Cardno®

FY17

CARDNO 2017 ANNUAL REPORT

for the year ended
30 June 2017

Cardno Limited
ABN 70 108 112 303
and its controlled entities

Chairman’s Letter

Dear Shareholder,

This time last year I set out that FY17 would be a rebasing year for Cardno and in essence a review year to recalibrate the business away from past financial performance and practice. In addition I explained that alongside conducting a complete balance sheet review, Cardno needed to push decision making back down to divisional management, rebuild the trust of its staff and invest in business development. I explained that there were a number of business and office consolidations that were required and that there was the need to review the balance sheet, both from a leverage perspective as well as a general review of the carrying value of assets.

I am pleased to report that your company has made significant progress in completing this restructure. Cardno achieved an underlying profit of $19.9 million in FY17 and an underlying EBITDA from continuing operations of $44.0 million. This performance was consistent with the guidance provided at our AGM in October 2016.

The business returned to growth at both the fee revenue and EBITDA level for the first time since 2015. The balance sheet of Cardno is now one of the strongest in the industry, with effectively no (net) debt, appropriate provisioning on outstanding contracts and debtors and assets that reflect what the board believes is realisable value. The balance sheet review has led to considerable one off expenses that have gone through at the half year and full year.

FY17 FINANCIAL PROGRESS

The restructure of the business is starting to be reflected in the financial results of the business.
Notable financial achievements in FY17 include:

> The business achieved fee revenue growth of 0.8% to $788.2m;

> EBITDA growth of 4.8% to $44.0m. In the second half, the business achieved EBITDA of $20.8m, which was more than 3x the EBITDA in the second half of FY16. The predictability of Cardno performance is improving: Cardno’s financial results were in line with guidance for the first time in 3 years;

> Cardno has systematically worked through its balance sheet. This balance sheet review has resulted in:

- Business review and restructure costs of $56.0m in the year including $9.0m of costs associated with redundancy and restructure, $10.7m of costs associated with closing or consolidation of 32 offices, $23.3m provision related to business reviews including the closure of a number of loss making divisions and realisable value of assets on the balance sheet, $11.5m associated with debtor provisions and $1.5m indirect tax;
- A significant decrease in aged debtors and work in progress (WIP). The value of >60 day debtors has decreased from $36m to $23m over the past 12 months and WIP has decreased from $115.3m to $96.9m through faster billing cycles.

> Post this review, Cardno’s balance sheet is now both fit-for-purpose for our business and, we believe, amongst the strongest in our industry. Net debt is now $15.3m, down from $49.6m at 30 June 2016 and $311.3m at June 2015. Furthermore, the historical issues that have affected performance over the past three years have now been dealt with. The company does not believe there is any further restructure or impairment costs to take up of a material nature;

> The Australian engineering division has continued to perform strongly with fully allocated EBITDA margins of 10.9%. This division has successfully managed the challenging market conditions in Queensland and Western Australia while capturing the opportunities in the NSW market. It has continued to achieve results that are stronger than our peers;

> Backlog grew by 5.3% on prior year to $846m;

> From a cash perspective, net cash provided by operating activities was negative $3.8m driven by a $42m negative working capital movement. This negative operating cash flow was reflective of Cardno managing its balance sheet in a more conservative and sustainable way going forward.

Chairman’s Letter *(continued)*

Although we believe the company has made material strides in every facet of the company, there remain a number of areas in the financial results that the board is focused on. These include:

> The America’s engineering division continues to “under earn”. Growing the America’s EBITDA margin through revenue growth and pricing discipline, not by further operating cost cuts, is the most significant opportunity for Cardno over the next three years; and

> The oil and gas operations continue to operate at or below break even. Over the past 12 months, this division has exited its operations in Nigeria, and significantly refocused its workforce onto quality assurance work. These actions are consistent with Cardno’s long term strategy in oil and gas and are expected to decrease the cyclicality of this division. This division has recently won a number of significant contracts with major oil companies and remains focused on returning to growth and profitability. The board remains confident in the potential of this division and the senior leadership team in place.

FY17 OPERATIONAL PROGRESS

The financial progress of Cardno has been underpinned by a parallel effort to reset the organisation operationally and significant progress has been achieved in all divisions. Key achievements in the past 12 months:

> Completed a review of the corporate head office which has narrowed the role and size of the head office and eliminated the regional management layer. The board has put in place clear delegations of authority to ensure that divisional management and operational staff have clear decision making ability and accountability for their cost structures. This is flowing through into cost savings on a real time basis and has empowered decision making at the division and client level;

> Increased our investment in people. Cardno implemented consistent employee contracts for senior managers and put in place realistic and achievable short term and long term incentive goals and bonus structures based on what staff were able to influence and outcomes created at a local level. In addition Cardno’s refocus on accountability and local decision making has seen a marked improvement in staff engagement which has translated in a much lower staff turnover than prior years;

> I am pleased to say the senior management team in place today across all divisions has a strong sense of ownership and personal accountability and the board is proud to have seen this develop;

> Investment in business development and growth. Cardno has made a number of significant hires in business development, both in Australia and in the America’s. In Australia, Cardno has invested in a dedicated major projects team and is supporting investment in longer term growth;

> Improvement in the transparency and governance within the business. Cardno has established consistent reporting and benchmarking throughout the organisation. We have also recruited a Chief Risk Officer and re-established the Internal Audit function in the company which had disappeared under the previous board;

> Closing out small or loss making operations. Cardno has sold its Nigerian operations, closed a loss making drone operation in the America’s, sold a small coal focused consulting operation and a non-core software division. Cardno is now focused on acquiring rather than divesting businesses and has completed two bolt-on acquisitions. One in WA, to complement our existing business and to allow us to move to a scale operation in that geography. The second, has expanded our presence in Canada by taking 100% ownership of T2, our Canadian business focussed on underground surveying which was previously a 50/50 joint venture with AECOM.

Chairman’s Letter *(continued)*

OUTLOOK AND GUIDANCE

Going forward there are a number of longer term investments that Cardno intends to make. Cardno needs to build out the breadth of its service offerings in the Americas as it remains subscale in a number of service lines. This will involve bolt on acquisitions and investment in key hires. This will be a multi-year program to ensure that over time we are best placed to mirror the scale and profitability of our Australian operations.

In line with previous statements Cardno does not intend to restart a dividend program. The Board’s view is dividends should be considered only when the Company does not have a better use of funds for shareholders. Given Cardno’s historic losses, the company has limited available franking credits and the Board believes reinvesting in growth (either through expanding service lines with bolt on acquisitions or investing in business development resources) or the company’s current share buy back program is a better use of capital at this time.

In regards to financial guidance for FY18, the Board believes the company has turned a corner. Based on our performance exiting FY17, we believe that Cardno’s performance over FY18 should be a material increase over FY17 and Underlying Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) should be in the order of $55 to $60 million. This guidance is predicated on the current momentum continuing throughout the FY18 year.

The Board has commenced the process to recruit a permanent CEO. This process is being managed by a leading International Recruitment Adviser. Whilst timelines in such processes are difficult to estimate we are hopeful we will find a suitable candidate in a timely fashion. The board is very alive to the issue that the person we appoint has to be one that embraces the new Cardno, especially the cultural realignment that the company has undergone in terms of transparency, accountability and peer support. We would rather the process take longer and make sure the fit is right than rush an appointment for a false deadline.

Whilst on this subject, I feel it is very important to call out the effort and performance of our interim Chief Executive, Neville Buch. He has very much led the organisation from the front over the last 12 months, and has been behind the operational restructure and success we are now beginning to see in the business. In that same vein, I would like to thank the whole senior management team for their efforts over the past 12 months and in turn each level of the organisation which has not only continued to deliver outstanding work for clients but has approached the turmoil over the last few years with great patience.

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

MICHAEL ALSCHER

Chairman

Consolidated Financial Statements

for the year ended 30 June 2017

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

Directors' Report

The Directors present their Report together with the Consolidated Financial Statements of Cardno Limited (the Company) being the Company and the entities it controlled at the end of, or during the year ended 30 June 2017.

DIRECTORS

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

M Alscher	Non-Executive Director, Chairman
N Buch	Executive Director and acting Chief Executive Officer (appointed 29 August 2016)
S Sherman	Non-Executive Director
J Forbes	Non-Executive Director
G Jandegian	Non-Executive Director
R Prieto	Non-Executive Director
N Thomson	Non-Executive Director

FORMER DIRECTORS

R Wankmuller	Chief Executive Officer and Managing Director (resigned 29 August 2016)

COMPANY SECRETARIES

Courtney Marsden	Legal Counsel & Joint Company Secretary (appointed 8 November 2016)
Peter Barker	Chief Financial Officer & Joint Company Secretary (appointed 31 December 2016)
Michael Pearson	General Counsel & Joint Company Secretary (resigned 31 December 2016)

Qualifications of Company Secretaries

Courtney Marsden – BAppSc, LLB (Hons), LLM

Peter Barker – BComm, MBA, FCPA, MAICD

Michael Pearson – LLB, BA, ACIS, GAICD

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

Directors' Report *(continued)*

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

Directors' Report *(continued)*

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

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 2017 or 30 June 2016.

EVENTS SUBSEQUENT TO REPORTING DATE

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)	2017	2016
Gross Revenue from continuing operations	1,182.0	1,164.6
Fee Revenue	788.2	781.8
Underlying EBITDA [1]	44.0	42.0
Underlying NOPAT [2]	19.9	6.2
Net Profit / (Loss) after Tax	8.6	(194.9)
Operating Cash Flow	(3.8)	56.4
EPS - basic (cents) from continuing and discontinued operations	1.79	(79.19)
NOPAT EPS - basic (cents)	4.16	2.52

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

EBITDA and EBIT are unaudited. However, they are based on amounts extracted from the audited financial statements as reported in the consolidated statement of financial performance on page 26. These metrics provide a measure of Cardno’s performance before the impact of non-cash expense items, such as depreciation and amortisation and impairment losses, as well as interest costs associated with Cardno’s external debt facility and hire purchase arrangements.

NOPAT is unaudited. However, it is based on amounts extracted from the audited financial statements. This metric provides a measure of Cardno’s operating performance before the impact of non-cash adjustments such as impairment losses of goodwill and other assets.

Balance Sheet

During the year the company sold its specialty software business XP Solutions for US$49 million ($56.4 million after transaction costs). All of the funds received from this sale, together with all of the funds from the capital raise in late June 2016 were used to pay down the company’s debt facilities. Net debt (debt less cash on hand) at end of June 2017 is $15.3 million, down from $49.6 million at June 2016 and down from $311.3 million at end of June 2015.

Cash Flow

The company recorded a net operating cash outflow for the year of $3.8 million (inflow $56.4 million FY16). This is primarily driven by the timing of debtor receipts and creditor payments over the end of reporting period.

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 business revenue for the year was $275.9 million, an increase on the prior comparative period (PCP) of 3.9%. Underlying EBITDA for the division is also up on prior year comparative with a number of restructure actions completed starting to show benefits.

The business is investing significantly in major projects expertise with a new dedicated business development team to assist long-term growth in backlog and revenues.

Americas

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

The Americas’ business revenue is down on PCP by 4.7% and underlying EBITDA down on PCP by 16.9%, reflecting both challenges in the external market place and legacy issues. The business was restructured in 1H17 with the resultant removal of substantial overhead. Both revenue and underlying EBITDA have increased in the second half of FY17 as the benefits of the restructure began to take effect, and the work from a number of key project wins got underway.

International Development (ID)

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

ID revenue is up on PCP by 14.0% on the back of some key project wins commencing during the year.

Portfolio

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

Portfolio revenues are down on prior year with continuing challenging market conditions in the Oil & Gas sector, in Latin America and the tightening construction market in Australia. All three businesses have also made improvements in operating and business disciplines. For example, the PPI business suspended its loss making operations in Nigeria and Singapore. The full year benefits of these actions will be felt in FY18.

