Cardno®
Shaping the Future

CARDNO
ANNUAL
REPORT

CARDNO'S VISION

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

Above:
Training Cardno team members delivers highly valued expertise to our clients.

Cover:
Top Left: Cardno provided construction and inspection services on the D-4 Indian Street Bridge in Stuart, Florida.

Bottom Left: Cardno is providing structural engineering for the Energy Centre Three campus development in Texas.

Cover:
Top Right: Cardno's Emerging Markets business delivers social, environmental and engineering services to donors, governments and private sector clients around the world.

Bottom Right: Cardno delivered services to the stage one development of the Gold Coast Rapid Transit System, Queensland.

Cardno is an ASX200 professional infrastructure and environmental services company, with expertise in the development and improvement of physical and social infrastructure for communities around the world. Cardno's team includes leading professionals who plan, design, manage and deliver sustainable projects and community programs. Cardno is an international company listed on the Australian Securities Exchange [ASX:CDD].

mission

Attracting, developing, retaining and rewarding valued **people**

Understanding and meeting the expectations of our **clients**

Sustaining the **growth** of our profile and markets

Continually improving the **safety** and **quality** of our service delivery

Creating shareholder value through high **performance**

values

Self confidence: Positive, Valued, Confident

Safety: Responsible, Aware, Vigilant

Partnering: Client-focused, Trusted, Inclusive

Great people: Determined, Successful, Professional

Passion: Committed, Courageous, Dynamic

Innovation: Forward-thinking, Entrepreneurial, Creative

Integrity: Ethical, Honest, Accountable

Sustainability: Balanced, Aware, Considerate

PERFORMANCE

Cardno achieved a net profit after tax of A$78.1 million, a 0.6 per cent increase over the 2013 financial year. Earnings per share decreased by 5.5 per cent to 52.04 cents, while total revenue was up 9.6 per cent to A$1,309.6 million.

TEN YEAR PERFORMANCE (A$M)

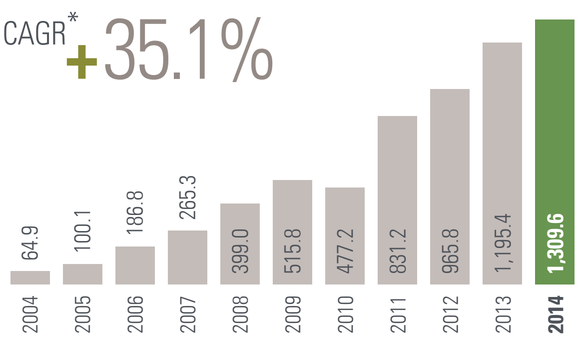
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	**2014**
Revenue	64.9	100.1	186.8	265.3	399.0	515.8	477.2	831.2	965.8	1,195.4	**1,309.6**
EBITDA**	8.8	13.5	25.6	33.2	50.6	57.7	55.3	100.2	128.7	138.0	**141.7**
EBIT	6.9	10.3	22.1	28.0	42.5	46.7	46.5	88.0	111.1	114.3	**115.2**
NPAT	4.5	6.9	12.7	18.5	27.5	34.2	37.6	58.8	74.2	77.6	**78.1**
Operating Cash Flow	9.8	11.4	13.4	25.8	37.5	38.6	46.8	73.5	72.6	95.7	**84.6**
EPS - basic (cents)	14.44	19.29	31.37	37.29	42.00	43.82	43.86	56.29	61.73	55.09	**52.04**
Dividend per share (cents)	11	14	19	23	27	28	29	34	36	36	**36**
SEGMENT REVENUE											
Americas	-	-	-	6.1	41.9	98.9	106.2	434.8	445.6	599.1	**694.7**
Australia & New Zealand	58.6	92.0	150.9	199.0	250.2	237.4	220.1	252.9	362.1	411.9	**392.8**
Rest of World	6.0	8.1	35.5	59.9	105.2	178.1	149.6	141.6	156.2	182.9	**221.1**
SEGMENT RESULT (before financing costs and taxation)											
Americas	-	-	-	2.0	3.4	6.1	8.4	51.2	46.7	56.3	**57.8**
Australia & New Zealand	6.3	8.1	19.4	22.8	31.3	29.0	33.5	33.4	55.5	57.7	**51.7**
Rest of World	0.3	1.8	2.4	2.9	6.0	8.6	7.5	5.4	8.3	8.0	**10.1**

** EBITDA = EBIT plus depreciation and amortisation

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 65. 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.

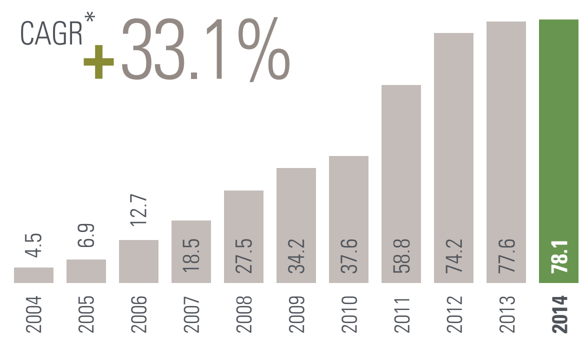
GROUP REVENUE
A$ million

$1.3B ▲9.6%



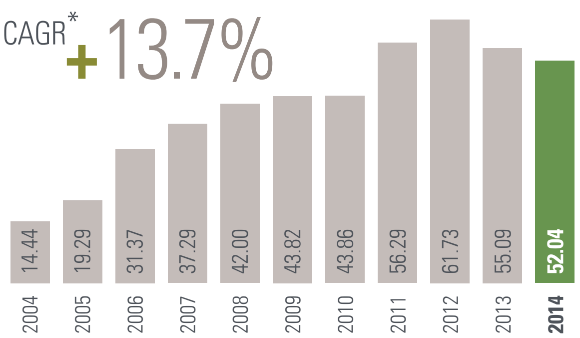
NET PROFIT AFTER TAX
A$ million

$78.1M ▲0.6%



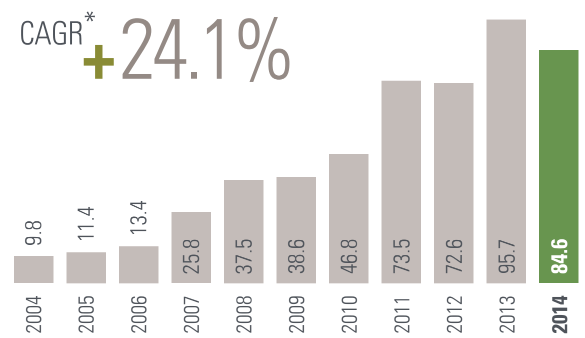
EARNINGS PER SHARE (BASIC)
A$ cents per share

52.04c ▼5.5%

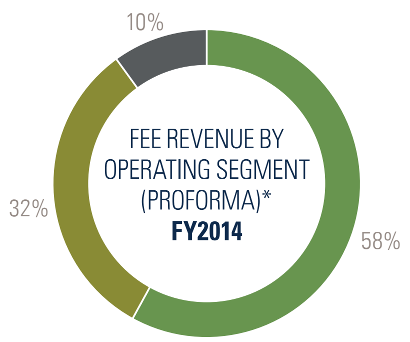


OPERATING CASH FLOW
A$ million

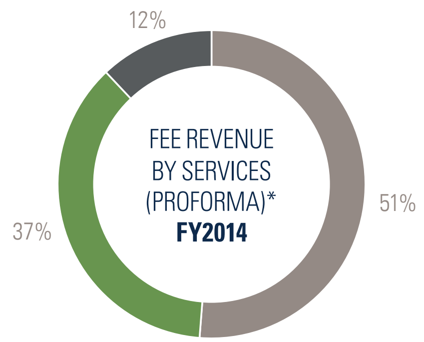
$84.6M ▼11.6%



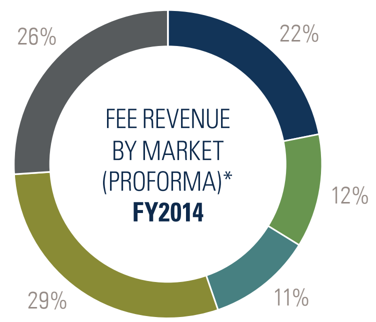
* CAGR = 10 Year Compound Annual Growth Rate.



- Americas
- Australia & NZ
- Rest of World



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



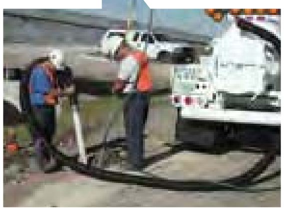
- Oil & Gas
- Contractors
- Other Private
- Resources
- Government

*Graphs presented on a proforma basis which assumes Cardno acquired its FY2014 merger partners on 1 July 2013.

YEARS ON THE ASX

Cardno was formed as an engineering practice in Brisbane, Australia, in 1945. It was listed on the Australian Securities Exchange in 2004.

2008



- **20th merger** since listing with acquisition of Cardno Ecology Lab (New South Wales, Australia)
- Expands US infrastructure capabilities with acquisition of Cardno TBE same day as Lehman Brothers collapse

GROSS REVENUE EXCEEDS
$400m

2009

STAFF EXCEEDS
3,500

2010

- Environmental leadership credentials attained with acquisition of Cardno ERI, Cardno ENTRIX and Cardno JFNew
- Significant engagement on the Gulf of Mexico Oil Spill

2011

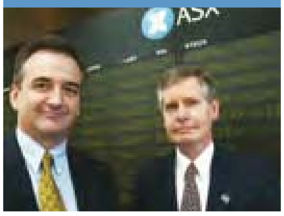
- **30th merger** since listing with acquisition of Cardno Lane Piper (Victoria, Australia)

STAFF EXCEEDS
5,000

GROSS REVENUE EXCEEDS
$800m

2004

Firm debuts on ASX, trading as CDD on 20 May (IPO $1 share)



> Initial market capitalisation $35m

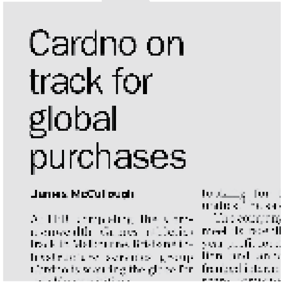
STAFF AT
500

REVENUE AT
$64.8m

2005

Expands internal project capabilities in foreign aid assistance with acquisition of Cardno ACIL and Cardno Agrisystems

2006


Cardno on track for global purchases

James McCullough

> **10th merger** since listing with acquisition of Cardno Grogan Richards in Victoria, Australia

GROSS REVENUE EXCEEDS
$100m

2007

Primary entrance to United States with the acquisition of Cardno WRG (Oregon) and Cardno EMG (Virginia)

STAFF EXCEEDS
2,500

2012

Cardno added to the ASX200

> **40th merger** with Cardno Caminosca brings South America expansion

> Merged with 1,600-person Cardno ATC in US

2013

Achieved 9th year of record profits

> Australian Export Award winner

> ZweigWhite fastest growing firm in North America three years in a row

GROSS REVENUE EXCEEDS
$1billion

2014

10th YEAR
as an ASX listed entity

> **50th merger** with Cardno PPI augments material oil and gas capabilities

STAFF EXCEEDS
8,000

"The decision to list Cardno positioned the company for further growth and now, 10 years on, we continue to successfully pursue our mission to help shape the future for communities around the world."

MICHAEL RENSHAW,
CEO

WHAT WE DO

The skills and experience of our team allow us to offer a broad range of **integrated services** globally.

BUILDINGS

Cardno plays a vital role in contributing to the built environment. Our structural, electrical, mechanical and facilities management services support clients to deliver commercially viable, cost-effective and innovative solutions. From health, education and institutional facilities, to commercial, residential and sports stadium projects, Cardno can assist with planning, design, construction, materials testing and facilities management. Our projects have won awards for sustainability and technological innovation.

LAND

Cardno is a leading provider of planning, environmental, design and construction services for residential, commercial and industrial development. From site assessment to project completion, we offer an extensive range of services based on our commitment to our clients, our stakeholder engagement and the recognition of the possibilities and potential stakeholder benefits which can flow from any development challenge. Our expertise is used to meet the complex challenges of water and terrain management, brownfield and greenfield development and ecologically sensitive sites.

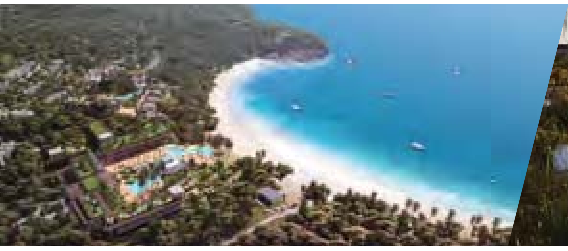
For more information about Cardno's markets and services please visit **www.cardno.com**

MANAGEMENT SERVICES

Cardno is recognised as a leader in the provision of management services and advice to a range of government and other organisations. Our experienced professionals work with our clients to review, evaluate and implement systems, procedures and policies to help manage and safeguard assets and achieve strong returns on investment. Cardno's management consulting skills associated with infrastructure development are many and varied, encompassing due diligence and feasibility studies, security audits, privatisation of infrastructure, asset management, facilities management, value engineering, risk management, and project and program management.

ENERGY AND RESOURCES

Cardno has extensive capability, expertise and experience in the energy and resources sector. Our clients benefit from our commitment to providing high level services and a full range of cost-effective, sustainable solutions for the resources sector worldwide. Cardno's expertise spans planning and permitting, resource reserve analysis, exploration, production, electrical design systems, transportation and conveyance for mining, oil and gas, electricity and hydropower projects. Community engagement and environmental services from Cardno play a key role in the start-up, operation and ultimate restoration of energy and resources projects.



COASTAL AND OCEAN

Cardno has expertise in the impact of natural and built environments in ocean, coastal and estuarine settings, and the assessment, management and protection of the aquatic environment in both salt and freshwater. Our specialist knowledge underpins the delivery of infrastructure which fosters economic growth and environmental sustainability. Cardno assists clients to plan, design and monitor diverse projects such as ports/harbours, marinas and breakwaters, subsea infrastructure, and offshore oil and gas facilities.

ENVIRONMENT

Cardno delivers commercially strategic environmental management solutions. We employ leading global expertise in terrestrial and marine ecology, hazardous materials and contaminated land, waste management, remediation, environmental impact statements, water resource management and regulatory compliance. Our multi-disciplinary teams work closely with government, industry, developers, land owners and the community to utilise, conserve and enhance resources so natural systems are managed and preserved for current and future generations.

EMERGING MARKETS

Cardno has a long history of working in partnership with developing countries to deliver solutions for sustainable development. Through the expertise of professionals operating throughout the world, we investigate the underlying causes of poverty and focus on providing and improving the physical, economic and social infrastructure that sustains communities. Cardno utilises its own skilled staff and a pool of talented global contractors to deliver projects ranging from water supply and sanitation, to educational reform, coordination of elections and international trade facilitation.



TRANSPORTATION

Cardno is at the forefront of expertise in the assessment, planning, construction design and management of transport infrastructure projects. Our experience spans both local and international projects, ranging from providing detailed analysis and reports to the delivery of major transportation projects. Working with both major contractors and government agencies, Cardno's expertise supports strategic road, highway, rail, sea and airport infrastructure. This encompasses both above-ground infrastructure, as well as tunnels and subsurface utility coordination.

WATER

Cardno is renowned for its comprehensive and leading skills in all stages of the water cycle in both the built and natural environment. Whether it is a detailed water supply analysis, a major flooding or water quantity investigation, a water rights assessment, or any other water or drought management issue, Cardno can provide the expertise needed to address client requirements. In addition to water cycle management, clients around the world tap into Cardno's expertise to plan, design and deliver water-related infrastructure, ranging from dams and reservoirs to water and wastewater conveyance, treatment and re-use.

DEFENCE

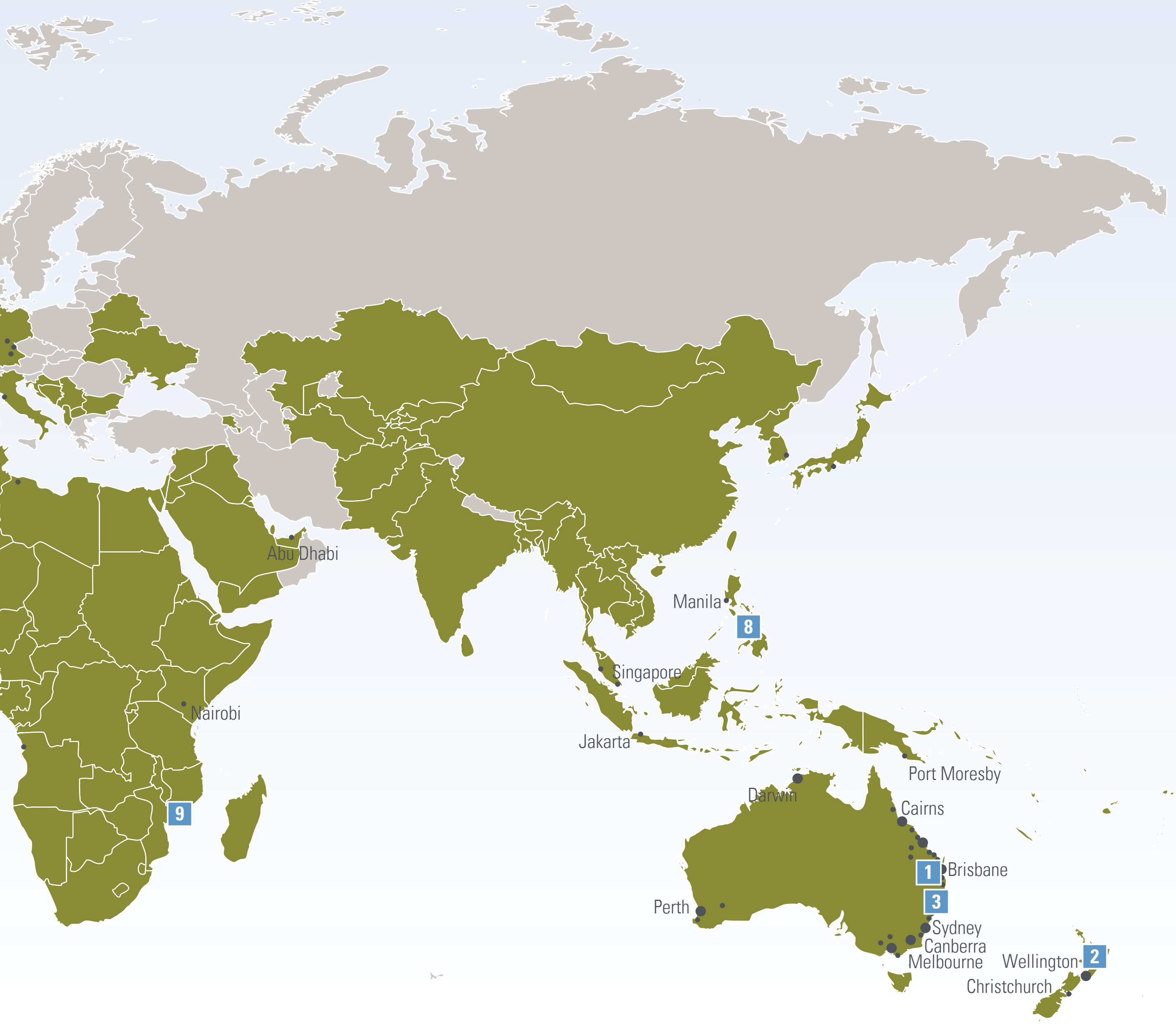
Cardno has significant experience in supporting defence-related projects globally through our environmental and infrastructure skills. Our expertise is valued by government agencies and contractors. Our specialists provide comprehensive services through a project's life cycle to help clients effectively address environmental and operational issues at installations and training facilities. From strategic business consulting and planning to facility assessment, environmental impact statements and design, Cardno team members are engaged to support our clients' needs.

WHERE WE WORK

PEOPLE	OFFICES	COUNTRIES
8,200	**270**	**100**

KEY

- Countries where Cardno is currently delivering projects
- Cardno offices
- FY2014 merger partners
- 1 Featured projects *(please refer to pages 10-13 for details)*



LANGUAGES	SERVICES	NEW MERGER PARTNERS
104	**280**	**3**

Our global team is extraordinarily diverse, with roles ranging from environmental scientists, engineering professionals and planners, to economists, emergency response personnel, large scale project managers, technical experts, industry specialists and designers of sustainable projects and community programs.

FEATURED PROJECTS

For more information about Cardno's many projects please visit **www.cardno.com**

> 1 COMMONWEALTH GAMES VILLAGE

Queensland, Australia

> 2 WAIKANAE WATER TREATMENT PLANT UPGRADE

Waikanae, New Zealand

Cardno has been engaged to provide a range of professional services for the Gold Coast 2018 Commonwealth Games™ Village, to be located on a redeveloped 29-hectare site at Parklands. The village will include more than 1,200 apartments and townhouses across over 30 new buildings ranging in heights of up to nine levels. It will also feature a neighbourhood shopping centre, seven hectares of parkland and a vibrant Main Street and village heart precinct. Cardno's role will involve town planning, civil engineering and traffic engineering, supporting the project through design, approval and construction. The village will accommodate 6,500 athletes and officials during the games and has been designed to provide a future legacy for the city.

Cardno provided project management and planning expertise for an initiative to upgrade the Waikanae Water Treatment Plant in New Zealand. The innovative concept focused on recharging the Waikanae River with bore water, allowing the river water supply to the plant to be maintained during low river flows. Cardno supplied mechanical, process, electrical, civil, geotechnical, architectural and structural engineering design, as well as contract administration services. This project included extensive upgrades of the water treatment plant's raw water intake, raw and treated water pumps, chemical dosing systems, electrical systems, and plant buildings. Extensive reticulation upgrades were also undertaken.

> 3 NAMBUCCA HEADS TO URUNGA PACIFIC HIGHWAY UPGRADE

New South Wales, Australia

> 4 CONSTRUCTION SUPERVISION OF QUITO'S FIRST SUBWAY LINE

Quito, Ecuador

> 5 OILFIELD EQUIPMENT INVENTORY MANAGEMENT PROGRAM

Deepwater Region of the Gulf of Mexico

Cardno is providing construction materials testing services for an initiative to improve safety and reduce travel times on a major commuter road in northern New South Wales. The Nambucca Heads-to-Urunga (NH2U) project will upgrade and duplicate a 23-kilometre section of the Pacific Highway. Cardno's construction materials testing expertise is being utilised across bulk earthworks, pavements, aggregates and concrete testing. Our experienced team has already delivered results above client expectations, such as making a state-of-the-art laboratory available within days of the site being established.

Cardno is supervising phase one construction of the first line of the Quito Subway, which will feature 15 underground stations in Ecuador's capital city. The first phase is focusing on the La Magdalena and El Labrador stations, and Cardno is overseeing construction of these facilities, as well as surface bus interchanges, buildings and urban equipment.

A major oil and gas producer adopted Cardno's inventory management system as the system of record for its drilling and completion equipment for the deepwater region of the Gulf of Mexico. Data can be imported into the client's existing Enterprise Resource Planning (ERP) system while delivering a higher degree of accuracy. It tracks equipment location, status, shelf life, drawings and notes, manufacturer data and inspection schedule. The client can make informed decisions on equipment maintenance and replacement.

Please refer to the global map on page 8 for project locations.

> 6 MARQUETTE PARK LAKEFRONT EAST MASTER PLAN

Indiana, North America

> 7 I-95 CORRIDOR INTERCHANGE UPGRADES

Florida, North America

For more information about Cardno's many projects please visit **www.cardno.com**

Cardno provided environmental design, engineering, wetland delineation, permitting and construction oversight services for all phases of this ecological restoration project. The work also involved restoration of black oak savanna, fore dunes, lagoon and fish habitat and water quality enhancement. The native landscaping required more than 84,000 native plants and more than 200 pounds of native seed from the Cardno native plant nursery. In 2014, the project received Indiana Landmarks' Cook Cup for Outstanding Restoration.

Cardno is providing construction management and construction engineering and inspection services for the upgrade and widening of five major interchanges along the I-95 corridor in Florida. This project will accommodate projected growth in urban areas and will provide for the future addition of toll lanes. Work includes bridge widening, construction of a pre-stressed soil anchor abutment wall and mechanically stabilised earth (MSE) walls, adding of auxiliary lanes and ramp widening along with ancillary sign, signalisation and lighting improvements. This is Cardno's third major I-95 project for the Florida Department of Transport.

> 8 BASIC EDUCATION SECTOR TRANSFORMATION

Mindanao, Philippines

Cardno has been contracted to manage a new initiative that will improve primary and secondary education in the Philippines. The five-year Basic Education Sector Transformation (BEST) program aims to develop student competencies, particularly in English (reading), mathematics and science. The Department of Foreign Affairs and Trade-funded program will ensure boys and girls in targeted regions complete basic education. Working closely with the Philippines Department of Education, the BEST program will also introduce more inclusive, gender responsive and decentralised education services. Cardno's management work will be supported through extensive research, change management and communications.

> 9 MOZAMBIQUE REGIONAL GATEWAY PROGRAMME

Mozambique

Cardno has significant management responsibilities for a large initiative to improve the volume and quality of international trade in southern Africa. The Mozambique Regional Gateway Programme (MRGP) is improving the regional infrastructure network, focusing on roads, railways and ports. The project is funded by UK Department for International Development (DFID) Southern Africa with significant investment from development finance institutions and the private sector. The MRGP is a result of substantial investment in mining in Mozambique, Zambia, Malawi, Botswana and the Democratic Republic of the Congo, which has created opportunities to expand and enhance existing transport corridors to the Indian Ocean ports in Mozambique. Cardno is applying robust project management processes and effective technical support, including pre-feasibility, feasibility and design studies.

> 10 ASANKO GOLD MINE 161KV GRID CONNECTION

Ghana

Cardno is providing engineering, procurement and construction management for the grid connection at the new Asanko Gold Mine in Ghana, West Africa. To supply the new mine with power, a new 30-kilometre, 161kV power line connected back to an existing grid and a new 161kV/11kV substation adjacent to the mine site are required. Cardno's scope of work covers the project management, conceptual design, selection of contractors, design review, liaison with grid authority, consulting, survey, as well as environmental and social impact assessment. It also incorporates testing and commissioning management.

Please refer to the global map on page 8 for project locations.

CHAIRMAN'S STATEMENT

We are committed to improving **Cardno's** capabilities and profits for shareholders.

After ten years of growth, Cardno delivered another steady result for shareholders in FY2014 despite variable economic conditions across several key markets.

RESULTS

The company achieved a net profit after tax of A$78.1 million, which is marginally higher than our FY2013 result.

Cardno increased year-on-year earnings, despite lower than expected levels of organic growth and reduced EBIT margins.

Revenue increased 9.6 per cent, to A$1,309.6 million. Basic earnings per share were 52 cents, while Cardno's fully franked dividend was held at 36 cents.

GROWTH

We have continued to expand our capabilities and offerings across a broad range of service areas and geographic locations, generating value for clients and shareholders over the past year.

The addition of two major merger partners in the United States has been important. Structural engineering services firm Cardno Haynes Whaley and oil and gas engineering business, Cardno PPI, both performed well and we welcome them to the company.

MARKETS

Adverse economic conditions around the world, particularly impacting the engineering and construction sectors, were the primary factor affecting our profit performance.

Cardno's businesses in the United States achieved consistent revenue growth. Severe winter weather conditions reduced GDP to 0.1 per cent in the third quarter and had a material impact on our field services.

Market conditions in the Australia and New Zealand Region remained subdued. Governments committed less spending to infrastructure, urban and environmental projects, resulting in reduced earnings from key sectors and competitive pressure on margins.

THE FUTURE

Despite the impact of a tough operating environment, we are certainly not satisfied with our FY2014 financial results. We have already commenced a significant amount of work to improve performance.

The company is determined to grow our base business revenues, improve EBIT margins, add service capabilities and further develop our people's skills and expertise.

Cardno has put important actions in place to reduce overhead costs, merge office locations, integrate our shared services model, and develop priorities to grow organic revenue.

Our strategic aim is to position the company as a top 20 global engineering firm by 2020, build recurring revenue streams, and increase organic growth through cross-selling services and leveraging strategic clients.

OUR PEOPLE

One of Cardno's key competitive advantages is the high level of diversity and expertise among our global workforce. More than 80 per cent of our team of 8,200 people operating in over 100 countries is made up of professionals and technical staff with well-developed capabilities and internationally recognised competencies.

The company is committed to progressively improving diversity in our employee recruitment, work practices, development and training, which we believe create better business and market opportunities for Cardno.

In our view, initiatives that build on the benefits of a diverse workplace, encompassing gender, religion, ethnicity, language and disability, make sound business sense. Our Women in Cardno program, which strives to provide career and advancement opportunities for women across the business, is just one example.

Cardno has a significant number of Spanish-speaking employees and translates all essential communications for their benefit.

SAFETY

Cardno is committed to very high safety performance by providing a positive and safe working environment for all of our employees and contractors. Cardno has a Zero Harm global safety program that underpins all operations and responds to the needs of the business, staff and clients' standards for workplace health and safety.

In FY2014, we developed a new global safety reporting tool to provide employees with an application to report hazards or near misses by a computer or mobile phone.

A new safety and quality module has been added to our "Management Essentials" training program. This equips managers with the skills to engage directly with our workforce and is designed to improve safety outcomes.

We are committed to an environment of shared responsibility, risk awareness and clear communication for all employees.

OUTLOOK

The company is well positioned for the future despite the reality of uneven growth across some economies and regions. Growth potential is improving in the Americas Region, particularly in the United States, with signs of improvement in the energy, oil and gas, and infrastructure sectors.

Conditions in Australia and New Zealand continue to be more challenging. However, there appears to be positive growth in the tourism and energy markets, and government spending is expected to improve during the 2015 calendar year.

Cardno will continue to seek acquisition opportunities that develop our service offerings, particularly in sectors with improved margins that strengthen our market position and capabilities. We will balance these efforts with a primary focus on core business revenue and earnings per share growth.

BOARD OF DIRECTORS

Cardno's rigorous governance structure works to support competitive and consistent investment returns for our shareholders.

Our Directors possess the experience, qualifications and skills to fulfil their responsibilities, ensuring we operate in an ethical, sustainable and responsible manner.

I welcome Elizabeth Fessenden to the Board. As Cardno's second female Non-Executive Director and first based in the United States, she will bring valuable skills and insights on the Americas market to our Board.

