



CARDNO INTERIM FINANCIAL REPORT

for the half-year ended
31 December 2015

Cardno Limited
ABN 70 108 112 303
and its controlled entities



**CARDNO'S VISION IS TO BE A
WORLD LEADER IN THE PROVISION
OF PROFESSIONAL SERVICES TO
IMPROVE THE PHYSICAL AND
SOCIAL ENVIRONMENT.**



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visit www.cardno.com

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We are an ASX-listed professional infrastructure and environmental services company, with expertise in the development and improvement of physical and social infrastructure for communities around the world.

The Cardno team is comprised of leading professionals who plan, design, manage and deliver sustainable projects and community programs. Our diverse skills and experience allow us to offer integrated services in ten market sectors to clients both locally and across the globe.

DIRECTORS' REPORT

Cardno Limited and its Controlled Entities
for the half-year ended
31 December 2015

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 2015 and the auditor's review report thereon.

1: DIRECTORS

The Directors of the Company in office during or since the end of the half-year ended 31 December 2015 are set out below:

Michael Alscher (Chairman - Non-executive)
(appointed 6 November 2015, appointed Chairman 27 January 2016)

Anthony Barnes (Non-executive)
(resigned 27 January 2016)

Neville Buch (Non-executive)
(appointed 6 November 2015)

Tonianne Dwyer (Non-executive)
(resigned 27 January 2016)

Elizabeth Fessenden (Non-executive)
(resigned 6 November 2015)

Jeffrey Forbes (Non-executive)
(appointed 27 January 2016)

Trevor Johnson (Executive)
(resigned 1 September 2015)

Ian Johnston (Non-executive)
(resigned 23 September 2015)

John Marlay (Chairman - Non-executive)
(resigned 27 January 2016)

Grant Murdoch (Non-executive)
(resigned 6 November 2015)

Steven Sherman (Non-executive)
(appointed 27 January 2016)

Nathaniel Thomson (Non-executive)
(appointed 6 November 2015, resigned 27 January 2016)

Richard Wankmuller
(Managing Director)

During the half-year ended 31 December 2015, Crescent Capital Investment Pty Limited (Crescent) made a proportional takeover offer (Offer) for one of every two Cardno shares held. Crescent was successful in the Offer with Cardno entering into an implementation agreement with Crescent. The changes and movements of the Directors of Cardno was a result of an agreed transition plan in relation to the composition of the Board, which was included as part of the implementation agreement.

2: COMPANY SECRETARY

Michael Pearson
(General Counsel and Company Secretary)

3: REVIEW OF RESULTS AND OPERATIONS

PERFORMANCE (A\$m)	Dec-15	Dec-14
Gross Revenue from continuing operations	597.0	582.1
EBITDA* from continuing operations	29.3	62.5
EBIT from continuing operations	15.1	50.3
NPAT from continuing operations	5.5	32.3
Loss from discontinued operations	(59.1)	(0.8)
Profit/(Loss) for the period	(53.6)	31.5
Operating Cash Flow	26.1	0.9
EPS – basic (cents)	(30.51)	19.24
EPS from continuing operations (cents)	3.16	19.73
Dividend per share (cents)	0.00	13.00

* EBITDA = EBIT plus depreciation and amortisation

EBITDA and EBIT are unaudited. However, they are based on amounts extracted from the financial statements as reported in the consolidated statement of financial performance on page 7. 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.

Cardno reported a net profit after tax from continuing operations of \$5.5 million for the half-year to December 2015. This was an 82.8 per cent decrease from the \$32.3 million recorded over the previous corresponding period. EBITDA from continuing operations was down 53.1 per cent to \$29.3 million, compared to \$62.5 million for the half-year ended 31 December 2014. EBITDA from continuing and discontinued operations for the half-year was \$23.6 million and consistent with the guidance given in November of \$23 to \$25 million. This decline reflects the continued weakness in the Americas Region, particularly in the markets of oil and gas, mining and Latin America, which have faced increasingly difficult conditions. The half-year results for the Asia Pacific stabilised, despite the impact of a continued slowdown in the mining and resources sector, and a decline in commodity prices. Cardno reported a net loss after tax (including discontinued operations) of \$53.6 million. This included a post-tax, non-cash impairment charge associated with the sale of Cardno ATC. Cardno ATC was a lower margin business than the rest of the Group's US operations and operated in areas that were not targeted for growth. As a result, a strategic decision was made to divest this business.