Directors’ Report *(continued)*

SEGMENT OVERVIEW CONTINUED

	Statutory[1]		Underlying Adjustments[2]		Underlying[1]	
	Financial year		Financial year		Financial year	
AUD ’000	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Asia Pacific	275,944	265,548	-	-	275,944	265,548
Americas	410,957	431,224	-	-	410,957	431,224
ID	329,967	289,510	-	-	329,967	289,510
Portfolio	165,162	178,331	-	-	165,162	178,331
Gross Revenue	**1,182,030**	**1,164,613**	-	-	**1,182,030**	**1,164,613**
Asia Pacific	23,898	889	6,199	28,154	30,097	29,043
Americas	(12,551)	(64,498)	19,160	72,457	6,609	7,959
ID	7,565	(221)	(1,589)	-	5,976	(221)
Portfolio	(17,726)	(82,657)	24,313	86,762	6,587	4,105
	1,186	**(146,487)**	**48,083**	**187,373**	**49,269**	**40,886**
Corporate	(13,190)	6,845	7,926	(5,695)	(5,264)	1,150
Continuing Operations EBITDA	**(12,004)**	**(139,642)**	**56,009**	**181,678**	**44,005**	**42,036**
Depreciation and amortisation expenses	(23,590)	(25,802)	7,115	-	(16,475)	(25,802)
EBIT	**(35,594)**	**(165,444)**	**63,124**	**181,678**	**27,530**	**16,234**
Net finance costs	(7,230)	(12,532)	1,179	-	(6,051)	(12,532)
Profit/(loss) from continuing operations before income tax	**(42,824)**	**(177,976)**	**64,303**	**181,678**	**21,479**	**3,702**
Income tax (expense)/benefit	23,455	28,004	(24,998)	(25,493)	(1,543)	2,511
Profit/(Loss) Before Gain on sale of Discontinued Operations	**(19,369)**	**(149,972)**	**39,305**	**156,185**	**19,936**	**6,213**
Discontinued operations, net of tax	27,948	(44,947)	(27,948)	44,947	-	-
Profit/(loss) after income tax	**8,579**	**(194,919)**	**11,357**	**201,132**	**19,936**	**6,213**
Attributable to:						
Ordinary Equity holders	**8,579**	**(194,919)**	**11,357**	**201,132**	**19,936**	**6,213**

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 12.*
3. *EBITDA represents earnings before interest, income tax, and depreciation and amortisation.*
4. *EBIT represents earnings before interest and income tax.*
5. *EBITDA and EBIT are unaudited. However, they are based on amounts extracted from the audited financial statements as reported in the consolidated statement of financial performance on page 26. These metrics provide a measure of Cardno’s performance before the impact of non-cash expense items, such as depreciation and amortisation, as well as interest costs associated with Cardno’s external debt facility and hire-purchase arrangements.*

Directors’ Report *(continued)*

SEGMENT OVERVIEW CONTINUED

	Note	2017 AU $’000	2016 AU $’000
Underlying Profit From Continuing and Discontinued Operations After Income Tax (Attributable to Ordinary Equity Holders)		19,936	6,213
Underlying Adjustments to EBITDA:			
Redundancy costs associated with restructuring	1	8,968	4,270
Onerous lease provision and other costs associated with office rationalisation and consolidation	2	10,673	479
Business review costs	3	23,329	12,066
Debtor provision	4	11,539	-
Indirect tax – in dispute	5	1,500	-
Sale and lease back	6	-	(1,162)
Close out of USPP and interest rate swap	7	-	(12,257)
Impairment of intangible assets	8	-	178,282
Total Underlying Adjustments to EBITDA		**56,009**	**181,678**
Underlying Adjustments to Depreciation:			
Accelerated depreciation on software assets	9	7,115	-
Total Underlying Adjustments to Depreciation		**7,115**	**-**
Underlying Adjustments to Finance Costs:			
Provision for interest and penalties – tax related	9	1,179	-
Total Underlying Adjustments to Finance Costs		**1,179**	**-**
Underlying Adjustments to Income Tax:			
Provision for taxes	9	2,554	1,048
Structure rationalisation	10	(8,504)	-
Tax effect of underlying adjustments		(19,048)	(26,541)
Total Underlying Adjustments to Income Tax		**(24,998)**	**(25,493)**
Results and Gain on sale of XP Solutions	11	(30,924)	(3,614)
Results and Loss on sale of Mining business	11	2,100	1,918
Result and Loss on sale of ATC	11	-	35,531
Result and Loss on sale of ECS	11	876	11,112
Total Discontinued Operations		**(27,948)**	**44,947**
Statutory Profit / (Loss) After Income Tax (Attributable to Ordinary Equity Holders)		**8,579**	**(194,919)**

1. *Termination and redundancy costs associated with the group restructure.*
2. *Onerous lease provisions and other costs associated with the group wide office rationalisation and consolidation project.*
3. *Costs associated with the closure of developmental drones business and balance sheet provisions related to the Petroleum and Gas business, the Nigeria business, multi-year projects, litigation and work in progress. Prior year includes legal fees and receivables relating to Caminosca business, target defence costs and one off project costs in Manila.*
4. *Specific debtors now viewed as uncollectable due to country specific conditions.*
5. *Indirect tax provision currently in dispute.*
6. *Proceeds recognised from the sale and lease back of equipment.*
7. *Gain on close out of the USPP debt and associated interest rate swap.*
8. *Impairment of intangible assets due to a downturn in the mining and oil and gas sector in prior year.*
9. *Accelerated amortisation on software assets following a review of group systems and income tax expense, penalties and interest provided for where previously considered to be exempt currently in dispute.*
10. *Tax effect of rationalisation of US capital structure.*
11. *Result and subsequent gain or loss on disposal of discontinued operations including XP Solutions and Mining in the current year and ATC and ECS sold in the prior financial year.*

Directors' Report *(continued)*

OUTLOOK

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

> 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 2017 is set out below:

	Board of Directors		Audit, Risk & Compliance Committee		Remuneration Committee	
No. of Meetings Held	**A**	**B**	**A**	**B**	**A**	**B**
M Alscher	10	10	3	4	6	6
N Buch	10	10	-	-	6	6
S Sherman	9	10	4	4	6	6
J Forbes	10	10	4	4	6	6
G Jandegian	10	10	-	-	6	6
R Prieto	10	10	4	4	6	6
N Thomson	10	10	-	-	6	6
R Wankmuller (i)	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) Richard Wankmuller resigned as Chief Executive Officer and Managing Director on 29 August 2016

DIRECTORS' INTERESTS

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

	Ordinary Shares	Performance Options	Performance Rights
M Alscher	-	-	-
N Buch	-	-	-
S Sherman	-	-	-
J Forbes	148,619	-	-
G Jandegian	200,000	-	-
R Prieto	-	-	-
N Thomson	-	-	-

Remuneration Report (Audited)

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

CONTENTS

The Report contains the following sections:

A. 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.

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

The KMP disclosed for the financial year ended 30 June 2017 are detailed in the following table.

Name	Title	Period KMP (if less than full year)
NON-EXECUTIVE DIRECTORS		
M Alscher	Chairman and Non-Executive Director	
S Sherman	Non-Executive Director	
J Forbes	Non-Executive Director	
G Jandegian[1]	Non-Executive Director	
R Prieto	Non-Executive Director	
N Thomson	Non-Executive Director	
EXECUTIVES		
N Buch[1]	Chief Executive Officer and Executive Director	
P Barker	Chief Financial Officer	
FORMER EXECUTIVES		
R Wankmuller	Executive Director and Chief Executive Officer	Until 29 August 2016

[1] N Buch and G Jandegian became joint interim CEO on 29 August 2016. G Jandegian transitioned back to non-executive director on 30 November 2016.

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 2017.

The Committee met six 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 2018 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	-

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

Remuneration Report (Audited) *(continued)*

C. NON-EXECUTIVE DIRECTORS' REMUNERATION CONTINUED

The remuneration received by Non-Executive Directors for the years ended 30 June 2017 and 30 June 2016 is set out in the following table.

		Salary and Fees $	Superannuation Benefits $	Total $
NON-EXECUTIVE				
M Alscher	**2017**	**200,000**	**-**	**200,000**
	2016	130,411	-	130,411
N Buch[1]	**2017**	**-**	**-**	**-**
	2016	65,205	-	65,205
S Sherman	**2017**	**103,652**	**9,487**	**113,139**
	2016	41,062	3,901	44,963
J Forbes	**2017**	**116,231**	**11,042**	**127,273**
	2016	46,045	4,374	50,419
G Jandegian[2]	**2017**	**482,145**	**-**	**482,145**
	2016	51,268	-	51,268
R Prieto	**2017**	**213,403**	**-**	**213,403**
	2016	55,028	-	55,028
N Thomson	**2017**	**100,000**	**-**	**100,000**
	2016	33,151	-	33,151
Total 2017		**1,215,431**	**20,529**	**1,235,960**
Total 2016		422,170	8,275	430,445

[1] N Buch became joint interim CEO on 29 August 2016. His salary and fees paid during the year are included in the executive remuneration table.

[2] G Jandegian transitioned from joint interim CEO back to Non-Executive Director on 30 November 2016. Included in his salary and fees is US$240,000 received from his time as joint interim CEO.

Remuneration Report (Audited) *(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 2017, 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 KMP's STI was assessed 100% against achievement of budgeted EBITDA for the year. This result was achieved. For FY18 the strategy is to link STI to the financial performance of the business in the form of achievement of scorecards with specific key financial performance indicators (KPI's) set as targets. It is planned that these KPI's will be based primarily on financial measures such as EBITDA targets.
Long-Term Incentive (LTI)	Target LTI opportunities are expressed as a percentage of TFR. Performance Rights issued under the previous LTI plan are tested against the relevant performance hurdles at the end of the performance period. Refer section G for the terms and conditions of the Performance Rights. For FY18 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) 3 or 6 months.

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

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

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

Mr Wankmuller received 12 months’ salary in lieu of notice in accordance with his contract as well as accrued annual leave. Mr Wankmuller was also paid the first instalment of his FY16 STI totalling $475,000. No other STI is payable. All unvested LTI in the form of Performance Rights lapsed on the cessation of his employment.

F. EXECUTIVE KEY MANAGEMENT PERSONNEL - REMUNERATION TABLES

The remuneration received by Executive KMP for the years ended 30 June 2017 and 30 June 2016 is set out in the following table.

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

Remuneration Report (Audited) *(continued)*

		SHORT-TERM BENEFITS			SHARE-BASED PAYMENTS	POST EMPLOYMENT		
		Salary and Fees $	STI Cash $	Non-Monetary Benefits $	Performance Rights $	Superannuation Benefits $	Termination Benefits [2] $	Total $
EXECUTIVE KEY MANAGEMENT PERSONNEL								
N Buch[1]	**2017**	**532,986**	**-**	**-**	**-**	**-**	**-**	**532,986**
	2016	-	-	-	-	-	-	-
P Barker	**2017**	**425,692**	**222,654**	**-**	**58,046**	**19,616**	**-**	**726,008**
	2016	135,894	29,667	-	-	6,563	-	172,124
FORMER EXECUTIVE KEY MANAGEMENT PERSONNEL								
R Wankmuller	**2017**	**179,080**	**-**	**81,639**	**(132,972)**	**23,388**	**1,014,655**	**1,165,790**
	2016	1,504,439	475,000	5,677	132,972	11,313	-	2,129,401
Total 2017		**1,137,758**	**222,654**	**81,639**	**(74,926)**	**43,004**	**1,014,655**	**2,424,784**
Total 2016		1,640,333	504,667	5,677	132,972	17,876	-	2,301,525

[1] N Buch became joint interim CEO on 29 August 2016. N Buch was paid $16,986 as a non-executive director prior to becoming CEO which is included in his salary and fees.

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

Remuneration Report (Audited) *(continued)*

Proportion of Performance Related Remuneration

		Percentage of Target STI Received[1]	Percentage of Remuneration Performance Related[2]
EXECUTIVE KEY MANAGEMENT PERSONNEL			
N Buch	**2017**	**-**	**-**
	2016	-	-
P Barker	**2017**	**100%**	**38.7%**
	2016	50%	17.2%
FORMER EXECUTIVE KEY MANAGEMENT PERSONNEL			
R Wankmuller	**2017**	-	-
	2016	33%	28.6%

1 *Calculated based on STI as a percentage of pro-rata target for 2016.*

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

Performance Rights Granted and Movement During the Year

The aggregate number of Performance Rights in the Company that were granted as compensation, exercised and lapsed to each Executive KMP for the year ended 30 June 2017 is set out in the following table.