The Board is committed to the ongoing renewal and development of our capabilities. We will continue to pursue growth opportunities and to respond to the dynamic nature of the market.

THANK YOU

I wish to express my sincere appreciation to all of Cardno's employees for their contributions over the past year. Andrew Buckley, who retired from the position of Managing Director after almost 17 years of exemplary leadership, has created a strong legacy and we thank him. In March 2014, Michael Renshaw assumed the role of Chief Executive Officer. He and his executive team have ensured a smooth transition process and are creating a new vision for Cardno's future.

I acknowledge the support of my colleagues on the Board. My best wishes go to General Sir Peter Cosgrove, who stepped down as a Non-Executive Director on his appointment as Australia's Governor-General. Finally, I express my appreciation to all of Cardno's shareholders for their support. We are committed to delivering strong returns in the years to come. ■

John Marlay
Chairman

Above left: Cardno provided structural engineering services to the Harvey Norman/IKEA Homemaker Centre project in Springvale, Victoria.

Above right: Cardno serves oil and gas clients ranging from global corporations to local, specialised companies.

CEO'S REPORT

Cardno has a robust balance sheet, strong cash flows and a solid pipeline of future work.

Cardno experienced a challenging year in FY2014 with market conditions affecting the demand for services across many sectors.

I am proud of our team's ability to respond to these challenges and their continued focus on improving performance and on returning to positive organic growth.

Looking ahead we are well placed to continue our expansion strategy, while strengthening the foundations of the business to ensure we remain a world leader in the provision of professional services.

Cardno commences FY2015 with a record level of secured work, a solid pipeline of future opportunities, a robust balance sheet and strong cashflow. Our diverse service offerings, mix of quality clients and international reach continues to provide strength and security in uneven market conditions.

SAFETY

Safety is a core value at Cardno and this is reinforced by our safety policies, processes and systems. Cardno's Zero Harm program provides managers and staff with resources to fulfil their roles and responsibilities with regard to safety.

Our commitment to continuous improvement in our safety performance is underpinned by the provision of extensive staff training.

Available in English and Spanish, our new Zero Harm Application (ZAP) tool facilitates rapid communication and increased visibility of incidents and hazards, improves reporting analytic capabilities and increases staff awareness.

Our rigorous approach to risk management communication and improving our safety culture helped us achieve an improvement in our Lost Time Injury Frequency Rate and Total Recordable Injury Frequency Rate in FY2014. Our Americas Region has recorded 16 months without a Lost Time Injury.

Cardno will continue to build on this positive performance in FY2015, responding to the changing needs of the business and clients, and ensuring a safe and healthy environment for employees and the communities we work in.

PERFORMANCE

Cardno achieved a net profit after tax of $78.1 million for the year that ended 30 June 2014. This result is a slight increase over the previous financial year and reflects tough market conditions offset by contributions from merger partners. Fee revenue was up 8.7 per cent from the comparative period to $965.6 million.

Weak conditions in Australia and budgetary constraints in the US contributed to an organic revenue decline of 8.3 per cent. Cardno also suffered from the impact of severe winter weather in North America and the conclusion of work associated with the Gulf of Mexico oil spill. Revenue in Australian and New Zealand was impacted by a winding back of project work related to the resources sector both at home and abroad which saw EBITDA margins contract from 15.5 per cent in FY2013 to 14.7 per cent this financial year.

Notwithstanding these challenges, we achieved an EBITDA of $141.7 million, up 2.7 per cent on FY2013, witnessed strong operating cash flow at $84.6 million and finished the year with a robust backlog of work valued at $855 million. Basic earnings per share were 52 cents, a 5.5 per cent reduction from 55 cents per share in FY2013. Cardno's full year dividend was 36 cents per share as it was in the previous period.

LOOKING AHEAD

Cardno will deliver sustainable, profitable growth, and deal with the challenges that lie ahead. The majority of our work comes from quality, long-term clients and repeat business, which provides an underlying reliability and resilience.

Market conditions remain challenging in Australia and New Zealand, as Cardno looks to straddle the gap between a resource-related wind down and an increase in government-led infrastructure spending.

However, governments on Australia's east coast, particularly New South Wales, have started to increase development spending and the energy and tourism industries are set to provide good opportunities.

Further improvement in the United States markets is expected, driven by improved economic growth, an increased backlog of work and continued solid performance from recent mergers.

Cardno's Emerging Markets division enables us to deliver social, environmental and engineering services to major development projects around the world. Our successful software business is expected to continue to experience strong growth from new markets and products.

Cardno will continue to explore opportunities to expand its global footprint, including Canada, Asia and Africa. Our balance sheet has us well positioned for growth, with debt facilities renegotiated on improved terms and our first US Private Placement facility strongly supported.

EFFICIENCY

As Cardno expands across the globe, we are improving efficiency to support our growth targets. A number of strategic initiatives began in FY2014 that will lower cost, enhance productivity and make better use of data and technology.

We are restructuring service functions and streamlining processes and systems to offer more centralised and responsive support to business units. Cardno's Americas Region was reorganised into five major divisions, a shared services centre was established in Denver, Colorado, while a number of other offices were also co-located to reduce overheads and provide better access to professional services and technology.

We are implementing global human resources information and customer relationship management systems, and expanding our internal staff knowledge management database. More advanced technology is being made available to

Cardno staff, such as new mobile technology for field workers. In addition, we are leveraging technology to accelerate our merger and acquisition integration process.

PLANNING FOR GROWTH

Cardno shareholders seek results that demonstrate a capability to grow revenue, both organically and through a disciplined approach to mergers and acquisitions.

We will continue to identify acquisition partners with the skills and geographic operations to complement and enhance our own.

Cardno must strengthen focus on organic expansion and our *Grow Cardno* campaign aims to improve performance by investing in the business to stimulate and support the growth in fee revenue that comes from our existing operations.

We are setting specific targets for individual divisions within the company, developing better collaboration and generating a growth culture across all business units.

In addition Cardno will launch its new strategic plan 'Vision 20/20' in FY2015 with the goal of becoming a top 20 firm by the year 2020.

DIVERSIFICATION

Cardno's geographic and market diversity reduces risk and earnings volatility during challenging times. In FY2014, our diversification strategy resulted in three complementary businesses joining the company, all of whom provided new geographical and skills coverage (see page 24-25).

Cardno is focused on strengthening our professional services capability to serve high quality client sectors, as well as maintaining productive and effective relationships. Looking ahead, we will continue to offer clients access to a wide range of services, geographic locations and talented people.

THANK YOU

I extend my sincere thanks to Cardno's clients for their ongoing support. We will continue to do all we can to ensure success for your organisations in the years to come.

On behalf of the management team, I thank John Marlay and the Cardno Board for their guidance and advice during a challenging period.

I must also applaud the tireless efforts of our executive team and all of Cardno's employees. They remain committed to working safely and delivering excellent results for our clients, shareholders and the communities where we work.

Finally, I would like to thank Cardno shareholders for their unwavering support of our growing company. ■

Michael Renshaw
Managing Director and
Chief Executive Officer
Cardno Limited

Above left: Cardno is providing construction inspection services for the Interstate 4 Connector to Selmon Expressway in Florida's Tampa Bay area.

Above right: Cardno's Zero Harm program reinforces our commitment to continuous improvement in our safety performance.

AMERICAS

Cardno's Americas Region comprises more than 5,000 multi-disciplinary professionals who deliver services and expertise from more than 210 offices across North and South America.

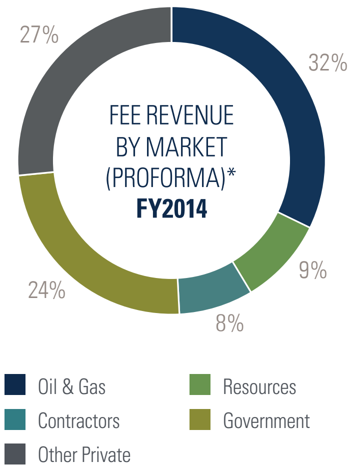
THE REGION PROVIDES

58%

OF CARDNO'S FEE REVENUE

The **Americas Region** delivers crucial services to key government and private sector clients, enhancing performance in core markets such as oil and gas, transportation and environmental management.

A$m	FY2014	FY2013
Fee revenue	517.8	439.0
Recoverable expenses	176.9	160.1
Total revenue	694.7	599.1
EBITDA	**67.1**	**63.3**
EBITDA margin	13.0%	14.4%



AMERICAS EXECUTIVES

- Paul Gardiner
  General Manager
- Chip Blankenhorn
  Natural Resources and Health Sciences Division Manager
- Bob Kroeger
  Engineering and Environmental Services Division Manager
- Michael Landry
  Chief Financial Officer
- Bill Pavlick
  Government Services Division Manager
- Randy Sullivan
  Cardno PPI Division Manager
- Edgar Uribe
  Latin America Division Manager
- Todd Williams
  Strategy and Development Manager

HIGHLIGHTS

In FY2014, the Americas Region focused growth efforts on market sectors such as energy and resources, transportation, environment, land, buildings, management services and water.

The region achieved strong fee revenue growth of 18 per cent due to the contribution of recent acquisitions.

Our clients include both the private sector and government, and we undertook a wide variety of infrastructure projects, providing services ranging from site planning/environmental permitting, health and ecological risk assessment, remediation/mitigation through to design and construction management.

The Americas Region's safety record demonstrated a strong commitment to Zero Harm, achieving a period of 16 months and over nine million work hours without a Lost Time Injury.

The past financial year provided its share of challenges and they impacted the region's profit. Contributing factors were slow market conditions, the winding down of several major projects, the ongoing impacts of the US Federal Government budget constraints on the award of contracts, and an extremely harsh and extended US winter.

Despite the challenges, Cardno achieved the ranking of #27 on *Engineering News-Record's* annual Top 500 Design firms list. Maintaining such a high position is testament to our teams working together to serve our clients' needs through integrated selling of services, and a commitment to align national and global systems.

We welcomed engineering, construction, consulting and quality management company Cardno PPI to our operation, adding significant capability to our existing services for the oil and gas industry.

The region also added Cardno Haynes Whaley, a specialised structural engineering company delivering services to a broad range of commercial, public and institutional clients.

The Environmental and Engineering Services and Government Services divisions were significantly restructured to align merger partner resources, capabilities and seamlessly provide client-service solutions.

Resource and operational efficiencies were achieved through aligning wellness benefits for staff, implementing shared services initiatives across human resources, information technology, legal and health and safety, and consolidating financial systems and reporting mechanisms.

FUTURE OUTLOOK

The region is focused on serving clients across key market sectors where higher growth is anticipated including oil and gas, power, water, transportation, mining/metals, land/buildings, government and legal.

These sectors represent the region's best opportunities for organic growth based on economic growth prospects, client service demand and geographic factors. Combined with organisational enhancements across the region, including client and business development team alignment, we are positioned to capture a greater market share in FY2015.

Recent project wins have also bolstered our backlog of work, which is at a record level of $521.6 million.

We are optimistic about the growth potential of the Americas Region. Business and consumer confidence is improving, the US economy is recovering and an increase of capital investment is occurring. South America continues to provide growth opportunities particularly in oil and gas, power, mining/metals and public infrastructure market sectors. ■

Above far left: Cardno is assessing water quality and habitat as part of Bucks Creek Hydroelectric Project in California.

Above left: Cardno is providing construction management and supervision to the Paute-Sopladora Hydropower Project in Ecuador.

Above right: Cardno supplied structural engineering services for the Methodist Hospital Outpatient Centre in Texas.

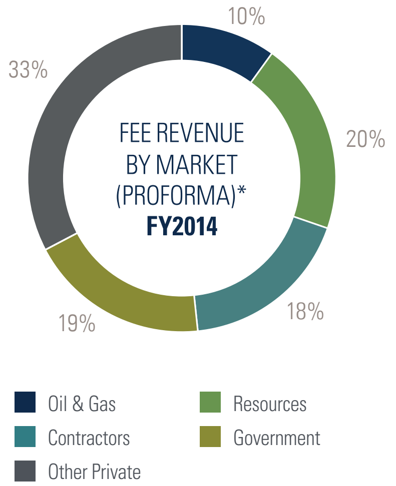
AUSTRALIA & NEW ZEALAND

Cardno's Australia and New Zealand Region comprises approximately 2,000 professional staff operating from more than 50 offices.

THE REGION PROVIDES
32%
OF CARDNO'S FEE REVENUE

The **Australia and New Zealand Region** (ANZ) provides services in civil, structural, water, environmental, coastal, bridge, geotechnical, subsurface utility, traffic and transport engineering, as well as environmental science, surveying, landscape architecture, construction materials testing, planning and asset management.

A$m	FY2014	FY2013
Fee revenue	339.0	359.1
Recoverable expenses	53.9	52.8
Total revenue	392.8	411.9
EBITDA	**61.7**	**66.0**
EBITDA margin	18.2%	18.4%



ANZ EXECUTIVES

- > **Roger Collins-Woolcock**
  General Manager
- > **Jamie Alonso**
  Victoria, Western Australia and New Zealand Division Manager
- > **Matt Courtney**
  Construction Sciences Division Manager
- > **Troy Donovan**
  Chief Financial Officer
- > **Michael Drake-Brockman**
  Cardno BEC Division Manager
- > **Geoff Hadwen**
  Queensland and Northern Territory Division Manager
- > **Martin Wells**
  New South Wales and Australian Capital Territory Division Manager

HIGHLIGHTS

The Australia and New Zealand Region experienced a challenging FY2014 due to generally difficult market conditions.

Fee revenue for the year was down 5.6 per cent compared to the previous period.

This decline was largely attributed to a downturn in the mining industry across Australia leading to increased margin pressure. This impacted Cardno's businesses operating in Western Australia and central Queensland.

The region's organic revenue declined, driven by the conclusion of major projects, such as Legacy Way in Brisbane and the Gold Coast Rapid Transit project.

Despite being in a difficult market with increased competition, the region was able to maintain margins on last year which reflect cost controls put in place and the diversity of our client base across both small and medium-sized projects.

Throughout FY2014, the region retained its steadfast commitment to safety, resulting in improved near miss reporting and two million hours without a Lost Time Injury.

Despite the challenges, the ANZ Region continued to provide high quality services to our long-standing clients, strengthening relationships that have lasted many years

Urban development and transport infrastructure project opportunities began to gather momentum particularly in New South Wales, followed by Queensland and Victoria.

We were successful on several new transport projects, such as the Sydney Light Rail and Albion Park Rail bypass in New South Wales.

In Victoria, Cardno's team won a contract with a major global company to manage and implement the demolition and associated activities at 44 oil depots throughout Australia.

Our water and environment team continued to showcase their environmental monitoring capabilities on the high-profile Ichthys LNG project in Darwin.

The ANZ Region did not complete any acquisitions during FY2014, focusing on efforts to strengthen the organic growth of existing businesses, providing excellent service to clients, and implementing structural changes.

FUTURE OUTLOOK

The outlook for the ANZ Region remains challenging with industry revenue growth forecast to slow in FY2015. The engineering sector faces an uncertain transition from resources-led activity to increased government spending.

A decrease in funding for large resource projects in the energy and resources infrastructure markets will intensify competition and weaken demand for engineering consultancy services. This has already contributed to a 31.8 per cent reduction in the region's backlog of work over the past 12 months.

However, there will be a significant increase in major transport infrastructure projects across Australia, in the next few years, with several multi-billion dollar initiatives in various stages of development.

These projects include the WestConnex motorway in Sydney where our team has been shortlisted to provide detailed tender design. We are also in a strong position to win work on the East West Link in Victoria, the ongoing Pacific Highway upgrade and a number of key transport infrastructure projects in Queensland.

Market conditions in New Zealand are promising due to infrastructure spending, urban planning and design work and projects related to rebuilding Christchurch.

The region will continue to implement a range of cost-cutting measures to better match our resource levels to available work. We remain optimistic about growing our market share across Australia and New Zealand in the years to come. ■

Above far left: Cardno delivered construction material testing services for a resort in Queensland's Whitsundays.

Above left: Cardno delivered the design and documentation phases for the Glen Eira Sports and Aquatic Centre in Victoria.

Above right: Cardno has been working on projects to expand iron ore processing facilities in Western Australia.

REST OF WORLD

The Rest of World operations (comprising Cardno's Emerging Markets Division and XP Solutions) is made up of 1,200 staff who deliver professional expertise from 10 corporate offices and a network of project offices across the world.

THE REGION PROVIDES

10%

OF CARDNO'S FEE REVENUE

Cardno's **Emerging Markets** business provides social, environmental and engineering services to donors, governments and private sector clients in emerging countries around the world. **XP Solutions** is a world leading provider of software for engineering, environmental and asset management professionals.

A$m	FY2014	FY2013
Fee revenue	108.9	89.9
Recoverable expenses	112.2	93.0
Total revenue	221.1	182.9
EBITDA	**10.7**	**8.5**
EBITDA margin	9.8%	9.5%

EMERGING MARKETS EXECUTIVES

- Ross Thompson
  Division Manager
- Richard Anderson
  Operations Manager
- Marian Boreland
  United States and Latin America Manager
- David Burton
  Europe and Africa Manager
- Kristen Collins
  Asia Pacific Manager

XP SOLUTIONS EXECUTIVES

- Colby Manwaring
  Division Manager
- David Fortune
  Director of Innovation
- Anthony Kuch
  Americas Manager
- Sudesh Mudaliar
  Asia Pacific Manager
- Paul Ramshaw
  Europe, Middle East, Africa Manager

HIGHLIGHTS

Emerging Markets successfully expanded its consulting business and achieved fee revenue growth of 21.1 per cent in FY2014.

Despite a challenging development aid market, operations increased in the Philippines, Papua New Guinea and Indonesia, while programs were secured with Department for International Development (DFID) in the UK, including a £30 million security enhancement program in Libya.

We continued to grow engineering operations globally and were awarded several donor-funded projects across Africa and Asia, including a USAID-funded road project in Liberia. The division grew its social management consultancy business winning projects for major oil, gas and mining clients, including an environmental and social assessment study in Mozambique.

Emerging Markets added specialist transport planning services company Cardno IT Transport in 2014, expanding access to a number of African and Asian markets and clients.

In FY2014, XP Solutions secured organic revenue growth of 12 per cent and organic profit growth of 16 per cent on the previous year. Growth has been driven by a strong demand in the UK and USA as economic conditions improve, as well as the launch of software products into new markets.

The business opened an office in the Philippines, boosting market presence in Asia and leveraging a high capacity and lower cost workforce.

New software for facility condition assessment and capital planning, XPPARAGON, was released during the year, while XPDRAINAGE, software for water-sensitive, low-impact development design, has established a strong following as pressure increases on governments and developers to adopt green infrastructure.

FUTURE OUTLOOK

Several Cardno clients are expanding aid programs into FY2015 so, despite pressure on development budgets, we anticipate minimal impact on our development assistance work for donors. The region's backlog of work has increased 13.5 per cent over 12 months to $202.2 million.

Donors are increasingly partnering with the private sector and Emerging Markets is well placed to facilitate this interaction and achieve social objectives.

We will continue to diversify Cardno's client base, services and geographies through leveraging existing client relationships and expertise across Cardno. New projects with DFID, Department of Foreign Affairs and Trade (DFAT) in Australia and USAID will underpin our financial performance in FY2015, helping us to achieve strong organic growth.

Emerging Markets will work closely with existing Cardno operations in Latin America, offering social and environmental impact management, urban planning and economic growth services.

We will focus on growing our operations in Mozambique, the Philippines, Indonesia and Kenya, enabling us to secure opportunities with gas and mining clients.

From our solid UK foundation, XP Solutions will focus on growth in the European Union, with France and Germany as initial target markets. We also anticipate 20 per cent growth in Asia, as our new Manila office expands our reach into the region, and as we increase business support to our distributors in Japan, China, Malaysia and South Korea.

Our XPPARAGON software will allow us to push into the facility condition assessment market, focusing on North America, where software licensing and consulting services (provided by Cardno partners) are targeted to comprise up to 10 per cent of total revenue.

XP Solutions is also looking to boost regional presence in eastern and central United States to better serve existing clients and reach further into the market. ■

Above far left: Cardno provides operational support for the Papua New Guinea Australia Law and Justice Partnership.

Above left: XP Solutions released new software to assist landscape architects, urban planners and civil engineers.

Above right: Cardno is implementing a new regional anti-trafficking initiative in South East Asia.

MERGERS & ACQUISITIONS

Cardno welcomed three new merger partners in FY2014.

Opposite left: Cardno Haynes Whaley won an Engineering News Record Best Project Award of Merit for work on Hess Tower, Houston.

Opposite middle: Cardno PPI provides engineering services to the midstream and upstream oil and gas sector.

Opposite right: Cardno IT Transport delivers a range of specialised services for public and private clients.

OCTOBER 2013

CARDNO HAYNES WHALEY

Cardno Haynes Whaley provides structural engineering services for a broad range of commercial, public, and institutional projects.

Based in Houston, Texas, with projects in 40 US states, as well as in Africa, the Caribbean, Malaysia and Singapore, the firm works with commercial, public, and institutional clients.

It delivers comprehensive structural design services extending beyond primary structural systems to include facades, decorative roofs, skylights, stairs, specialty equipment support and interior partitions.

Cardno Haynes Whaley drives additional opportunities for cross-selling structural engineering services, while their clients benefit from access to the broader range of Cardno's engineering and environmental services.

FINANCIAL REVIEW

Cardno experienced a challenging year in FY2014 with market conditions affecting the demand for services across many sectors.

Right: Cardno engineers have been responsible for the design, programming and commissioning of site-wide automation and control systems at iron ore facilities in Western Australia.

FINANCIAL PERFORMANCE

PERFORMANCE (A$m)	Jun-14	Jun-13
Revenue	**1,309.6**	1,195.4
EBITDA	**141.7**	138.0
EBIT	**115.2**	114.3
NPAT	**78.1**	77.6
Operating Cash Flow	**84.6**	95.7
EPS - basic (cents)	**52.0**	55.1
Dividend per share (cents)	**36.0**	36.0

MARCH 2014

CARDNO PPI

Cardno PPI delivers best-practice engineering, consulting and quality management services to the oil and gas industry.

Headquartered in Houston, Texas, the business provides services to more than 300 clients annually in the United States, West Africa and Asia Pacific.

Cardno PPI's engineering services to the midstream and upstream oil and gas sector complement Cardno's existing environmental and permitting capabilities in this market.

Cardno PPI has a strong reputation and long-term relationships with the major multi-national oil and gas clients, which has enabled significant growth history.

APRIL 2014

CARDNO IT TRANSPORT

Cardno IT Transport provides high quality consultancy services to projects that promote economic growth and development, predominantly in Africa and Asia.

The business offers a wealth of experience in transport policy formulation, transport planning, program implementation and capacity building.

Cardno IT Transport delivers a range of specialised services for public and private clients, including the Asia Development Bank, DFID and the World Bank.

The team provides additional technical expertise to the Cardno Emerging Markets businesses in Europe, Africa, Asia-Pacific and the Americas.

Cardno delivered a net profit after tax of $78.1 million for FY2014. This was a 0.6 per cent increase over FY2013. This result was broadly flat with the prior year, and reflects the variable market conditions in which Cardno has been operating, offset by contributions from recent merger partners.

Gross revenue of $1,309.6 million was up 9.6 per cent on FY2013. This was largely due to the contributions of new merger partners offsetting an 8.3 per cent organic revenue decline on the prior year. The organic revenue decline in the current year was the result of declines in Cardno's two major regions, the Americas Region and the Australian and New Zealand Region. Factors impacting organic growth were:

> the tapering and conclusion of consulting work associated with the Gulf of Mexico oil spill;

> severe weather conditions experienced from January through March in the north east of the USA, limiting field work and slowing business activity;

> the slowdown in the bulk commodity resource sectors of iron ore and coal in Australia resulting in reduced investment in mining projects;

> ongoing impacts of the US Federal Government budget constraints on the award of government contracts; and

> overall lack of confidence in Australia reducing new project start-ups.

Cardno achieved an EBITDA of $141.7 million in FY2014, a rise of 2.7 per cent compared to that achieved in FY2013 of $138.0 million. However the increase in revenue did not flow fully through to the bottom line with the result EBITDA margins declining from 15.5 per cent in FY2013 to 14.7 per cent in FY2014. This margin decline is due to difficult market conditions, changes in business mix and increased merger and restructuring costs.

Group EBIT increase of 0.8 per cent on FY2013 to $115.2 million was impacted by higher depreciation expense. This increase in depreciation is directly related to higher investments in tangible assets. Amortisation of intangible assets remained flat with the prior year.

Cardno's mitigating response to growth pressures experienced during FY2014 has been:

> the co-location of staff in 16 offices and the closure of 17 surplus offices as integration activity accelerates;

> the ongoing matching of resources to market demand which has resulted in the reduction of staff across the group;

> restructuring the Americas Region to better service our clients and optimise management and overhead costs including establishing a regional service centre to improve efficiencies; and

> limiting wages growth gloablly to reflect changed market conditions. ▶

A$m	Segment revenue 2014	Segment revenue 2013	EBIT 2014	EBIT 2013	EBIT margin* 2014	EBIT margin* 2012
Americas	694.7	599.1	57.8	56.3	11.2%	12.8%
Australia & New Zealand	392.8	411.9	51.7	57.7	15.3%	16.1%
Rest of World	221.1	182.9	10.1	8.0	9.3%	8.9%
Total segment	**1,308.6**	**1,193.9**	**119.6**	**122.0**	**12.4%**	**13.7%**

*Based on fee revenue

FINANCIAL PERFORMANCE (continued)

Basic earnings per share (EPS) was 52 cents, a reduction of 5.5 per cent from the FY2013 results of 55 cents per share. EPS was impacted by the increased number of shares on issue following equity raised and issued for major acquisitions and the broadly flat financial performance of the Group.

The effective tax rate for FY2014 was 26.8 per cent as compared with 27.3 per cent in FY2013. The tax rate reduction is a result of an overall decrease in effective tax rate in the United States.

Cardno's continued growth and trading performance is driven by underlying economic conditions in the markets and geographic sectors in which the company operates. These conditions underpin Cardno's ability to secure new projects and achieve organic growth. Competition for these projects can impact charge out rates of Cardno's people which are reflected in margins. Cardno has experienced margin pressure in the past year due to changes in business mix, the conclusion of major projects and the impact of weather on our ability to service our clients.

Global market conditions continue to be variable, however in the United States economic activity is improving and the environmental sector continues to be strong. Market conditions in Australia and New Zealand remain difficult though there are signs that residential construction and infrastructure projects are picking up and we remain active on several ongoing oil and gas projects. Our project pipeline of $855 million as at 30 June 2014 is strong and represents approximately 10 months of fee revenue.

AMERICAS REGION

In the Americas Region, segment revenue was $694.7 million compared to $599.1 million in FY2013. This was an increase of 16.0 per cent on the prior year. This can be attributed to the contributions from new merger partners Cardno Haynes Whaley and Cardno PPI who were acquired during the year. Full year contribution of FY2013 merger partners also contributed to the year-on-year revenue growth as well as the expansion of Cardno Caminosca in Latin America. All new merger partners are performing in line with expectations.

This increase in revenue was partially offset by organic revenue decline of 10.0 per cent for the region due to the reduction in the Gulf of Mexico oil spill work, extended winter weather and the US government sequestration.

Full year EBIT was $57.8 million, 2.7 per cent up on FY2013. EBIT margins decreased to 11.2 per cent from 12.8 per cent in FY2013. The reduction in margins reflecting the reduction in higher margin work associated with the oil spill, the impact from the adverse winter weather as well as business alignment costs undertaken to restructure the business.

The outlook for the Americas Region is positive as economic activity improves. The oil and gas, power, transportation and the government sectors represent good opportunities for organic growth in the region. Backlog for the region is at a record level and was $521.6 million as at 30 June 2014, making the region well positioned going into FY2015.

AUSTRALIA AND NEW ZEALAND REGION

Australia and New Zealand Region, segment revenue was $392.8 million, a 4.6 per cent decrease on $411.9 million in FY2013. The decrease in revenue resulted from organic decline across most divisions, partly offset by the full year contributions of merger partners who were acquired in FY2013. This decline is associated with the slowdown in the bulk commodity sectors of iron ore and coal which impacted our Western Australia and Queensland businesses. In addition

FINANCIAL PERFORMANCE (continued)

Cardno has experienced the conclusion of major projects. A general lack of confidence in Australia is reducing the startup of new projects, however the NSW/ACT division achieved organic growth during the year with transport infrastructure opportunities gathering momentum and Cardno's continued involvement on the Ichthys LNG project.

These challenging market conditions saw the ANZ Region report an EBIT result of $51.7 million which was 10.4 per cent down on FY2013. EBIT margins were down slightly on prior year, 15.3 per cent in FY2014 versus 16.1 per cent in FY2013, although EBITDA margins were broadly flat despite being in a difficult market. This reflects cost control measures implemented and the diversity of Cardno's client base across both small and medium sized projects where pricing, whilst competitive, has remained fairly stable.

Challenging conditions are expected to continue into FY2015 for the ANZ region with the decrease in funding for large resource projects. Opportunities exist in New South Wales particularly in the major transport infrastructure space and specifically on the Sydney Light Rail and WestConnex motorway projects in which Cardno is involved.

REST OF WORLD

Cardno's Rest of World operations, which includes the Emerging Markets and XP Solutions divisions, achieved a segment revenue result of $221.1 million, a 20.9 per cent increase on FY2013. Both businesses experienced organic growth during the year with the Emerging Markets division winning new projects in the UK and Australia and XP Solutions releasing updated software and tackling new markets.

Despite constraints to development assistance budgets EBIT was $10.1 million up 26.2 per cent from $8.0 million in FY2013 and EBIT margins were also up. This was largely attributed to the strength of the software business.

Recent project wins in the UK, USA and Australia will underpin performance in FY2015 in the Emerging Markets division as reflected in a growth in backlog of 13.5 per cent. New software solutions and an expansion into continental Europe will continue XP Solutions growth opportunities.

DIVIDENDS

Cardno has declared a 17 cent fully franked final dividend for FY2014, taking the full year dividend to 36 cents per share. The dividend payout in dollar terms has been maintained against the last two prior years but represents a higher percentage payout ratio at 69.1 per cent.

