

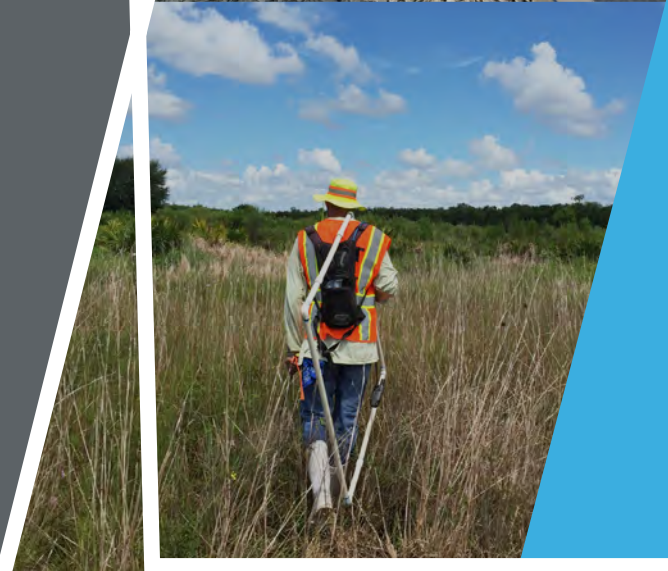
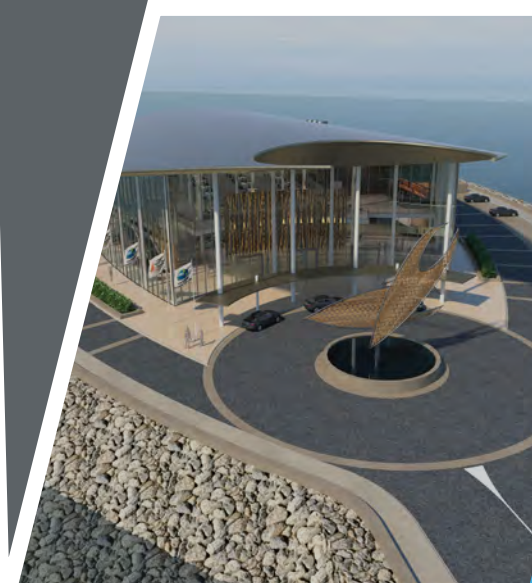


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INTERIM FINANCIAL REPORT

for the half-year ended
31 December 2017

Cardno Limited
ABN 70 108 112 303
and its controlled entities



Financial Report

for the half-year ended 31 December 2017

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Directors' Report

The directors present their report together with the consolidated financial report of Cardno Limited ("the Company") and its controlled entities for the half-year ended 31 December 2017 and the auditor's review report thereon.

DIRECTORS

The directors of the Company in office during or since the end of the half-year ended 31 December 2017 are set out below:

Michael Alscher	Non-Executive Director, Chairman
Neville Buch	Executive Director and acting Chief Executive Officer
Steven Sherman	Non-Executive Director
Jeffrey Forbes	Non-Executive Director
Gary Jandegian	Non-Executive Director
Robert Prieto	Non-Executive Director
Nathanial Thomson	Non-Executive Director

All directors held office during and since the end of the half-year unless otherwise indicated.

COMPANY SECRETARIES

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

Directors' Report (continued)

REVIEW OF RESULTS

PERFORMANCE (\$'m)	H1 2018	H1 2017
Gross Revenue	543.4	575.7
Fee Revenue	346.3	391.4
Underlying EBITDA ¹	30.2	23.2
Underlying NOPAT ²	13.9	10.2
Net Profit / (Loss) before Tax	17.0	(33.7)
Net Profit / (Loss) after Tax	(21.9)	6.5
Operating Cash Flow	31.6	(9.9)
EPS - basic (cents)	(4.62)	1.37
NOPAT EPS - basic (cents)	2.93	2.13

¹ EBITDA = EBIT plus underlying adjustments, depreciation and amortisation and impairment losses

² NOPAT = NPAT plus underlying adjustments and tax effected impairment losses

EBITDA and EBIT are unaudited. However, they are based on amounts extracted from the reviewed financial statements as reported in the consolidated interim statement of financial performance on page 9. These metrics provide a measure of Cardno's performance before the impact of non-cash expense items, such as depreciation and amortisation and impairment losses, as well as interest costs associated with Cardno's external debt facility and hire purchase arrangements.