	Balance at 1 July 2016	Rights Granted During the Year as Remuneration	Value of Right Granted During the Year	Rights Exercised During the Year	Value of Rights Exercised During the Year[1]	Lapsed / Cancelled During the Year	Value of Lapsed / Cancelled[2]	Balance at 30 June 2017	Maximum Total Yet to Vest
	No.	**No.**	**$**	**No.**	**$**	**No.**	**$**	**No.**	**No.**
EXECUTIVE KEY MANAGEMENT PERSONNEL									
N Buch	-	-	-	-	-	-	-	-	-
P Barker	-	316,143	291,907	-	-	-	-	316,143	316,143
FORMER EXECUTIVE KEY MANAGEMENT PERSONNEL									
R Wankmuller	250,549	-	-	-	-	250,549	518,636	N/A	N/A

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

Details of vesting profiles of Performance Rights granted as remuneration to Key Management Personnel of Cardno and still outstanding at 30 June 2017, including those granted during the financial year are as follows in the table below:

	Outstanding Performance Rights	Grant Date	Vesting Date	% Vested in Year	% Forfeited in Year	Fair Value at Grant Date
EXECUTIVE KEY MANAGEMENT PERSONNEL						
N Buch	-	-	-	-	-	-
P Barker	34,801	1-Mar-16	1-Nov-18	0.0%	0.0%	2.07
	281,342	1-Nov-16	1-Nov-19	0.0%	0.0%	0.78
FORMER EXECUTIVE KEY MANAGEMENT PERSONNEL						
R Wankmuller	-	-	-	-	-	-

The number of Performance Rights included in the balance at 30 June 2017 for the Executive KMP is set out in the following table.

ISSUED 2017	LTI	Balance at 30 June 2017	Vested & Exercisable at the End of the Year
EXECUTIVE KEY MANAGEMENT PERSONNEL			
N Buch	-	-	-
P Barker	316,143	316,143	-
FORMER EXECUTIVE KEY MANAGEMENT PERSONNEL			
R Wankmuller	-	N/A	N/A

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

Securities Trading Policy

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

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

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.

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.

2016 and 2015 LTI Plan Performance Hurdles:

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

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

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

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

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

Number of Performance Rights:

There are currently 4,962,639 Performance Rights on issue at 30 June 2017. As a share-based payment, these Performance Rights were valued for accounting and reporting purposes using the Monte Carlo simulation and Black Scholes method.

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.

	2017	2016	2015	2014	2013
Gross Revenue – Continuing Operations (000's)	$1,182,030	$1,164,613	$1,185,949	$1,309,597	$1,195,352
Net Profit / (Loss) After Tax (000's)	$8,579	($194,919)	($245,068)	$78,134	$77,639
Dividends Paid or Provided (000's)	-	$11,548	$49,452	$56,530	$50,766
Change in Share Price – year on year ($ per share)	$0.64	($1.18)	($3.09)	$1.14	($2.38)

Remuneration Report (Audited) *(continued)*

I. OTHER RELATED PARTY TRANSACTIONS

Share Holdings

The movement for the year ended 30 June 2017 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				
M Alscher	-	-	-	-
S Sherman	-	-	-	-
J Forbes	148,619	-	-	148,619
G Jandegian[1]	-	-	200,000	200,000
R Prieto	-	-	-	-
N Thomson	-	-	-	-
EXECUTIVE KEY MANAGEMENT PERSONNEL				
N Buch	-	-	-	-
P Barker	-	-	44,500	44,500
FORMER EXECUTIVE KEY MANAGEMENT PERSONNEL				
R Wankmuller	853,583	-	-	N/A

1. G Jandegian was joint interim CEO from 29 August 2016 to 30 November 2016.

Loans to Executive Key Management Personnel

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

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

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

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

Directors’ Report *(continued)*

NON-AUDIT SERVICES

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

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

> All non-audit services were subject to the corporate governance procedures adopted by the Board and have been reviewed by the Audit, Risk and Compliance Committee to ensure they do not impact the integrity and objectivity of the auditor; and

> The non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor’s own work, acting in a management or decision making capacity for Cardno, acting as an advocate for Cardno or jointly sharing risks and rewards.

Details of the amounts paid to the auditor and its related practices for audit and non-audit services provided during the year are set out in Note 33.

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

The lead auditor’s independence declaration is set out on page 25 and forms part of the Directors’ report for the year ended 30 June 2017.

ROUNDING OF AMOUNTS

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

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

MICHAEL ALSCHER
Chairman

21 August 2017

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 2017 there have been:

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

KPMG

KPMG

Simon Crane
Partner

Brisbane
21 August 2017

Consolidated Statement of Financial Performance

Cardno Limited and its Controlled Entities for the year ended 30 June 2017

	Note	2017 $'000	Restated* 2016 $'000
Revenue from continuing operations	5	1,182,030	1,164,613
Other income	5	2,455	16,406
Employee expenses		(547,838)	(565,907)
Consumables and materials used		(392,103)	(363,811)
Sub-consultant and contractor costs		(194,687)	(176,484)
Impairment losses	7	-	(178,282)
Depreciation and amortisation expenses		(23,590)	(25,801)
Net financing costs	6	(7,230)	(12,532)
Other expenses		(61,861)	(36,178)
Loss before income tax		(42,824)	(177,976)
Income tax benefit	8	23,455	28,004
Loss for the year from continuing operations		**(19,369)**	**(149,972)**
Profit/ (Loss) for the year from discontinued operations, net of tax	4	27,948	(44,947)
Profit/ (Loss) for the year		**8,579**	**(194,919)**
Profit/ (Loss) attributable to:			
Owners of the Company		8,579	(194,919)
		8,579	**(194,919)**
Continuing Operations			
Basic earnings per share (cents per share)	28	(4.05)	(60.93)
Diluted earnings per share (cents per share)	28	(4.05)	(60.93)
Continuing and Discontinuing Operations			
Basic earnings per share (cents per share)	28	1.79	(79.19)
Diluted earnings per share (cents per share)	28	1.79	(79.19)

Consolidated Statement of Comprehensive Income

Cardno Limited and its Controlled Entities for the year ended 30 June 2017

	Note	2017 $'000	Restated* 2016 $'000
Profit/ (Loss) for the year		**8,579**	**(194,919)**
Items that may be subsequently reclassified to profit or loss:			
Exchange differences on translation of foreign operations		(17,381)	20,447
Reclassification of exchange differences on disposal of subsidiary	4	1,793	(5,204)
Other comprehensive income for the year, net of tax		(15,588)	15,243
Total comprehensive income for the year		(7,009)	(179,676)
Total comprehensive income attributable to:			
Owners of the Company		(7,009)	(179,676)
		(7,009)	**(179,676)**

** See Note 4 for details about restatement of comparative information.*

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 2017

	Note	2017 $'000	2016 $'000
CURRENT ASSETS			
Cash and cash equivalents	10	80,028	105,613
Trade and other receivables	11	218,749	191,053
Work in progress	12	96,882	115,305
Other current assets	25	13,696	11,276
Current tax receivable		-	4,819
Assets held for sale	3	-	10,233
TOTAL CURRENT ASSETS		**409,355**	**438,299**
NON-CURRENT ASSETS			
Other financial assets	26	1,323	3,770
Property, plant and equipment	13	35,593	47,310
Deferred tax assets	9	142,127	118,580
Intangible assets	14	295,873	322,604
TOTAL NON-CURRENT ASSETS		**474,916**	**492,264**
TOTAL ASSETS		**884,271**	**930,563**
CURRENT LIABILITIES			
Trade and other payables	15	144,327	125,115
Loans and borrowings	16	615	2,795
Current tax liabilities		3,614	-
Employee benefits		31,758	33,216
Provisions	17	4,857	3,139
Other current liabilities	18	46,888	40,691
Liabilities held for sale	3	-	10,233
TOTAL CURRENT LIABILITIES		**232,059**	**215,189**
NON-CURRENT LIABILITIES			
Loans and borrowings	16	94,708	152,425
Deferred tax liabilities	9	290	531
Employee benefits		4,937	4,545
Other non-current liabilities	18	7,000	776
TOTAL NON-CURRENT LIABILITIES		**106,935**	**158,277**
TOTAL LIABILITIES		**338,994**	**373,466**
NET ASSETS		**545,277**	**557,097**
EQUITY			
Issued capital	19	815,563	820,374
Reserves		61,737	77,325
Retained earnings / (losses)		(332,023)	(340,602)
TOTAL EQUITY		**545,277**	**557,097**

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 2017

	Note	Share Capital Ordinary $'000	Retained Earnings / (losses) $'000	Foreign Translation Reserve $'000	Reserve for Own Shares* $'000	Total $'000
BALANCE AT 1 JULY 2015		**641,661**	**(134,135)**	**76,693**	**(14,611)**	**569,608**
Loss for the year		-	(194,919)	-	-	(194,919)
Exchange differences on translation of foreign operations		-	-	20,447	-	20,447
Reclassification of exchange difference on disposal of subsidiary	4	-	-	(5,204)	-	(5,204)
Total comprehensive income for the year		**-**	**(194,919)**	**15,243**	**-**	**(179,676)**
Transactions with owners in their capacity as owners:						
Shares issued	19	176,923	-	-	-	176,923
Employee share based payments	19	1,790	-	-	-	1,790
Dividends paid or provided	19	-	(11,548)	-	-	(11,548)
		178,713	**(11,548)**	**-**	**-**	**167,165**
BALANCE AT 30 JUNE 2016		**820,374**	**(340,602)**	**91,936**	**(14,611)**	**557,097**
Profit/(Loss) for the year		-	8,579	-	-	8,579
Exchange differences on translation of foreign operations		-	-	(17,381)	-	(17,381)
Reclassification of exchange difference on disposal of subsidiary	4	-	-	1,793	-	1,793
Total comprehensive income for the year		**-**	**8,579**	**(15,588)**	**-**	**(7,009)**
Transactions with owners in their capacity as owners:						
Shares issued	19	9	-	-	-	9
Employee share based payments	19	850	-	-	-	850
Share buy-back (net of income tax)	19	(5,670)	-	-	-	(5,670)
		(4,811)	**-**	**-**	**-**	**(4,811)**
BALANCE AT 30 JUNE 2017		**815,563**	**(332,023)**	**76,348**	**(14,611)**	**545,277**

* *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 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 2017

	Note	2017 $'000	2016 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		1,257,701	1,372,935
Interest received		665	1,196
Finance costs paid		(5,385)	(11,583)
Cash paid to suppliers and employees		(1,255,426)	(1,311,859)
Income tax refund received / (paid)		(1,388)	5,698
NET CASH PROVIDED BY OPERATING ACTIVITIES	**27**	**(3,833)**	**56,387**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds on disposal of subsidiaries	4	57,977	85,943
Acquisition of subsidiaries, deferred consideration paid		(6,180)	(23,857)
Payments for intangible assets		-	(1,122)
Proceeds from sale of property, plant and equipment		932	9,826
Payments for property, plant and equipment		(12,280)	(19,312)
NET CASH PROVIDED BY INVESTING ACTIVITIES		**40,449**	**51,478**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		-	177,038
Share issue transaction costs		-	(5,648)
Share Buy-Back (Cancellation of shares)		(5,670)	-
Proceeds from borrowings		38,250	444,598
Repayment of borrowings		(93,719)	(706,749)
Proceeds from termination of interest rate swap		-	11,761
Finance lease payments		(2,059)	(1,305)
Dividends paid		-	(7,693)
NET CASH USED IN FINANCING ACTIVITIES		**(63,198)**	**(87,998)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS HELD		**(26,582)**	**19,867**
CASH AND CASH EQUIVALENTS AT 1 JULY		**105,613**	**84,750**
Reclassification of cash included in disposal group held for sale		1,512	77
Effects of exchange rate changes on cash and cash equivalents at the end of year		(515)	919
CASH AND CASH EQUIVALENTS AT 30 JUNE	**10**	**80,028**	**105,613**

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 2017

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

On 1 July 2016, the Group changed its operating structure and as a result reportable segments have changed since the 2016 Annual report. Comparative information has been restated to reflect the new structure.

