income tax				**(216,063)**
Income tax benefit				31,899
Loss from continuing operations after income tax				**(184,164)**
Net loss from discontinued operations after income tax				(60,904)
Loss from continuing and discontinuing operations after income tax				**(245,068)**
Acquisition of property, plant & equipment	9,220	20,995	-	30,215

*Restated – refer Note 4 and 34.

GEOGRAPHICAL INFORMATION

	2016		2015	
	Revenues $'000	Total Non-Current Assets $'000	Revenues $'000	Total Non-Current Assets $'000
Australia & New Zealand	443,867	246,979	425,177	283,343
Americas	555,354	215,815	527,895	315,733
United Kingdom	40,042	24,374	27,762	46,334
Singapore	23,438	-	35,444	-
Africa	26,019	1,212	52,646	37,689
Latin America	27,760	-	22,377	-
Indonesia	71,416	770	85,084	1,144
Other Countries	8,554	3,114	9,564	1,765
	1,196,450	**492,264**	**1,185,949**	**686,008**

2. BUSINESS COMBINATIONS

There were no acquisitions made during the year ended 30 June 2016 or 2015.

3. 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. At 30 June 2016, management is still actively seeking to sell Caminosca and accordingly, Caminosca continues to be presented as a disposal group held for sale.

Results and impairment losses relating to the disposal group

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 in 2015.

The net contribution to the Group's loss after tax by the disposal group was a loss of $4.9 million in the 2016 financial year (2015: profit of $4.7million before classified as held for sale and prior to the write down).

Cumulative income included within the foreign currency translation reserve relating to the disposal group is $3,982,918 (2015: $3,792,447).

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. During 2016, the entity had transactions relating to the continuation of business whilst it has been held for sale and these have resulted in the following asset and liability balances:

	2016 $'000	2015 $'000
Cash and cash equivalents	1,513	1,592
Trade and other receivables	6,612	5,538
Property, plant and equipment	1,595	1,919
Deferred tax assets	164	58
Other current assets	349	84
Assets held for sale	**10,233**	**9,191**
Trade and other payables	2,988	3,674
Interest bearing loans and borrowings	52	119
Employee benefits	2,095	1,748
Current tax liabilities	5,098	3,650
Liabilities held for sale	**10,233**	**9,191**

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

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 impairment loss is allocated to work in progress, financial assets, deferred tax assets or employee benefit 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 re-measurement 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.

4. DISCONTINUED OPERATIONS

In November 2015 the Group sold its subsidiary Cardno ATC and in March 2016 sold its ECS business, both of which are part of the Americas segment. Management committed to a plan to sell these businesses, following a strategic review of the Group's operations necessitating the divestiture of non-core parts of the business. Cardno ATC was classified as held-for-sale during period and as such was written down to its fair value less costs to sell prior to its disposal.

The businesses were not classified as held-for-sale or as discontinued operations in the prior period. The comparative consolidated statement of financial performance has been restated to show the discontinued operations separately from continuing operations.

	2016 $'000	2015 $'000
(a) Results of discontinued operation		
Revenue	105,270	240,461
Expense	(115,584)	(247,959)
Results of operating activities	**(10,314)**	**(7,498)**
Income tax	4,941	2,832
Results from operating activities, net of tax	**(5,373)**	**(4,666)**
Loss on disposal of subsidiary	(9,620)	-
Impairment losses (Refer to Note 7)	(36,854)	(56,238)
Reclassification of foreign currency differences and reserves	5,204	-
Profit/(loss) for the period	**(46,643)**	**(60,904)**
Basic earnings (loss) per share	(18.95)	(32.56)
Diluted earnings (loss) per share	(18.95)	(32.56)

The loss from discontinued operations of $46.6 million (2015: $60.9 million) is attributable entirely to the owners of the company.

	2016 $'000	2015 $'000
(b) Cash flows from (used in) discontinued operation		
Net cash from (used in) operating activities	(14,816)	(14,473)
Net cash from (used in) investing activities	13,479	15,848
Net cash flow for the period	**(1,337)**	**1,375**

	2016 $'000
(c) Effect of disposal on the financial position of the group	
Property, plant and equipment	10,587
Work in progress	41,403
Intangibles	48,320
Trade and other receivables	66,913
Bank overdraft	(1,016)
Deferred tax liabilities	(4,472)
Trade and other payables	(30,334)
Net assets and liabilities	**131,401**
Consideration received, satisfied in cash	84,927
Bank overdraft disposed of	1,016
Net cash inflow	**85,943**

KEY FINANCIAL STATEMENT ITEMS

5. REVENUE AND OTHER INCOME

	2016 $'000	2015 $'000
REVENUE FROM CONTINUING OPERATIONS		
Fees from consulting services	793,290	841,625
Fees from sale of goods	15,920	13,094
Fees from recoverable expenses	384,861	326,851
Other	2,379	4,379
	1,196,450	**1,185,949**
OTHER INCOME		
Non-refundable R&D tax incentives	2,202	2,413
Interest income	1,196	506
Gain on termination of interest rate swap	5,218	-
Gain on repayment of fixed rate long term notes (refer Note 16)	7,039	-
Gain on disposal of property, plant and equipment	1,355	-
Foreign exchange gains	592	9,036
Other Income	**17,602**	**11,955**

Accounting for Revenue from Continuing Operations and Interest Income

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.

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

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.

Interest income is recognised in profit or loss as it accrues, using the effective interest method.

6. FINANCING COSTS

	2016 $'000	2015 $'000
Interest paid	8,673	7,797
Amortisation of borrowing costs	5,055	2,876
Total Financing Costs	**13,728**	**10,673**

Accounting for Finance Costs

Finance costs are recognised as expenses in the period in which they are incurred.

Borrowing costs are calculated using the effective interest method and include costs incurred in connection with arrangement of borrowings.

There have been no qualifying assets and related debt to which borrowing costs could have been applied, and as a result no borrowing costs have been capitalised to qualifying assets.