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

Cash Flow

The company recorded a net operating cash inflow for the half of \$31.6 million (outflow \$9.9 million prior comparative period (PCP)). This is primarily driven by the improved operating result, strong debtors collection and timing of creditor payments over the end of each reporting period.

During the half, the company paid down the company's debt facilities by a further \$17.0 million. The company is now in a positive net debt (cash on hand less debt) position of \$3.5 million at the end of 31 December 2017 (negative net debt of \$15.3 million at 30 June 2017).

SEGMENT OVERVIEW

Asia Pacific (APAC)

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

The APAC business revenue for the half was \$131.5 million, a decrease on the PCP of 7.5%, as work on three major projects completed and is yet to be replaced. Underlying EBITDA for the division is also down on PCP.

The business continues to invest significantly in major projects expertise to assist long term growth in backlog and revenues.

Americas

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

The Americas business revenue is down on PCP by 10.4% reflecting delays in starts to a number of key projects, while underlying EBITDA is up on PCP by 122.6% driven by a series of initiatives that reduced non client facing management and labour, fringe costs (insurance and health), overhead and occupancy costs.

Directors' Report (*continued*)

SEGMENT OVERVIEW CONTINUED

International Development (ID)

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

ID revenues is up on PCP by 1.7% and underlying EBITDA up on PCP by 411.8% on the back of improving EBITDA margins and some key project wins commencing during the year.

Other

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

Portfolio businesses underlying EBITDA is up on PCP by 149.2% on the back of strong performance from the Construction Sciences business during the first half of the year and improving financial performance from our Oil & Gas business. Our Latin America business continues to operate in challenging market conditions.

Directors' Report (continued)

REVIEW OF RESULTS

\$'000	Statutory ¹		Underlying Adjustments ²		Underlying ¹	
	Half-year ended		Half-year ended		Half-year ended	
	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16
Asia Pacific	131,460	142,066	-	-	131,460	142,066
Americas	186,193	207,733	-	-	186,193	207,733
ID	146,759	144,284	-	-	146,759	144,284
Portfolio	78,943	81,634	-	-	78,943	81,634
Gross Revenue	543,355	575,717	-	-	543,355	575,717
Asia Pacific	12,014	13,899	-	2,595	12,014	16,494
Americas	6,783	(14,097)	-	17,144	6,783	3,047
ID	3,429	(830)	-	1,500	3,429	670
Portfolio	9,057	(10,852)	(1,667)	13,817	7,390	2,965
	31,283	(11,880)	(1,667)	35,056	29,616	23,176
Corporate	(4,411)	(3,426)	4,976	3,481	565	55
Continuing Operations EBITDA	26,872	(15,306)	3,309	38,537	30,181	23,231
Depreciation and amortisation expenses	(8,144)	(12,804)	1,383	3,796	(6,761)	(9,008)
EBIT	18,728	(28,110)	4,692	42,333	23,420	14,223
Finance costs	(1,710)	(5,586)	-	1,179	(1,710)	(4,407)
Profit/(loss) from continuing operations before income tax	17,018	(33,696)	4,692	43,512	21,710	9,816
Income tax (expense)/benefit	(38,951)	12,630	31,166	(12,215)	(7,785)	415
Profit/(Loss) Before Gain on sale of Discontinued Operations	(21,933)	(21,066)	35,858	31,297	13,925	10,231
Discontinued operations, net of tax	-	27,612	-	(27,612)	-	-
Profit/(loss) after income tax	(21,933)	6,546	35,858	3,685	13,925	10,231
Attributable to:						
Ordinary Equity holders	(21,933)	6,546	35,858	3,685	13,925	10,231

1. The use of the term 'Statutory' refers to IFRS financial information and 'Underlying' refers to non-IFRS financial information. Underlying earnings are categorised as non-IFRS financial information and therefore have been presented in compliance with ASIC Regulatory Guide 230 – Disclosing non-IFRS information. Underlying adjustments have been considered in relation to their size and nature and have been adjusted from the Statutory information, for disclosure purposes, to assist readers to better understand the financial performance of the underlying business in each reporting period. These adjustments include transactions or costs that on their own or in combination with a number of similar transactions contribute to more than five percent of profit/(loss) after tax. Underlying adjustments are assessed on a consistent basis year-on-year and include both favourable and unfavourable items.
The exclusion of these items provides a result which, in the Directors' view, more closely reflects the ongoing operations of the Group.
2. Details of adjustments from Statutory to Underlying financial information are set out on page 6.
3. EBITDA represents earnings before interest, income tax, and depreciation and amortisation.
4. EBIT represents earnings before interest and income tax.
5. EBITDA and EBIT are unaudited. However, they are based on amounts extracted from the reviewed financial statements as reported in the consolidated interim statement of financial performance on page 9. 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.
6. Income tax (expense)/benefit refer to note 6 in the accompanying financial statements.