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

> **Asia Pacific Engineering and Environmental** – 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** – 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.

> **Other** – includes Portfolio Companies including Construction Sciences (materials testing), 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. Unallocated items mainly comprise head office expenses, financing costs, and income tax expense.

2017 $'000	Asia Pacific Engineering & Environmental	Americas Engineering & Environmental	ID	Other	Total
SEGMENT REVENUE – Continuing Operations					
Fees from consulting services	230,619	281,584	129,185	146,811	788,199
Fees from recoverable expenses	43,525	128,150	200,700	15,447	387,822
Inter-segment revenue				6,850	6,850
Segment Revenue	274,144	409,734	329,885	169,108	1,182,871
Other revenue	1,800	1,223	82	2,904	6,009
Total Segment Revenue	275,944	410,957	329,967	172,012	1,188,880
Inter-segment elimination					(6,850)
Total Revenue from continuing operations					**1,182,030**
Segment Result	**30,097**	**6,609**	**5,976**	**1,323**	**44,005**
Redundancy costs	-	-	-	(8,968)	(8,968)
Office consolidation	(2,495)	(8,178)	-	-	(10,673)
Business review costs	(161)	(10,982)	3,089	(15,275)	(23,329)
Debtor provisioning	(3,543)	-	-	(7,996)	(11,539)
Indirect tax in dispute	-	-	(1,500)	-	(1,500)
Depreciation and amortisation expense	(2,836)	(4,004)	(384)	(16,366)	(23,590)
Profit/(loss) from continuing operations before interest and income tax	**21,062**	**(16,555)**	**7,181**	**(47,282)**	**(35,594)**
Finance costs and interest income					(7,230)
Loss from continuing operations before income tax					**(42,824)**
Income tax benefit					23,455
Loss from continuing operations after income tax					**(19,369)**
Net profit from discontinued operations after income tax					27,948
Profit from continuing and discontinuing operations after income tax					**8,579**

1. SEGMENT INFORMATION CONTINUED

2016 $'000	Asia Pacific Engineering & Environmental	Americas Engineering & Environmental	ID	Other	Total
SEGMENT REVENUE – Continuing Operations					
Fees from consulting services	217,931	291,876	107,359	164,594	781,760
Fees from recoverable expenses	47,237	137,666	182,149	13,422	380,474
Inter-segment revenue				26,693	26,693
Segment Revenue	265,168	429,542	289,508	204,709	1,188,927
Other revenue	380	1,682	2	315	2,379
Total Segment Revenue	265,548	431,224	289,510	205,024	1,191,306
Inter-segment elimination					(26,693)
Total Revenue from continuing operations					**1,164,613**
Segment Result	**29,043**	**7,959**	**(221)**	**5,255**	**42,036**
Redundancy costs	(1,039)	(616)	-	(2,615)	(4,270)
Office consolidation	-	-	-	(479)	(479)
Sale and lease back	619	543	-	-	1,162
Close out of USPP	-	-	-	12,257	12,257
Business review costs	(1,000)	-	-	(11,066)	(12,066)
Impairment losses	(26,734)	(72,050)	-	(79,498)	(178,282)
Depreciation and amortisation expense	(5,155)	(15,054)	(436)	(5,157)	(25,802)
Profit/(loss) from continuing operations before interest and income tax	**(4,266)**	**(79,218)**	**(657)**	**(81,303)**	**(165,444)**
Finance costs and interest income					(12,532)
Loss from continuing operations before income tax					**(177,976)**
Income tax benefit					28,004
Loss from continuing operations after income tax					**(149,972)**
Net loss from discontinued operations after income tax					(44,947)
Loss from continuing and discontinuing operations after income tax					**(194,919)**

GEOGRAPHICAL INFORMATION

	2017		2016	
	Revenues $'000	Non-Current Assets $'000	Revenues $'000	Non-Current Assets $'000
Australia & New Zealand	523,261	260,100	429,133	246,979
Americas	510,507	205,504	548,182	215,815
United Kingdom	27,357	3,124	31,549	24,374
Canada	7,363	2,304	980	1,930
Singapore	6,924	-	23,438	-
Africa	23,921	43	25,678	1,212
Latin America	25,251	3,356	27,974	-
Indonesia	51,000	328	70,444	770
Other Countries	6,446	157	7,235	1,184
	1,182,030	**474,916**	**1,164,613**	**492,264**

2. BUSINESS COMBINATIONS

On the 2 December 2016, the Group acquired an engineering company who provide global building information modelling management, modelling, digital engineering and detailing services, with head office based in Western Australia. This acquisition is not considered to be material to the Group.

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

From the date of acquisition to 30 June 2017, the T2 business contributed $7,028,000 of revenue and $1,775,000 to profit before tax from continuing operations of the Group. If the business combination had taken place at the beginning of the year, the consolidated Group's revenue from continuing operations would have been $1,191,689,000 and loss before tax from continuing operations for the consolidated Group would have been $40,978,000.

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

	2017 $'000
Cash	406
Trade and other receivables	6,491
Work in progress	1,692
Property, plant and equipment	166
Other current assets	147
	8,902
Trade and other payables	(3,558)
Employee benefits	(197)
Current tax liabilities	(20)
	(3,775)
Total identifiable net assets at fair value	**5,127**
Investment previously held in other financial assets equity accounted for	2,564
Goodwill arising on acquisition	2,143
Purchase consideration transferred	**4,707**

The fair value of receivables acquired is $6,491,000. The gross amount due is $6,685,000 of which $194,000 is considered doubtful.

Goodwill is allocated entirely to the Americas 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 of CAD $4,800,000 was paid in cash. Analysis of cash flows on acquisition:

	2017 $'000
Cash paid	4,707
Cash balance acquired	(406)
Net cash flow on acquisition	**4,301**

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

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

3. DISPOSAL GROUP HELD FOR SALE

In May 2015, management committed to a plan to sell Caminosca S.A., a controlled entity based in Ecuador and part of the Other segment.

Assets and liabilities of disposal group held for sale

At 30 June 2016, the disposal group was stated at fair value less costs to sell. Whilst at 30 June 2017 the entity is still available for sale, it is no longer classified as held for sale due to the reduced likelihood of a sale in the near future.

	2016 $'000
Cash and cash equivalents	1,513
Trade and other receivables	6,612
Property, plant and equipment	1,595
Deferred tax assets	164
Other current assets	349
Assets held for sale	**10,233**
Trade and other payables	2,988
Interest bearing loans and borrowings	52
Employee benefits	2,095
Unearned Revenue	-
Current tax liabilities	5,098
Liabilities held for sale	**10,233**

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

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

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

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

4. DISCONTINUED OPERATIONS

On the 19 September 2016, the Group signed an agreement for the sale of its software business, XP Solutions, for US $49 million. The net proceeds of the sale were used to strengthen the Group's capital structure and to further reduce net debt.

In December 2016 the Group sold its US mining business for US $0.9 million.

XP Solutions and mining were not previously classified as held-for-sale or as a discontinued operation. The comparative consolidated statement of financial performance has been reclassified to show the discontinued operations separately from continuing operations.

	2017 $'000	2016 $'000
(a) Results of discontinued operation		
Revenue	9,312	137,159
Expense	(9,986)	(144,179)
Results of operating activities	**(674)**	**(7,020)**
Income tax	330	3,343
Results from operating activities, net of tax	**(344)**	**(3,677)**
Profit/(loss) on disposal of subsidiary	30,085	(9,620)
Impairment losses (Refer to Note 7)	-	(36,854)
Reclassification of foreign currency differences and reserves	(1,793)	5,204
Profit/(loss) for the period	**27,948**	**(44,947)**
Basic earnings (loss) per share	5.84	(18.26)
Diluted earnings (loss) per share	5.84	(18.26)

The profit from discontinued operations of $27.9 million (2016: loss of $44.9 million) is attributable entirely to the owners of the company.

	2017 $'000	2016 $'000
(b) Cash flows from (used in) discontinued operation		
Net cash from (used in) operating activities	1,866	(2,765)
Net cash from (used in) investing activities	547	3,989
Net cash flow for the period	**2,413**	**1,224**

	2017 $'000
(c) Effect of disposal on the financial position of the Group	
Property, plant and equipment	224
Intangibles	25,629
Trade and other receivables	5,388
Bank	922
Deferred tax liabilities	(375)
Trade and other payables	(1,759)
Net assets and liabilities	**30,029**
Consideration received, satisfied in cash	57,055
Bank account disposed of	922
Net cash inflow	**57,977**

KEY FINANCIAL STATEMENT ITEMS

5. REVENUE AND OTHER INCOME

	2017 $'000	2016 $'000
REVENUE FROM CONTINUING OPERATIONS		
Fees from consulting services	788,199	781,760
Fees from recoverable expenses	387,822	380,474
Other	6,009	2,379
	1,182,030	**1,164,613**
OTHER INCOME		
Non-refundable R&D tax incentives	1,995	2,202
Gain on termination of interest rate swap	-	5,218
Gain on repayment of fixed rate long term notes	-	7,039
Gain on disposal of property, plant and equipment	460	1,355
Foreign exchange gains	-	592
Other Income	**2,455**	**16,406**

Accounting for Revenue from Continuing Operations and Interest Income

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

Revenue from consulting services which are provided on a time and material basis is recognised at the contractual hourly rates as labour hours are delivered and recoverable expenses are incurred. For long term contracts, revenue and expenses are recognised in accordance with the percentage of completion method. Where a loss is expected to arise from a contract, the loss is recognised immediately as an expense. The percentage of completion is determined by costs to date versus estimated total project costs.

6. NET FINANCING COSTS

	2017 $'000	2016 $'000
Interest paid	6,133	8,669
Amortisation of borrowing costs	1,762	5,055
Financing Costs	**7,895**	**13,724**
Interest income	665	1,192
Net Financing Costs	**7,230**	**12,532**

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.

7. EXPENSES

	2017 $'000	2016 $'000
Bad and doubtful debts	22,868	3,947
Rental expense relating to operating leases	41,189	36,160
Impairment Losses		
Impairment of goodwill and other intangible assets (Refer Note 14)	-	178,282
Impairment loss on re-measurement of disposal group (Refer Note 4)	-	36,854
	-	**215,136**
Impairment losses have been classified in the consolidated statement of financial performance as:		
Continuing operations	-	178,282
Discontinued operations (refer Note 4)	-	36,854
	-	**215,136**

8. INCOME TAX EXPENSE

	2017 $'000	2016 $'000
(a) The components of tax expense comprises:		
Current tax expense		
Current year	1,701	20,099
Adjustments for prior years	1,728	(361)
	3,429	19,738
Deferred tax expense		
Current year	(22,885)	(46,049)
Adjustments for prior years	(3,999)	(1,693)
	(26,884)	(47,742)
Total income tax expense / (benefit)	**(23,455)**	**(28,004)**
(b) Numerical reconciliation between tax expense and pre-tax profit		
Profit / (loss) before tax from continuing operations	(42,824)	(177,976)
Income tax using the Australian corporation tax rate of 30% (2016: 30%)	(12,847)	(53,393)
Increase (decrease) in income tax expense due to:		
Non-deductible expenses	1,650	4,246
Effect of tax rates in foreign jurisdictions	2,078	(9,069)
Allowances for R&D expenditure	(598)	(2,508)
Non-deductible portion of goodwill impairment	-	41,499
Structure rationalisation	(10,302)	-
Sundry items	(1,165)	(6,725)
	(21,184)	**(25,950)**
Under / (over) provided in prior years	(2,271)	(2,054)
Income tax expense / (benefit)	**(23,455)**	**(28,004)**
(c) Amounts recognised directly in equity		
Tax benefit on equity raising costs	106	1,678
Foreign exchange	2,149	26,104

The effective tax rate for FY17 was 54.8% as compared to 15.7% in FY16. The tax benefit recognised includes the tax effect of a structure rationalisation.