7. EXPENSES

	2016 $'000	2015 $'000
Bad and doubtful debts	3,947	9,487
Rental expense relating to operating leases	36,160	41,937
Loss on disposal of property, plant and equipment	-	185
Impairment Losses		
Impairment of goodwill and other intangible assets (Refer Note 14)	178,282	298,037
Impairment loss on re-measurement of disposal group (Refer Note 3 & 4)	36,854	46,167
	215,136	**344,204**
Impairment losses have been classified in the consolidated statement of financial performance as:		
Continuing operations	178,282	287,966
Discontinued operations (refer Note 4)	36,854	56,238
	215,136	**344,204**

8. INCOME TAX EXPENSE

	2016 $'000	2015 $'000
(a) The components of tax expense comprises:		
Current tax expense		
Current year	21,454	18,862
Adjustments for prior years	(355)	(5,553)
	21,099	13,309
Deferred tax expense		
Current year	(45,989)	(48,129)
Adjustments for prior years	(1,515)	2,921
	(47,504)	(45,208)
Total income tax expense / (benefit)	**(26,405)**	**(31,899)**
(b) Numerical reconciliation between tax expense and pre-tax profit		
Profit / (loss) before tax from continuing operations	(174,681)	(216,063)
Income tax using the Australian corporation tax rate of 30% (2015: 30%)	(52,405)	(64,819)
Increase (decrease) in income tax expense due to:		
Non-deductible expenses	4,249	6,008
Effect of tax rates in foreign jurisdictions	(9,069)	(10,836)
Allowances for R&D expenditure	(2,508)	(734)
Non-deductible portion of goodwill impairment	41,499	42,332
Sundry items	(6,301)	(1,218)
	(24,535)	**(29,267)**
Under / (over) provided in prior years	(1,870)	(2,632)
Income tax expense / (benefit)	**(26,405)**	**(31,899)**

The effective tax rate for FY2016 was 15.1% as compared to 14.8% in FY2015. The tax benefit recognised includes the tax effect of the impairment charges where goodwill is deductible for tax in the USA.

	2016 $'000	2015 $'000
(c) Amounts recognised directly in equity		
Share based payments	-	283
Tax benefit on equity raising costs	1,678	-
Foreign exchange	26,104	-

9. DEFERRED TAX ASSETS & LIABILITIES

Recognised deferred tax assets and liabilities

	2016 $'000	2015 $'000
Assets		
Accruals	34,391	24,517
Provisions	17,874	21,772
Intangibles	53,242	35,872
Other	33,194	5,663
Total deferred tax assets	**138,701**	**87,824**
Set-off of deferred tax liabilities	(20,121)	(22,376)
Net deferred tax assets	**118,580**	**65,448**
Liabilities		
Work in progress	10,576	21,313
Property, plant and equipment	1,788	-
Intangibles	-	755
Prepayments	2,123	1,047
Other	6,165	1,013
Total deferred tax liabilities	20,652	24,128
Set-off against deferred tax assets	(20,121)	(22,376)
Net deferred tax liabilities	**531**	**1,752**
NET DEFERRED TAX ASSETS (LIABILITIES)	**118,049**	**63,696**

The Group has unrecognised deferred tax assets from capital loss carryforwards in the United States of $38.1 million as at 30 June 2016 (2015: Nil) which will expire if not used to offset capital gains derived by 30 June 2021.

Movement in temporary differences during the year:

30 June 2016	1 July 2015 $'000	Recognised in profit or loss $'000	Adjustments to prior years $'000	Other* $'000	30 June 2016 $'000
Accruals	24,517	10,173	(535)	235	34,390
Provisions	21,772	(420)	(217)	(3,262)	17,874
Sundry items	4,650	18,144	851	1,658	25,303
Prepayments	(1,047)	(986)	(34)	(55)	(2,122)
Work in progress	(21,313)	302	543	9,892	(10,576)
Goodwill on acquisition (USA)	35,116	20,675	907	(3,518)	53,180
	63,696	**47,888**	**1,515**	**4,950**	**118,049**

30 June 2015	1 July 2014 $'000	Recognised in profit or loss $'000	Adjustments to prior years $'000	Other* $'000	30 June 2015 $'000
Accruals	26,760	(5,885)	(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)
Goodwill on acquisition (USA)	(12,948)	48,531	(600)	133	35,116
	15,855	**47,244**	**(2,921)**	**3,518**	**63,696**

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

10. CASH AND CASH EQUIVALENTS

	2016 $'000	2015 $'000
Cash at bank and on hand	102,862	79,510
Restricted cash (project advances)	2,628	5,118
Bank short term deposits	123	122
	105,613	**84,750**

Accounting for Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and investments in money market instruments which are at call or with an original term of three months or less. Bank overdrafts are shown with interest-bearing loans and borrowings in current liabilities on the statement of financial position.

11. TRADE & OTHER RECEIVABLES

	2016 $'000	2015 $'000
Trade debtors	192,587	265,146
Provision for doubtful debts	(11,090)	(16,252)
	181,497	**248,894**
Sundry debtors	9,556	17,619
	191,053	**266,513**

Accounting for 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.

12. WORK IN PROGRESS

	2016 $'000	2015 $'000
Work in progress	**115,305**	**154,611**

Accounting for Work in Progress

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.

13. PROPERTY, PLANT & EQUIPMENT

	2016 $'000	2015 $'000
Land & buildings		
Land & buildings	2,799	3,578
Less accumulated depreciation	(1,307)	(1,155)
	1,492	**2,423**
Carrying amount at the beginning of the year	2,423	2,154
Additions	34	109
Disposals	(926)	(32)
Depreciation expense	-	(111)
Foreign exchange	(39)	303
Transfer between classes	-	-
Carrying amount at the end of the year	**1,492**	**2,423**
Office Furniture & Equipment		
Laboratory equipment, instruments & amenities	142,592	160,261
Less accumulated depreciation	(98,574)	(107,644)
	44,018	**52,617**
Carrying amount at the beginning of the year	52,617	45,806
Additions	20,033	22,723
Reclass to assets held for sale	-	(1,422)
Disposals	(12,141)	(1,180)
Depreciation expense	(17,857)	(17,636)
Foreign exchange	1,468	4,104
Transfer between classes	(102)	222
Carrying amount at the end of the year	**44,018**	**52,617**
Motor vehicles		
Motor vehicles	15,149	31,335
Less accumulated depreciation	(13,351)	(21,524)
	1,798	**9,811**
Carrying amount at the beginning of the year	9,811	12,749
Additions	476	1,465
Reclass to assets held for sale	-	(497)
Disposals	(5,144)	(262)
Depreciation and amortisation expense	(3,602)	(4,841)
Foreign exchange	156	1,419
Transfer between classes	101	(222)
Carrying amount at the end of the year	**1,798**	**9,811**
Total property, plant & equipment		
Property, plant & equipment	160,540	195,174
Less accumulated depreciation	(113,230)	(130,323)
	47,310	**64,851**
Carrying amount at the beginning of the year	64,851	60,709
Additions	20,543	24,297
Reclass to assets held for sale	-	(1,919)
Disposals	(18,211)	(1,474)
Depreciation expense	(21,459)	(22,588)
Foreign exchange	1,586	5,826
Carrying amount at the end of the year	**47,310**	**64,851**

13. PROPERTY, PLANT & EQUIPMENT CONTINUED

Accounting for Property, Plant and Equipment

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.

