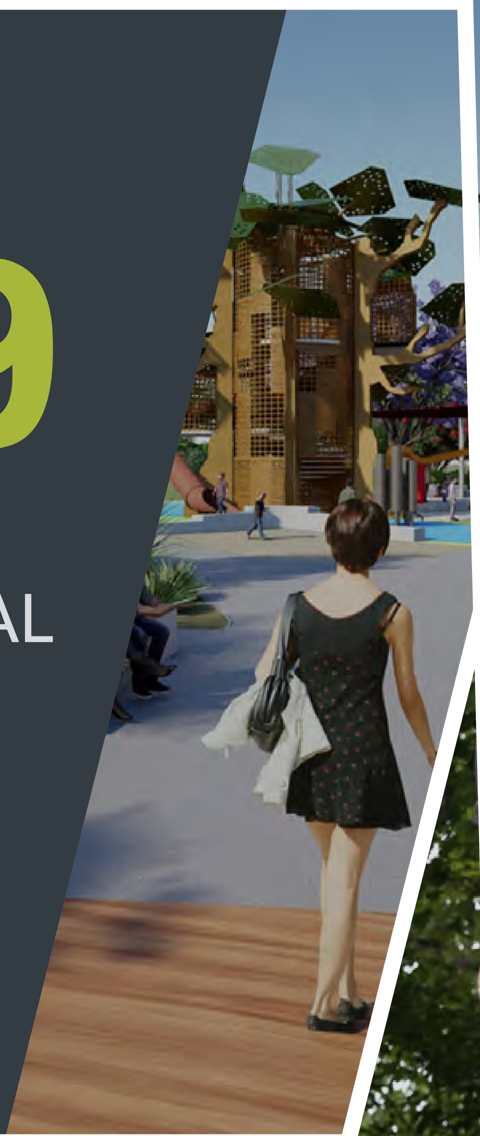
FY19

CARDNO 2019 ANNUAL REPORT

for the year ended
30 June 2019



Cardno Limited
ABN 70 108 112 303
and its controlled entities

Making a difference.

Chairman’s Letter

Dear Shareholder,

It is with pleasure that I write to you on the performance of your company.

Cardno continues its focus on providing an elevated platform to meet the needs of our customers and staff and thus create long term shareholder value for all shareholders.

I am pleased to report that your company achieved results at the upper end of its guidance with an underlying Earnings Before Interest Tax Depreciation Amortisation and Impairment of $62.0 million. As we have counselled in prior years, we believe this financial measure is the most appropriate metric from which to measure the company’s performance given its focus on cashflow and the company’s tax benefit position. The Net Loss After Tax of $44.5 million included a further write-off of goodwill in the domestic Asia Pacific business associated with acquisitions made prior to 2015. While disappointing, the Board’s focus is to ensure the balance sheet best reflects future performance of the business. I note for shareholders that this write-off of goodwill is not a cash item and does not impact the company’s operations.

OPERATING HIGHLIGHTS

Asia Pacific

While the Group result is pleasing, it masks a continued financial underperformance in the Asia Pacific Consulting Division. Our Asia Pacific business is well placed with excellent leadership and staff. Unfortunately, due to a lack of any material project wins during FY19, we have had a lower level of baseload work across many specialist areas. This and the fall off in urban planning work associated with lower levels of residential building activity continue to weigh down on the Australian business. It is unfortunate that we have been the engineering partner of choice on what we believe are very strong bidding syndicates only to come second in many of the larger tenders on new infrastructure projects awarded in the FY19 year. Our view is that it is only a matter of time before we will see the Australian business bounce back to where it has operated previously. In the meantime, the Australian leadership has restructured the Asia Pacific business’ operating structure to best deal with this without affecting future opportunities.

Americas

The Americas continues to see its financial performance improve and we continue to build positive momentum in how our operating divisions engage with their local market. The opportunity to see continued improved performance in this division is high as this year’s result was held back by one of the Americas businesses under performing during the year.

International Development

Our International Development (ID) business had another strong year and we remain strong believers as a company and Board in our work in this area and the social and economic impact we deliver right across the world. The division’s performance was held back this year due to political uncertainty in the northern hemisphere. While our ID Asia Pacific and African operations both reported strong performance, the continued impact of Brexit on our European operations was material. We are hopeful that some resolution to the operating environment in Europe and the UK in the year ahead will alleviate the under performance we have encountered this past year in this geography.

Portfolio Companies

Most pleasing this year saw the step change in size and performance of our Portfolio group of companies. With the acquisition of Raba Kistner in the US, we now have a complementary business in the US market with that of Construction Sciences in Australia and one which shares similar qualities in respect to market position, depth of customer relationships and operating performance. The turnaround in Cardno PPI (our Oil and Gas Quality Assurance business), which has had its strongest year both in terms of financial performance and work in hand for a number of years, was also very pleasing.

Chairman's Letter *(continued)*

ACQUISITIONS

In the FY19 year we completed the two largest acquisitions we have made in the last four years. This is pleasing for two main reasons. Firstly, the acquisitions were on strategy and consistent with our current operations across the business. Second, the company felt comfortable from a balance sheet and management perspective to execute on these opportunities. I am pleased to report that each acquisition has performed to or ahead of plan.

DEMERGER

The most material announcement of my letter to you this year is our accompanying announcement to the release of our results regarding the proposed Demerger of the company.

The Board is unanimously recommending that shareholders, via a scheme of arrangement, support the demerger of Cardno into two separate companies to be listed on the Australian Stock Exchange. These companies will be known as:

- Cardno Limited (the existing global consulting services and international development business)
- Intega Group Limited (the materials testing, underground surveying and O&G quality assurance business)

Each shareholder will receive a scheme booklet in early September outlining the proposed demerger and shareholder information hotlines will be established to answer any questions you may have. I urge you to read the information carefully.

The Board of Cardno believes the proposed demerger is the best way forward to maximise value for all shareholders. As we have discussed in prior communications, the Cardno of old was a mixture of businesses focussed on the creation of scale and little was achieved in the way of integration between some of these acquisitions.

In the last four years your Board and management have worked tirelessly to repair the balance sheet of the company, integrate businesses that had genuine synergies and shared customers and services as well as exit businesses that didn't reflect the future direction of the company. Today we have a much more integrated business that functions as one with a divisional structure which effectively delivers on client projects across regions. However, it was apparent to us some years ago that parts of our business did not fit together with our main consulting services platform. These businesses needed to be managed separately due to their distinct operating environments, customers and staff culture. This saw the creation of the Portfolio Companies division which has been managed separately from the core business. The separation of the businesses which make up the Portfolio Companies division has been very successful in enabling those businesses to operate in a manner appropriate to their industry and thus thrive. Our view has always been that while these businesses remained sub scale they still represented a core value for shareholders and that the best way to obtain value for shareholders from these businesses was to continue to manage them directly.

With the acquisition of Raba Kistner in Texas as well as the SureSearch and Trilab businesses in Australia, the situation has evolved such that the Portfolio Companies division now has the requisite scale to operate independently. While we believe the division would be well received by prospective buyers if we elected to sell it, the Board's view is that the best way to maximise value for shareholders is to demerge the business and award each existing shareholder with an additional share in the new entity, Intega Group Limited. Shareholders can benefit from the opportunities available to Intega rather than another party. Shareholders can also opt to sell their shares in the new entity, or continue to directly benefit from the ongoing ownership in the new company, Intega Group Limited.

Chairman's Letter *(continued)*

Our motivation as a Board for unanimously supporting the demerger has several elements:

1. The Cardno business which remains will become a pure engineering and environmental consulting and international development company. This company will be homogenous with one shared approach to business, one culture and one operating style.
2. The portfolio company division, Intega, has a very different approach to servicing its customers and markets. It is also a very different business to the core Cardno business. Its demands and needs for capital are materially different as are its customers and the way in which it is remunerated by its customers. In essence, the management approach and style needed to operate Intega is very different to that required for the broader Cardno business. Operating as a combined business creates a sub optimal operating environment for each business.
3. Both Cardno and Intega have material opportunities in front of them and within the one structure there are genuine pressures for capital allocation, internal investment and prioritisation of resources which will be better managed as two distinct businesses.
4. While the two businesses remain as one business, neither business is able to build a truly focussed approach to its operations, staff and culture.
5. The Board believes that the best way of maximising value for all shareholders is to operate as two distinct companies.

At the core of all decisions made by the Board is a focus on providing exceptional service to our clients, a work environment that is safe and attractive for our employees and maximising shareholder value for all shareholders. We genuinely believe these three goals are best served by the proposed demerger and I urge you to support the demerger by voting for the scheme of arrangement.

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

MICHAEL ALSCHER

Executive Chairman

CEO's Letter

Dear Shareholder,

This is my first annual report as the CEO and Managing Director of Cardno. I am proud to take on this role and lead the business into its 75th year of operation. I am also delighted to report that Cardno has advanced significantly and is now a stronger business with an improved outlook and backlog. Our focus is on Client Excellence, People Excellence and Delivery Excellence across all parts of our business, enabling sustainable and profitable growth underpinned by our company values of Safety, Integrity, People and Excellence.

During my first year, the leadership team has initiated specific actions to improve our focus on clients, enhance our acquisition and retention of talent and improve our efficiency and agility. We are also leveraging the deployment of digital technology to drive "innovation that matters".

As a result, I am pleased to report that the Cardno Group delivered an underlying EBITDAI of $62.0m which is at the top end of guidance, achieving expectations for a third year in a row and strengthening our platform for future growth.

FY19 FINANCIAL HIGHLIGHTS

The benefits of our multi-year restructure can be seen in Cardno's financial results:

> Gross Revenue $1,319m up 18.1% on prior year

> Underlying EBITDAI $62.0m up 10.3% on prior year

> Conversion of EBITDAI into operating cash flow pre-tax and interest expense was a pleasing 95.6% ($48.4m)

> We showed our strength in diversity, meeting expectations in aggregate with variances across Divisions:

- **Americas'** performance continues to steadily improve with revenue up 14.3% on prior year and EBITDA margin increased from 4.8% to 5.1%. Actions are underway to address two loss-making business units which will yield further margin improvements going forward.
- **Asia Pacific** revenues down 4.1% on prior year in a competitive market, especially in urban development. EBITDA margin down from 5.6% to 4.5% driven by the continued wind down of a number of major projects, surplus capacity and the costs of running two Divisions in the first half of the year, prior to consolidation. The Division was restructured in the second half to a single, leaner operation and with the addition of TGM (the regional Victorian acquisition), we are now well placed for revenue growth and margin expansion, with some large project opportunities in the pipeline.
- **International Development (ID)** revenue up 13.2% on prior year. EBITDA margin down from 3.4% to 1.2% given planned investments. ID Asia Pacific performed strongly and a new leader was recruited in the US.
- **Construction Sciences** now a materially larger business – doubling its revenue through organic growth in Australia and the acquisition of Raba Kistner in the US. EBITDA margin remains ~10% on strong revenue growth.

> Backlog, which is a leading indicator of our future revenues, grew very strongly by 14.7% over the prior year due to an increased focus on clients, investment in business development staff and the addition of our recent acquisitions.

> We completed four acquisitions, DDAI, Trilab, Raba Kistner and TGM. All are performing strongly, with the two larger businesses, TGM (expanding Cardno's consulting engineering footprint in regional Victoria) and Raba Kistner (establishing a footprint in materials testing across Texas in the United States) ahead of expectations.

As noted 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. For FY19, capital expenditure was $24.5m. In addition, capital was used to continue the share buy-back program, with $21.5m spent on buying back Cardno stock in the financial year ($13.9m in FY18).

CEO’s Letter *(continued)*

DIVISION REVIEWS

> The **Asia Pacific Division’s** EBITDA margin declined from 5.6% to 4.5% as a result of a competitive market, the conclusion of some major projects and an inefficient operating model. Asia Pacific North and South were consolidated in H2 to create a single business to drive improved collaboration, client focus and provide a platform for leadership to improve operational efficiencies. We introduced a key account program, initiated an improved client feedback program, continued our investment in leading business development capabilities and an improved opportunity management system to drive client excellence. We have also taken many actions to improve our delivery excellence such as increasing our project management capabilities, reducing excess capacity, exiting unprofitable practices, rationalising our P&Ls, simplifying the organisational structure of the business and sharpening accountabilities. In addition, we successfully acquired and integrated consulting business TGM to extend our Victorian business into the attractive regional markets of Ballarat and Geelong.

> The **Americas Division** had a strong year and performance continued to improve with significant revenue growth and an expansion of EBITDA margin from 4.8% to 5.1%. This growth has been a result of continued integration of strategic acquisitions, strengthened operating and financial discipline, and key account management. The past year saw particularly strong performances in Science and Environment and Government Services with key contract wins and margin expansion in both businesses. America’s leadership focus on key accounts and investment in business development has driven an increase in backlog which will propel continued momentum into 2020. Americas’ EBITDA margin was impacted by two underperforming businesses in Infrastructure which are being addressed. This is expected to result in continued margin improvement.

> The **International Development Division** delivered a 1.2% EBITDA margin which met expectations given planned investments. It has been a challenging year with BREXIT impacting decisions on UK Government Development awards, and shifting priorities in the US Development spend. The Division took measures to mitigate these risks and through their client focus, deep capability and experience achieved significant new contract wins and program expansions. The Division continues to grow and expand its private sector consulting service line, and is leveraging its expertise in eradication of modern-day slavery, shared value and strengthening ESG business focus. We expect this to be a key element of growth in 2020.

> **Construction Sciences** performed extremely well, both organically and through the acquisition of Raba Kistner in December 2018. In Australia, Construction Sciences continues to grow the top line organically, benefiting from ongoing transport infrastructure spend (for example freeways, roads, airports) as well as modest mining infrastructure development activity in Western Australia and Queensland. Ongoing operational disciplines implemented over the past three years (in part as a result of recognising Construction Sciences as a separate business needing to operate on industry specific business drivers and metrics) continue to deliver solid EBITDA margins. The acquisition of Raba Kistner, a construction materials testing business headquartered in San Antonio, Texas, provides a material presence in Texas and other US states. We are delighted to welcome Gary Raba and the Raba Kistner team to the combined group – like Australia (albeit on a significantly larger scale) Texas specifically and the US generally are investing heavily in transport infrastructure, and Raba Kistner is well positioned to serve and grow with this sector.

> **PPI**, our Houston headquartered Oil & Gas business, exits FY19 in profit and with a growing top and bottom line. While PPI’s contribution to group EBITDA is comparatively modest, the PPI leadership team has over the past three years turned the operation around from being a material loss maker in FY16 to entering FY20 with both positive momentum and a growing order book. The strategy of both focus on mid-stream Oil & Gas and diversifying by expanding the quality assurance practice, plus exiting loss making markets has been successful.

> In **Latin America**, we continue to complete and wind down engineering projects.

CEO’s Letter *(continued)*

OPERATIONAL FOCUS

Cardno’s financial progress has been underpinned by a parallel effort to reset the organisation operationally. Significant progress has been achieved in a number of focus areas:

> **Safety** – safety is one of our core values. Our Zero Harm culture is strongly embedded in our business to ensure that our people come home from work safely every day. Our continued focus has seen an improvement in our Total Recordable Injury Frequency Rate (TRIFR) with a 25% reduction in our TRIFR across our Consulting business, (Asia Pacific and Americas) and a 27% reduction in Construction Sciences. In addition, our International Development division continues to track well below industry standard and our PPI business has industry leading performance with a TRIFR of zero which it has maintained for the last three years.

