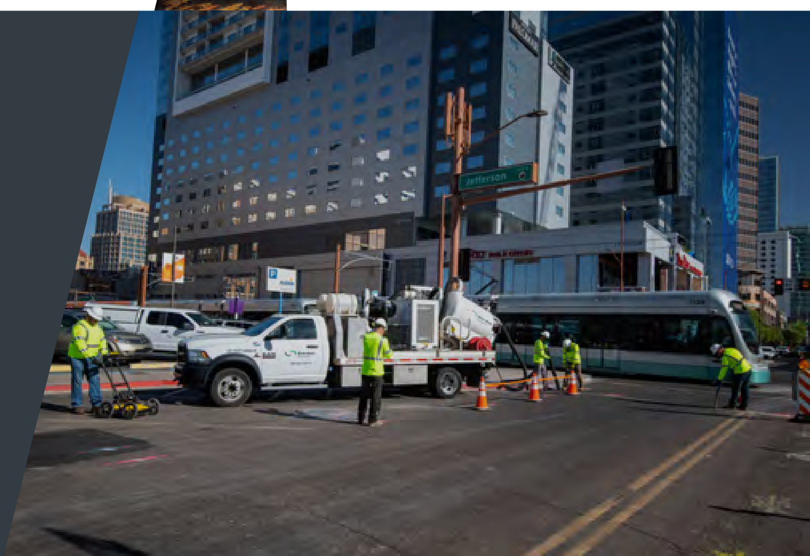

FY18

CARDNO 2018 ANNUAL REPORT

for the year ended
30 June 2018

Cardno Limited
ABN 70 108 112 303
and its controlled entities

Making a difference.

Chairman's Letter

Dear Shareholder,

At the Company's most recent AGM in October 2017, I discussed that Cardno is entering the second year of a multi-year business improvement plan. As part of this, our focus was on investing in business infrastructure, broadening our service lines and building long term shareholder value.

I am pleased to report that your company is beginning to benefit financially from the multi-year restructure of the business that began in FY16. Net profit before tax is up 182.0% to $35.1m, while underlying EBITDA from continuing operations is up 27.7% to $56.2m.

Having completed the company's restructure, our focus shifts firmly to execution of initiatives in place and growth. We are now entering a phase of stability with incremental growth driven by organic initiatives, business optimisation and disciplined, conservatively funded 'on strategy' accretive acquisitions. This position is supported by our balance sheet which remains strong with (net) debt of just under $20m.

FY18 FINANCIAL HIGHLIGHTS

As stated, the benefits of the multi-year restructure of the business are now being seen in Cardno's financial results.

- EBITDA grew 27.7% to $56.2m.
- Pre-tax abnormal items totalled $3.0m net, down from $64.3m in FY17.
- Balance sheet discipline continue to improve.
- The group benefits from the 'portfolio effect' of our businesses;
  - The Asia Pacific Engineering division's EBITDA margins declined from 10.9% to 7.5% driven by the continued wind down of a number of major projects in early FY18 as well as "project clean up" in APAC North. The division restructured in H2 to create a solid platform for growth going forward.
  - The Americas Engineering and Environmental division performance continued to improve with EBITDA margin expanding from 1.6% to 4.8%. While this remains below industry average, the division is building positive momentum.
  - The International Development division consolidated its growth in backlog and cost savings to produce a solid 2.0% EBITDA margin.
  - Our Construction Sciences business benefited from the ongoing delivery of existing contracts and new contract wins against the backdrop of a generally improving market, plus the inclusion of a small bolt-on acquisition in the FY18 year.
- Backlog, which is a leading indicator of future revenues, grew by 9.7%
- Cash flow from operations was up significantly to $45.7m.

As flagged at the last AGM, the company will have a period of elevated capital expenditure as we address a period of under investment and poor historical capital allocation. We believe this will tail off in FY20. For FY18, capital expenditure was $19.3m. In addition, the company's capital was used to continue the share buy-back program, with $13.9m spent on buying back Cardno stock in the financial year ($5.7m in FY17).

This time last year I highlighted areas in the company's financial results that the board and management were particularly focused on. Pleasingly we have made good progress on previous initiatives targeted:

- *The Americas Engineering and Environmental division continues to "under earn".*

  As stated above, the company made solid progress through FY18, primarily as a result of an improvement in operating margin driven by a series of initiatives that reduced non client facing management and labour, fringe (insurance, health), overhead and occupancy costs. Growth in top line revenues in the Americas, whilst maintaining operational discipline remains one of the most significant opportunities for Cardno over the next three years.

- *The Oil & Gas operations continue to operate at or below break even.*

  Pleasingly, the business was profitable in Q4 of FY18 and the outlook for FY19 is for ongoing, albeit comparatively modest, profitability.

Chairman's Letter *(continued)*

OPERATIONAL PROGRESS

One of the most pleasing outcomes exiting FY18 is a very structured business with emerging momentum. Each division reached different milestones over the year. None of them are material of themselves – but each incrementally contribute to future results:

> Asia Pacific: we restructured and aligned our operations within the two divisions to capitalise on collaboration and client opportunities and completed the acquisition of a small bolt-on utility locating business in Sydney.

> Americas: ongoing business disciplines improved results and margin entering FY19. The overhaul of the US benefits plans resulted in both an improved level of benefits for our staff and also locked in a substantial ongoing saving for the business.

> International Development: implemented a consolidated project management and tracking tool across the division. Business Development efforts coordinated globally (eg currently people from Melbourne are assisting on responding to requests for tender in London). We are investing in organic growth, anticipating a step change in this business into FY20 and FY21.

> Construction Sciences: is expanding through organic growth as it provides materials testing services to support the considerable ongoing investment in Australian and New Zealand infrastructure development. Completed two small bolt-on acquisitions, focused on materials testing, one during the year and one early July 2018.

> Oil & Gas (PPI): our strategy of evolving PPI into a predominantly Quality Assurance business is yielding results. As stated, PPI exits FY18 profitably and the order book and general activity is increasing.

> Latin America: we continue to scale back our Caminosca operations as projects complete. The Entrix environmental services business is performing well in Ecuador and has expanded on a very small scale into Peru.

Group wide initiatives are focused on optimising performance and engagement. We successfully rolled out a new global online Health & Safety incident management and reporting system, we launched a new benefits program, and developed our new web site, marketing strategy and social media programs – all of which will be launched in Q1 FY19.

BOARD AND SENIOR MANAGEMENT

I am also delighted to welcome Rebecca Ranich to the Board, effective 19 March 2018. Based in Washington DC, Rebecca has nearly 30 years of experience as an executive with deep roots in energy supply and demand infrastructure as well as energy and environmental technologies. Rebecca is a former Director at Deloitte Consulting, LLP where she led Energy and Sustainability Investment Advisory services for public sector clients advising on more than US$1 billion of investment. She was previously a Vice President at Michael Baker Corporation (Baker) an international energy, engineering and environmental services firm. During her time at Baker, Ms Ranich had executive responsibility for delivering energy and environmental engineering services in Europe, Russia and the Caspian region for projects with construction value in excess of US$40 billion.

This time last year I was reporting that the Board was recruiting for a permanent CEO. After an international search the company did appoint Andy Goodwin as CEO and MD. Unfortunately, the Board terminated Mr Goodwin's contract as CEO and MD in relation to his failure to follow the lawful directions of the Board in respect of disclosure issues relating to his previous employer SMEC.

Following Mr Goodwin's departure we immediately commenced the global search for a CEO and after a global process, the Board was delighted to appoint Ian Ball as CEO and MD. Ian commenced with Cardno in mid August. Ian is an accomplished senior executive who has held key leadership roles in global service companies such as IBM and Ernst and Young. We believe Ian's skill set is well suited to the future development of the Cardno business.

Chairman's Letter *(continued)*

OUTLOOK AND GUIDANCE

FY19 is the third year of a multi-year business improvement plan. The focus of the business remains the same: cost control, organic growth, invest in people and where appropriate strategic accretive bolt on acquisitions. At a more granular level:

> The focus of the board is on returning the business to positive organic growth after the restructure of the divisions over the past three years. The focus remains on medium to long term EBITDA growth, which in turn has seen a number of investments made or expected to be made in FY19 which will limit EBITDA growth in some divisions in the short term.

> The business will continue to explore 'on strategy' acquisitions to gain access to key markets or skill sets. Disciplined M&A process established.

> The business is continuing its investment in internal systems and process improvement. This includes investment in business development processes, staff, information technology and training.

> After a period of under investment and poor historical capital allocation, elevated capital expenditure will continue into FY19. Cardno is forecast to invest $15m to $20m in capital expenditure on the current existing business next year.

> The company will continue its share buy-back program while the Board considers this an appropriate allocation of shareholder capital.

> The business expects to re-finance the existing debt facility during FY19 ahead of term (current facility expires December 2019).

On behalf of the Board, I would like to thank our staff, clients, banking partners and shareholders for their ongoing support.

MICHAEL ALSCHER

Executive Chairman

Consolidated Financial Statements

for the year ended 30 June 2018

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

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 2018.

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.

Michael Alscher	Executive Director and Executive Chairman (appointed 13 April 2018) Acting Chief Executive Officer (appointed 13 April 2018, resigned 9 August 2018) Non-Executive Director and Chairman (resigned 13 April 2018)
Ian Ball	Chief Executive Officer and Managing Director (appointed 9 August 2018)
Neville Buch	Executive Director and acting Chief Executive Officer (resigned 1 March 2018) Non-Executive Director (appointed 1 March 2018)
Jeffrey Forbes	Non-Executive Director
Gary Jandegian	Non-Executive Director
Robert Prieto	Non-Executive Director
Rebecca Ranich	Non-Executive Director (appointed 19 March 2018)
Steven Sherman	Non-Executive Director
Nathanial Thomson	Non-Executive Director

FORMER DIRECTORS

Andrew Goodwin	Chief Executive Officer and Managing Director (appointed 1 March 2018 and terminated 13 April 2018)

COMPANY SECRETARIES

Courtney Marsden	Legal Counsel & Joint Company Secretary
Peter Barker	Chief Financial Officer & Joint Company Secretary

Qualifications of Company Secretaries

Courtney Marsden – BAppSc, LLB (Hons), LLM

Peter Barker – BComm, MBA, FCPA, MAICD

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. Michael became the acting CEO and Executive Chairman in April 2018. Following the appointment of Ian Ball on 9 August 2018 Michael resigned as acting CEO. Michael will remain as Executive Chairman during a brief transition period. He is the Managing Partner and founder of Crescent Capital Partners, a leading Australian based private equity firm with over $2.0 billion in funds under management, specialising in 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 an Alternate Director of ClearView Limited and a Non-Executive Director of Crumpler Pty Ltd, Aurora Expeditions Pty Ltd and Horsley Heights Estate Pty Ltd. He is also the Non-Executive Chair of Australian Clinical Labs, National Dental Care Pty Ltd and National Home Doctor Service Pty Ltd. 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.	*Executive Director and Executive Chairman*
Ian Ball	Ian Ball was appointed Chief Executive Officer and Managing Director on 9 August 2018. Ian has more than 30 years international experience in consulting and professional services leadership within the fields of financial services, technology, innovation and Federal government including executive roles in global companies such as IBM and Ernst and Young. Prior to his role as Deputy Chief Executive Officer for Ernst and Young Oceania, Ian started his career as a consultant for Bain & Company before becoming one of the founding members of a boutique consulting company, Kalchas, in the UK and North America and holding a variety of consulting, strategy and operations roles with CSC, Mainspring and private equity firm Silver Lake. Ian holds a Bachelor of Science (Mechanical Engineering) from the University of Bristol (UK) and has completed the Executive Strategic Management Program at INSEAD in France and the Executive Strategic Leaders Course at Harvard Business School in the US.	*Chief Executive Officer and Managing Director*
Neville Buch	Neville Buch became a Non-Executive Director of Cardno Limited in November 2015. 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 New Zealand Panels Group, Aurora Expeditions Pty Ltd, Hall Contracting and Nude By Nature. He is also a Non-Executive Director of Steel Mains. 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.	*Non-Executive Director*

Directors’ Report *(continued)*

Director	Experience	Special Responsibilities
Jeffrey Forbes	Jeff Forbes joined Cardno Limited as a Non-Executive Director in January 2016. Jeff 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 and Community Housing Limited. 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.	*Non-Executive Director* *Audit, Risk & Compliance Committee Chair*
Gary Jandegian	Gary Jandegian became a Non-Executive Director of Cardno Limited in March 2016 and acting joint CEO for the period 29 August 2016 to 29 November 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. Gary has a Bachelor of Science (Biological Sciences) from UC Riverside, an MPH and D.Env from UCLA and JD from Western State University.	*Non-Executive Director* *Remuneration Committee Chair*
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 totaling 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 Corporation Advisory Council, National Academy of Construction, American Society of Civil Engineers (ASCE) Industry Leaders Council, Construction Management Association of America (CMAA) Fellow and previously as a Presidential Appointee to the Asia-Pacific Economic Cooperation (APEC) Business Advisory Council. He also serves as an Independent Member of the Mott MacDonald Shareholder’s Committee.	*Non-Executive Director* *Member of Audit, Risk & Compliance Committee*

Directors' Report *(continued)*

Director	Experience	Special Responsibilities
	Bob has a Bachelor of Science (Nuclear Engineering) from New York University School of Engineering and Sciences and a Master of Science (Nuclear Engineering) from the Polytechnic Institute of New York.	
Rebecca Ranich	Rebecca Ranich joined as a Non-Executive Director of Cardno Limited in March 2018. Rebecca has nearly 30 years of experience as an executive with deep roots in energy supply and demand infrastructure as well as energy and environmental technologies. Over her career, she has led transformational business initiatives, forged global strategic alliances and led new market ventures in the energy and infrastructure sectors. Currently, Rebecca is an investor in and advisor to emerging technology companies, and is a member of the Baltimore Angels – an early stage investment group. She is collaborating with an international consortium (Fraunhofer Institute, New Jersey Institute of Technology and Purdue University) to develop a transformational Technology and Innovation Solution for global applications. Rebecca is a member of the Technology Commercialization Panel for the Johns Hopkins University Applied Physics Laboratory, and a member of the 2018 World Gas Conference National Organizing Committee. She serves as a Director on the Board of National Fuel Gas Corporation (NYSE: NFG, (Governance and Nominating Committee)), is a Supervisory Board member of Uniper SE (DAX: UN01), is Vice-Chairman of the Board of the Gas Technology Institute (and Chair Investment Committee) and on the Advisory Board of Yet Analytics, Inc. Rebeca has a Bachelor of Arts (BA) from Northwestern University and a Master of Business Administration (MBA) from the University of Detroit.	*Non-Executive Director*
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 a former 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 Chartered Accountants Australia & New Zealand, 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*
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 Law 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 Non-Executive Director of ClearView Ltd, National Dental Care Pty 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 Audit, Risk & Compliance Committee* *Member of Remuneration Committee*

Directors' 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

No dividends declared for the financial years ended 30 June 2018 or 30 June 2017.