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
> motor vehicles 4-7 years
> office furniture and equipment 3-11 years

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

14. INTANGIBLE ASSETS

Reconciliation of movement in carrying amounts from the beginning of year to end of year:

	Goodwill $'000	Works Contracts $'000	Patents and Trademarks $'000	Software Intangibles $'000	Customer Relation-ships $'000	Total $'000
2016						
Balance at the beginning of year	520,504	284	2,081	3,859	21,356	548,084
Internally generated	-	-	-	1,122	-	1,122
Impairment losses	(161,076)	-	-	(749)	(16,457)	(178,282)
Impairment on re-measurement of disposal group	(36,676)	-	-	-	-	(36,676)
Disposal of subsidiary	(11,312)	(51)	-	-	(664)	(12,027)
Amortisation charges	-	(170)	-	(1,516)	(4,154)	(5,840)
Effect of foreign exchange	6,058	12	-	33	120	6,223
Closing value at 30 June 2016	**317,498**	**75**	**2,081**	**2,749**	**201**	**322,604**
2015 (Restated)*						
Balance at the beginning of year	728,085	2,576	2,081	4,030	24,060	760,832
Internal development	-	-	-	1,005	-	1,005
Impairment on re-measurement of disposal group	(12,024)	(327)	-	-	-	(12,351)
Amortisation charges	-	(2,076)	-	(1,711)	(6,446)	(10,233)
Impairment losses	(298,037)	-	-	-	-	(298,037)
Effects of foreign exchange	102,480	111	-	535	3,742	106,868
Closing value at 30 June 2015	**520,504**	**284**	**2,081**	**3,859**	**21,356**	**548,084**

** Refer Note 34*

14. INTANGIBLE ASSETS CONTINUED

The carrying amount of goodwill allocated to each of the cash generating units (CGUs) or CGU Groups for impairment testing is as follows:

	2016 $'000	2015 $'000
Americas	111,837	220,881
Asia Pacific (APAC)	205,661	232,304
PPI – Oil and Gas	-	67,319
	317,498	**520,504**

Impairment Testing

After initial recognition, goodwill acquired in a business combination is measured at cost less any accumulated impairment losses. Goodwill is not amortised but is subject to impairment testing. In accordance with Cardno's accounting policies, the Group performs its impairment testing annually or more frequently if required.

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 reviewed its business structure and following the sale of a portion of the PPI group of businesses concluded that due to the nature of the PPI business and the way in which management were reviewing the business that this should be a separate CGU. Comparative information has been restated to maintain consistency with current year presentation.

The Group uses the value in use method to estimate the recoverable amount of each CGU. Value in-use is calculated based on the present value of cash flow projections over a five-year period and includes a terminal value at the end of year five.

The cash flow projections over the five-year period are based on the Group's forecast for 2017 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 a weighted average cost of capital adjusted for country and industry specific risks associated with the CGU.

Results of Impairment Testing

As part of its impairment testing process for the year ended 30 June 2016, the Group reviewed its accounting policies and methodology for impairment testing and changed its approach in relation to the treatment of group overheads and corporate costs. Group overhead and corporate costs are now allocated to the individual CGUs for impairment testing purposes whereas previously these were included in an impairment assessment at an overall group level. This change in approach resulted in the restatement of the impairment loss recognised in the year ended 30 June 2015. Refer to Note 34.

The above change in approach together with changes in key assumptions and a downturn in the America's results, in particular, the mining and oil and gas sector downturn, and integration issues of financial systems and operating entities in North America, have resulted in the following impairment charges to the individual assets in the CGUs:

	2016 $'000	Restated* 2015 $'000
IMPAIRMENT LOSSES		
Goodwill	161,076	298,037
Other intangible assets	17,206	-
Total impairment losses from impairment testing	**178,282**	**298,037**

* Refer to Note 34

14. INTANGIBLE ASSETS CONTINUED

The carrying amount of the Americas CGU was determined to be higher than its recoverable amount and an impairment loss of $72.1 million was recognised in 2016 (2015: $298.0 million). The carrying amount of the APAC CGU was determined to be higher than its recoverable amount and an impairment loss of $26.7 million was recognised in the current financial year (2015: Nil). The PPI CGU carrying value was in excess of recoverable amount and an impairment loss of $79.5 million was recognised in the current financial year (2015: Nil) representing all intangible assets of the CGU.

Key Assumptions

The key assumptions used in the estimation of recoverable amount are set out below. The values assigned to the key assumptions represent management's assessment of factors impacting the relevant regions and industries in which the CGUs operate and have been developed taking into consideration of relevant forecast and historical data from both external and internal sources.

	EBITDA Margins [1]		Terminal Growth Rate		Pre-Tax Discount Rate	
	2016	2015	2016	2015	2016	2015
Americas	5.5% - 9.1%	8.7% - 11.6%	2.70%	3.00%	12.70%	12.70%
Asia Pacific	11.8% - 13.9%	12.9% - 15.0%	2.70%	3.00%	14.80%	12.30%
PPI	0.0% - 4.1%	N/a	2.70%	N/a	14.50%	N/a

[1] EBITDA margins are applied to fee revenue (excluding fees from recoverable expenses).

Following the impairment loss recognised in the Group's Americas, APAC and PPI CGUs, the recoverable amount was equal to the carrying amount. Therefore, any material adverse movement in a key assumption would lead to further impairment. Refer to Note 35 (g).

15. TRADE & OTHER PAYABLES

	2016 $'000	2015 $'000
Trade payables & accruals	122,854	127,466
Vendor liability	2,261	23,100
	125,115	**150,566**

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

16. LOANS & BORROWINGS

	2016 $'000	2015 $'000
CURRENT		
Lease and hire purchase liabilities	2,158	1,889
Bank loans	637	1,093
	2,795	**2,982**
NON-CURRENT		
Lease and hire purchase liabilities	1,146	1,580
Bank loans	151,279	192,870
Long term notes	-	198,658
	152,425	**393,108**
TOTAL CURRENT & NON-CURRENT LOANS & BORROWINGS	**155,220**	**396,090**

16. LOANS & BORROWINGS CONTINUED

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.