> **People Excellence** – Cardno’s greatest asset is its people. We are committed to attracting, developing and retaining the very best people for our business. In the last year we have initiated work on a new Employee Value Proposition, implemented new Personal Development Plans, defined new Career Paths and Talent Development Programs - providing more options for our people. We also launched industry leading Paid Parental Leave policies and Domestic and Family Violence leave programs and significantly reduced our gender pay gap in Asia Pacific and the Americas by 47% for USD paid employees and by 32% for AUD paid employees in less than one year. International Development continues to lead with a gender pay gap of close to zero and is focussed on extending and expanding its inclusive agenda with more active engagement with indigenous communities through the development of our Reconciliation Action Plan. Cardno also recently launched its Inclusion and Diversity strategy across the business and I have communicated about how an inclusive culture contributes to Cardno being a great place to work. I’ve also made some deliberate and public strategic moves to increase Cardno’s profile in the diversity and inclusion space, including publishing Cardno’s Gender Pay Gap results internally and externally, speaking on the subject on panels and joining Consult Australia’s Male Champions of Change.

> **Client Excellence** – We are building on our strengths in project delivery as well as technical and industry eminence to achieve advisor status and sustainable relationships with our clients. Over the last year, in Asia Pacific and the Americas, we have formalised our Key Account Programs with the development of Key Account Plans and appointment of Key Account Leaders. We have increased our investment in business development expertise and we have executed our plans to broaden and deepen client relationships and provide solutions for our clients’ most complex engineering and environmental challenges. Through this more proactive approach, we are adding value for our clients and have increased our backlog at the end of 2019 as well as our pipeline of opportunities.

> **Delivery Excellence** – We have reviewed our project delivery and business support processes over the last year. In Asia Pacific, we have designed and launched a new end-to-end project management framework to improve the consistency of our quality and commercial outcomes which in turn allows us to better manage risk. Towards the end of the year, we commenced a review of our business support functions in each Division and at the Group level. We will continue this review, including benchmarking during 2020 with a goal to evolve our business support functions to provide efficient and effective support, leveraging technology and our Manila operation.

> **Digital Enablement & IT** – Half way through FY19 we appointed a Chief Digital Officer to accelerate the digital transformation of Cardno. We also appointed a Chief Technology Officer to focus on developing a technology stack for the future as well as enterprise applications. These two new roles will increase our focus on the business application of emerging technology. We have completed our future state enterprise architecture and have begun rapidly advancing our digital agenda with a goal to develop and launch new digital client value propositions whilst continuing to improve our digital tools and analytics capabilities to uplift delivery excellence and efficiency. One such example, already launched and implemented on client projects in our New Zealand business, is a drone mounted thermal imaging capability to scan, map and identify underground water leaks invisible from the surface.

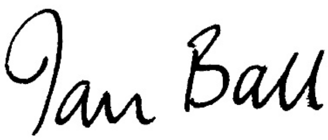
CEO's Letter *(continued)*

FUTURE PRIORITIES

Going forward we are focused on building Cardno into a client-focused professional services business generating sustainable growth and double-digit margins, leveraging digital technology.

- We are focused on continuing the strong momentum in our Americas business by continuing to grow through prioritising and accelerating growth of priority service lines (for example: Transportation and Restoration Services) in priority markets (for example: California, Texas, Florida) through strategic investments and our aspiration to complete an acquisition of scale.
- In Asia Pacific, we will continue to build our business around our key accounts and our continued investment in business development. We are focused on winning several large opportunities in our pipeline and benefitting from the underlying growth in spend on infrastructure. In addition, we will continue to execute our business improvement actions and leverage digital technology to improve client value and efficiency and expand our margins
- International Development will be focused on growing its US and EMEA business leveraging our investments in new leadership and developing deeper client relationships. We will continue to invest in building new client value propositions in private sector consulting work leveraging our strengths in shared value programs, ESG consulting, and Modern-Day Slavery mitigation
- People Excellence will always be a focus and we will complete our Employee Value Proposition, expand our commitment to Inclusion and Diversity programs, and we will continue to reduce our gender pay gap until we reach and sustain equality
- We will advance our Digital transformation across the business with specific client facing offerings and internal process improvements.

In closing, it has been a year in which we have commenced many initiatives to improve our client, people and delivery excellence which are strengthening our business, providing a platform for future growth and delivering strong operating profit and cashflow. I would like to thank my Board, our employees, clients, banking partners and shareholders for their support during my first year and their ongoing support as we advance Cardno into the future.



IAN BALL

Managing Director and Chief Executive Officer

Consolidated Financial Statements

for the year ended 30 June 2019

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The Company's Corporate Governance Statement last updated and Board approved on 20 August 2019 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 2019.

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	Non-Executive Director and Chairman (appointed 9 August 2018) Executive Director and Executive Chairman (appointed 13 April 2018, resigned 9 August 2018) Acting Chief Executive Officer (appointed 13 April 2018, resigned 9 August 2018)
Ian Ball	Chief Executive Officer and Managing Director (appointed 9 August 2018)
Neville Buch	Non-Executive Director
Jeffrey Forbes	Non-Executive Director
Rebecca Ranich	Non-Executive Director
Steven Sherman	Non-Executive Director
Nathanial Thomson	Non-Executive Director
Gary Jandegian	Non-Executive Director (resigned 24 October 2018)
Robert Prieto	Non-Executive Director (resigned 24 October 2018)

COMPANY SECRETARIES

Courtney Marsden	Legal Counsel & Joint Company Secretary (on parental leave)
Vikash Naidu	General Counsel & Interim Joint Company Secretary (appointed 12 November 2018)
Peter Barker	Chief Financial Officer & Joint Company Secretary

Qualifications of Company Secretaries

Courtney Marsden – BAppSc, LLB (Hons), LLM

Vikash Naidu - LLB, BEnvSc, GradDip LegalPrac, LLM, GradDip AppCG

Peter Barker – BComm, MBA, FCPA

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

Directors' Report *(continued)*

Director	Experience	Special Responsibilities
Michael Alscher	Michael Alscher joined as a Non-Executive Director of Cardno Limited in November 2015. He then became Chairman in January 2016. He is the Managing Partner and founder of Crescent Capital Partners, a leading Australian based private equity firm with $2 billion in funds under management, specialising in high growth companies and certain industries such as healthcare and the services sector across multiple disciplines. Prior to founding Crescent in 2000, Michael was a strategy consultant at Bain International and the LEK Partnership as well as holding several senior operating roles. Michael is currently a Non-Executive Director of ClearView Limited and the Non-Executive Chair of Australian Clinical Labs, National Dental Care, National Home Doctor Service and Crumpler Michael holds a Bachelor of Commerce (Finance & Mathematics) from the University of New South Wales.	*Non-Executive Chairman* *Chairman of Remuneration Committee* *Member of Audit, Risk & Compliance Committee*
Ian Ball	As the Chief Executive Officer and Managing Director of Cardno, Ian Ball is responsible for leading the Global business and driving client excellence, people excellence and delivery excellence to grow Cardno's shareholder value. Ian has more than 30 years' experience in consulting and professional services within the fields of financial services, technology, industrial services and government. He began his career in strategy consulting and has developed international leadership experience in Australia, North America and Europe; working with companies like IBM, Ernst & Young, Bain & Company and SilverLake LLP Private Equity. Ian represents Cardno as a Male Champion of Change with Consult Australia and is Cardno's Pay Equity Ambassador for the Workplace Gender Equality Agency (WGEA). 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 United States.	*Chief Executive Officer and Managing Director*
Neville Buch	Neville Buch joined as a Non-Executive Director of Cardno Limited in November 2015. He became the Interim CEO in November 2016 to March 2018, and was appointed as a Deputy Chairman in May 2018. 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 Director of Steel Mains and the Non-Executive Chair of NZ Panels Group, Hall Contracting, Viridian and Nude By Nature. Neville holds a Bachelor of Science in Electronic Engineering (Hons Computer Design) and a Masters of Business Administration from the University of Witwatersrand, South Africa.	*Non-Executive Director* *Member of Remuneration Committee*
Steven Sherman	Steven Sherman joined Cardno Limited as a Non-Executive Director in January 2016. He is a Chartered Accountant with more than 35 years' experience in corporate restructuring and insolvency. His experience ranges from advising on and facilitating restructuring and turnaround strategies for large listed enterprises to the re-engineering of entire business across multiple international jurisdictions. During his time in private practice Steven was the National Managing Partner of one of Australia's largest independent internationally operating restructuring and corporate advisory firms. He has practiced in the area of financial and operational restructuring and provided professional advice to multi national financiers and lending syndicates as well as company boards and executives.	*Non-Executive Director* *Member of Audit, Risk & Compliance Committee* *Member of Remuneration Committee*

Director	Experience	Special Responsibilities
	Steven has a Bachelor of Commerce from the University of NSW. He is a Fellow of the Institute of Chartered Accountants and a member of the Australian Institute of Company Directors.	
Jeff 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. Jeff is the Non-Executive Chair of Herron Todd White Group and Non-Executive Directors 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. 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 holds a BCom from the University of Newcastle and is a Graduate of the Australian Institute of Company Directors.	*Non-Executive Director* *Audit, Risk & Compliance Committee Chairman* *Member of Remuneration Committee*
Nathanial Thomson	Nathanial Thomson became a Non-Executive Director of Cardno Limited in May 2016. He is a Partner at Crescent Capital Partners and responsible for the assessment of potential investment opportunities and management of investee companies. Prior to joining Crescent in 2004, Nathanial was a strategy Consultant for McKinsey & Co. where he executed multiple strategy and operational assignments across industry sectors and geographies. He is currently a Non-Executive Director of ClearView Limited, Australian Clinical Labs, National Dental Care and National Home Doctor Service. Nathanial holds a BCom with honours and an LLB with honours from the University of Western Australia.	*Non-Executive Director* *Member of Remuneration Committee*
Rebecca Ranich	Rebecca Ranich joined Cardno Limited as a Non-Executive Director in March 2018. She has nearly 30 years of experience, and over her career, has led transformational business initiatives, forged global strategic alliances and led new market ventures in the energy and infrastructure sectors. Rebecca is an investor in and advisor to emerging technology companies, and is in collaboration 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 former Director at Deloitte Consulting, LLP where she led Energy and Sustainability Investment Advisory services for public sector clients. Prior to Deloitte, she was a Vice President at Michael Baker Corporation (Baker). Rebecca also serves as a Director on the Board of the National Fuel Gas Corporation (NYSE: NFG, (Governance and Nominating Committee)); she is a Supervisory Board member of Uniper SE (DAX: UN01); a Vice-Chairman of the Board of the Gas Technology Institute (and Chair Investment Committee) and serves on the Advisory Board of Yet Analytics, Inc. Rebecca has a Bachelor of Arts (B.A.) from Northwestern University and a Masters of Business Administration (MBA) from the University of Detroit. She served on the National Petroleum Council and has been a member of the National Association of Corporate Directors.	*Non-Executive Director* *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 2019 or 30 June 2018.

EVENTS SUBSEQUENT TO REPORTING DATE

On 21 August 2019, the Company announced the proposed demerger of its Quality, Testing and Measurement businesses into a separate ASX listed entity, to be named Intega Group Limited. The demerger requires shareholder approval and if it proceeds, will be implemented via a capital reduction and scheme of arrangement.

There has been no impact of the proposed demerger on the balances and transactions recognised in these financial statements. Should the demerger proceed, the composition of the Group's cash generating units (CGUs) and tax consolidated groups will change and certain non-current assets will be reclassified as assets held for distribution to owners and measured at the lower of carrying value and fair value less costs to distribute. Accordingly, key accounting estimates and judgements relying on forward looking assumptions used to determine the carrying value of goodwill and deferred tax assets may need to be reassessed, and the fair value less costs to distribute of certain assets will need to be determined.

Other than the matter 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.

Directors' Report *(continued)*

REVIEW OF RESULTS

PERFORMANCE ($m)	2019	2018
Gross Revenue	1,319.3	1,117.0
Fee Revenue	895.2	763.5
Underlying EBITDAI [1]	62.0	56.2
Underlying NOPAT [2]	16.3	20.0
Net Profit / (Loss) after Tax	(44.5)	(14.0)
Operating Cash Flow	40.8	45.7
EPS - basic (cents)	(9.78)	(2.97)
NOPAT EPS - basic (cents)	3.57	4.23

[1] Underlying EBITDAI = EBIT plus underlying adjustments, depreciation, amortisation and impairment losses
[2] Underlying NOPAT = NPAT plus underlying adjustments and impairment losses

EBITDAI 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 30. 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 underlying adjustments such as impairment losses of goodwill and acquisition related costs.

Balance Sheet

During the year, the Company refinanced its debt facilities. The new facility is a three-year AU $110.8 million and US $83.0 million syndicated drawdown facility, expiring in December 2021. The company is in a net debt (cash on hand less debt) position of $93.6 million at the end of 30 June 2019 (net debt of $110.9 million at 31 December 2018 and net debt of $19.9 million at 30 June 2018). The increase in net debt relates to funds drawn for the acquisition of Raba Kistner and TGM in late calendar year 2018, less repayment of debt in 2H FY19.

Included in the balance sheet is an increase of $46.0 million to intangible assets relating to goodwill, customer contracts and customer relationships acquired on the completion of four acquisitions during the year ended 30 June 2019, net of an impairment recorded against the Asia Pacific business. Refer to notes 2 and 12 for further details.

Cash Flow

The Company recorded a net operating cash inflow for the year of $40.8 million (inflow $45.7 million FY18). This is primarily driven by a strong operating result for the year, tighter working capital controls, the timing of receipts of large payments from clients, and higher financing costs associated with the new debt facility (both drawn debt to fund acquisitions and higher cost of debt).

Directors' Report *(continued)*

SEGMENT OVERVIEW

Asia Pacific (APAC)

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 revenues were down 4.1% on PCP and EBITDA margin down from 5.6% to 4.5% driven by the continued wind down of a number of major projects in FY18 that have not been replaced as well as "project clean up". The division restructured in H2, creating a platform for growth going forward.

The Company completed the acquisition of TGM in early December 2018. TGM is a regional Victorian professional engineering consultancy practice – increasing the group's expanding presence in major Australian regional centres.

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 division performance continues to improve with revenue up 14.3% on PCP and EBITDA margin increasing from 4.8% to 5.1%. New leadership, investment in business development initiatives over the past two years and ongoing operating disciplines have driven growth in top and bottom line results.

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 other divisions.

International Development revenue was up 13.2% on PCP. EBITDA margin was down from 3.4% to 1.2%, due in part to modest planned investment in business development and delays in awarding contracts in the northern hemisphere.

Construction Sciences

The Construction Sciences business is a geotechnical engineering, environmental consulting and materials testing business. It acquired Trilab in July 2018 and Raba Kistner in December 2018. Raba Kistner has a material presence in Texas and certain other US locations that is expected to benefit from the substantial long term infrastructure investment underway in the US and Canada.