Directors' Report (continued)

REVIEW OF RESULTS CONTINUED

	Note	Half-year ended	
		31-Dec-17 \$'000	31-Dec-16 \$'000
Underlying Profit/(Loss) From Continuing and Discontinued Operations After Income Tax (Attributable to Ordinary Equity Holders)		13,925	10,231
Underlying Adjustments to EBITDA:			
Redundancy costs associated with restructuring	1	-	6,701
Onerous lease provision and other costs associated with office rationalisation and consolidation	2	-	10,831
Business review costs	3	3,309	11,509
Debtor provision	4	-	7,996
Indirect tax – in dispute	5	-	1,500
Total Underlying Adjustments to EBITDA		3,309	38,537
Underlying Adjustments to Depreciation:			
Accelerated depreciation on software assets	6	1,383	3,796
Total Underlying Adjustments to Depreciation		1,383	3,796
Underlying Adjustments to Finance Costs:			
Provision for interest and penalties – tax related	7	-	1,179
Total Underlying Adjustments to Finance Costs		-	1,179
Underlying Adjustments to Income Tax:			
Provision for taxes – in dispute	7	-	2,554
Change in US federal corporate income tax rate	8	32,937	-
Tax effect of underlying adjustments		(1,771)	(14,769)
Total Underlying Adjustments to Income Tax		31,166	(12,215)
Result and Gain on sale of XP Solutions	9	-	(30,612)
Result and Loss on sale of Mining business	9	-	2,124
Result and Loss on sale of ECS	9	-	876
Total Discontinued Operations		-	(27,612)
Statutory Profit / (Loss) After Income Tax (Attributable to Ordinary Equity Holders)		(21,933)	6,546

1. Termination and redundancy costs associated with the group restructure.

2. Onerous lease provisions and other costs associated with the group wide office rationalisation and consolidation project.

3. Current period relates to:

- (i) the reversals of litigation and provisions for the closure of the Nigerian business taken up in the prior financial year no longer required, and
- (ii) provisions associated with business operations in Latin America.

Prior period costs are associated with the closure of developmental drones business and balance sheet provisions related to the Petroleum and Gas business, multi-year projects and work in progress.

4. Specific debtor now viewed as uncollectable due to country specific conditions.

5. Indirect tax provision currently in dispute.

6. Accelerated depreciation on software assets following a review of group systems.

7. Income tax expense, penalties and interest provided for where previously considered to be exempt currently in dispute.

8. Impact resulting from the passing of the Tax Cuts and Jobs Act by the United States government, specifically the reduction in the US federal corporate income tax rate from 35% to 21%.

9. Result and subsequent gain or loss on disposal of discontinued operations including XP Solutions, Mining and ECS sold in the prior financial year.

Directors' Report (*continued*)

DIVIDENDS

There was no interim dividend declared for the half-year ended 31 December 2017 (2016: nil).

SUBSEQUENT EVENTS

There has not arisen in the interval between the end of the half-year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future years.

LEAD AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration under Section 307C of the Corporations Act 2001 is set out on page 8 and forms part of the directors' report for the half-year ended 31 December 2017.

ROUNDING OF AMOUNTS

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

Signed in accordance with a resolution of Directors.

On behalf of the Directors

A handwritten signature in black ink, appearing to read 'M Alscher', with a long horizontal flourish extending to the right.

MICHAEL ALSCHER
Chairman

19 February 2018



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

To the Directors of Cardno Limited

I declare that, to the best of my knowledge and belief, in relation to the review of Cardno Limited for the half-year ended 31 December 2017 there have been:

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

KPMG

Simon Crane
Partner

Brisbane
19 February 2018

Consolidated Interim Statement of Financial Performance

Cardno Limited and its Controlled Entities for the half-year ended 31 December 2017