EVENTS SUBSEQUENT TO REPORTING DATE

On 1 July 2018, the Group acquired David Douglas Associates, Inc, a 20 person civil engineering consulting firm based in Florida. The acquisition both strengthens our market position and provides geographic expansion in Florida.

Effective 2 July 2018, the Group acquired Trilab, a leading supplier of specialised Soil Mechanics Testing and Rock Mechanics Testing business. Trilab employs 40 staff and will strengthen Constructions Sciences' and Cardno's existing expertise in Materials Testing and Geotechnical Engineering.

The aggregate consideration paid for the above mentioned acquisitions is $8.7 million plus adjustments for working capital.

On 9 August 2018, Mr Ian Ball commenced as Chief Executive Officer and Managing Director. Ian brings more than 30 years international experience in consulting and professional services leadership within the fields of financial services, technology, innovation and Federal Government.

Apart from the events noted above, there has not arisen in the interval between the end of the year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the company, to affect significantly the operations of the Group or the results of those operations.

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.

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.

REVIEW OF RESULTS

PERFORMANCE ($m)	2018	2017
Gross Revenue from continuing operations	1,117.0	1,182.0
Fee Revenue	763.5	788.2
Underlying EBITDA [1]	56.2	44.0
Underlying NOPAT [2]	20.0	19.9
Net Profit / (Loss) after Tax	(14.0)	8.6
Operating Cash Flow	45.7	(3.8)
EPS - basic (cents) from continuing and discontinued operations	(2.97)	1.79
NOPAT EPS - basic (cents)	4.23	4.16

[1] *Underlying EBITDA = EBIT plus underlying adjustments, depreciation and amortisation and impairment losses*
[2] *Underlying NOPAT = NPAT plus underlying adjustments and tax effected impairment losses*

EBITDA and EBIT are unaudited. However, they are based on amounts extracted from the audited financial statements as reported in the consolidated statement of financial performance on page 27. 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. 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. Refer to reconciliation on page 13.

Balance Sheet

During the year the company completed the purchase of two acquisitions adding a total of $12.6m to goodwill. A continued focus on WIP conversion to debtors then debtors collection has resulted in a decrease in WIP and trade and other receivables balances.

Included in the balance sheet in the current year is the impact resulting from the passing of the Tax Cuts and Jobs Act by the United States government, specifically the reduction in the US federal corporate income tax rate from 35% to 21%. This has resulted in a reduction to deferred tax assets recognised.

Net debt (debt less cash on hand) at end of June 2018 is $19.9 million, up slightly from $15.3 million at June 2017 but significantly down from $49.6 million at end of June 2016.

Cash Flow

The company recorded a net operating cash inflow for the year of $45.7 million (outflow $3.8 million FY17). This is primarily driven by a strong operating result for the year, tighter working capital controls and the timing of receipts of large payments from clients.

SEGMENT OVERVIEW

Asia Pacific

The APAC business provides services in civil, structural, water, environmental, coastal, bridge, geotechnical, subsurface utility, traffic and transport engineering as well as environmental science, surveying, landscape architecture, planning and asset management.

Asia Pacific business revenue for the year was $266.0 million, a decrease on the prior comparative period (PCP) of 3.6%. Underlying EBITDA for the division was also down on prior year comparative with a number of major projects tailing off.

The business continues to invest significantly in major projects expertise with our business development group positioning Cardno on a number of major project opportunities in Australia and Asia.

Americas

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

The Americas' business revenue is down on PCP by 7.9% however EBITDA increased 176.2% on prior year comparatives. This is a result of a number of initiatives implemented to reduce non client facing management and labour, fringe costs (insurance, health), overhead and occupancy costs which have resulted in improvement in operating margins.

International Development (ID)

The ID business designs and implements large-scale sustainable solutions for both development assistance agencies and private clients. By its nature, the ID business generally has long term high value contracts, which have a high 'pass through' component, meaning that Cardno will project manage the contract and receive a management fee for doing so – a large portion of the project involves the management of contractors and specialist consultants. Hence the ID business generally operates on lower revenue margins than our other divisions.

ID revenue is down on PCP by 5.0% however EBITDA is up 7.4% on PCP reflecting ongoing business discipline and the release of specific provisions following the successful completion of certain projects.

Construction Sciences

The Construction Sciences business is a geotechnical engineering, environmental consulting and materials testing business.

Revenues and EBITDA were up significantly from the PCP improving 26.2% and 84.6% respectively. The Construction Sciences business benefited from an improved market, project timing and contract wins with the business continuing its momentum into FY19.

Portfolio

Portfolio businesses includes Latin America and PPI, which while an integral part of the Group's suite of services, are not considered to be core engineering or science and environment businesses and hence have slightly different operating methodologies, or environments and markets.

Portfolio revenues are down with continuing challenging market conditions in the Oil & Gas sector and in Latin America. The Oil & Gas business continues to rebuild and finished the year with a profitable final quarter. The Latin America business is focused on completing and winding down engineering projects.

Directors' Report *(continued)*

SEGMENT OVERVIEW CONTINUED

	Statutory[1]		Underlying Adjustments[2]		Underlying[1]	
	Financial year		Financial year		Financial year	
AUD '000	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Asia Pacific	265,964	275,944	-	-	265,964	275,944
Americas	378,293	410,957	-	-	378,293	410,957
ID	313,579	329,967	-	-	313,579	329,967
Construction Sciences	111,259	88,195	-	-	111,259	88,195
Portfolio	47,880	76,967	-	-	47,880	76,967
Gross Revenue	**1,116,975**	**1,182,030**	**-**	-	**1,116,975**	**1,182,030**
Asia Pacific	20,022	23,898	-	6,199	20,022	30,097
Americas	20,143	(12,551)	(1,888)	19,160	18,255	6,609
ID	6,418	7,565	-	(1,589)	6,418	5,976
Construction Sciences	11,427	6,189	-	-	11,427	6,189
Portfolio	1,262	(23,915)	(1,667)	24,313	(405)	398
	59,272	**1,186**	**(3,555)**	**48,083**	**55,717**	**49,269**
Corporate	(4,726)	(13,190)	5,219	7,926	493	(5,264)
Continuing Operations EBITDA	**54,546**	**(12,004)**	**1,664**	**56,009**	**56,210**	**44,005**
Depreciation and amortisation expenses	(15,979)	(23,590)	1,383	7,115	(14,596)	(16,475)
EBIT	**38,567**	**(35,594)**	**3,047**	**63,124**	**41,614**	**27,530**
Net finance costs	(3,442)	(7,230)	-	1,179	(3,442)	(6,051)
Profit/(loss) from Continuing Operations before Income Tax	**35,125**	**(42,824)**	**3,047**	**64,303**	**38,172**	**21,479**
Income tax (expense)/benefit	(49,143)	23,455	30,948	(24,998)	(18,195)	(1,543)
Profit/(Loss) Before Gain on sale of Discontinued Operations	**(14,018)**	**(19,369)**	**33,995**	**39,305**	**19,977**	**19,936**
Discontinued operations, net of tax	-	27,948	-	(27,948)	-	-
Profit/(loss) after Income Tax	**(14,018)**	**8,579**	**33,995**	**11,357**	**19,977**	**19,936**
Attributable to:						
Ordinary Equity holders	**(14,018)**	**8,579**	**33,995**	**11,357**	**19,977**	**19,936**

1. *The use of the term 'Statutory' refers to IFRS financial information and 'Underlying' refers to non-IFRS financial information. Underlying earnings are categorised as non-IFRS financial information and therefore have been presented in compliance with ASIC Regulatory Guide 230 – Disclosing non-IFRS information and are unaudited. Underlying adjustments have been considered in relation to their size and nature and have been adjusted from the Statutory information, for disclosure purposes, to assist readers to better understand the financial performance of the underlying business in each reporting period. These adjustments include transactions or costs that on their own or in combination with a number of similar transactions contribute to more than five percent of profit/(loss) after tax. Underlying adjustments are assessed on a consistent basis year-on-year and include both favourable and unfavourable items.*

   The exclusion of these items provides a result which, in the Directors' view, more closely reflects the ongoing operations of the Group.
2. *Details of adjustments from Statutory to Underlying financial information are set out on page 13.*
3. *EBITDA represents earnings before interest, income tax, and depreciation and amortisation.*
4. *EBIT represents earnings before interest and income tax.*
5. *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 27. These metrics provide a measure of Cardno's performance before the impact of non-cash expense items, such as depreciation and amortisation, as well as interest costs associated with Cardno's external debt facility and hire-purchase arrangements.*

Directors’ Report *(continued)*

SEGMENT OVERVIEW CONTINUED

	Note	2018 $’000	2017 $’000
Underlying Profit From Continuing and Discontinued Operations After Income Tax (Attributable to Ordinary Equity Holders)		19,977	19,936
Underlying Adjustments to EBITDA:			
Onerous lease provision and other costs associated with office rationalisation and consolidation	1	(1,241)	10,673
Business review costs	2	2,905	23,329
Redundancy costs associated with restructuring	3	-	8,968
Debtor provision	4	-	11,539
Indirect tax – in dispute	5	-	1,500
Total Underlying Adjustments to EBITDA		**1,664**	**56,009**
Underlying Adjustments to Depreciation:			
Accelerated depreciation on software assets	6	1,383	7,115
Total Underlying Adjustments to Depreciation		**1,383**	**7,115**
Underlying Adjustments to Finance Costs:			
Provision for interest and penalties – tax related	7	-	1,179
Total Underlying Adjustments to Finance Costs		**-**	**1,179**
Underlying Adjustments to Income Tax:			
Provision for taxes – in dispute	7	-	2,554
Change in US federal corporate income tax rate	8	32,846	-
Structure rationalisation	9	-	(8,504)
Tax effect of underlying adjustments		(1,898)	(19,048)
Total Underlying Adjustments to Income Tax		**30,948**	**(24,998)**
Results and Gain on sale of XP Solutions	10	-	(30,924)
Results and Loss on sale of Mining business	10	-	2,100
Result and Loss on sale of ECS	10	-	876
Total Discontinued Operations		**-**	**(27,948)**
Statutory Profit / (Loss) After Income Tax (Attributable to Ordinary Equity Holders)		**(14,018)**	**8,579**

1. *Successful negotiations resulting in the release of prior year onerous lease provisions and other costs associated with the group wide office rationalisation and consolidation project.*
2. *Current period relates to:*
   - *(i) finalisation of matters with respect to release of litigation, overhead rate audit and provisions for the closure of the Nigerian business taken up in the prior financial year no longer required,*
   - *(ii) provisions associated with business operations in Latin America.*

   Prior period costs are associated with the closure of developmental drones business and balance sheet provisions related to the Petroleum and Gas business, multi-year projects and work in progress.
3. *Termination and redundancy costs associated with the group restructure.*
4. *Specific debtors viewed as uncollectable due to country specific conditions.*
5. *Indirect tax provision currently in dispute.*
6. *Accelerated amortisation on software assets following a review of group systems.*
7. *Income tax expense, penalties and interest provided for where previously considered to be exempt currently in dispute.*
8. *Impact resulting from the passing of the Tax Cuts and Jobs Act by the United States government, specifically the reduction in the US federal corporate income tax rate from 35% to 21%.*
9. *Tax effect of rationalisation of US capital structure.*
10. *Result and subsequent gain or loss on disposal of discontinued operations including XP Solutions, Mining and ECS sold in the prior financial year.*

Directors' Report *(continued)*

OUTLOOK

Cardno staff make a difference every day for our clients and our stakeholders around the world. Key areas of focus for the next twelve months are:

> Ensure Cardno is best placed in terms of scale and profitability in our Australian and America's operations through a focus on organic growth and appropriately sized and conservatively funded on-strategy bolt on acquisitions

> Select investment in capital expenditure to support our growing survey and materials testing businesses

> Build long term organic growth capabilities and investment in business development teams

> Completion of debt re-finance (existing facility expires in December 2019)

DIRECTORS' MEETINGS

Attendance at Board meetings and Board Committee meetings for the year ended 30 June 2018 is set out below:

	Board of Directors		Audit, Risk & Compliance Committee		Remuneration Committee*	
No. of Meetings Held	**A**	**B**	**A**	**B**	**A**	**B**
Michael Alscher (i)	13	14	-	-	-	-
Andrew Goodwin (ii)	1	1	-	-	-	-
Neville Buch (iii)	13	14	-	-	-	-
Steven Sherman	14	14	4	4	-	-
Jeffrey Forbes	12	14	4	4	-	-
Gary Jandegian	13	14	-	-	-	-
Robert Prieto	14	14	3	4	-	-
Nathanial Thomson	14	14	1	1	-	-
Rebecca Ranich (iv)	7	7	-	-	-	-

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 was appointed Acting Chief Executive Officer and Executive Chairman on 13 April 2018.
(ii) Andrew Goodwin was Chief Executive Officer and Managing Director from 1 March 2018 to 13 April 2018.
(iii) Neville Buch resigned as Executive Director and acting Chief Executive Officer and transitioned back to Non-Executive Director on 1 March 2018.
(iv) Rebecca Ranich commenced as Non-Executive Director on 19 March 2018.