9. DEFERRED TAX ASSETS & LIABILITIES

Recognised deferred tax assets and liabilities

	2017 $'000	2016 $'000
Assets		
Accruals	5,437	34,391
Provisions	19,035	17,874
Intangibles	39,834	53,242
Tax losses	76,875	1,105
Property, plant and equipment	2,576	-
Other	12,291	32,089
Total deferred tax assets	**156,048**	**138,701**
Set-off of deferred tax liabilities	(13,921)	(20,121)
Net deferred tax assets	**142,127**	**118,580**
Liabilities		
Work in progress	11,815	10,576
Property, plant and equipment	-	1,788
Prepayments	1,276	2,123
Other	1,120	6,165
Total deferred tax liabilities	**14,211**	**20,652**
Set-off against deferred tax assets	(13,921)	(20,121)
Net deferred tax liabilities	**290**	**531**
NET DEFERRED TAX ASSETS (LIABILITIES)	**141,837**	**118,049**

The Group has unrecognised deferred tax assets from capital loss carryforwards in the United States of $40.2 million as at 30 June 2017 (2016: $38.1million) which will expire if not used to offset capital gains derived by 30 June 2021 ($34.7 million) and 30 June 2022 ($5.5 million).

Movement in temporary differences during the year:

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

30 June 2016	1 July 2015 $'000	Recognised in profit or loss $'000	Adjustments to prior years $'000	Other* $'000	30 June 2016 $'000
Accruals	24,517	10,173	(535)	235	34,390
Provisions	21,773	(420)	(217)	(3,262)	17,874
Sundry items	4,650	18,144	851	1,658	25,303
Prepayments	(1,047)	(986)	(34)	(55)	(2,122)
Work in progress	(21,313)	302	543	9,892	(10,576)
Goodwill on acquisition (USA)	35,116	20,675	907	(3,518)	53,180
	63,696	**47,888**	**1,515**	**4,950**	**118,049**

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

10. CASH AND CASH EQUIVALENTS

	2017 $'000	2016 $'000
Cash at bank and on hand	76,957	102,862
Restricted cash (project advances)	2,680	2,628
Bank short term deposits	391	123
	80,028	**105,613**

Accounting for Cash and Cash Equivalents

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

11. TRADE & OTHER RECEIVABLES

	2017 $'000	2016 $'000
Trade debtors	245,503	192,587
Provision for doubtful debts	(38,626)	(11,090)
	206,877	**181,497**
Sundry debtors	11,872	9,556
	218,749	**191,053**

Accounting for Trade and Other Receivables

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

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

12. WORK IN PROGRESS

	2017 $'000	2016 $'000
Work in progress	**96,882**	**115,305**

Accounting for Work in Progress

Work in progress is stated at the aggregate of contract costs incurred to date plus recognised profits less recognised losses and progress billings. If there are contracts where progress billings exceed the aggregate costs incurred plus profits less losses, the net amounts are presented as unearned revenue under other liabilities.

Contract costs include all costs directly related to specific contracts, costs that are specifically chargeable to the customer under the terms of the contract and an allocation of overhead expenses incurred in connection with Cardno's activities in general.

The recoverability of work in progress is reviewed on an ongoing basis. Amounts assessed as not recoverable from future billings are written off when identified.

Notes to the Consolidated Financial Statements

Cardno Limited and its Controlled Entities for the year ended 30 June 2017

13. PROPERTY, PLANT & EQUIPMENT

	2017 $'000	2016 $'000
Land & buildings		
Land & buildings	2,859	2,799
Less accumulated depreciation	(1,383)	(1,306)
	1,476	**1,493**
Carrying amount at the beginning of the year	1,493	2,423
Additions	136	34
Disposals	-	(926)
Depreciation expense	(104)	-
Foreign exchange	(49)	(38)
Carrying amount at the end of the year	**1,476**	**1,493**
Office Furniture & Equipment		
Laboratory equipment, instruments & amenities	129,393	142,592
Less accumulated depreciation	(98,068)	(98,573)
	31,325	**44,019**
Carrying amount at the beginning of the year	44,019	52,617
Additions	10,961	20,033
Increase through acquisition	99	-
Reinstate previously held for sale assets	280	-
Disposals	(1,941)	(12,141)
Depreciation expense	(21,460)	(17,857)
Foreign exchange	(633)	1,469
Transfer between classes	-	(102)
Carrying amount at the end of the year	**31,325**	**44,019**
Motor vehicles		
Motor vehicles	14,840	15,149
Less accumulated depreciation	(12,048)	(13,351)
	2,792	**1,798**
Carrying amount at the beginning of the year	1,798	9,811
Additions	2,177	476
Increase through acquisition	66	-
Reinstate previously held for sale assets	246	-
Disposals	(261)	(5,144)
Depreciation and amortisation expense	(1,188)	(3,602)
Foreign exchange	(46)	156
Transfer between classes	-	101
Carrying amount at the end of the year	**2,792**	**1,798**
Total property, plant & equipment		
Property, plant & equipment	147,092	160,540
Less accumulated depreciation	(111,499)	(113,230)
	35,593	**47,310**
Carrying amount at the beginning of the year	47,310	64,851
Additions	13,274	20,543
Increase through acquisition	165	-
Reinstate previously held for sale assets	526	-
Disposals	(2,202)	(18,211)
Depreciation expense	(22,752)	(21,459)
Foreign exchange	(728)	1,586
Carrying amount at the end of the year	**35,593**	**47,310**

13. PROPERTY, PLANT & EQUIPMENT CONTINUED

Accounting for Property, Plant and Equipment

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

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Cardno and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated on the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value. Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that Cardno will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

- Buildings — 40 years
- motor vehicles — 4-7 years
- office furniture and equipment — 3-11 years

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

14. INTANGIBLE ASSETS

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

	Goodwill $'000	Works Contracts $'000	Patents and Trademarks $'000	Software Intangibles $'000	Customer Relation-ships $'000	Total $'000
2017						
Balance at the beginning of year	317,498	75	2,081	2,749	201	322,604
Acquired through business combination	2,504	-	538	-	-	3,042
Disposal of subsidiary	(23,699)	-	-	(1,930)	-	(25,629)
Amortisation charges	-	(41)	-	(596)	(201)	(838)
Effect of foreign exchange	(3,078)	(5)	-	(223)	-	(3,306)
Closing value at 30 June 2017	**293,225**	**29**	**2,619**	**-**	**-**	**295,873**
2016						
Balance at the beginning of year	520,504	284	2,081	3,859	21,356	548,084
Internally generated	-	-	-	1,122	-	1,122
Impairment losses	(161,076)	-	-	(749)	(16,457)	(178,282)
Impairment on re-measurement of disposal group	(36,676)	-	-	-	-	(36,676)
Disposal of subsidiary	(11,312)	(51)	-	-	(664)	(12,027)
Amortisation charges	-	(170)	-	(1,516)	(4,154)	(5,840)
Effect of foreign exchange	6,058	12	-	33	120	6,223
Closing value at 30 June 2016	**317,498**	**75**	**2,081**	**2,749**	**201**	**322,604**

14. INTANGIBLE ASSETS CONTINUED

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

	2017 $'000	2016 $'000
Americas	86,630	111,837
Asia Pacific (APAC)	176,958	205,661
Construction Sciences (CS)	23,904	-
International Development (ID)	5,733	-
	293,225	**317,498**

Impairment Testing

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

For the purposes of impairment testing, goodwill is allocated to Cardno's management divisions which represent the lowest level within Cardno at which the goodwill is monitored for internal management purposes. During the year the Group reviewed its business structure and identified portfolio companies, being businesses considered to be outside of the core operating model of Americas and APAC, which due to the nature of the business and the way in which management were reviewing the business should be identified as separate CGUs. These included Construction Sciences, ID, PPI and LATAM. Goodwill was allocated based on their relative fair value. The PPI and LATAM CGUs have been fully impaired in prior years and as a result do not have any goodwill remaining.

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 2018 and year on year growth rates over the forecasted period based on management's estimates of underlying economic conditions, past performance and other factors anticipated to impact the CGU's performance. The long term growth rate used in calculating the terminal value is based on long term growth estimates for the countries and industries in which the CGU operates.

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

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

Results of Impairment Testing

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

	2017 $'000	2016 $'000
IMPAIRMENT LOSSES		
Goodwill	-	161,076
Other intangible assets	-	17,206
Total impairment losses from impairment testing	**-**	**178,282**

Impairment losses were recognised in the prior year relating to the Americas CGU of $72.1 million, APAC CGU of $26.7 million and PPI CGU of $79.5 million (representing all intangible assets of the CGU).

14. 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	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
Americas	6.2% - 8.5%	5.5% - 9.1%	2.70%	2.70%	14.42%	12.70%
APAC	11.5% - 13.5%	11.8% - 13.9%	2.70%	2.70%	14.86%	14.80%
PPI	-	0.0% - 4.1%	-	2.70%	-	14.50%
CS	8.3% - 10.0%	-	2.70%	-	14.86%	-
ID	2.1% - 4.0%	-	2.70%	-	13.14%	-

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

15. TRADE & OTHER PAYABLES

	2017 $'000	2016 $'000
Trade payables & accruals	142,496	122,854
Vendor liability	1,831	2,261
	144,327	**125,115**

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

16. LOANS & BORROWINGS

	2017 $'000	2016 $'000
CURRENT		
Lease and hire purchase liabilities	615	2,158
Bank loans	-	637
	615	**2,795**
NON-CURRENT		
Lease and hire purchase liabilities	725	1,146
Bank loans	93,983	151,279
	94,708	**152,425**
TOTAL CURRENT & NON-CURRENT LOANS & BORROWINGS	**95,323**	**155,220**

16. LOANS & BORROWINGS CONTINUED

Interest Bearing Borrowings

Interest bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the profit and loss over the period of the borrowings on an effective interest rate basis.

Bank Loans

The Group has bank loans of $94.0 million (2016: $151.9 million) as at 30 June 2017 with a weighted average interest rate of 2.65% (2016: 2.48%). Funding available to the Group from undrawn facilities is $23.7 million (2016: $134.3 million).

The Group's facility limits comprise working capital facility US $5.0 million (2016: US $5.0 million) as well as a multi-currency bilateral revolving term facility of US $86.6 million (2016: US $210.0 million).

The Group's debt facilities include certain financial covenants which are tested semi-annually at 30 June and 31 December each year. A breach of a financial covenant would represent an event of default under the terms of the debt facilities. At 30 June 2017, the Group was in compliance with all financial covenants.

During the 2017 year the Group permanently reduced the size of its debt facilities as the Board felt the facilities in place were greater than the future requirements of the business.

There were no bank overdrafts in existence at 30 June 2017 (2016: Nil).

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

Lease and Hire Purchase Liabilities

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

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

16. LOANS & BORROWINGS CONTINUED

	2017 $'000	2016 $'000
Finance leases and hire purchase		
Commitments in relation to finance leases are payable as follows:		
> Within one year	655	2,308
> Later than one year but not later than 5 years	784	1,205
> Later than 5 years	-	-
Minimum lease payments	**1,439**	**3,513**
Less: Future finance charges	(99)	(209)
Recognised as a liability	**1,340**	**3,304**
Present value of minimum lease and hire purchase payment		
Commitments in relation to finance leases are payable as follows:		
> Within one year	615	2,158
> Later than one year but not later than 5 years	725	1,146
> Later than 5 years	-	-
Recognised as a liability	**1,340**	**3,304**

17. PROVISIONS

	2017 $'000	2016 $'000
CURRENT		
Provision for legal claims	4,857	3,139
	4,857	**3,139**

Accounting for Provisions

The Group makes provision for legal claims not covered by the Group's professional indemnity policy and as at 30 June 2017 an estimate of the potential impact of these claims has been provided for.