The Board has determined that it will prudently distribute as many franking credits as possible. The amount of franking credits available will depend on the future mix of Australian and international profits. ▶

Above left: Cardno provided large-scale restoration of stream and floodplain habitat in support of the remediation of Ninemile Creek in New York.

Above centre: Cardno delivered construction materials testing services for the Cotter Dam expansion in the Australian Capital Territory.

Above right: Cardno provided program secretariat support for the Pacific Leadership Program,(PLP). Image courtesy of DFAT.

FINANCIAL POSITION

BALANCE SHEET (A$m)	2014	2013
Trade and other receivables	245.5	203.2
Inventories	142.6	134.9
Other receivables	11.2	8.6
Trade and other payables	(137.0)	(151.0)
Other liabilities	(49.5)	(48.9)
Total working capital	212.8	146.8
Cash and cash equivalents	85.9	90.6
Loans and borrowings	(306.1)	(241.7)
Net debt*	(220.2)	(151.1)
Other financial assets	3.6	1.7
Property, plant and equipment	60.7	56.9
Intangible assets	751.6	630.0
Provisions	(45.0)	(51.5)
Deferred taxes	15.9	7.8
Tax liabilities	(15.9)	(8.1)
NET ASSETS	**763.5**	**632.5**
Ratio:		
Net debt to EBITDA	*1.6*	*1.1*
Net debt to equity*	*28.8%*	*23.9%*

* Total loans and borrowings less cash and cash equivalents

Net assets of the Group increased $131.0 million on FY2013. The increase can be attributed to an increase in goodwill and other intangibles recognised through the acquisition of new merger partners during FY2014. The increase in Cardno's working capital and other assets and liabilities is principally attributed to the net assets acquired from each of the merger partners.

Cardno's balance sheet is strong with a net debt-to-equity ratio of 28.8 per cent and cash on hand of $85.9 million at 30 June 2014. Net debt to EBITDA was 1.6 times well within our covenant requirement of three times. Loans and borrowings increased slightly on the prior year due to funding the current year acquisitions but was also partly offset by the repayment of various term debt. The balance sheet is well positioned for growth with debt facilities renegotiated on improved terms.

CASHFLOW

CASHFLOW (A$m)	2014	2013
Net cash provided by operating activities	**84.6**	**95.7**
Investing activities		
Acquisition of subsidiaries	(191.6)	(92.6)
Purchase/sale of property, plant and equipment	(19.1)	(18.6)
Purchase of intangible assets	(0.6)	0.0
Net cash used in investing activities	**(211.3)**	**(111.2)**
Financing activities		
Proceeds from issue of shares	94.0	18.2
Share issue transaction costs	(1.0)	(0.1)
Purchase of own shares	9.4	4.1
Proceeds from borrowings	224.8	61.0
Repayment of borrowings	(152.1)	(40.1)
Finance lease payments	(2.0)	(2.6)
Dividends paid	(50.9)	(46.0)
Net cash provided by / (used in) financing activities	**122.3**	**(5.5)**
Net increase/(decrease) in cash	(4.4)	(21.0)
Cash at 1 July	90.6	107.9
Effects of exchange rate changes at year end	(0.3)	3.7
Cash at 30 June	**85.9**	**90.6**

In FY2014, Cardno achieved a solid operating cash flow of $84.6 million despite it being an 11.6 per cent decrease on the $95.7 million generated in FY2013. This result however is 8.0 per cent higher than FY2014 NPAT of $78.1 million demonstrating Cardno's strong cash conversion capability.

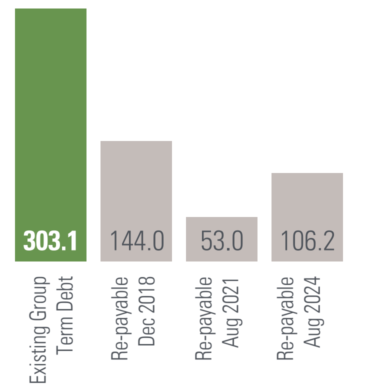
During FY2014, the following investing and financing activities took place:

- The acquisition of three new merger partners, the PPI Group of companies, I.T. Transport Limited and the net assets of Haynes Whaley Associates, Inc., for a total purchase price consideration of $163.4 million;
- Deferred consideration paid to all merger partners acquired in FY2013 and Cardno ATC in FY2012 of $28.2 million;
- Financing of the acquisitions was through the combination of cash reserves, bank debt and issue of Cardno shares.
- The funding strategy for PPI Group of companies included an equity placement issue of $50.0 million as part of the Group's capital management strategy;
- The full refinancing of the Group's term bank debt facilities in December 2013 resulted in reallocation of borrowings of $58.1 million across debt providers. This combined with the repayment of other term bank debt and working capital lines of $89.2 million, including $40.0 million from the equity placement proceeds, helped to maintain a strong balance sheet and debt to equity ratio at 40.1 per cent;
- Purchase of own shares to be held in trust by the Cardno Limited Performance Equity Plan Trust. This trust was formed solely for the purpose of subscribing for, acquiring and holding shares for employees participating in the Performance Equity Plan (PEP) of Cardno Limited;
- Investment in property, plant and equipment to grow and maintain business operations; and
- Payment of dividends.

The investing and financing activities in FY2013 principally related to the acquisition of seven merger partners.

DEBT STRATEGY

TERM DEBT REPAYMENT PROFILE
A$ million



During FY2014 Cardno successfully completed two major funding transactions refinancing existing term bank debt facilities and issuing long term notes in the US Private Placement (USPP) market. These transactions diversified Cardno's funding sources and extended its maturity profile with terms and conditions reflecting Cardno's improved credit standing.

In December 2013 Cardno renegotiated existing term bank debt facilities by entering into a series of five year, multi-currency revolving bilateral facilities totaling US$330 million. The banking partners Commonwealth Bank of Australia, Hong Kong and Shanghai Banking Corporation, Standard Chartered Bank and Westpac Banking Corporation provide a mix of service capability as more than 50 per cent of Cardno's operations are now outside Australia.

Subsequent to financial year end, Cardno closed its first long term note issue of US$150 million in the USPP market. The tranches include US$50 million seven year term maturing August 2021 and US$100 million 10 year term maturing August 2024. The notes were initially priced on the 15 May 2014 with three month deferred settlement.

Simultaneously, Cardno issued fixed to floating USD interest rate swaps matching the tranches and elected to fair value hedge the interest rate risk in accordance with AASB139. There was no requirement to swap the US dollar note proceeds into the Group's Australian dollar functional currency given the size of Cardno's significant US operations. Cardno's US dollar debt facilities are naturally hedged against US dollar investment and revenue streams. On a comparable basis the long term note pricing is approximately 10-15 per cent more favourable than the bank debt refinancing in December 2013.

The USPP transaction has allowed Cardno to achieve its debt strategy objective of establishing its brand in the USPP market and developing relationships with blue chip institutional investors that it can grow with over the long term. The Group's average debt maturity has increased by 4.8 years to 7.2 years subsequent to the long term note issue.

Cardno's new combined debt facility limits comprise facilities of US$480.0 million and working capital facilities of A$10.0 million and US$15.0 million. As at 30 June 2014, Cardno has debt totaling $303.1 million, an increase of $68.7 million from FY2013, largely due to bank debt utilised in the acquisition of PPI Group of companies. Cardno has $230.9 million of undrawn facilities available for use in its continued acquisition strategy.

OUR PEOPLE

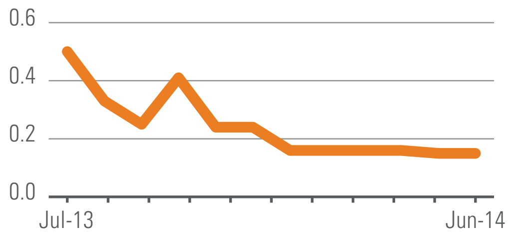
Cardno
ZERO
HARM
EVERY JOB. EVERY DAY.

GROUP LOST TIME INJURY FREQUENCY RATE (LTIFR)

Cardno LTIFR at the end of June 2014:

0.15 per million person-hours

(**0.03** per two hundred thousand person-hours – US equivalent)



SAFETY

Safety is a core value at Cardno and our Zero Harm safety program fosters an environment of shared responsibility, risk awareness and clear communication.

Group HSEQ (Health Safety Environment and Quality) has implemented a global safety framework that underpins region and division-specific programs. This is reinforced by our safety policies, processes and systems which provide managers and staff with resources to fulfil their roles and responsibilities with regard to safety.

Cardno introduced a number of new safety initiatives across the company in FY2014, including a new global safety reporting tool.

The Zero Harm Application (ZAP) allows employees to submit a brief hazard or near miss report to managers either through a computer or mobile phone. Available in English and Spanish, the efficient tool allows for rapid communication and increased visibility of incidents, in particular around lessons learned that can be shared and applied across the company. It will also improve HSEQ reporting analytic capabilities and increase staff awareness.

Cardno's commitment to the continuous improvement of our safety performance is also enhanced through the provision of staff training. This year a new safety and quality module was added to the Cardno University "Management Essentials" training program, equipping managers with the knowledge and tools to engage with our workforce and ultimately improve safety performance through leadership.

In FY2014, our rigorous approach to risk management communication and continually improving our safety culture helped us achieve an improvement in our Lost Time Injury Frequency Rate and Total Recordable Injury Frequency Rate. Cardno will continue to build on this positive performance in FY2015, responding to the changing needs of the business and clients, and ensuring a safe and healthy environment for employees.

CARDNO CORPORATE UNIVERSITY

Cardno's global team comprises professionals with a diverse range of skills, knowledge and experience.

Managing this pool of talented staff is critical to the company's success and Cardno University delivers training and development that aligns with our strategic plan.

Over the past 12 months, several key initiatives have been implemented, covering project management, compliance and occupational health and safety training, as well as leadership development programs.

Cardno University is also introducing a new Global Learning Management System designed specifically to track, monitor and record all eLearning and facilitator-led training. This will allow for professional development opportunities more in line with advanced technology and changing learner expectations.

Cardno University's vision is to continue to be recognised for developing world-class professionals and, by investing in the future of our employees, we aim to inspire employees to achieve their goals while delivering for our clients. ▶

CULTURE

Cardno's core values engender positive attitudes, encourage personal and technical development and reward achievement, integrity and initiative.

Our people bring strategic and technical expertise together to deliver value and long term results for our clients.

We continually seek to understand employees' views on a range of topics about the company in order to provide management with meaningful information to assist our workplace initiatives.

Cardno conducts a Global Employee Engagement Survey every two years, with the next results to be announced late in 2014.

The result for overall employee satisfaction our 2012 survey placed the company in the top 3 per cent of all firms surveyed worldwide with more than 2,000 staff.

In response to survey feedback, several initiatives have been implemented at a global, regional and divisional level.

These include the introduction of Cardno University, website and intranet updates, new orientation programs and information sessions, global webinars and the development of the Management Essentials program.

Cardno's Corporate Social Responsibility policy demonstrates our continuing commitment to behave ethically in all aspects of our operations.

We aim to achieve the highest standards of responsible business practice and sustainability, and produce a positive overall impact on society.

DIVERSITY

Cardno's workforce encompasses more than 8,200 people across the globe, with offices in over 100 countries.

The diversity of staff is celebrated and acknowledged as one of our key competitive advantages and we continue to develop work practices which encourage diversity.

Cardno's diversity initiatives include the Women in Cardno program, which strives to provide opportunities for women across the business to advance and grow their careers. The company submitted a Workplace Gender Equality Agency report in Australia in May and Cardno CEO Michael Renshaw is a member of the Male Champions of Change, a group of ten CEOs championing diversity initiatives in their organisations.

We also provide cultural awareness training and translate policies, procedures and all communications into Spanish, while our Global Orientation Program actively promotes the importance of diversity to all staff.

BENEFITS

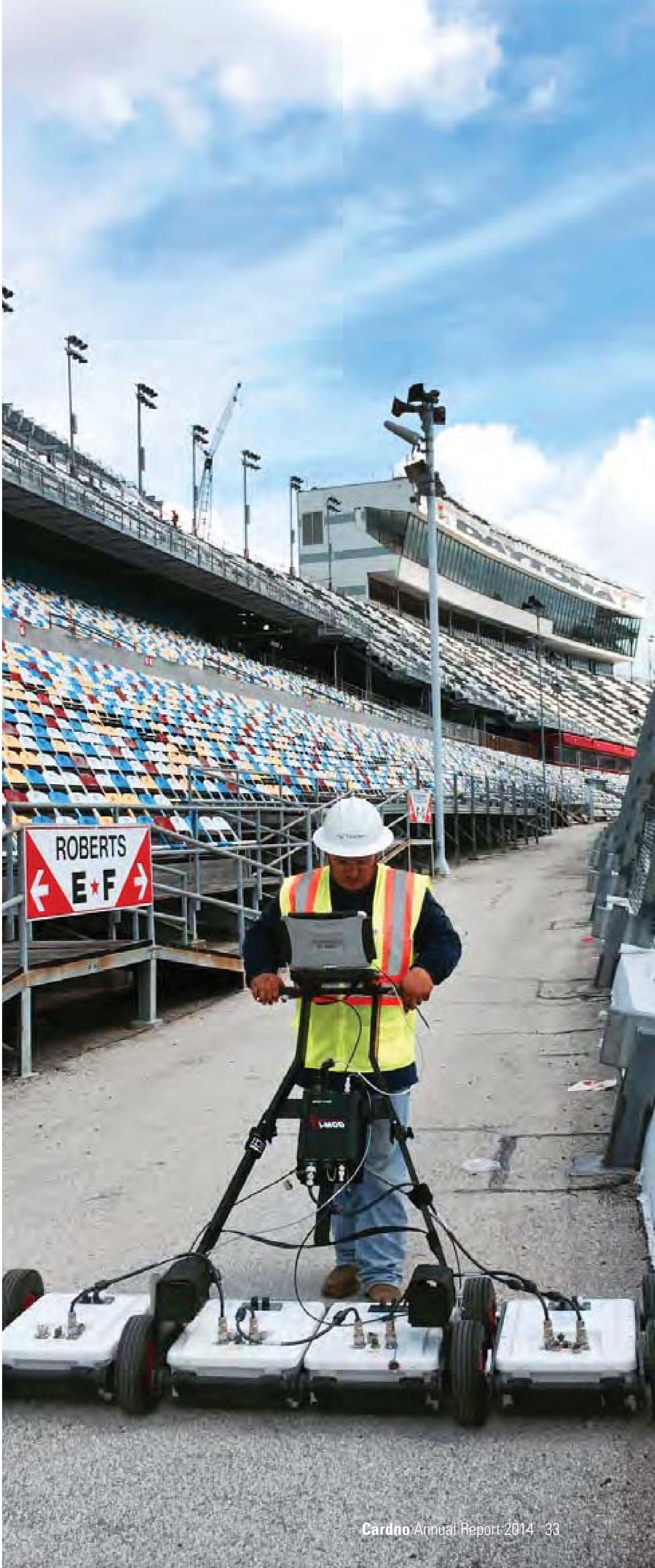
Our employees have access to a wide range of global benefits, complemented by competitive local benefits that align with our country-specific programs.

> **Employee Share Plan:**
More than 90 per cent of Cardno employees own shares in the company, providing an opportunity for employees to directly share in – and contribute to – Cardno's success.

> **Performance Pay:**
We encourage our staff to perform and high-achieving employees are recognised with financial and non-financial benefits linked to their level of performance and that of the company.

> **Professional development:**
Cardno offers a range of training programs, initiatives and annual scholarships which provide outstanding opportunities for professional development.

> **Work life blend:**
Cardno provides mutually-beneficial flexible working arrangements and regular opportunities to participate in social and charitable activities.



BOARD OF DIRECTORS

John Marlay
B.Sc. (Chemistry major), FAICD

Chairman

Age 65

John Marlay joined Cardno as a Non-Executive Director in November 2011 and was appointed Cardno Chairman in August 2012. He is also a Non-Executive Director of Incitec Pivot Limited (since 2006), and Boral Limited (since 2009). In July 2013, John was appointed Independent Chairman of Flinders Ports Holdings Limited.

From 2002 to 2008 John held the position of Chief Executive Officer and Managing Director of Alumina Limited.

John held various senior management roles with Pioneer International Limited and Hanson PLC from 1995 to 2002. Prior to that John also held executive management positions with James Hardie Ltd and Esso Australia Ltd.

Special Responsibilities

John is Chairman of the Nominations Committee and a member of the Remuneration Committee.

Michael Renshaw
B. Business (Hons), MAICD

Chief Executive Officer

Age 42

Michael joined Cardno in 2003 and became a Director of the Cardno Group in 2014. As Chief Executive Officer he is responsible for performance, profitability, growth, marketing, operations, client relations, quality and technical development.

Previously Michael worked as Cardno's Executive General Manager International, overseeing the company's international growth and access to new markets in the USA and Canada, South America (including Ecuador, Peru, Colombia), Europe (including UK and Germany) and the Middle East.

Prior to joining Cardno, Michael was the Director of the Trade Division within the Department of State Development in Brisbane. Prior to joining the Government in 1997, he was the General Manager of Gladstone Area Promotion & Development Ltd.

He brings to the group a strong understanding of international markets, strategic management and project management skills.

Anthony Barnes
BCom

Non-Executive Director

Age 64

Tony Barnes has been a Non- Executive Director of Cardno since 31 July 2008. He was formerly the Chief Financial Officer of Zinifex Limited, an international mining, exploration and development company. He also held the position of Chief Executive Officer of Zinifex Limited for a period.

He played a key role in the successful IPO of Zinifex Limited in May 2004 and in its subsequent restructure culminating in the merger with Oxiana Limited in July 2008 to form Oz Minerals Limited. Tony has extensive financial experience following a career which included more than 32 years with BHP, both within Australia and internationally.

Tony is also a Director of Victorian Rugby Union Inc, the Parent-Infant Research Institute and the Leo Cussen Centre for Law.

Special Responsibilities

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

Tonianne Dwyer
BJuris (Hons), LLB (Hons), GAICD

Non-Executive Director

Age 51

Tonianne Dwyer became a Non-Executive Director of Cardno Limited in June 2012.

She is also a Non-Executive Director of DEXUS Property Group, DEXUS Wholesale Property Fund, Metcash Limited and Queensland Treasury Corporation, as well as being a Senator of the University of Queensland.

Tonianne's executive career has included roles as Executive Director and Head of Funds Management at Quintain Estates and Development (2003-2010), and Director, Investment Banking at Societe Generale/SG Cowen/Hambros Bank in London (1987-2003).

Special Responsibilities

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

Elizabeth Fessenden
MBA, MS Systems Engineering, BS Electrical Engineering

Non-Executive Director

Age 59

Elizabeth Fessenden joined Cardno as a Non-Executive Director on 1 June 2014. She is retired from a career with Alcoa where she last held the position of president of worldwide flexible packaging business. Liz's US-based Alcoa career also included positions in engineering management, marketing, smelting plant management, and executive development and staffing.

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

In May 2014, she completed her term as a director of O'Brien & Gere, a consulting engineering firm in the US. As an experienced corporate and not-for-profit board director, she is cited for driving change and adding value in the area of operations, financials and strategic direction.

Special Responsibilities

Elizabeth is a member of the Remuneration Committee.

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

Executive Director

Age 57

Trevor Johnson has been a Director of the Cardno group since 1996, and an employee of the company for more than 30 years. He is a member of the Global Executive team which assists the Managing Director in running the company.

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

Trevor has more than 30 years' experience as a civil engineer, with special expertise in the fields of hydraulics, water quality and environmental analysis. He remains significantly involved in the company's operational activity and is frequently commissioned as a technical expert witness on engineering matters.

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

Non-Executive Director

Age 65

Ian Johnston became a Non-Executive Director of Cardno Limited in November 2004, bringing with him extensive experience in treasury, corporate banking and equity capital markets.

Following a career of nearly 25 years in the banking industry, Ian joined Morgans Stockbroking Limited (now Morgans Financial Limited) in 1988 as an Executive Director and Head of Corporate Finance. He was Chairman Corporate Finance until his retirement in October 2013. He remains a member of its Advisory Board.

Ian has served as a director of ASX listed companies, private companies, government owned corporations and not for profit organisations.

He is currently an independent non-executive Director of Data#3 Limited and Morgans Foundation Limited. Ian is a Fellow of the Australian Institute of Company Directors.

Special Responsibilities

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

Grant Murdoch
M Com (Hons), FAICD, FICAA

Non-Executive Director

Age 62

Grant Murdoch became a Non-Executive Director of Cardno Limited in January 2013.

Grant is a Chartered Accountant with over 28 years of experience as a partner in audit and corporate finance with international accounting firms. For eight years, up to his retirement from the practice in July 2011, he headed the Corporate Finance team for Ernst & Young in Queensland Australia.

He is an independent Non-Executive Director of ALS Limited, QIC Limited, OzForex Limited and is Chairman of the Board of Directors of The Endeavour Foundation and Senator of the University of Queensland. He is a Non-Executive Director of UQ Holdings and an Adjunct Professor of the BEL faculty at UQ.

Grant is a Fellow of the Australian Institute of Company Directors and a Fellow of the Institute of Chartered Accountants in Australia. He has a Master of Commerce (Honours) from the University of Canterbury, New Zealand and is a Graduate of the Kellogg Advanced Executive Program at the North Western University, Chicago USA.

Special Responsibilities

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

SENIOR EXECUTIVES

Michael Renshaw
Chief Executive Officer

Michael has full responsibility for all global group activities at Cardno, including performance, profitability, growth, marketing, operations, client relations, quality and technical development.

In addition to managing the company, Michael spends time interacting with the investment community, including giving presentations and roadshows, and hosting discussions with industry analysts and shareholders.

He also manages the company's interaction with the media and other public engagements.

Michael maintains relationships with major clients and Cardno's senior executives, and plays a significant role identifying and executing merger opportunities.

Michael was appointed to the role of CEO at Cardno after an 11-year history with the Company including establishing Cardno's operations in the United States.

Graham Yerbury
Chief Financial Officer

Graham joined Cardno in March 2013 to oversee the financial, treasury, accounting, tax, commercial, risk management and internal audit services.

He also leads the company's investor relations, statutory and corporate governance functions. Graham has held senior financial management positions in several countries, including that of chief financial officer in several ASX listed companies.

He has extensive experience in large multi-national mining and oil and gas companies, and is highly skilled in capital raising, business integration, governance and shareholder engagement.

Trevor Johnson
General Manager Global Technical Leadership

Trevor Johnson has a multi-disciplinary role in supporting and enhancing technical and communication activities across Cardno. He oversees standards of technical excellence across the Cardno group, and has key responsibilities in merger and acquisition assessment. As a member of the Global Executive Team, he is a primary contributor to policy and internal system development, as well as maintaining a technical role on project work.

Trevor also assists Cardno's corporate team and the CEO in review of policy and communication initiatives across all of the company's operations, based on his broad knowledge and understanding of the technical disciplines which the company delivers.

Kylie Sprott
General Manager Global Business Services

Kylie Sprott manages Cardno's global business services team including Information Technology, Human Resources, Marketing and Communications, and Health, Safety, Security, Environment and Quality.

She plays a key role in the cultural due diligence aspect of merger and acquisition activities and is chair to several resulting integration committees.

Kylie chairs Cardno's Group Health and Safety committee, the *Grow Cardno* committee, the Cardno University governing body and the Women in Cardno governing body.

Paul Gardiner
General Manager Americas

As General Manager of Cardno's Americas Region, Paul leads over 5,000 staff across more than 210 offices in North and South America. During his tenure, Paul has overseen the growth of operations in Latin America from 150 staff to 600 staff and has diversified service offerings to include infrastructure design in the areas of hydropower, transportation and water/wastewater. In the United States, he has strengthened Cardno's core capabilities in the oil and gas, mining and natural resource management sectors.

Paul has also focused on creating operational efficiencies by aligning services offered through 12 brands into four core divisions – natural resource management and health sciences; engineering and environmental services; government services; and Latin America.

These newly formed divisions will enable Cardno professionals to seamlessly deliver diverse services to address complex client challenges.

Roger Collins-Woolcock
General Manager
Australia and New Zealand

Roger is the General Manager of Cardno's Australia and New Zealand Region which has nearly 2,000 staff operating from more than 50 offices.

The region provides services in civil, structural, water, environmental, coastal, bridge, water infrastructure, geotechnical, subsurface utility, traffic and transport and building services engineering, as well as environmental science, survey, landscape architecture, construction materials testing, and planning.

Roger has focused on streamlining the ANZ Region's structure to better service its clients and projects. He has also overseen the transition of multiple senior managers to suitable successors in various divisions within the business.

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

Corporate Governance Statement

CARDNO LIMITED AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2014

The Board of Directors of Cardno Limited is ultimately responsible for all corporate governance matters of the consolidated entity and is accountable to the shareholders for the overall business performance of the company. The Board oversees a global governance framework which ensures the highest standards of corporate governance are uniformly maintained by all parts of the business in all locations around the world. Details of the corporate governance policies of the company can be found in the Investor Centre of the Cardno website, **www.cardno.com**.

Cardno Limited is committed to implementing and maintaining sound corporate governance practices and has considered the *ASX Corporate Governance Principles and Recommendations (Third Edition)* in the development of its corporate governance. The Board has assessed Cardno's current practice against these Principles and Recommendations and notes that Cardno's practices are consistent with them except where stated below.

The Board endorses a culture of continuous improvement and therefore continues to refine and develop its governance policies and practices to meet the needs of the business and in the interests of shareholders.

PRINCIPLE 1: Lay solid foundation for management and oversight

The role of the Board and delegation to the Managing Director and the senior management team has been formalised. The most significant responsibilities of the Board are:

> providing strategic oversight including contributing to the development of and approving the corporate strategy;

> reviewing and approving business plans, the annual budget and financial plans including reviewing the adequacy of resources and approving and monitoring major capital expenditure initiatives;

> reviewing the operational and financial performance of Cardno's activities including monitoring budgetary control;

> reporting to shareholders and the market;

> ensuring compliance with prudential regulations and standards;

> ensuring adequate risk management processes are in place;

> reviewing internal controls and internal and external audit reports;

> monitoring and influencing the culture and reputation of Cardno;

> monitoring Board composition, Director selection and Board process and performance;

> undertaking appropriate checks and making relevant enquiries before appointing a person as a Director;

> approving key executive appointments and ensuring executive succession planning;

> ensuring Cardno has a written agreement with each director and senior executive setting out the terms of their appointment;

> reviewing the performance and remuneration of the Managing Director and senior management;

> ensuring that the Board as a whole has an appropriate understanding of each substantial segment of the business; and

> authorising and monitoring major investment and strategic commitments.

The Board has delegated to the Managing Director, together with the senior management team, responsibility for the implementation of Cardno's corporate strategy, its business plans and the day-to-day management of its operations.

The performance of the Managing Director and senior management team is evaluated by the Board through formal performance reviews undertaken on an annual basis. The individual performance of the Managing Director and each member of the senior management team is reviewed against goals set in the previous year and new objectives are established for the following financial year. In 2014 individual financial and non-financial goals were agreed for "at target" and out performance targets. A greater proportion of fixed annual remuneration is offered "at risk" and payable in the form of short term and long term incentives. Specific details are set out in the Remuneration Report commencing at page 49. The Company Secretary plays an important role in supporting the effectiveness of the Board and its committees. Cardno's Company Secretary is accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board.

The Board's responsibilities and functions are also contained in Cardno's Corporate Governance Policy which can be accessed in the Investor Centre on the Cardno website.

PRINCIPLE 2:

Structure the Board to add value

The Board has been established so that it has appropriate composition, size and commitment to adequately discharge its responsibilities and duties. Collectively the Directors have a broad range of experience, expertise, skills, qualifications and contacts relevant to the business. Details of the skills and experience of each Director are contained on pages 34 to 35 and on the company's website.

A Board skills matrix is currently under development to identify the professional and industry based skill areas which are now and which need to be collectively held by the Board. The matrix will assist the Board in determining potential future Non-Executive Directors whom could complement the Board's current skill set and to address areas of future focus and attention for existing Directors.

The Board currently comprises six Non Executive Directors including the Chairman, and two Executive Directors. On 28 January 2014, General Sir Peter Cosgrove tendered his resignation as a Non-Executive Director of Cardno Limited following the announcement of his appointment as Governor-General of Australia.

In March, Executive Director and Managing Director Mr. Buckley retired and resigned as a Director of the Board. He was replaced as Managing Director by Mr. Renshaw who previously worked as Cardno's Executive General Manager International, overseeing the company's international growth and access to new markets in the USA and Canada, South America (including Ecuador, Peru, Colombia, Europe (including UK and Germany) and the Middle East. Mr. Renshaw has been appointed as an Executive Director.

On 1 June this year Ms. Fessenden joined the Board as a Non-Executive Director. Ms. Fessenden is the company's first US based board member and she brings to Cardno a wealth of experience gained during a 20+ year senior executive career in the manufacturing and private equity industries. Ms. Fessenden was, until recently when she completed her term, a director at O'Brien & Gere, an 800-employee engineering consulting firm in Syracuse, NY.

The tenure of the Independent Non-Executive Directors at 30 June 2014 was as follows:

Non-Executive Director	Current tenure of Non-Executive Directors of Cardno Limited		
	0-2 years	2-4 years	4+ years
Ian Johnston			✓
Tony Barnes			✓
John Marlay		✓	
Tonianne Dwyer		✓	
Grant Murdoch	✓		
Elizabeth Fessenden	✓		

In accordance with the constitution of Cardno Limited, one half of the Directors (excluding the Managing Director) retire at each Annual General Meeting. Accordingly Mr. Johnston, General Cosgrove and Mr. Barnes retired by rotation at the 2013 Annual General Meeting and, having offered themselves for re-election, were duly re-elected. In addition, Mr. Murdoch, who had been appointed since the previous Annual General Meeting, offered himself for election as a Director and was duly elected. At the 2014 Annual General Meeting Mr. Marlay, Dr. Johnson and Ms. Dwyer will offer themselves for re-election. Ms. Fessenden, who was appointed to the Board following the 2013 Annual General Meeting, will also stand for election.