**The Remuneration Committee responsibilities were addressed by the full Board during Board meetings up until May 2018 when Mr Jandegian and Mr Thompson were appointed as the Remuneration Committee. The Committee did not meet in May or June.*

DIRECTORS' INTERESTS

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

	Ordinary Shares	Performance Options	Performance Rights
Michael Alscher	-	-	-
Ian Ball	-	-	-
Neville Buch	-	-	-
Steven Sherman	-	-	-
Jeffrey Forbes	148,619	-	-
Gary Jandegian	200,000	-	-
Robert Prieto	30,000	-	-
Nathanial Thomson	-	-	-
Rebecca Ranich	-	-	-

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. 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.

From financial year ended 30 June 2016 onward, Cardno has for the purposes of this Report, considered the KMP to be the Chief Executive Officer (CEO), or Executive Chairman and Chief Financial Officer (CFO). During the financial year ended 30 June 2016 all forms of strategic and management decision were centralised with the CEO and CFO (on behalf of the Board). The company's delegation of authority matrix was rewritten and strengthened thus allowing a delegation of operational (but not management) authority that enables the separate divisions to operate on a day-to-day basis. Members of management meet with the CEO weekly, and the CEO and CFO monthly to enable appropriate management oversight.

The KMP disclosed for the financial year ended 30 June 2018 are detailed in the following table.

Name	Title	Period KMP (if less than full year)
NON-EXECUTIVE DIRECTORS		
Neville Buch[1]	Non-Executive Director	
Steven Sherman	Non-Executive Director	
Jeffrey Forbes	Non-Executive Director	
Gary Jandegian	Non-Executive Director	
Robert Prieto	Non-Executive Director	
Nathanial Thomson	Non-Executive Director	
Rebecca Ranich	Non-Executive Director	From 19 March 2018
EXECUTIVES		
Michael Alscher[2]	Executive Director, Acting Chief Executive Officer and Executive Chairman	
Peter Barker	Chief Financial Officer	
FORMER EXECUTIVES		
Andrew Goodwin	Chief Executive Officer and Managing Director	1 March 2018 – 13 April 2018

[1] *Neville Buch resigned as Executive Director and acting Chief Executive Officer and transitioned back to Non-Executive Director on 1 March 2018.*

[2] *Michael Alscher was the Chairman and Non-Executive Director prior to his appointment of Executive Director, Acting Chief Executive Officer and Executive Chairman on 13 April 2018.*

B. ROLE OF THE REMUNERATION COMMITTEE

The remuneration of Directors, the Chief Executive Officer, Chief Financial Officer, managers and staff is reviewed by the Remuneration Committee.

Board decisions on the remuneration of the Chief Executive Officer and Chief Financial Officer are made in the absence of the Chief Executive Officer and Chief Financial Officer.

When required, 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 2018.

The Remuneration Committee responsibilities were addressed by the full Board during Board meetings up until May 2018 when Mr Jandegian and Mr Thompson were appointed as the Remuneration Committee. The Committee did not meet in May or June.

C. 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 2019 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 $
Australian based Board members (AUD)			
Chairman	200,000	27,273	-
Non-Executive Director	100,000	13,500	-
US based Board members (USD)			
Non-Executive Director	100,000	11,000	-

C. NON-EXECUTIVE DIRECTORS' REMUNERATION CONTINUED

The remuneration received by Non-Executive Directors for the years ended 30 June 2018 and 30 June 2017 is set out in the following table.

		Salary and Fees $	Superannuation Benefits $	Total $
NON-EXECUTIVE				
Neville Buch[1]	**2018**	**453,425**	**-**	**453,425**
	2017	532,986	-	532,986
Steven Sherman	**2018**	**103,652**	**9,847**	**113,499**
	2017	103,652	9,847	113,499
Jeffrey Forbes	**2018**	**116,231**	**11,042**	**127,273**
	2017	116,231	11,042	127,273
Gary Jandegian[3]	**2018**	**129,029**	**-**	**129,029**
	2017	482,145	-	482,145
Robert Prieto[3]	**2018**	**143,222**	**-**	**143,222**
	2017	213,403	-	213,403
Nathanial Thomson[4]	**2018**	**100,000**	**-**	**100,000**
	2017	100,000	-	100,000
Rebecca Ranich[2]	**2018**	**37,517**	**-**	**37,517**
	2017	-	-	-
Total 2018		**1,083,076**	**20,889**	**1,103,965**
Total 2017		1,548,417	20,889	1,569,306

[1] *Neville Buch transitioned from acting Chief Executive Officer back to Non-Executive Director on 1 March 2018. His salary and fees paid during his time as Chief Executive Officer are included in the table above. Neville's fees are paid to Crescent Capital Partners.*

[2] *Rebecca Ranich commenced on 19 March 2018.*

[3] *Gary Jandegian and Robert Prieto in 2017 had agreements with Cardno Limited to provide project specific consultancy advice for which they may receive remuneration not exceeding US$50,000 per annum. Also included in Gary's 2017 salary and fees is US $240,000 received from his time as joint interim Chief Executive Officer.*

[4] *Nathanial Thomson's fees are paid to Crescent Capital Partners.*

D. EXECUTIVE REMUNERATION STRATEGY AND STRUCTURE

The Board, has developed and adopted a remuneration 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. Executive 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 Executive KMP contract.
Short-Term Incentive (STI)	Target STI opportunities are expressed as a percentage of TFR. For the year ended 30 June 2018, STI payments for Executive KMP and senior managers were determined by achievement of financial and non-financial performance targets. The Remuneration Committee and the Board are responsible for reviewing the achievement of targets. For Executive KMP's STI is assessed 100% against achievement of budgeted EBITDA for the year. Payment of STI is based on the achievement of the following gates: < 90% budget EBITDA achieved — 0% STI paid 90% budget EBITDA achieved — 50% STI paid 100% budget EBITDA achieved — 75% STI paid > 110% budget EBITDA achieved — 100% STI paid STI's are paid in cash following the release of the audited financial results to the ASX. For FY18 100% of budgeted EBITDA was achieved. For FY19 the strategy is to link STI to the financial performance of the business in the form of achievement of scorecards with specific key financial and non-financial performance indicators (KPI's) set as targets. It is planned that these KPI's will be based primarily on financial measures such as EBITDA and backlog targets and non-financial measures determined and scored by collaboration surveys.
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 G for the terms and conditions of the Performance Rights and Options. For FY19 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 scheme will provide for the issue of Performance Rights for nil consideration to Executive 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. Subject to meeting the relevant performance hurdles, upon vesting, the Performance Rights will be converted into ordinary shares in the Company.

E. EXECUTIVE KEY MANAGEMENT PERSONNEL - CONTRACT TERMS

Executive 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) 6 months.

The Company may terminate Agreements immediately for cause, in which case the Executive KMP is not entitled to any payment in lieu of notice or contractual compensation. Termination of employment with cause would result in no STI awards and all unvested LTI to lapse or vest based on the LTI plan rules at the Board discretion. In the event of termination without cause, the Group is required to pay Executive KMP their notice period of 6 months of salary.

The Agreements also provide for the Executive KMP'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. Executive KMP's are entitled to a maximum of 50% of total fixed remuneration for both their annual STI and LTI.

Mr Goodwin commenced as Chief Executive Officer and Managing Director on 1 March 2018 and was paid a cash fixed annual remuneration of USD $575,000 per annum. His employment contract had no fixed term and provided both fixed and incentive based remuneration which includes STI and LTI.

Mr Goodwin was able to earn a maximum STI of 50% of base salary (pro-rata basis) subject to certain Cardno Group EBITDA budget thresholds being met. Subject to receiving shareholder approval at the Annual General Meeting in 2018, for his LTI plan Mr Goodwin was entitled to receive two tranches of performance options or in the event they were not approved, an equivalent financial payment. Mr Goodwin was also entitled to relocation benefits including rental support.

On 13 April 2018, Mr Goodwin's employment contract was terminated for cause. Mr Goodwin was paid his statutory entitlements as required by law. Mr Goodwin was not paid any termination benefits and is not entitled to any performance options or equivalent financial payment under the LTI plan.

F. EXECUTIVE KEY MANAGEMENT PERSONNEL - REMUNERATION TABLES

The remuneration received by Executive KMP for the years ended 30 June 2018 and 30 June 2017 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 reversals 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.

		SHORT-TERM BENEFITS			SHARE-BASED PAYMENTS	POST EMPLOYMENT		
		Salary and Fees $	STI Cash $	Non-Monetary Benefits $	Performance Rights $	Superannuation Benefits $	Termination Benefits $	Total $
EXECUTIVE KEY MANAGEMENT PERSONNEL								
Michael Alscher[1]	**2018**	**274,575**	**-**	**-**	**-**	**-**	**-**	**274,575**
	2017	200,000	-	-	-	-	-	200,000
Peter Barker	**2018**	**425,692**	**166,990**	**-**	**128,697**	**20,049**	**-**	**741,428**
	2017	425,692	222,654	-	58,046	19,616	-	726,008
FORMER EXECUTIVE KEY MANAGEMENT PERSONNEL								
Andrew Goodwin[2]	**2018**	**128,484**	**-**	**434,101**	**-**	**-**	**-**	**562,585**
	2017	-	-	-	-	-	-	-
Total 2018		**828,751**	**166,990**	**434,101**	**128,697**	**20,049**	**-**	**1,578,588**
Total 2017		625,692	222,654	-	58,046	19,616	-	926,008

[1] Michael Alscher was the Chairman and Non-Executive Director prior to his appointment as Executive Director, Acting Chief Executive Officer and Executive Chairman on 13 April 2018. His salary and fees paid during his time as a non-executive director are included in the table above. Michael is not entitled to any STI or LTI. Michael Alscher's fees are paid to Crescent Capital Partners.

[2] Andrew Goodwin was Chief Executive Officer and Managing Director from 1 March 2018 to 13 April 2018. Included in non-monetary benefits is costs relating to vehicle, housing and relocation benefits.

[3] Neville Buch transitioned from acting Chief Executive Officer back to Non-Executive Director on 1 March 2018. His salary and fees paid during his time as Chief Executive Officer are included in the Non-Executive Directors table on page 17.

Remuneration Report (Audited) *(continued)*

Proportion of Performance Related Remuneration

		Percentage of Target STI Received	Percentage of Remuneration Performance Related[1]
EXECUTIVE KEY MANAGEMENT PERSONNEL			
Michael Alscher[2]	**2018**	**-**	**-**
	2017	-	-
Peter Barker	**2018**	**75%**	**39.9%**
	2017	100%	38.7%
FORMER EXECUTIVE KEY MANAGEMENT PERSONNEL			
Andrew Goodwin	**2018**	**-**	**-**
	2017	-	-
Neville Buch	**2018**	**-**	**-**
	2017	-	-

[1] Calculated based on STI cash, other cash bonuses and share based payments as a percentage of total remuneration.

[2] Michael is not entitled to a STI.

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 2018 is set out in the following table.

	Balance at 1 July 2017	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 2018	Maximum Total Yet to Vest
	No.	No.	$	No.	$	No.	$	No.	No.
EXECUTIVE KEY MANAGEMENT PERSONNEL									
Michael Alscher[3]	-	-	-	-	-	-	-	-	-
Peter Barker	316,143	172,554	207,928	-	-	-	-	488,697	488,697
FORMER EXECUTIVE KEY MANAGEMENT PERSONNEL									
Andrew Goodwin	-	-	-	-	-	-	-	N/A	N/A
Neville Buch	-	-	-	-	-	-	-	N/A	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.
[3] Michael is not entitled to a LTI.

Details of vesting profiles of Performance Rights granted as remuneration to Key Management Personnel of Cardno and still outstanding at 30 June 2018, including those granted during the financial year are as follows in the table below:

	Year	Outstanding Performance Rights	Grant Date	Vesting Date	% Vested in Year	% Forfeited in Year	Fair Value at Grant Date
EXECUTIVE KEY MANAGEMENT PERSONNEL							
Michael Alscher		-	-	-	-	-	-
Peter Barker	2016	34,801	1-Mar-16	1-Nov-18	0.0%	0.0%	2.07
	2017	281,342	1-Nov-16	1-Nov-19	0.0%	0.0%	0.78
	2018	172,554	1-Nov-17	1-Nov-20	0.0%	0.0%	1.21
FORMER EXECUTIVE KEY MANAGEMENT PERSONNEL							
Andrew Goodwin		-	-	-	-	-	-
Neville Buch		-	-	-	-	-	-

Remuneration Report (Audited) *(continued)*

The number of Performance Rights at 30 June 2018 for the Executive KMP is set out in the following table.

	Balance at 30 June 2018	Vested & Exercisable at the End of the Year
EXECUTIVE KEY MANAGEMENT PERSONNEL		
Michael Alscher	-	-
Peter Barker	488,697	-
FORMER EXECUTIVE KEY MANAGEMENT PERSONNEL		
Andrew Goodwin	N/A	N/A
Neville Buch	N/A	N/A

Subsequent to year end, no Performance Rights have been issued, granted or vested 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.

G. 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.

2018 LTI Plan Performance Hurdles:

Performance Rights issued were allocated in two equal tranches: 50% is subject to the achievement of a Share Price performance hurdle and 50% is subject to a Group EBITDA performance hurdle. These conditions are tested independently.