	Note	31-Dec-17 \$'000	31-Dec-16 \$'000
Revenue from continuing operations	3A	543,355	575,717
Other Income	3B	1,001	2,178
Employee expenses		(255,569)	(273,475)
Consumables and materials used	5	(159,602)	(193,362)
Sub-consultant and contractor costs		(84,791)	(101,615)
Depreciation and amortisation expenses		(8,144)	(12,804)
Net Financing costs	4	(1,710)	(5,586)
Other expenses	5	(17,522)	(24,749)
Profit/(loss) before income tax		17,018	(33,696)
Income tax (expense)/benefit	6	(38,951)	12,630
Loss for the period from continuing operations		(21,933)	(21,066)
Profit for the period from discontinued operations, net of tax		-	27,612
Profit/(loss) for the period		(21,933)	6,546
Profit/(loss) attributable to:			
Owners of the Company		(21,933)	6,546
		(21,933)	6,546
Earnings per share			
Basic earnings per share (cents per share)	12	(4.62)	1.37
Diluted earnings per share (cents per share)	12	(4.62)	1.36
Earnings per share – continuing operations			
Basic earnings per share (cents per share)	12	(4.62)	(4.39)
Diluted earnings per share (cents per share)	12	(4.62)	(4.39)

Consolidated Interim Statement of Comprehensive Income

Cardno Limited and its Controlled Entities for the half-year ended 31 December 2017

	31-Dec-17 \$'000	31-Dec-16 \$'000
Profit / (loss) for the period	(21,933)	6,546
Other comprehensive income		
Items that may be subsequently reclassified to profit or loss:		
Exchange differences on translation of foreign operations	(3,943)	6,024
Reclassification of exchange differences on disposal of subsidiary	-	1,793
Other comprehensive income for the period, net of tax	(3,943)	7,817
Total comprehensive income for the period	(25,876)	14,363
Total comprehensive income attributable to:		
Owners of the Company	(25,876)	14,363
	(25,876)	14,363

Consolidated Interim Statement of Financial Position

Cardno Limited and its Controlled Entities as at 31 December 2017

	Note	31-Dec-17 \$'000	30-Jun-17 \$'000
CURRENT ASSETS			
Cash and cash equivalents		83,764	80,028
Trade and other receivables		196,898	218,749
Work in progress		71,832	96,882
Other current assets		16,522	13,696
Current tax receivable		2,447	-
TOTAL CURRENT ASSETS		371,463	409,355
NON-CURRENT ASSETS			
Other financial assets		1,304	1,323
Property, plant and equipment		37,820	35,593
Deferred tax assets		106,480	142,127
Intangible assets		296,443	295,873
TOTAL NON-CURRENT ASSETS		442,047	474,916
TOTAL ASSETS		813,510	884,271
CURRENT LIABILITIES			
Trade and other payables		125,705	144,327
Loans and borrowings	7	1,034	615
Current tax liabilities		-	3,614
Employee benefits		30,006	31,758
Provisions	8	4,176	4,857
Other current liabilities		42,608	46,888
TOTAL CURRENT LIABILITIES		203,529	232,059
NON-CURRENT LIABILITIES			
Loans and borrowings	7	79,229	94,708
Deferred tax liabilities		448	290
Employee benefits		4,919	4,937
Other non-current liabilities		5,709	7,000
TOTAL NON-CURRENT LIABILITIES		90,305	106,935
TOTAL LIABILITIES		293,834	338,994
NET ASSETS		519,676	545,277
EQUITY			
Issued capital	9	815,838	815,563
Reserves		57,794	61,737
Retained earnings / (losses)		(353,956)	(332,023)
TOTAL EQUITY		519,676	545,277

Consolidated Interim Statement of Changes in Equity

Cardno Limited and its Controlled Entities for the half-year ended 31 December 2017

	Note	Share Capital Ordinary \$'000	Retained Earnings /(losses) \$'000	Foreign Translation Reserve \$'000	Reserve for Own Shares \$'000	Total \$'000
BALANCE AT 1 JULY 2016		820,374	(340,602)	91,936	(14,611)	557,097
Profit/(Loss) for the period		-	6,546	-	-	6,546
Exchange differences on translation of foreign operations		-	-	6,024	-	6,024
Reclassification of foreign currency differences on disposal of subsidiary		-	-	1,793	-	1,793
Total comprehensive income for the period		-	6,546	7,817	-	14,363
Transactions with owners in their capacity as owners:						
Shares issued		23	-	-	-	23
Employee share based payments		555	-	-	-	555
		578	-	-	-	578
BALANCE AT 31 DECEMBER 2016		820,952	(334,056)	99,753	(14,611)	572,038
BALANCE AT 1 JULY 2017		815,563	(332,023)	76,348	(14,611)	545,277
Profit/(Loss) for the period		-	(21,933)	-	-	(21,933)
Exchange differences on translation of foreign operations		-	-	(3,943)	-	(3,943)
Total comprehensive income for the period		-	(21,933)	(3,943)	-	(25,876)
Transactions with owners in their capacity as owners:						
Employee share based payments	9	1,149	-	-	-	1,149
Share buy-back (net of income tax)	9	(874)	-	-	-	(874)
		275	-	-	-	275
BALANCE AT 31 DECEMBER 2017		815,838	(353,956)	72,405	(14,611)	519,676