Long Term Notes

On 21 April 2016, the Group repaid the US Private Placement debt in full at par value. The notes were subject to a fixed rate of interest and denominated in US dollars. The seven and ten year notes were repaid by a drawdown on existing bank loan facilities as well as using the proceeds associated with the rights issue conducted in December 2015. A gain of $7.0 million was recognised in the Group's statement of financial performance on repayment of the loan notes representing the difference between their carrying value at the date of repayment and the amount paid to extinguish the liability.

Bank Loans

The Group has bank loans of $151.9 million (2015: $194.0 million) as at 30 June 2016 with a weighted average interest rate of 2.48% (2015: 1.75%). Funding available to the Group from undrawn facilities is $134.3 million (2015: $258.9 million). The loans disclosed as current represent amounts repayable within one year.

The Group's facility limits comprise working capital facilities of AUD $Nil (2015: $10.0 million) and US$5.0 million (2015: US$15.0 million) as well as a multi-currency bilateral revolving term facility of US$210.0 million (2015: US$330.0 million).

The Group's debt facilities include certain financial covenants which are tested semi-annually at 30 June and 31 December each year. A breach of a financial covenant would represent an event of default under the terms of the debt facilities. At 30 June 2016, the Group was in compliance with all financial covenants.

During the year the Group permanently reduced the size of its debt facilities as the Board felt the facilities in place were greater than the future requirements of the business.

Subsequent to year end, the Group further reduced the available limit of its revolving term facility, refer to Note 24.

There were no bank overdrafts in existence at 30 June 2016 (2015: 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.

Lease and Hire Purchase Liabilities

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 & 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 licences exercised.

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.

16. LOANS & BORROWINGS CONTINUED

	2016 $'000	2015 $'000
Finance leases and hire purchase		
Commitments in relation to finance leases are payable as follows:		
> Within one year	2,308	2,251
> Later than one year but not later than 5 years	1,205	1,779
> Later than 5 years	-	-
Minimum lease payments	**3,513**	**4,030**
Less: Future finance charges	(209)	(561)
Recognised as a liability	**3,304**	**3,469**
Present value of minimum lease and hire purchase payment		
Commitments in relation to finance leases are payable as follows:		
> Within one year	2,158	1,889
> Later than one year but not later than 5 years	1,146	1,580
> Later than 5 years	-	-
Recognised as a liability	**3,304**	**3,469**

17. PROVISIONS

	2016 $'000	2015 $'000
CURRENT		
Provision for legal claims	3,139	3,410
	3,139	**3,410**

Accounting for Provisions

The Group makes provision for legal claims not covered by the Group's professional indemnity policy and as at 30 June 2016 an estimate of the potential impact of these claims have been provided for.

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.

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

18. OTHER CURRENT LIABILITIES

	2016 $'000	2015 $'000
Unearned revenue	39,380	40,187
Deferred rent	1,311	2,860
	40,691	**43,047**

19. ISSUED CAPITAL

	30 June 2016		30 June 2015	
	No. of shares	$'000	No. of shares	$'000
Balance at the beginning of the period	165,633,532	641,661	162,627,638	623,875
Shares issued during the period:				
> Dividend reinvestment scheme	1,471,163	3,854	1,667,137	7,397
> Shares issued for cash (net of transaction costs)	311,936,210	173,069	1,088,757	6,115
> Employee share based payments	-	1,790	-	2,946
> Own shares issued (i)	-	-	250,000	1,328
Balance at the end of the year	**479,040,905**	**820,374**	**165,633,532**	**641,661**

(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.

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.

	2016 $'000	2015 $'000
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%] (2015: 100% at 30%)	-	11,594
(b) Dividends paid during the year (7 cents per share, 100% franked at 30%) (2015 all dividends 100% franked at 30%)	11,548	49,452
(c) Franking account 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%	172	2,325
> franking credits/(debits) that will arise from the payment/(receipt) of income tax payable/(receivable) as at the end of the financial year	(3,800)	13,059
	(3,628)	**15,384**

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 $Nil (2015: $4,949,112)

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 right to acquire shares in the Company, or the option to acquire shares in the Company.

Each right or option is granted to the employee for no consideration and vest upon the achievement of specified performance hurdles.

At 30 June 2016, there are no performance options on issue (2015: nil) and no options were issued during the year (2015: nil).

19. ISSUED CAPITAL CONTINUED

The performance rights are subject to performance hurdles measured over three financial years. There are two tranches, each being 50%. Tranche 1 is subject to achieving certain TSR (total shareholder return) hurdles, while Tranche 2 is subject to achieving certain EPS (earnings per share) hurdles in accordance with the following scale:

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

The movements in the performance rights are as follows:

	Number of Performance Rights 2016	**Number of Performance Rights 2015**
Outstanding at the beginning of the period	6,286,494	4,095,960
Granted during the period	346,373	2,999,568
Exercised during the period	-	(193,002)
Vested during the period	-	(11,638)
Cancelled/lapsed during the period	(2,609,475)	(604,394)
Outstanding at the end of the period	**4,023,392**	**6,286,494**
Exercisable at the end of the period	**-**	**11,638**

Performance Rights were issued to two Executives at the 2015 AGM. The fair values of Performance Rights granted in the current and prior year with a total shareholder return (TSR) performance hurdle, were 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 granted in the current and prior year were calculated using a Black-Scholes model taking into account risk free interest rates and the dividend yield. The model inputs for determining the fair value of performance rights granted in the current and prior year were:

PERFORMANCE RIGHTS – GRANT DATE	**23 September 2015**	**23 October 2014**	**10 November 2014**
Vesting date	September 2018	October 2017	November 2017
Measurement period (years)	3	3	3
Share price	$2.95	$5.46	$5.27
Dividend Yield	5.4%	5.5%	5.5%
Risk free interest rate (%)	1.89%	2.57%	2.57%
Volatility	47%	30%	30%
Fair Value	$2.07	$2.28	$1.96

19. ISSUED CAPITAL CONTINUED

Employee Share Acquisition Plans (ESAP)

No shares have been issued under the ESAP in FY2016. 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.

RISKS

20. 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 Note 14.
- Revenue recognition in relation to long term contracts including estimating stage of completion and total contract costs – refer Note 5.
- Recognition of deferred tax assets – refer to Note 9 and 35(e).
- Assessing the recoverability of trade receivables and work in progress – refer to Note 11, 12 and 21.

21. FINANCIAL RISKS

(i) 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.

Fair values of financial instruments

The Group's financial assets and liabilities at 30 June 2016 are included in the balance sheet at amounts that approximate fair values. At 30 June 2015, the Group had fixed rate long term loan notes which were recognised at amortised cost. The fair value of the loan notes at 30 June 2015 was $197.8 million based on discounted expected future principal and interest cash flows at the market rate of interest at the measurement date. The loan notes were repaid during the 2016 year – refer Note 16.