The Performance Rights are subject to performance hurdles of Share Price (Tranche 1: 50%), the volume weighted average price of Shares at the close of trading over a 20 day trading period immediately prior to the Company's 2020 AGM, must be at least $1.10 per share, and Group underlying EBITDA (Tranche 2: 50%) for the full 2020 financial year must exceed $60 million.

2017 LTI Plan Performance Hurdles:

Performance Rights issued were allocated in two equal tranches: 50% is subject to the achievement of a Share Price performance hurdle and 50% is subject to a Group underlying EBITDA performance hurdle. These conditions are tested independently.

2017 LTI Plan Performance Hurdles (continued):

The Performance Rights are subject to performance hurdles of Share Price (Tranche 1: 50%), the volume weighted average price of shares at the close of trading over a 20 day trading period immediately prior to the Company's 2019 AGM, must be at least $1.00 per share, and Group underlying EBITDA (Tranche 2: 50%) for the full 2019 financial year must exceed $54 million.

2016 LTI Plan 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 ending 30 June 2018	% of Performance Rights to Vest (Tranche 1 50%)	EPS Growth Over 3 Years ending 30 June 2018	% of Performance Rights to Vest (Tranche 2 50%)
<50th percentile	0%	<12.5% (<4% pa)	0%
50th percentile	50%	12.5% (4% pa)	30%
>50th & <75th percentiles	Pro rata	>12.5% (4% pa) & <26% (8% pa)	Pro rata
75th percentile and above	100%	26% (8% pa)	70%
		>26% (8% pa) & <40% (12% pa)	Pro rata
		>40% (12% pa)	100%

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 4,168,275 Performance Rights on issue at 30 June 2018. As a share-based payment, these Performance Rights were valued for accounting and reporting purposes using the Monte Carlo simulation and Black Scholes method. The below table outlines the key assumptions.

Assumption at fair value date	2018	2017	2016
Share Price	$1.35	$0.925	$2.95
Risk Free Rate	1.99%	1.725%	1.89%
Dividend Yield	0%	0%	5.4%
Volatility	63%	60%	47%
Initial TSR	-	-	(6.5%)

H. 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.

	2018	2017	2016	2015	2014
Gross Revenue – Continuing Operations (000's)	$1,116,975	$1,182,030	$1,164,613	$1,185,949	$1,309,597
Underlying EBITDA (000's)	$56,210	$44,005	$42,036	$108,406	$141,700
Net Profit/(Loss) After Tax (000's)	($14,018)	$8,579	($194,919)	($245,068)	$78,134
Dividends Paid or Provided (000's)	-	-	$11,548	$49,452	$56,530
Change in Share Price – year on year ($ per share)	$0.11	$0.64	($1.18)	($3.09)	$1.14

Remuneration Report (Audited) *(continued)*

I. OTHER RELATED PARTY TRANSACTIONS

Share Holdings

The movement for the year ended 30 June 2018 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	Received During the Year on the Exercise of Rights	Other Changes During the Year	Balance at the End of the Year
NON-EXECUTIVE DIRECTOR				
Neville Buch[1]	-	-	-	-
Steven Sherman	-	-	-	-
Jeffrey Forbes	148,619	-	-	148,619
Gary Jandegian	200,000	-	-	200,000
Robert Prieto	-	-	30,000	30,000
Nathanial Thomson	-	-	-	-
Rebecca Ranich[4]	-	-	-	-
EXECUTIVE KEY MANAGEMENT PERSONNEL				
Michael Alscher[2]	-	-	-	-
Peter Barker	44,500	-	-	44,500
FORMER EXECUTIVE KEY MANAGEMENT PERSONNEL				
Andrew Goodwin[3]	N/A	-	-	N/A

[1] Neville Buch transitioned from acting Chief Executive Officer back to Non-Executive Director on 1 March 2018.

[2] Michael Alscher was the Chairman and Non-Executive Director prior to his appointment as Executive Director, Acting Chief Executive Officer and Executive Chairman on 13 April 2018.

[3] Andrew Goodwin was Chief Executive Officer and Managing Director from 1 March 2018 to 13 April 2018.

[4] Rebecca Ranich commenced on 19 March 2018.

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.

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

Directors' Report *(continued)*

NON-AUDIT SERVICES

The Company's auditor may perform certain other services in addition to their statutory duties.

The Board has considered the non-audit services provided during the year by the auditor and in accordance with written advice provided by resolution of the Audit, Risk and Compliance Committee, is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

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

Details of the amounts paid to the auditor and its related practices for audit and non-audit services provided during the year are set out in Note 31.

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

The lead auditor's independence declaration is set out on page 26 and forms part of the Directors' report for the year ended 30 June 2018.

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 thousand dollars or, in certain cases, to the nearest dollar.

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

MICHAEL ALSCHER
Executive Chairman

20 August 2018

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 of Cardno Limited for the financial year ended 30 June 2018 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
20 August 2018

Consolidated Statement of Financial Performance

Cardno Limited and its Controlled Entities for the year ended 30 June 2018

	Note	2018 $'000	2017 $'000
Revenue from continuing operations	3	1,116,975	1,182,030
Other income	3	1,384	2,455
Employee expenses		(520,459)	(547,838)
Consumables and materials used	5	(334,913)	(392,103)
Sub-consultant and contractor costs		(175,144)	(194,687)
Depreciation and amortisation expenses		(15,979)	(23,590)
Net financing costs	4	(3,442)	(7,230)
Other expenses		(33,297)	(61,861)
Profit/(Loss) before income tax		35,125	(42,824)
Income tax benefit/(expense)	6	(49,143)	23,455
Loss for the year from continuing operations		**(14,018)**	**(19,369)**
Profit for the year from discontinued operations, net of tax		-	27,948
Profit/(Loss) for the year		**(14,018)**	**8,579**
Profit/(Loss) attributable to:			
Owners of the Company		(14,018)	8,579
		(14,018)	**8,579**
Continuing Operations			
Basic earnings per share (cents per share)	26	(2.97)	(4.05)
Diluted earnings per share (cents per share)	26	(2.97)	(4.05)
Continuing and Discontinuing Operations			
Basic earnings per share (cents per share)	26	(2.97)	1.79
Diluted earnings per share (cents per share)	26	(2.97)	1.79

Consolidated Statement of Comprehensive Income

Cardno Limited and its Controlled Entities for the year ended 30 June 2018

	Note	2018 $'000	2017 $'000
Profit/(Loss) for the year		**(14,018)**	**8,579**
Items that may be subsequently reclassified to profit or loss:			
Exchange differences on translation of foreign operations		13,367	(17,381)
Reclassification of exchange differences on disposal of subsidiary		-	1,793
Other comprehensive income for the year, net of tax		13,367	(15,588)
Total comprehensive income for the year		(651)	(7,009)
Total comprehensive income attributable to:			
Owners of the Company		(651)	(7,009)
		(651)	**(7,009)**

The statement of financial 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 2018

	Note	2018 $'000	2017 $'000
CURRENT ASSETS			
Cash and cash equivalents	8	71,127	80,028
Trade and other receivables	9	212,158	218,749
Work in progress	10	73,773	96,882
Other current assets	23	12,850	13,696
Current tax receivable		2,216	-
TOTAL CURRENT ASSETS		**372,124**	**409,355**
NON-CURRENT ASSETS			
Other financial assets	24	236	1,323
Property, plant and equipment	11	49,336	35,593
Deferred tax assets	7	102,333	142,127
Intangible assets	12	313,017	295,873
TOTAL NON-CURRENT ASSETS		**464,922**	**474,916**
TOTAL ASSETS		**837,046**	**884,271**
CURRENT LIABILITIES			
Trade and other payables	13	120,840	144,327
Loans and borrowings	14	2,165	615
Current tax liabilities		-	3,614
Employee benefits		32,400	31,758
Provisions	15	3,860	4,857
Other current liabilities	16	44,526	46,888
TOTAL CURRENT LIABILITIES		**203,791**	**232,059**
NON-CURRENT LIABILITIES			
Trade and other payables	13	3,015	-
Loans and borrowings	14	88,900	94,708
Deferred tax liabilities	7	121	290
Employee benefits		4,430	4,937
Other non-current liabilities	16	3,581	7,000
TOTAL NON-CURRENT LIABILITIES		**100,047**	**106,935**
TOTAL LIABILITIES		**303,838**	**338,994**
NET ASSETS		**533,208**	**545,277**
EQUITY			
Issued capital	17	804,145	815,563
Reserves		75,104	61,737
Retained earnings/(losses)		(346,041)	(332,023)
TOTAL EQUITY		**533,208**	**545,277**

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

Consolidated Statement of Changes in Equity

Cardno Limited and its Controlled Entities for the year ended 30 June 2018

	Note	Share Capital Ordinary $'000	Retained Earnings / (losses) $'000	Foreign Translation Reserve $'000	Reserve for Own Shares* $'000	Total $'000
BALANCE AT 30 JUNE 2016		**820,374**	**(340,602)**	**91,936**	**(14,611)**	**557,097**
Profit for the year		-	8,579	-	-	8,579
Exchange differences on translation of foreign operations		-	-	(17,381)	-	(17,381)
Reclassification of exchange difference on disposal of subsidiary		-	-	1,793	-	1,793
Total comprehensive income for the year		**-**	**8,579**	**(15,588)**	**-**	**(7,009)**
Transactions with owners in their capacity as owners:						
Shares issued	17	9	-	-	-	9
Employee share based payments	17	850	-	-	-	850
Share buy-back (net of income tax)	17	(5,670)	-	-	-	(5,670)
		(4,811)	**-**	**-**	**-**	**(4,811)**
BALANCE AT 30 JUNE 2017		**815,563**	**(332,023)**	**76,348**	**(14,611)**	**545,277**
Loss for the year		-	(14,018)	-	-	(14,018)
Exchange differences on translation of foreign operations		-	-	13,367	-	13,367
Total comprehensive income for the year		**-**	**(14,018)**	**13,367**	**-**	**(651)**
Transactions with owners in their capacity as owners:						
Employee share based payments	17	2,499	-	-	-	2,499
Share buy-back (net of income tax)	17	(13,917)	-	-	-	(13,917)
		(11,418)	**-**	**-**	**-**	**(11,418)**
BALANCE AT 30 JUNE 2018		**804,145**	**(346,041)**	**89,715**	**(14,611)**	**533,208**

* *Shares held in trust by the Cardno Limited Performance Equity Plan Trust are 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. Shares are transferred to PEP participants on exercise of Performance Rights and 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 2018

	Note	2018 $'000	2017 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		1,214,257	1,257,701
Interest received		715	665
Finance costs paid		(3,658)	(5,385)
Cash paid to suppliers and employees		(1,160,874)	(1,255,426)
Income tax paid		(4,738)	(1,388)
NET CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES	25	**45,702**	**(3,833)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds on disposal of subsidiaries		-	57,977
Acquisition of subsidiaries net of cash acquired		(10,738)	(6,180)
Proceeds from sale of property, plant and equipment		471	932
Payments for property, plant and equipment		(19,298)	(12,280)
NET CASH PROVIDED BY/(USED IN) INVESTING ACTIVITIES		**(29,565)**	**40,449**
CASH FLOWS FROM FINANCING ACTIVITIES			
Share Buy-Back (Cancellation of shares)		(13,917)	(5,670)
Proceeds from borrowings		33,363	38,250
Repayment of borrowings		(44,563)	(93,719)
Finance lease payments		(2,039)	(2,059)
NET CASH USED IN FINANCING ACTIVITIES		**(27,156)**	**(63,198)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS HELD		**(11,019)**	**(26,582)**
CASH AND CASH EQUIVALENTS AT 1 JULY		**80,028**	**105,613**
Reclassification of cash included in disposal group held for sale		-	1,512
Effects of exchange rate changes on cash and cash equivalents at the end of year		2,118	(515)
CASH AND CASH EQUIVALENTS AT 30 JUNE	8	**71,127**	**80,028**

The statement of cash flows 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 2018

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 five reportable segments managed separately by location and services provided. The segments are an aggregate of businesses which provide similar services and markets. Due to its size, Construction Sciences has been identified as being a separate segment during the current year and therefore the prior year comparatives have been restated for this change.

Internal management reports on the performance of these reportable segments are reviewed weekly and monthly by the Group's Chief Executive Officer (CEO). The following summary describes the operations in each of Cardno's reportable segments.

> **Asia Pacific Engineering and Environmental (Asia Pacific)** – provides services in civil, structural, water, environmental, coastal, bridge, geotechnical, subsurface utility, traffic and transport engineering as well as environmental science, surveying, landscape architecture, planning and asset management.

> **Americas Engineering and Environmental (Americas)** – delivers expertise to private and public sector clients across the environmental, water, transportation, energy and resources, land, buildings and management services sectors.

> **International Development (ID)** – the ID business designs and implements large-scale sustainable solutions for both development assistance agencies and private clients.

> **Construction Sciences (CS)** – a geotechnical engineering, environmental consulting and materials testing business.

> **Other** – includes Portfolio Companies including LATAM (engineering, consulting operations in Latin America) and PPI (quality testing and services to the Oil and Gas sector) and Group Head Office.

Segment results that are reported to the CEO include items directly attributed to the segment as well as those that can be allocated on a reasonable basis.