Construction Sciences is now a materially larger business – doubling its revenue through organic growth in Australia and the acquisition of Raba Kistner. EBITDA margin remains ~10%.

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 up, primarily due to improved revenues and profitability for the PPI Oil & Gas business – reflecting both improving market conditions and the successful strategic pivot towards quality assurance services for mid-stream oil and gas clients and other clients. 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	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Asia Pacific	250,829	261,498	-	-	250,829	261,498
Americas	432,474	378,293	-	-	432,474	378,293
ID	355,348	313,873	-	-	355,348	313,873
Construction Sciences	221,615	115,431	-	-	221,615	115,431
Portfolio	59,006	47,880	-	-	59,006	47,880
Gross Revenue	**1,319,272**	**1,116,975**	**-**	**-**	**1,319,272**	**1,116,975**
Asia Pacific	7,727	14,618	3,477	-	11,204	14,618
Americas	21,898	20,143	102	(1,888)	22,000	18,255
ID	4,297	10,552	-	-	4,297	10,552
Construction Sciences	19,062	12,697	3,153	-	22,215	12,697
Portfolio	2,794	1,262	-	(1,667)	2,794	(405)
	55,778	**59,272**	**6,732**	**(3,555)**	**62,510**	**55,717**
Corporate	(5,164)	(4,726)	4,662	5,219	(504)	493
EBITDAI	**50,614**	**54,546**	**11,394**	**1,664**	**62,006**	**56,210**
Depreciation, impairment and amortisation expenses	(73,313)	(15,979)	46,285	1,383	(27,028)	(14,596)
EBIT	**(22,699)**	**38,567**	**57,679**	**3,047**	**34,978**	**41,614**
Net finance costs	(7,714)	(3,442)	522	-	(7,192)	(3,442)
Profit/(loss) before income tax	**(30,413)**	**35,125**	**58,201**	**3,047**	**27,788**	**38,172**
Income tax (expense)/benefit	(14,077)	(49,143)	2,544	30,948	(11,533)	(18,195)
Profit/(loss) after income tax	**(44,490)**	**(14,018)**	**60,745**	**33,995**	**16,255**	**19,977**
Attributable to:						
Ordinary Equity holders	**(44,490)**	**(14,018)**	**60,745**	**33,995**	**16,255**	**19,977**

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 16.*
3. *EBITDAI represents earnings before interest, income tax, depreciation, amortisation and impairment.*
4. *EBIT represents earnings before interest and income tax.*
5. *EBITDAI 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 30. These metrics provide a measure of Cardno's performance before the impact of non-cash expense items, such as depreciation, impairment 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	2019 $’000	2018 $’000
Underlying Profit From Continuing and Discontinued Operations After Income Tax (Attributable to Ordinary Equity Holders)		16,255	19,977
Underlying Adjustments to EBITDAI:			
Onerous lease provision and other costs associated with office rationalisation and consolidation	1	(517)	(1,241)
Business review costs	2	-	2,905
Costs associated with restructuring	3	2,162	-
Acquisition related costs	4	4,418	-
De-merger costs	5	4,599	-
Legal costs		732	-
Total Underlying Adjustments to EBITDAI		**11,394**	**1,664**
Underlying Adjustments to Depreciation, Amortisation and Impairment:			
Impairment of goodwill	6	46,285	-
Accelerated depreciation on software assets	7	-	1,383
Total Underlying Adjustments to Depreciation, Amortisation and Impairment		**46,285**	**1,383**
Underlying Adjustments to Finance Costs:			
Write off of borrowing costs	8	522	-
Total Underlying Adjustments to Finance Costs		**522**	**-**
Underlying Adjustments to Income Tax:			
Change in US federal corporate income tax rate	9	-	32,846
Tax effect of underlying adjustments		(3,103)	(1,898)
Valuation allowance against foreign tax credits	10	5,647	-
Total Underlying Adjustments to Income Tax		**2,544**	**30,948**
Statutory Profit / (Loss) After Income Tax (Attributable to Ordinary Equity Holders)		**(44,490)**	**(14,018)**

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. *Prior 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.*
3. *Termination and redundancy costs associated with the Asia Pacific restructure.*
4. *Costs incurred in acquiring new businesses during the year, such as legal, due diligence and insurance costs*
5. *Costs incurred in relation to proposed Group de-merger*
6. *Impairment of Asia Pacific goodwill*
7. *Accelerated amortisation on software assets following a review of group systems.*
8. *Break fees and write off of capitalised finance costs on previous debt facility a result of refinancing in December 2018*
9. *Impact in prior year 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%.*
10. *Valuation allowance booked against foreign tax credits carried forward in the United States*

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:

> Growing revenue and rebuilding EBITDA margins by investing in growth initiatives and building the business development pipeline

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

> Continued focus on operational efficiencies and conservative fiscal and balance sheet management

> Delivering small carefully considered 'bolt-on' style acquisitions to supplement existing divisional businesses

DIRECTORS' MEETINGS

Attendance at Board meetings and Board Committee meetings for the year ended 30 June 2019 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)	9	9	2	2	3	3
Ian Ball (ii)	8	8	-	-	3	3
Neville Buch	8	9	-	-	3	3
Steven Sherman	8	9	3	4	3	3
Jeffrey Forbes	9	9	4	4	3	3
Nathanial Thomson (iii)	8	9	1	2	4	5
Rebecca Ranich	6	9	-	-	2	3
Robert Prieto	1	2	1	1	-	-
Gary Jandegian	2	2	-	-	2	2

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 resigned from his positions as Acting Chief Executive Officer and Executive Chairman on 9 August 2018. He was appointed Non-Executive Director and Chairman on 9 August 2018. On 29 November 2018 Michael Alscher rejoined the ARCC.
(ii) Ian Ball was appointed Chief Executive Officer and Managing Director on 9 August 2018. He attended Remuneration Committee meetings by invitation.
(iii) Nathanial Thompson resigned from the ARCC on 29 November 2018 when Michael Alscher rejoined.

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	-	-	-
Neville Buch	-	-	-
Steven Sherman	-	-	-
Jeffrey Forbes	148,619	-	-
Nathanial Thomson	-	-	-
Rebecca Ranich	-	-	-
Ian Ball	-	5,600,000	-

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 making 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 2019 are detailed in the following table.

Name	Title	Period KMP (if less than full-year)
NON-EXECUTIVE DIRECTORS		
Michael Alscher[1]	Non-Executive Director and Chairman	
Neville Buch	Non-Executive Director	
Steven Sherman	Non-Executive Director	
Jeffrey Forbes	Non-Executive Director	
Nathanial Thomson	Non-Executive Director	
Rebecca Ranich	Non-Executive Director	
FORMER NON-EXECUTIVE DIRECTORS		
Gary Jandegian	Non-Executive Director	Resigned 24 October 2018
Robert Prieto	Non-Executive Director	Resigned 24 October 2018

Name	Title	Period KMP (if less than full-year)
EXECUTIVES		
Ian Ball	Chief Executive Officer and Managing Director	Appointed 9 August 2018
Peter Barker	Chief Financial Officer	

[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. He transitioned back to his Non-Executive Director and Chairman role following the appointment of Ian Ball on 9 August 2018.

B. ROLE OF THE REMUNERATION COMMITTEE

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

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

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 2019.

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

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 2020 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	-

Directors' Report *(continued)*

C. NON-EXECUTIVE DIRECTORS' REMUNERATION CONTINUED

The remuneration received by Non-Executive Directors for the years ended 30 June 2019 and 30 June 2018 is set out in the following table.

		Salary and Fees $	Superannuation Benefits $	Total $
NON-EXECUTIVE				
Michael Alscher[1]	**2019**	**348,603**	**-**	**348,603**
	2018	274,575	-	274,575
Neville Buch[2]	**2019**	**100,000**	**-**	**100,000**
	2018	453,425	-	453,425
Steven Sherman	**2019**	**103,652**	**9,847**	**113,499**
	2018	103,652	9,847	113,499
Jeffrey Forbes	**2019**	**116,231**	**11,042**	**127,273**
	2018	116,231	11,042	127,273
Rebecca Ranich[3]	**2019**	**139,833**	**-**	**139,833**
	2018	37,517	-	37,517
Nathanial Thomson	**2019**	**100,000**	**-**	**100,000**
	2018	100,000	-	100,000
Robert Prieto[4]	**2019**	**50,982**	**-**	**50,982**
	2018	143,222	-	143,222
Gary Jandegian[5]	**2019**	**45,571**	**-**	**45,571**
	2018	129,029	-	129,029
Total 2019		**1,004,872**	**20,889**	**1,025,761**
Total 2018		1,357,651	20,889	1,378,540

[1] Michael Alscher transitioned from acting Chief Executive Officer back to Non-Executive Director and Chairman on 9 August 2018. He was still paid as transitioning CEO until October 2018. His salary and fees paid during his time as Chief Executive Officer are included in the table above. Michael Alscher's fees are paid to Crescent Capital Partners.

[2] 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.

[3]Rebecca Ranich commenced on 19 March 2018.

[4]Robert Prieto resigned from the board on 24 October 2018.

[5]Gary Jandegian resigned from the board on 24 October 2018.

Directors' Report *(continued)*

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. KMP and senior managers receive a fixed remuneration package which is reviewed annually by the Remuneration Committee and the Board taking into consideration the responsibilities of the role, the qualifications and experience of the incumbent and benchmark market data including those companies with which the Group competes for talent. In reviewing TFR the Committee and the Board takes into consideration business and individual performance as well as the factors outlined above. There are no guaranteed base pay increases included in any KMP contract.
Short-Term Incentive (STI)	Target STI opportunities are expressed as a percentage of TFR. For the year ended 30 June 2019, STI payments were determined by achievement of financial and non-financial performance targets. The 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 underlying EBITDA achieved — 0% STI paid 90% budget underlying EBITDA achieved — 50% STI paid 100% budget underlying EBITDA achieved — 75% STI paid > 110% budget underlying EBITDA achieved — 100% STI paid STI's are paid in cash following the release of the audited financial results to the ASX.
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 and beyond, 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 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

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

Ian Ball commenced as CEO and Managing Director on 9 August 2018 and is paid Total Fixed Remuneration (TFR) of AU $900,000 per annum. He is eligible to receive an STI up to a maximum of 40% of TFR, subject to certain Cardno Group EBITDA budget thresholds being met. For FY19 only, recognising that Mr Ball commenced with Cardno mid-way through the year and he has spent FY19 focussing on positioning the company for long term growth rather than short term return, the Board determined that Mr Ball will receive his maximum (100%) STI, pro-rated down to reflect starting mid-way through the financial year.

Mr Ball was granted a one-time LTI following shareholder approval on 24 October 2018, in the form of Performance Equity Plan Options in two tranches – Tranche 1 for 3,600,000 options and Tranche 2 for 2,000,000 options. Tranche 1 options vest after the 4 year anniversary of Mr Ball's commencement date and are exercisable until the end of the 8th year of his commencement date anniversary. The strike price for Tranche 1 options is $1.18 and they are cancellable for no benefit if employment is terminated before the 4th anniversary of his commencement date. Tranche 2 options vest after the 5 year anniversary of Mr Ball's commencement date and are exercisable until the end of the 9th year of his commencement date anniversary. The strike price for Tranche 2 options is $1.90 and they are cancellable for no benefit if employment is terminated prior to the 5th anniversary of his commencement date.

He has a six month notice required by either party on termination as well as a six month restraint period.

Peter Barker commenced as CFO on 1 September 2016 and is paid TFR of AU $486,531 per annum. He is eligible to receive an STI up to a maximum of 50% of TFR, subject to certain Cardno Group EBITDA budget thresholds being met. For FY19 only, Mr Barker was awarded his STI on the basis of 93.6% of the EBITDA target and an additional discretionary amount determined by the Board in relation to this performance on a specific project during the year.

In 2017 and 2018, Mr Barker was awarded an LTI in the form of performance rights equivalent to 50% of TFR. The number of performance rights granted were calculated based on the LTI opportunity (50% of TFR), converted using a fair value methodology, in accordance with Cardno's internal policy.

He has a six month notice required by either party on termination as well as a six month restraint period.

F. EXECUTIVE KEY MANAGEMENT PERSONNEL - REMUNERATION TABLES

The remuneration received by Executive KMP for the years ended 30 June 2019 and 30 June 2018 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.

Directors’ Report *(continued)*

		SHORT-TERM BENEFITS			SHARE-BASED PAYMENTS	POST EMPLOYMENT		
		Salary and Fees $	STI Cash $	Non-Monetary Benefits	Performance Rights and Options $	Superannuation Benefits $	Termination Benefits $	Total $
EXECUTIVE KEY MANAGEMENT PERSONNEL								
Ian Ball[1]	**2019**	**830,309**	**320,548**	**-**	**586,805**	**18,015**	**-**	**1,755,677**
	2018	-	-	-	-	-	-	-
Peter Barker[2]	**2019**	**480,536**	**193,527**	**-**	**146,840**	**20,531**	**-**	**841,434**
	2018	425,692	166,990	-	128,697	20,049	-	741,428
Total 2019		**1,310,845**	**514,075**	**-**	**733,645**	**38,546**		**2,597,111**
Total 2018		425,692	166,990	-	128,697	20,049	-	741,428

[1] Ian Ball commenced as CEO and Managing Director on 9 August 2018.

2 Peter Barker FY19 salary was $425,692 until January 2019 when it was increased to $460,000. The $480,536 stated here includes the current period movement in provision for unused leave.

Proportion of Performance Related Remuneration

		Percentage of Target STI Received	Percentage of Remuneration Performance Related[1]
EXECUTIVE KEY MANAGEMENT PERSONNEL			
Ian Ball	**2019**	**100%**	**51.7%**
	2018	-	-
Peter Barker	**2019**	**80%**	**40.5%**
	2018	75%	39.9%

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

Performance Rights and Options Granted and Movement During the Year

The aggregate number of Performance Rights and Options in the Company that were granted as compensation, exercised and lapsed to each Executive KMP for the year ended 30 June 2019 is set out in the following table.

	Balance at 1 July 2018	Rights / Options Granted During the Year as Remuneration	Value of Rights / Options Granted During the Year	Rights / Options Exercised During the Year	Value of Rights / Options Exercised During the Year[1]	Lapsed / Cancelled During the Year	Value of Lapsed / Cancelled[2]	Balance at 30 June 2019	Maximum Total Yet to Vest
	No.	No.	$	No.	$	No.	$	No.	No.
EXECUTIVE KEY MANAGEMENT PERSONNEL									
Ian Ball	-	5,600,000	2,788,000	-	-	-	-	5,600,000	5,600,000
Peter Barker	488,697	199,490	240,266	-	-	(34,801)	(72,038)	653,386	653,386

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. Lapsed performance rights were granted in 2015.

Details of vesting profiles of Performance Rights and Options granted as remuneration to Key Management Personnel of Cardno and still outstanding at 30 June 2019, including those granted during the financial year are as follows in the table below:

	Year	Outstanding Performance Rights/Options	Grant Date	Vesting Date	% Vested in Year	% Forfeited in Year	Fair Value at Grant Date
EXECUTIVE KEY MANAGEMENT PERSONNEL							
Ian Ball	2019	3,600,000	24-Oct-18	9-Aug-22	0.0%	0.0%	0.53
		2,000,000	24-Oct-18	9-Aug-23	0.0%	0.0%	0.44
Peter Barker	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
	2019	199,490	1-Nov-18	1-Nov-21	0.0%	0.0%	1.20

The number of Performance Rights and Options included in the balance at 30 June 2019 for the Executive KMP is set out in the following table.