Gross revenue from continuing operations was \$597.0 million, which was 2.6 per cent higher than the same period in the prior year of \$582.1 million. Fee revenue from continuing operations was up 0.1 per cent on the pcp to \$424.8 million. The revenue was in line with the prior year mainly as a result of the favourable exchange rates on

translation of the US earnings, with the Australian dollar significantly weakened compared to the 6 months to December 2014. Excluding the impact of exchange rates, both the Americas and Asia Pacific Regions reported declines in net fee revenue of 19.6% and 6.6% respectively.

The larger percentage decline in EBITDA versus fee revenue reflects the continued challenging trading conditions. These conditions resulted in a review of the Group's current operating and overhead structure. This led to a rationalisation of activities with the business experiencing higher restructuring and redundancy costs in the six months to December 2015. The Group has also incurred a number of one-off costs associated with the defence of the ultimately successful proportional takeover offer by Crescent.

As a result of the impairment charge from the Cardno ATC sale, basic earnings per share was negative 30.51 cents. Excluding this impact the basic earnings per share from continuing operations was 3.16 cents. This normalised result was 84.0 per cent lower than the prior year.

Since 30 June 2015, the Group successfully managed to reduce its Net Debt, with the Net Debt to equity ratio decreasing to 23.3 per cent (46.5 per cent at June 2015). The Net Debt to EBITDA ratio (from continuing operations) also declined to 2.2 times, compared to 2.9 times at 30 June 2015. The reduction in the Group Net Debt position is a combination of the following:

- > The strategic divestment of the non-core Cardno ATC business, with the net proceeds of approximately US\$54.0 million used to repay a portion of the Group's existing bank debt;
- > The successful \$78 million capital raising from a fully-underwritten entitlement 1 for 2.175 pro-rata accelerated, non-renounceable entitlement offer. The proceeds, net of transaction costs, from the offer have been retained as cash on the balance sheet to reduce Cardno's Net Debt and improve financial flexibility; and
- > Improved working capital performance which has enhanced the Group's operating cash flow.

3: REVIEW OF RESULTS AND OPERATIONS *continued*

(A\$m)	Group Gross Revenue		EBIT		EBITDA (i)		EBITDA Margin (ii)	
	Dec-15	Dec-14	Dec-15	Dec-14	Dec-15	Dec-14	Dec-15	Dec-14
Americas (iii)	449.5	440.5	(60.4)	28.9	6.7	34.5	2.2%	10.7%
Asia Pacific	239.6	245.3	18.6	19.6	23.6	24.7	13.5%	13.8%
Corporate (iv)	-	-	(9.7)	1.1	(6.7)	3.9	-	-
Total Group including discontinued operations	689.2	685.8	(51.5)	49.6	23.6	63.1	4.9%	12.6%
Discontinued operations	(92.5)	(104.1)	66.6	0.7	5.7	(0.6)		
Total continuing operations	596.7	581.8	15.1	50.3	29.3	62.5	6.9%	14.7%

(i) Includes the add back of impairment losses

(ii) Based on fee revenue

(iii) Includes discontinued operation

(iv) Corporate represents costs not allocated to reportable segments for the purpose of segment reporting as disclosed in note 13 (interest revenue, corporate D&A and other corporate costs)

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.

AMERICAS

In November 2015, the Americas region completed the divestiture of Cardno ATC, which was a low margin and non-strategic to our ongoing business. Excluding the favourable impact of the exchange rate on translation of US earnings and the results of this discontinued operation, Revenue and EBITDA was down 18 per cent and 70.2 per cent respectively on the same period in the prior year.