Consolidated Interim Statement of Cash Flows

Cardno Limited and its Controlled Entities for the half-year ended 31 December 2017

	Note	31-Dec-17 \$'000	31-Dec-16 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		576,931	613,949
Interest received		432	511
Finance costs paid		(1,970)	(4,095)
Cash paid to suppliers and employees		(543,237)	(616,621)
Income tax refund received / (paid)		(584)	(3,657)
NET CASH PROVIDED BY / (USED IN) OPERATING ACTIVITIES		31,572	(9,913)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of subsidiaries net of cash acquired	2	(2,430)	(1,429)
Proceeds on disposal of subsidiaries		-	57,290
Payments for intangible assets		-	-
Proceeds from sale of property, plant and equipment		175	485
Payments for property, plant and equipment		(6,534)	(4,877)
NET CASH PROVIDED BY / (USED IN) INVESTING ACTIVITIES		(8,789)	51,469
CASH FLOWS FROM FINANCING ACTIVITIES			
Share buy-back		(874)	-
Proceeds from borrowings		-	28,494
Repayment of borrowings		(17,000)	(93,719)
Finance lease payments		(841)	(1,498)
NET CASH USED IN FINANCING ACTIVITIES		(18,715)	(66,723)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS HELD		4,068	(25,167)
CASH AND CASH EQUIVALENTS AT 1 JULY		80,028	105,613
Reclassification of cash included in disposal group held for sale		-	(770)
Effects of exchange rate changes on cash and cash equivalents at the end of period		(332)	(450)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		83,764	79,226

Notes to the Consolidated Interim Financial Statements

Cardno Limited and its Controlled Entities for the half-year ended 31 December 2017

1. SEGMENT INFORMATION

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

- > **Asia Pacific Engineering and Environmental** – provides services in civil, structural, water, environmental, coastal, bridge, geotechnical, subsurface utility, traffic and transport engineering as well as environmental science, surveying, landscape architecture, planning and asset management.
- > **Americas Engineering and Environmental** – delivers expertise to private and public sector clients across the environmental, water, transportation, energy and resources, land, buildings and management services sectors.
- > **International Development (ID)** – the ID business designs and implements large-scale sustainable solutions for both development assistance agencies and private clients.
- > **Other** – includes Portfolio Companies including Construction Sciences (materials testing), LATAM (engineering, consulting operations in Latin America) and PPI (quality testing and services to the Oil and Gas sector) and Group Head Office.

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

Reconciliations of reportable segment revenues and profit or loss

31-Dec-2017	Asia Pacific Engineering & Environmental \$'000	Americas Engineering & Environmental \$'000	ID \$'000	Other \$'000	Total \$'000
SEGMENT REVENUE – Continuing Operations					
Fees from consulting services	110,981	128,025	34,018	73,316	346,340
Fees from recoverable expenses	20,390	57,834	112,721	4,150	195,095
Inter-segment revenue					-
Segment Revenue	131,371	185,859	146,739	77,466	541,435
Other revenue	89	334	20	1,477	1,920
Total Segment Revenue	131,460	186,193	146,759	78,943	543,355
Inter-segment elimination					-
Total Revenue from continuing operations					543,355
Segment Result	12,014	6,783	3,429	7,955	30,181
Business review costs	-	-	-	(3,309)	(3,309)
Depreciation and amortisation expense	(1,434)	(1,498)	(160)	(5,052)	(8,144)
Profit from continuing operations before interest and income tax	10,580	5,285	3,269	(406)	18,728
Finance costs and interest income					(1,710)
Profit from continuing operations before income tax					17,018
Income tax expense					(38,951)
Loss from continuing operations after income tax					(21,933)
Net profit/(loss) from discontinued operations after income tax					-
Loss from continuing and discontinuing operations after income tax					(21,933)