The Board has adopted the following criteria to determine the independence of a Non Executive Director:

> is not a substantial shareholder of Cardno or an officer of, or otherwise associated directly with, a substantial shareholder of Cardno;

> within the last three years has not been employed in an executive capacity by Cardno or another group member, or been a Director after ceasing to hold any such employment;

> within the last three years has not been a principal of a material professional adviser or a material consultant to Cardno or another group member or an employee materially associated with the service provided;

> is not a material supplier or customer of Cardno or another group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;

> has no material contractual relationship with Cardno or other group member other than as a Director of the company;

> has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of Cardno; and

> is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of Cardno. ▶

PRINCIPLE 2 continued

The Board has confirmed that based on this definition of independence, Mr. Marlay, Mr. Johnston, Ms. Dwyer, Mr. Barnes, Mr. Murdoch and Ms. Fessenden are independent Non-Executive Directors.

The Board currently considers it appropriate to have two Executive Directors on the Board as they have a strong awareness of management issues and a deep knowledge of the company. Cardno has reduced the number of Executive Directors and increased the number of Non-Executive Directors over recent years to the point where it now has a majority of Non-Executive Directors.

The role of the Chairman and Managing Director are separate. The Chairman of the Board is Mr. Marlay who is an independent Non-Executive Director. The Managing Director is Mr. Renshaw. Each Director, as part of their agreement with Cardno has the ability to seek independent advice at Cardno's expense after consultation with the Chairman.

The Nominations Committee comprises three Non-Executive Directors, Mr. Marlay (Chairman), Mr. Johnston and Ms. Dwyer and the Managing Director Mr. Renshaw. Details of the number of meetings of the Committee and members' attendance can be found in the Directors' Report.

The Nominations Committee oversees and facilitates Board and individual Director performance reviews and evaluation on an annual basis. The Board conducts formal reviews of both individual and collective performance annually using both internal processes and external facilitators as necessary to ensure independent professional scrutiny and benchmarking against developing best practices. During the year, Mr. Marlay met individually with all Directors to seek their views on ways to improve the effectiveness of the Board. As a result of these meetings a number of areas of improvement were identified and implemented during the year, including identification and resolution of priority issues impacting the Board; the development of an annual governance and Board agenda; and the continued sophistication and delivery of quality information to the Board, thus promoting improved decision making processes. In addition, at the end of each Board meeting, Directors are invited to critically evaluate the meeting. This process has identified both areas of strength and opportunities for improvement in the process and conduct of meetings. The Board acknowledges that performance can always be improved and will continue to seek and consider ways of further enhancing performance both individually and collectively. In 2014 this review will be conducted by an external and independent party.

The Nominations Committee assists the Board in determining the composition of the Board and its committees. When considering a candidate as a Director, consideration is given to the candidate's ability to act in the best interests of shareholders as well as specific skills and expertise. Consideration is also given to the candidate's capacity to understand the impacts of various laws and regulations on their role and on Cardno including company law, trade practices legislation, environmental law, workplace health and safety, equal opportunity and taxation.

As Cardno has significant operations outside of Australia, consideration is also given to the candidate's ability to understand the impacts of foreign jurisdiction legislation, foreign currency issues and the business environment in the countries in which Cardno operates. In addition, consideration is given to the candidate's knowledge of the areas of Cardno's operations, risk management concepts and how they apply to Cardno and also whether the candidate is up to date with issues of corporate governance.

Ms. Fessenden was appointed to the Board on 1 June 2014. As Ms. Fessenden is based in the US, her experience in and knowledge of the North American marketplace is extensive and provides important insight for the Board. Ms. Fessenden brings a strong operational background, professional services knowledge and company director experience which will be invaluable to Cardno given its now significant presence in the Americas. Ms. Fessenden's qualifications and experience are outlined on page 35.

New Directors undergo an induction process in which they are given an extensive briefing on Cardno. This includes meetings with key executives, tours of the relevant businesses, an induction package and presentations. A formal letter of appointment is provided. In order to achieve continuing improvement in Board performance, all Directors are encouraged to undergo continuing professional development. Specifically, Directors are provided with the resources and training to address skills gaps where they are identified.

During 2014, the Nominations Committee conducted a thorough search process to find a successor to Mr. Andrew Buckley. The Committee was assisted by an external party and both internal and external candidates were considered. Ultimately the Board appointed Mr. Michael Renshaw to the position.

Additionally, the Committee agreed to the appointment of Ms. Elizabeth Fessenden as Cardno's first US based Non-Executive Director.

The roles and responsibilities of the Nominations Committee are set out in its Terms of Reference which are displayed on the Investor Centre of Cardno's website.

PRINCIPLE 3:

Promote ethical and responsible decision making

The Board expects Directors and employees to observe high standards of behaviours and business ethics. All Directors, executives and employees are expected to act with integrity, striving at all times to enhance the reputation and performance of the Company. The Board has adopted a Code of Conduct for Directors, senior managers and staff. The Code of Conduct is regularly reviewed and updated as necessary to ensure it reflects the highest standards of behaviour, professionalism and practices necessary to maintain confidence in the company's integrity. The code sets the standard of behaviour required in areas such as performance and conduct, health and safety, use of property, compliance with laws and professional standards, confidentiality of information and conflicts of interest.

The Board also promotes the maintenance of an open working environment in which all employees and contractors are able to report instances of unethical, improper, unlawful or undesirable conduct without fear of intimidation or reprisal. This is endorsed through the Whistleblower Protection Policy and the Whistleblower hotline which is managed by an independent operator and accessible to all Cardno staff 24 hours a day, seven days a week. The Audit, Risk & Compliance Committee receives notifications and reports of disclosures made under the Policy.

The Board has adopted a policy for trading in Cardno securities by Directors, senior managers, financial services employees and staff. The purpose of this Policy is to guide Directors, senior managers and financial services employees in the performance of their activities and to define the circumstances in which they, other employees and associates, are permitted to deal in securities. The policy addresses each of the ASX requirements including provisions relating to the prohibition of trading by directors, senior executives and financial services employees in Cardno's securities during defined blackout periods.

The codes and policies have been designed with a view to ensuring the highest ethical and professional standards as well as compliance with legal obligations. The code and the policies are available for review in the Investor Centre of the Cardno website.

The Board continues its commitment to ensuring Zero Harm for all Cardno employees, clients, visitors and members of the public. To achieve this goal, the Board requires commitment and visible leadership from all managers, strong teamwork and the active participation of everyone to implement and reinforce this policy in all Cardno offices, facilities and in the field.

DIVERSITY

Cardno's Diversity Policy recognises that diversity can take many forms: race, gender, ethnicity, sexual orientation, age, physical abilities, religious beliefs and political beliefs. Diversity helps Cardno to view its challenges through many different perspectives and helps the Board, management and staff to make better informed decisions for both Cardno and its clients. Cardno respects and values the competitive advantage of diversity and recognises the benefits of its integration throughout Cardno by improving corporate performance and increasing shareholder value.

Cardno's operations are diverse and widely distributed geographically with more than 8,200 men and women across 270 offices in over 100 countries. Diversity is a core enabler in meeting Cardno's mission statement in regard to its people, clients, growth, safety and quality, and performance. The Cardno diversity agenda has developed significantly in the 2013/2014 with a focus on gender diversity programs and professional development and improvements in systems to analyse Cardno's workforce metrics.

Cardno is placing more focus on the importance of diversity and how this is linked to social, organisational and business outcomes, with an aim to attract, develop and retain high quality diverse talent; offer Cardno's talent an inclusive organisational culture; and provide exceptional service to diverse clients and communities throughout the world.

Given the global nature of the workforce and rapidly changing demographics, having a well-developed diversity and inclusion program provides a sustainable competitive advantage.

> GENDER

Across the Cardno Group, almost 30 per cent of the workforce is female and 70 per cent male.

Female gender representation among Executive and Non- Executive Directors on the Board was 25 per cent as at 30 June 2014. The proportion of women in leadership roles was almost 19 per cent (up by 3 per cent since 2012/2013) and in technical and business services staff combined, it was just below 31 per cent. There are more males in Cardno's technical streams (76 per cent) and a higher proportion of females (73 per cent) in Global Business Services.

Results from a number of external studies suggest that women across certain age groups and countries are less likely to participate in the workforce. This provides insight around the need to offer incentives that encourage higher representation of women in the workforce and to set targets that increase gender role models at all levels in the organisation.

The Cardno Senior Principals and Principals program recognises individuals with a specialist focus and dedication in their field. For the 2013/2014 year, 18 per cent of the appointments to either a Principal or a Senior Principal role were female. On the learning and development front, Cardno currently has over 16 per cent of female managers engaged in the Management Essentials Program provided through Cardno University.

> AGE

Cardno employees range in age from undergraduate interns in their early 20's to specialist and management employees over age 70. The majority of Cardno's more than 8,200 employees are in their mid-20s to mid-40s. The majority of senior managers are in their mid-40s to mid-50s, however on closer analysis the senior manager group by gender reveals that most of the women in senior management positions are in their mid-30's to mid-40's.

Service with Cardno is celebrated with recognition awards at five year increments in some parts of the business.

> LANGUAGE

Employees across the company speak 104 different languages.

Some of these include: Afrikaans, Arabic, Bulgarian, Cantonese, Czech, Dutch, English, French, German, Greek, Hungarian, Italian, Korean, Macedonian, Nepali, Polish, Portuguese, Samoan, Spanish, Swahili (Kiswahili) Tok Pisin, Ukrainian, Vietnamese and Welsh. ▶

PRINCIPLE 3 continued

> DIVERSITY INITIATIVES

The following initiatives have been implemented in the 2013/2014:

> The Women in Cardno program was launched in September 2013 and represents a long term commitment by Cardno to become a global leader with regard to gender equality. The initial two-year program will focus on mentoring and sponsorship, the Principals and Senior Principals program, diversity reporting and metrics, professional development and learning programs and providing networking events and opportunities;

> Cardno participated in a number of workgroups and committees globally to champion diversity at a number of levels. Some of these included:

- Cardno CEO Michael Renshaw is active with Queensland Male Champions of Change (www.qldmcc.org). The organisation recognises the importance of leadership commitment to gender diversity and building inclusive cultures within organisations and industries. Women in Cardno is a featured case study on the QMCC website
- Cardno sponsored and participated in the Society for International Development (SID) Career Fair in Washington and the Devex Partnerships Forum in Africa to provide information on working in the international development sector and the importance of localisation and national workforces
- One of our Australian employees was selected as a delegate for White Ribbon Australia first Youth Forum which is a male-led non-profit organisation working to end violence against women and girls and promote gender equity and healthy relationships
- Cardno staff presented at and participated in International Women's Day functions globally to inspire change
- The Cardno Emerging Markets team in the United States completed training with a specialist on gender integration into project design and proposal development

> All communications and content are now translated into Spanish for our Latin American employees. This includes all policies, procedures, intranet pages, email and other internal communication and other content;

> The Code of Conduct and Diversity Policy were updated to reflect Cardno's ongoing commitment to a workplace that provides equal opportunity for all employees; and

> The Position Classification Framework (PCF) was implemented in 2014 to allow a deeper classification of positions throughout the business globally and contribute to more detailed analytics.

> FY2014/2015 FOCUS AREAS

Cardno's focus for the 2014/2015 year and ongoing will be on:

> The inclusion of Diversity as a key enabler in the 2020 strategy;

> Introduction of a Human Resources Information System (HRIS). The HRIS solution will allow for increased visibility of global employee records and live reporting. It will provide an opportunity to have dashboards of data that can be used to track diversity metrics and set targets;

> Further development of an Indigenous Engagement Strategy (IES) in our ANZ Region; and

> Ongoing implementation of the Gender Working Group initiatives that aim to place a focus on gender based discrepancies and provide balance.

The Board maintains a Diversity Policy which is accessible on the Cardno website.

PRINCIPLE 4:

Safeguard integrity in financial reporting

The Board recognises the critical importance of sound financial management, the accurate and timely reporting of financial performance and the management of risk. To assist the Board in the fulfillment of its duties and governance obligations in this area, the Board has established an Audit, Risk & Compliance Committee. Its role, objectives and responsibilities are set out in its Terms of Reference which can be viewed in the Investor Centre of the company's website. The Committee meets at least four times per year.

During the year the Audit, Risk & Compliance Committee consisted of four Non-Executive Directors, Mr. Barnes, Mr. Johnston, Ms. Dwyer and Mr. Murdoch. Mr. Barnes, an independent Non-Executive Director, is Chairman of the Audit, Risk & Compliance Committee. Mr. Barnes is not the Chairman of the company.

Some of the Audit Risk & Compliance Committee actions during 2014 were:

> review of the Cardno Risk Management Policy;

> revision and approval of Delegation of Authority and Code of Conduct and Corporate Governance and Compliance reporting;

> improved reporting and transparency of breaches of Cardno policies; and

> continued focus and vigilance on identification and mitigation of enterprise risks.

In respect of the current year, the Managing Director and Chief Financial Officer have provided the Board with a statement confirming that Cardno's financial reports present a true and fair view of its financial position and are in accordance with relevant accounting standards.

The Audit, Risk & Compliance Committee requires the rotation at least every five years of the external audit engagement partner.

The selection of the external audit engagement partner is assessed against specific criteria established and agreed by the Audit, Risk & Compliance Committee.

Cardno's auditors attend the Annual General Meeting of the company and are available to answer shareholders' questions.

From 1 July 2014 Mr. Mitchell Petrie will assume the role of external audit engagement partner from Mr. Robert Jones.

PRINCIPLE 5:

Make timely and balanced disclosure

Cardno has adopted a Continuous Disclosure Policy which can be viewed in the Investor Centre of the company's website. The purpose of this Policy is to set out the procedures to be followed to enable accurate, timely, clear and adequate disclosure to the market and compliance with the ASX Listing Rules regarding disclosure.

The Policy also operates to ensure that all employees are aware of their obligations for compliance within the continuous disclosure obligations. The Board regularly reviews the Policy to ensure it reflects best practice standards regarding disclosure and to ensure the market is kept informed of price sensitive or significant information in accordance with the Listing Rules. The policy will be reviewed again in the new financial year.

The Company seeks to improve its disclosure in its annual report by adopting Regulatory Guide 247 Effective Disclosure in an operating and financial review issued by the ASIC in March 2013. As a result the annual report provides more comprehensive information allowing shareholders to better evaluate the company.

Cardno maintains a Confidential Information Policy which establishes standards of behaviour and processes regarding the manner in which the executives and employees handle confidential information relating to Cardno's business. A copy of the Policy is accessible on the Cardno intranet.

The Company Secretary has been nominated as the person responsible for communications with the Australian Securities Exchange (ASX). This role includes the responsibility for ensuring compliance with the continuous disclosure requirements in the ASX Listing Rules and overseeing and co-ordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the public.

Further comments related to making timely and balanced disclosure are covered with consideration of the next Principle.

PRINCIPLE 6:

Respect the rights of shareholders

The Board recognises the important rights of shareholders and strives to communicate with shareholders regularly and clearly – both by electronic means and using more traditional communication methods. Shareholders are encouraged to attend and participate at general meetings.

The Board has adopted a Communications Policy that provides for:

> communicating effectively with shareholders through releases to the market via the ASX, the media, Cardno's website, information mailed to shareholders and the general meetings of Cardno;

> all information disclosed to the ASX is posted on the Cardno website when it is disclosed to the ASX. Presentation material used in public presentations and to brief analysts is released to the ASX and posted on Cardno's website;

> giving shareholders ready access to balanced and understandable information about Cardno and corporate proposals; and

> the external auditor attending the Annual General Meeting and being available to answer shareholder questions about the conduct of the audit and the preparation and content of the Auditor's Report.

The 2014 Annual General Meeting will be webcast live to allow all Cardno shareholders around the world to view and listen to the event.

During 2013/2014, Cardno continued to develop its website which can now be read in Australian, UK and American English and Colombian Spanish languages. The website also allows members of the public to register to receive investor alerts when Cardno issues ASX and media announcements and other publications.

A copy of Cardno's Communications Policy is able to be reviewed in the Investor Centre of the Cardno website.

Cardno's website contains an easily located link to shareholder information, including corporate governance information such as details of directors and senior executives, its constitution, its board charter, charters of each of its board committees and corporate governance policies. The website also links to copies of Cardno's annual reports and financial statement, announcements to the ASX, notices of meetings and webcasts. ▶

PRINCIPLE 7:

Recognise and manage risk

The Board's responsibility for the oversight of risk management is formalised in Cardno's Corporate Governance Policy. The Board, in consultation with executive management, is responsible for identifying relevant risks. The risk management responsibilities of the Audit, Risk & Compliance Committee are set out in its Charter.

During 2014, the Board gave preliminary consideration to forming a separate Risk Committee, independent from the existing Audit Risk and Compliance Committee. The Board will give further consideration to this issue in the forthcoming year.

In pursuit of the fulfillment of their responsibilities for risk management, the Board, together with the Managing Director and senior management, regularly review the effectiveness of the Group's risk management processes for the identification, monitoring and mitigation of risk.

In 2013, the Board undertook an externally facilitated workshop review to ensure that the Board had identified the key enterprise and strategic risks of the business. The results of this workshop have allowed the Board to identify and appoint 'owners' of these risks who will take responsibility to ensure appropriate risk mitigates are implemented. In June 2014 a Group Risk Manager was appointed to oversee the continued identification and management of the enterprise and strategic risks of the business.

In accordance with its responsibilities for risk management, the Audit, Risk & Compliance Committee has approved policies and procedures to identify and monitor business risks as well as adopting an internal compliance and control system to manage material business risk.

The Operational Risk Management Committee, which is comprised of the Managing Director and Senior Executives who are representative of all aspects of Cardno's business across the globe, reports at each Audit, Risk & Compliance Committee meeting. The Operational Risk Management Committee has responsibility for oversight and maintenance of the Enterprise Wide Risk Management System, the company's Operational Risk Management Plan, which has been established in accordance with AS/NZ 4360:2004. The Operational Risk Management Committee also has responsibility for operational risks, quality control issues and operations processes.

The Audit, Risk & Compliance Committee reports to the Board regularly on the implementation and management of the Enterprise Wide Risk Management System and identifies significant risks to Cardno and how they are being mitigated and managed by management via the Operational Risk Management Committee.

This structure allows Cardno to assess risks ranging from low to very high and it is those risks that are identified as significant or that create material exposure in an economic, environmental and social sustainability sense that are referred to in the Financial Report.

Cardno also monitors the quality and accuracy of its services through a Quality Management System. The details of the Quality Management System are available to staff via the company's intranet and client feedback is a feature of the system.

The Managing Director and Chief Financial Officer attest to the Board the soundness of the risk management and internal control systems each year and that the system is operating effectively in all material aspects in relation to financial risks.

Cardno's internal audit function provides assurance to the Board on the effectiveness of Cardno's risk management framework and the adequacy and effectiveness of the system of internal controls. Group Audit responsibilities are defined by the Board through the Audit, Risk and Compliance Committee as part of their oversight role.

The objective, roles and responsibilities of the Audit, Risk & Compliance Committee and the Operational Risk Management Committee are set out in their Charters, which are reviewed annually. A copy of the Charter of each committee can be viewed in the Investor Centre of the Cardno website. Details of the number of meetings of the Audit, Risk & Compliance Committee and members' attendance can be found in the Directors' Report.

PRINCIPLE 8:

Remunerate fairly and responsibly

Cardno has established a Remuneration Committee. The Remuneration Committee, which advises and reports to the Board, is chaired by Mr. Murdoch and includes Mr. Marlay, Ms. Fessenden and Mr. Barnes, all Non-Executive Directors. Details of the number of meetings of the committee and members' attendance can be found in the Directors' Report.

The Board has consciously designed Cardno's remuneration strategy to ensure its Managing Director and senior management team are strongly aligned to achieving Cardno's business strategies and deliver shareholder value. A detailed explanation of the remuneration strategy and arrangements is published in the Remuneration Report which forms part of the Directors' Report along with details of the current remuneration of the Directors and key management personnel.

The company's Securities Trading Policy specifically prohibits any Director, senior manager, financial services employee or employee from transacting in short selling, trading in products which limit the risk associated with the holding of unvested securities or profiting from trading in securities which decrease in market value. A copy of this policy can be accessed in the Investor Centre of the Cardno website.

The role, objectives and responsibilities of the Remuneration Committee are set out in its Charter, which is reviewed annually. A copy of the Charter can be viewed in the Investor Centre of the Cardno website. ■

financial report

Financial calendar

2013/2014

Record Date for Final Dividend	12 September 2014
Final Dividend Paid	10 October 2014
Annual General Meeting	23 October 2014

2014/2015

Half-Year End	31 December 2014
Half-Year Results and Dividend Announced	17 February 2015
Record Date for Interim Dividend	20 March 2015
Interim Dividend Paid	10 April 2015

Note: Dates subject to alteration

Directors' Report

CARDNO LIMITED AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2014

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 2014.

1: DIRECTORS

The Directors of the Company in office during or since the year ended 30 June 2014 are set out below:

John Marlay
(Chairman - Non-Executive)

Andrew Buckley
(Managing Director - Executive) *(resigned 1 March 2014)*

Anthony Barnes
(Non-Executive)

Peter Cosgrove
(Non-Executive) *(resigned 28 January 2014)*

Tonianne Dwyer
(Non-Executive)

Elizabeth Fessenden
(Non-Executive) *(appointed 1 June 2014)*

Trevor Johnson
(Executive)

Ian Johnston
(Non-Executive)

Grant Murdoch
(Non-Executive)

Michael Renshaw
(Managing Director - Executive) *(appointed 1 March 2014)*

Details of the qualifications, experience and responsibilities of the Directors are on pages 34 to 35.

2: COMPANY SECRETARY

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

3: PRINCIPAL ACTIVITIES

The principal activity of the consolidated entity during the financial year was operating as a professional infrastructure and environmental services company, with expertise in the development and improvement of physical and social infrastructure for communities around the world. There were no changes to the principal activities of the Cardno Group during the financial year under review.

4: REVIEW OF RESULTS AND OPERATIONS

PERFORMANCE (A$m)	2014	2013
Revenue	**1,309.6**	1,195.4
EBITDA*	**141.7**	138.0
EBIT	**115.2**	114.3
NPAT	**78.1**	77.6
Operating Cash Flow	**84.6**	95.7
EPS - basic (cents)	**52.04**	55.09
Dividend per share (cents)	**36.0**	36.0

* EBITDA = EBIT plus depreciation and amortisation

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 64. 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.

A detailed analysis of the financial performance of Cardno is set out in the Financial Review and Operations Review Sections of the Annual Report. The Directors report that Cardno achieved a financial result for the year ended 30 June 2014 that was broadly in line with the result achieved in FY2013 in far less favourable conditions.

Highlights of Cardno's financial performance are as follows:

> Cardno delivered a net profit after tax of $78.1 million for FY2014. This was a 0.6 per cent increase over FY2013.

> Revenue of $1,309.6 million was up 9.6 per cent on FY2013. This was mainly due to contributions of new merger partners as organic growth declined on the prior year by 8.3 per cent. The organic revenue decline reflects the variable market conditions in which Cardno has been operating.

> Cardno achieved a record EBITDA of $141.7 million in FY2014 which is an increase of 2.7 per cent compared to that achieved in FY2013 of $138.0 million. The increase in revenue is not flowing fully through to the bottom line and as a result EBITDA margins on fee revenue declined from 15.5 per cent in FY2013 to 14.7 per cent in FY2014. This decline in margin is due to difficult market conditions, changes in business mix and increased merger and restructuring costs.

> Basic earnings per share (EPS) was 52.04 cents per share, a reduction of 5.5 per cent from the FY2013 results of 55.09 cents per share. EPS was impacted by the increased number of shares on issue following equity raised and issued for major acquisitions and the broadly flat financial performance of the Group.

> Cardno achieved a solid operating cash flow of $84.6 million despite the 11.6 per cent decrease on the $95.7 million generated in FY2013. This result however is 8.3 per cent higher than the FY2014 NPAT of $78.1 million demonstrating Cardno's strong cash conversion capability.

> Cardno's balance sheet remains healthy with a net debt-to-equity ratio of 28.8 per cent including cash of $85.9 million at 30 June 2014. Net debt to EBITDA was 1.6 times.

> The Board has declared a final dividend of 17 cents per share (100 per cent franked) to be paid on 10 October 2014 to all shareholders registered on 12 September 2014. With the interim dividend of 19.0 cents per share (100 per cent franked) in April 2014, this will result in a full year dividend of 36 cents per share (100 per cent franked), which is equal to that delivered in FY2013. The Board has determined that it will prudently distribute as many franking credits as possible. The amount of franking credits available will depend on the future mix of Australian and international profits.

5: DIVIDENDS

Dividends paid or declared by the Company to members since the end of the previous financial year were:

Type	Cents per share	Total amount $'000	Franked	Date of payment
Declared and paid during the year				
- Final 2013 ordinary	18.0	25,947	100%	11 October 2013
- Interim 2014 ordinary	19.0	30,583	100%	7 April 2014
Declared after end of year				
- Final 2014 ordinary	17.0	27,755	100%	10 October 2014
Dealt with in the financial report as:				
- Dividends paid or provided		56,530		
- Noted as a subsequent event (note 28)		27,755		
		84,285		

6: EVENTS SUBSEQUENT TO THE REPORTING DATE

On 18 August 2014, the Directors of Cardno Limited declared a final dividend of 17 cents per share (100 per cent franked) for FY2014. The dividend will be paid on 10 October 2014 to shareholders registered on 12 September 2014 and will total $27,755,385. The dividend has not been provided for in the 30 June 2014 financial statements.

On 15 August 2014, the Group closed its first long term note of US$150.0 million in the US Private Placement debt market. The tranches issued include US$50.0 million with a seven year term maturing on 15 August 2021 and US$100.0 million with a 10 year term maturing on 21 August 2024. The note was initially priced on 15 May 2014 with a three month deferred settlement. Simultaneously, the Group issued fixed to floating USD interest rate swaps matching the tranches and elected to fair value hedge the interest rate risk in accordance with AASB139. The proceeds from the long term note will be used to repay a portion of the Group's existing bank debt and for other general corporate purposes.

7: LIKELY DEVELOPMENTS

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

8: SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Other than as disclosed elsewhere in this Director's Report, there have been no significant changes in the state of affairs since 30 June 2013.

9: INDEMNIFICATION AND INSURANCE OF OFFICERS

The Company has agreements with each of the Directors and Officers of the Company in office at the date of this report indemnifying them against liabilities to any person other than the Company or a related body corporate that may arise from their acting as Directors or Officers of the Company. The indemnity continues to have effect when the Directors and Officers cease to hold office, other than where such liabilities arise out of conduct involving a willful 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.

10: DIRECTORS' MEETINGS

Attendance at Board meetings and Board Committee meetings for the year ended 30 June 2014 is set out below:

	Board of Directors		Audit, Risk & Compliance Committee		Remuneration Committee		Nominations Committee*	
No. of Meetings Held	A	B	A	B	A	B	A	B
A H Barnes	16	16	4	4	6	6	-	-
A D Buckley (i)	9	9	-	-	-	-	1	1
P J Cosgrove (ii)	5	6	-	-	-	-	1	1
T Dwyer	16	16	4	4	-	-	-	-
E Fessenden (iii)	1	1	-	-	1	1	-	-
T C Johnson	16	16	-	-	-	-	-	-
I J Johnston	14	16	4	4	-	-	1	1
J Marlay	16	16	-	-	6	6	1	1
G Murdoch	16	16	4	4	6	6	-	-
M J Renshaw (iv)	6	6	-	-	-	-	-	-

- = not a member of this committee

A = number of meetings attended.

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

(i) Andrew Buckley resigned from the Board on 1 March 2014

(ii) Peter Cosgrove resigned from the Board on 28 January 2014

(iii) Elizabeth Fessenden was appointed to the Board on 1 June 2014

(iv) Michael Renshaw was appointed to the Board on 1 March 2014

* The nominations committee met as the Board at various times during FY2014 to consider succession of the Chief Executive Officer.

11: REMUNERATION REPORT - AUDITED

The Directors of Cardno Limited present the Remuneration Report for The Company for the financial year ended 30 June 2014. The information contained in the Report, which forms part of the Directors Report, has been audited by KPMG.

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

The 'question and answer' format which was adopted for 2013 Remuneration Report received positive feedback from shareholders and stakeholders and has been continued for this report.

SUMMARY OF REMUNERATION MATTERS IN 2014

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

In March 2014 Michael Renshaw who had been serving as General Manager – International, was appointed as Cardno's new Managing Director and Chief Executive Officer following the retirement of Andrew Buckley. Other key executive changes were undertaken to streamline the executive team. A review of responsibilities for each Key Management Personnel was performed and roles benchmarked against comparable groups. As a result, changes to the Fixed Annual Remuneration (FAR) of Michael Renshaw, Paul Gardiner, and Kylie Sprott were implemented with effect from March/April 2014. Other changes are proposed to become effective for Graham Yerbury, Roger Collins-Woolcock and Trevor Johnson from 1 July 2014.

Cardno achieved a FY2014 Net Profit After Tax (NPAT) of $78.1 million. Although some non-financial goals were partially achieved and short term incentives (STI) earned, the Managing Director and Key Management Personnel elected to forfeit any payment of STI for FY2014.

Long Term Incentives (LTI) were awarded to Key Management Personnel for the 2015 year to continue to drive the long term performance of the business. It is proposed to seek shareholder approval for Executive Directors' awards at the Annual General Meeting in October 2014.

OUTLOOK FOR 2015 REMUNERATION

A similar remuneration framework to that set out in this Report for 2014 has been agreed for 2015, with minor adjustments to the weighting of STI "at target", for out performance and as a percentage of FAR for LTI, meaning a significant proportion of Key Management Personnel remuneration will continue to be "at risk" and subject to specific financial and non-financial key performance indicators (KPI's). Overall out performance targets will be self-funding and align with shareholder interests.

As a consequence of Cardno's continued growth, the increasing commitment and demands on Directors, and the need to plan for Non-Executive Director succession, the Board will seek shareholder approval for an increase to the maximum aggregate remuneration which may be paid to Non-Executive Directors at the Annual General Meeting in October 2014.