Continued pressure on oil prices has resulted in a sharp reduction in upstream oil field services activity, which has had a significant negative impact to the results of our Cardno PPI division. In addition, the decrease in oil and gas projects has resulted in increased competition across many of our divisions, as our competitors seek to expand service offerings.

Economic conditions in Latin America and the resulting reduction in project work, increased restructuring and redundancy costs have also contributed to the decline in EBITDA year on year.

XP Solutions has experienced positive results as compared to the first half of FY2015.

Due to the continued decline in performance, the region initiated a strategic review. While the implementation of actions associated with this review is ongoing, to date the following significant actions have been taken:

- > Divestment of Cardno ATC, which was a 1,350 employee business that provided environmental and testing services, building sciences, geotechnical engineering and construction materials testing throughout a network of 70 offices across the United States.
- > An ongoing rationalisation of overhead costs associated with the shared services organisation as well as those divisional costs that are not directly benefiting our client's businesses.

While the outlook particularly as it relates to oil and gas and the resource sector remains challenging, the Americas region remains focused on deepening our service offerings and securing new work with key clients. As of December 2015, the Americas region had a backlog of \$497 million.

3: REVIEW OF RESULTS AND OPERATIONS *continued*

ASIA PACIFIC

Revenue and EBITDA for the Region were down 2.3 per cent and 4.5 per cent respectively on the first half of FY2015. Volatile commodity prices, especially for coal and iron ore, and a continued lack of investment in mining and resources, is still having an impact on operations in Queensland and Western Australia, as well as construction materials testing work. These adverse conditions have been partially offset by an increase in public infrastructure projects, particularly in New South Wales.

Additionally, the construction materials testing operation successfully expanded its geographical footprint into the testing of concrete and aggregates. The International Development Assistance business has secured a number of large projects in the half-year to replace work throughout Asia that is coming to an end. Increased competition, a change in project mix, and a high level of redundancy costs associated with certain restructuring activities, resulted in a decline in EBITDA margins to 13.5 per cent compared to 13.8 per cent on the same period in the prior year.

The outlook for the Asia Pacific Region remains subdued with increased infrastructure and urban development activity in New South Wales offsetting the lack of revenue generated from the mining and resources sector. At the end of December 2015, the Region had a backlog of \$348.0 million, which is 13.0 per cent higher than that at 31 December 2014.

4: DIVIDENDS & CAPITAL MANAGEMENT

Consistent with the guidance provided in November 2015, there was no interim dividend declared for the half-year ended 31 December 2015. Based on current forecast trading for the second half, it is unlikely that the company will pay a full year dividend for the period ending 30 June 2016, as the company's focus over the next 12 months will be capital and balance sheet management.

5: 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.

6: LEAD AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration under Section 307C of the Corporations Act is set out on page 6 and forms part of the directors' report for the half-year ended 31 December 2015.

7: ROUNDING OF AMOUNTS

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 amounts in the directors' report and financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of Directors.

On behalf of the Directors

MICHAEL ALSCHER

Chairman

Brisbane, 22 February 2016

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 review for the half-year ended 31 December 2015 there have been:

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

A handwritten signature in black ink, appearing to read 'Simon Crane'.

KPMG

A handwritten signature in black ink, appearing to read 'Simon Crane'.

Simon Crane
Partner

Brisbane
22 February 2016

CONSOLIDATED INTERIM STATEMENT OF FINANCIAL PERFORMANCE

Cardno Limited and its Controlled Entities for the half-year ended 31 December 2015