	Balance at 30 June 2019	Vested & Exercisable at the End of the Year
EXECUTIVE KEY MANAGEMENT PERSONNEL		
Ian Ball	5,600,000	-
Peter Barker	653,386	-

Directors’ Report *(continued)*

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

Securities Trading Policy

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

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

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.

2019 LTI Plan Performance Hurdles:

Performance Rights issued are subject to a Group EBITDA performance hurdle in order for the Performance Rights to vest on the third anniversary of the grant date, in addition to the employee continuing to be employed by the Cardno Group.

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 (adjusted for acquisitions).

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%), 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 (adjusted for acquisitions).

Number of Performance Rights:

There are currently 4,889,915 Performance Rights on issue at 30 June 2019. As a share-based payment, these Performance Rights were valued for accounting and reporting purposes using the Monte Carlo simulation and Black Scholes method.

Assumption at fair value date	2019[1]	2018	2017
Share Price	$1.08	$1.35	$0.925
Risk Free Rate	-	1.99%	1.725%
Dividend Yield	-	0%	0%
Volatility	-	63%	60%

1. *Due to the 2019 LTI Plan being only subject to an EBITDA non-market based performance hurdle, the valuation is based on the grant date share price.*

There are currently 5,600,000 CEO Performance Options on issue at 30 June 2019 as disclosed under the Executive Key Management Personnel – Contract Terms section. As the Performance Options have no market based performance hurdle, they were valued for accounting and reporting purposes using the Binomial method.

Assumption at fair value date	2019	2018
Share Price	$1.075	-
Risk Free Rate Tranche 1	2.49%	-
Risk Free Rate Tranche 2	2.57%	-
Dividend Yield	0%	-
Volatility	45%	-
Post-vesting withdrawal rate	0%	-

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.

	2019	2018	2017	2016	2015
Gross Revenue – Continuing Operations (000's)	$1,319,272	$1,116,975	$1,182,030	$1,164,613	$1,185,949
Underlying EBITDAI (000's)	$62,006	$56,210	$44,005	$42,036	$108,406
Net Profit / (Loss) After Tax (000's)	($44,490)	($14,018)	$8,579	($194,919)	($245,068)
Dividends Paid or Provided (000's)	-	-	-	$11,548	$49,452
Change in Share Price – year on year ($ per share)	($0.38)	$0.11	$0.64	($1.18)	($3.09)

I. OTHER RELATED PARTY TRANSACTIONS

Share Holdings

The movement for the year ended 30 June 2019 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				
Michael Alscher[1]	-	-	-	-
Neville Buch	-	-	-	-
Steven Sherman	-	-	-	-
Jeffrey Forbes	148,619	-	-	148,619
Nathanial Thomson	-	-	-	-
Rebecca Ranich	-	-	-	-
EXECUTIVE KEY MANAGEMENT PERSONNEL				
Ian Ball[2]	-	-	-	-
Peter Barker	44,500	-	-	44,500

1. *Michael Alscher was the Chairman and Non-Executive Director prior to his appointment as Executive Director, Acting CEO and Executive Chairman on 13 April 2018. He transitioned back to this Non-Executive role on 9 August 2018 after the appointment of Ian Ball as CEO and Managing Director.*
2. *Ian Ball was appointed CEO and Managing Director on 9 August 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 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 2011

The lead auditor's independence declaration is set out on page 29 and forms part of the Directors' report for the year ended 30 June 2019.

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 legislative instrument 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
Chairman

21 August 2019

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 2019 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Simon Crane
Partner

Brisbane
21 August 2019

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.

Consolidated Statement of Financial Performance

Cardno Limited and its Controlled Entities for the year ended 30 June 2019

	Note	2019 $'000	2018 $'000
Revenue	3A	1,319,272	1,116,975
Other income	3B	1,171	1,384
Financing income	4	765	715
Employee expenses		(630,513)	(520,459)
Consumables and materials used		(359,638)	(334,913)
Sub-consultant and contractor costs		(230,932)	(175,144)
Depreciation and amortisation expenses		(27,028)	(15,979)
Financing costs	4	(8,479)	(4,157)
Impairment loss on goodwill	12	(46,285)	-
Impairment loss on trade receivables and contract assets	5, 19	(2,959)	(3,848)
Other expenses		(45,787)	(29,449)
Profit/(Loss) before income tax		(30,413)	35,125
Income tax expense	6	(14,077)	(49,143)
Loss for the year		**(44,490)**	**(14,018)**
Loss attributable to:			
Owners of the Company		(44,490)	(14,018)
		(44,490)	**(14,018)**
Earnings per share			
Basic earnings per share (cents per share)	26	(9.78)	(2.97)
Diluted earnings per share (cents per share)	26	(9.78)	(2.97)

Consolidated Statement of Other Comprehensive Income

Cardno Limited and its Controlled Entities for the year ended 30 June 2019

	Note	2019 $'000	2018 $'000
Loss for the year		**(44,490)**	**(14,018)**
Items that may be subsequently reclassified to profit or loss:			-
Exchange differences on translation of foreign operations		16,757	13,367
Other comprehensive income for the year, net of tax		16,757	13,367
Total comprehensive loss for the year		(27,733)	(651)
Total comprehensive loss attributable to:			
Owners of the Company		(27,733)	(651)
		(27,733)	**(651)**

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 2019

	Note	2019 $'000	2018 $'000
CURRENT ASSETS			
Cash and cash equivalents	8	55,544	71,127
Trade and other receivables	9	194,084	212,158
Contract Assets	3A, 10	122,905	-
Work in progress		1,068	73,773
Other current assets	23	14,942	12,850
Current tax receivable		-	2,216
TOTAL CURRENT ASSETS		**388,543**	**372,124**
NON-CURRENT ASSETS			
Other financial assets	24	1,245	236
Property, plant and equipment	11	52,185	49,336
Deferred tax assets	7	97,310	102,333
Intangible assets	12	359,054	313,017
TOTAL NON-CURRENT ASSETS		**509,794**	**464,922**
TOTAL ASSETS		**898,337**	**837,046**
CURRENT LIABILITIES			
Trade and other payables	13	158,768	120,840
Loans and borrowings	14	2,754	2,165
Current tax liabilities		5,594	-
Employee benefits		40,079	32,400
Provisions	15	4,285	3,860
Contract liabilities	3A, 16	36,613	-
Other current liabilities	16	2,718	44,526
TOTAL CURRENT LIABILITIES		**250,811**	**203,791**
NON-CURRENT LIABILITIES			
Trade and other payables	13	14,422	3,015
Loans and borrowings	14	146,427	88,900
Deferred tax liabilities	7	1,006	121
Employee benefits		4,896	4,430
Other non-current liabilities	16	2,077	3,581
TOTAL NON-CURRENT LIABILITIES		**168,828**	**100,047**
TOTAL LIABILITIES		**419,639**	**303,838**
NET ASSETS		**478,698**	**533,208**
EQUITY			
Issued capital	17	782,214	804,145
Reserves		91,861	75,104
Retained losses		(395,377)	(346,041)
TOTAL EQUITY		**478,698**	**533,208**

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 2019

	Note	Share Capital Ordinary $'000	Retained Earnings / (losses) $'000	Foreign Translation Reserve $'000	Reserve for Own Shares* $'000	Attributable to owners of company $'000
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**
Adjustment on initial application of AASB 9 (net of income tax)		**-**	(4,846)	-	-	(4,846)
Adjusted Balance 1 July 2018		**804,145**	**(350,887)**	**89,715**	**(14,611)**	**528,362**
Profit/(Loss) for the year			(44,490)	-	-	(44,490)
Exchange differences on translation of foreign operations			-	16,757	-	16,757
Total comprehensive income for the year			**(44,490)**	**16,757**	**-**	**(27,733)**
Transactions with owners in their capacity as owners:						
Employee share based payments	17	(461)	-	-	-	(461)
Share buy-back (net of income tax)	17	(21,470)	-	-	-	(21,470)
		(21,931)	**-**	**-**	**-**	**(21,931)**
BALANCE AT 30 JUNE 2019		**782,214**	**(395,377)**	**106,472**	**(14,611)**	**478,698**

* *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 2019

	Note	2019 $'000	2018 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		1,371,434	1,214,257
Interest received		416	715
Finance costs paid		(6,852)	(3,658)
Cash paid to suppliers and employees		(1,323,065)	(1,160,874)
Income tax paid		(1,164)	(4,738)
NET CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES	25	**40,769**	**45,702**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of subsidiaries net of cash acquired		(76,950)	(10,738)
Proceeds from sale of property, plant and equipment & rent incentives		7,760	471
Payments for property, plant and equipment		(17,346)	(19,298)
NET CASH PROVIDED BY/(USED IN) INVESTING ACTIVITIES		**(86,536)**	**(29,565)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of debt raising costs		(834)	-
Share Buy-Back	17	(21,470)	(13,917)
Proceeds from borrowings		224,777	33,363
Repayment of borrowings		(171,239)	(44,563)
Finance lease payments		(3,401)	(2,039)
NET CASH USED IN FINANCING ACTIVITIES		**27,833**	**(27,156)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS HELD		**(17,934)**	**(11,019)**
CASH AND CASH EQUIVALENTS AT 1 JULY		**71,127**	**80,028**
Effects of exchange rate changes on cash and cash equivalents at the end of year		2,351	2,118
CASH AND CASH EQUIVALENTS AT 30 JUNE	8	**55,544**	**71,127**

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 2019

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.

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.

2019 **$'000**	**Asia Pacific**	**Americas**	**ID**	**CS**	**Other**	**Total**
SEGMENT REVENUE						
Fees from consulting services	214,252	280,096	158,046	188,784	54,016	895,194
Fees from recoverable expenses	36,178	151,749	196,150	32,683	2,876	419,636
Inter-segment revenue	-		-	-	-	-
Segment Revenue	250,430	431,845	354,196	221,467	56,892	1,314,830
Other revenue	399	629	1,152	148	2,114	4,442
Total Segment Revenue	250,829	432,474	355,348	221,615	59,006	1,319,272
Inter-segment elimination	-	-	-	-	-	-
Total Revenue						**1,319,272**
Segment Result	**11,204**	**22,000**	**4,297**	**22,215**	**2,290**	**62,006**
Redundancy costs	(2,162)	-	-	-	-	(2,162)
Impairment costs	(46,285)	-	-	-	-	(46,285)
Acquisition related expenses	(753)	(619)	-	(3,046)	-	(4,418)
Legal costs	(732)	-	-	-	-	(732)
Reversal of lease provision	-	517	-	-	-	517
De-merger project costs	-	-	-	-	(4,599)	(4,599)
Depreciation and amortisation expense	(3,177)	(4,690)	(245)	(12,702)	(6,214)	(27,028)
Profit/(loss) before interest and income tax	**(41,905)**	**17,208**	**4,052**	**6,467**	**(8,523)**	**(22,701)**
Net Finance costs including one-offs						(7,712)
Loss before income tax						**(30,413)**
Income tax expense						(14,077)
Loss after income tax						**(44,490)**

1. SEGMENT INFORMATION CONTINUED

2018 $'000	Asia Pacific	Americas	ID	CS	Other	Total
SEGMENT REVENUE						
Fees from consulting services	222,972	245,361	140,661	109,254	45,255	763,503
Fees from recoverable expenses	40,156	132,534	171,020	4,875	2,402	350,987
Inter-segment revenue	-	-	-	-	-	-
Segment Revenue	263,128	377,895	311,681	114,129	47,657	1,114,490
Other revenue	(1,630)	398	2,192	1,302	223	2,485
Total Segment Revenue	261,498	378,293	313,873	115,431	47,880	1,116,975
Inter-segment elimination						0
Total Revenue						**1,116,975**
Segment Result	**14,618**	**18,255**	**10,552**	**12,697**	**88**	**56,210**
Onerous lease provision		752			489	1,241
Business review costs		1,136			(4,041)	(2,905)
Depreciation and amortisation expense	(2,810)	(3,300)	(231)	(3,440)	(6,198)	(15,979)
Profit/(loss) before interest and income tax	**11,808**	**16,843**	**10,321**	**9,257**	**(9,662)**	**38,567**
Finance costs and interest income						(3,442)
Profit before income tax						**35,125**
Income tax expense						(49,143)
Loss after income tax						**(14,018)**

GEOGRAPHICAL INFORMATION

	2019		2018	
	Revenues $'000	Non-Current Assets $'000	Revenues $'000	Non-Current Assets $'000
Australia & New Zealand	544,827	270,095	514,095	285,240
Americas	607,619	232,830	471,285	166,264
United Kingdom	30,877	3,335	23,495	3,264
Canada	19,021	(248)	19,591	7,913
Africa	4,119	68	3,538	41
Latin America	10,444	1,436	10,576	1,063
Asia	93,643	2,150	67,581	987
Other Countries	8,722	128	6,814	150
	1,319,272	**509,794**	**1,116,975**	**464,922**

2. BUSINESS COMBINATIONS

Acquisitions in 2019

On 1 July 2018, the Group acquired 100% of David Douglas Associates, Inc, a 20 person civil engineering consulting firm based in the Florida Keys. The acquisition both strengthens the company's market position and provides geographic expansion in Florida.

On 2 July 2018, the Group acquired 100% of Trilab, a Brisbane based leading supplier of specialised Soil Mechanics Testing and Rock Mechanics Testing services. Trilab employs 40 staff.

The acquisitions contributed $12.1 million of revenue and $1.3 million to profit before tax from continuing operations of the Group.

The aggregated fair value of the identifiable assets and liabilities as at the date of acquisitions were:

	$'000
Cash	612
Trade and other receivables	1,339
Contract assets	404
Property, plant and equipment	1,772
Intangible assets	4,023
Current and deferred tax assets	147
Other current assets	55
	8,352
Trade and other payables	(938)
Employee benefits	(391)
Current and deferred tax liabilities	(1,046)
	(2,375)
Total identifiable net assets at fair value	**5,977**
Goodwill arising on acquisition	4,264
Purchase consideration transferred	**10,241**

The fair value of receivables acquired is $1.4 million of which $15,000 is considered doubtful.

Goodwill of $1.5 million has been allocated to the Americas segment and $2.8 million to the Construction Sciences segment. The goodwill recognised is attributable to the skills and technical talent of the employees of the acquisition and the synergies expected to be achieved from integrating the business into the Group's existing operations. Goodwill is not expected to be deductible for tax.

Purchase consideration comprised of $8.8 million paid in cash on acquisition and $0.8 million in deferred consideration. The deferred consideration is contingent on the acquisition achieving a certain level of EBITDA in FY19 and FY20. Analysis of cash flows on acquisition is below:

	$'000
Purchase consideration	10,241
Cash balance acquired	(612)
Deferred consideration	(791)
Net cash flow on acquisition	**8,838**

Transaction costs of the acquisition of $0.8 million are included in other expenses in the Consolidated Statement of Financial Performance.