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

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

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

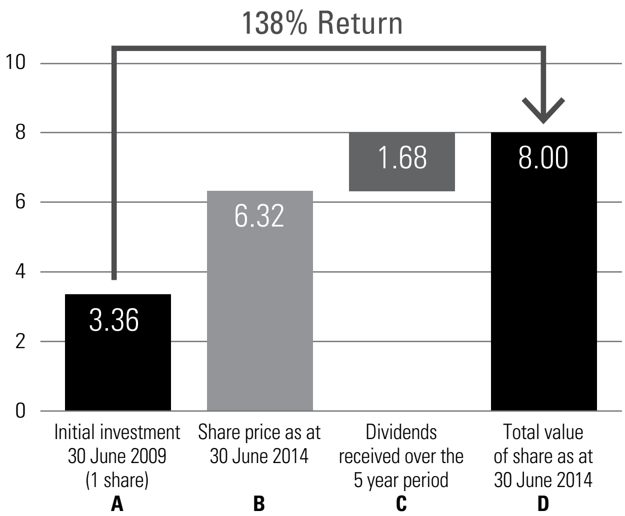
	2014	2013	2012	2011	2010
Net Profit After Tax (000's)	**$78,134**	$77,639	$74,168	$58,802	$37,597
Dividends Paid or Provided (000's)	**$56,530**	$50,766	$43,488	$33,975	$23,955
Change in Share Price – year on year ($ per share)	**$1.14**	-$2.38	$2.18	$1.49	$0.53
Basic Earnings Per Share Growth	**-5.5%**	-10.8%	9.7%	28.3%	0.1%
Return on Capital Employed	**15.1%**	17.6%	20.5%	24.9%	17.3%
Total Key Management Personnel Remuneration (000's)	**$2,819**	$ 3,707	$3,534	$ 2,446	$ 2,230

Over the past five years, Cardno's profit after income tax has grown at an average rate per annum of 18 per cent and revenue from $516 million (2009) to $1,310 million (2014). During the same period average Key Management Personnel total remuneration has grown by approximately 5 per cent per annum.

SHAREHOLDER RETURNS

For the five years to 30 June 2014, shareholders achieved total returns of 138 per cent (before franking credits and tax). This is illustrated in the below chart.

SHAREHOLDER RETURNS (A$)



A. A shareholder invests $3.36 to acquire one share of Cardno Limited on 30 June 2009.

B. As at 30 June 2014, the Cardno Limited share price was $6.32.

C. Aggregate dividends paid by Cardno Limited over the five year period were $1.68 per share (before franking credits).

D. Total value of the share (share price) plus dividends received as at 30 June 2014 was $8.00 (B + C), amounting to a return of 138 per cent over the five year period.

11.2 How is executive pay structured at Cardno?

Cardno's remuneration strategy is offered through a mix of fixed and variable remuneration including short and long term performance-based incentives (Total Remuneration). This is designed to maximise the financial performance and growth of the Company over time. Exceptional performance by Key Management Personnel which exceeds at-target performance outcomes can result in Total Remuneration for that person being towards the 75th percentile compared to similar roles in the comparator group (which is detailed in section 11.5).

The primary source for remuneration benchmarking is a group of Australian listed companies in the Industrial Sector in the range of half to double Cardno's market capitalisation. For the Managing Director and key management personnel, remuneration levels for comparable roles in appropriate international jurisdictions are also taken into account.

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

STI rewards the achievement or exceeding of both financial and non financial group, divisional, and personal objectives. The STI also provides alignment with shareholder rewards through improved short term earnings growth and business development.

LTI rewards Key Management Personnel for Cardno performance over a three year period. The LTI provides a retention element through an exposure to Cardno equities and an alignment with shareholder rewards through increasing total shareholder return (TSR).

Fixed Annual Remuneration (FAR) for Key Management Personnel is generally targeted at median levels compared to similar roles in the Cardno comparator group.

The remuneration of the Managing Director and Key Management Personnel are set out in the opposite table.

ACTUAL REMUNERATION - AUDITED

		Short Term				Post Employment		Share Based Payments				
		Salary and Fees $	Short Term Incentive STI (i) $	Non-Monetary Benefits $	Total $	Super-annuation Benefits $	Termination Benefits $	Shares $	Performance Rights (ii) $	Total $	Proportion of Remuneration Performance Related	Value of Performance Rights as a Proportion of Remuneration
Executive Directors												
Michael Renshaw	2014	564,851	-	-	564,851	17,859	-	500	116,150	699,360	16.6%	16.6%
(appointed 01/04/2014)	2013	507,530	212,500	-	720,030	16,470	-	1,000	63,091	800,591	34.4%	7.9%
Trevor Johnson	2014	396,530	-	4,000	400,530	25,859	-	-	66,706	493,095	13.5%	13.5%
	2013	400,186	51,660	4,000	455,846	22,814	-	-	46,681	525,341	18.7%	8.9%
Executives (iii)												
Roger Collins-Woolcock	2014	451,595	-	4,000	455,595	25,794	-	500	96,152	578,041	16.6%	16.6%
	2013	469,530	75,200	4,000	548,730	16,470	-	1,000	58,245	624,445	21.4%	9.3%
Paul Gardiner	2014	590,163	-	-	590,163	15,315	-	500	96,152	702,130	13.7%	13.7%
	2013	508,232	136,000	-	644,232	15,000	-	1,000	58,245	718,477	27.0%	8.1%
Kylie Sprott	2014	310,086	-	-	310,086	20,303	-	500	71,101	401,990	17.7%	17.7%
	2013	312,530	74,800	-	387,330	16,470	-	1,000	37,353	442,153	25.4%	8.4%
Graham Yerbury	2014	409,207	-	-	409,207	32,499	-	500	25,526	467,732	5.5%	5.5%
(appointed 06/03/2013)	2013	134,617	38,190	-	172,807	10,370	-	-	-	183,177	20.8%	0.0%
Former Executive Directors & Executives												
Andrew Buckley (iv)	2014	516,983	125,000	4,000	645,983	13,683	281,782	-	190,125	1,131,573	27.8%	16.8%
(resigned 01/03/2014)	2013	768,916	580,000	4,000	1,352,916	27,084	-	-	123,961	1,503,961	46.8%	8.2%
Jeffrey Forbes	2014	-	-	-	-	-	-	-	-	-	-	-
(resigned 06/03/2013)	2013	369,161	96,415	4,000	469,576	22,885	-	-	38,791	531,252	25.5%	7.3%
Jean–Francois Floury	2014	236,883	-	-	236,883	17,348	203,765	-	-	457,996	-	-
(resigned 24/01/2014)	2013	398,380	64,898	-	463,278	25,620	-	1,000	16,960	506,858	16.2%	3.3%
Ross Thompson	2014	166,265	-	-	166,265	8,887	-	-	36,385	211,537	17.2%	17.2%
(ceased to be a KMP 01/01/2014)	2013	331,210	67,300	-	398,510	16,470	-	1,000	34,099	450,079	25.5%	7.6%
Total Compensation – 2014		**3,642,563**	**125,000**	**12,000**	**3,779,563**	**177,547**	**485,547**	**2,500**	**698,297**	**5,143,454**	**16.0%**	**13.6%**
Total Compensation – 2013		4,200,292	1,396,963	16,000	5,613,255	189,653	-	6,000	477,426	6,286,334	29.8%	7.6%

(i) STIs which have been accrued at 30/06/2014 and to be paid in 2nd quarter FY2015, including the deferred portion of STI relating to FY2014.

(ii) The amount included in remuneration is the grant date fair value which has been recognised in accordance with accounting standards over the expected vesting period.

(iii) The position of each executive is set out on pages 36 to 37 of the Annual Report.

(iv) Non-Monetary Benefits allocated to Andrew Buckley are able to be transferred to cash if not used. The termination benefits provided to Andrew Buckley relate to unvested Performance Rights which he will retain on resignation - refer to page 55.

11.3 How does company performance impact on executives' remuneration?

Executives	STI FY2014			STI FY2013		LTI FY2014 (ii)		LTI FY2013	
Name	Potential $	Awarded %	Paid %	Potential $	Paid %	Performance Rights Granted	To Vest %	Performance Rights Granted	Vested %
Andrew Buckley (i)	933,333	13%	13%	1,300,000	45%	80,000	38%	70,000	69%
Michael Renshaw	1,050,000	10%	0%	302,500	70%	50,000	38%	35,000	69%
Trevor Johnson	120,000	28%	0%	100,000	52%	30,000	38%	27,500	69%
Roger Collins-Woolcock	256,461	15%	0%	208,100	36%	40,000	38%	35,000	69%
Paul Gardiner	263,755	18%	0%	208,100	65%	40,000	38%	35,000	69%
Kylie Sprott	166,261	21%	0%	133,000	56%	30,000	38%	25,000	69%
Graham Yerbury	248,461	18%	0%	204,000	19%	-	-	-	-

(i) Potential STI for Andrew Buckley has been pro-rated for the year ended 30 June 2014.

(ii) Performance Rights granted in 2011 to vest based on achievement of performance hurdles for the period of 2011 to 2014.

Above are details of the vesting profile for 2014 and the previous year of the STI cash bonuses and LTI awarded as remuneration to each of the named Key Management Personnel.

Performance Rights vesting in FY2014 were granted in October and November 2011 and are assessed on performance hurdles over the three year period to 30 June 2014. These Performance Rights are expected to vest on 20 October 2014 and 1 November 2014.

Performance Rights which vested in FY2013 were granted in October and November 2010 and were assessed on performance hurdles over the three year period to 30 June 2013. These Performance Rights vested on 21 October 2013 and 25 November 2013. The number of Performance Rights vested was adjusted in accordance with the Listing Rules to take into account the pro-rata issue of shares during the three year period to 30 June 2013.

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

STI is assessed over the duration of Cardno's financial year, and consists of cash payments to key management personnel, with 50 per cent of any award being deferred and paid 12 months after achievement.

There are two components to the STI structure.

Firstly, 68 per cent of "at target" performance STI is assessed on financial KPI's such as the Group's overall financial and key management personnel's divisional financial performance (where relevant) against budget.

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

For the Managing Director, STIs are assessed against two separate performance measures.

The first measure is an agreed target level profitability for Cardno. For 2014 an STI cash bonus of between 50 per cent and 100 per cent of up to $500,000 was payable for achievement of between 90 per cent and 100 per cent of the agreed target level Group Net Profit After Tax (NPAT) pro-rata between the qualification levels. These terms will also apply in FY15.

The second STI measure is a qualitative assessment of Mr Renshaw's performance against specific criteria including non-financial growth, safety and leadership. A maximum of $200,000 was payable under this measure for 2014. These terms will also apply in FY15.

The Board has discretion based on the recommendation of the Remuneration Committee, to award up to an additional $350,000 to the Managing Director for exceptional performance in the achievement of Group NPAT outcomes in excess of target, business growth and leadership of critical elements to underpin achievement of Cardno's 2015 strategic plan.

No STI for financial KPI's are payable unless 90 per cent of budgeted NPAT is achieved. No STI for non-financial KPI's is payable unless 85 per cent of budgeted NPAT is achieved.

Key Management Personnel can earn an STI ranging between 30 - 50 per cent of FAR (depending on position) for achieving at-target performance outcomes and up to an additional 20 per cent of FAR for out-performance through achievement of exceptional financial results and personal performance targets. This payment is based on the Managing Director's and the Remuneration Committee's assessment and judgment of performance, measured against the key management person's out-performance against individual specific goals.

In FY14, no STI was payable to the Managing Director or Key Management Personnel for any financial KPI, as 90 per cent of budgeted NPAT was not achieved. Although some non-financial measures were partially achieved and STI earned, the Managing Director and Key Management Personnel elected to forfeit payment of the STI.

In FY2015, Key Management Personnel (excluding the Managing Director) will be able to earn STI of between 35 - 40 per cent of FAR for achieving "at target" performance and an additional 20 per cent for out performance and LTI of up to 50 per cent of FAR.

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

The following table provides a summary of achievement against performance measures for Key Management Personnel in FY14.

Key Performance Indicators (KPI) to achieve 100% of STI Target		Performance Measure	Results (i)
People	32%	Unmanaged staff turnover (% rolling 12 months)	Partially Achieved
Clients		Client Performance Score	Partially Achieved
Growth		Fee Growth	Partially Achieved
Safety & Quality		Loss Time Injury Frequency Rate	Achieved
Financial Performance	68%	Overall Company performance Vs Budget	Not Achieved
		Region performance Vs Budget	Not Achieved
		Days sales outstanding for debtors	Partially Achieved

Key Performance Indicators (KPI) to achieve additional STI of 10% of FAR for Out performance (ii)	Performance Measure	Results (i)
Financial Overachievement	Regional Performance > 10% Vs Budget	Not Achieved
Other agreed specific goals	Individual Critical Performance Goals	Partially Achieved
Consider performance related to market		
Health and Safety discipline		
Cross selling focus		

(i) the results have not been audited.

(ii) Each of these criteria may vary slightly depending on the role of the key management personnel.

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

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

Any LTI award is paid in Performance Rights. These may vest after 3 years from the date of issue and are dependent on continuing employment and the achievement of performance outcomes over the period. These outcomes are both the compound annual growth in Cardno's earnings per share (up to 50 per cent potential) and the relative TSR achieved by Cardno compared with an ASX-listed comparator group (up to 50 per cent potential).

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

For the Managing Director, in FY14 LTI entitlements up to 50 per cent of FAR may be awarded at the discretion of the Board on the recommendation of the Remuneration Committee based on the overall performance and growth of Cardno Earnings Per Share (EPS) growth and relative Total Shareholder Return (TSR) performance as well as other qualitative and quantitative measures of Cardno's longer term performance. In FY15 the potential award will be 60 per cent of FAR.

Each Performance Right is convertible to one ordinary share. All Performance Rights expire on the earlier of their expiry date or termination of employment unless the Board determines otherwise. The Performance Rights may be exercised at any time during a one year period commencing three years after the date the Performance Rights are issued provided the performance hurdles have been met.

There are no voting or dividend rights attached to the Performance Rights. Voting Rights and dividends will attach to the ordinary shares issued when the Performance Rights have vested and been exercised.

The PEP operates by granting a Performance Right to acquire an ordinary share at nil consideration at a predetermined time in the future. During 2014 2,146,820 Performance Rights with a grant date fair value of $11,627,105 were issued with a vesting period of three years from the grant dates of 17 October 2013 and 11 November 2013.

Further details of how LTI was valued and measured in 2014 can be found in section 11.8.

The Board considers the issue of Performance Rights based on the achievement of specific EPS and TSR targets aligns the performance of key management personnel and those selected staff who participate in the PEP with the interests and objectives of shareholders.

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

TSR of Cardno Relative to TSRs of Companies in Comparator Group 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%

a) TSR

In FY2014 the TSR Comparator Group comprised companies ranked between 101-200 in the S&P/ASX 300 (i.e. the second 100 companies in the S&P/ASX 300) based on market capitalisation as at 1 July 2013 excluding companies classified in Financial, Energy, Metals and Mining GICS sectors.

Based on the TSR result, it is expected that 204,639 of Performance Rights granted in 2011 will vest on 25 October 2014 and 1 November 2014, based on a TSR result in the 63rd percentile.

b) EPS

The growth in earnings per share is calculated by comparing the basic earnings per share 'EPS' achieved by Cardno in the base year (eg: year to June 2011) with that achieved in the final year of the performance period (eg: year to June 2014). The compound annual growth rate (CAGR) of EPS over the three year period to 30 June 2014 was negative 2.6 per cent.

Based on the EPS result, none of the Performance Rights granted in 2011 in Tranche 2 will vest on 25 October 2014 and 1 November 2014.

11.6 Managing Director and Key Management Personnel Employment Agreements

MANAGING DIRECTOR

Mr Renshaw commenced as Managing Director on 1 March 2014. His employment contract has no fixed term and provides both fixed and incentive based remuneration which includes STI and LTI.

From the date of his appointment Mr Renshaw's FAR was $700,000 for the remainder of FY14.

Details of termination benefits payable by way of cash or Performance Rights to Mr Renshaw are outlined in the opposite table:

Mode of retirement from office	Notice period	Benefits Payable					
		Unpaid / accrued FAR	Accrued but untaken annual leave	Long service leave	Unpaid / Accrued STI	Severance payment	Unvested Performance Rights
Notice by Mr Renshaw	12 months	Yes	Yes	Yes	Yes, at Board's discretion	No	At Board's discretion
Termination by the Company (except for misconduct)	12 months	Yes	Yes	Yes	Yes, at Board's discretion	No	At Board's discretion
Termination by the Company for misconduct	Nil	Nil	Yes	Yes	No	No	No

Former Managing Director and Chief Executive Officer Mr Andrew Buckley, resigned on 1 March 2014. Mr Buckley did not receive any STI, relative to the financial performance measures of Cardno for FY14. Mr Buckley did receive payment of $125,000 of a potential maximum of $240,000, principally for his achievement of non financial performance measures, in relation to the significant improvement in Cardno's safety performance, and for the successful acquisition of three new growth businesses for Cardno, in FY2014. This amount was awarded on a pro rata basis of 8/12 reflecting his time in the Chief Executive role, prior to his retirement during the period.

Mr Buckley will retain unvested Performance Rights,previously awarded following shareholder approval at the 2011,2012 and 2013 Annual General Meetings, and these Performance Rights, totalling 290,000 will remain subject to both EPS and TSR performance hurdles for any future payment.

KEY MANAGEMENT PERSONNEL

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

a) Termination provisions relating to notice periods and payments similar to those outlined for the Managing Director, except that notice periods are up to six months and reduced where termination is for performance reasons.

b) Performance and confidentiality obligations on the part of both the employer and employee,

c) Employee covenants that during the term of employment and for at least six months after termination the employee will not solicit any existing client or employee of the Company.

d) Eligibility to participate in the Performance Equity Plan, based on financial and non-financial KPI's.

e) With the exception of the notice period, the termination benefits payable to Mr Renshaw in the above table, are generally replicated in the Employment Agreements with Key Management Personnel.

11.7 How is Non-Executive Director pay structured?

Non-Executive Directors remuneration is reviewed annually by the Board. The review takes account of recommendations of the Remuneration Committee and external benchmarking of comparable companies.

In considering the level of remuneration for Non-Executive Directors, the Remuneration Committee uses independent external advice, industry survey data and other information about the level of fees and benefits being paid to Non-Executive Directors within comparator companies. Non-Executive Directors of Cardno Limited are entitled to a fee that is determined by the Board on commencement of the role and reviewed on an annual basis thereafter. The fee includes compulsory superannuation contributions. Non-Executive Directors do not participate in equity plans of the Company and do not receive retirement benefits. Cardno targets to set Non-Executive Director fees at approximately the median of Non-Executive Director fees in the comparator group.

The fee structure for Non-Executive Directors from 1 July 2013 included payments of a base Board fee and Committee fees as follows:

- Chairman of the Board: $250,000 (covering all responsibilities as Chairman of the Board and Chairman and/or member of any Board Committee)
- Other Non-Executive Directors: $100,000 (covering responsibilities as a member of the Board and other duties including representing the Company externally)
- Committee Chairman: $20,000, and Committee member: $10,000 (covering all responsibilities as either chairman or member respectively of the Audit, Risk & Compliance Committee and of the Remuneration Committee).
- No fees are payable to either the Chairman or a member of the Nominations Committee
- The aggregate fee pool for all of the Non-Executive Directors was approved by shareholders at the 2011 AGM with a maximum aggregate of $900k including superannuation.

As a consequence of Cardno's growth, the benchmarking of Non-Executive Directors fees compared with companies in the market comparator group, the increasing time commitment and complexity for Directors and the need to plan for Non Executive Director succession, the Board has determined that it will seek shareholder approval to increase the maximum aggregate remuneration which may be paid to Non–Executive Directors. More details concerning this proposal will be included in the Notice of Annual General Meeting issued in September 2014.

The remuneration of the Non-Executive Directors is set out in the following table on the next page.

ACTUAL REMUNERATION - AUDITED

		Short Term				Post Employment		Share Based Payments				
		Salary and Fees	Short Term Incentive STI	Non-Monetary Benefits	Total	Super-annuation Benefits	Termination Benefits	Shares	Performance Rights	Total	Proportion of Remuneration Performance Related	Value of Performance Rights as a Proportion of Remuneration
		$	$	$	$	$	$	$	$	$		
Non-Executive Directors												
John Marlay	2014	232,803	-	-	232,803	16,663	-	-	-	249,466	-	-
	2013	220,643	-	-	220,643	16,068	-	-	-	236,711	-	-
Anthony Barnes	2014	94,316	-	-	94,316	35,684	-	-	-	130,000	-	-
	2013	106,931	-	-	106,931	23,094	-	-	-	130,025	-	-
Tonianne Dwyer	2014	100,667	-	-	100,667	9,333	-	-	-	110,000	-	-
	2013	100,917	-	-	100,917	9,104	-	-	-	110,021	-	-
Elizabeth Fessenden	2014	-	-	-	-	-	-	-	-	-	-	-
(appointed 01/06/2014)	2013	-	-	-	-	-	-	-	-	-	-	-
Ian Johnston	2014	100,667	-	-	100,667	9,333	-	-	-	110,000	-	-
	2013	113,948	-	-	113,948	10,276	-	-	-	124,224	-	-
Grant Murdoch	2014	109,819	-	-	109,819	10,181	-	-	-	120,000	-	-
	2013	51,103	-	-	51,103	4,622	-	-	-	55,725	-	-
Former												
Peter Cosgrove	2014	53,394	-	-	53,394	4,939	-	-	-	58,333	-	-
(resigned 28/01/2014)	2013	91,743	-	-	91,743	8,276	-	-	-	100,019	-	-
John Massey	2014	-	-	-	-	-	-	-	-	-	-	-
(resigned 18/10/2012)	2013	45,997	-	-	45,997	3,761	-	-	-	49,758	-	-
Total Compensation – 2014		**691,666**	**-**	**-**	**691,666**	**86,133**	**-**	**-**	**-**	**777,799**	**-**	**-**
Total Compensation – 2013		731,282	-	-	731,282	75,201	-	-	-	806,483	-	-

REMUNERATION COMMITTEE ROLE

The Committee is responsible for reviewing and advising the Board on remuneration policies and practices. The Committee also reviews and advises the Board on the design and implementation of short and long term incentive performance packages, superannuation entitlements, retirement and termination entitlements and fringe benefits policies.

The remuneration of Directors, Managing Director, Key Management Personnel, managers and staff is reviewed by the Remuneration Committee which then provides recommendations to the Board. Board decisions on the remuneration of the Managing Director and Key Management Personnel are made in the absence of the Executive Directors as appropriate.

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

In 2014, the Remuneration Committee appointed Ernst & Young as an adviser to assist with remuneration advice in relation to the provision of market remuneration data for Executive and Non-Executive Director roles, general executive remuneration trends and information and advice regarding termination arrangements for the departing Managing Director and Chief Executive Officer. Ernst & Young were engaged by and reported to the Remuneration Committee.

During the 2014 financial year, no remuneration recommendations, as defined by the Corporations Act, were provided by Ernst & Young.

The Remuneration Committee also engaged KPMG in July 2014 to provide advice regarding market practice for termination arrangements in relation to the former Managing Director and Chief Executive Officer. During the 2014 financial year, no remuneration recommendations, as defined by the Corporations Act, were provided by KPMG.

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

The Committee met six times during the year and committee members' attendance record is disclosed in the table of Directors' meetings (refer to page 48).

11.8 The Value and Measure of LTI in 2014

PERFORMANCE RIGHTS GRANTED AS REMUNERATION

Details of vesting profiles of Performance Rights granted as remuneration to the Executive Directors and Key Management Personnel of Cardno and still outstanding at 30 June 2014, including those granted during the financial year are as follows in the table below:

Key Management Personnel	Outstanding Performance Rights	Grant Date	Vesting Date	% Vested in Year	% Forfeited in Year	Fair Value at Grant Date
Executive Directors						
Andrew Buckley *(resigned 01/03/2014)*	80,000	20-Oct-11	20-Oct-14	0.0%	0.0%	3.51
	90,000	18-Oct-12	18-Oct-15	0.0%	0.0%	5.60
	120,000	17-Oct-13	17-Oct-16	0.0%	0.0%	4.75
Michael Renshaw *(appointed 01/03/2014)*	50,000	1-Nov-11	1-Nov-14	0.0%	0.0%	3.68
	50,000	1-Nov-12	1-Nov-15	0.0%	0.0%	5.56
	70,000	11-Nov-13	11-Nov-16	0.0%	0.0%	5.47
Trevor Johnson	30,000	20-Oct-11	20-Oct-14	0.0%	0.0%	3.51
	30,000	18-Oct-12	18-Oct-15	0.0%	0.0%	5.60
	40,000	17-Oct-13	17-Oct-16	0.0%	0.0%	4.75
Key Management Personnel						
Roger Collins-Woolcock	40,000	1-Nov-11	1-Nov-14	0.0%	0.0%	3.68
	40,000	1-Nov-12	1-Nov-15	0.0%	0.0%	5.56
	55,000	11-Nov-13	11-Nov-16	0.0%	0.0%	5.47
Paul Gardiner	40,000	1-Nov-11	1-Nov-14	0.0%	0.0%	3.68
	40,000	1-Nov-12	1-Nov-15	0.0%	0.0%	5.56
	55,000	11-Nov-13	11-Nov-16	0.0%	0.0%	5.47
Kylie Sprott	30,000	1-Nov-11	1-Nov-14	0.0%	0.0%	3.68
	30,000	1-Nov-12	1-Nov-15	0.0%	0.0%	5.56
	40,000	11-Nov-13	11-Nov-16	0.0%	0.0%	5.47
Graham Yerbury	50,000	11-Nov-13	11-Nov-16	0.0%	0.0%	5.47

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

No Performance Rights granted during 2014 have vested. No Performance Rights have been granted since the end of the financial year and up to the date of this report. Details of the performance criteria are included on page 54.

11: REMUNERATION REPORT - AUDITED continued

During the reporting period, the following shares were issued on the exercise of Performance Rights previously granted as compensation:

Executive Directors & Key Management Personnel	Number of shares	Amount paid $/share
Andrew Buckley	60,386	Nil
Michael Renshaw	30,212	Nil
Trevor Johnson	23,723	Nil
Roger Collins-Woolcock	30,212	Nil
Paul Gardiner	30,212	Nil
Kylie Sprott	29,522	Nil

The movement during the reporting period, by value, of Performance Rights over ordinary shares in Cardno Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

Executive Directors and Key Management Personnel	Granted in year $ (a) (Performance Rights)	Exercised in year $ (b) (Performance Rights)	Vested in year $ (not exercised)
Executive Directors			
Andrew Buckley	569,400	395,528	-
Michael Renshaw	382,900	208,765	-
Trevor Johnson	189,800	155,386	-
Key Management Personnel			
Roger Collins-Woolcock	300,850	208,765	-
Paul Gardiner	300,850	208,765	-
Kylie Sprott	218,800	203,997	-
Graham Yerbury	273,500	-	-

(a) The value of Performance Rights granted in the year is the fair value of the Performance Rights calculated at grant date using the Monte-Carlo and Black-Scholes pricing models. The total value of the Performance Rights is allocated to remuneration over the vesting period (i.e. in years 18 October 2012 – 18 October 2015 and 1 November 2012 – 1 November 2015).

(b) The value of Performance Rights exercised during the year is calculated as the market price of the shares of the Company as at closing of trading on the date the Performance Rights were exercised.

No Performance Options issued under the PEP in prior years are held, by any key management person, or their related parties as at 30 June 2014 (2013: Nil).

The movement during the reporting period in the number of Performance Rights over ordinary shares in Cardno Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is set out in the following table on the next page:

11: REMUNERATION REPORT - AUDITED continued

2014 Performance Rights	Held at 1 July 2013	Granted as compensation	Vested	Lapsed	Held at 30 June 2014	Vested and exercisable at 30 June 2014
Executive Directors						
Andrew Buckley (i)	240,000	120,000	60,386	9,614	290,000	-
Michael Renshaw (ii)	135,000	70,000	30,212	4,788	170,000	-
Trevor Johnson	87,500	40,000	23,723	3,777	100,000	-
Senior Executives						
Roger Collins-Woolcock	115,000	55,000	30,212	4,788	135,000	-
Jean-Francois Floury (iii)	70,000	-	-	70,000	-	-
Paul Gardiner	115,000	55,000	30,212	4,788	135,000	-
Kylie Sprott	93,397	40,000	21,580	11,817	100,000	-
Ross Thompson (iv)	85,000	40,000	21,580	3,420	100,000	-
Graham Yerbury	-	50,000	-	-	50,000	-

(i) Andrew Buckley resigned as a director on 1 March 2014
(ii) Michael Renshaw was appointed as a director on 1 March 2014
(iii) Jean-Francois Floury resigned as a key management person on 24 January 2014
(iv) Ross Thompson ceased as a key management person on 1 January 2014

The movement during the reporting period in the number of ordinary shares in Cardno Limited held, directly, indirectly or beneficially, by each director and key management person, including their related parties, is as follows:

	Held at 1 July 2013	Purchases	Received as Compensation	Sales	Held at 30 June 2014
Non–Executive Directors					
Anthony Barnes	5,346	311	-	-	5,657
Peter Cosgrove (i)	1,024	60	-	-	N/A
Tonianne Dwyer	-	3,000	-	-	3,000
Elizabeth Fessenden (ii)	-	-	-	-	-
Ian Johnston	268,839	-	-	-	268,839
John Marlay	6,095	10,000	-	-	16,095
Grant Murdoch	42,737	818	-	-	43,555
Executive Directors					
Andrew Buckley (iii)	2,483,237	60,386	-	-	N/A
Michael Renshaw (iv)	283,093	30,212	-	-	313,305
Trevor Johnson	1,626,241	23,723	-	-	1,649,964
Senior Executives					
Roger Collins-Woolcock	780,832	30,212	78	50,000	761,122
Jean-Francois Floury (v)	232	-	-	-	N/A
Paul Gardiner	883,092	30,212	78	91,700	821,682
Kylie Sprott	6,371	29,522	78	25,000	10,971
Ross Thompson (vi)	11,583	21,580	78	-	N/A
Graham Yerbury	5,850	-	39	-	5,889

(i) Peter Cosgrove resigned as a director on 28 January 2014
(ii) Elizabeth Fessenden was appointed as a director on 1 June 2014
(iii) Andrew Buckley resigned as a director on 1 March 2014
(iv) Michael Renshaw was appointed as a director on 1 March 2014
(v) Jean-Francois Floury resigned as a key management person on 24 January 2014
(vi) Ross Thompson ceased as a key management person on 1 January 2014
N/A Not Applicable

12 SHARE OPTIONS

All options were granted in previous financial years. No options have been granted since the year ended 30 June 2012.

At the date of this report unissued shares of the Group under option are:

Expiry date	Exercise price	Number of shares
25 November 2014	$4.84	580,731
1 November 2015	$5.26	3,053,000

All unissued shares are ordinary share of the company.