2018 **$'000**	**Asia Pacific**	**Americas**	**ID**	**CS**	**Other**	**Total**
SEGMENT REVENUE – Continuing Operations						
Fees from consulting services	226,556	245,361	141,330	105,001	45,255	763,503
Fees from recoverable expenses	38,479	132,534	172,249	5,323	2,402	350,987
Inter-segment revenue	-	-	-	-	-	-
Segment Revenue	265,035	377,895	313,579	110,324	47,657	1,114,490
Other revenue	929	398	-	935	223	2,485
Total Segment Revenue	265,964	378,293	313,579	111,259	47,880	1,116,975
Inter-segment elimination	-	-	-	-	-	-
Total Revenue from continuing operations						**1,116,975**
Segment Result	**20,022**	**18,255**	**6,418**	**11,427**	**88**	**56,210**
Onerous lease provision	-	752	-	-	489	1,241
Business review costs	-	1,136	-	-	(4,041)	(2,905)
Depreciation and amortisation expense	(2,949)	(3,300)	(321)	(3,211)	(6,198)	(15,979)
Profit/(loss) from continuing operations before interest and income tax	**17,073**	**16,843**	**6,097**	**8,216**	**(9,662)**	**38,567**
Finance costs and interest income						(3,442)
Profit from continuing operations before income tax						**35,125**
Income tax expense						(49,143)
Loss from continuing operations after income tax						**(14,018)**
Net profit from discontinued operations after income tax						-
Loss from continuing and discontinuing operations after income tax						**(14,018)**

Notes to the Consolidated Financial Statements

Cardno Limited and its Controlled Entities for the year ended 30 June 2018

1. SEGMENT INFORMATION CONTINUED

2017 **$'000**	**Asia Pacific**	**Americas**	**ID**	**CS**	**Other**	**Total**
SEGMENT REVENUE – Continuing Operations						
Fees from consulting services	230,619	281,584	129,185	82,508	64,303	788,199
Fees from recoverable expenses	43,525	128,150	200,700	5,599	9,848	387,822
Inter-segment revenue	-	-	-	-	6,850	6,850
Segment Revenue	274,144	409,734	329,885	88,107	81,001	1,182,871
Other revenue	1,800	1,223	82	88	2,816	6,009
Total Segment Revenue	275,944	410,957	329,967	88,195	83,817	1,188,880
Inter-segment elimination	-	-	-	-	-	(6,850)
Total Revenue from continuing operations						**1,182,030**
Segment Result	**30,097**	**6,609**	**5,976**	**6,189**	**(4,866)**	**44,005**
Redundancy costs	-	-	-	-	(8,968)	(8,968)
Office consolidation	(2,495)	(8,178)	-	-	-	(10,673)
Business review costs	(161)	(10,982)	3,089	-	(15,275)	(23,329)
Debtor provisioning	(3,543)	-	-	-	(7,996)	(11,539)
Indirect tax in dispute	-	-	(1,500)	-	-	(1,500)
Depreciation and amortisation expense	(2,836)	(4,004)	(384)	(2,306)	(14,060)	(23,590)
Profit/(loss) from continuing operations before interest and income tax	**21,062**	**(16,555)**	**7,181**	**3,883**	**(51,165)**	**(35,594)**
Finance costs and interest income						(7,230)
Loss from continuing operations before income tax						**(42,824)**
Income tax benefit						23,455
Loss from continuing operations after income tax						**(19,369)**
Net profit from discontinued operations after income tax						27,948
Profit from continuing and discontinuing operations after income tax						**8,579**

GEOGRAPHICAL INFORMATION

	2018		**2017**	
	Revenues **$'000**	**Non-Current Assets** **$'000**	**Revenues** **$'000**	**Non-Current Assets** **$'000**
Australia & New Zealand	514,095	285,240	523,261	260,100
Americas	471,285	166,264	510,507	205,504
United Kingdom	23,495	3,264	27,357	3,124
Canada	19,591	7,913	7,363	2,304
Africa	3,538	41	23,921	43
Latin America	10,576	1,063	25,251	3,356
Asia	67,581	987	57,924	328
Other Countries	6,814	150	6,446	157
	1,116,975	**464,922**	**1,182,030**	**474,916**

2. BUSINESS COMBINATIONS

Acquisitions in 2018

On 1 November 2017, the Group acquired Network Geotechnics. Network Geotechnics is an 80 person New South Wales business based in offices located in Sydney, Wollongong, and the NSW Central Coast, with site laboratories at several locations on the Pacific Highway. This acquisition will strengthen Construction Sciences as a major provider of Construction Materials Testing, Geotechnical Engineering, and Environmental Consultancy services. This acquisition is not considered to be material to the Group.

On 5 April 2018, the Group acquired 100% of the shares and voting interests of Sure Search, a utility location and management business that employs 52 staff in offices in the NSW Central Coast, Western Sydney and the Illawarra region.

The acquisition will further strengthen Cardno's existing expertise in utility management, survey, infrastructure design, geospatial services and project management. The acquisition is aligned with our strategy of growing our utilities management and coordination expertise, and to expand into the early phase of design and build projects.

From the date of acquisition to 30 June 2018, the acquisitions contributed $11.4 million of revenue and $1.4 million to profit before tax from continuing operations of the Group. If the business combinations had taken place at the beginning of the year, the consolidated Group's revenue from continuing operations would have been $1,134.2 million and profit before tax from continuing operations for the consolidated Group would have been $38.7 million.

The aggregated fair value of the identifiable assets and liabilities for both business combinations as at the date of acquisition were:

	2018 $'000
Cash	1,903
Trade and other receivables	4,329
Property, plant and equipment	5,678
Intangible assets	1,875
Current and deferred tax assets	354
Other current assets	117
	14,256
Trade and other payables	(2,891)
Employee benefits	(1,110)
Borrowings	(3,453)
Current and deferred tax liabilities	(946)
	(8,400)
Total identifiable net assets at fair value	**5,856**
Goodwill arising on acquisition	12,567
Purchase consideration transferred	**18,423**

The fair value of receivables acquired is $4.3 million of which $30,000 is considered doubtful.

2. BUSINESS COMBINATIONS CONTINUED

Goodwill of $12.1 million has been allocated Asia-Pacific segment and $0.5 million to the Construction Sciences segment. The goodwill recognised is attributable to the skills and technical talent of the employees of the acquisitions and the synergies expected to be achieved from integrating the business into the Group's existing operations. Amortisation of this goodwill is not expected to be deductible for tax.

Purchase consideration comprised of $10.7 million paid in cash on acquisition and $5.8 million in deferred consideration. The deferred consideration consists of $5.0 million which is contingent on the acquisition achieving a certain level of gross profits in each of financial year 2019 and 2020. The remaining deferred consideration of $0.8 million is to be paid over three years on each anniversary of the completion date. Analysis of cash flows on acquisition is below.

	2018 $'000
Purchase consideration	18,423
Cash balance acquired	(1,903)
Deferred consideration	(5,782)
Net cash flow on acquisition	**10,738**

Transaction costs of the acquisition of $0.2 million are included in other expenses in the Consolidated Statement of Financial Performance.

Acquisitions in 2017

On the 31 March 2017, the Group acquired the remaining 50% of T2 Utility Engineers (T2), previously a joint venture shared with AECOM, based in Canada.

KEY FINANCIAL STATEMENT ITEMS

3. REVENUE AND OTHER INCOME

	2018 $'000	2017 $'000
REVENUE FROM CONTINUING OPERATIONS		
Fees from consulting services	763,503	788,199
Fees from recoverable expenses	350,987	387,822
Other	2,485	6,009
	1,116,975	**1,182,030**
OTHER INCOME		
Non-refundable R&D tax incentives	863	1,995
Gain on disposal of property, plant and equipment	521	460
Other Income	**1,384**	**2,455**

Accounting for Revenue

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 consulting services provided on a time and material basis are recognised at the contractual hourly rates as labour hours are delivered. Fees from recoverable expenses are recognised in accordance with customer contracts as they are incurred. For non time and material contracts, revenue and expenses are recognised in accordance with the percentage of completion method. Where a loss is expected to arise from any contract, the loss is recognised immediately as an expense. The percentage of completion method involves a level of estimation for costs or effort incurred to date and total project costs or effort to complete the project based on analysis of the individual projects and past experience of similar services provided.

4. NET FINANCING COSTS

	2018 $'000	2017 $'000
Interest paid	3,094	6,133
Amortisation of borrowing costs	1,063	1,762
Financing Costs	**4,157**	**7,895**
Interest income	715	665
Net Financing Costs	**3,442**	**7,230**

Accounting for Net 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.

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

5. EXPENSES

	2018 $'000	2017 $'000
Bad and doubtful debts	3,848	22,868
Rental expense relating to operating leases	28,009	41,189

6. INCOME TAX EXPENSE

	2018 $'000	2017 $'000
(a) The components of tax expense comprises:		
Current tax expense		
Current year	10,113	1,701
Adjustments for prior years	1,881	1,728
	11,994	3,429
Deferred tax expense		
Current year	35,216	(22,885)
Adjustments for prior years	1,933	(3,999)
	37,149	(26,884)
Total income tax expense / (benefit)	**49,143**	**(23,455)**
(b) Numerical reconciliation between tax expense and pre-tax profit		
Profit / (loss) before tax from continuing operations	35,125	(42,824)
Income tax using the Australian corporation tax rate of 30% (2017: 30%)	10,538	(12,847)
Increase (decrease) in income tax expense due to:		
Non-deductible expenses	4,058	1,650
Effect of tax rates in foreign jurisdictions	1,107	2,078
US tax rate change	32,846	-
Allowances for R&D expenditure	(259)	(598)
Structure rationalisation	-	(10,302)
Sundry items	(2,960)	(1,165)
	45,330	**(21,184)**
Under / (over) provided in prior years	3,813	(2,271)
Income tax expense / (benefit)	**49,143**	**(23,455)**
(c) Amounts recognised directly in equity		
Tax benefit on equity raising costs[1]	13	106
Foreign exchange	-	2,149

[1] Current year amount relates to costs incurred on the share buy-back program.

The effective tax rate for FY18 was 139.9% as compared to 54.8% in FY17. Included in income tax expense for the year is the impact resulting from the passing of the Tax Cuts and Jobs Act by the United States government ($32.8m). Specifically the reduction in the US federal corporate income tax rate from 35% to 21% reduces the Group's deferred tax assets, and this has been reflected in a reduction to deferred tax assets and associated charge to income tax expense. Excluding the impact of this one-off adjustment and prior year true ups, the Group's consolidated effective tax rate from continuing operations for the year was 35.5%. The prior year tax benefit recognised includes the tax effect of a structure rationalisation.

7. DEFERRED TAX ASSETS & LIABILITIES

Recognised deferred tax assets and liabilities

	2018 $'000	2017 $'000
Assets		
Accruals	5,865	5,437
Provisions	21,838	19,035
Intangibles	22,423	39,834
Tax losses	42,815	76,875
Property, plant and equipment	1,578	2,576
Other	15,576	12,291
Total deferred tax assets	**110,095**	**156,048**
Set-off of deferred tax liabilities	(7,762)	(13,921)
Net deferred tax assets	**102,333**	**142,127**
Liabilities		
Work in progress	5,733	11,815
Prepayments	1,667	1,276
Other	483	1,120
Total deferred tax liabilities	**7,883**	**14,211**
Set-off against deferred tax assets	(7,762)	(13,921)
Net deferred tax liabilities	**121**	**290**
NET DEFERRED TAX ASSETS (LIABILITIES)	**102,212**	**141,837**

The group has unrecognised deferred tax assets from capital loss carry forwards as at 30 June 2018: (a) in the United States of $26.7 million (2017: $40.2 million) which will expire if not used to offset capital gains derived by 30 June 2021 ($23.0 million) and 30 June 2022 ($3.7 million); (b) in Australia of $30.6 million (2017: $30.5 million) the future utilisation of which is reliant on satisfaction of the continuity of ownership and/or same business tests.

Judgement is required to determine the amount of deferred tax assets that are recognised based on the likely timing and the level of future taxable profits. The Group assesses the recoverability of recognised and unrecognised deferred taxes, in Australia and the United States using assumptions and projected cash flows as applied in the Group impairment reviews for associated operations. The Group's current taxable profits forecasts support the recoverability of the tax losses recognised.

Judgements are required about the application of income tax legislation and its interaction with income tax accounting principles. These judgements are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the balance sheet and the amount of other tax losses and temporary differences not yet recognised. Where the final tax outcomes are different from the amounts that were initially recorded, these differences impact the current and deferred tax provisions in the period in which the determination is made.

7. DEFERRED TAX ASSETS & LIABILITIES CONTINUED

Movement in temporary differences during the year:

30 June 2018	1 July 2017 $'000	Recognised in profit or loss $'000	Adjustments to prior years $'000	Other* $'000	30 June 2018 $'000
Accruals	5,437	1,013	(1,002)	417	5,865
Provisions	19,035	1,117	(1,248)	2,934	21,838
Sundry items	90,623	(36,812)	(608)	6,283	59,486
Prepayments	(1,276)	(758)	(85)	452	(1,667)
Work in progress	(11,816)	5,522	1,343	(782)	(5,733)
Goodwill on acquisition (USA)	39,834	(5,298)	(332)	(11,781)	22,423
	141,837	**(35,216)**	**(1,932)**	**(2,477)**	**102,212**

30 June 2017	1 July 2016 $'000	Recognised in profit or loss $'000	Adjustments to prior years $'000	Other* $'000	30 June 2017 $'000
Accruals	34,390	(24,346)	(1,500)	(3,107)	5,437
Provisions	17,874	6,620	2,044	(7,503)	19,035
Sundry items	25,303	49,268	593	15,459	90,623
Prepayments	(2,122)	227	9	610	(1,276)
Work in progress	(10,576)	(1,252)	-	12	(11,816)
Goodwill on acquisition (USA)	53,180	(7,632)	2,853	(8,567)	39,834
	118,049	**22,885**	**3,999**	**(3,096)**	**141,837**

** Other adjustments relate to impacts of translating foreign operations, acquisitions and divestments, and amounts booked to equity.*

8. CASH AND CASH EQUIVALENTS

	2018 $'000	2017 $'000
Cash at bank and on hand	66,320	76,957
Restricted cash[1]	3,382	2,680
Bank short term deposits	1,425	391
	71,127	**80,028**

[1] Cash held as part of operating license by US based subsidiary.