2. BUSINESS COMBINATIONS (CONTINUED)

On 14 December 2018, the Group acquired 100% of TGM, a Victorian based 130 person engineering services firm specialising in the approval, design and completion of urban development, building and infrastructure projects.

From the date of acquisition to 30 June 2019, the business contributed $12.1 million of revenue and $1.4 million to profit before tax from continuing operations of the Group. If the business combination had taken place at the beginning of the financial year, the consolidated Group's revenue would have been $1,330.8 million and loss before tax for the consolidated Group would have been $29.2 million.

The fair value of the identifiable assets and liabilities, determined on a provisional basis, as at the date of acquisition were:

	$'000
Cash	320
Trade and other receivables	4,173
Contract assets	1,701
Property, plant and equipment	1,445
Intangible assets	4,504
Current and deferred tax assets	575
Other current assets	405
	13,123
Trade and other payables	(1,185)
Employee benefits	(2,090)
Borrowings	(6)
Current and deferred tax liabilities	(1,736)
	(5,017)
Total identifiable net assets at fair value	**8,106**
Goodwill arising on acquisition	14,003
Purchase consideration transferred	**22,109**

The fair value of receivables acquired is $4.3 million of which $140,000 is considered doubtful.

Goodwill of $14.0 million has been allocated to the Asia Pacific segment. The goodwill recognised is attributable to the skills and technical talent of the employees of the acquisition and the synergies expected to be achieved from integrating the business into the Group's existing operations. Goodwill is not expected to be deductible for tax.

Purchase consideration comprised of $16.0 million paid in cash on acquisition and $6.1million in deferred consideration. The deferred consideration is contingent on the acquisition achieving a certain level of EBITDA in FY19 and FY20. Analysis of cash flows on acquisition is below:

	$'000
Purchase consideration	22,109
Cash balance acquired	(320)
Deferred consideration	(6,104)
Net cash flow on acquisition	**15,685**

Transaction costs of the acquisition of $0.6 million are included in other expenses in the Consolidated Statement of Financial Performance.

2. BUSINESS COMBINATIONS (CONTINUED)

On 21 December 2018, the Group acquired 100% of Raba Kistner Inc, a Texas based 470 person engineering services firm specialising in construction materials testing, geotechnical engineering consulting, project management and independent quality assurance and inspection primarily for transport infrastructure projects, government and commercial clients.

From the date of acquisition to 30 June 2019, the business contributed $77.8 million of revenue and $7.5 million to profit before tax from continuing operations of the Group. If the business combination had taken place at the beginning of the financial year, the consolidated Group's revenue from continuing operations would have been $1,382.0 million and loss before tax for the consolidated Group would have been $23.1 million.

The fair value of the identifiable assets and liabilities, determined on a provisional basis, as at the date of acquisition were:

	$'000
Cash	8,762
Trade and other receivables	15,658
Contract assets	4,604
Property, plant and equipment	2,825
Intangible assets	21,704
Current and deferred tax assets	2,548
Other current assets	2,299
	58,400
Trade and other payables	(5,394)
Employee benefits	(9,802)
Borrowings	(1,022)
Current and deferred tax liabilities	(13,131)
	(29,349)
Total identifiable net assets at fair value	**29,051**
Goodwill arising on acquisition	43,119
Purchase consideration transferred	**72,170**

The fair value of receivables acquired is $16.0 million of which $0.4 million is considered doubtful.

Goodwill of $43.1 million has been allocated to the Construction Sciences segment. The goodwill recognised is attributable to the skills and technical talent of the employees of the acquisition and the synergies expected to be achieved from integrating the business into the Group's existing operations. Goodwill is not expected to be deductible for tax.

Purchase consideration comprised of $52.2 million paid in cash on acquisition and $11.2 million in deferred consideration. The deferred consideration is contingent on the acquisition achieving a certain level of EBITDA in CY19 and CY20. Analysis of cash flows on acquisition is below:

	$'000
Purchase consideration	72,170
Cash balance acquired	(8,762)
Deferred consideration	(11,249)
Net cash flow on acquisition	**52,159**

Transaction costs of the acquisition of $2.8 million are included in other expenses in the Consolidated Statement of Financial Performance.

KEY FINANCIAL STATEMENT ITEMS

3. (A) REVENUE

	2019 $'000	2018 $'000
REVENUE		
Professional services revenue	766,044	668,269
Materials testing revenue	129,151	95,234
Fees from consulting services	**895,195**	**763,503**
Procurement services revenue	419,635	350,987
Fees from recoverable expenses	**419,635**	**350,987**
Other	4,442	2,485
	1,319,272	**1,116,975**

Professional services revenue

The Group performs engineering design and project delivery services. These activities tend to be highly integrated and accordingly where appropriate will be accounted for as a single performance obligation. Performance obligations are fulfilled over time as the services are delivered, as the Group has a right of payment for services delivered to date together with the highly customised nature of the services provided. Consequently, under AASB 15 the Group will continue to recognise revenue for these services over time rather than at a point of time.

Materials testing services

The Group performs materials testing for the construction industry. These services are provided on a per test basis. Performance obligations are fulfilled as each test is completed. Consequently, under AASB 15 the Group will continue to recognise revenue for these services at a point in time being on completion and delivery of each test.

Procurement services

Procurement revenue represents services from entering into contracts with customers to acquire, on their behalf, equipment produced by various suppliers or services provided by different subcontractors. The Group continues to be involved in procurement as a principal and as an agent, and has concluded that AASB 15 would not materially change the current assessment of principal versus agent.

Accounting for Revenue

Revenues from customer contracts is disaggregated into existing segments and the timing of transfer of services, being overtime versus point in time.

$'000	Segment Revenue	Over Time Revenue	Point in Time Revenue
Asia Pacific	250,829	250,829	-
Americas	432,474	428,039	4,435
International Development	355,348	355,348	-
Construction Sciences	221,615	92,464	129,151
Other	59,006	50,040	8,966
TOTAL Revenue	**1,319,272**	**1,176,720**	**142,552**

3.(A) REVENUE CONTINUED

Revenue from providing services on lump sum contracts is recognised based on the actual services provided to the end of the reporting period as a proportion of the total services to be provided, on the basis that the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date. This is determined based on the proportion of actual costs incurred relative to the total expected project costs at completion (input method). Revenue is capped at the approved budget for each client contract.

The customer pays Cardno based on the agreed payment schedule. If the services rendered by Cardno as at the reporting date exceed the payments received, a contract asset is recognised. If the payments received exceed the services rendered, a contract liability (i.e. unearned revenue) is recognised.

Revenue on Cost Plus projects is recognised in line with effort required to satisfy the performance obligations of the contract with no cap. For Cost Plus Max projects, revenue is capped at the approved budget amount for each contract.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.
This includes variations to client contracts which increase the total contract value and result in an adjustment to revenue recognised to date in the period in which the variation is approved.

Contract balances

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers.

$'000	Note	30 June 2019	1 July 2018
Receivables (included in Trade and other receivables)		204,621	235,384
Loss allowance		(21,552)	(40,805)
Contract assets		122,905	72,957
Contract liabilities		36,613	42,037

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date. The carrying amount of contract assets as at 30 June 2019 is reduced by an impairment provision of $9.5 million (FY18: $9.1 million). Impairment provisions are booked against specific high risk and aged contract assets where billing and recovery is doubtful. See note 19 for further details.

The contract assets are transferred to trade receivables when the rights become unconditional. This usually occurs when the Group issues an invoice to the customer.

The contract liabilities primarily relate to consideration received from customers in advance of providing goods or services, or unearned revenue. These liabilities will be recognised as revenue when the services are performed. As the majority of contracts have a duration of 12 months or less, contract liabilities as at 30 June 2018 were recognised as revenue in the year ending 30 June 2019.

Revenue recognition policies

Under AASB 15 revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control at a point in time or over time requires judgement. When recognising the contract revenue over time using the input method, revenue is recognised on the basis of the entity's efforts or inputs and requires a judgemental assessment of cost or labour hours incurred to date as a proportion of total cost or labour hours remaining to fully satisfy contract performance obligations.

3. (A) REVENUE CONTINUED

Revenue measured and recognised at a point in time requires judgement in relation to the assessment of whether the entity has a right to payment for services performed to date, whether legal title of an asset has passed to the client, in addition to the transfer of risks and rewards and the acceptance and physical possession of the asset by the client.

The Group has adopted AASB 15 using the cumulative effect method with practical expedients such as not restating comparatives and only applying the new standard to contracts that remained in force at transition date, with the effect of initially applying this standard recognised on 1 July 2018 (being the date of initial application). Accordingly, the information presented for 2018 comparatives has not been restated.

The accounting policies under AASB 118 *Revenue* and AASB 111 *Construction Contracts* are disclosed separately if they are different to those under AASB 15.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers and the related revenue recognition policies.

Revenue type	**Nature and timing of performance obligations**	**Revenue recognition under AASB 15 (from 1 July 2018)**	**Revenue recognition under AASB 118 (pre 1 July 2018)**
Professional services revenue	The Group performs engineering design and project delivery services. Performance obligations are fulfilled over time as the services are delivered.	Revenue for these services is recognised over time rather than at a point in time as the Group has a right of payment for services delivered to date.	Revenue was recognised over time as the services were delivered.
Materials testing services	Testing services are provided on a per unit basis and performance obligations are fulfilled as each test is completed.	The Group will continue to recognise revenue for these services being at a point in time on completion and delivery of each test.	Revenue was recognised for these services at a point in time being on completion and delivery of each test.
Procurement services	Revenue from entering into contracts with customers to acquire equipment or services provided by different subcontractors.	The Group will continue to recognise revenue as services performed	Revenue was recognised as services performed

3. (B) OTHER INCOME

	2019 $'000	**2018 $'000**
Non-refundable R&D tax incentives	711	863
Gain/(loss) on disposal of property, plant and equipment	460	521
Other Income	**1,171**	**1,384**

4. NET FINANCING COSTS

	2019 $'000	2018 $'000
Interest paid	6,691	3,094
Borrowing costs	1,788	1,063
Financing Costs	**8,479**	**4,157**
Interest income	765	715
Net Financing Costs	**7,714**	**3,442**

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

	2019 $'000	2018 $'000
Impairment loss on trade receivables and contract assets	2,959	3,848
Rental expense relating to operating leases	32,936	28,009

6. INCOME TAX EXPENSE

	2019 $'000	2018 $'000
(a) The components of tax expense comprises:		
Current tax expense		
Current year	3,449	10,113
Adjustments for prior years	369	1,881
	3,818	11,994
Deferred tax expense		
Current year	9,431	35,216
Adjustments for prior years	828	1,933
	10,259	37,149
Total income tax expense / (benefit)	**14,077**	**49,143**
(b) Numerical reconciliation between tax expense and pre-tax profit		
Profit / (loss) before tax	(30,413)	35,125
Income tax using the Australian corporation tax rate of 30% (2018: 30%)	(9,124)	10,538
Increase (decrease) in income tax expense due to:		
Non-deductible expenses	2,389	4,058
Effect of tax rates in foreign jurisdictions	1,368	1,107
Impact of impairment of goodwill	13,885	-
US tax rate change	-	32,846
Impact of valuation allowance on foreign tax credits	5,647	-
Allowances for R&D expenditure	(213)	(259)
Sundry items	(1,071)	(2,960)
	12,881	**45,330**
Under / (over) provided in prior years	1,196	3,813
Income tax expense / (benefit)	**14,077**	**49,143**
(c) Amounts recognised directly in equity		
Tax benefit on equity raising costs[1]	20	13
Foreign exchange	375	-

[1] *Relates to costs incurred on the share buy-back program.*

The effective tax rate for FY19 was (46.28%) as compared to 139.9% in FY18. If we exclude the impact of (a) the impairment reflected in the Australian results; (b) a valuation allowance booked against foreign tax credits carried forward in the United States; (c) prior year adjustments increasing income tax expense; (d) losses incurred in jurisdictions in which a deferred income tax benefit is not recognised; and (e) withholding tax incurred by a loss making branch; the effective tax rate is 37.08% (compared to 35.5% in FY18).

7. DEFERRED TAX ASSETS & LIABILITIES

Recognised deferred tax assets and liabilities

	2019 $'000	2018 $'000
Assets		
Accruals	4,600	5,865
Provisions	27,499	21,838
Intangibles	16,978	22,423
Tax losses	53,294	42,815
Property, plant and equipment	420	1,578
Other	6,127	15,576
Total deferred tax assets	**108,918**	**110,095**
Set-off of deferred tax liabilities	(11,608)	(7,762)
Net deferred tax assets	**97,310**	**102,333**
Liabilities		
Contract assets	7,871	5,733
Prepayments	813	1,667
Other	3,930	483
Total deferred tax liabilities	**12,614**	**7,883**
Set-off against deferred tax assets	(11,608)	(7,762)
Net deferred tax liabilities	**1,006**	**121**
NET DEFERRED TAX ASSETS	**96,304**	**102,212**

The group has unrecognised deferred tax assets from tax loss carry forwards as at 30 June 2019: (a) capital losses in the United States of $19.3 million (2018: $26.7 million) which will expire if not used to offset capital gains derived by 30 June 2021; (b) revenue losses in the United States of $11.8 million (2018: $10.8 million) which will expire if not used to offset revenue gains by 30 June 2020 ($0.8 million), 30 June 2021 ($0.3 million) and 30 June 2037 ($10.7 million); and (c) capital losses in Australia of $30.6m (2018: $30.6m) the future utilisation of which is reliant on satisfaction of the continuity of ownership and/or similar business tests.

The group also has unrecognised deferred tax assets from foreign tax credit carry forwards in the United States of $5.6 million (2018: $Nil) as at 30 June 2019. These credits will expire if not used to offset tax payable by 30 June 2023 ($0.005 million), 30 June 2024 ($1.2 million), 30 June 2025 ($1.0 million), 30 June 2026 ($0.8 million), 30 June 2027 ($1.3 million), 30 June 2028 ($0.6 million), and 30 June 2029 ($0.7 million).

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 profit forecasts support the recoverability of the tax losses recognised.

Judgements are also 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 2019	1 July 2018 $'000	Recognised in profit or loss $'000	Adjustments to prior years $'000	Other* $'000	30 June 2019 $'000
Accruals	5,865	(460)	(4,158)	3,352	4,600
Provisions	21,838	558	(8,438)	13,541	27,499
Tax losses	42,815	767	12,734	(3,022)	53,294
Sundry items	16,671	(5,107)	2,075	(11,022)	2,617
Prepayments	(1,667)	20	3,908	(3,073)	(813)
Contract assets	(5,733)	684	(7,859)	5,037	(7,871)
Goodwill on acquisition (USA)	22,423	(5,893)	911	(463)	16,978
	102,212	**(9,431)**	**(827)**	**4,350**	**96,304**

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
Tax losses	76,875	(39,044)	320	4,664	42,815
Sundry items	13,748	2,232	(928)	1,619	16,671
Prepayments	(1,276)	(758)	(85)	452	(1,667)
Contract assets	(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**

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

8. CASH AND CASH EQUIVALENTS

	2019 $'000	2018 $'000
Cash at bank and on hand	50,074	66,320
Restricted cash[1]	3,565	3,382
Bank short term deposits	1,905	1,425
	55,544	**71,127**

[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

	2019 $'000	2018 $'000
Trade debtors	204,621	235,384
Loss allowance	(21,552)	(33,881)
	183,069	**201,503**
Sundry debtors	11,015	10,655
	194,084	**212,158**

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 its loss allowance is determined at both a specific and collective level. All individually significant and aged receivables are assessed for specific impairment.