On repayment of the fixed rate long term notes, the Group also terminated an interest rate swap that was recognised as a derivative asset at 30 June 2015. The fair value of derivative assets held for risk management in the prior year was $4.1 million measured using Level 2 valuation techniques as defined in the fair value hierarchy above. The Group does not have any derivative financial instruments at 30 June 2016.

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 that risk management strategies are implemented in the business. A Quality Management System 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 above.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on customers in accordance with the policy.

Cardno does not require collateral in respect of financial assets.

In line with the 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 (2015: nil).

21. FINANCIAL RISKS CONTINUED

Trade receivables

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

	2016 $'000	2015 $'000
Australia & New Zealand	54,670	47,496
Americas	99,757	164,276
Asia Pacific	12,566	12,757
Europe & Africa	14,504	24,365
	181,497	**248,894**

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

	2016		2015	
	Gross $'000	Impairment $'000	Gross $'000	Impairment $'000
Not past due (current)	100,173	-	120,844	
Past due 0-30 days (30 day ageing)	29,865	-	47,811	-
Past due 31-60 days (60 day ageing)	15,287	-	26,124	-
Past due more than 60 days	47,262	11,090	70,367	16,252
	192,587	**11,090**	**265,146**	**16,252**

Cardno establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified.

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

	2016 $'000	2015 $'000
Balance at 1 July	16,252	11,376
Impairment loss recognised	3,947	9,487
Receivables written off	(6,830)	(5,457)
Sale of subsidiary	(2,695)	-
Effect of foreign exchange	416	846
Balance at 30 June	**11,090**	**16,252**

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.

21. FINANCIAL RISKS CONTINUED

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 2016	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	125,115	125,115	125,115	-	-
Finance leases & hire purchase	3,304	3,514	2,308	1,206	-
Bank loans	151,915	165,374	5,205	160,169	-
Long term notes	-	-	-	-	-
Derivative financial instruments					
Interest rate swaps used for hedging	-	-	-	-	-
	280,334	**294,003**	**132,628**	**161,375**	**-**
30 June 2015					
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**

Bank loans are term facilities maturing in December 2019.

The gross outflows/(inflows) disclosed in the tables above for derivative financial instruments 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.

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:

> fair value hedges 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.

(a) 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.

21. FINANCIAL RISKS 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.

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 $59.7 million (2015: $357.3 million) denominated in US dollars (USD) and $11.3 million (2015: $12.8 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 $0.9 million (2015: $25.2 million) denominated in USD and $Nil (2015: $0.2 million) denominated in GBP.

As at 30 June 2016, a 10 per cent strengthening of the Australian dollar against the USD and GBP would have increased equity by $5.4 million (2015: $34.8 million) and $1.0 million (2015: $1.2 million) respectively. A 10 per cent weakening of the Australian dollar against the USD and GBP would have decreased equity by $6.6 million (2015: $42.5 million) and $1.3 million (2015: $1.4 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.

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:

	2016		2015	
	Effective Interest Rate	**Balance $'000**	**Effective Interest Rate**	**Balance $'000**
Variable rate instruments				
Cash assets	0.62%	105,613	0.62%	84,750
Bank loans	2.48%	(151,916)	1.74%	(193,963)
		(46,303)		**(109,213)**
Effect of interest rate swaps*		-		(194,502)
		(46,303)		**(303,715)**
Fixed rate instruments				
Finance leases & hire purchase	4.48%	(3,304)	6.30%	(3,469)
Long term notes		-	3.98%	(198,658)
		(3,304)		**(202,127)**
Effect of interest rate swaps*		-		194,502
		(3,304)		**(7,625)**

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

21. FINANCIAL RISKS CONTINUED

Group sensitivity

Cash flow sensitivity analysis for variable rate instruments

At 30 June 2016, 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 $162,000 higher/lower (2015: $1,063,000 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.

Capital management

Cardno's objectives when managing capital are to safeguard its ability to continue as a going concern, so that the Company can 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.

UNRECOGNISED ITEMS

22. COMMITMENTS

	2016 $'000	2015 $'000
Operating Leases		
> Within one year	38,298	43,123
> Later than one year but not later than 5 years	65,018	80,317
> Later than 5 years	13,909	15,779
Commitments not recognised in the financial statements	**117,225**	**139,219**

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.

23. CONTINGENT LIABILITIES

Cardno had contingent liabilities at 30 June 2016 in respect of:

	2016 $'000	2015 $'000
Bank guarantees	66,485	35,390

Cardno had, at 30 June 2016, 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 $81.4 million (2015: $97.8 million). These facilities are secured by an unlimited interlocking guarantee and indemnity or a parent company guarantee.

23. CONTINGENT LIABILITIES CONTINUED

Matters Relating to Cardno Caminosca S.A ("Caminosca")

In December 2015 a claim was filed and served on Caminosca in Ecuador alleging cost overruns relating to design and project management work performed by Caminosca during the period from 2008 to 2013. While the damages claimed would be material if awarded against Caminosca, the claim is at the preliminary stages. Caminosca has filed an initial response and will defend the claim strenuously.

Cardno has commenced legal action against the previous owners of Caminosca for breach of the sale and purchase agreement conditions including representations and warranties. This matter is before arbitrators in Florida.

In February 2015, the Group announced it was investigating a series of transactions involving Caminosca. Those investigations are ongoing and Cardno continues to cooperate with the relevant regulatory authorities. There is potential that a penalty or sanction could be imposed on Cardno at the conclusion of the investigation.

Other Matters

Members of the Cardno Group are defendants in proceedings commenced after 30 June 2015 in relation to cost overruns on two infrastructure projects. While the damages claimed would be material if awarded against Cardno, the claims are in the preliminary stages and Cardno intends to defend the claims.

Other than the above, the Directors are not aware of any current material litigation involving Cardno. 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.

24. SUBSEQUENT EVENTS

On the 16 September 2016, the Group signed an agreement for the sale of its software business, XP Solutions, for USD $49 million to private equity firm EQT. The net proceeds of the sale will be used to strengthen the Group's capital structure and to further reduce net debt.

On the 16 September 2016, the Group completed a reduction in its debt facilities from USD $210.0 million to USD $108.5 million. The banks have also agreed to covenant waivers for the next two testing periods on any potential impairments and any non-cash and cash costs associated with completing a restructure of the Group.

The Group is currently implementing a restructure based on a new operating structure and separation of identified non-core business operations into a separately managed portfolio.