	Note	31-Dec-15 \$'000	31-Dec-14 Restated* \$'000
Continuing operations			
Revenue	2A	596,981	582,067
Other Income	2B	3,430	7,220
Employee expenses		(308,102)	(292,466)
Consumables and materials used		(167,827)	(153,777)
Sub-consultant and contractor costs		(85,618)	(65,839)
Depreciation and amortisation expenses	3	(14,190)	(12,080)
Financing costs	3	(6,010)	(5,202)
Other expenses		(9,589)	(14,786)
Profit before income tax		9,075	45,137
Income tax expense	4	(3,526)	(12,837)
Profit from continuing operations		5,549	32,300
Discontinued operation			
Profit/(loss) from discontinued operation, net of tax	12	(59,117)	(797)
Profit/(loss) for the period		(53,568)	31,503
Profit/(loss) attributable to:			
Owners of the Company		(53,568)	31,503
		(53,568)	31,503
Earnings per share			
Basic earnings/(loss) per share (cents per share)	10	(30.51)	19.24
Diluted earnings/(loss) per share (cents per share)	10	(30.51)	18.67
Earnings per share - continuing operations			
Basic earnings per share (cents per share)	10	3.16	19.73
Diluted earnings per share (cents per share)	10	3.08	19.15

*Refer to note 12.

The consolidated interim statement of financial performance is to be read in conjunction with the notes to the consolidated financial statements set out on pages 12 to 19.

CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

Cardno Limited and its Controlled Entities for the half-year ended 31 December 2015

	31-Dec-15	31-Dec-14
	\$'000	\$'000
Profit/(loss) for the half-year	(53,568)	31,503
Other comprehensive income		
Items that may be subsequently reclassified to profit or loss:		
Exchange differences on translation of foreign operations	15,659	55,926
Reclassification of foreign currency differences on disposal of subsidiary	(5,204)	-
Other comprehensive income for the year, net of tax	10,455	55,926
Total comprehensive income for the year	(43,113)	87,429
Total comprehensive income attributable to:		
Owners of the Company	(43,113)	87,429
	(43,113)	87,429

The consolidated interim statement of comprehensive income is to be read in conjunction with the notes to the consolidated financial statements set out on pages 12 to 19.

CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

Cardno Limited and its Controlled Entities for the half-year ended 31 December 2015

	Note	31-Dec-15 \$'000	30-Jun-15 \$'000
Current Assets			
Cash and cash equivalents		182,059	84,750
Trade and other receivables		217,814	266,513
Inventories		96,637	154,611
Other current assets		16,183	12,794
Current tax receivable		1,566	19,349
Assets held for sale		9,025	9,191
Total Current Assets		523,284	547,208
Non-Current Assets			
Other financial assets, including derivatives		11,216	7,625
Property, plant and equipment		54,743	64,851
Deferred tax assets		63,637	45,167
Intangible assets		620,188	668,265
Total Non-Current Assets		749,784	785,908
Total Assets		1,273,068	1,333,116
Current Liabilities			
Trade and other payables		119,771	150,566
Loans and borrowings	6	3,641	2,982
Current tax liabilities		15,483	14,785
Short term provisions	8	28,947	36,959
Other current liabilities		39,174	43,047
Liabilities held for sale		9,025	9,191
Total Current Liabilities		216,041	257,530
Non-Current Liabilities			
Loans and borrowings	7	342,184	393,108
Deferred tax liabilities		1,360	1,752
Long term provisions		10,286	10,342
Other non-current liabilities		833	876
Total Non-Current Liabilities		354,663	406,078
Total Liabilities		570,704	663,608
Net Assets		702,364	669,508
Equity			
Issued capital	9	729,178	641,661
Reserves		72,537	62,082
Retained earnings		(99,351)	(34,235)
Total Equity		702,364	669,508

The consolidated interim statement of financial position is to be read in conjunction with the notes to the consolidated financial statements set out on pages 12 to 19.

CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

Cardno Limited and its Controlled Entities for the half-year ended 31 December 2015

	Note	Share Capital	Retained Earnings	Foreign Translation	Reserve for Own	Total
		Ordinary \$'000	\$'000	Reserve \$'000	Shares \$'000	\$'000
Balance at 1 July 2014		623,875	160,385	(6,300)	(14,444)	763,516
Profit for the period		-	31,503	-	-	31,503
Exchange differences on translation of foreign operations		-	-	55,926	-	55,926
Total comprehensive income for the half-year		-	31,503	55,926	-	87,429
Transactions with owners in their capacity as owners:						
Shares issued		9,646	-	-	-	9,646
Employee share based payments		1,133	-	-	-	1,133
Own shares issued*		1,328	-	-	(1,328)	-
Own shares sold*		-	-	-	1,294	1,294
Dividends paid or provided	5	-	(28,057)	-	-	(28,057)
		12,107	(28,057)	-	(34)	(15,984)
Balance at 31 December 2014		635,982	163,831	49,626	(14,478)	834,961
Balance at 1 July 2015		641,661	(34,235)	76,693	(14,611)	669,508
Loss for the period		-	(53,568)	-	-	(53,568)
Exchange differences on translation of foreign operations		-	-	15,659	-	15,659
Reclassification of foreign currency differences on disposal of subsidiary		-	-	(5,204)	-	(5,204)
Total comprehensive income for the half-year		-	(53,568)	10,455	-	(43,113)
Transactions with owners in their capacity as owners:						
Shares issued	9	86,103	-	-	-	86,103
Employee share based payments	9	1,414	-	-	-	1,414
Own shares issued*	9	-	-	-	-	-
Own shares sold*		-	-	-	-	-
Dividends paid or provided	5	-	(11,548)	-	-	(11,548)
		87,517	(11,548)	-	-	75,969
Balance at 31 December 2015		729,178	(99,351)	87,148	(14,611)	702,364

* 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 interim statement of changes in equity is to be read in conjunction with the notes to the consolidated financial statements set out in pages 12 to 19.

CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

Cardno Limited and its Controlled Entities for the half-year ended 31 December 2015

	Note	31-Dec-15 \$'000	31-Dec-14 \$'000
Cash Flows from Operating Activities			
Cash receipts from customers		739,031	680,032
Interest received		238	314
Finance costs paid		(5,012)	(4,161)
Cash paid to suppliers and employees		(709,567)	(648,919)
Income tax (paid)/received		1,406	(26,377)
Net Cash Provided by Operating Activities		26,096	889
Cash Flows from Investing Activities			
Acquisition of subsidiaries, deferred consideration paid		(4,341)	(7,668)
Disposal of discontinued operation, net of cash disposed of	12	80,405	-
Payments for internally generated intangible assets		(696)	-
Proceeds from sale of property, plant & equipment		7,799	893
Payments for property, plant & equipment		(12,106)	(19,055)
Net Cash Provided by/(Used in) Investing Activities		71,061	(25,830)
Cash Flows from Financing Activities			
Proceeds from issue of shares		84,466	5,232
Share issue transaction costs		(2,219)	-
Sale of own shares*		-	1,294
Proceeds from borrowings		59,837	321,619
Repayment of borrowings		(136,285)	(308,225)
Finance lease payments		-	(1,228)
Dividends paid		(7,694)	(23,645)
Net Cash Provided by/(Used in) Financing Activities		(1,895)	(4,953)
Net Increase/(Decrease) in Cash and Cash Equivalents Held		95,262	(29,894)
Cash and Cash Equivalents at Beginning of Half-Year		84,750	85,885
Effects of exchange rate changes on cash and cash equivalents at the end of half-year		2,047	4,252
Cash and Cash Equivalents at End of Half-Year		182,059	60,243

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

The interim statement of cash flows is to be read in conjunction with the notes to the consolidated financial statements set out in pages 12 to 19.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Cardno Limited and its Controlled Entities for the half-year ended 31 December 2015

1. 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 2015 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 22 February 2016.

(a) Statement of compliance

This financial report for the interim half-year reporting period ended 31 December 2015 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 2015 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 2015.

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 2015.

Recoverable amounts for goodwill and other non-current assets

During the half year period, the Group sold its subsidiary, Cardno ATC. An impairment loss of \$60.2 million was recognised in writing down the carrying value of Cardno ATC to its fair value less costs to sell prior to disposal (refer note 12).