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.

9. TRADE & OTHER RECEIVABLES

	2018 $'000	2017 $'000
Trade debtors	235,384	245,503
Provision for doubtful debts	(33,881)	(38,626)
	201,503	**206,877**
Sundry debtors	10,655	11,872
	212,158	**218,749**

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.

10. WORK IN PROGRESS

	2018 $'000	2017 $'000
Work in progress	**73,773**	**96,882**

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.

Estimates of the work in progress balance involve determination of percentage of completion. Refer to Note 3 for further details.

11. PROPERTY, PLANT & EQUIPMENT

	2018 $'000	2017 $'000
Land & buildings		
Land & buildings	3,029	2,859
Less accumulated depreciation	(1,568)	(1,383)
	1,461	**1,476**
Carrying amount at the beginning of the year	1,476	1,493
Additions	53	136
Disposals	-	-
Depreciation expense	(114)	(104)
Foreign exchange	46	(49)
Carrying amount at the end of the year	**1,461**	**1,476**
Office Furniture & Equipment		
Laboratory equipment, instruments & amenities	148,407	129,393
Less accumulated depreciation	(107,500)	(98,068)
	40,907	**31,325**
Carrying amount at the beginning of the year	31,325	44,019
Additions	19,765	10,961
Increase through acquisition	4,005	99
Reinstate previously held for sale assets	-	280
Disposals	(564)	(1,941)
Depreciation expense	(13,722)	(21,460)
Foreign exchange	98	(633)
Carrying amount at the end of the year	**40,907**	**31,325**
Motor vehicles		
Motor vehicles	21,251	14,840
Less accumulated depreciation	(14,283)	(12,048)
	6,968	**2,792**
Carrying amount at the beginning of the year	2,792	1,798
Additions	4,296	2,177
Increase through acquisition	1,673	66
Reinstate previously held for sale assets	-	246
Disposals	(84)	(261)
Depreciation and amortisation expense	(1,726)	(1,188)
Foreign exchange	17	(46)
Carrying amount at the end of the year	**6,968**	**2,792**
Total property, plant & equipment		
Property, plant & equipment	172,687	147,092
Less accumulated depreciation	(123,351)	(111,499)
	49,336	**35,593**
Carrying amount at the beginning of the year	35,593	47,310
Additions	24,114	13,274
Increase through acquisition	5,678	165
Reinstate previously held for sale assets	-	526
Disposals	(648)	(2,202)
Depreciation expense	(15,562)	(22,752)
Foreign exchange	161	(728)
Carrying amount at the end of the year	**49,336**	**35,593**

11. 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.

12. 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
2018						
Balance at the beginning of year	293,225	29	2,619	-	-	295,873
Acquired through business combination	12,567	543	-	-	1,332	14,442
Written off	-	(29)	(10)	-	-	(39)
Amortisation charges	-	(121)	-	-	(296)	(417)
Effect of foreign exchange	3,158	-	-	-	-	3,158
Closing value at 30 June 2018	**308,950**	**422**	**2,609**	**-**	**1,036**	**313,017**
2017						
Balance at the beginning of year	317,498	75	2,081	2,749	201	322,604
Acquired through business combination	2,504	-	538	-	-	3,042
Disposal of subsidiary	(23,699)	-	-	(1,930)	-	(25,629)
Amortisation charges	-	(41)	-	(596)	(201)	(838)
Effect of foreign exchange	(3,078)	(5)	-	(223)	-	(3,306)
Closing value at 30 June 2017	**293,225**	**29**	**2,619**	**-**	**-**	**295,873**

12. INTANGIBLE ASSETS CONTINUED

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

	2018 $'000	2017 $'000
Americas	90,138	86,630
Asia Pacific	188,713	176,958
Construction Sciences (CS)	24,366	23,904
International Development (ID)	5,733	5,733
	308,950	**293,225**

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. The CGU's remain unchanged from prior year.

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 budget for 2019 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.

Group overhead and corporate costs are allocated to the individual CGUs for impairment testing purposes.

Results of Impairment Testing

No impairment was recognised during the year as all CGU recoverable amounts were in excess of carrying values.

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 relevant forecast and historical data from both external and internal sources.

	EBITDA Margins[1]		Terminal Growth Rate		Pre-Tax Discount Rate	
	2018	2017	2018	2017	2018	2017
Americas	6.8% - 9.0%	6.2% - 8.5%	2.70%	2.70%	13.29%	14.42%
Asia Pacific	10.7% - 13.0%	11.5% - 13.5%	2.70%	2.70%	14.42%	14.86%
CS	10.0% - 12.0%	8.3% - 10.0%	2.70%	2.70%	14.42%	14.86%
ID	1.1% - 5.0%	2.1% - 4.0%	2.70%	2.70%	12.29%	13.14%

[1] EBITDA margins are applied to net fee revenue.

12. INTANGIBLE ASSETS CONTINUED

Impact of Possible Changes in Key Assumptions

Whilst there was no impairment in any of the CGU's, any variation in the key assumptions would result in a change in the assessed recoverable amount both positively and negatively. Analysis performed on the impact of adverse changes in the key assumptions on the recoverable amount of the CGU's concluded that a reasonable possible change in these assumptions did not result in impairment in any of the CGU's.

13. TRADE & OTHER PAYABLES

	2018 $'000	2017 $'000
CURRENT		
Trade payables & accruals	118,074	142,496
Vendor liability	2,766	1,831
	120,840	**144,327**
NON-CURRENT		
Vendor liability	3,015	-
	3,015	**-**

Accounting for Trade & Other Payables

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.

Vendor liabilities are recognised at the present value of future payments of deferred consideration.

14. LOANS & BORROWINGS

	2018 $'000	2017 $'000
CURRENT		
Lease and hire purchase liabilities	2,165	615
	2,165	**615**
NON-CURRENT		
Lease and hire purchase liabilities	4,791	725
Bank loans	84,109	93,983
	88,900	**94,708**
TOTAL CURRENT & NON-CURRENT LOANS & BORROWINGS	**91,065**	**95,323**

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.

Bank Loans

The Group has bank loans of $84.1million (2017: $94.0 million) as at 30 June 2018 with a weighted average interest rate of 3.27% (2017: 2.97%). Funding available to the Group from undrawn facilities is $39.1 million (2017: $23.7million).

14. LOANS & BORROWINGS CONTINUED

Bank Loans Continued

The Group's facility limits comprise a committed multi-currency bilateral revolving term facility of US $86.6 million (2017: US $86.6 million) as well as an uncommitted working capital facility US $5.0 million (2017: US $5.0 million). Bank loans are term facilities with three banks maturing in December 2019.

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 2018, the Group was in compliance with all financial covenants.

There were no bank overdrafts in existence at 30 June 2018 (2017: 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

Leases in 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.

	2018 $'000	2017 $'000
Finance leases and hire purchase		
Commitments in relation to finance leases are payable as follows:		
> Within one year	2,526	655
> Later than one year but not later than 5 years	5,445	784
> Later than 5 years	-	-
Minimum lease payments	**7,971**	**1,439**
Less: Future finance charges	(1,015)	(99)
Recognised as a liability	**6,956**	**1,340**
Present value of minimum lease and hire purchase payment		
Commitments in relation to finance leases are payable as follows:		
> Within one year	2,165	615
> Later than one year but not later than 5 years	4,791	725
> Later than 5 years	-	-
Recognised as a liability	**6,956**	**1,340**

15. PROVISIONS

	2018 $'000	2017 $'000
CURRENT		
Provision for legal claims	3,860	4,857
	3,860	**4,857**

Accounting for Provisions

The Group makes provision for legal claims not covered by the Group's professional indemnity policy. As at 30 June 2018 an estimate of the potential impact of these claims has been provided for.

A provision is recognised in the Statement of Financial Position 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.

16. OTHER LIABILITIES

	2018 $'000	2017 $'000
CURRENT		
Unearned revenue	42,037	45,024
Deferred rent	2,489	1,864
	44,526	**46,888**
NON CURRENT		
Deferred rent	3,347	6,703
Other	234	297
	3,581	**7,000**

Unearned revenue relates to amounts received in advance of providing goods or services. Refer to Note 10.

17. ISSUED CAPITAL

	30 June 2018		30 June 2017	
	No. of shares	**$'000**	**No. of shares**	**$'000**
Balance at the beginning of the year	**474,955,277**	**815,563**	479,040,905	820,374
Shares issued during the year:				
> Shares issued for cash (net of transaction costs)	-	-	549,024	9
> Employee share based payments	-	2,499	-	850
> Share buy-back (i)	(10,573,769)	(13,917)	(4,634,652)	(5,670)
Balance at the end of the year	**464,381,508**	**804,145**	**474,955,277**	**815,563**

(i) As part of the capital management program, on 28 February 2017 the Group announced the implementation of an on-market buyback commencing 15 March 2017. On 28 February 2018 the Group extended the buyback period for a further 12 months. During the year, a total of 10,573,769 ordinary shares were bought back at an average price of $1.32 per share.

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.

	2018 $'000	**2017 $'000**
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%	-	17
> franking credits/(debits) that will arise from the payment/(receipt) of income tax payable/(receivable) as at the end of the financial year	(2,509)	(2,947)

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 2018, there are no Performance Options on issue (2017: nil) and no options were issued during the year (2017: nil).

2018 LTI Plan Performance Hurdles:

Performance Rights issued were allocated in two equal tranches: 50% is subject to the achievement of a Share Price performance hurdle and 50% is subject to a Group EBITDA performance hurdle. These conditions are tested independently.

The Performance Rights are subject to performance hurdles of Share Price (Tranche 1: 50%) where the volume weighted average price of Shares at the close of trading over a 20 day trading period immediately prior to the Company's 2020 AGM, must be at least $1.10 per share, and Group EBITDA (Tranche 2: 50%) for the full 2020 financial year must exceed $60 million.

17. ISSUED CAPITAL CONTINUED

2017 LTI Plan Performance Hurdles:

Performance Rights issued were allocated in two equal tranches: 50% is subject to the achievement of a Share Price performance hurdle and 50% is subject to a Group EBITDA performance hurdle. These conditions are tested independently.

The Performance Rights are subject to performance hurdles of Share Price (Tranche 1: 50%) where the volume weighted average price of shares at the close of trading over a 20 day trading period immediately prior to the Company's 2019 AGM, must be at least $1.00 per share, and Group EBITDA (Tranche 2: 50%) for the full 2019 financial year must exceed $54 million.

2016 LTI Plan 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 ending 30 June 2018	% of Performance Rights to Vest (Tranche 1 50%)	EPS Growth Over 3 Years ending 30 June 2018	% of Performance Rights to Vest (Tranche 2 50%)
<50th percentile	0%	<12.5% (<4% pa)	0%
50th percentile	50%	12.5% (4% pa)	30%
>50th & <75th percentiles	Pro rata	>12.5% (4% pa) & <26% (8% pa)	Pro rata
75th percentile and above	100%	26% (8% pa)	70%
		>26% (8% pa) & <40% (12% pa)	Pro rata
		>40% (12% pa)	100%

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.

The movements in the performance rights are as follows:

	Number of Performance Rights 2018	Number of Performance Rights 2017
Outstanding at the beginning of the period	4,962,639	4,023,392
Granted during the period	1,318,929	3,540,023
Exercised during the period	-	-
Vested during the period	-	-
Cancelled/lapsed during the period	(2,113,293)	(2,600,776)
Outstanding at the end of the period	**4,168,275**	**4,962,639**
Exercisable at the end of the period	**-**	**-**

17. ISSUED CAPITAL CONTINUED

Performance Rights were valued for accounting and reporting purposes using the Monte Carlo simulation and Black Scholes method. The below table outlines the key assumptions.

Assumption at fair value date	2018	2017	2016
Share Price	$1.35	$0.925	$2.95
Risk Free Rate	1.99%	1.725%	1.89%
Dividend Yield	0%	0%	5.4%
Volatility	63%	60%	47%
Initial TSR	-	-	(6.5%)

RISKS

18. 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:

> Assessing the recoverability of goodwill – refer to Note 12.

> Revenue recognition in relation to long term contracts including estimating stage of completion and total contract costs – refer Note 3.

> Recognition of deferred tax assets – refer to Note 7 and 32(e).

> Assessing the recoverability of trade receivables and work in progress – refer to Note 9, 10 and 19.

19. FINANCIAL RISKS

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 2018 and 30 June 2017 are included in the balance sheet at amounts that approximate fair values.

The Group does not have any derivative financial instruments at 30 June 2018 (2017: nil).

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 on page 51.

19. FINANCIAL RISKS CONTINUED

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 (2017: nil).

Trade Receivables

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

	2018 $'000	2017 $'000
Australia & New Zealand	71,566	71,634
Americas	108,973	111,032
Asia Pacific	16,282	15,411
Europe & Africa	4,682	8,800
	201,503	**206,877**

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

	2018		2017	
	Gross $'000	Impairment $'000	Gross $'000	Impairment $'000
Not past due (current)	120,935	-	129,355	-
Past due 0-30 days (30 day ageing)	35,066	-	33,595	-
Past due 31-60 days (60 day ageing)	17,261	-	20,711	-
Past due more than 60 days	62,122	33,881	61,842	38,626
	235,384	**33,881**	**245,503**	**38,626**

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:

	2018 $'000	2017 $'000
Balance at 1 July	38,626	11,090
Impairment loss recognised	3,848	22,868
Reinstate previously held for sale assets	-	13,387
Disposal of subsidiary	(4,429)	-
Receivables written off	(4,609)	(8,588)
Effect of foreign exchange	445	(131)
Balance at 30 June	**33,881**	**38,626**

19. FINANCIAL RISKS CONTINUED

Liquidity risk

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

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

30 June 2018	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	123,855	123,873	120,840	3,033	-
Finance leases & hire purchase	6,956	7,971	2,432	5,539	-
Bank loans	84,109	88,979	2,776	86,203	-
	214,920	**220,823**	**126,048**	**94,775**	**-**
30 June 2017					
Non-derivative financial liabilities					
Trade and other payables	144,327	144,327	144,327	-	-
Finance leases & hire purchase	1,340	1,439	655	784	-
Bank loans	93,983	102,378	2,831	99,547	-
	239,650	**248,144**	**147,813**	**100,331**	**-**

Bank loans are term facilities with three banks maturing in December 2019.