The Group has elected to measure its loss allowances for trade receivables and contract assets at amounts equal to their lifetime expected credit loss (ECL). The ECLs are a probability weighted estimate calculated based on debtors ageing, actual credit loss experience over the past three years and future economic conditions. The Group's trade receivables and contract assets were segmented based on common credit risk characteristics such as customer type, geographical location of customer, and ageing of financial asset. The Group considers a financial asset to be in default when the client is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held) or the financial asset is more than 90 days past due.

Contract assets held by the Group relate to work in progress which has not yet been billed and as such the average ECL percentage applied is equivalent to that applied to current (not past due) trade receivables.

Bad debts are written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. In some segments and industries, extended payment terms may be agreed, for example under a pay when paid arrangement. It is therefore not appropriate to implement a policy of writing off financial assets based solely on the age of the debtor and other factors are considered.

Comparative disclosures

In the prior comparative period, the recoverability of trade receivables was reviewed on an ongoing basis and a provision for impairment was determined at both a specific and a collective level. All individually significant receivables were assessed for specific impairment. Those found not to be specifically impaired were then collectively assessed for any impairment that had been incurred but not yet identified. Receivables that were not individually significant were collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group used historical trends of the probability of default adjusted for management's judgement around current economic and credit conditions. Bad debts were written off as incurred.

10. CONTRACT ASSETS

	2019 $'000	2018 $'000
Contract assets [1]	**122,905**	-

[1] Current year contract assets include $34.3 million invoicing completed during the first week of July 2019 in relation to FY19 and reflects timing of billing process only

Accounting for contract assets

Contract assets are 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 represent unearned revenue and are presented as contract liabilities under other liabilities. Amounts are transferred to receivables when the right to billing and payment becomes unconditional.

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 the Group's activities in general.

Estimates of the contract assets balances are determined using the percentage of completion methodology. Refer to Note 3 for further details.

The Group has elected to measure its loss allowances for contract assets at amounts equal to their lifetime expected credit loss (ECL). The ECLs are a probability weighted estimate calculated based on debtors ageing, actual credit loss experience over the past three years and future economic conditions. The Group's trade receivables and contract assets were segmented based on common credit risk characteristics such as customer type, geographical location of customer, and ageing of financial asset. The Group considers a financial asset to be in default when the client is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held) or the financial asset is more than 90 days past due.

Contract assets held by the Group relate to work in progress which has not yet been billed and as such the average ECL percentage applied is equivalent to that applied to current (not past due) trade receivables.

11. PROPERTY, PLANT & EQUIPMENT

	2019 $'000	2018 $'000
Land & buildings		
Land & buildings	4,174	3,029
Less accumulated depreciation	(1,889)	(1,568)
	2,285	**1,461**
Carrying amount at the beginning of the year	1,461	1,476
Additions	325	53
Increase through acquisition	598	-
Disposals	(33)	-
Depreciation expense	(159)	(114)
Foreign exchange	93	46
Carrying amount at the end of the year	**2,285**	**1,461**
Office Furniture & Equipment		
Laboratory equipment, instruments & amenities	154,122	148,407
Less accumulated depreciation	(114,751)	(107,500)
	39,371	**40,907**
Carrying amount at the beginning of the year	40,907	31,325
Additions	9,567	19,765
Increase through acquisition	5,081	4,005
Disposals	(634)	(564)
Depreciation expense	(16,077)	(13,722)
Foreign exchange	527	98
Carrying amount at the end of the year	**39,371**	**40,907**
Motor vehicles		
Motor vehicles	26,002	21,251
Less accumulated depreciation	(15,473)	(14,283)
	10,529	**6,968**
Carrying amount at the beginning of the year	6,968	2,792
Additions	7,805	4,296
Increase through acquisition	340	1,673
Disposals	(114)	(84)
Depreciation and amortisation expense	(4,496)	(1,726)
Foreign exchange	26	17
Carrying amount at the end of the year	**10,529**	**6,968**
Total property, plant & equipment		
Property, plant & equipment	184,298	172,687
Less accumulated depreciation	(132,113)	(123,351)
	52,185	**49,336**
Carrying amount at the beginning of the year	49,336	35,593
Additions	17,697	24,114
Increase through acquisition	6,019	5,678
Disposals	(781)	(648)
Depreciation expense	(20,732)	(15,562)
Foreign exchange	646	161
Carrying amount at the end of the year	**52,185**	**49,336**

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	Customer Contracts $'000	Patents and Trademarks $'000	Software Intangibles $'000	Customer Relation-ships $'000	Total $'000
2019						
Balance at the beginning of year	308,950	422	2,609	-	1,036	313,017
Acquired through business combination	60,927	13,188	-	-	17,042	91,157
Impairment losses	(46,285)	-	-	-	-	(46,285)
Amortisation charges	-	(2,874)	-	-	(4,139)	(7,013)
Effect of foreign exchange	7,088	490	-	-	600	8,178
Closing value at 30 June 2019	**330,680**	**11,226**	**2,609**	**-**	**14,539**	**359,054**
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**

12. INTANGIBLE ASSETS CONTINUED

Amortisation of Intangibles

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss within depreciation and amortisation expense. Goodwill is not amortised.

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

Impairment Testing

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

	2019 $'000	2018 $'000
Americas	96,454	90,138
Asia Pacific (APAC)	190,542	188,713
Construction Sciences (CS)	84,240	24,366
International Development (ID)	5,733	5,733
	376,969	**308,950**

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 2020 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 post-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

As a result of a decline in major project wins and a lower level of work across many specialist areas, the carrying amount of the Asia Pacific (APAC) CGU was determined to be in excess of its recoverable amount of $192.4 million and an impairment loss of $46.3 million was recognised in the year ended 30 June 2019. The impairment was recognised in full against the carrying value of the APAC goodwill.

Management has evaluated the Company's market capitalisation value against the Group's net asset position at 30 June 2019 and is comfortable with the valuation of its net assets for a number of reasons, including but not limited to, that management believes that (1) Cardno Limited shares are "thinly traded" (average daily traded volume is low compared to the number of shares on issue and the market capitalisation), this being a result of (2) the structure of the share register whereby more than 50% of the issued shares are held by one investor, Crescent Capital Partners, which has not traded their holding, and (3) Cardno Limited sits outside of the ASX 200.

12. INTANGIBLE ASSETS CONTINUED

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	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
Americas	6.6% - 8.6%	6.8% - 9.0%	2.50%	2.70%	11,32%	13.29%
APAC	7.4% - 10.4%	10.7% - 13.0%	2.50%	2.70%	13.19%	14.42%
CS	11.0% - 13.0%	10.0% - 12.0%	2.50%	2.70%	12.92%	14.42%
ID	1.2% - 3.2%	1.1% - 5.0%	2.50%	2.70%	12.88%	12.29%

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

Impact of Possible Changes in Key Assumptions

The determination of the recoverable amounts of the Group's CGU's involves significant estimates and judgements and results are subject to the risk of adverse and sustained changes in the markets in which the Group operates.

Any variation in the key assumptions would impact on the assessed recoverable amount both positively and negatively. Analysis performed on the impact of adverse changes in the key assumptions on the recoverable amounts of the Americas, CS and ID CGU's, concluded that a reasonable possible change in these assumptions did not result in impairment in any of the CGU's.

In relation to the APAC CGU, the value in use model is particularly sensitive to changes in the EBITDA margin assumption. The impairment model assumes that the EBITDA margin will increase from 7.4% in FY20 to 10.4% in FY23 as a result of cost efficiencies delivered through changes to the business operating model. Given the impairment recorded in the APAC CGU at 30 June 2019, any adverse movement in the EBITDA margin assumption, or other key assumptions, could result in further impairment.

13.TRADE & OTHER PAYABLES

	2019 $'000	**2018 $'000**
CURRENT		
Trade payables & accruals	149,090	118,074
Vendor liability	9,678	2,766
	158,768	**120,840**
NON-CURRENT		
Vendor liability	14,422	3,015
	14,422	**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

	2019 $'000	2018 $'000
CURRENT		
Lease and hire purchase liabilities	2,754	2,165
	2,754	**2,165**
NON-CURRENT		
Lease and hire purchase liabilities	8,750	4,791
Bank loans	137,677	84,109
	146,427	**88,900**
TOTAL CURRENT & NON-CURRENT LOANS & BORROWINGS	**149,181**	**91,065**

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 $137.7million (2018: $84.1 million) as at 30 June 2019 with a weighted average interest rate of 4.04% (2018: 3.27%). Funding available to the Group from undrawn facilities is $89.8 million (2018: $39.1million).

In December 2018 the Group re-financed and increased its debt facilities. The previous bi-lateral facility with common terms deed has been replaced by two secured, revolving syndicated facilities, both with three year tenor, one of which is multi-currency.

The Group's new debt facilities include certain financial covenants which are tested quarterly. A breach of a financial covenant would represent an event of default under the terms of the debt facilities. At 30 June 2019, the Group was in compliance with all financial covenants.

There were no bank overdrafts in existence at 30 June 2019 (2018: Nil).

Under the terms of the facility agreement, 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 terms of which Cardno assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. The corresponding rental obligations, net of finance charges, are included in current and non-current interest-bearing loans and borrowings. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

14. LOANS & BORROWINGS CONTINUED

	2019 $'000	2018 $'000
Finance leases and hire purchase		
Commitments in relation to finance leases are payable as follows:		
> Within one year	3,218	2,526
> Later than one year but not later than 5 years	8,962	5,445
> Later than 5 years	493	-
Minimum lease payments	**12,673**	**7,971**
Less: Future finance charges	(1,169)	(1,015)
Recognised as a liability	**11,504**	**6,956**
Present value of minimum lease and hire purchase payment		
Commitments in relation to finance leases are payable as follows:		
> Within one year	2,754	2,165
> Later than one year but not later than 5 years	8,288	4,791
> Later than 5 years	462	-
Recognised as a liability	**11,504**	**6,956**

Reconciliation of movement in loans and borrowings:

$'000	**Loans and borrowings**
Balance as at 1 July 2018	**91,065**
Changes from financing cash flows	
Proceeds from borrowings	224,777
Repayment of borrowings	(171,239)
Finance lease payments	(3,401)
Total changes from financing cash flows	**50,137**
Other changes	
Amortisation of capitalised borrowing costs	(912)
New capitalised borrowing costs	2,247
New finance leases plus interest paid	6,644
Total other changes	**7,979**
Balance as at 30 June 2019	**149,181**

15. PROVISIONS

	2019 $'000	2018 $'000
CURRENT		
Provision for legal claims	4,285	3,860
	4,285	**3,860**

Accounting for Provisions

The Group makes provision for legal claims not covered by the Group's professional indemnity policy and as at 30 June 2019 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.

16. OTHER LIABILITIES

	2019 $'000	2018 $'000
CURRENT		
Contract liabilities	36,613	-
Unearned revenue	-	42,037
Deferred rent	2,718	2,489
	39,331	**44,526**
NON CURRENT		
Deferred rent	1,949	3,347
Other	128	234
	2,077	**3,581**

Contract liabilities relates to amounts received in advance of providing goods or services. Refer to Note 10.

17. ISSUED CAPITAL

	30 June 2019		30 June 2018	
	No. of shares	**$'000**	**No. of shares**	**$'000**
Balance at the beginning of the year	**464,381,508**	**804,145**	474,955,277	815,563
Shares issued during the year:				
> Shares issued for cash (net of transaction costs)	-	-	-	-
> Employee share based payments	-	(461)	-	2,499
> Share buy-back (i)	(20,111,944)	(21,470)	(10,573,769)	(13,917)
Balance at the end of the year	**444,269,564**	**782,214**	**464,381,508**	**804,145**

(i) As part of the capital management program, on 21 February 2019 the Group announced the implementation of an on-market buyback of up to 10% of Cardno ordinary shares commencing 8 March 2019 for a 12 month period. During the year, a total of 20,111,944 ordinary shares were bought back at an average price of $1.07 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.

	2019 $'000	**2018 $'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%	1,578	-
> 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)

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 2019, there were 5,600,000 Performance Options on issue (2018: nil) and 5,600,000 options were issued during the year (2018: nil).

2019 LTI Plan Performance Hurdles:

Performance Rights issued are subject to a Group EBITDA performance hurdle in order for the Performance Rights to vest on the third anniversary of the grant date, in addition to the employee continuing to be employed by the Cardno Group.

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 (adjusted for acquisitions).

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 (adjusted for acquisitions).

The movements in the performance rights and options are as follows:

	Number of Performance Options 2019	Number of Performance Rights 2019	Number of Performance Rights 2018
Outstanding at the beginning of the period	-	4,168,275	4,962,639
Granted during the period	5,600,000	1,394,169	1,318,929
Exercised during the period	-	-	-
Vested during the period	-	-	-
Cancelled/lapsed during the period	-	(672,529)	(2,113,293)
Outstanding at the end of the period	**5,600,000**	**4,889,915**	**4,168,275**
Exercisable at the end of the period	**-**	**-**	**-**

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	2019	2018	2017
Share Price	$1.08	$1.35	$0.925
Risk Free Rate	-	1.99%	1.725%
Dividend Yield	0%	0%	0%
Volatility	-	63%	60%

There are currently 5,600,000 CEO Performance Options on issue at 30 June 2019 as disclosed under the Executive Key Management Personnel – Contract Terms section of the Remuneration Report. As the Performance Options have no market based performance hurdle, they were valued for accounting and reporting purposes using the Binomial method. The below table outlines the key assumptions.

Assumption at fair value date	2019	2018
Share Price	$1.075	-
Risk Free Rate Tranche 1	2.49%	-
Risk Free Rate Tranche 2	2.57%	-
Dividend Yield	0%	-
Volatility	45%	-
Post-vesting withdrawal rate	0%	-

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:

> Impairment of goodwill and assumptions applied in estimating future cash flows – 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 – availability of future taxable profit against which deductible temporary differences and tax losses carried forward can be utilised – refer to Note 7 and 32(e).

> Assessing the recoverability of trade receivables and contract assets – measurement of ECL allowance and key assumptions in determining the weighted average loss rate - 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

Other than loans and borrowings, the Group's financial assets and liabilities at 30 June 2019 and 30 June 2018 are included in the balance sheet at amounts that approximate fair values. The Group does not have any derivative financial instruments at 30 June 2019 (2018: nil).

The fair value of loans and borrowings represents level 2 in the fair value hierarchy and has been determined using the carrying amount of loans repayable to debt providers. The difference between the carrying amount and fair value of loans and borrowings represents unamortised capitalised borrowing costs.

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.

19. FINANCIAL RISKS CONTINUED

Credit risk

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

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

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

Cardno does not require collateral in respect of financial assets.

In line with the Group's Treasury policy, investments are allowed only in liquid securities and only with counterparties that have a credit rating equal to or better than a rating approved by the ARCC. The Treasury policy is reviewed by the ARCC annually.