All options expire on the earlier of their expiry date or termination of the employees employment. In addition, the ability to exercise the options is subject to a performance hurdle. Further details about share based payments are included in the notes to the consolidated financial statements at note 22.

These Performance Options do not entitle the holder to participate in any share issue of the Company.

SHARE ISSUED ON EXERCISE OF OPTIONS

During or since the end of financial year, the Group issued ordinary shares of the company as a result of the exercise of options as follows:

Number of shares	Amount paid on each share
807,150	$4.19
1,364,248	$4.72

13: DIRECTORS' INTERESTS

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

	Cardno Limited Ordinary Shares	Shares held in Escrow	Performance Options	Performance Rights
Anthony Barnes	5,657	-	-	-
Tonianne Dwyer	3,000	-	-	-
Elizabeth Fessenden	-	-	-	-
Trevor Johnson	1,649,964	-	-	100,000
Ian Johnston	268,839	-	-	-
John Marlay	16,095	-	-	-
Grant Murdoch	43,555	-	-	-
Michael Renshaw	313,305	-	-	170,000

14: NON-AUDIT SERVICES

During the year KPMG, the Company's auditor, has performed certain other services in addition to their statutory duties.

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

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

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

Details of the amounts paid to the auditor and its related practices for audit and non-audit services provided during the year are set out in note 30.

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

The lead auditor's independence declaration is set out on page 63 and forms part of the Directors' report for the year ended 30 June 2014.

16: ROUNDING OF AMOUNTS

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the Directors' report and financial statements. Amounts in the Directors' report and financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Signed in accordance with a resolution of Directors.

On behalf of the Directors

JOHN MARLAY

Chairman

Sydney

18 August 2014

Auditor's Independence Declaration

Lead Auditor's Independence Declaration under Section 307C of the *Corporations Act 2001*

To: the directors of Cardno Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2014 there have been:

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

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

KPMG

KPMG

Robert S Jones

Robert S Jones
Partner

Brisbane
18 August 2014

Consolidated Statement of Financial Performance

CARDNO LIMITED AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 $'000	2013 Restated $'000
Revenue	2A	**1,309,597**	**1,195,352**
Other Income	2B	5,868	2,711
Employee expenses		(628,647)	(564,788)
Consumables and materials used		(293,063)	(254,873)
Sub-consultant and contractor costs		(204,600)	(195,158)
Depreciation and amortisation expenses	3	(26,493)	(23,660)
Financing costs	3	(8,465)	(7,610)
Other expenses		(47,431)	(45,241)
Profit before income tax		106,766	106,733
Income tax expense	4	(28,632)	(29,094)
Profit for the year		**78,134**	**77,639**
Profit attributable to:			
Owners of the Company		78,134	77,639
		78,134	**77,639**
Basic earnings per share (cents per share)	29	52.04	55.09
Diluted earnings per share (cents per share)	29	50.61	53.43

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

Consolidated Statement of Comprehensive Income

CARDNO LIMITED AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2014

	2014 $'000	2013 $'000
Profit for the year	**78,134**	**77,639**
Other comprehensive income		
Items that may be subsequently reclassified to profit or loss:		
Exchange differences on translation of foreign operations	(5,698)	23,368
Other comprehensive income for the year, net of tax	(5,698)	23,368
Total comprehensive income for the year	**72,436**	**101,007**
Total comprehensive income attributable to:		
Owners of the Company	72,436	101,007
	72,436	**101,007**

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

Consolidated Statement of Financial Position

CARDNO LIMITED AND ITS CONTROLLED ENTITIES AS AT 30 JUNE 2014

	Note	2014 $'000	2013 $'000
Current Assets			
Cash and cash equivalents	6	85,885	90,635
Trade and other receivables	7	244,885	203,165
Inventories	8	142,586	134,927
Other current assets	9	11,196	8,017
Total Current Assets		**484,552**	**436,744**
Non-Current Assets			
Trade and other receivables	10	605	614
Other financial assets	11	3,610	1,652
Property, plant and equipment	12	60,709	56,862
Deferred tax assets	13	16,671	8,328
Intangible assets	14	751,568	630,040
Total Non-Current Assets		**833,163**	**697,496**
Total Assets		**1,317,715**	**1,134,240**
Current Liabilities			
Trade and other payables	15	136,990	150,952
Loans and borrowings	16	3,149	3,017
Current tax liabilities		15,870	8,142
Short term provisions	17	32,181	38,715
Other current liabilities	18	48,306	48,378
Total Current Liabilities		**236,496**	**249,204**
Non-Current Liabilities			
Loans and borrowings	19	302,927	238,711
Deferred tax liabilities	13	816	490
Long term provisions	20	12,854	12,768
Other non-current liabilities	21	1,106	543
Total Non-Current Liabilities		**317,703**	**252,512**
Total Liabilities		**554,199**	**501,716**
Net Assets		**763,516**	**632,524**
Equity			
Issued capital	22	623,875	500,374
Reserves		(20,744)	(6,631)
Retained earnings		160,385	138,781
Total Equity		**763,516**	**632,524**

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

Consolidated Statement of Changes in Equity

CARDNO LIMITED AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2014

	Note	Share Capital Ordinary $'000	Retained Earnings $'000	Foreign Translation Reserve $'000	Reserve for Own Shares $'000	Total $'000
Balance at 1 July 2012		**460,947**	**111,908**	**(23,970)**	**-**	**548,885**
Profit for the year		-	77,639	-	-	77,639
Exchange differences on translation of foreign operations		-	-	23,368	-	23,368
Total comprehensive income for the year		**-**	**77,639**	**23,368**	**-**	**101,007**
Transactions with owners in their capacity as owners:						
Shares issued	22	27,168	-	-	-	27,168
Employee share based payments	22	2,127	-	-	-	2,127
Own shares issued*		10,132	-	-	(10,132)	-
Own shares sold*		-	-	-	4,103	4,103
Dividends paid or provided	5	-	(50,766)	-	-	(50,766)
		39,427	**(50,766)**	**-**	**(6,029)**	**(17,368)**
Balance at 30 June 2013		**500,374**	**138,781**	**(602)**	**(6,029)**	**632,524**
Profit for the year		-	78,134	-	-	78,134
Exchange differences on translation of foreign operations		-	-	(5,698)	-	(5,698)
Total comprehensive income for the year		**-**	**78,134**	**(5,698)**	**-**	**72,436**
Transactions with owners in their capacity as owners:						
Shares issued	22	100,879	-	-	-	100,879
Employee share based payments	22	4,790	-	-	-	4,790
Own shares issued*		17,832	-	-	(17,832)	-
Own shares sold*		-	-	-	9,417	9,417
Dividends paid or provided	5	-	(56,530)	-	-	(56,530)
		123,501	**(56,530)**	**-**	**(8,415)**	**58,556**
Balance at 30 June 2014		**623,875**	**160,385**	**(6,300)**	**(14,444)**	**763,516**

** Shares issued are held in trust by the Cardno Limited Performance Equity Plan Trust which has been formed solely for the purpose of subscribing for, acquiring and holding shares for the benefit of employees participating in the Performance Equity Plan (PEP) of Cardno Limited. Own shares sold are those shares transferred to PEP participants on exercise of Performance Options.*

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

Consolidated Statement of Cash Flows

CARDNO LIMITED AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 $'000	2013 $'000
Cash Flows from Operating Activities			
Cash receipts from customers		1,370,518	1,251,338
Interest received		978	1,421
Finance costs paid		(10,440)	(7,471)
Cash paid to suppliers and employees		(1,249,117)	(1,116,662)
Income tax paid		(27,328)	(32,896)
Net Cash Provided by Operating Activities	24(a)	**84,611**	**95,730**
Cash Flows from Investing Activities			
Acquisition of subsidiaries, net of cash acquired	24(d)	(163,265)	(81,520)
Acquisition of subsidiaries, deferred consideration paid		(28,319)	(11,083)
Payments for intangible assets		(603)	-
Proceeds from sale of property, plant & equipment		2,257	1,639
Payments for property, plant & equipment		(21,390)	(20,252)
Net Cash Used in Investing Activities		**(211,320)**	**(111,216)**
Cash Flows from Financing Activities			
Proceeds from issue of shares		94,003	18,182
Share issue transaction costs		(1,036)	(98)
Sale of own shares*		9,417	4,103
Proceeds from borrowings		224,837	61,042
Repayment of borrowings		(152,075)	(40,096)
Finance lease payments		(1,978)	(2,571)
Dividends paid		(50,873)	(46,047)
Net Cash Provided by/(Used in) Financing Activities		**122,295**	**(5,485)**
Net Increase/(Decrease) in Cash and Cash Equivalents Held		**(4,414)**	**(20,971)**
Cash and Cash Equivalents at 1 July		**90,635**	**107,856**
Effects of exchange rate changes on cash and cash equivalents at the end of year		(336)	3,750
Cash and Cash Equivalents at 30 June	24(b)	**85,885**	**90,635**

** Own shares sold are those shares transfered to PEP participants on exercise of Performance Options.*

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

Notes to the Consolidated Financial Statements

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Cardno Limited (the "Company") is a company incorporated and domiciled in Australia. The consolidated financial report of the Company for the year ended 30 June 2014 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 18 August 2014.

(a) Statement of compliance

The financial report is a general purpose financial report 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 report of the consolidated entity also complies with International Financial Reporting Standards (IFRSs) adopted by the International Accounting Standards Board (IASB).

(b) Basis of Preparation

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

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

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, all financial information presented in Australian dollars has been rounded to the nearest thousand unless otherwise stated.

Certain comparative amounts in the financial report have been reclassified to conform with the current year's presentation.

Impact of new or amended accounting standards

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 July 2013.

AASB 10 *Consolidated Financial Statements* (2011)

AASB 11 *Joint Arrangements*

AASB 12 *Disclosure of Interests in Other Entities*

AASB 13 *Fair Value Measurement*

AASB 119 *Employee Benefits* (2011)

AASB 2013-3 *Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)* (2013)

AASB 10 *Consolidated Financial Statements* (2011), *AASB 11 Joint arrangements, AASB 12 Disclosure of Interests in Other Entities*

As a result of AASB 10 (2011), the Group has changed its accounting policy for determining whether it has control over and consequently whether it consolidates its investees. AASB 10 (2011) introduces a new control model that focuses on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns.

In accordance with the transitional provisions of AASB 10 (2011), the Group has reassessed the control conclusion for its investees at 1 July 2013. As a consequence, the Group has not changed its control conclusion in relation to any investees.

As a result of AASB 11, the Group has changed its accounting policy for its interest in joint arrangements. Under AASB 11, the Group has classified its interests in joint arrangements as either joint operations (if the Group has rights to the assets, and obligations for the liabilities, relating to an arrangement) or joint ventures (if the Group has rights only to the net assets of an arrangement). When making this assessment, the Group considered the structure of the arrangements, the legal form of any separate vehicles, the contractual terms of the arrangements and other facts and circumstances. Previously, the structure of the arrangement was the sole focus of classification.

There has been no impact on the recognised assets, liabilities and comprehensive income of the Group.

As a result of AASB 12, the Group has expanded its disclosures about its interests in subsidiaries and equity-accounted investees.

AASB 13 *Fair value measurement*

AASB 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other AASBs. It unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosure requirements about fair value measurements in other AASBs, including AASB 7 Financial Instrument: Disclosures. As a result, the Group has included additional disclosures in this regard.

In accordance with the transitional provisions of AASB 13, the Group has applied the new fair value measurement guidance prospectively and has not provided any comparative information for new disclosures. Notwithstanding the above, the change had no significant impact on the measurements of the Group's assets and liabilities. Additional disclosures in regard to AASB 13 Fair Value Measurement are set out in note 32.

These changes have not had either a material recognition or measurement impact on the financial report.

AASB 119 *Employee Benefits* (2011) & AASB 2013-39 *Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)* (2013)

Changes to these standards have not had either a material recognition or measurement impact on the financial report.

Impact of new accounting standards on future years

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2013, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued

AASB 9 *Financial Instruments (2010), AASB 9 Financial Instruments (2009)*

AASB 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under AASB 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. AASB 9 (2010) introduces additional requirements relating to financial liabilities.

(b) Basis of Preparation continued

The IASB currently has an active project to make limited amendments to the classification and measurement requirements of AASB 9 and add new requirements to address the impairment of financial assets and hedge accounting.

Voluntary change in accounting policy

The Group has voluntarily elected to change the way it accounts for non-refundable R&D tax incentives. Previously the Group applied AASB112 *Income Taxes* by analogy by presenting the R&D tax incentive in profit or loss as a reduction in current tax expense. From 1 July 2013, the Group has instead elected to apply AASB120 *Accounting for Government Grants and Disclosure of Government Assistance* by analogy which results in the R&D tax incentive being presented in profit or loss as other income to the extent the tax incentive results in an additional reduction in tax payable over the normal 30 per cent Australia corporate tax rate. The Group believes that this approach provides for more reliable and relevant information as it aligns with the Group's policy for incentivising the business to participate in R&D programs. Further details to the effect of the change are set out in note 35.

(c) Basis of Consolidation

Subsidiaries

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

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

A list of the significant subsidiaries is contained in note 38 to the financial statements. All controlled entities have a June financial year-end.

Transactions eliminated on consolidation

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

(d) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the tax authority is included as a current asset or liability in the consolidated statement of financial position.

Cash flows from operating activities are included in the cash flow statements on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the tax authority are classified as operating cash flows.

(e) Foreign Currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the foreign exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the translation of available-for-sale equity instruments, a financial liability designated as a hedge of the net investment in a foreign operation, (see (ii) below) or qualifying cash flow hedges, which are recognised in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

(ii) Foreign operations

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

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

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

(f) Revenue Recognition

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

Sale of goods

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

Consulting services revenue and recoverable expenses

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

Dividends

Revenue from dividends is recognised by the consolidated entity when dividends are received.

(g) Leases

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

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

(h) Net Financing Costs

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

Borrowing costs are calculated using the effective interest method and include interest, amortisation of discounts or premiums relating to borrowings and amortisation of ancillary costs incurred in connection with arrangement of borrowings and foreign exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

Borrowing costs are expensed as incurred unless they relate to qualifying assets. Qualifying assets are assets which take a substantial period of time to get ready for their intended use or sale. Where funds are borrowed specifically for the acquisition, construction or production of a qualifying asset, the amount of borrowing costs capitalised is the amount incurred in relation to that borrowing, net of any interest earned on those borrowings. Where funds are borrowed generally, borrowing costs are capitalised using a weighted average capitalisation rate.

(i) Income Tax

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

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

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

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

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

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

Tax consolidation

The Company and its wholly-owned Australian resident entities are part of a tax-consolidated group. As a consequence, all members of the tax-consolidated group are taxed as a single entity from the date of forming the tax consolidated Group. The head entity within the tax-consolidated Group is Cardno Limited.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued

(i) Income Tax continued

Nature of tax funding arrangements and tax sharing arrangements

The head entity, in conjunction with other members of the tax-consolidated Group, has entered into a tax funding arrangement which sets out the funding obligations of members of the tax-consolidated Group in respect of tax amounts. The tax funding arrangements require payments to/from the head entity equal to the current tax liability/(asset) assumed by the head entity and any tax-loss deferred tax asset assumed by the head entity.

(j) Segment Reporting

Segment results that are reported to the chief operating decision makers include items directly attributed to the segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise head office expenses, financing costs, and income tax expense.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill. Intersegment pricing is determined on an arms length basis.

(k) Trade and Other Receivables

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

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

(l) Inventories

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

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

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

(m) Property, Plant and Equipment

Recognition and measurement

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

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

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within profit or loss.

Subsequent costs

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

Depreciation

Depreciation is calculated on the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that Cardno will obtain ownership by the end of the lease term. Land is not depreciated.

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

> buildings	40 years
> laboratory equipment, instruments and amenities	4-7 years
> motor vehicles	4-7 years
> leasehold improvements	4-5 years
> office furniture and equipment	3-11 years

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

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued

(n) Intangible Assets

Business Combinations and Goodwill

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

Cardno measures goodwill at the acquisition date as:

> the fair value of the consideration transferred; plus

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

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

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

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

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

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

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

Works contracts, software intangibles and customer relationships

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

Patents and Trademarks

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

Subsequent expenditure

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

(o) 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.

(p) Derivatives and hedging activities

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

> hedges of fair value of recognised assets or liabilities or a firm commitment (fair value hedges)

> hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probably forecast transactions (cash flow hedges), or

> hedges of a net investment in a foreign operation (net investment hedges).

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

(i) Fair value hedge

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

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued

(p) Derivatives and hedging activities continued

(ii) Hedge of net investment in foreign operation

Foreign currency differences arising on the translation of a financial liability designated as a hedge of a net investment in a foreign operation are recognised in other comprehensive income to the extent that the hedge is effective, and are presented within equity in the FCTR. To the extent that the hedge is ineffective, such differences are recognised in profit or loss. When the hedged part of a net investment is disposed of, the relevant amount in the FCTR is transferred to profit or loss as part of the profit or loss on disposal.

(q) Impairment

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

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

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

Calculation of recoverable amount

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

The recoverable amount of 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.

(r) Trade and Other Payables

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

(s) 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.

(t) 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.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued

(t) Employee Benefits continued

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

Defined contribution plans

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

Share-based payment transactions

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

(u) Provisions

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

Dividends

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

(v) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and investments in money market instruments. Bank overdrafts are shown with interest-bearing loans and borrowings in current liabilities on the statement of financial position.

(w) Earnings per Share

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

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

The bonus element in a rights issue to existing shareholders increases the number of ordinary shares outstanding without a corresponding change in resources. In this case, the number of ordinary shares outstanding before the event is adjusted for the proportionate change in the number of ordinary shares outstanding as if the event had occurred at the beginning of the earliest period presented. If the changes occur after the reporting period but before the financial statements are authorised for issue, the per share calculations for those and any prior period financial statements presented shall be based on the new number of shares. The fact that per share calculations reflect such changes in the number of shares shall be disclosed. In addition, basic and diluted earnings per share of all periods presented shall be adjusted for the effects of errors and adjustments resulting from changes in accounting policies, accounted for retrospectively.

(x) 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.

> Testing impairment of goodwill – refer to notes 1(q) and 14.

> Revenue recognition in relation to long term contracts including estimating stage of completion and total contract costs – refer notes 1(f) and 2.

> Accounting for business combinations including estimating fair values of identifiable assets acquired and liabilities assumed – refer notes 1(n) and 33.

	2014 $'000	2013 $'000
2A. REVENUE		
Fees from consulting services	951,518	877,273
Fees from sale of goods	10,955	8,697
Fees from recoverable expenses	342,992	305,957
Interest received	978	1,421
Royalties	118	89
Rental income	45	33
Other	2,991	1,882
Revenue	**1,309,597**	**1,195,352**
2B. OTHER INCOME		
Non-refundable R&D tax incentives	2,415	2,711
Reversal of contingent consideration liability (note 33(k))	3,453	-
Other Income	**5,868**	**2,711**
3. EXPENSES, LOSSES AND (GAINS)		
Depreciation		
Motor vehicles	4,790	4,160
Other property, plant & equipment	14,992	12,883
Total Depreciation	**19,782**	**17,043**
Amortisation of non-current assets		
Patents and trademarks	-	39
Works contracts	3,674	4,067
Software intangibles	256	233
Customer relationships	2,781	2,278
Total Amortisation	**6,711**	**6,617**
Total Depreciation & Amortisation	**26,493**	**23,660**
Bad and doubtful debts	**2,503**	**4,104**
Financing costs		
Interest and finance charges	8,465	7,610
Rental expense relating to operating leases		
Minimum lease payments	**39,040**	**34,240**
Net loss/(gain) on disposal of property, plant and equipment	**(518)**	**(61)**
Foreign exchange (gains) / losses	**(727)**	**(51)**
4. INCOME TAX EXPENSE		
(a) The components of tax expense comprises:		
Current tax expense		
Current year	37,835	29,017
Adjustments for prior years	(257)	(1,732)
	37,578	**27,285**

	2014 $'000	2013 $'000
4. INCOME TAX EXPENSE continued		
Deferred tax expense		
Origination and reversal of temporary differences	(6,291)	1,809
Adjustments for prior years	(2,655)	-
	(8,946)	**1,809**
Total income tax expense	**28,632**	**29,094**
(b) Numerical reconciliation between tax expense and pre-tax profit		
Profit before tax	106,766	106,733
Income tax using the Australian corporation tax rate of 30% (2013: 30%)	32,030	32,020
Increase (decrease) in income tax expense due to:		
Non-deductible expenses	3,640	1,249
Adjustment for branch office taxation	(1,057)	112
Allowances for R&D expenditure	(725)	(1,045)
Benefit arising from amendment to Australian tax legislation	-	9
Sundry items	(2,344)	(1,519)
	31,544	**30,826**
Under / (over) provided in prior years	(2,912)	(1,732)
Income tax expense	**28,632**	**29,094**

The effective tax rate for FY2014 was 26.8 per cent as compared to 27.3 per cent in FY2013.

	2014 $'000	2013 $'000
(c) Amounts recognised directly in equity		
Share based payments	1,989	-

5. DIVIDENDS PAID OR PROVIDED FOR ON ORDINARY SHARES

	2014 $'000	2013 $'000
(a) Dividends proposed subsequent to year end not recognised as a liability 100% franked dividend at 30% (2013: 100% at 30%) (Refer note 28)	27,755	25,871
(b) Dividends paid during the year (19 cents per share, 100% franked at 30%) (2013: all dividends 100% franked at 30%)	56,530	50,766
(c) Franking credit balance The amount of franking credits available for the subsequent financial year are:		
> franking account balance as at the end of the financial year at 30%	5,781	13,472
> franking credits that will arise from the payment of income tax payable as at the end of the financial year	11,971	8,355
	17,752	**21,827**

The impact on the franking account of dividends proposed after the balance sheet date but not recognised as a liability is to reduce it by $11,895,165 (2013: $11,087,460)

6 CASH AND CASH EQUIVALENTS

	2014 $'000	2013 $'000
Cash at bank and on hand	62,258	60,539
Restricted cash (project advances)	3,030	2,949
Bank short term deposits	20,597	27,147
	85,885	**90,635**

	2014 $'000	2013 $'000
7 TRADE & OTHER RECEIVABLES (CURRENT)		
Trade debtors	247,757	210,342
Provision for doubtful debts (note 32)	(11,376)	(12,777)
	236,381	**197,565**
Sundry debtors	8,504	5,600
	244,885	**203,165**
8 INVENTORIES (CURRENT)		
Work in progress	**142,586**	**134,927**
9. OTHER CURRENT ASSETS		
Prepayments	7,981	5,400
Project advances	1,090	502
Security deposits	2,125	2,115
	11,196	**8,017**
10. TRADE & OTHER RECEIVABLES (NON CURRENT)		
Sundry debtors	**605**	**614**
11. OTHER FINANCIAL ASSETS (NON-CURRENT)		
Investments in non-related entities	3,610	1,652
	3,610	**1,652**
12. PROPERTY, PLANT & EQUIPMENT		
Laboratory equipment, instruments & amenities	41,357	36,843
Less accumulated depreciation	(25,920)	(23,771)
	15,437	**13,072**
Motor vehicles	30,248	30,810
Less accumulated depreciation	(17,499)	(17,385)
	12,749	**13,425**
Office furniture & equipment	72,897	66,651
Less accumulated depreciation	(52,094)	(45,506)
	20,803	**21,145**
Leasehold improvements	17,927	15,282
Less accumulated amortisation	(8,361)	(7,437)
	9,566	**7,845**
Land and buildings	3,270	2,398
Less accumulated depreciation	(1,116)	(1,023)
	2,154	**1,375**
Total Property Plant & Equipment	**60,709**	**56,862**

12. PROPERTY, PLANT & EQUIPMENT continued	2014 $'000	2013 $'000
Movements in carrying amounts		
Movements in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year.		
Laboratory equipment, instruments & amenities		
Carrying amount at the beginning of the year	13,072	8,585
Additions	4,820	4,908
Increase through merger acquisition	2,209	3,120
Disposals	(199)	(180)
Depreciation expense	(4,287)	(3,502)
Foreign exchange	(52)	150
Transfer between classes	(126)	(9)
Carrying amount at the end of the year	**15,437**	**13,072**
Motor vehicles		
Carrying amount at the beginning of the year	13,425	10,463
Additions	3,969	6,310
Increase through merger acquisition	587	1,380
Disposals	(497)	(611)
Depreciation and amortisation expense	(4,790)	(4,160)
Foreign exchange	(36)	187
Transfer between classes	91	(144)
Carrying amount at the end of the year	**12,749**	**13,425**
Office furniture & equipment		
Carrying amount at the beginning of the year	21,145	17,687
Additions	7,656	9,446
Increase through merger acquisitions	865	1,786
Disposals	(445)	(569)
Depreciation and amortisation expense	(8,840)	(7,545)
Foreign exchange	19	407
Transfer between classes	403	(67)
Carrying amount at the end of the year	**20,803**	**21,145**
Leasehold improvements		
Carrying amount at the beginning of the year	7,845	5,411
Additions	4,334	2,609
Increase through merger acquisitions	167	1,104
Disposals	(598)	(152)
Depreciation and amortisation expense	(1,748)	(1,484)
Foreign exchange	(66)	136
Transfer between classes	(368)	221
Carrying amount at end of the year	**9,566**	**7,845**
Land & buildings		
Carrying amount at the beginning of the year	1,375	1,351
Additions	754	38
Increase through merger acquisition	163	-
Disposals	(118)	-
Depreciation expense	-	(107)
Foreign exchange	(20)	93
Transfer between classes	-	-
Carrying amount at the end of the year	**2,154**	**1,375**
Carrying amount at the end of the year	**60,709**	**56,862**

13. DEFERRED TAX ASSETS & LIABILITIES	2014 $'000	2013 $'000
Recognised deferred tax assets and liabilities		
Assets		
Accruals	26,759	16,021
Provisions	17,034	20,899
Work in progress	662	457
Other	3,715	2,881
Total deferred tax assets	**48,170**	**40,258**
Set-off of deferred tax liabilities	(31,499)	(31,930)
Net deferred tax assets	**16,671**	**8,328**
Liabilities		
Work in progress	17,445	16,766
Property, plant and equipment	1,473	3,541
Goodwill on acquisition	12,948	8,982
Prepayments	1,477	1,067
Other	(1,028)	2,064
Total deferred tax liabilities	**32,315**	**32,420**
Set-off of deferred tax assets	(31,499)	(31,930)
Net deferred tax liabilities	**816**	**490**
NET DEFERRED TAX ASSETS (LIABILITIES)	**15,855**	**7,838**

13. DEFERRED TAX ASSETS & LIABILITIES continued

30 June 2014	1 July 2013	Recognised in profit or loss	Adjustments to prior years	Other*	30 June 2014
	$'000	$'000	$'000	$'000	$'000
Movement in temporary differences during the year:					
Accruals	16,021	11,128	713	(1,102)	26,760
Provisions	20,899	(2,285)	(193)	(1,387)	17,034
Unearned revenue	-	-	-	-	-
Sundry items	817	613	750	847	3,027
Property, plant & equipment	(3,541)	2,448	1,448	(113)	242
Prepayments	(1,067)	(460)	24	26	(1,477)
Work in progress	(16,309)	(1,001)	(39)	566	(16,783)
Goodwill on acquisition (USA)	(8,982)	(4,152)	(47)	233	(12,948)
	7,838	**6,291**	**2,656**	**(930)**	**15,855**

30 June 2013	1 July 2012	Recognised in profit or loss	Adjustments to prior years	Other*	30 June 2013
	$'000	$'000	$'000	$'000	$'000
Movement in temporary differences during the year:					
Accruals	20,281	1,034	(5,630)	336	16,021
Provisions	11,493	(1,104)	8,969	1,541	20,899
Unearned revenue	-	-	-	-	-
Sundry items	2,044	405	(314)	(1,318)	817
Property, plant & equipment	(2,673)	119	(50)	(937)	(3,541)
Prepayments	(598)	(230)	(239)	-	(1,067)
Work in progress	(15,931)	1,013	(1,326)	(65)	(16,309)
Goodwill on acquisition (USA)	(4,972)	(3,046)	(964)	-	(8,982)
	9,644	**(1,809)**	**446**	**(443)**	**7,838**

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

14. INTANGIBLE ASSETS

	2014 $'000	2013 $'000
Goodwill at cost	742,680	617,733
	742,680	**617,733**
Works contracts	17,461	15,329
Accumulated amortisation	(15,249)	(11,726)
	2,212	**3,603**
Patents and trademarks	**2,081**	**2,081**
Software intangibles	2,563	1,822
Accumulated amortisation	(1,416)	(1,068)
	1,147	**754**
Customer relationships	9,288	9,037
Accumulated amortisation	(5,840)	(3,168)
	3,448	**5,869**
Total Intangible Assets	**751,568**	**630,040**

14. INTANGIBLE ASSETS continued

	Goodwill	Works Contracts	Patents and Trademarks	Software Intangibles	Customer Relationships
	$'000	$'000	$'000	$'000	$'000
Reconciliation of movement in carrying amounts from beginning of year to end of year:					
2013					
Balance at the beginning of year	496,887	2,462	2,110	590	2,323
Additions:					
> acquisition through business combinations					
- current year	94,740	5,172	10	355	3,096
- reclassification of intangibles*	(2,524)	51	-	-	2,473
Write off	-	-	(39)	-	-
Amortisation charges	-	(4,068)	-	(233)	(2,278)
Effect of foreign exchange	28,630	(14)	-	42	255
Closing value at 30 June 2013	**617,733**	**3,603**	**2,081**	**754**	**5,869**
2014					
Balance at the beginning of year	617,733	3,603	2,081	754	5,869
Additions:					
> internal development	-	-	-	603	-
> acquisition through business combinations					
- current year	132,537	2,257	-	-	381
Write off	-	-	-	-	-
Amortisation charges	-	(3,674)	-	(256)	(2,781)
Effect of foreign exchange	(7,590)	26	-	46	(21)
Closing value at 30 June 2014	**742,680**	**2,212**	**2,081**	**1,147**	**3,448**

** Amounts were reclassified from goodwill to identifiable intangible assets following completion of the purchase price accounting for acquisitions which occurred in the prior year.*

	2014 $'000	2013 $'000
Goodwill is allocated to the following groups of cash-generating units:		
> Americas	485,969	364,234
> Emerging Markets	33,624	33,062
> Australia & New Zealand	203,930	203,017
> Software	19,157	17,420
	742,680	**617,733**

For the purposes of impairment testing, goodwill is allocated to Cardno's management divisions which represent the lowest level within Cardno at which the goodwill is monitored for internal management purposes. During the year, the Group changed its internal reporting structure which resulted in a change to the allocation of goodwill to groups of cash generating units (CGU). Comparative information above has been represented to maintain consistency with current year presentation.