A provision is recognised in the Statement of financial position when Cardno has a present legal, equitable or constructive obligation as a result of a past event, and it is probable that a future sacrifice of economic benefits will be required to settle the obligation, the timing or amount of which is uncertain. If the effect is material, provisions are determined by discounting the expected future cash flows at the pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

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

18. OTHER LIABILITIES

	2017 $'000	2016 $'000
CURRENT		
Unearned revenue	45,024	39,380
Deferred rent	1,864	1,311
	46,888	**40,691**
NON CURRENT		
Deferred rent	6,703	540
Other	297	236
	7,000	**776**

19. ISSUED CAPITAL

	30 June 2017		30 June 2016	
	No. of shares	**$'000**	**No. of shares**	**$'000**
Balance at the beginning of the year	479,040,905	820,374	165,633,532	641,661
Shares issued during the year:				
> Dividend reinvestment scheme	-	-	1,471,163	3,854
> Shares issued for cash (net of transaction costs)	549,024	9	311,936,210	173,069
> Employee share based payments	-	850	-	1,790
> Own shares issued (i)	-	-	-	-
> Share buy-back (ii)	(4,634,652)	(5,670)	-	-
Balance at the end of the year	**474,955,277**	**815,563**	**479,040,905**	**820,374**

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

(ii) As part of the capital management program, on 28 February 2017 the Group announced the implementation of an on-market buyback commencing 15 March 2017. A total of 4,634,652 ordinary shares were bought back at an average rate of $1.22 per share (being the average price of shares bought back since commencement of the buyback in March).

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.

	2017 $'000	2016 $'000
Dividends Paid or Provided for on Ordinary Shares		
(a) Dividends paid during the year (2017: nil) (2016: 7 cents per share, 100% franked at 30%) (i)	-	11,548
(b) Franking account balance The amount of franking credits available for the subsequent financial year are: > franking account balance as at the end of the financial year at 30%	17	172
> franking credits/(debits) that will arise from the payment/(receipt) of income tax payable/(receivable) as at the end of the financial year	(2,947)	(3,800)
	(2,930)	**(3,628)**

(i) Relates to final dividend paid for the 2015 financial year.

19. ISSUED CAPITAL CONTINUED

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 2017, there are no Performance Options on issue (2016: nil) and no options were issued during the year (2016: nil).

2017 LTI Plan Performance Hurdles:

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

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

2016 and 2015 LTI Plan Performance Hurdles:

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

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

The movements in the performance rights are as follows:

	Number of Performance Rights 2017	**Number of Performance Rights 2016**
Outstanding at the beginning of the period	4,023,392	6,286,494
Granted during the period	3,540,023	346,373
Exercised during the period	-	-
Vested during the period	-	-
Cancelled/lapsed during the period	(2,600,776)	(2,609,475)
Outstanding at the end of the period	**4,962,639**	**4,023,392**
Exercisable at the end of the period	**-**	**-**

RISKS

20. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

Cardno makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

> Estimating impairment of goodwill – refer to Note 14.

> Revenue recognition in relation to long term contracts including estimating stage of completion and total contract costs – refer Note 5.

> Recognition of deferred tax assets – refer to Note 9 and 34(e).

> Assessing the recoverability of trade receivables and work in progress – refer to Note 11, 12 and 21.

21. FINANCIAL RISKS

Determination of fair values

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

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

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

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

Fair values of financial instruments

The Group's financial assets and liabilities at 30 June 2017 and 30 June 2016 are included in the balance sheet at amounts that approximate fair values.

The Group does not have any derivative financial instruments at 30 June 2017 (2016: nil).

Financial risk management

The main risks arising from Cardno's financial instruments are interest rate risk, foreign exchange risk, credit risk and liquidity risk. Cardno uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and foreign exchange risks and ageing analysis for credit risk. The Board through the Audit, Risk & Compliance Committee (ARCC) reviews and agrees policies for managing these risks and ensures that risk management strategies are implemented in the business. A Quality Management System supports consistent risk mitigation practices and procedures in order to maintain a consistent level of quality across Cardno which includes the minimisation of risk. The policies for managing each of Cardno's financial risks are summarised below and remain unchanged from the prior year.

Credit risk

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

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

21. FINANCIAL RISKS CONTINUED

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

Cardno does not require collateral in respect of financial assets.

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

There are no material concentrations of credit risk (2016: nil).

Trade receivables

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

	2017 $'000	2016 $'000
Australia & New Zealand	71,634	54,670
Americas	111,032	99,757
Asia Pacific	15,411	12,566
Europe & Africa	8,800	14,504
	206,877	**181,497**

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

	2017		2016	
	Gross $'000	Impairment $'000	Gross $'000	Impairment $'000
Not past due (current)	129,355	-	100,173	-
Past due 0-30 days (30 day ageing)	33,595	-	29,865	-
Past due 31-60 days (60 day ageing)	20,711	-	15,287	-
Past due more than 60 days	61,842	38,626	47,262	11,090
	245,503	**38,626**	**192,587**	**11,090**

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

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

	2017 $'000	2016 $'000
Balance at 1 July	11,090	16,252
Impairment loss recognised	22,868	3,947
Reinstate previously held for sale assets	13,387	-
Receivables written off	(8,588)	(6,830)
Sale of subsidiary	-	(2,695)
Effect of foreign exchange	(131)	416
Balance at 30 June	**38,626**	**11,090**

21. 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 2017	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	144,327	144,327	144,327	-	-
Finance leases & hire purchase	1,340	1,439	655	784	-
Bank loans	93,983	102,378	2,831	99,547	-
	239,650	**248,144**	**147,813**	**100,331**	**-**
30 June 2016					
Non-derivative financial liabilities					
Trade and other payables	125,115	125,115	125,115	-	-
Finance leases & hire purchase	3,304	3,513	2,308	1,205	-
Bank loans	151,916	165,374	5,205	160,169	-
	280,335	**294,002**	**132,628**	**161,374**	**-**

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

Hedge of net investment in foreign operation

Foreign currency differences arising on the translation of a financial liability designated as a hedge of a net investment in a foreign operation are recognised in other comprehensive income to the extent that the hedge is effective, and are presented within equity in the 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 $17.5 million (2016: $59.7 million) denominated in US dollars (USD) and nil (2016: $11.3 million) denominated in pounds sterling (GBP) which have been designated as hedges of Cardno's net investments in subsidiaries with functional currencies in those currencies.

As at 30 June 2017, a 10 per cent strengthening of the Australian dollar against the USD and GBP would have increased equity by $1.6 million (2016: $5.4 million) and nil (2016: $1.0 million) respectively. A 10 per cent weakening of the Australian dollar against the USD and GBP would have decreased equity by $1.9 million (2016: $6.6 million) and nil (2016: $1.3 million) respectively. There would be no impact on profit and loss as the loans are designated as net investment hedges.

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

21. 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:

	2017		2016	
	Effective Interest Rate	**Balance $'000**	**Effective Interest Rate**	**Balance $'000**
Variable rate instruments				
Cash assets	0.40%	80,028	0.62%	105,613
Bank loans	2.65%	(93,983)	2.48%	(151,916)
		(13,955)		**(46,303)**
Fixed rate instruments				
Finance leases & hire purchase	3.72%	(1,340)	4.48%	(3,304)
		(1,340)		**(3,304)**

Group sensitivity

Cash flow sensitivity analysis for variable rate instruments

At 30 June 2017, 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 $49,000 higher/lower (2016: $162,000 higher/lower), mainly as a result of lower/higher interest expense on variable term debt partially offset by higher/lower interest income from cash and cash equivalents. There have been no changes in the underlying assumptions from the previous year.

Capital management

Cardno's objectives when managing capital are to safeguard its ability to continue as a going concern, so that the Company can maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, Cardno may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Board of Directors monitors the return on capital, which Cardno defines as net operating income divided by total shareholders' equity.

UNRECOGNISED ITEMS

22. COMMITMENTS

	2017 $'000	2016 $'000
Operating Leases		
> Within one year	29,298	38,298
> Later than one year but not later than 5 years	57,520	65,018
> Later than 5 years	11,005	13,909
Commitments not recognised in the financial statements	**97,823**	**117,225**

Operating leases are not recognised in Cardno's statement of financial position. Payments made under operating leases which are subject to fixed annual increments are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the profit or loss as an integral part of the total lease expense and are spread over the lease term.

23. CONTINGENT LIABILITIES

Cardno had contingent liabilities at 30 June 2017 in respect of:

	2017 $'000	2016 $'000
Bank guarantees	60,160	66,485

Cardno had, at 30 June 2017, bank guarantee facilities/bond facilities with financial institutions denominated in Australian dollars, United States dollars and Great British pounds. The guarantee facilities available to Cardno total $73.0 million (2016: $81.4 million). These facilities are secured by an unlimited interlocking guarantee and indemnity or a parent company guarantee.

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

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

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

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

Other than the above, the Directors are not aware of any current material litigation involving Cardno. The directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

24. SUBSEQUENT EVENTS

There were no significant events subsequent to year-end.

OTHER INFORMATION

25. OTHER CURRENT ASSETS

	2017 $'000	2016 $'000
Prepayments	10,607	8,308
Project advances	720	1,484
Security deposits	2,369	1,484
	13,696	**11,276**

26. OTHER FINANCIAL ASSETS

	2017 $'000	2016 $'000
Investments in non-related entities	1,323	3,770
	1,323	**3,770**

27. NOTES TO THE CASH FLOW STATEMENT

	2017 $'000	2016 $'000
Reconciliation of Net Cash from Operating Activities to Net profit for the year		
Net profit for the year	**8,579**	**(194,919)**
Adjust for non-cash items		
Depreciation and amortisation	23,590	25,801
Impairment loss	-	178,282
Gain/(loss) on sale of property, plant & equipment	1,285	(1,896)
Gain/(loss) on discontinued operations	(27,948)	44,947
Gain on repayment of USPP loan notes	-	(7,039)
Unrealised foreign exchange (gain)/loss	(281)	(590)
Net (gain)/loss on interest rate swap	-	(5,218)
Share of associates net profits	64	-
Share based remuneration	850	1,790
Adjust for changes in assets and liabilities:		
(Increase) / decrease in assets:		
Work in progress	18,523	1,530
Deferred tax assets	(27,437)	(29,764)
Trade receivables	(16,919)	33,034
Provision for doubtful debts	6,139	2,933
Other receivables	(4,856)	7,360
Prepayments	(1,984)	(623)
Other assets	1,108	2,102
Increase / (decrease) in liabilities:		
Trade payables	6,267	9,768
Income tax payable	1,355	(219)
Employee provisions	(3,676)	1,285
Unearned revenue	5,079	(7,124)
Other liabilities	8,357	(2,775)
Deferred tax liabilities	(1,928)	(2,278)
	(3,833)	**56,387**

28. EARNINGS PER SHARE

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

	2017 $	2016 $
Profit/ (Loss) attributable to ordinary shareholders	**8,579,000**	**(194,919,000)**
Loss from continuing operations attributable to ordinary shareholders	**(19,369,000)**	**(149,972,000)**
Weighted average number of ordinary shares	**No.**	**No.**
Number of ordinary shares at 1 July	479,040,905	165,633,532
Effect of share buy back	(1,103,017)	-
Effect of bonus element of rights issues	-	30,099,492
Effect of shares issued during the year	446,740	50,408,183
Weighted average number of ordinary shares at 30 June	**478,384,628**	**246,141,207**
	Cents	**Cents**
Earnings per share	**1.79**	**(79.19)**
Earnings per share - continuing operations	**(4.05)**	**(60.93)**

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:

	2017 $	2016 $
Profit/ (Loss) attributable to ordinary shareholders (diluted)	**8,579,000**	**(194,919,000)**
Loss from continuing operations attributable to ordinary shareholders (diluted)	**(19,369,000)**	**(149,972,000)**
Weighted average number of ordinary shares (diluted)	**No.**	**No.**
Weighted average number of ordinary shares at 30 June (basic)	478,384,628	246,141,207
Effect of Performance Options and Performance Rights on issue	-	-
Weighted average number of ordinary shares (diluted) at 30 June	**478,384,628**	**246,141,207**
	Cents	**Cents**
Diluted Earnings per share	**1.79**	**(79.19)**
Diluted Earnings per share – continuing operations	**(4.05)**	**(60.93)**

Cardno presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares, which comprise share Performance Options and Performance Rights granted to employees.