There are no material concentrations of credit risk (2018: nil). Identifying concentrations of risk requires judgement in light of specific circumstances, and may arise industry sectors, geographic distribution or a limited number of counterparties.

Trade receivables and contract assets

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

	2019 $'000	2018 $'000
Australia & New Zealand	57,481	71,566
Americas	107,383	108,973
Asia Pacific	12,710	16,282
Europe & Africa	5,495	4,682
	183,069	**201,503**

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

	2019		2018	
	Gross $'000	Impairment $'000	Gross $'000	Impairment $'000
Not past due (current)	110,921	195	120,935	-
Past due 0-30 days (30 day ageing)	30,988	113	35,066	-
Past due 31-60 days (60 day ageing)	18,025	140	17,261	-
Past due more than 60 days (>90 day ageing)	44,687	21,104	62,122	33,881
	204,621	**21,552**	**235,384**	**33,881**

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

	2019 $'000	2018 $'000
Australia & New Zealand	44,049	7,107
Americas	63,504	56,369
Asia	2,791	3,855
Europe & Africa	12,561	5,626
	122,905	**72,957**

19. FINANCIAL RISKS CONTINUED

The ageing of Cardno's contract assets at the reporting date was:

	2019		2018	
	Gross $'000	Impairment $'000	Gross $'000	Impairment $'000
Not past due (current)	76,499		41,099	
Past due 0-30 days (30 day ageing)	12,044		6,788	
Past due 31-60 days (60 day ageing)	4,014		3,270	
Past due more than 60 days	39,896	9,548	30,854	9,054
	132,453	**9,548**	**82,011**	**9,054**

Cardno establishes an allowance for impairment that represents its estimate of expected credit losses in respect of trade and other receivables and contract assets.

Expected credit loss assessment

The recoverability of trade receivables is reviewed on an ongoing basis and its loss allowance is determined at both a specific and collective level. All individually significant and aged receivables are assessed for specific impairment.

The Group has elected to measure its loss allowances for trade receivables and contract assets at amounts equal to their lifetime expected credit loss (ECL). The ECLs are a probability weighted estimate calculated based on debtors ageing, actual credit loss experience over the past three years and future economic conditions. The Group's trade receivables and contract assets were segmented based on common credit risk characteristics such as customer type, geographical location of customer, and ageing of financial asset. The Group considers a financial asset to be in default when the client is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held) or the financial asset is more than 90 days past due.

Contract assets held by the Group relate to work in progress which has not yet been billed and as such the average ECL percentage applied is equivalent to that applied to current (not past due) trade receivables.

Bad debts are written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. In some segments and industries, extended payment terms may be agreed, for example under a paid when pay arrangement. It is therefore not appropriate to implement a policy of writing off financial assets based solely on the age of the debtor and other factors are considered.

The movement in the provision for impairment in respect of trade receivables of Cardno during the year was as follows. Comparative amounts for 2018 represent the allowance account for impairment losses under AASB 139:

	2019 $'000	2018 $'000
Balance at 1 July	33,881	38,626
Impact of initial adoption of AASB 9	6,923	-
Impairment loss recognised during the year	2,959	3,848
Receivables written off	(22,528)	(4,429)
Sale of subsidiary	-	(4,609)
Effect of foreign exchange	317	445
Balance at 30 June	**21,552**	**33,881**

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 2019	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	173,190	173,190	158,768	14,422	-
Finance leases & hire purchase	11,504	12,676	3,221	8,962	493
Bank loans	137,677	152,981	5,626	147,355	-
	322,371	**338,847**	**167,615**	**170,739**	**493**
30 June 2018					
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**	**-**

Bank loans are revolving syndicated facilities, one of which is multi-currency, maturing in December 2021.

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 $75.3 million (2018: $18.2 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 2019, a 10 per cent strengthening of the Australian dollar against the USD would have increased equity by $6.8 million (2018: $1.7 million). A 10 per cent weakening of the Australian dollar against the USD would have decreased equity by $8.4 million (2018: $2.0 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:

	2019		2018	
	Effective Interest Rate	**Balance $'000**	**Effective Interest Rate**	**Balance $'000**
Variable rate instruments				
Cash assets	0.14%	55,544	0.31%	71,127
Bank loans	4.04%	(137,677)	3.27%	(84,109)
		(82,133)		**(12,982)**
Fixed rate instruments				
Finance leases & hire purchase	3.89%	(11,504)	4.62%	(6,956)
		(11,504)		**(6,956)**

Group sensitivity

Cash flow sensitivity analysis for variable rate instruments

At 30 June 2019, 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 $290,000 higher/lower (2018: $48,000 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 21 February 2019, the company announced the board had approved the implementation of an on-market share buyback of up to 10% of Cardno ordinary shares on issue commencing 8 March 2019. 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

	2019 $'000	2018[1] $'000
Operating Leases		
> Within one year	41,433	37,972
> Later than one year but not later than 5 years	105,328	80,209
> Later than 5 years	34,422	29,636
Commitments not recognised in the financial statements	**181,183**	**147,817**

1 Prior year comparatives have been restated to more accurately reflect the operating lease commitments as at 30 June 2018

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 and equipment under terms between two and five years as well as software licenses with a term of three years' subject to annual review based on the number of licences exercised.

21. CONTINGENT LIABILITIES

Cardno had contingent liabilities at 30 June 2019 in respect of:

	2019 $'000	2018 $'000
Bank guarantees and insurance bonds	46,121	43,301

Cardno has bank guarantee and insurance bond facilities with financial institutions denominated in Australian dollars, United States dollars, Euros and Great British pounds. These facilities available to Cardno total $71.6 million (2018: $75.9 million) and are secured jointly and severally by the company and a number of its wholly owned subsidiaries.

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 it 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.

While both matters continue to be monitored and managed, there has been no material change in either matter.

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.

21. CONTINGENT LIABILITIES CONTINUED

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 21 August 2019, the Company announced the proposed demerger of its Quality, Testing and Measurement businesses into a separate ASX listed entity, to be named Intega Group Limited. The demerger requires shareholder approval and if it proceeds, will be implemented via a capital reduction and scheme of arrangement.

There has been no impact of the proposed demerger on the balances and transactions recognised in these financial statements. Should the demerger proceed, the composition of the Group’s cash generating units (CGUs) and tax consolidated groups will change and certain non-current assets will be reclassified as assets held for distribution to owners and measured at the lower of carrying value and fair value less costs to distribute. Accordingly, key accounting estimates and judgements relying on forward looking assumptions used to determine the carrying value of goodwill and deferred tax assets may need to be reassessed, and the fair value less costs to distribute of certain assets will need to be determined.

Other than the matter 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

	2019 $'000	2018 $'000
Prepayments	11,080	10,040
Project advances	2,229	1,290
Security deposits	1,633	1,520
	14,942	**12,850**

24. OTHER FINANCIAL ASSETS

	2019 $'000	2018 $'000
Investments in non-related entities	1,245	236
	1,245	**236**

25. NOTES TO THE CASH FLOW STATEMENT

	2019 $'000	2018 $'000
Reconciliation of Net Cash from Operating Activities to Net profit for the year		
Net profit/(loss) for the year	**(44,490)**	**(14,018)**
Adjust for non-cash items		
Depreciation and amortisation	27,028	15,979
Impairment loss on goodwill	46,285	-
Gain/(loss) on sale of property, plant & equipment	(459)	(521)
Gain/(loss) on purchase/sale of business	-	51
Unrealised foreign exchange (gain)/loss	475	(96)
Share based remuneration	(461)	2,499
Adjust for changes in assets and liabilities:		
(Increase)/decrease in assets:		
Contract assets	(6,826)	25,609
Deferred tax assets	13,150	44,788
Trade receivables	21,466	18,242
Provision for doubtful debts	(19,253)	(3,070)
Other receivables	(360)	1,731
Prepayments	1,573	474
Other assets	(304)	2,521
Increase/(decrease) in liabilities:		
Trade payables	13,555	(33,014)
Income tax payable	45	(5,875)
Employee provisions	3,311	(608)
Contract liabilities	(6,553)	(4,327)
Other liabilities	(851)	(3,792)
Deferred tax liabilities	(6,562)	(871)
	40,769	**45,702**

26. EARNINGS PER SHARE

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

	2019 $	2018 $
Profit / (Loss) attributable to ordinary shareholders	**(44,490,000)**	**(14,018,000)**
Profit / (Loss) from continuing operations attributable to ordinary shareholders	**(44,490,000)**	**(14,018,000)**
Weighted average number of ordinary shares	**No.**	**No.**
Number of ordinary shares at 1 July	464,381,508	474,955,277
Effect of share buy back	(9,485,821)	(2,218,733)
Effect of shares issued during the year	-	-
Weighted average number of ordinary shares at 30 June	**454,895,687**	**472,736,544**
	Cents	**Cents**
Earnings per share	**(9.78)**	**(2.97)**
Earnings per share - continuing operations	**(9.78)**	**(2.97)**

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:

	2019 $	2018 $
Profit / (Loss) attributable to ordinary shareholders (diluted)	**(44,490,000)**	**(14,018,000)**
Profit / (Loss) from continuing operations attributable to ordinary shareholders (diluted)	**(44,490,000)**	**(14,018,000)**
Weighted average number of ordinary shares (diluted)	**No.**	**No.**
Weighted average number of ordinary shares at 30 June (basic)	454,895,687	472,736,544
Effect of Performance Options and Performance Rights on issue	-	-
Weighted average number of ordinary shares (diluted) at 30 June	**454,895,687**	**472,736,544**
	Cents	**Cents**
Diluted Earnings per share	**(9.78)**	**(2.97)**
Diluted Earnings per share – continuing operations	**(9.78)**	**(2.97)**

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:

	2019 $'000	2018 $'000
Short-term employee benefits	2,829,792	2,512,918
Post-employment benefits	59,435	40,938
Equity compensation benefits	733,645	128,697
	3,622,872	**2,682,553**

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 2019	Equity Holding 2018
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 (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.[1]	United States of America	-	100%
Cardno Roadtest Pty Ltd	Australia	100%	100%
Cardno BEC (Qld) Pty Ltd	Australia	100%	100%
Cardno (Colombia) S.A.S.	Colombia	100%	100%
Network Geotechnics Pty Ltd	Australia	100%	100%

[1] *Entity was dissolved during FY19*

28. CONTROLLED ENTITIES CONTINUED

Name	Country of Incorporation	Equity Holding 2019	Equity Holding 2018
SureSearch Australia Pty Limited	Australia	100%	100%
Utility Locating Pty Limited	Australia	100%	100%
Cardno Emerging Markets (USA), Ltd	United States of America	100%	100%
Cardno Humphrey Reynolds Perkins Pty Ltd	Australia	100%	100%
Cardno GS, Inc.	United States of America	100%	100%
Cardno EM-Assist, Inc.[2]	United States of America	-	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 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%	100%
PPI Quality & Asset Management (Singapore) Pte Ltd	Singapore	100%	100%
PPI Quality & Asset Management (Malaysia) Sdn Bhd	Malaysia	100%	100%
Cardno South Africa (Pty) Ltd	South Africa	100%	100%
Cardno Emerging Markets (Rwanda) Limited	Rwanda	100%	100%
Cardno Mozambique LDA	Mozambique	100%	100%
I.T. Transport Limited	United Kingdom	100%	100%
ES NY Engineering P.A	United States of America	100%	-
Cardno Emerging Markets (Rwanda) Ltd	Rwanda	100%	100%
TGM Group Pty Ltd	Australia	100%	-
Trilab Pty Ltd	Australia	100%	-
David Douglas Associates Inc	United States of America	100%	-
Raba Kistner	United States of America	100%	-
Cardno Uganda	Uganda	100%	-
Cardno Canada Holdings Limited	Canada	100%	-
Cardno S&E Limited	Canada	100%	-

[2] *Entity was dissolved during FY19*

29. PARENT ENTITY DISCLOSURES

As at, and throughout, the financial year ending 30 June 2019 the parent Company of Cardno was Cardno Limited.

	Company	
	2019 $'000	**2018 $'000**
Results of the parent entity		
Profit/(Loss) for the year	17,153	(330,727)
Total comprehensive income for the year	17,153	(330,727)
Financial position of the parent entity at year end		
Current assets	120,809	120,687
Total assets	384,344	370,274
Current liabilities	65,333	45,532
Total liabilities	65,434	45,944
Total equity of the parent entity comprising of:		
Share capital	782,214	804,145
Retained earnings	(463,303)	(479,815)
Total equity	**318,911**	**324,330**

Parent entity contingencies

Bank guarantees	27,825	20,148

Bank guarantee facilities are available to Cardno totalling $45.7 million (2018: $40 million). These facilities are secured jointly and severally by the Company and a number of its wholly-owned subsidiaries.

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 Legislative Instrument 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 2019 is set out as follows:

Statement of comprehensive income and retained earnings	**2019 $'000**	**2018 $'000**
Revenue	**527,026**	**471,671**
Employee expenses	(169,157)	(163,603)
Consumables and materials used	(184,466)	(173,385)
Sub-consultant and contractor costs	(96,727)	(83,075)
Depreciation and amortisation expenses	(10,986)	(4,595)
Loss on investment	563	(55,537)
Finance costs	(8,114)	(3,929)
Other expenses	(22,269)	(48,346)
Profit / (loss) before income tax	35,870	(60,799)
Income tax (expense)/benefit	(10,515)	(11,094)
Net profit/(loss) for the year	**25,355**	**(71,893)**
Other comprehensive income for the year	-	(2,389)
Total comprehensive income for the year	**25,355**	**(74,282)**
Retained earnings at the beginning of the year	(431,769)	(362,923)
Transfers to and from reserves	-	2,389
Retained earnings at the end of the year	**(406,414)**	**(434,816)**
Attributable to:		
Owners of the Company	**(406,414)**	**(434,816)**

30. DEED OF CROSS GUARANTEE CONTINUED

Statement of financial position	2019 $'000	2018 $'000
CURRENT ASSETS		
Cash and cash equivalents	11,115	10,286
Trade and other receivables	526,858	266,861
Contract assets	7,643	-
Work in progress	50	3,524
Current tax receivables	2,520	3,321
Other current assets	7,085	2,439
TOTAL CURRENT ASSETS	**555,272**	**286,431**
NON-CURRENT ASSETS		
Investments	399,358	372,601
Property, plant and equipment	20,374	15,445
Deferred tax assets	43,976	42,044
Intangible assets	57,031	43,482
TOTAL NON-CURRENT ASSETS	**520,739**	**473,572**
TOTAL ASSETS	**1,076,011**	**760,003**
CURRENT LIABILITIES		
Trade and other payables	473,140	214,132
Loans and borrowings	1,457	-
Short term provisions	16,891	16,320
Contract liabilities	3,495	8,032
TOTAL CURRENT LIABILITIES	**494,983**	**238,484**
NON-CURRENT LIABILITIES		
Trade and other payables	-	3,015
Interest-bearing loans and borrowings	144,724	87,010
Deferred tax liabilities	3,910	4,485
Employee benefits	3,010	2,630
TOTAL NON-CURRENT LIABILITIES	**151,644**	**97,140**
TOTAL LIABILITIES	**646,627**	**335,624**
NET ASSETS	**429,384**	**424,379**
EQUITY		
Issued capital	782,213	804,145
Reserves	53,585	55,050
Retained earnings	(406,414)	(434,816)
TOTAL EQUITY	**429,384**	**424,379**

31. AUDITOR'S REMUNERATION

	2019 $	2018 $
Audit services		
Auditors of the Company		
KPMG Australia:		
> Audit and review of financial reports	821,400	873,400
> Audit of historical financial information (de-merger project)	205,000	-
> Assurance services provided (de-merger project)	475,000	-
> Other fees	71,880	-
Overseas KPMG firms:		
> Audit and review of financial reports	177,199	191,434
> Other fees	36,090	-
	1,786,569	**1,064,834**

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 2019 encompasses the Company and its subsidiaries (together referred to as "Cardno" or the "Group").