The Group uses value in use method to estimate the recoverable amount of its CGU. Value in use is calculated based on the present value of cash flow projections over a five year period and include a terminal value at the end of year five. The cash flow projections over the five year period are based on the Group's budget for 2015 and year on year growth rates over the forecast 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 inflation estimates for the countries in which the CGU operates.

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

14. INTANGIBLE ASSETS continued

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

	Five year compound average Growth Rate	Terminal Growth Rate	Pre-Tax Discount Rate
> Americas	9.68%	3.00%	14.0%
> Emerging Markets	10.04%	3.00%	12.8%
> Australia & New Zealand	2.09%	3.00%	14.7%
> Software	1.52%	3.00%	14.2%

Assumptions used in impairment testing in 2013 included discount rates ranging from 13.2 per cent to 15.2 per cent and growth rate assumptions ranging from 2 per cent to 7 per cent.

Sensitivity analysis performed indicates a reasonable possible change in any of the key assumptions for the Emerging Markets, Australia & New Zealand or Software CGU's would not result in impairment.

The estimated recoverable amount of the Americas CGU exceeded its carrying amount by approximately $71.3 million. Management has identified that a reasonable possible change in two key assumptions could cause the carrying amount to exceed the recoverable amount of the CGU. For the estimated recoverable amount to be equal to the carrying amount, the following assumptions would need to change by the amount specified (while holding all other assumptions constant):

(a) the pre-tax discount rate would need to increase by 1.1 per cent to 15.1 per cent; or

(b) the compound average growth rate across the five year forecast period would need to decrease by 2.2 percentage points to 7.48 per cent.

	2014 $'000	2013 $'000
15. TRADE & OTHER PAYABLES (CURRENT)		
Trade payables & accruals	106,145	109,647
Vendor liability	30,845	41,305
	136,990	**150,952**
16. LOANS & BORROWINGS (CURRENT)		
Lease liabilities	1,944	1,741
Hire purchase liabilities	57	243
Bank loans (i)	1,148	1,033
	3,149	**3,017**

(i) Details of the terms and conditions of loans and borrowings are set out in note 19

	2014 $'000	2013 $'000
17. SHORT-TERM PROVISIONS		
Employee benefits	28,024	29,086
Legal provision	4,157	9,629
	32,181	**38,715**
Movements in legal provision:		
Balance at 1 July	9,629	7,642
Increase through merger acquisition	93	1,731
Provision made during the year	1,143	850
Provision used during the year	(1,922)	(652)
Provision reversed during the year	(4,794)	(500)
Effect of foreign exchange	8	558
Balance at 30 June	**4,157**	**9,629**

17. SHORT-TERM PROVISIONS continued

The Group recognises a provision for legal claims not covered by the Group's professional indemnity policy and as at 30 June an estimate of the potential impact of these claims has been made. During the year approximately $2.9m was reversed in Cardno ATC relating to a large claim that has previously been provided for and existed at acquisition. This claim has not been settled however the Group has obtained an indemnity from the vendors of Cardno ATC in relation to this particular claim. The vendors have agreed to have the deferred purchase consideration placed in escrow and held for potential losses relating to the claim. Any portion of the escrowed funds not required to satisfy indemnity obligations in respect of this claim will be dispersed to the vendors pursuant to the terms of the merger agreement upon final resolution of the claim or as otherwise agreed. The reversal of this provision is recognised in the statement of financial performance as a reduction to other expenses.

	2014 $'000	2013 $'000
18. OTHER CURRENT LIABILITIES		
Unearned revenue	47,289	48,356
Deferred rent	1,017	22
	48,306	**48,378**
19. LOANS & BORROWINGS (NON-CURRENT)		
Lease liabilities	3,548	5,138
Hire purchase liabilities	40	290
Bank loans	299,339	233,283
	302,927	**238,711**

Bank Loans

As at 30 June 2014 Cardno has bank loans totalling $300,486,999 (2013: $234,442,361), with an effective interest rate of 1.94 per cent (2013: 2.23 per cent).

The facility limits comprise working capital facilities of A$10.0 million (2013: A$59.0 million) and US$15.0 million (2013: US$15.0 million) and term acquisition financing facilities of US$330.0million (2013: US$245.0 million and GBP8.55 million). The weighted average interest rate for term facilities ranges from 1.89 per cent to 1.99 per cent (2013: 2.06 per cent to 2.51 per cent). Funding available to Cardno from undrawn facilities is A$72.1million at 30 June 2014 (2013: A$106.6 million). Facilities are secured by an unlimited interlocking guarantee and indemnity.

The portion of the bank loans disclosed as a current liability represents amounts due to be repaid within one year.

There were no bank overdrafts in existence at 30 June 2014 (2013: Nil). Subsequent to the financial year end the Group closed its long term note issue of US$150.0 million in the US Private Placement bond market. Refer to note 28 for additional details.

	2014 $'000	2013 $'000
20. LONG-TERM PROVISIONS		
Employee benefits	**12,854**	**12,768**
21. OTHER NON-CURRENT LIABILITIES		
Deferred rent	854	273
Other	252	270
	1,106	**543**

22. ISSUED CAPITAL OF CARDNO LIMITED	30 June 2014 No. of shares	30 June 2014 $'000	30 June 2013 No. of shares	30 June 2013 $'000
Balance at the beginning of the period	143,726,327	500,374	138,159,361	460,947
Shares issued during the period:				
> Dividend reinvestment scheme	872,488	5,658	665,448	4,719
> Shares issued for cash (net of transaction costs)	15,077,784	92,966	2,722,668	18,085
> Employee Tax Exempt Share Acquisition Plan	351,039	2,255	641,670	4,364
> Employee share based payments	-	4,790	-	2,127
> Own shares issued (i)	2,600,000	17,832	1,537,180	10,132
> Exercise of Performance Options (ii)	-	-	-	-
Balance at the end of the year	**162,627,638**	**623,875**	**143,726,327**	**500,374**

(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) During 2014, 2,481,030 (2013: 979,326) shares delivered on exercise of Performance Options and Performance Rights were obtained from shares held in trust by the Cardno Limited Performance Equity Plan Trust and recognised in the Group's reserve for own shares (refer note 23).

The Company does not have authorised capital or par value in respect of its issued shares.

All shares are ordinary shares and have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the process from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of members.

Performance Equity Plan (PEP)

The PEP is designed to reward strong performance by individuals within the Cardno Group of companies. Performance Options and Performance Rights are issued under the PEP (made in accordance with thresholds set in the plan approved at the 2009 AGM) which provides certain employees (as determined by the Board) with the rights to acquire shares in the Company or, the option to acquire shares in the Company.

Movements in Performance Options throughout the year were as follows:

Grant Date	Vesting Date	Expiry Date	Exercise Price $	Fair Value at Grant Date $	Number of Performance Options at Beginning of Year	Performance Options Granted	Performance Options Lapsed	Performance Options Exercised	Performance Options Vested not Exercised as at 30 June 2014	Number of Performance Options as at 30 June 2014
25 November 2010	25 November 2013	25 November 2014	4.84	0.77	2,820,000	-	966,315	1,272,954	580,731	-
1 November 2011	1 November 2014	1 November 2015	5.26	0.81	3,580,000	-	527,000	-	-	3,053,000
Weighted average exercise price					5.07	-	4.99	4.19	4.84	5.26
Weighted average remaining contract life										489 days
Total expense recognised $510,034 (2013: $747,027)										

22. ISSUED CAPITAL OF CARDNO LIMITED continued

The Performance Options outstanding at 30 June 2014 have an exercise price of $5.26. These Performance Options do not entitle the holder to participate in any share issue of the Company.

Performance Options are subject to a performance hurdle and to vest the Company must achieve earnings per share (EPS) growth in accordance with the following scale:

EPS Growth Over 3 Years	% of Performance Options in Tranche to Vest
<12.5% (<4% pa)	0%
12.5% (4% pa)	30%
>12.5% (4% pa) & <26% (8% pa)	Pro rata
26% (8% pa)	70%
>26% (8% pa) & <40% (12% pa)	Pro rata
≥40% (12% pa)	100%

There have been no Performance Options granted in FY2014. The fair value of Performance Options granted in previous financial years was calculated using the Black-Scholes model, taking into account price volatility, risk free interest rates and the dividend yield.

The model inputs for the fair value of Performance Options granted during the year ended 30 June 2012 include share price at grant date of $5.29 (2011: $4.86), expected price volatility of the Company's shares of 31 per cent (2011: 30 per cent), expected dividend yield of 6.30 per cent (2011: 7.00 per cent) and risk free interest rate of 3.19 per cent (2011: 4.90 per cent).

Movements in Performance Rights throughout the year were as follows:

Grant Date	Vesting Date	Expiry Date	Performance Hurdle	Fair Value at Grant Date $	Number of Performance Rights at Beginning of Year	Performance Rights Granted	Performance Rights Lapsed	Performance Rights Exercised	Performance Rights Vested not Exercised as at 30 June 2014	Number of Performance Rights as at 30 June 2014
21 October 2010	21 October 2013	21 October 2014	EPS Growth	3.78	76,250	-	10,472	65,778	-	-
			TSR	2.71	76,250	-	10,472	65,778	-	-
25 November 2010	25 November 2013	25 November 2014	EPS Growth	3.94	160,000	-	21,890	118,689	19,422	-
			TSR	2.96	160,000	-	21,890	118,689	19,422	-
20 October 2011	20 October 2014	20 October 2015	EPS Growth	4.21	55,000	-	-	-	-	55,000
			TSR	2.81	55,000	-	-	-	-	55,000
1 November 2011	1 November 2014	1 November 2015	EPS Growth	4.38	226,250	-	17,500	-	-	208,750
			TSR	2.97	226,250	-	17,500	-	-	208,750
18 October 2012	18 October 2015	18 October 2016	EPS Growth	6.74	60,000	-	-	-	-	60,000
			TSR	4.46	60,000	-	-	-	-	60,000
1 November 2012	1 November 2015	1 November 2016	EPS Growth	6.68	790,083	-	85,813	-	-	704,270
			TSR	4.43	790,083	-	85,813	-	-	704,270
17 October 2013	17 October 2016	17 October 2017	EPS Growth	5.50	-	80,000	-	-	-	80,000
			TSR	3.99	-	80,000	-	-	-	80,000
11 November 2013	11 November 2016	11 November 2017	EPS Growth	6.10	-	993,410	53,450	-	-	939,960
			TSR	4.84	-	993,410	53,450	-	-	939,960
Total expense recognised $2,290,744 (2013: $1,379,732)										

22. ISSUED CAPITAL OF CARDNO LIMITED continued

The fair values of Performance Rights granted during the year with a total shareholder return (TSR) performance hurdle, have been calculated using a Monte-Carlo simulation valuation model taking into account price volatility, risk free interest rates and comparator company shareholder return performance. The fair value of Performance Rights with the EPS growth hurdle was calculated using a Black-Scholes model taking into account risk free interest rates and the dividend yield.

The model inputs for the fair value of Performance Rights granted during the year ended 30 June 2014 include share price of $6.49 for Performance Rights granted on 17 October 2013 (2013: $7.97, 18 October 2012) and $7.19 for Performance Rights granted on 11 November 2013 (2013: $7.90, 1 November 2012), expected price volatility of 31 per cent and 31 per cent respectively (2013: 29 per cent and 29 per cent), expected dividend yield of 5.5 per cent (2013: 5.6 per cent) and risk free interest rate of 2.99 per cent and 3.06 per cent (2013: 2.60 per cent and 2.56 per cent).

The Performance Rights are subject to performance hurdles measured over three financial years. The Performance Rights may vest in accordance with the following table:

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

Employee Share Acquisition Plans (ESAP)

Shares are issued under the ESAP (made in accordance with thresholds set out in plans approved by shareholders at the 2009 AGM). It provides employees with the opportunity to acquire shares in the Company for no consideration as a bonus component of their remuneration. Employees with 12 months service or greater who have worked an average of 100 hours or more per month are entitled to $500 (2013:$1,000) of shares and employees with 6 to 12 months service are entitled to $250 (2013: $500) of shares. Employees who work part time, who have greater than 12 months service and who have worked more than 600 hours per year are also entitled to $250 (2013: $500) of shares. Shares issued under ESAP rank equally with other fully paid ordinary shares from the date of issue.

Shares are issued in the name of the participating employee and are subject to a restriction period. The shares are restricted under the plan until the earlier of three years from the date of acquisition or the date they cease to be an employee. Once the restriction period is lifted the shares can be traded as fully paid ordinary shares. The ESAP has no conditions that could result in the recipient forfeiting ownership of shares.

23. 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 2014 the Group held 353,547 of the Company's share (2013: 234,577).

24. NOTES TO THE CASH FLOW STATEMENT	2014 $'000	2013 $'000
(a) Reconciliation of Net Cash from Operating Activities to Net profit for the year		
Net profit for the year	78,134	77,639
Adjust for non-cash items		
Depreciation and amortisation	26,493	23,660
Gain/(loss) on sale of property, plant & equipment	(518)	(61)
Net exchange differences	(2,113)	10,574
Share based remuneration	7,033	6,491
Adjust for changes in assets and liabilities (increase) / decrease in assets:		
Inventories	190	(12,375)
Deferred tax assets	(8,343)	5,132
Trade receivables	7,018	(3,128)
Provision for doubtful debts	(1,717)	(1,077)
Other receivables	(1,826)	914
Prepayments	(123)	(917)
Other assets	(3,445)	2,200
Increase / (decrease) in liabilities:		
Trade payables	(16,122)	(12,068)
Income tax payable	7,332	(9,113)
Employee provisions	(1,702)	1,439
Unearned revenue	(2,000)	9,045
Other liabilities	(4,007)	(95)
Deferred tax liabilities	327	(2,531)
	84,611	**95,730**

	2014 $'000	2013 $'000
24. NOTES TO THE CASH FLOW STATEMENT continued		

(b) Reconciliation of cash

For the purposes of the cash flow statements, cash includes cash on hand, restricted cash and bank deposits at call net of bank overdrafts. Cash at the end of the year as shown in the cash flow statements is reconciled to related items in the accounts as follows:

	2014 $'000	2013 $'000
Cash and cash equivalents (note 6)	85,885	90,635

Restricted cash (project advances) can only be drawn in relation to specific projects for which it has been provided.

(c) Non-cash financing and investing activities

During the financial year, the consolidated entity acquired property, plant and equipment with an aggregate fair value of $154,863 (2013: $3,376,825) by means of finance leases. These acquisitions are not reflected in the cash flow statement.

(d) Acquisition of entities

Details of signification acquisitions are set out in note 33. Summarised financial information relating to items presented in the cash flow statement is as follows:

	2014 $'000	2013 $'000
Purchase consideration		
Cash consideration paid	170,044	98,435
Vendor liability	22,551	33,827
Consideration	**192,595**	**132,262**
Assets and liabilities held at acquisition date:		
Cash	6,779	16,915
Receivables	49,106	27,794
Deferred tax assets	-	1,729
Property, plant & equipment	4,188	7,389
Intangibles	2,637	8,634
Inventories	7,849	14,520
Creditors and borrowings	(8,352)	(16,807)
Deferred tax liabilities	-	(2,528)
Provisions	(2,149)	(20,123)
	60,058	**37,523**
Goodwill on acquisition	132,537	94,739
Consideration	**192,595**	**132,262**
Net cash outflow on acquisition		
Cash consideration paid	170,044	98,435
Less cash acquired	(6,779)	(16,915)
	163,265	**81,520**

25. CAPITAL AND LEASING COMMITMENTS	2014 $'000	2013 $'000
(a) Finance leases and hire purchase		
Commitments in relation to finance leases are payable as follows:		
> Within one year	2,491	2,658
> Later than one year but not later than 5 years	4,152	6,451
> Later than 5 years	-	-
Minimum lease payments	**6,643**	**9,109**
Less: Future finance charges	(1,054)	(1,697)
Recognised as a liability	**5,589**	**7,412**
Present value of minimum lease and hire purchase payment		
Commitments in relation to finance leases are payable as follows:		
> Within one year	2,001	1,984
> Later than one year but not later than 5 years	3,588	5,428
> Later than 5 years	-	-
Recognised as a liability	**5,589**	**7,412**
Finance leases are taken out over motor vehicle, leasehold improvements and plant and equipment, with terms varying between 3 and 5 years.		
Representing lease and hire purchase liabilities:		
Current (note 16)	2,001	1,984
Non-current (note 19)	3,588	5,428
	5,589	**7,412**
(b) Operating Leases		
> Within one year	40,445	38,387
> Later than one year but not later than 5 years	87,431	83,776
> Later than 5 years	18,400	10,404
Commitments not recognised in the financial statements	**146,276**	**132,567**

The Group leases office premises under non-cancellable operating leases, with terms varying from 3 to 10 years. The majority of leases provide for an option of renewal at the end of the lease term. Premise leases are subject to annual review for changes in the CPI index and contain restrictions on sub-leasing. The Group also leases various plant & equipment under terms between 2 and 5 years as well as software licenses with a term of 3 years subject to annual review based on the number of licences exercised.

26. EMPLOYEE BENEFITS	2014 $'000	2013 $'000
The aggregate employee benefit liability is comprised of:		
Accrued wages, salaries and on-costs (included in payables)	28,525	21,069
Provisions (current) (note 17)	28,024	29,086
Provisions (non-current) (note 20)	12,854	12,768
	69,403	**62,923**
	$	**$**
Defined contribution superannuation expense	**21,445,035**	**18,906,052**

27. CONTINGENT LIABILITIES

As at the date of this report, there is no current litigation or pending or threatened litigation which would not be covered by professional indemnity insurance or has not already been provided for in the financial statements of Cardno, or which is likely to have a material effect on the financial performance of Cardno.

Cardno had contingent liabilities at 30 June 2014 in respect of:

	2014 $'000	2013 $'000
Bank guarantees	26,043	15,610

Cardno has bank guarantee facilities with financial institutions denominated in Australian dollars, United States dollars, Great British pounds and United Arab Emirates Dirham. The guarantee facilities available to Cardno total A$78.3 million (2013: A$40.5 million). These facilities are secured by an unlimited interlocking guarantee and indemnity or a parent company guarantee.

28. SUBSEQUENT EVENTS

On 18 August 2014, the Directors of Cardno Limited declared a final dividend of 17 cents per share (100 per cent franked) for the 2014 financial year. The dividend will be paid on 12 October 2014 to shareholders registered on 14 September 2014 and will total $27,755,385. The dividend has not been provided for in the 30 June 2014 financial statements.

On 15 August 2014, the Group closed its first long term note of US$150.0 million in the US Private Placement debt market. The tranches issued include US$50.0 million with a 7 year term maturing on 15 August 2021 and US$100.0 million with a 10 year term maturing on 21 August 2024. The note was initially priced on 15 May 2014 with a 3 month deferred settlement. Simultaneously, the Group issued fixed to floating USD interest rate swaps matching the tranches and elected to fair value hedge the interest rate risk in accordance with AASB139. The proceeds from the long term note will be used to repay a portion of the Group's existing bank debt and for other general corporate purposes.

29. EARNINGS PER SHARE

	2014 $	2013 $
Basic earnings per share		
The calculation of basic earnings per share was based on the following:		
Profit attributable to ordinary shareholders	**78,134,444**	**77,638,671**
Weighted average number of ordinary shares	**No.**	**No.**
Issued ordinary shares at 1 July	143,726,327	138,159,361
Effect of shares issued for cash consideration	6,329,844	2,580,444
Effect of shares issued in respect of employee share scheme	100,022	180,636
Weighted average number of ordinary shares at 30 June	**150,156,193**	**140,920,441**
	Cents	**Cents**
Basic Earnings per Share	**52.04**	**55.09**

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.

29. EARNINGS PER SHARE continued	2014 $	2013 $
Diluted earnings per share		
The calculation of diluted earnings per share was based on the following:		
Profit attributable to ordinary shareholders (diluted)	**78,134,444**	**77,638,671**
Weighted average number of ordinary shares (diluted)	**No.**	**No.**
Weighted average number of ordinary shares at 30 June	150,156,193	140,920,441
Effect of Performance Options and Performance Rights on issue	4,218,881	4,385,561
Weighted average number of ordinary shares (diluted) at 30 June	**154,375,074**	**145,306,002**
	Cents	**Cents**
Diluted Earnings per Share	**50.61**	**53.43**

30. AUDITOR'S REMUNERATION	2014 $	2013 $
Audit services		
Auditors of the Company		
KPMG Australia:		
> Audit and review of financial reports	445,000	497,500
Overseas KPMG firms:		
> Audit and review of financial reports	737,795	573,186
	1,182,795	**1,070,686**
Other services		
Auditors of the Company		
KPMG Australia:		
> Other assurance services	6,000	15,250
	6,000	**15,250**

31. KEY MANAGEMENT PERSONNEL DISCLOSURES

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

	2014 $'000	2013 $'000
Short-term employee benefits	4,471	6,345
Post-employment benefits	264	265
Equity compensation benefits	701	483
Termination Benefits	486	-
	5,922	**7,093**

Apart from the details disclosed in this note, no Director has entered into a material contract with the Company or the consolidated entity since the end of the previous financial year and there were no material contracts involving Directors' interests existing at year-end.

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

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

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

32. FINANCIAL INSTRUMENTS – FAIR VALUE AND RISK MANAGEMENT

(a) Accounting classifications and fair values

The carrying value of the Group's financial assets and liabilities approximate their fair value in the current and prior year. The Group does not hold any material financial assets or liabilities at fair value at 30 June 2014 that are determined using level 2 or level 3 in the fair value hierarchy (2013:Nil).

(b) Measurement of fair values

The following table shows the valuation technique used in measuring financial instruments not measured at fair value.

Financial instruments not measured at fair value

Type	Valuation technique	Significant unobservable inputs
Other financial liabilities*	Discounted cash flows.	Not applicable.

** Other financial liabilities include secured and unsecured bank loans, finance lease liabilities and contingent consideration.*

On 15 May 2014, in conjunction with the Group's pre-settlement pricing on the long term note, the Group issued fixed to floating USD interest rate swaps to match the 7 year and 10 year note tranches. The Group elected to fair value hedge the interest rate risk on these transactions with a fair value adjustment of $0.041 million as at 30 June 2014. Refer to note 28 for additional details.

32. FINANCIAL INSTRUMENTS – FAIR VALUE AND RISK MANAGEMENT continued

(c) Financial risk management

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

Credit risk

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

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

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

Cardno does not require collateral in respect of financial assets.

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

There are no material concentrations of credit risk.

Trade receivables

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

	2014 $'000	2013 $'000
Australia & New Zealand	64,621	64,544
Americas	138,051	110,282
Asia Pacific	14,445	16,436
Europe & Africa	19,264	6,303
	236,381	**197,565**

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

	2014		2013	
	Gross $'000	Impairment $'000	Gross $'000	Impairment $'000
Not past due (current)	131,727	-	123,903	-
Past due 0-30 days (30 day ageing)	37,009	-	34,912	-
Past due 31-60 days (60 day ageing)	21,911	-	17,473	-
Past due more than 60 days	57,110	11,376	34,054	12,777
	247,757	**11,376**	**210,342**	**12,777**

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.

32. FINANCIAL INSTRUMENTS – FAIR VALUE AND RISK MANAGEMENT continued

Credit risk continued

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

	2014 $'000	2013 $'000
Balance at 1 July	12,777	11,477
Impairment loss recognised	2,503	4,104
Receivables written off	(4,125)	(4,776)
Increase through entities acquired	316	1,621
Effect of foreign exchange	(95)	351
Balance at 30 June	**11,376**	**12,777**

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 2014	Carrying amount $'000	Contractual cash flows $'000	Less than 1 year $'000	1 – 5 years $'000	Over 5 years $'000
Non-derivative financial liabilities					
Trade and other payables	136,990	136,990	136,990	-	-
Finance leases & hire purchase	5,589	6,643	2,491	4,152	-
Bank loans*	300,487	350,170	7,380	342,789	-
	443,066	**493,803**	**146,861**	**346,941**	**-**

30 June 2013	Carrying amount $'000	Contractual cash flows $'000	Less than 1 year $'000	1 – 5 years $'000	Over 5 years $'000
Non-derivative financial liabilities					
Trade and other payables	150,952	150,952	150,952	-	-
Finance leases & hire purchase	7,412	9,109	2,658	6,451	-
Bank loans	234,316	247,045	5,225	241,820	-
	392,680	**407,106**	**158,835**	**248,271**	**-**

** Bank loans are term facilities maturing in December 2018*

32. FINANCIAL INSTRUMENTS – FAIR VALUE AND RISK MANAGEMENT continued

Market risk

(a) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the functional currency of the respective Group entities. Cardno operates internationally and is exposed to foreign exchange risk arising from the currency exposure to the Australian dollar.

Cardno does not engage in any transactions which are of a speculative nature.

Cardno borrows funds in foreign currencies to hedge its net investments in foreign operations. Cardno has loans totalling $294.0 million (2013: $225.4 million) denominated in US dollars (USD) and $10.8 million (2013: $9.1 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 2014, a 10 per cent strengthening of the Australian dollar against the USD and GBP would have increased equity by $26.7 million (2013: $20.5 million) and $1.0 million (2013: $0.8 million) respectively. A 10 per cent weakening of the Australian dollar against the USD and GBP would have decreased equity by $32.7 million (2013: $25.0 million) and $1.2 million (2013: $1.0 million) respectively. There would be no impact on profit and loss as the loans are designated as net investment hedges.

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

(b) Interest rate risk

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

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

	June 2014		June 2013	
	Effective Interest Rate	**Balance $'000**	**Effective Interest Rate**	**Balance $'000**
Variable rate instruments				
Cash assets	1.43%	85,885	1.38%	90,635
Bank loans	1.94%	(299,339)	2.23%	(233,283)
		(213,454)		**(142,648)**
Fixed rate instruments				
Finance leases & hire purchase	6.48%	(5,589)	6.95%	(7,412)
Bank loans	1.94%	(1,148)	3.44%	(1,033)
		(6,737)		**(8,445)**

Group sensitivity

At 30 June 2014, 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 $747,000 higher/lower (2013: $499,000 higher/lower), mainly as a result of lower/higher interest expense on variable bank loans 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.

32. FINANCIAL INSTRUMENTS – FAIR VALUE AND RISK MANAGEMENT continued

Capital risk management

Cardno's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

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

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

33. BUSINESS COMBINATIONS

Year Ended 30 June 2014

(a) Businesses acquired

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

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

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

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

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

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

(b) Purchase consideration

2014	Americas		Emerging Markets
	HWA	PPI	ITT
	$'000	$'000	$'000
Cash	17,654	150,189	2,201
Deferred settlement	3,604	16,198	364
Contingent consideration	2,385	-	-
Total	**23,643**	**166,387**	**2,565**

33. BUSINESS COMBINATIONS continued

Deferred and contingent purchase considerations

Purchase consideration of HWA includes deferred settlement of US$3,400,000 which is payable 24 months after completion. Cardno Limited has also agreed to pay the selling shareholders of HWA additional consideration of US$2,000,000 if the acquiree's earnings before interest, tax, depreciation and amortisation (EBITDA) on a stand alone basis over the period 1 November 2013 to 31 October 2014 is US$4,800,000 or more. This amount has been included in the purchase consideration based on estimates of the acquiree's financial performance over the earn-out period. Where the normalised EBITDA is between US$4,350,000 and US$4,800,000 the payment will be pro-rated. Where the normalised EBITDA is US$5,500,000 or more, then the selling shareholders will be entitled to an additional payment of US$250,000.

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

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

Acquisition of ordinary shares in Cardno Limited

At the time of acquisition, the vendors of each acquiree were required to use a portion of the cash consideration paid to subscribe for ordinary shares in Cardno Limited. A summary of the number and fair value of ordinary shares issued in relation to each acquisition during 2014 is set out below:

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

The Fair value of the ordinary shares issue for each acquisition was based on the 10 day volume weighted average price (VWAP).

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

2014	**Americas**		**Emerging Markets**
	HWA	**PPI***	**ITT***
	$'000	**$'000**	**$'000**
Cash	-	4,639	2,140
Receivables	7,645	41,769	259
Property, plant and equipment	168	4,012	6
Inventories	488	6,521	842
Deferred revenue	(424)	-	(509)
Intangible assets	2,637	-	-
Creditors & borrowings	(1,214)	(7,031)	(673)
Provisions	(514)	(631)	(71)
Total	**8,786**	**49,279**	**1,994**

** In accordance with Accounting Standards, the accounting for these acquisitions has been completed on a provisional basis.*

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

33. BUSINESS COMBINATIONS continued

(d) Goodwill arising on acquisition

2014	Americas		Emerging Markets
	HWA	PPI*	ITT*
	$'000	$'000	$'000
Consideration transferred	23,644	166,387	2,565
Less: fair value of net identifiable assets acquired	(8,786)	(49,279)	(1,994)
Goodwill arising on acquisition	**14,858**	**117,108**	**571**

** In accordance with Accounting Standards, the accounting for these acquisitions has been completed on a provisional basis.*

The goodwill recognised in relation to the acquisitions is attributable to the skills and technical talent of the employees of the acquisition and the synergies expected to be achieved from integrating the businesses into the Group's existing operations. Goodwill is not expected to be deductible for tax.