The bonus element in a rights issue to existing shareholders increases the number of ordinary shares outstanding without a corresponding change in resources. In this case, the number of ordinary shares outstanding before the event is adjusted for the proportionate change in the number of ordinary shares outstanding as if the event had occurred at the beginning of the earliest period presented. If the changes occur after the reporting period but before the financial statements are authorised for issue, the per share calculations for those and any prior period financial statements presented is based on the new number of shares.

29. RELATED PARTY DISCLOSURES

Key management personnel

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

	2017 $	2016 $
Short-term employee benefits	2,657,482	4,716,551
Post-employment benefits	63,533	107,747
Equity compensation benefits	(74,926)	(425,984)
Termination benefits	1,014,655	1,024,404
	3,660,744	**5,422,718**

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.

30. CONTROLLED ENTITIES

Cardno's significant subsidiaries are listed below. The XP Software group was divested during the financial year. 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 2017	Equity Holding 2016
Cardno Holdings Pty Ltd	Australia	100%	100%
Cardno (Qld) Pty Ltd	Australia	100%	100%
Cardno Staff Pty Ltd	Australia	100%	100%
Cardno Staff No. 2 Pty Ltd	Australia	100%	100%
Cardno Operations Pty Ltd	Australia	100%	100%
Cardno International Pty Ltd	Australia	100%	100%
Cardno (WA) Pty Ltd	Australia	100%	100%
Cardno CCS Pty Ltd	Australia	-	100%
Cardno Lawson Treloar Pty Ltd	Australia	100%	100%
Cardno (NSW/ACT) Pty Ltd	Australia	100%	100%
Cardno Willing Pty Ltd	Australia	100%	100%
Cardno Victoria Pty Ltd	Australia	100%	100%
Cardno Emerging Markets (Australia) Pty Ltd	Australia	100%	100%
Cardno UK Limited	United Kingdom	100%	100%
Cardno Emerging Markets (UK) Limited	United Kingdom	100%	100%
Cardno Emerging Markets (East Africa) Limited	Kenya	100%	100%
Cardno (NZ) Limited	New Zealand	100%	100%
Cardno Holdings New Zealand Limited	New Zealand	100%	100%
Cardno USA, Inc.	United States of America	100%	100%
Cardno, Inc.	United States of America	100%	100%
Cardno Emerging Markets Belgium s.a.	Belgium	100%	100%
Cardno (NT) Pty Ltd	Australia	100%	100%
Cardno (PNG) Ltd	Papua New Guinea	100%	100%
XP Software Pty Ltd	Australia	-	100%
XP Software, Inc.	United States of America	-	100%
XP Software Solutions Ltd	United Kingdom	-	100%
Cardno Construction Sciences Pty Ltd	Australia	100%	100%
Cardno ITC Pty Ltd	Australia	100%	100%

30. CONTROLLED ENTITIES CONTINUED

Name	Country of Incorporation	Equity Holding 2017	Equity Holding 2016
Cardno Australian Underground Services Pty Ltd	Australia	100%	100%
ENTRIX Americas, SA	Ecuador	100%	100%
J.F. New & Associates, Inc.	United States of America	100%	100%
Cardno Roadtest Pty Ltd	Australia	100%	100%
Cardno BEC Pty Ltd	Australia	100%	100%
Cardno BEC (Qld) Pty Ltd	Australia	100%	100%
Cardno (Colombia) S.A.S.	Colombia	100%	100%
Cardno Emerging Markets (USA), Ltd	United States of America	100%	100%
Cardno Humphrey Reynolds Perkins Pty Ltd	Australia	100%	100%
Cardno Humphrey Reynolds Perkins Jewell Pty Ltd	Australia	-	100%
Cardno Humphrey Reynolds Perkins Gold Coast Pty Ltd	Australia	-	100%
Cardno Humphrey Reynolds Perkins Sunshine Coast Pty Ltd	Australia	-	100%
Cardno Chenoweth Environmental Planning & Landscape Architecture Pty Ltd	Australia	-	100%
Cardno LP Pty Ltd	Australia	100%	100%
Moriedale Holdings Pty Ltd	Australia	-	100%
Geotech Solutions Pty Limited	Australia	-	100%
Cardno GS, Inc.	United States of America	100%	100%
Marshall Miller & Associates, Inc.	United States of America	-	100%
Cardno EM-Assist, Inc.	United States of America	100%	100%
Cardno BTO Limited	New Zealand	100%	100%
Cardno Hard & Forester Pty Ltd	Australia	100%	100%
Cardno ChemRisk, LLC	United States of America	100%	100%
Caminosca S.A.S	South America	100%	100%
Cardno Geotech Pty Ltd	Australia	100%	100%
Cardno Haynes Whaley, Inc.	United States of America	100%	100%
Cardno Canada Limited	Canada	100%	100%
T2 Utility Engineers, Inc	Canada	100%	50%
Cardno PPI, LLC	United States of America	100%	100%
Cardno PPI Quality & Asset Management, LLC	United States of America	-	100%
Cardno PPI Technology Services, LLC	United States of America	-	100%
PPI Australia Pty Ltd	Australia	100%	100%
PPI Quality & Asset Management (Singapore) Pte Ltd	Singapore	100%	100%
PPI Quality & Asset Management (Malaysia) Sdn Bhd	Malaysia	100%	100%
PPI Technology Services Nigeria Limited	Nigeria	100%	100%
Cardno South Africa (Pty) Ltd	South Africa	100%	100%
I.T. Transport Limited	United Kingdom	100%	100%

31. PARENT ENTITY DISCLOSURES

As at, and throughout, the financial year ending 30 June 2017 the parent Company of Cardno was Cardno Limited.

	Company	
	2017 $'000	**2016 $'000**
Results of the parent entity		
Profit / (Loss) for the year	(162,366)	36,107
Other comprehensive income	-	-
Total comprehensive income for the year	(162,366)	36,107
Financial position of the parent entity at year end		
Current assets	534,571	719,388
Total assets	892,695	1,023,810
Current liabilities	225,809	190,106
Total liabilities	226,220	190,158
Total equity of the parent entity comprising of:		
Share capital	815,563	820,374
Reserves	-	-
Retained earnings	(149,088)	13,278
Total equity	**666,475**	**833,652**
Parent entity contingencies		
Bank guarantees	26,574	32,023

A multiple guarantee facility is available to Cardno totalling $40 million (2016: $35 million). The facility is secured by an unlimited interlocking guarantee and indemnity.

The directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

Parent entity guarantees in respect of debts of its subsidiaries

The parent entity has entered into a Deed of Cross Guarantee with the effect that the Company guarantees debts in respect of its subsidiaries.

Further details of the Deed of Cross Guarantee and the subsidiaries subject to the deed, are disclosed below in Note 32.

32. DEED OF CROSS GUARANTEE

Pursuant to *ASIC Corporations (Wholly owned Companies) Instrument 2016/785*, the wholly-owned subsidiaries listed below are relieved from the *Corporations Act 2001* requirements for preparation, audit and lodgement of financial reports, and Directors' reports. It is a condition of the Class Order that the Company and each of the subsidiaries enter into a Deed of Cross Guarantee. The effect of the Deed is that the Company guarantees to each creditor payment in full for any debt in the event of winding up of any of the subsidiaries under certain provisions of the *Corporations Act 2001*. If a winding up occurs under other provisions of the Act, the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Company is wound up.

The subsidiaries subject to the Deed are:

- Cardno Holdings Pty Ltd
- Cardno (Qld) Pty Ltd
- Cardno Staff Pty Ltd
- Cardno Bowler Pty Ltd
- Cardno Emerging Markets (Australia) Pty Ltd
- Cardno (NSW/ACT) Pty Ltd

A consolidated statement of comprehensive income and consolidated statement of financial position, comprising the Company and controlled entities which are a party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, for the year ended 30 June 2017 is set out as follows:

Statement of comprehensive income and retained earnings	**2017 $'000**	**2016 $'000**
Revenue	**528,622**	**508,669**
Employee expenses	(198,745)	(204,620)
Consumables and materials used	(185,383)	(185,022)
Sub-consultant and contractor costs	(80,297)	(76,418)
Depreciation and amortisation expenses	(7,945)	(77)
Impairment losses	(420,010)	-
Finance costs	(6,607)	(12,800)
Other expenses	(26,098)	(15,881)
Profit / (loss) before income tax	(396,463)	13,851
Income tax (expense)/benefit	25,197	(5,296)
Profit / (loss) from continuing operations	**(371,266)**	**8,555**
Profit for the year from discontinued operations	38,009	-
Net profit/(loss) for the year	**(333,257)**	**8,555**
Other comprehensive income for the year	7,251	24,006
Total comprehensive income for the year	**(326,006)**	**32,561**
Retained earnings at the beginning of the year	(29,666)	(26,674)
Transfers to and from reserves	(7,251)	(24,006)
Dividends recognised during the year	-	(11,547)
Retained earnings at the end of the year	**(362,923)**	**(29,666)**
Attributable to:		
Owners of the Company	(362,923)	(29,666)

32. DEED OF CROSS GUARANTEE CONTINUED

Statement of financial position	2017 $'000	2016 $'000
CURRENT ASSETS		
Cash and cash equivalents	15,849	2,301
Trade and other receivables	726,672	978,087
Work in progress	21,085	36,858
Current tax receivables	2,891	4,878
Other current assets	2,558	820
TOTAL CURRENT ASSETS	**769,055**	**1,022,944**
NON-CURRENT ASSETS		
Other financial assets	392,823	354,477
Property, plant and equipment	8,691	134
Deferred tax assets	85,433	61,103
Intangible assets	41,943	41,849
TOTAL NON-CURRENT ASSETS	**528,890**	**457,563**
TOTAL ASSETS	**1,297,945**	**1,480,507**
CURRENT LIABILITIES		
Trade and other payables	672,305	448,059
Short term provisions	7,970	14,924
Other current liabilities	7,634	11,320
TOTAL CURRENT LIABILITIES	**687,909**	**474,303**
NON-CURRENT LIABILITIES		
Interest-bearing loans and borrowings	94,505	151,280
Deferred tax liabilities	7,750	6,301
Employee benefits	10,626	8,441
TOTAL NON-CURRENT LIABILITIES	**112,881**	**166,022**
TOTAL LIABILITIES	**800,790**	**640,325**
NET ASSETS	**497,155**	**840,182**
EQUITY		
Issued capital	815,584	818,102
Reserves	44,494	51,745
Retained earnings	(362,923)	(29,665)
TOTAL EQUITY	**497,155**	**840,182**

33. AUDITOR'S REMUNERATION

	2017 $	2016 $
Audit services		
Auditors of the Company		
KPMG Australia:		
> Audit and review of financial reports	794,500	483,000
Overseas KPMG firms:		
> Audit and review of financial reports	139,608	785,845
	934,108	**1,268,845**
Other services		
Auditors of the Company		
KPMG Australia:		
> Assurance services provided in relation to the Group's equity raisings	-	620,471
	-	**620,471**

34. 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 2017 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 2017.

(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.

Certain comparative amounts in the consolidated financial statements have been reclassified as a result of operations discontinued during the current year (see Note 4).

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

The Company is of a kind referred to in ASIC Legislative Instrument 2016/191 dated 1 April 2016 and in accordance with that Class Order, all financial information presented in Australian dollars has been rounded to the nearest thousand unless otherwise stated.

Standards and Interpretations Affecting Amounts Reported in the Current Period

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

34. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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 1057 Application of Australian Accounting Standards;
> AASB 2015-2 Amendments to AAS - Disclosure Initiative: Amendments to AASB 101;
> AASB 2015-1 Amendments to AAS - Annual Improvements to Australian Accounting Standards;
> AASB 2014-9 Amendments to AAS - Equity method in Separate Financial Statements;
> AASB 2014-4 Amendments to AAS - Clarification of Acceptable Methods of Depreciation and Amortisation'
> AASB 2014-3 Amendments to AAS - Accounting for Acquisitions of Interest in Joint Operations.