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 foreign currency translation reserve (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 $18.2 million (2017: $17.5 million) denominated in US dollars (USD) which have been designated as hedges of Cardno's net investments in subsidiaries with functional currencies in those currencies.

As at 30 June 2018, a 10 per cent strengthening of the Australian dollar against the USD would have increased equity by $1.7 million (2017: $1.6 million). A 10 per cent weakening of the Australian dollar against the USD would have decreased equity by $2.0 million (2017: $1.9 million). 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.

19. FINANCIAL RISKS CONTINUED

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:

	2018		2017	
	Effective Interest Rate	**Balance $'000**	**Effective Interest Rate**	**Balance $'000**
Variable rate instruments				
Cash assets	0.31%	71,127	0.40%	80,028
Bank loans	3.27%	(84,109)	2.97%	(93,983)
		(12,982)		**(13,955)**
Fixed rate instruments				
Finance leases & hire purchase	4.62%	(6,956)	3.72%	(1,340)
		(6,956)		**(1,340)**

Group sensitivity

Cash flow sensitivity analysis for variable rate instruments

At 30 June 2018, 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 $48,000 higher/lower (2017: $49,000 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.

On 28 February 2017 the Group announced the implementation of an on-market buy-back of shares. On 28 February the Group extended the buy-back period for a further 12 months. The board will continue to evaluate the share buy-back program whilst it considers this an appropriate allocation of shareholder capital.

UNRECOGNISED ITEMS

20. COMMITMENTS

	2018 $'000	2017 $'000
Operating Leases		
> Within one year	22,700	29,298
> Later than one year but not later than 5 years	52,006	57,520
> Later than 5 years	22,803	11,005
Commitments not recognised in the financial statements	**97,509**	**97,823**

Operating leases are not recognised in Cardno's statement of financial position. The Group leases office premises under non-cancellable operating leases, with terms varying from three to ten 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. 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.

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.

21. CONTINGENT LIABILITIES

Cardno had contingent liabilities at 30 June 2018 in respect of:

	2018 $'000	2017 $'000
Bank guarantees	43,301	60,160

Cardno had, at 30 June 2018, bank guarantee facilities/bond facilities with financial institutions denominated in Australian dollars, United States dollars and Great British pounds. The guarantee facilities available to Cardno total $75.9 million (2017: $73.0 million). These facilities are secured by an unlimited interlocking guarantee and indemnity or a parent company guarantee.

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 remains at the preliminary stages and the Company believes is spurious in nature. Caminosca has filed an initial response and will defend the claim.

In February 2015, the Group announced it was investigating a series of transactions involving Caminosca which are still ongoing. There remains the potential that a penalty or sanction could be imposed on Cardno.

Other Matters

Members of the Cardno Group are defendants in proceedings instituted in FY15 in relation to a large infrastructure project. While the damages claimed would be material if awarded against Cardno, the proceedings are ongoing and Cardno intends to continue defending the claim.

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.

22. SUBSEQUENT EVENTS

On 1 July 2018, the Group acquired David Douglas Associates, Inc, a 20 person civil engineering consulting firm based in Florida. The acquisition both strengthens our market position and provides geographic expansion in Florida.

Effective 2 July 2018, the Group acquired Trilab, a leading supplier of specialised Soil Mechanics Testing and Rock Mechanics Testing business. Trilab employs 40 staff and will strengthen Constructions Sciences' and Cardno's existing expertise in Materials Testing and Geotechnical Engineering.

The aggregate consideration paid for the above mentioned acquisitions is $8.7 million plus adjustments for working capital.

On 9 August 2018, Mr Ian Ball commenced as Chief Executive Officer and Managing Director. Ian brings more than 30 years international experience in consulting and professional services leadership within the fields of financial services, technology, innovation and Federal Government.

Apart from the events noted above, there has not arisen in the interval between the end of the year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the company, to affect significantly the operations of the Group or the results of those operations.

OTHER INFORMATION

23. OTHER CURRENT ASSETS

	2018 $'000	2017 $'000
Prepayments	10,040	10,607
Project advances	1,290	720
Security deposits	1,520	2,369
	12,850	**13,696**

24. OTHER FINANCIAL ASSETS

	2018 $'000	2017 $'000
Investments in non-related entities	236	1,323
	236	**1,323**

25. NOTES TO THE CASH FLOW STATEMENT

	2018 $'000	2017 $'000
Reconciliation of Net Cash from Operating Activities to Net profit for the year		
Net profit/(loss) for the year	**(14,018)**	**8,579**
Adjust for non-cash items		
Depreciation and amortisation	15,979	23,590
Gain/(loss) on sale of property, plant & equipment	(521)	1,285
Gain/(loss) on purchase/sale of business	51	(27,948)
Unrealised foreign exchange (gain)/loss	(96)	(281)
Share of associates net profits	-	64
Share based remuneration	2,499	850
Adjust for changes in assets and liabilities:		
(Increase)/decrease in assets:		
Work in progress	25,609	18,523
Deferred tax assets	44,788	(27,437)
Trade receivables	18,242	(16,919)
Provision for doubtful debts	(3,070)	6,139
Other receivables	1,731	(4,856)
Prepayments	474	(1,984)
Other assets	2,521	1,108
Increase/(decrease) in liabilities:		
Trade payables	(33,014)	6,267
Income tax payable	(5,875)	1,355
Employee provisions	(608)	(3,676)
Unearned revenue	(4,327)	5,079
Other liabilities	(3,792)	8,357
Deferred tax liabilities	(871)	(1,928)
	45,702	**(3,833)**

26. EARNINGS PER SHARE

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

	2018 $	2017 $
Profit/(Loss) attributable to ordinary shareholders	**(14,018,000)**	**8,579,000**
Profit/(Loss) from continuing operations attributable to ordinary shareholders	**(14,018,000)**	**(19,369,000)**
Weighted average number of ordinary shares	**No.**	**No.**
Number of ordinary shares at 1 July	474,955,277	479,040,905
Effect of share buy back	(2,218,733)	(1,103,017)
Effect of shares issued during the year	-	446,740
Weighted average number of ordinary shares at 30 June	**472,736,544**	**478,384,628**
	Cents	**Cents**
Earnings per share	**(2.97)**	**1.79**
Earnings per share - continuing operations	**(2.97)**	**(4.05)**

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:

	2018 $	2017 $
Profit/(Loss) attributable to ordinary shareholders (diluted)	**(14,018,000)**	**8,579,000**
Profit/(Loss) from continuing operations attributable to ordinary shareholders (diluted)	**(14,018,000)**	**(19,369,000)**
Weighted average number of ordinary shares (diluted)	**No.**	**No.**
Weighted average number of ordinary shares at 30 June (basic)	472,736,544	478,384,628
Effect of Performance Options and Performance Rights on issue	-	-
Weighted average number of ordinary shares (diluted) at 30 June	**472,736,544**	**478,384,628**
	Cents	**Cents**
Diluted Earnings per share	**(2.97)**	**1.79**
Diluted Earnings per share – continuing operations	**(2.97)**	**(4.05)**

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.

27. RELATED PARTY DISCLOSURES

Key management personnel

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

	2018 $	2017 $
Short-term employee benefits	2,512,918	2,657,482
Post-employment benefits	40,938	63,533
Equity compensation benefits	128,697	(74,926)
Termination benefits	-	1,014,655
	2,682,553	**3,660,744**

No Director has entered into a material contract with the Company or the consolidated entity since the end of the previous financial year and there were no material contracts involving Directors' interests existing at year-end.

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

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

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

28. CONTROLLED ENTITIES

Cardno's significant subsidiaries are listed below. This includes newly incorporated subsidiaries and subsidiaries acquired during the year (refer to Note 2). In addition, as part of ongoing efforts to streamline the group, a number of dormant subsidiaries were dissolved or closed.

Name	Country of Incorporation	Equity Holding 2018	Equity Holding 2017
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 Lawson Treloar Pty Ltd	Australia	-	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%
Construction Sciences NZ 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%
Construction Sciences Pty Ltd	Australia	100%	100%
Cardno ITC Pty Ltd	Australia	100%	100%
Cardno Australian Underground Services Pty Ltd	Australia	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%
Cardno BEC (Qld) Pty Ltd	Australia	100%	100%
Cardno (Colombia) S.A.S.	Colombia	100%	100%
Network Geotechnics Pty Ltd	Australia	100%	-

28. CONTROLLED ENTITIES CONTINUED

Name	Country of Incorporation	Equity Holding 2018	Equity Holding 2017
SureSearch Australia Pty Limited	Australia	100%	-
Utility Locating Pty Limited	Australia	100%	-
Cardno Emerging Markets (USA), Ltd	United States of America	100%	100%
Cardno Humphrey Reynolds Perkins Pty Ltd	Australia	100%	100%
Cardno LP Pty Ltd	Australia	-	100%
Cardno GS, 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%
Cardno Canada Limited	Canada	100%	100%
T2 Utility Engineers, Inc	Canada	100%	100%
Cardno PPI, LLC	United States of America	100%	100%
PPI Australia Pty Ltd	Australia	100%	100%
Cardno PPI UK Limited	United Kingdom	100%	-
PPI Quality & Asset Management (Singapore) Pte Ltd	Singapore	100%	100%
PPI Quality & Asset Management (Malaysia) Sdn Bhd	Malaysia	100%	100%
PPI Technology Services Nigeria Limited	Nigeria	-	100%
Cardno South Africa (Pty) Ltd	South Africa	100%	100%
Cardno Emerging Markets (Rwanda) Limited	Rwanda	100%	-
Cardno Mozambique LDA	Mozambique	100%	-
I.T. Transport Limited	United Kingdom	100%	100%

29. PARENT ENTITY DISCLOSURES

As at, and throughout, the financial year ending 30 June 2018 the parent Company of Cardno was Cardno Limited.

	Company	
	2018 $'000	**2017 $'000**
Results of the parent entity		
Profit/(Loss) for the year	(330,727)	(162,366)
Other comprehensive income	-	-
Total comprehensive income for the year	(330,727)	(162,366)
Financial position of the parent entity at year end		
Current assets	120,687	534,571
Total assets	370,274	892,695
Current liabilities	45,532	225,809
Total liabilities	45,944	226,220
Total equity of the parent entity comprising of:		
Share capital	804,145	815,563
Retained earnings	(479,815)	(149,088)
Total equity	**324,330**	**666,475**

Parent entity contingencies

Bank guarantees	20,148	26,574

A multiple guarantee facility is available to Cardno totalling $40 million (2017: $40 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 30.

30. DEED OF CROSS GUARANTEE

Pursuant to *ASIC Corporations (Wholly owned Companies) Instrument 2016/785*, 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
- Construction Sciences 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 2018 is set out as follows:

Statement of comprehensive income and retained earnings	**2018 $'000**	**2017 $'000**
Revenue	**471,671**	**528,622**
Employee expenses	(163,603)	(198,745)
Consumables and materials used	(173,385)	(185,383)
Sub-consultant and contractor costs	(83,075)	(80,297)
Depreciation and amortisation expenses	(4,595)	(7,945)
Loss on investment	(55,537)	(420,010)
Finance costs	(3,929)	(6,607)
Other expenses	(48,346)	(26,098)
Profit / (loss) before income tax	(60,799)	(396,463)
Income tax (expense)/benefit	(11,094)	25,197
Profit / (loss) from continuing operations	**(71,893)**	**(371,266)**
Profit for the year from discontinued operations	-	38,009
Net profit/(loss) for the year	**(71,893)**	**(333,257)**
Other comprehensive income for the year	(2,389)	7,251
Total comprehensive income for the year	**(74,282)**	**(326,006)**
Retained earnings at the beginning of the year	(362,923)	(29,666)
Transfers to and from reserves	2,389	(7,251)
Retained earnings at the end of the year	**(434,816)**	**(362,923)**
Attributable to:		
Owners of the Company	(434,816)	(362,923)

30. DEED OF CROSS GUARANTEE CONTINUED

Statement of financial position	2018 $'000	2017 $'000
CURRENT ASSETS		
Cash and cash equivalents	10,286	15,849
Trade and other receivables	266,861	934,919
Work in progress	3,524	21,085
Current tax receivables	3,321	2,891
Other current assets	2,439	2,558
TOTAL CURRENT ASSETS	**286,431**	**977,302**
NON-CURRENT ASSETS		
Investments	372,601	392,823
Property, plant and equipment	15,445	8,691
Deferred tax assets	42,044	46,818
Intangible assets	43,482	41,943
TOTAL NON-CURRENT ASSETS	**473,572**	**490,275**
TOTAL ASSETS	**760,003**	**1,467,577**
CURRENT LIABILITIES		
Trade and other payables	214,132	841,937
Short term provisions	16,320	15,399
Other current liabilities	8,032	7,634
TOTAL CURRENT LIABILITIES	**238,484**	**864,970**
NON-CURRENT LIABILITIES		
Trade and other payables	3,015	-
Interest-bearing loans and borrowings	87,010	94,505
Deferred tax liabilities	4,485	7,750
Employee benefits	2,630	3,197
TOTAL NON-CURRENT LIABILITIES	**97,140**	**105,452**
TOTAL LIABILITIES	**335,624**	**970,422**
NET ASSETS	**424,379**	**497,155**
EQUITY		
Issued capital	804,145	815,584
Reserves	55,050	44,494
Retained earnings	(434,816)	(362,923)
TOTAL EQUITY	**424,379**	**497,155**

31. AUDITOR'S REMUNERATION

	2018 $	2017 $
Audit services		
Auditors of the Company		
KPMG Australia:		
> Audit and review of financial reports	873,400	794,500
Overseas KPMG firms:		
> Audit and review of financial reports[1]	191,434	139,608
	1,064,834	**934,108**

[1] Current year includes fees incurred for audits for financial reports across multiple years

32. 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 2018 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 20 August 2018.