At the date of this report, the financial effects of the above subsequent events were not able to be estimated.

Other than the above, there were no significant events subsequent to year end.

OTHER INFORMATION

25. OTHER CURRENT ASSETS

	2016 $'000	2015 $'000
Prepayments	8,308	8,871
Project advances	1,484	1,709
Security deposits	1,484	2,214
	11,276	**12,794**

26. OTHER FINANCIAL ASSETS

	2016 $'000	2015 $'000
Investments in non-related entities	3,770	3,496
Derivatives at fair value	-	4,129
	3,770	**7,625**

27. NOTES TO THE CASH FLOW STATEMENT

	2016 $'000	2015 $'000
Reconciliation of Net Cash from Operating Activities to Net profit for the year		
Net profit for the year	**(194,919)**	**(245,068)**
Adjust for non-cash items		
Depreciation and amortisation	26,167	29,851
Impairment loss	178,282	344,204
Gain/(loss) on sale of property, plant & equipment	(1,896)	185
Gain/(loss) on discontinued operations	46,643	2,970
Gain on repayment of USPP loan notes	(7,039)	-
Unrealised foreign exchange (gain)/loss	(590)	(9,036)
Net (gain)/loss on interest rate swap	(5,218)	83
Share based remuneration	1,790	2,946
Adjust for changes in assets and liabilities:		
(Increase) / decrease in assets:		
Work in progress	1,530	(7,687)
Deferred tax assets	(29,764)	(45,434)
Trade receivables	33,034	7,918
Provision for doubtful debts	2,933	5,556
Other receivables	7,360	(8,593)
Prepayments	(623)	(1,024)
Other assets	2,102	(13,218)
Increase / (decrease) in liabilities:		
Trade payables	7,706	4,002
Income tax payable	(219)	(16,785)
Employee provisions	1,285	4,761
Unearned revenue	(7,124)	(7,677)
Other liabilities	(2,775)	(767)
Deferred tax liabilities	(2,278)	936
	56,387	**48,123**

28. EARNINGS PER SHARE

The calculation of basic earnings per share was based on the following:

	2016 $	2015 $
Loss attributable to ordinary shareholders	**(194,919,000)**	**(245,068,000)**
Loss from continuing operations attributable to ordinary shareholders	**(148,276,000)**	**(184,164,000)**
Weighted average number of ordinary shares	**No.**	**No.**
Number of ordinary shares at 1 July	165,633,532	162,627,638
Effect of bonus element of rights issues	30,099,492	22,672,432
Effect of shares issued during the year	50,408,183	1,740,614
Weighted average number of ordinary shares at 30 June	**246,141,207**	**187,040,684**
	Cents	**Cents**
Earnings per share	**(79.19)**	**(131.02)**
Earnings per share - continuing operations	**(60.24)**	**(98.46)**

28. EARNINGS PER SHARE CONTINUED

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.

The calculation of diluted earnings per share was based on the following:

	2016 $	2015 $
Loss attributable to ordinary shareholders (diluted)	**(194,919,000)**	**(245,068,000)**
Loss from continuing operations attributable to ordinary shareholders (diluted)	**(148,276,000)**	**(184,164,000)**
Weighted average number of ordinary shares (diluted)	**No.**	**No.**
Weighted average number of ordinary shares at 30 June (basic)	246,141,207	187,040,684
Effect of Performance Options and Performance Rights on issue	-	-
Weighted average number of ordinary shares (diluted) at 30 June	**246,141,207**	**187,040,684**
	Cents	**Cents**
Diluted Earnings per share	**(79.19)**	**(131.02)**
Diluted Earnings per share – continuing operations	**(60.24)**	**(98.46)**

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 is based on the new number of shares. In addition, basic and diluted earnings per share of all periods presented have been adjusted for the effects of errors and adjustments resulting from changes in accounting policies, accounted for retrospectively.

29. RELATED PARTY DISCLOSURES

Key management personnel

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

	2016 $'000	2015 $'000
Short-term employee benefits	4,716,551	3,698,041
Post-employment benefits	107,747	204,314
Equity compensation benefits	(425,984)	532,949
Termination Benefits	1,024,404	1,661,724
	5,422,718	**6,097,028**

29. RELATED PARTY DISCLOSURES CONTINUED

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.

Other than Crescent Capital, who received a $0.5 million sub-underwriting fee, on the same terms as other underwriters of the offer as part of the equity raise, none of these entities transacted with the Company or its subsidiaries in the reporting period. No amount is payable to Crescent Capital at 30 June 2016.

30. CONTROLLED ENTITIES

Cardno's significant subsidiaries are listed below.

Name	Country of Incorporation	Equity Holding 2016	Equity Holding 2015
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%

30. CONTROLLED ENTITIES CONTINUED

Name	Country of Incorporation	Equity Holding 2016	Equity Holding 2015
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%
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%
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%
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%

31. PARENT ENTITY DISCLOSURES

As at, and throughout, the financial year ending 30 June 2016 the parent Company of Cardno was Cardno Limited.

	Company	
	2016 $'000	**2015 $'000**
Results of the parent entity		
Profit / (Loss) for the year	36,107	(5,758)
Other comprehensive income	-	-
Total comprehensive income for the year	36,107	(5,758)
Financial position of the parent entity at year end		
Current assets	719,388	696,610
Total assets	1,023,810	904,099
Current liabilities	190,106	273,720
Total liabilities	190,158	273,720
Total equity of the parent entity comprising of:		
Share capital	820,374	641,661
Reserves		-
Retained earnings	13,278	(11,282)
Total equity	**833,652**	**630,379**

Parent entity contingencies

Bank guarantees	1,978	2,018

A multiple guarantee facility is available to Cardno totalling $15 million (2015: $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 32.