Notes to the Consolidated Interim Financial Statements

Cardno Limited and its Controlled Entities for the half-year ended 31 December 2017

1. SEGMENT INFORMATION CONTINUED

31-Dec-2016	Asia Pacific Engineering & Environmental \$'000	Americas Engineering & Environmental \$'000	ID \$'000	Other \$'000	Total \$'000
SEGMENT REVENUE – Continuing Operations					
Fees from consulting services	117,897	154,359	53,292	65,807	391,355
Fees from recoverable expenses	23,031	52,587	90,986	15,268	181,872
Inter-segment revenue	-	-	-	6,695	6,695
Segment Revenue	140,928	206,946	144,278	87,770	579,922
Other revenue	1,138	787	6	559	2,490
Total Segment Revenue	142,066	207,733	144,284	88,329	582,412
Inter-segment elimination					(6,695)
Total Revenue from continuing operations					575,717
Segment Result	16,494	3,047	670	3,020	23,231
Redundancy costs	-	-	-	(6,701)	(6,701)
Office consolidation	(2,495)	(8,336)	-	-	(10,831)
Business review costs	(100)	(8,808)	-	(2,601)	(11,509)
Angola debt	-	-	-	(7,996)	(7,996)
Indirect tax in dispute	-	-	(1,500)	-	(1,500)
Depreciation and amortisation expense	(1,377)	(2,006)	(191)	(9,230)	(12,804)
Profit/(loss) from continuing operations before interest and income tax	12,522	(16,103)	(1,021)	(23,508)	(28,110)
Finance costs and interest income					(5,586)
Loss from continuing operations before income tax					(33,696)
Income tax benefit					12,630
Loss from continuing operations after income tax					(21,066)
Net profit from discontinued operations after income tax					27,612
Profit from continuing and discontinuing operations after income tax					6,546

2. BUSINESS COMBINATIONS

On 1 November 2017, the Group acquired Network Geotechnics. Network Geotechnics is an eighty person New South Wales business based in offices located in Sydney, Wollongong, and the NSW Central Coast, with site laboratories at several locations on the Pacific Highway. This acquisition will strengthen Construction Sciences as a major provider of Construction Materials Testing, Geotechnical Engineering, and Environmental Consultancy services.

This acquisition is not considered to be material to the Group.

Notes to the Consolidated Interim Financial Statements

Cardno Limited and its Controlled Entities for the half-year ended 31 December 2017

3. (A) REVENUE FROM CONTINUING OPERATIONS

	31-Dec-17 \$'000	31-Dec-16 \$'000
Fees from consulting services	346,340	391,355
Fees from recoverable expenses	195,095	181,872
Other	1,920	2,490
Revenue	543,355	575,717

3. (B) OTHER INCOME

	31-Dec-17 \$'000	31-Dec-16 \$'000
Non-refundable R&D tax incentives	863	1,995
Gain on disposal of property, plant and equipment	138	183
Other Income	1,001	2,178

4. NET FINANCING COSTS

	31-Dec-17 \$'000	31-Dec-16 \$'000
Interest paid	1,580	5,063
Amortisation of borrowing costs	562	1,034
Interest received	(432)	(511)
Net Financing Costs	1,710	5,586

5. EXPENSES

	31-Dec-17 \$'000	31-Dec-16 \$'000
Bad and doubtful debts	1,152	11,494
Rental expense relating to operating leases	17,349	25,855

6. INCOME TAX EXPENSE

Income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year applied to the pre-tax income of the interim period. The Group's consolidated effective tax rate from continuing operations for the half-year ended 31 December 2017 was 228.9% (half-year to 31 December 2016: 37.5%).

Included in income tax expense for the half-year ended 31 December 2017 is the impact resulting from the passing of the Tax Cuts and Jobs Act by the United States government (\$32.9m). Specifically the reduction in the US federal corporate income tax rate from 35% to 21% reduces the Group's deferred tax assets, and this has been reflected in a reduction to deferred tax assets and associated charge to income tax expense. Excluding the impact of this one-off adjustment, the Group's consolidated effective tax rate from continuing operations for the half-year ended 31 December 2017 was 35.3%.