(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 and in accordance with that Class Order, all financial information presented in Australian dollars has been rounded to the nearest thousand unless otherwise stated.

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 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses
- AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107
- AASB 2017-2 Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016 Cycle

32. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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 2016-5 Amendments to AAS – Classification and Measurement of Share-based Payment Transactions	1 January 2018	30 June 2019
AASB Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018	30 June 2019
AASB Interpretation 23 Uncertainty over Income Tax Treatments, and relevant amending standards	1 January 2019	30 June 2020

The new standards not yet effective which may 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.

While the group does not expect the application of AASB 9 to have a material financial impact on the classification, measurement and recognition of its financial assets and financial liabilities, the provision for doubtful debts will increase on implementation of the accounting standard.

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 core principle of the new accounting standard is that an entity recognises revenue related to the transfer of promised goods or services when control of the goods or services passes to the customer. The amount of revenue recognised should reflect the consideration to which the entity expects to be entitled in exchange for those goods or services.

During the year, the group undertook an assessment to determine the impact of the new standard on the recognition, measurement and classification of revenue. A sample of revenue contracts were selected from revenue streams in each of the Group's divisions for analysis. Each contract was reviewed with reference to the five step model under the new standard.

As a professional services company, revenue is recognised on a percentage of completion basis for services provided. Percentage of completion is determined based on the proportion of contract costs or effort incurred to date and the estimated costs or effort required to complete the contracted services.

On application of AASB 15, the Group will continue to recognise revenue on the current percentage of completion method. As the services provided by the Group under the contracts sampled are highly interrelated with the same pattern of transfer they are viewed as a series of distinct services and as such the Group will account for services as a single performance obligation with revenue recognised based on the percentage of completion for that single performance obligation.

32. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

AASB 15 Revenue from Contracts with Customers Continued

Some contracts include a requirement for the customer to pay an upfront non reimbursable amount on inception of the contract. These are currently accounted for as deferred revenue and released as the performance obligations are satisfied. The Group will continue to account for the upfront payments as part of the overall performance obligation as they do not result in the transfer of a promised service to the customer at that time.

Based on this detailed assessment of the sample of existing revenue contracts, the Group expects no material changes in the timing or measurement of revenue would be required under the new standard.

In addition to the analysis, during the year the Group made significant improvements to its internal systems, provided training to project managers on updated policies and procedures and developed additional internal controls to meet the requirements of AASB 15.

The Group will adopt the cumulative transition approach to implementation where any transitional adjustment is recognised in retained earnings at 1 July 2018 without adjustment of comparatives and the new standard will only be applied to contracts that remain in force at that date.

AASB 16 Leases

AASB 16 removes the lease classification test and requires all leases (including operating leases) to be brought onto the balance sheet by a lessee. The definition of a lease is also amended and is now the new on/off balance sheet test for lessees.

The Group continues to assess the impact on its consolidated financial statements with the following impacts expected:

- additional lease assets and liabilities recorded in the Statement of Financial Position;
- removing lease payments as an operating expense and replacing this amount with a depreciation and finance cost expense in the Statement of Financial Performance; and
- reclassification in the Statement of Cash Flows for lease payments from operating cash outflows to financing cash outflows.

The full quantum of financial and disclosure impacts are yet to be determined with the choice of transition yet to be decided.

(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 28 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.

32. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(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.

(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.

32. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(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.

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 3 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.

32. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(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.

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.

32. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(h) Employee Benefits Continued

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.

(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 2018 the Group held 357,716 of the Company's shares (2017: 357,716).

Directors' Declaration

Cardno Limited and its Controlled Entities for the year ended 30 June 2018

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

   (a) the consolidated financial statements and notes set out on pages 27 to 70 and the Remuneration Report of the Directors' Report, set out on pages 15 to 24, 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 2018 and of its performance for the financial year ended on that date; and

      (ii) complying with Australian Accounting Standards 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 Group 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 Corporations (Wholly Owned Companies) Instrument 2016/785*.

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 2018.

4. The Directors draw attention to Note 32 to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Dated at Brisbane on the 20th day of August 2018.

Signed in accordance with a resolution of the Directors.

MICHAEL ALSCHER
Executive Chairman

Independent Auditor's Report

To the shareholders of Cardno Limited

Report on the audit of the Financial Report

Opinion

We have audited the ***Financial Report*** of Cardno Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group's*** financial position as at 30 June 2018 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- consolidated statement of financial position as at 30 June 2018;
- 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 then ended;
- notes including a summary of significant accounting policies; and
- Directors' Declaration.

The ***Group*** consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with *the Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

The ***Key Audit Matters*** we identified are:

- valuation of goodwill and intangible assets;
- revenue recognition – fees from consulting services; and
- recoverability of deferred tax assets for tax losses.

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of goodwill and intangible assets ($313m)

Refer to Note 12 to the Financial Report

The key audit matter	How the matter was addressed in our audit
A key audit matter for us was the Group's annual testing of goodwill and intangible assets for impairment, given the size of the balance being 37% of total assets. We focused on the significant forward-looking assumptions the Group applied in their value in use models, including: • forecast cash flows (margin and terminal growth rates) – the Group has experienced competitive market conditions in the current year. This impacted the Group through margin pressure in some Cash Generating Units (CGUs). These conditions increase the possibility of goodwill and intangible assets being impaired, plus the risk of inaccurate forecasts or a wider range of possible outcomes for us to consider. This requires additional audit effort specific to their feasibility and consistency of application to the Group's strategy; and • discount rates – these are judgemental in nature and vary according to the conditions and environment the specific CGU is subject to from time to time. We involved our valuation specialists and senior audit team members in assessing this key audit matter.	Working with our valuation specialists, our procedures included: • considering the appropriateness of the value in use method used in the annual test of goodwill and intangible assets for impairment against the requirements of the accounting standards; • assessing the integrity of the value in use models used, including the accuracy of the underlying calculation formulas; • comparing the forecast cash flows contained in the value in use models to the Board approved budgets; • assessing the accuracy of the previous Group budgets to inform our evaluation of forecasts incorporated in the models. We noted previous trends where challenging market conditions existed and how they impacted the business, for use in further testing; • considering the sensitivity of the models by varying key assumptions (forecast margins, terminal growth rates and discount rates), within a reasonably possible range, to identify those CGUs at a higher risk of impairment and to focus our audit procedures; • challenging the Group's significant forecast cash flows including margin assumptions in light of the expected continuation of competitive market conditions. We compared forecast margins to published information for comparable companies. We used our knowledge of the Group, their past performance, business and customers, and our industry experience; and • independently developing a discount rate range considered comparable using publically available market data for comparable entities, adjusted by risk factors specific to the Group and the industry it operates in.

KPMG

Revenue recognition - fees from consulting services ($764m)	
Refer to Note 3 in the Financial Report	
The key audit matter	**How the matter was addressed in our audit**
We focused on fees from consulting services as a key audit matter due to the risk associated with the judgements applied in determining revenue recognition near year-end. 68% of the Group's revenue relates to fees from consulting services. The Group's policy is to account for revenue earned from consulting services under long term contracts or fixed fee arrangements using contract accounting, which is based on the Group's estimate of the percentage of completion. Our audit effort focused on revenue earned from long term contracts or fixed fee arrangements which remains in work in progress at year-end (unbilled). This is driven by the risk arising from the estimates and judgements required by the Group in determining the percentage of completion of the project. Changes to these estimates would give rise to variances in the amount of revenue and profit/loss recognised.	Our procedures included: • testing key controls in the Group's revenue recognition process, including: - approval of project initiation and subsequent contract variations; - approval of timesheets by project managers; and - relevant IT systems controls with the assistance of our IT specialists; • testing revenue earned from long term contracts or fixed fee arrangements near year-end by selecting a sample of these contracts within work in progress; and: - comparing key terms of the contract with the revenue recognition basis applied by the Group and the revenue recognition criteria of accounting standards; - comparing the project details recorded in the accounting system, including contract start date and contract amount, to the key terms of the actual contract; - critically evaluating the estimated percentage of completion used to recognise revenue and work in progress by comparing it to evidence from project reports and information provided by the project managers; and - checking the subsequent billing and cash received where applicable, or assessing the aging of work in progress amounts remaining unbilled at year end.

Recoverability of deferred tax assets for tax losses ($43m)	
Refer to Note 7 in the Financial Report	
The key audit matter	**How the matter was addressed in our audit**
The recoverability of Deferred Tax Assets (DTA) relating to historical tax losses is dependent on the ability of the Group to generate sufficient taxable income in the future, to which the historical tax losses can be applied. This is a key audit matter due to: • the high level of judgement required by us in evaluating the Group's assessment of the probability sufficient taxable income will be generated in the future; and • the judgement required by us in evaluating the Group's interpretation of tax legislation and the application of accounting requirements, particularly in Australia and the United States of America. These factors increase the risk associated with accurately forecasting future taxable income and create complexity in our work on the recoverability of the DTA. We involved our tax specialists and senior audit team members in assessing this key audit matter.	Working with our tax specialists, our procedures included: • comparing the forecasts included in the Group's estimate of future taxable income used in the DTA recoverability assessment to those used in the Group's assessment of the valuation of goodwill and intangible assets for consistency. Our approach to testing these forecasts was consistent with the approach detailed above in relation to the valuation of goodwill and intangible assets; • comparing taxable profit to historical trends and performance to inform our evaluation of the current taxable profit forecasts; • involving our tax specialists and teams from the relevant jurisdictions to assess the tax loss availability, utilisation expiry dates and annual utilisation allowances for consistency with local practice, regulatory parameters and legislation; and • understanding the timing of future taxable profits and considering the consistency of the timeframes of expected recovery to our knowledge of the business and its plans. We placed increased scepticism where there was a longer timeframe of expected recovery.

Other Information

Other Information is financial and non-financial information in Cardno Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001;*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: http://www.auasb.gov.au/auditors_responsibilities/ar1pdf. This description forms part of our Auditor's Report.

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Cardno Limited for the year ended 30 June 2018, complies with *Section 300A of the Corporations Act 2001*.

Directors' responsibilities

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 responsibilities

We have audited the Remuneration Report included in pages 15 to 24 of the Directors' Report for the year ended 30 June 2018.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

KPMG

Simon Crane
Partner

Brisbane
20 August 2018

Additional Shareholder Information

DISTRIBUTION OF ORDINARY SHAREHOLDERS

The number of shareholders, by size of holding, as at 31 July 2018 were:

	Ordinary Shares	
	Number of	Number of Shares
1 – 1,000	6,576	1,879,119
1,001 – 5,000	2,104	5,161,168
5,001 – 10,000	757	5,617,611
10,001 – 100,000	1,083	29,992,461
100,001 – and over	121	421,499,066
Total	**10,641**	**464,149,425**

As at 31 July 2018 there were 4,645 shareholders who held less than a marketable parcel of 394 shares.

TWENTY LARGEST ORDINARY SHAREHOLDERS

The names of the twenty largest holders as at 31 July 2018 were:

	Listed Ordinary Shares Number	
	Held	Percentage
CRESCENT CAPITAL INVESTMENTS	215,178,846	46.36
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	111,719,600	24.07
J P MORGAN NOMINEES AUSTRALIA LIMITED	30,478,509	6.57
CITICORP NOMINEES PTY LIMITED	24,200,883	5.21
UBS NOMINEES PTY LTD	3,181,955	0.69
BNP PARIBAS NOMS PTY LTD <DRP>	3,142,732	0.68
NATIONAL NOMINEES LIMITED	1,929,108	0.42
BRISPOT NOMINEES PTY LTD <HOUSE HEAD NOMINEE A/C>	1,719,369	0.37
HALJAN MANAGEMENT LP	1,686,192	0.36
ANNE FELICITY PHILLIPS	1,101,378	0.24
BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	955,174	0.21
ALLEGRA VENTURES PTY LTD <GEE SUPERANNUATION A/C>	947,339	0.20
TAMBLYN INVESTMENTS PTY LTD	800,000	0.17
PEDERICK ENTERPRISES PTY LTD <PEDERICK SUPER FUND A/C>	762,736	0.16
TREVOR JOHNSON	687,779	0.15
ALLEGRA VENTURES PTY LTD <GEE SUPER FUND A/C>	621,072	0.13
NEWECONOMY COM AU NOMINEES PTY LIMITED <900 ACCOUNT>	611,587	0.13
FOUR G'S HOLDINGS PTY LTD <THE GARDINER FAMILY A/C>	600,000	0.13
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	555,761	0.12
MR RICHARD FRANCIS WOODS + MRS THERESE WOODS <R & T WOODS SUPER FUND A/C>	497,928	0.11
Total	**401,377,948**	**86.48**

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	224,025,306	47.75
Invesco Australia Limited	56,159,533	11.71

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 July 2018 the details of Performance Rights on issue are as follows:

Number of Rights Holders	Number of Rights on Issue
17	4,168,275

VOTING RIGHTS OF RIGHTS

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

BOARD OF DIRECTORS

Chairman

Michael Alscher

Directors

Neville Buch
Steven Sherman
Jeffrey Forbes
Gary Jandegian
Robert Prieto
Nathanial Thomson
Rebecca Ranich

Chief Executive Officer

Ian Ball

Chief Financial Officer

Peter Barker

Company Secretaries

Courtney Marsden
Peter Barker

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Commonwealth Bank of Australia

Standard Chartered Bank

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