32. 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 2016 is set out as follows:

Statement of comprehensive income and retained earnings	**2016 $'000**	**2015 $'000**
Revenue	**508,669**	**484,450**
Employee expenses	(204,620)	(191,314)
Consumables and materials used	(185,022)	(104,714)
Sub-consultant and contractor costs	(76,418)	(80,672)
Depreciation and amortisation expenses	(77)	(84)
Impairment losses	-	(162,760)
Finance costs	(12,800)	(9,380)
Other expenses	(15,881)	10,119
Profit / (loss) before income tax	13,851	(54,355)
Income tax expense	(5,296)	(19,103)
Net profit for the year	**8,555**	**(73,458)**
Other comprehensive income for the year	24,006	17,744
Total comprehensive income for the year	**32,561**	**(55,714)**
Retained earnings at the beginning of the year	(26,674)	96,236
Transfers to and from reserves	(24,006)	(17,744)
Dividends recognised during the year	(11,547)	(49,452)
Retained earnings at the end of the year	**(29,666)**	**(26,674)**
Attributable to:		
Owners of the Company	(29,666)	(26,674)

32. DEED OF CROSS GUARANTEE CONTINUED

Statement of financial position	**2016 $'000**	**2015 $'000**
CURRENT ASSETS		
Cash and cash equivalents	2,301	2,024
Trade and other receivables	978,087	1,153,798
Work in progress	36,858	32,351
Current tax receivables	4,878	-
Other current assets	820	1,063
TOTAL CURRENT ASSETS	**1,022,944**	**1,189,236**
NON-CURRENT ASSETS		
Other financial assets, including derivatives	354,477	361,815
Property, plant and equipment	134	129
Deferred tax assets	61,103	17,167
Intangible assets	41,849	41,849
TOTAL NON-CURRENT ASSETS	**457,563**	**420,960**
TOTAL ASSETS	**1,480,507**	**1,610,196**
CURRENT LIABILITIES		
Trade and other payables	448,059	529,932
Current tax liabilities	-	11,227
Short term provisions	14,924	15,393
Other current liabilities	11,320	9,089
TOTAL CURRENT LIABILITIES	**474,303**	**565,641**
NON-CURRENT LIABILITIES		
Interest-bearing loans and borrowings	151,280	391,528
Deferred tax liabilities	6,301	5,577
Employee benefits	8,441	10,008
TOTAL NON-CURRENT LIABILITIES	**166,022**	**407,113**
TOTAL LIABILITIES	**640,325**	**972,754**
NET ASSETS	**840,182**	**637,442**
EQUITY		
Issued capital	818,102	641,661
Reserves	51,745	22,455
Retained earnings	(29,665)	(26,674)
TOTAL EQUITY	**840,182**	**637,442**

33. AUDITOR'S REMUNERATION

	2016 $'000	2015 $'000
Audit services		
Auditors of the Company		
KPMG Australia:		
> Audit and review of financial reports	483,000	579,500
> Other regulatory requirements	-	-
Overseas KPMG firms:		
> Audit and review of financial reports	785,845	887,528
	1,268,845	**1,467,028**
Other services		
Auditors of the Company		
KPMG Australia:		
> Assurance services provided in relation to the Group's equity raisings	620,471	-
> Other assurance services	-	6,000
	620,471	**6,000**

34. RESTATEMENT OF COMPARATIVE INFORMATION

As set out in Note 14, the Group completed a review during the year ended 30 June 2016 of its accounting policies and methodology for impairment testing. This review resulted in the Group revising its methodology in relation to the treatment of group overheads and corporate costs. Group overhead and corporate costs are now allocated to the individual CGUs for impairment testing purposes whereas previously these were included in an impairment assessment at an overall group level. This change in approach is required to be applied retrospectively and resulted in the restatement of the impairment loss on goodwill recognised in the year ended 30 June 2015.

As set out in Note 4, the Group sold businesses during the 2016 year. The consolidated statement of financial performance has been restated to show the discontinued operations from continuing operations.

The following tables summarise the financial effects of these changes on the Group's consolidated statement of financial performance and consolidated statement of financial position presented in its financial statements for the year ended 30 June 2015:

	Year Ended 30 June 2015			
	Previously Reported $'000	Additional Impairment $'000	Discontinued Operations $'000	Restated $'000
Profit before income tax and impairment losses	64,405	-	7,498	71,903
Impairment losses	(224,023)	(120,181)	56,238	(287,966)
Loss before income tax	(159,618)	(120,181)	63,736	(216,063)
Income tax benefit / (expense)	14,450	20,281	(2,832)	31,899
Profit/(loss) from continuing operations	(145,168)	(99,900)	60,904	(184,164)
Profit/(loss) from discontinued operations	-	-	(60,904)	(60,904)
Profit/(loss) for the period	**(145,168)**	**(99,900)**	**-**	**(245,068)**
Basic EPS	(88.32)			(131.02)
Diluted EPS	(88.32)			(131.02)

34. RESTATEMENT OF COMPARATIVE INFORMATION CONTINUED

	Year Ended 30 June 2015			
	Previously Reported $'000	**Additional Impairment $'000**	**Discontinued Operations $'000**	**Restated $'000**
Current Assets	547,208	-	-	547,208
Intangible assets	668,265	(120,181)	-	548,084
Deferred tax assets	45,167	20,281	-	65,448
Other non-current assets	72,476	-	-	72,476
Non-Current Assets	785,908	(99,900)	-	686,008
Total Assets	**1,333,116**	**(99,900)**	**-**	**1,233,216**
Current Liabilities	257,530	-	-	257,530
Non-Current Liabilities	406,078	-	-	406,078
Total Liabilities	**663,608**	**-**	**-**	**663,608**
Net Assets	**669,508**	**(99,900)**	**-**	**569,608**
Retained Earnings	(34,235)	(99,900)	-	(134,135)
Other Equity Items	703,743	-	-	703,743
Total Equity	**669,508**	**(99,900)**	**-**	**569,608**

There was no impact of the change on the Group's consolidated balance sheet as at 1 July 2014.

35. 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 2016 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 21 September 2016.

(a) Statement of compliance

The consolidated financial statements are general purpose financial statements which has been prepared in accordance with Australian Accounting Standards adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The financial 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 Legislative Instrument 2016/191 dated 1 April 2016 and in accordance with that Class Order, all financial information presented in Australian dollars has been rounded to the nearest thousand unless otherwise stated.

35. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Standards and Interpretations Affecting Amounts Reported in the Current Period

There are no new and revised Standards and interpretations adopted in these Consolidated Financial Statements that have affected the amounts reported.

Standards and Interpretations Adopted with no Effect on Financial Statements

The following new and revised Standards and interpretations have been adopted in the current year and have no material impact on the amounts reported in these Consolidated Financial Statements.

- AASB 2015-3 Amendments to AAS arising from the withdrawal of AASB 1031 Materiality;
- AASB 2015-4 Amendments to AAS Financial Reporting Requirements for Australian Groups with a foreign parent.