Notes to the Consolidated Interim Financial Statements

Cardno Limited and its Controlled Entities for the half-year ended 31 December 2017

7. LOANS & BORROWINGS

	31-Dec-17 \$'000	30-Jun-17 \$'000
CURRENT		
Lease and hire purchase liabilities	1,034	615
Bank loans	-	-
	1,034	615
NON-CURRENT		
Lease and hire purchase liabilities	2,153	725
Bank loans*	77,076	93,983
	79,229	94,708
TOTAL CURRENT & NON-CURRENT LOANS & BORROWINGS	80,263	95,323

* As at 31 December 2017, Cardno has bank loans and long term notes totalling \$77.1 million (June 2017: \$94.0 million) with a weighted average interest rate of 2.95% (June 2017 2.97%). Funding available to Cardno from undrawn facilities is \$39.3 million as at 31 December 2017 (June 2017: \$23.7 million).

8. PROVISIONS

	31-Dec-17 \$'000	30-Jun-17 \$'000
Provision for legal claims	4,176	4,857
	4,176	4,857

The Group makes provision for legal claims not covered by the Group's professional indemnity policy and as at 31 December 2017 an estimate of the potential impact of these claims have been provided for.

9. ISSUED CAPITAL

	Half-year ended 31-Dec-17		Year ended 30-Jun-17	
	No. of shares	\$'000	No. of shares	\$'000
Balance at the beginning of the period	474,955,277	815,563	479,040,905	820,374
Shares issued during the period:				
> Shares issued for cash (net of transaction costs)	-	-	549,024	9
> Employee share based payments	-	1,149	-	850
> Share buy-back (i)	(638,232)	(874)	(4,634,652)	(5,670)
Balance at the end of the period	474,317,045	815,838	474,955,277	815,563

(i) As part of the capital management program, on 28 February 2017 the Group announced the implementation of an on-market buyback commencing 15 March 2017. A total of 5,272,884 ordinary shares were bought back at an average rate of \$1.24 per share (being the average price of shares bought back since commencement of the buyback in March).

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

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

Notes to the Consolidated Interim Financial Statements

Cardno Limited and its Controlled Entities for the half-year ended 31 December 2017

10. CONTINGENT LIABILITIES

Matters Relating to Cardno Caminosca S.A (“Caminosca”)

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

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

Other Matters

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

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

11. SUBSEQUENT EVENTS

There has not arisen in the interval between the end of the half-year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future years.

Notes to the Consolidated Interim Financial Statements

Cardno Limited and its Controlled Entities for the half-year ended 31 December 2017

12. EARNINGS PER SHARE

	31-Dec-17 \$'000	31-Dec-16 \$'000
(a) Basic earnings per share		
Profit/(loss) attributable to ordinary shareholders	(21,933)	6,546
Profit attributable to ordinary shareholders - continuing operations	(21,933)	(21,066)
Weighted average number of ordinary shares	No.	No.
Issued ordinary shares at 1 July	474,955,277	479,040,905
Effect of shares issued	-	346,124
Effect of share buy-back	(148,185)	-
Weighted average number of ordinary shares at 31 December	474,807,092	479,387,029
	Cents	Cents
Basic earnings/(loss) per share (cents per share)	(4.62)	1.37
Basic earnings/(loss) per share (cents per share) - continuing operations	(4.62)	(4.39)
(b) Diluted earnings per share		
Profit/(loss) attributable to ordinary shareholders (diluted)	(21,933)	6,546
Profit attributable to ordinary shareholders (diluted) - continuing operations	(21,933)	(21,066)
Weighted average number of ordinary shares (diluted)	No.	No.
Issued ordinary shares at 1 July	474,955,277	479,040,905
Effect of shares issued	-	346,124
Effect of Performance Options and Performance Rights on issue	-	3,234,597
Effect of share buy-back	(148,185)	-
Weighted average number of ordinary shares (diluted) at 31 December	474,807,092	482,621,626
	Cents	Cents
Diluted earnings/(loss) per share (cents per share)	(4.62)	1.36
Diluted earnings/(loss) per share (cents per share) - continuing operations	(4.62)	(4.39)

Notes to the Consolidated Interim Financial Statements

Cardno Limited and its Controlled Entities for the half-year ended 31 December 2017

13. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Cardno Limited (the "Company") is a company domiciled in Australia. The consolidated interim financial report of the Company for the half-year ended 31 December 2017 comprises the Company and its subsidiaries (together referred to as the "Group"). The consolidated interim financial report was authorised for issue by the directors on 19 February 2018.

(a) Statement of compliance

This financial report for the half-year reporting period ended 31 December 2017 has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting, IAS 34 Interim Financial Reporting and the Corporations Act 2001.