(e) Net cash outflow on acquisition of subsidiaries

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

Year Ended 30 June 2013

(f) Businesses acquired

2013	Country of Incorporation	Principal Activity	Effective Acquisition Date	Proportion of Shares Acquired (%)
Marshall Miller & Associates Inc	USA	Mining Energy and Environmental Services	1 July 2012	100
EM-Assist Inc	USA	Environmental Services & Compliance Management	1 July 2012	100
Better Technical Options Ltd	New Zealand	Water & Waste Water Treatment Engineering	1 August 2012	100
Hard & Forester Pty Ltd	Australia	Survey	1 October 2012	100
ChemRisk LLC	USA	Environmental Services	1 December 2012	100
Caminosca S.A.	Ecuador	Engineering Consultancy	1 December 2012	100
Geotech Materials Testing Services Pty Ltd	Australia	Infrastructure Services	1 February 2013	100

In the Group's Americas segment, Marshall Miller & Associates, Inc (MM&A) was acquired to increase Cardno's expertise in mining engineering, mine reserve evaluation, oil and gas exploration, feasibility studies and due diligence services for mining and resource projects. The acquisition of EM-Assist, Inc further expands the Group's expertise in environmental management in both the defence and private sector markets. The ChemRisk, LLC acquisition provides Cardno with an international platform for environmental risk consulting, while Caminosca S.A. significantly expands Cardno's South American portfolio and will play an important role in Cardno's diversification strategy.

In the Group's Australia and New Zealand segment, Better Technical Options Ltd (BTO) and Hard & Forester Pty Ltd were acquired to expand Cardno's water and waste water treatment, as well as the Group's survey capabilities. The acquisition of Geotech Materials Testing Services Pty Ltd (GMTS) will allow Cardno to build on its current construction materials testing, geotechnical engineering, and environmental testing capabilities in Australia.

33. BUSINESS COMBINATIONS continued

(f) Businesses acquired continued

The acquired businesses contributed revenue and net profit after tax (NPAT) to the Group for the year ended 30 June 2013 as follows:

2013	Revenues Contributed ($)	NPAT Contributed ($)
Marshall Miller & Associates Inc	27,057,488	1,582,929
EM-Assist Inc & Caminosca S.A.	30,430,174	3,098,739
Better Technical Options Ltd and Hard & Forester Pty Ltd	10,645,704	1,782,362
ChemRisk LLC	12,452,874	1,309,513
Geotech Materials Testing Services Pty Ltd	12,669,645	2,380,438

If all of the acquisitions during the year ended 30 June 2013 had occurred on 1 July 2012, the Group's revenue and NPAT for the year would have been $1,240,447,942 and $85,404,750 respectively.

(g) Purchase consideration

2013	Americas & Software			Australia & New Zealand	
	MM&A	EM-Assist & Caminosca	ChemRisk	GMTS	Hard & Forester and BTO
	$'000	$'000	$'000	$'000	$'000
Cash	25,415	20,991	24,333	17,467	10,229
Deferred settlement	2,788	6,471	2,877	764	-
Contingent consideration	2,998	5,347	3,357	7,988	1,237
Total	**31,201**	**32,809**	**30,567**	**26,219**	**11,466**

Deferred and contingent purchase considerations

Purchase consideration for the acquisition of MM&A includes a deferred settlement of US$2,790,000 which is payable 18 months after completion. This was paid during the 2014 financial year. Cardno Limited also agreed to pay the selling shareholders of MM&A additional consideration of US$3,000,000 if the acquiree's EBITDA on a stand alone basis over the period 1 August 2012 to 31 July 2013 was US$6,400,000 or more. Further details for this additional consideration are set out in note 33(k).

Purchase consideration for the acquisition of EM-Assist includes a deferred settlement of US$1,250,000 which is payable 18 months after completion. This was paid during the 2014 financial year. Cardno Limited also agreed to pay the selling shareholders of EM-Assist additional consideration of US$1,500,000 if the acquiree's EBITDA on a stand alone basis over the period 1 July 2012 to 30 June 2013 was US$2,800,000 or more. This was achieved and paid during the year ended 30 June 2014.

Cardno Limited agreed to pay the selling shareholders of BTO additional consideration of NZ$527,898 if the acquiree's EBIT on a stand alone basis over the period 1 August 2012 to 31 July 2013 was NZ$1,125,000 or more. This was achieved and paid during the year ended 30 June 2014.

Cardno Limited agreed to pay the selling shareholders of Hard & Forester additional consideration of $830,000 if the acquiree's EBIT on a stand alone basis over the period 1 October 2012 to 30 September 2013 was $2,000,000. This was achieved and paid during the year ended 30 June 2014.

Purchase consideration for the acquisition of ChemRisk includes a deferred settlement of US$3,000,000 which is payable 18 months after completion in the year ending 30 June 2015. Cardno Limited also agreed to pay the selling shareholders of ChemRisk additional consideration of US$3,500,000 if the acquiree's EBITDA on a stand alone basis over the period 1 December 2012 to 30 November 2013 was US$6,100,000 or more. This was achieved and paid during the year ended 30 June 2014.

33. BUSINESS COMBINATIONS continued

(g) Purchase consideration continued

Purchase consideration for the acquisition of GMTS includes a deferred settlement of $763,660 which is payable 24 months after completion in the year ending 30 June 2015. Cardno Limited also agreed to pay the selling shareholders of GMTS additional consideration of $7,987,500 if the acquiree's EBIT on a stand alone basis over the period 1 February 2013 to 31 January 2014 was $7,130,000 or more. This was achieved and paid during the year ended 30 June 2014.

Purchase consideration for the acquisition of Caminosca includes a deferred settlement of US$1,000,000 which is payable 24 months after completion in the year ending 30 June 2015. Cardno Limited also agreed to pay the selling shareholders of Caminosca additional consideration of US$4,000,000 if the acquiree's EBIT on a stand alone basis over the period 1 December 2012 to 30 November 2013 was US$3,500,000 or more. This was achieved and partly paid in June 2014 with the outstanding amount being paid in July 2014.

Acquisition of ordinary shares in Cardno Limited

At the time of acquisition, the vendors of each acquiree were required to use a portion of the cash consideration paid to subscribe for ordinary shares in Cardno Limited. A summary of the number and fair value of ordinary shares issued in relation to each acquisition during 2013 is set out below:

2013	Shares subscribed in Cardno Limited ($)	Fair Value of Shares Issued ($)	Shares Issue Date
Marshall Miller & Associates Inc	2,121,433	7.53	4 July 2012
EM-Assist Inc	366,624	7.53	4 July 2012
Better Technical Options Ltd	593,299	8.28	27 August 2012
Hard & Forester Pty Ltd	1,964,030	7.83	6 November 2012
ChemRisk LLC	8,258,800	6.06	10 December 2012
Geotech Materials Testing Services Pty Ltd	4,303,086	6.91	20 February 2013

The Fair value of the ordinary shares issued for each acquisition was based on the 10 day volume weighted average price (VWAP).

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

2013	Americas & Software			Australia & New Zealand	
	MM&A	EM-Assist & Caminosca	ChemRisk	GMTS	Hard & Forester and BTO
	$'000	$'000	$'000	$'000	$'000
Cash	1,899	9,813	225	3,972	1,006
Receivables	5,191	7,759	7,969	5,123	2,259
Property, plant and equipment	2,004	1,101	769	2,299	1,118
Inventories	3,350	10,802	82	-	284
Deferred taxes	677	(1,336)	-	(577)	437
Intangible assets	961	3,159	1,754	2,749	-
Creditors & borrowings	(3,165)	(17,188)	(2,315)	(1,417)	(1,422)
Provisions	(542)	(5,742)	(230)	(3,668)	(1,640)
Fair value of net identifiable assets acquired	**10,375**	**8,368**	**8,254**	**8,481**	**2,042**

33. BUSINESS COMBINATIONS continued

(i) Goodwill arising on acquisition

2013	Americas & Software			Australia & New Zealand	
	MM&A	EM-Assist & Caminosca	ChemRisk	GMTS	Hard & Forester and BTO
	$'000	$'000	$'000	$'000	$'000
Consideration transferred	31,201	32,809	30,567	26,219	11,466
Less: fair value of net identifiable assets acquired	(10,375)	(8,369)	(8,254)	(8,481)	(2,042)
Goodwill arising on acquisition	**20,826**	**24,440**	**22,313**	**17,738**	**9,424**

The goodwill recognised in relation to the acquisitions is attributable to the skills and technical talent of the employees of the acquisition and the synergies expected to be achieved from integrating the businesses into the Group's existing operations. Goodwill is not expected to be deductible for tax.

(j) Net cash outflow on acquisition of subsidiaries

	2013 $'000
Cash consideration paid	98,435
Cash balance acquired	(16,915)
Outflow of cash	**81,520**

(k) Contingent purchase consideration – Marshall Miller & Associates Inc (MM&A)

As part of the terms of acquisition of MM&A, Cardno agreed to pay the selling shareholders of MM&A additional consideration of US$3,000,000 if the acquiree's normalised earnings before interest, tax, depreciation and amortisation (EBITDA) over the period 1 August 2012 to 31 July 2013 was US$6,400,000 or more. This amount was included in the measurement of the purchase consideration at the date of acquisition and recognised as a vendor liability based on estimates of the acquiree's financial performance over the earn-out period. Where the normalised EBITDA was between US$5,800,000 and US$6,400,000 the payment was to be pro-rated. The earn-out period expired in the year ended 30 June 2014. The earnout was not achieved due to normalised EBITDA being below the US$5,800,000 required to achieve a payout. The vendor liability has been reversed during the period and $3,453,000 recognised in other income (note 2B).

34. SEGMENT INFORMATION

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

> Professional Services Americas – *provides consulting engineering, planning, surveying, landscape architecture and environmental services.*

> Professional Services Australia and New Zealand – *provides consulting engineering, planning, surveying, landscape architecture, environmental services, electrical engineering and geotechnical services.*

> Emerging Markets – *manages aid projects on behalf of unilateral and multilateral government agencies and private clients.*

> Other Segments – *the Group's other operations include (i) professional consulting engineering services in the Middle East and (ii) the sale of software and related services globally. These segments do not meet the quantitative thresholds for reportable segments.*

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

34. SEGMENT INFORMATION continued

2014	Professional Services Australia & New Zealand $'000	Professional Services Americas $'000	Emerging Markets $'000	Other Segments $'000	Total $'000
Segment revenue					
Fees from services and sale of goods	338,736	522,025	104,426	11,556	976,743
Fees from recoverable expenses	53,872	176,897	112,033	190	342,992
Inter-segment revenue	-	(6,088)	(8,182)	-	(14,270)
External sales	392,608	692,834	208,277	11,746	1,305,465
Other revenue	218	1,842	1,014	80	3,154
Total segment revenue	392,826	694,676	209,291	11,826	1,308,619
Other Income	2,415	-	-	-	2,415
Segment result before financing costs	51,712	57,788	6,336	3,762	119,598
Segment assets	349,173	807,498	95,767	24,505	1,276,943
Segment liabilities	73,313	108,507	37,380	3,524	222,724
Other					
Acquisitions of non-current assets	7,334	144,107	1,420	97	152,958
Depreciation and amortisation of assets	11,296	14,640	484	73	26,493

2013*	Professional Services Australia & New Zealand $'000	Professional Services Americas $'000	Emerging Markets $'000	Other Segments $'000	Total $'000
Segment revenue					
Fees from services and sale of goods	358,734	438,957	80,666	11,089	889,446
Fees from recoverable expenses	52,787	160,139	93,388	(356)	305,958
Inter-segment revenue	-	(469)	(3,007)	-	(3,476)
External sales	411,521	598,627	171,047	10,733	1,191,928
Other revenue	359	486	1,144	14	2,003
Total segment revenue	411,880	599,113	172,191	10,747	1,193,931
Other Income	2,216	-	-	-	2,216
Segment result before financing costs	57,680	56,308	5,332	2,665	121,985
Segment assets	346,177	647,174	98,497	5,477	1,097,325
Segment liabilities	86,458	117,271	33,481	3,186	240,396
Other					
Acquisitions of non-current assets	38,500	78,276	495	-	117,271
Depreciation and amortisation of assets	10,660	12,486	432	82	23,660

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

34. SEGMENT INFORMATION continued

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

	2014 $'000	2013 $'000
Revenues		
Total revenue for reportable segments	1,308,619	1,193,931
Interest revenue	978	1,421
Consolidated revenue	**1,309,597**	**1,195,352**
Profit or loss		
Reportable segment result before net financing costs	119,598	122,480
Interest Revenue	978	1,421
Other income – contingent consideration	3,453	-
Finance costs	(8,465)	(7,611)
Other corporate (costs)/gains	(8,798)	(9,557)
Profit before tax	**106,766**	**106,733**
Income tax expense	(28,632)	(29,094)
Profit after tax	**78,134**	**77,639**
Assets		
Total assets for reportable segments	1,276,943	1,097,325
Other assets	20,484	26,705
Unallocated assets	20,288	10,211
Consolidated total assets	**1,317,715**	**1,134,241**
Liabilities		
Total liabilities for reportable segments	222,724	240,396
Bank loans unallocated	300,487	234,316
Other unallocated liabilities	30,988	27,004
Consolidated total liabilities	**554,199**	**501,716**

Geographical information

In presenting information on a geographical basis segment revenue from external customers and segment assets are attributed based on geographic locations of business unit.

	2014		2013	
	Revenues $'000	Total Non-Current Assets $'000	Revenues $'000	Total Non-Current Assets $'000
Australia & New Zealand	466,268	262,889	477,173	265,466
Americas	721,295	451,215	638,859	388,451
Asia Pacific	77,528	25,358	56,194	14,213
UK & Africa	43,528	73,407	21,705	19,385
Other segments	-	20,294	-	9,981
	1,308,619	**833,163**	**1,193,931**	**697,496**

35. VOLUNTARY CHANGE IN ACCOUNTING POLICY

As set out in note 1(b), the Group has elected to change the way it presents non-refundable R&D tax incentives.

The following table summarises the impacts of the Group's change in accounting policy in relation to R&D tax incentives, on the Group's consolidated statement of financial performance. There was no impact on the Group's statement of financial position, statement of comprehensive income, statement of changes in equity or statement of cash flows.

For the year ended 30 June 2013	**As previously reported**	**R&D tax incentive**	**As restated**
	$'000	**$'000**	**$'000**
Revenue	1,195,352		1,195,352
Other Income	-	2,711	2,711
Employee expenses	(564,788)		(564,788)
Consumables and materials used	(254,873)		(254,873)
Sub-consultant and contractor costs	(195,158)		(195,158)
Depreciation and amortisation expenses	(23,660)		(23,660)
Finance costs	(7,610)		(7,610)
Other expenses	(45,241)		(45,241)
Profit before income tax	104,022	2,711	106,733
Income tax expense	(26,383)	(2,711)	(29,094)
Profit after income tax	77,639	-	77,639
Basic earnings per share (cents per share)	55.09		55.09
Diluted earnings per share (cents per share)	53.43		53.43

For the year ended 30 June 2014	**R&D tax incentive**
	$'000
Revenue	2,415
Overall increase in profit before income tax	2,415
Income tax expense	(2,415)
Overall impact on total profit for the year	-

36. PARENT ENTITY DISCLOSURES

As at, and throughout, the financial year ending 30 June 2014 the parent Company of Cardno was Cardno Limited.

	Company	
	2014 $'000	**2013 $'000**
Results of the parent entity		
Profit for the year	39,191	37,142
Other comprehensive income	-	-
Total comprehensive income for the year	39,191	37,142
Financial position of the parent entity at year end		
Current assets	553,234	453,622
Total assets	862,344	690,532
Current liabilities	194,541	128,891
Total liabilities	194,541	128,891
Total equity of the parent entity comprising of:		
Share capital	623,875	500,374
Revaluation reserve	-	-
Retained earnings	43,928	61,267
Total equity	**667,803**	**561,641**
Parent entity contingencies		
Bank guarantees	2,107	2,070

A multiple guarantee facility is available to Cardno totalling $15 million (2013: $19 million). The facility is secured by an unlimited interlocking guarantee and indemnity.

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

Parent entity guarantees in respect of debts of its subsidiaries

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

Further details of the Deed of Cross Guarantee and the subsidiaries subject to the deed, are disclosed below in note 37.

37. DEED OF CROSS GUARANTEE

Pursuant to ASIC Class Order 98/1418 (as amended) dated 13 August 1998, the wholly-owned subsidiaries listed below are relieved from the Corporations Act 2001 requirements for preparation, audit and lodgement of financial reports, and Directors' reports.

It is a condition of the Class Order that the Company and each of the subsidiaries enter into a Deed of Cross Guarantee. The effect of the Deed is that the Company guarantees to each creditor payment in full for any debt in the event of winding up of any of the subsidiaries under certain provisions of the Corporations Act 2001. If a winding up occurs under other provisions of the Act, the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Company is wound up.

The subsidiaries subject to the Deed are:

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

A consolidated statement of comprehensive income and consolidated statement of financial position, comprising the Company and controlled entities which are a party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, for the year ended 30 June 2014 is set out as follows:

Statement of comprehensive income and retained earnings

	2014 $'000	2013 $'000
Revenue	**459,939**	**440,186**
Employee expenses	(202,840)	(208,113)
Consumables and materials used	(118,093)	(114,497)
Sub-consultant and contractor costs	(56,005)	(46,669)
Depreciation and amortisation expenses	(83)	(67)
Finance costs	(7,174)	(6,326)
Other expenses	2,620	3,864
Profit before income tax	78,364	68,378
Income tax expense	(17,868)	(14,601)
Net profit for the year	**60,496**	**53,777**
Other comprehensive income for the year	(1,113)	7,848
Total comprehensive income for the year	**59,383**	**61,625**
Retained earnings at the beginning of the year	92,270	89,259
Transfers to and from reserves	1,113	(7,848)
Dividends recognised during the year	(56,530)	(50,766)
Retained earnings at the end of the year	**96,236**	**92,270**
Attributable to:		
Owners of the Company	96,236	92,270

37. DEED OF CROSS GUARANTEE continued

Statement of financial position

	2014 $'000	2013 $'000
Current Assets		
Cash and cash equivalents	21,735	28,810
Trade and other receivables	953,055	808,636
Inventories	25,253	29,466
Other current assets	2,995	1,733
Total Current Assets	**1,003,038**	**868,645**
Non-Current Assets		
Trade and other receivables	-	-
Other financial assets	461,067	393,303
Property, plant and equipment	137	229
Deferred tax assets	11,414	11,545
Intangible assets	41,849	41,849
Other non-current assets	2,094	413
Total Non-Current Assets	**516,561**	**447,339**
Total Assets	**1,519,599**	**1,315,984**
Current Liabilities		
Trade and other payables	438,470	428,730
Interest-bearing loans and borrowings	303,081	234,442
Current tax liabilities	10,561	12,580
Short term provisions	13,911	14,508
Other current liabilities	12,174	10,494
Total Current Liabilities	**778,197**	**700,754**
Non-Current Liabilities		
Interest-bearing loans and borrowings	-	-
Deferred tax liabilities	5,643	5,864
Long term provisions	10,867	10,818
Other non-current liabilities	-	-
Total Non-Current Liabilities	**16,510**	**16,682**
Total Liabilities	**794,707**	**717,436**
Net Assets	**724,892**	**598,548**
Equity		
Issued capital	623,875	500,388
Reserves	4,781	5,890
Retained earnings	96,236	92,270
Total Equity	**724,892**	**598,548**

38. CONTROLLED ENTITIES

Cardno's significant subsidiaries are listed below.

Name	Country of Incorporation	Equity Holding 2014	Equity Holding 2013
Cardno Holdings Pty Ltd	Australia	100%	100%
Cardno (Qld) Pty Ltd	Australia	100%	100%
Cardno Staff Pty Ltd	Australia	100%	100%
Cardno Staff No. 2 Pty Ltd	Australia	100%	100%
Cardno Operations Pty Ltd	Australia	100%	100%
Cardno International Pty Ltd	Australia	100%	100%
Cardno (WA) Pty Ltd	Australia	100%	100%
Cardno CCS Pty Ltd	Australia	100%	100%
Cardno Lawson Treloar Pty Ltd	Australia	100%	100%
Cardno (NSW/ACT) Pty Ltd	Australia	100%	100%
Cardno Willing Pty Ltd	Australia	100%	100%
Cardno Victoria Pty Ltd	Australia	100%	100%
Cardno Emerging Markets (Australia) Pty Ltd	Australia	100%	100%
Cardno UK Limited	United Kingdom	100%	100%
Cardno Emerging Markets (UK) Limited	United Kingdom	100%	100%
Cardno Emerging Markets (East Africa) Limited	Kenya	100%	100%
Cardno NZ Limited	New Zealand	100%	100%
Cardno Holdings New Zealand Limited	New Zealand	100%	100%
Cardno USA, Inc.	United States of America	100%	100%
Cardno Emerging Markets (USA), Ltd	United States of America	100%	100%
Emerging Markets Group (EMG) s.a.	Belgium	100%	100%
Cardno WRG, Inc.	United States of America	100%	100%
Cardno TCB Limited	New Zealand	100%	100%
Cardno (NT) Pty Ltd	Australia	100%	100%
Cardno (PNG) Ltd	Papua New Guinea	100%	100%
XP Software Pty Ltd	Australia	100%	100%
XP Software Inc.	United States of America	100%	100%
Micro Drainage Limited	United Kingdom	100%	100%
Cardno Bowler Pty Ltd	Australia	100%	100%
TBE Group, Inc	United States of America	100%	100%
TBE Holdings, Inc	United States of America	100%	100%
Cardno ITC Pty Ltd	Australia	100%	100%
Cardno Australian Underground Services Pty Ltd	Australia	100%	100%
Environmental Resolutions, Inc	United States of America	100%	100%
ENTRIX Holding Company	United States of America	100%	100%
ENTRIX Inc	United States of America	100%	100%
ENTRIX Americas, SA	Ecuador	100%	100%
Cardno JF New, 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%

38 CONTROLLED ENTITIES continued

Name	Country of Incorporation	Equity Holding 2014	Equity Holding 2013
Cardno Humphrey Reynolds Perkins Pty Ltd	Australia	100%	100%
Cardno Humphrey Reynolds Perkins Jewell Pty Ltd	Australia	100%	100%
Cardno Humphrey Reynolds Perkins Gold Coast Pty Ltd	Australia	100%	100%
Cardno Humphrey Reynolds Perkins Sunshine Coast Pty Ltd	Australia	100%	100%
Cardno Chenoweth Environmental Planning & Landscape Architecture Pty Ltd	Australia	100%	100%
Cardno Lane Piper Pty Ltd	Australia	100%	100%
Moriedale Holdings Pty Ltd	Australia	100%	100%
Geotech Solutions Pty Limited	Australia	100%	100%
TEC, Inc	United States of America	100%	100%
ATC & Associates Inc	United States of America	100%	100%
Marshall Miller & Associates, Inc	United States of America	100%	100%
EMAssist LLC	United States of America	100%	100%
Better Technical Options Limited	New Zealand	100%	100%
Hard & Forester Pty Ltd	Australia	100%	100%
ChemRisk LLC	United States of America	100%	100%
Caminosca S.A.	Ecuador	100%	100%
Geotech Materials Testing Services Pty Ltd	Australia	100%	100%
Cardno Haynes Whaley Inc	United States of America	100%	-
Cardno South Africa (Pty) Ltd	South Africa	100%	-
PPI, LLC	United States of America	100%	-
PPI Engineering & Construction Services, LLC	United States of America	100%	-
PPI Quality & Asset Management, LLC	United States of America	100%	-
PPI Technology Services, LLC	United States of America	100%	-
PPI Australia Pty Ltd	Australia	100%	-
PPI QAM (Singapore) Pty Ltd	Singapore	100%	-
PPI Malaysia	Malaysia	100%	-
PPI Angola	Angola	100%	-
PPI Libya	Libya	100%	-
PPI Technology Services Nigeria Limited	Nigeria	100%	-
I.T. Transport Limited	United Kingdom	100%	-

Directors’ Declaration

CARDNO LIMITED AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2014

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

(a) the consolidated financial statements and notes set out on pages 64 to 109 and the Remuneration Report in section 11 of the Directors’ Report, set out on pages 49 to 60, 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 2014 and of its performance for the financial year ended on that date; and

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

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. There are reasonable grounds to believe that the Company and Cardno entities identified in note 38 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those Group entities pursuant to ASIC Class Order 98/1418.

3. The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2014.

4. The Directors draw attention to note 1(a) to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Dated at Sydney on the 18th day of August 2014.

Signed in accordance with a resolution of the Directors.

JOHN MARLAY

Chairman

Independent auditor's report to the members of Cardno Limited

Report on the financial report

We have audited the accompanying financial report of Cardno Limited (the company), which comprises the consolidated statement of financial position as at 30 June 2014, and consolidated statement of financial performance, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 38 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 1(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

Auditor's responsibility

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

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

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

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

Independent Auditor's Report continued

KPMG

Independence

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

Auditor's opinion

In our opinion:

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

(i) giving a true and fair view of the Group's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

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

(b) The financial report also complies with International Financial Reporting Standards as disclosed in note 1(a).

Report on the Remuneration Report

We have audited the Remuneration Report included in section 11 of the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the Remuneration Report of Cardno Limited for the year ended 30 June 2014 complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Robert S Jones

Robert S Jones
Partner

Brisbane
18 August 2014

Additional Shareholder Information

CARDNO LIMITED AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2014

DISTRIBUTION OF ORDINARY SHAREHOLDERS

The number of shareholders, by size of holding, as at 13 August 2014 were:

	Ordinary Shares	
	Number of Holders	**Number of Shares**
1 – 1,000	8,643	2,721,243
1,001 – 5,000	4,431	11,079,178
5,001 – 10,000	1,180	8,509,194
10,001 – 100,000	1,075	26,063,463
100,001 – and over	109	114,893,895
Total	**15,438**	**163,266,973**

As at 13 August 2014 there were 2,024 shareholders who held less than a marketable parcel of 84 shares.

TWENTY LARGEST ORDINARY SHAREHOLDERS

The names of the twenty largest holders as at 13 August 2014 were:

	Listed Ordinary Shares	
	Number Held	**Percentage**
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	27,931,062	17.11%
J P MORGAN NOMINEES AUSTRALIA LIMITED	22,762,450	13.94%
NATIONAL NOMINEES LIMITED	14,687,459	9.0%
CITICORP NOMINEES PTY LIMITED	8,649,197	5.30%
BNP PARIBAS NOMS PTY LTD <DRP>	4,402,354	2.70%
ANDREW BUCKLEY	2,543,623	1.56%
TREVOR JOHNSON	1,649,964	1.01%
PAT BEYER	1,643,643	1.01%
HALJAN MANAGEMENT LP	1,523,123	0.93%
BRAMS HOLDING LP	1,523,123	0.93%
LAGOMAR VENTURES LP	1,523,123	0.93%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	1,374,545	0.84%
MILTON CORPORATION LIMITED	1,204,699	0.74%
MR STEPHEN GRANT PEDERICK + MS DENISE ANNE PEDERICK <THE PEDERICK FAMILY A/C>	906,008	0.55%
TAMBLYN INVESTMENTS PTY LTD	840,000	0.51%
PAUL GARDINER	821,682	0.50%
ANNE FELICITY PHILLIPS	780,000	0.48%
ROGER COLLINS-WOOLCOCK	761,122	0.47%
MR MALCOLM DAVID POUND	738,284	0.45%
CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	629,990	0.39%
TOTAL	**96,895,451**	**59.35%**

Additional Shareholder Information

CARDNO LIMITED AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2014

SUBSTANTIAL SHAREHOLDERS

There are currently no shareholders who have notified the company as being substantial shareholders in accordance with section 671B of the Corporations Act 2001.

VOTING RIGHTS

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

ESCROWED SHARES

There are currently 6,957,124 ordinary shares held in escrow. This is approximately 4.26 per cent of the company's issued share capital. The details are as follows:-

> In accordance with the Share Sale Agreement between Cardno Limited and the shareholders of Geotech Material Testing Services Pty Ltd completed on 20 February 2013, ordinary shares issued as part of the purchase price are escrowed for a period of 18 months to 26 August 2014. This agreement affects 622,544 shares, being approximately 0.38 per cent of the company's issued share capital.

> In accordance with the Share Sale Agreement between Cardno Limited and the shareholders of Better Technical Options completed on 27 August 2012, ordinary shares issued on 1 October 2013 as part of the purchase price are escrowed for a period of 18 months to 1 April 2015. This agreement affects 18,580 shares, being approximately 0.01 per cent of the company's issued share capital.

> In accordance with the Share Sale Agreement between Cardno Limited and the shareholders of Haynes Whaley Associates completed on 9 October 2013, ordinary shares issued as part of the purchase price are escrowed for a period of 18 months to 9 April 2015. This agreement affects 550,546 shares, being approximately 0.34 per cent of the company's issued share capital.

> In accordance with the Share Sale Agreement between Cardno Limited and the shareholders of the PPI Group completed on 14 March 2014, ordinary shares issued as part of the purchase price are escrowed for a period of 18 months to 14 September 2015. This agreement affects 5,403,873 shares, being approximately 3.31 per cent of the company's issued share capital.

> In accordance with the Share Sale Agreement between Cardno Limited and the shareholders of the IT Transport Limited completed on 14 April 2014, ordinary shares issued as part of the purchase price are escrowed for a period of 18 months to 14 October 2015. This agreement affects 78,117 shares, being approximately 0.05 per cent of the company's issued share capital.

> In accordance with the Share Sale Agreement between Cardno Limited and the shareholders of Geotech Material Testing Services Pty Ltd completed on 20 February 2013, ordinary shares issued on 1 May 2014 as part of the purchase price are escrowed for a period of 18 months to 1 November 2015. This agreement affects 283,464 shares, being approximately 0.17 per cent of the company's issued share capital.

Additional Shareholder Information

CARDNO LIMITED AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2014

OPTIONS

As at 13 August 2014 the details of Performance Options on issue are as follows:

Number of Option Holders	Number of Options on Issue
420	3,633,731

VOTING RIGHTS OF OPTIONS

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

RIGHTS

As at 13 August 2014 the details of Performance Rights on issue are as follows:

Number of Rights Holders	Number of Rights on Issue
865	4,134,804

VOTING RIGHTS OF RIGHTS

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

CORPORATE DIRECTORY

Board of Directors

Chairman
John Marlay

Managing Director & Chief Executive Officer
Michael Renshaw

Directors
Anthony Barnes
Tonianne Dwyer
Elizabeth Fessenden
Trevor Johnson
Ian Johnston
Grant Murdoch

Chief Financial Officer
Graham Yerbury

Company Secretary
Michael Pearson

Registered office

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Bankers

HSBC Bank Australia Limited

Commonwealth Bank of Australia

Westpac Banking Corporation

Standard Chartered Bank

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COASTAL AND OCEAN
ENVIRONMENT
EMERGING MARKETS
MANAGEMENT SERVICES
MINING AND ENERGY
TRANSPORTATION
WATER
DEFENCE

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