Standards Issued not yet Effective

At the date of this report the Standards and Interpretations listed below were issued but not yet effective and were not adopted in preparing these consolidated financial statements.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 Financial Instruments	1 January 2018	30 June 2019
AASB 15 Revenue from Contracts with Customers	1 January 2018	30 June 2019
AASB 16 Leases	1 January 2019	30 June 2020
AASB 2014-10 Amendments to AAS - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2018	30 June 2019
AASB 1057 Application of Australian Accounting Standards	1 January 2016	30 June 2017
AASB 2015-2 Amendments to AAS - Disclosure Initiative: Amendments to AASB 101	1 January 2016	30 June 2017
AASB 2015-1 Amendments to AAS - Annual Improvements to Australian Accounting Standards	1 January 2016	30 June 2017
AASB 2014-9 Amendments to AAS - Equity method in Separate Financial Statements	1 January 2016	30 June 2017
AASB 2014-4 Amendments to AAS - Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016	30 June 2017
AASB 2014-3 Amendments to AAS - Accounting for Acquisitions of Interest in Joint Operations	1 January 2016	30 June 2017

The new standards not yet effective which may have a significant impact on the Group’s consolidated financial statements when adopted include:

AASB 9 Financial Instruments

AASB 9 replaces the existing guidance in AASB 139 *Financial Instruments: Recognition and Measurement*. AASB 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets and new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from AASB 139. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of AASB 9.

AASB 15 Revenue from Contracts with Customers

AASB 15 establishes a comprehensive framework for determining whether, how much, and when revenue is recognised. It replaces existing revenue recognition guidance, including AASB 118 *Revenue*, AASB 111 *Construction contracts* and AASB Interpretation 13 *Customer Loyalty Programmes*. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of AASB 15.

35. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(b) Basis of Preparation Continued

AASB 16 Leases

AASB 16 removes the lease classification test and requires all leases (including operating leases) to be brought onto the balance sheet. The definition of a lease is also amended and is now the new on/off balance sheet test for lessees. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of AASB 16.

(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 30 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) 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.

35. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(e) 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.

(f) 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.

35. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(f) Intangible Assets Continued

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.

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.

(g) Impairment

The carrying amount of Cardno's assets, other than work in progress and deferred tax assets, 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.

35. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(g) Impairment Continued

Reversals of impairment

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

An impairment loss in respect of goodwill is not reversed.

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

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

(h) 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.

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.

35. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(i) 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 2016 the Group held 357,716 of the Company's shares (2015: 357,716).

Directors' Declaration

Cardno Limited and its Controlled Entities for the year ended 30 June 2016

1. In the opinion of the Directors of Cardno Limited (the Company):

   (a) the consolidated financial statements and notes set out on pages 26 to 69 and the Remuneration Report of the Directors' Report, set out on pages 13 to 23, 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 2016 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 30 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 2016.

4. The Directors draw attention to Note 35 to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Dated at Brisbane on the 21 day of September 2016.

Signed in accordance with a resolution of the Directors.

MICHAEL ALSCHER
Chairman
21 September 2016

KPMG

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 2016, 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 35 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 35(a), the Directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

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

Independence

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

Auditor's opinion

In our opinion:

(a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:

    (i) giving a true and fair view of the Group's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

    (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 35(a).

Restatement of comparative balances

Without modifying our opinion expressed above, we draw attention to note 34 to the financial statements, which states that amounts reported in the previously issued 30 June 2015 financial report have been restated and disclosed as comparatives in this financial report.

Report on the Remuneration Report

We have audited the Remuneration Report included within the Directors' Report for the year ended 30 June 2016. 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 2016 complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Simon Crane
Partner

Brisbane
21 September 2016

Additional Shareholder Information

DISTRIBUTION OF ORDINARY SHAREHOLDERS

The number of shareholders, by size of holding, as at 31 August 2016 were:

	Ordinary Shares	
	Number of	**Number of Shares**
1 – 1,000	5,264	1,604,592
1,001 – 5,000	2,833	7,311,550
5,001 – 10,000	1,072	7,907,365
10,001 – 100,000	1,498	40,894,932
100,001 – and over	161	420,332,648
Total	**10,828**	**478,051,087**

As at 31 August 2016 there were 4,489 shareholders who held less than a marketable parcel of 180 shares.

TWENTY LARGEST ORDINARY SHAREHOLDERS

The names of the twenty largest holders as at 31 August 2016 were:

	Listed Ordinary Shares Number	
	Held	**Percentage**
CRESCENT CAPITAL INVESTMENTS	215,178,846	44.92
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	95,779,893	19.99
J P MORGAN NOMINEES AUSTRALIA LIMITED	39,120,852	8.17
CITICORP NOMINEES PTY LIMITED	12,725,537	2.66
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 3	10,026,871	2.09
NATIONAL NOMINEES LIMITED	6, 549,154	1.37
BNP PARIBAS NOMS PTY LTD <DRP>	2,814,159	0.59
HALJAN MANAGEMENT LP	1,686,192	0.35
TREVOR JOHNSON	1,487,779	0.31
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	1,131,102	0.24
PAUL GARDINER	1,037,200	0.22
MR STEPHEN GRANT PEDERICK & MISS DENISE ANNE PEDERICK	974,446	0.20
MR RICHARD NEIL WANKMULLER	853,583	0.18
MR MALCOLM DAVID POUND	809,490	0.17
TAMBLYN INVESTMENTS PTY LTD	800,000	0.17
BOND STREET CUSTODIANS LIMITED <FORAGER WHOLESALE VALUE FD>	720,611	0.15
LUTON PTY LTD	635,515	0.13
MS MERRAN GRACE COOPER	578,751	0.12
ANNE FELICITY PHILLIPS	569,311	0.12
MR RICHARD FRANCIS WOODS + MRS THERESE WOODS <R & T WOODS SUPER FUND A/C>	497,928	0.10
Total	**393,977,220**	**82.24**

Additional Shareholder Information

SUBSTANTIAL SHAREHOLDERS

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

	Number Held	Percentage
Crescent Capital Investments	223,779,349	46.71
Invesco Australia Limited	65,846,752	13.75

VOTING RIGHTS

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

ESCROWED SHARES

There are currently no shares held in escrow.

RIGHTS

As at 31 August 2016 the details of Performance Rights on issue are as follows:

Number of Rights Holders	Number of Rights on Issue
699	3,512,561

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

Michael Alscher

Directors

Neville Buch (Joint Interim CEO)
Steve Sherman
Jeffrey Forbes
Gary Jandegian (Joint Interim CEO)
Robert Prieto
Nathanial Thomson

Chief Financial Officer

Peter Barker

Company Secretary

Michael Pearson

REGISTERED OFFICE

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www.gtlaw.com.au

BANKERS

HSBC Bank Australia Limited

Commonwealth Bank of Australia

Westpac Banking Corporation

Standard Chartered Bank

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Shaping the Future

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