Standards Issued not yet Effective

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

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 Financial Instruments	1 January 2018	30 June 2019
AASB 15 Revenue from Contracts with Customers	1 January 2018	30 June 2019
AASB 16 Leases	1 January 2019	30 June 2020
AASB 2014-10 Amendments to AAS - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2018	30 June 2019
AASB 2016-5 Amendments to AAS - Classification and Measurement of Share-based Payment Transactions	1 January 2018	30 June 2019
AASB 2016-6 Amendments to AAS - Applying AASB 9 Financial Instruments with AASB 4 Insurance Contracts	1 January 2018	30 June 2019

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

AASB 9 Financial Instruments

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

At 30 June 2017, the Group continues to assess the potential impact on its consolidated financial statements resulting from the application of AASB 9 however does not anticipate it will have a material financial impact given the current balance of financial instruments held within the Group.

AASB 15 Revenue from Contracts with Customers

AASB 15 establishes a comprehensive framework for determining whether, how much, and when revenue is recognised. It replaces existing revenue recognition guidance, including AASB 118 *Revenue*, AASB 111 *Construction contracts* and AASB Interpretation 13 *Customer Loyalty Programmes*.

During the financial year 30 June 2017, the Group has established a project team to assess the impacts of the new standard. Areas potentially resulting in a change to current revenue recognition treatment (the financial impact of which requires further analysis) include:

> Determination of performance obligations;
> Identification and determination of variable consideration;
> Treatment of contract modifications; and
> Treatment of costs.

34. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

AASB 15 Revenue from Contracts with Customers Continued

A decision on transition has not yet been determined because the outcome of assessment activities and the resultant impact on revenue (if any) will invariably impact the transition method adopted. The Group will provide further information as the project progresses.

AASB 16 Leases

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

The Group has started an initial assessment of the potential impact on its consolidated financial statements with the following impacts expected:

> additional lease assets and liabilities recorded in the Statement of Financial Position;

> removing lease payments as an operating expense and replacing this amount with a depreciation and finance cost expense in the Statement of Financial Performance; and

> a reclassification in the Statement of Cash Flows for lease payments from operating cash outflows to financing cash outflows.

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

(c) Basis of Consolidation

Subsidiaries

Subsidiaries are entities controlled by Cardno. Control exists when the Company is exposed to, or has rights to, variable returns from its involvement with an entity and has the ability to affect those returns through its power over the entity. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by Cardno.

A list of the significant subsidiaries is contained in Note 30 to the financial statements. All controlled entities have a June financial year-end.

Transactions eliminated on consolidation

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

(d) Foreign Currency

(i) Foreign currency transactions

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

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

34. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(d) Foreign Currency Continued

(ii) Foreign operations

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

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

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

(e) Income Tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting or taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

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

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

(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.

34. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(f) Intangible Assets Continued

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.

Amortisation

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

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

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

(g) Impairment

The carrying amount of Cardno's assets, other than work in progress and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, an impairment test is performed. Cardno performs impairment testing of goodwill and intangibles with indefinite useful lives annually.

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the profit and loss unless the asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through the profit and loss.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

34. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(g) Impairment Continued

Calculation of recoverable amount

The recoverable amount of Cardno's receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

Reversals of impairment

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

An impairment loss in respect of goodwill is not reversed.

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

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

(h) Employee Benefits

Wages, salaries and annual leave

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

Long-term service benefits

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

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.

34. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(h) Employee Benefits Continued

Share-based payment transactions

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

(i) Reserves

Foreign Currency Translation Reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign Group entities where their functional currency is different to the presentation currency of the reporting entity as well as from the translation of liabilities that hedge the Company's net investment in a foreign subsidiary.

Reserve for Own Shares

The reserve for the Company's own shares comprises the cost of the Company's shares held by the Group. The shares are held in trust by the Cardno Limited Performance Equity Plan Trust which has been formed solely for the purpose of subscribing for, acquiring and holding shares for the benefit of employees participating in the Performance Equity Plan (PEP) of Cardno Limited and its associates employees. At 30 June 2017 the Group held 357,716 of the Company's shares (2016: 357,716).

Directors' Declaration

Cardno Limited and its Controlled Entities for the year ended 30 June 2017

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

   (a) the consolidated financial statements and notes set out on pages 26 to 67 and the Remuneration Report of the Directors' Report, set out on pages 14 to 23, are in accordance with the Corporations Act 2001, including:

      (i) giving a true and fair view of Cardno's financial position as at 30 June 2017 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 32 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 2017.

4. The Directors draw attention to Note 34 to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Dated at Brisbane on the 21st day of August 2017.

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 2017 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 the:

- consolidated statement of financial position as at 30 June 2017;
- consolidated statement of financial performance, consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the year then ended;
- notes including a summary of significant accounting policies; and
- Directors' Declaration.

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

Basis for opinion

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

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

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

Key Audit Matters

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

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

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

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

Valuation of intangible assets ($295.9m)

Refer to Note 14 to the Financial Report

The key audit matter	How the matter was addressed in our audit
Valuation of intangible assets is a key audit matter due to: • the size of the balance (being 33% of total assets); • significant impairment losses having been recognised in respect of intangible assets in the past two financial years; • restructuring of the Group's operations in July 2016 necessitating a reassessment of cash generating units (CGUs); and • the judgements required by us in auditing the Group's estimate of the value in use of the CGUs that intangible assets have been allocated to. The Group's assessment of the valuation of intangible assets, through its value in use model, applies significant judgements including: • determination of CGUs, following the restructuring of the Group's operations during the year; • forecast cash flows; and • revenue growth, EBITDA margin growth, terminal growth and discount rates applied. In assessing this key audit matter, we involved senior audit team members, including valuation specialists, who understand the Group's business.	Our procedures included: • assessing the Group's determination of CGUs based on our understanding of the business and the impact of the Group restructure in July 2016. We also considered the Group's internal monthly management reporting to assess how earnings are monitored and reported and the implications on CGU determination in accordance with the accounting standards; • comparing the forecast cash flows contained in the value in use models to Board approved budgets; • assessing the accuracy of the Group's previous cash flow forecasts by comparing actual past performance with previous forecasts noting trends for further testing; • assessing key assumptions included in the approved budget and the model including the revenue growth, EBITDA growth, terminal growth and discount rates applied by comparing to external data, such as peer group forecasts, and our own assessments based on historical and industry experience and knowledge of the Group; and • performing sensitivity analysis on key assumptions such as EBITDA margins, terminal growth rates and discount rates to identify those CGUs at higher risk of impairment and to further challenge the Group's assumptions.

Revenue recognition - fees from consulting services ($788.2m)	
Refer to Note 5 to the Financial Report	
The key audit matter	**How the matter was addressed in our audit**
We focused on fees from consulting services as a key audit matter due to the significant amount of audit effort required in testing it. 67% of the Group's revenue relates to fees from consulting services. Our audit attention focused on revenue recognition applicable to the two primary contracting bases: • fees from consulting services which are provided on a time and materials basis; and • fees from consulting services where services are provided under a long term contract or fixed fee arrangement. Revenue generated from consulting services provided on a time and materials basis is recognised as the services are provided. Contracts of this type are generally short term in nature. Our audit effort reflects the large volume of projects and transactions for this contract type. Revenue generated from consulting services provided under long term and fixed fee arrangements are accounted for using contract accounting, which is based on the Group's calculation of the expected total time and costs to complete a project.	Our procedures included: • evaluating the Group's revenue accounting processes. We tested key controls in this process including: - review and approval of project initiation and subsequent contract variations within the accounting system; - approval of timesheets by project managers; - review and approval of the billing rates used when invoicing customers; - periodic review and approval of expected total time and costs to complete a project; and - relevant IT systems controls within the accounting system; and • selecting a risk based sample of projects representing the two primary contracting bases. The sample was based on projects with significant revenues in the current year and included new contracts entered into during the year. For the sample selected we: - compared key terms of the contract with the revenue recognition basis applied by the Group and the revenue recognition criteria of accounting standards; - compared the key terms of the contract with the project details recorded in the accounting system, including contract start date and contract amount; and - critically evaluated the expected total time and costs to complete the project by comparing it to our understanding of the project and project activities completed obtained from project reports and information provided by the project manager.

Recognition of deferred tax assets for tax losses ($76.9m)	
Refer to Note 9 to the Financial Report	
The key audit matter	**How the matter was addressed in our audit**
The Group operates in multiple tax jurisdictions and its corporate structure reflects the nature of global operations which is driven by acquisitions, divestments, transactions and the execution of the Group's global strategy. During the year the Group completed a restructure of entities within the Group which resulted in substantial tax losses being recognised as deferred tax assets at 30 June 2017. Recognition of deferred tax assets for these tax losses is a key audit matter due to the Group making judgements about the interpretation of tax legislation and the application of accounting requirements, particularly in Australia and the United States of America. We used judgment, including involvement of our tax specialists, to assess the Group's position with reference to tax legislation and the requirements of accounting standards.	Working with our tax specialists our procedures included: • evaluating the Group's assumptions and estimates of deferred tax assets recognised in relation to tax losses against transaction documents and other documentation prepared by the Group. Our evaluation was based on application of our knowledge of tax legislation; court rulings and accounting standards relevant to the transactions; and • reading reports prepared by the Group's external advisers and evaluating their conclusions for consistency with our understanding of the transactions, tax legislation and other information available to us.

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.

KPMG

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. 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 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 this 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_files/ar2.pdf. 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 2017, 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 14 to 23 of the Directors' Report for the year ended 30 June 2017.

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 2017

Additional Shareholder Information

DISTRIBUTION OF ORDINARY SHAREHOLDERS

The number of shareholders, by size of holding, as at 31 July 2017 were:

	Ordinary Shares	
	Number of	Number of Shares
1 – 1,000	6,838	2,016,921
1,001 – 5,000	2,619	6,553,722
5,001 – 10,000	999	7,423,285
10,001 – 100,000	1,378	37,586,260
100,001 – and over	143	421,375,089
Total	**11,977**	**474,955,277**

As at 31 July 2017 there were 3,933 shareholders who held less than a marketable parcel of 399 shares.

TWENTY LARGEST ORDINARY SHAREHOLDERS

The names of the twenty largest holders as at 31 July 2017 were:

	Listed Ordinary Shares Number	
	Held	Percentage
CRESCENT CAPITAL INVESTMENTS	215,178,846	45.31
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	101,882,935	21.45
J P MORGAN NOMINEES AUSTRALIA LIMITED	33,174,185	6.98
CITICORP NOMINEES PTY LIMITED	21,056,539	4.43
RBC INVESTOR SERVICES AUSTRALIA NOMINESS PTY LTD <VFA A/C>	5,956,022	1.25
NATIONAL NOMINEES LIMITED	3,890,691	0.82
BNP PARIBAS NOMS PTY LTD <DRP>	2,040,353	0.43
HALJAN MANAGEMENT LP	1,686,192	0.36
TREVOR JOHNSON	1,487,779	0.31
UBS NOMINEES PTY LTD	1,479,822	0.31
BOND STREET CUSTODIANS LIMITED <FORAGER WHOLESALE VALUE FD>	1,460,118	0.31
ALLEGRA VENTURES PTY LTD <GEE SUPERANNUATION A/C>	1,250,000	0.26
ANNE FELICITY PHILLIPS	1,101,378	0.23
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED – A/C 2	973,765	0.21
BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	955,174	0.20
MR MALCOLM DAVID POUND	809,490	0.17
ASGARD CAPITAL MANAGEMENT LTD <3502008 THE GARDINER FAM A/C>	800,000	0.17
TAMBLYN INVESTMENTS PTY LTD	800,000	0.17
PEDERICK ENTERPRISES PTY LTD <PEDERICK SUPER FUND A/C>	762,736	0.16
BRISPOT NOMINEES PTY LTD <HOUSE HEAD NOMINEE A/C>	530,799	0.11
Total	**397,276,824**	**83.65**

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
StatePlus in Association with FSS Trustee Corporation	224,161,888	46.74
Invesco Australia Limited	61,040,283	12.73

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 2017 the details of Performance Rights on issue are as follows:

Number of Rights Holders	Number of Rights on Issue
502	4,955,639

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

Chief Financial Officer

Peter Barker

Company Secretaries

Courtney Marsden
Peter Barker

REGISTERED OFFICE

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BANKERS

HSBC Bank Australia Limited

Commonwealth Bank of Australia

Standard Chartered Bank

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