This consolidated interim financial report does not include all the information normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the consolidated annual report for the year ended 30 June 2017 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

(b) Significant accounting policies

This financial report is presented in Australian dollars. The accounting policies applied by the Group in this consolidated interim financial report are the same as those applied by the Group in its annual consolidated financial report as at and for the year ended 30 June 2017.

The accounting policies have been consistently applied throughout the Group for the purposes of this consolidated interim financial report.

(c) Estimates

The preparation of this consolidated interim financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from those estimates.

In preparing these consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 30 June 2017.

Fair value of financial instruments

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

Fair value hierarchy

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

- > Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- > Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- > Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation.

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of fair value hierarchy at the end of the reporting period during which the change has occurred.

Directors' Declaration

Cardno Limited and its Controlled Entities for the half-year ended 31 December 2017

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

- (a) the consolidated financial statements and notes set out on pages 9 to 19 are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Group's financial position as at 31 December 2017 and of its performance for the period ended on that date; and
 - (ii) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting 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.

Dated the 19 day of February 2018.

Signed in accordance with a resolution of the Directors.

A handwritten signature in black ink, appearing to read 'M Alscher', with a long horizontal flourish extending to the right.

MICHAEL ALSCHER
Chairman
19 February 2018



Independent Auditor's Review Report

To the shareholders of Cardno Limited

Conclusion

We have reviewed the accompanying Interim Financial Report of Cardno Limited.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Interim Financial Report of Cardno Limited is not in accordance with the Corporations Act 2001, including:

- giving a true and fair view of the Group's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and
- complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

The Interim Financial Report comprises:

- Consolidated interim statement of financial position as at 31 December 2017;
- Consolidated interim statement of financial performance, Consolidated interim statement of comprehensive income, Consolidated interim statement of changes in equity and Consolidated interim statement of cash flows for the half-year ended on that date;
- Notes 1 to 13 comprising a summary of significant accounting policies and other explanatory information; and
- The Directors' Declaration.

The Group comprises Cardno Limited (the Company) and the entities it controlled at the half year's end or from time to time during the half-year.

Responsibilities of the Directors for the Interim Financial Report

The Directors of the Company are responsible for:

- the preparation of the Interim 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 Interim Financial Report that is free from material misstatement, whether due to fraud or error.



Auditor's responsibility for the review of the Interim Financial Report

Our responsibility is to express a conclusion on the Interim Financial Report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Interim Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Cardno Limited, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an Interim Financial Report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with *Australian Auditing Standards* and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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

KPMG

Simon Crane
Partner

Brisbane
19 February 2018

BOARD OF DIRECTORS

Chairman

Michael Alscher

Directors

Neville Buch (Interim CEO)

Steve Sherman

Jeffrey Forbes

Gary Jandegian

Robert Prieto

Nathanial Thomson

Chief Financial Officer

Peter Barker

Joint Company Secretaries

Peter Barker

Courtney Marsden

REGISTERED OFFICE

Cardno Limited

ABN 70 108 112 303

Level 11, North Tower

Green Square

515 St Paul's Terrace

Fortitude Valley

QLD 4006 Australia

Phone + 61 7 3369 9822

Fax + 61 7 3369 9722

cardno@cardno.com

www.cardno.com

SHARE REGISTRY

Computershare Investor Services

Pty Limited

117 Victoria Street

West End QLD 4101

Phone 1300 552 270 (within Australia)

+61 3 9415 4000 (outside Australia)

www.computershare.com.au

AUDITORS

KPMG

Level 16, Riparian Plaza

71 Eagle Street

Brisbane QLD 4000

Phone +61 7 3233 3111

Fax +61 7 3233 3100

www.kpmg.com.au

LAWYERS

Gilbert + Tobin Lawyers

Level 35, Tower Two

International Towers Sydney

200 Barangaroo Avenue

Barangaroo NSW 2000

Phone +61 2 9263 4000

Fax +61 2 9263 4111

www.gtlaw.com.au

BANKERS

HSBC Bank Australia Limited

Commonwealth Bank of Australia

Standard Chartered Bank



Registered office

Cardno Limited
ABN 70 108 112 303

Level 11, North Tower
Green Square
515 St Paul's Terrace
Fortitude Valley
QLD 4006 Australia

Phone + 617 3369 9822
Fax + 617 3369 9722

cardno@cardno.com
www.cardno.com



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