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

The financial report was authorised for issue by the Board of Directors on 21 August 2019.

(a) Statement of compliance

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

(b) Basis of Preparation

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

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

The Company is of a kind referred to in ASIC Legislative Instrument 2016/191 dated 1 April 2016 and in accordance with that Legislative Instrument, 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

During the year ended 30 June 2019, the Group adopted for the first time the following new accounting standards:

> AASB 15 Revenue from Contracts with Customers

> AASB 9 Financial Instruments

Due to the transition methods chosen by the Group in applying these standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards.

32. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

AASB 15 Revenue from Contracts with Customers

AASB 15 establishes a comprehensive framework for determining whether, how much, and when revenue is recognised. It replaced existing revenue recognition guidance, including AASB 118 *Revenue,* AASB 111 *Construction Contracts* and related interpretations.

The Group has adopted AASB 15 using the cumulative effect method, with practical expedients such as not restating comparatives and only applying the new standard to contracts that remained in force at transition date, with the effect of initially applying this standard recognised on 1 July 2018 (being the date of initial application). Accordingly, the information presented for 2018 comparatives has not been restated.

The following table summarises the impact of transition to AASB 15 on the Group's financial statements as at 30 June 2019.

$'000	As reported	Adjustments	Amounts without adoption of AASB 15
Contract assets	122,905	(122,905)	-
Work in progress	1,068	122,905	123,973
TOTAL CURRENT ASSETS	**123,973**	**-**	**123,973**
Other current liabilities	2,718	36,613	39,331
Contract liabilities	36,613	(36,613)	-
TOTAL CURRENT LIABILITIES	**39,331**	**-**	**39,331**

These adjustments relate to reclassifications of balances on the statement of financial position to align them to the AASB 15 presentation format. Other than this reclassification, there was no impact on the timing or amount of revenue recognition on the initial application of AASB 15.

32. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

AASB 9 Financial Instruments

AASB 9 replaced 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.

Impairment of financial assets

The effect on the Group of adopting AASB 9 on the carrying amounts of financial assets at 1 July 2018 relates to the new impairment requirements. AASB 9 replaces the 'incurred loss' model in AASB 139 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost and contract assets. Under AASB 9, credit losses are recognised earlier than under AASB 139.

The Group has elected to measure its loss allowances for trade receivables and contract assets at amounts equal to lifetime ECLs. The ECLs are a probability weighted estimate calculated based on debtors ageing, actual credit loss experience over the past three years and future economic conditions. The Group's trade receivables and contract assets were segmented based on common credit risk characteristics such as customer type, geographical location of customer, and ageing of financial asset.

Contract assets held by the Group relate to work in progress which has not yet been billed and as such the average ECL percentage applied is equivalent to the current (not past due).

Application of AASB 9 on the Group's accounts receivable and contract assets resulted in an increase to the 30 June impairment provision of $6.9 million with an adjustment to opening retained profit net of tax of $4.8 million.

The following table summarises the impact, net of tax, of transition on the opening balance of retained earnings as at 1 July 2018.

$'000	Carrying amount 30 June 2018	Impact of adopting AASB 9 1 July 2018	Restated opening balance 1 July 2018
Retained earnings/(losses)	(346,041)	(4,846)	(350,887)

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 2016-5 Amendments to AAS – Classification and Measurement of Share-based Payment Transactions

> AASB Interpretation 22 Foreign Currency Transactions and Advance Consideration

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 16 Leases	1 January 2019	30 June 2020
AASB Interpretation 23 Uncertainty over Income Tax Treatments, and relevant amending standards	1 January 2019	30 June 2020

32. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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

AASB 16 Leases

The Group is required to adopt ASSB 16 Leases from 1 July 2019. AASB 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

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 for its operating leases of property and equipment (primarily leased office space and motor vehicles);

> removing lease payments as straight-lined operating expenses. A depreciation and finance cost expense will be recognised 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; and

> the Group will no longer recognise provisions for operating leases that it assesses to be onerous, instead the Group will include the payments due under the lease in its lease liability.

The full quantum of financial and disclosure impacts is yet to be determined, however the Group has taken the following steps to prepare for adoption of the new standard on 1 July 2019:

> Implementation of a leasing software solution for managing, accounting and disclosing leases, with lease data uploads completed and training provided to delegates across the Group

> Significant work has been undertaken to determine the Group's discount rates for the purpose of calculating the present value of future lease payments; and

> Reconciliations of the leasing data have commenced along with testing of the automated journals generated by the leasing software solution

Transition

The Group plans to apply AASB 16 initially from 1 July 2019, using the modified retrospective approach. Under this approach, the cumulative effect of adopting AASB 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 July 2019, with no restatement of comparative information.

The Group will likely recognise a right of use asset for each lease at the date of initial application at its carrying amount as if the Standard had been applied since the lease commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application.

The Group plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply AASB 16 to all contracts entered into before 1 July 2019 and identified as leases in accordance with AASB 117.

(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.

32. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Transactions eliminated on consolidation

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

(d) Foreign Currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the foreign exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the translation of available-for-sale equity instruments, a financial liability designated as a hedge of the net investment in a foreign operation, (see (ii) below) or qualifying cash flow hedges, which are recognised in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

(ii) Foreign operations

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

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

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

(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.

32. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(e) Income Tax continued

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

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

(f) Intangible Assets

Business combinations and goodwill

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to Cardno.

Cardno measures goodwill at the acquisition date as:

> the fair value of the consideration transferred; plus

> the recognised amount of any non-controlling interests in the acquiree; plus, if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less

> the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

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

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

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

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

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

Works contracts, software intangibles and customer relationships

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

Patents and trademarks

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

Subsequent expenditure

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

32. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(f) Intangible Assets continued

Amortisation

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

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

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

(g) Impairment

Non-financial assets

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 post-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.

32. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(g) Impairment continued

Financial assets

Trade receivables and contract assets

The Group recognises loss allowances for Expected Credit Losses (ECLs) on financial assets measured at amortised cost and contract assets. The Group has elected to measure its loss allowances for trade receivables and contract assets at amounts equal to lifetime ECLs. The ECLs are a probability weighted estimate calculated based on debtors ageing, actual credit loss experience over the past three years and future economic conditions. The Group's trade receivables and contract assets are segmented based on common credit risk characteristics such as customer type, geographical location of the customer and ageing of the financial asset.

Contract assets held by the Group relate to work in progress which has not yet been billed and as such the average ECL percentage applied is equivalent to the current (not past due).

(h) Employee Benefits

Wages, salaries and annual leave

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

Long-term service benefits

The provisions for employee entitlements to long service leave and other deferred employee benefits represent the present value of the estimated future cash outflows to be made by the employer resulting from employees' services provided up to the balance date and include related on-costs. In determining the liability for long service leave, consideration has been given to future increases in wage and salary rates, and the consolidated entity's experience with staff departures.

Liabilities for employee entitlements which are not expected to be settled within 12 months are discounted using the rates attached to corporate bonds at balance date, which most closely match the terms of maturity of the related liabilities.

Defined contribution plans

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

Share-based payment transactions

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

(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 offset the Company's net investment in a foreign subsidiary.

32. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(i) Reserves continued

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 2019 the Group held 357,716 of the Company's shares (2018: 357,716).

Directors' Declaration

Cardno Limited and its Controlled Entities for the year ended 30 June 2019

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

   (a) the consolidated financial statements and notes set out on pages 30 to 81 and the Remuneration Report of the Directors' Report, set out on pages 18 to 27, are in accordance with the Corporations Act 2001, including:

      (i) giving a true and fair view of the Group's financial position as at 30 June 2019 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 Cardno entities identified in Note 30 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those Group entities pursuant to *ASIC 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 2019.

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 21 day of August 2019.

Signed in accordance with a resolution of the Directors.

MICHAEL ALSCHER
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 2019 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 2019;
- consolidated statement of financial performance, consolidated statement of other 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 – professional services revenue; and
- recoverability of deferred tax assets relating to 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.

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.

<table>
<tr><th colspan="2">Valuation of goodwill and intangible assets ($359m)</th></tr>
<tr><td colspan="2">Refer to Note 12 to the Financial Report</td></tr>
<tr><th>The key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>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 40% of total assets and the impairment loss of $46.3m recognised for the APAC Cash Generating Unit (CGU) during the year. We focused on the significant forward-looking assumptions the Group applied in their value in use models and the determination of the impairment loss recognised in the APAC CGU, including:

forecast cash flows (EBITDA margins and terminal growth rates) – the Group has experienced competitive market conditions particularly in APAC with a decline in major project wins and a lower level of work across many specialist areas. These conditions resulted in impairment of the APAC CGU and increase the risk of inaccurate forecasts or a wider range of possible outcomes for us to consider. This requires additional audit effort specific to the feasibility of key assumptions and consistency of application to the Group's strategy. The Group's modelling is sensitive to changes in the EBITDA margin; and
discount rates – these are judgemental in nature and vary according to the conditions and environment each specific CGU is subject to from time to time. The Group's modelling is sensitive to changes in the discount rate.

We involved our valuation specialists and senior audit team members in assessing this key audit matter.</td>
<td>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 within APAC in particular. 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;
we independently developed 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;
for the APAC CGU, comparing the recoverable amount determined from the value in use model to the fair value less cost of disposal calculated using market multiples of comparable entities;
recalculating the impairment charge against the recorded amount disclosed;
assessing the disclosures in the financial report using our understanding obtained from our testing and against the requirements of the accounting standards.
</td></tr>
</table>

<table>
<tr><th colspan="2">Revenue recognition – professional services revenue ($766m)</th></tr>
<tr><td colspan="2">Refer to Note 3 in the Financial Report</td></tr>
<tr><th>The key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>We focused on fees from professional services revenue as a key audit matter due to the risk associated with the judgements applied in determining revenue recognition near year-end. 58% of the Group’s revenue relates to professional services revenue.

The Group’s policy is to account for revenue earned from professional services over time as the services are delivered.

Judgements are applied to assess the Group’s measure of progress for the recognition of professional services revenue near year-end for fixed price contracts using an estimation of the percentage of completion.

Changes to these estimates would give rise to variances in the amount of revenue recognised during the year.</td><td>Our procedures included:
considering the appropriateness of the Group’s accounting policies against the requirements of AASB 15 Revenue from Contracts with Customers (AASB 15) and our understanding of the business;
for a sample of contracts, comparing the relevant features of the underlying professional services contracts to the criteria in the accounting standard, those in the Group’s accounting policy, and against identified performance obligations.
In addition, we focussed on the significant judgements applied to assess the Group’s measure of progress for revenue recognition from professional services contracts. For a sample of contracts, our procedures included:
testing key controls in the Group’s revenue recognition process, including:
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 with fixed fee arrangements near year-end by selecting a sample of these contracts; and:
inspecting key terms including pricing, deliverables, project commencement and end dates and contract type to the underlying contract with those recorded in the accounting system;
performing inquiries with the relevant project managers regarding the progress of the contract against key milestones in the contract, write ons/offs, progress against budget and budget revisions;
critically evaluating the estimated percentage of completion calculated using the input method, to recognise revenue by comparing it to evidence in the project reports provided by project managers and correspondence and billing to the client;
inspecting revenue adjustments through write ons/offs to identify any trends and bias in the timing of revenue recognition near year-end; and
checking the subsequent billing and cash received where applicable, and assessing the aging of work in progress amounts remaining unbilled at year end.</td></tr>
</table>

Recoverability of deferred tax assets relating to tax losses ($53m)	
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 the Board approved budget and assumptions 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 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 2019, 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 18 to 27 of the Directors' Report for the year ended 30 June 2019.

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
21 August 2019

Additional Shareholder Information

DISTRIBUTION OF ORDINARY SHAREHOLDERS

The number of shareholders, by size of holding, as at 31 July 2019 were:

	Ordinary Shares	
	Number of	Number of Shares
1 – 1,000	6,412	1,793,451
1,001 – 5,000	1,814	4,412,196
5,001 – 10,000	594	4,403,551
10,001 – 100,000	894	24,429,042
100,001 – and over	109	409,231,324
Total	**9,823**	**444,269,564**

As at 31 July 2019 there were 5,330 shareholders who held less than a marketable parcel of 544 shares.

TWENTY LARGEST ORDINARY SHAREHOLDERS

The names of the twenty largest holders as at 31 July 2019 were:

	Listed Ordinary Shares Number	
	Held	Percentage
CRESCENT CAPITAL INVESTMENTS	215,178,846	48.43%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	93,179,010	20.97%
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	36,003,467	8.10%
CITICORP NOMINEES PTY LIMITED	25,998,903	5.85%
NATIONAL NOMINEES LIMITED	4,480,634	1.01%
HALJAN MANAGEMENT LP	1,686,192	0.38%
BAINPRO NOMINEES PTY LIMITED	1,540,544	0.35%
BNP PARIBAS NOMS PTY LTD <DRP>	1,495,615	0.34%
UBS NOMINEES PTY LTD	1,314,913	0.30%
BRISPOT NOMINEES PTY LTD <HOUSE HEAD NOMINEE A/C>	1,294,337	0.29%
ANNE FELICITY PHILLIPS	1,101,378	0.25%
BAINPRO NOMINEES PTY LIMITED	1,004,584	0.23%
BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	955,174	0.21%
ALLEGRA VENTURES PTY LTD <GEE SUPERANNUATION A/C>	947,339	0.21%
NEWECONOMY COM AU NOMINEES PTY LIMITED <900 ACCOUNT>	794,490	0.18%
16 PEDERICK ENTERPRISES PTY LTD <PEDERICK SUPER FUND A/C>	762,736	0.17%
TREVOR JOHNSON	687,779	0.15%
TAMBLYN INVESTMENTS PTY LTD	650,000	0.15%
ALLEGRA VENTURES PTY LTD <GEE SUPER FUND A/C>	621,072	0.14%
FOUR G'S HOLDINGS PTY LTD <THE GARDINER FAMILY A/C>	600,000	0.14%
Total	**390,297,013**	**87.85%**

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	50.01%
Invesco Australia Limited	46,751,415	10.52%

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 2019 the details of Performance Rights on issue are as follows:

Number of Rights Holders	Number of Rights on Issue
16	4,701,057

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
Steve Sherman
Jeffrey Forbes
Nathanial Thomson
Rebecca Ranich

Chief Executive Officer

Ian Ball

Chief Financial Officer

Peter Barker

Company Secretaries

Peter Barker
Courtney Marsden
Vikash Naidu

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BANKERS

HSBC Bank Australia Limited

HSBC Bank USA

Commonwealth Bank of Australia

National Australia Bank Limited

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