At 31 December 2015, the market capitalisation of the Company was below the carrying value of the Group's net assets. Under the requirements of Australian Accounting Standards, this is a trigger event for assessing whether the carrying value of the Group's goodwill and other non-current assets may be impaired.

In line with this requirement, the recoverable amounts of each of the Group's Cash Generating Units (CGU) were estimated having regard to their value in use (VIU). Value in use was determined by discounting the future cash flows expected to be generated from the continuing use of the CGUs. VIU as at 31 December 2015 was determined using a consistent approach to that disclosed in the Group's 2015 Annual Report for assessing the impairment of goodwill as at 30 June 2015. Management's estimates of cash flow projections and other key assumptions used in the VIU calculations have been updated at 31 December 2015 having regard to underlying economic conditions, past performance and changes to the Group's operations anticipated to impact the CGU's performance.

As at 31 December 2015 the estimated recoverable amounts determined using the method outlined above were found to exceed the carrying values of the assets of each CGU and accordingly, no impairment was required.

Following the impairment of goodwill allocated to the Group's Americas CGU at 30 June 2015, the excess of the recoverable amount over the carrying value of the Americas CGU at 31 December 2015 is sensitive to changes in key assumptions. In the event that management's future earnings and growth assumptions are not achieved, impairment of goodwill and other non-current assets allocated to the Americas CGU may occur in future periods.

Financial Risk Management

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial report as at and for the year ended 30 June 2015.

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

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Cardno Limited and its Controlled Entities for the half-year ended 31 December 2015

	31-Dec-15	31-Dec-14
	\$'000	\$'000
2A. REVENUE		
Fees from consulting services	419,570	417,156
Fees from sale of goods	7,684	6,057
Fees from recoverable expenses	168,456	157,282
Interest received	285	314
Royalties	82	56
Rental income	53	117
Other	851	1,085
Revenue	596,981	582,067
2B. OTHER INCOME		
Non-refundable R&D tax incentives	2,202	1,100
Net gain on sale of fixed assets	1,228	-
Net foreign exchange gains	-	6,120
Other Income	3,430	7,220
3. EXPENSES, LOSSES AND (GAINS)		
Depreciation		
Motor vehicles	2,387	1,476
Plant & equipment	8,869	7,358
Total Depreciation	11,256	8,834
Amortisation of non-current assets		
Works contracts	85	1,239
Software intangibles	659	125
Client related intangibles	2,190	1,155
Motor vehicles under finance lease	-	727
Total Amortisation	2,934	3,246
Total Depreciation & Amortisation	14,190	12,080
Bad and doubtful debts	2,818	2,745
Financing costs		
Interest and finance charges	4,218	3,868
Amortisation of borrowing costs	1,792	1,334
Total financing costs	6,010	5,202
4. 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 2015 was 38.9 per cent (half-year to 31 December 2014: 28.4 per cent). The change in effective tax rate was mainly driven by changes in the mix of geographical sources of profits and losses, with more losses recognised in lower tax areas than the prior corresponding period.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Cardno Limited and its Controlled Entities for the half-year ended 31 December 2015

5. DIVIDENDS PAID OR PROVIDED FOR

(a) During the half-year, the Company paid dividends as follows:

	Cents per share	Total Amount \$'000	Franked / Unfranked	Date of payment
30 June 2015 – Final Dividend	7.0	11,548	100% Franked	2 October 2015
For comparison:				
30 June 2014 – Final Dividend	17.0	28,057	100% Franked	10 October 2014

(b) Subsequent to reporting date

Since 31 December 2015 the Directors have declared the following dividend:

	Cents per share	Total Amount \$'000	Franked / Unfranked	Date of payment
2016 Interim Dividend	-	-	-	-
For comparison:				
2015 Interim Dividend	13.0	21,391	100% Franked	7 April 2015

No interim dividend was declared for the half-year ended 31 December 2015.

	31-Dec-15 \$'000	30-Jun15 \$'000
6 LOANS AND BORROWINGS (CURRENT)		
Lease liabilities	3,255	1,849
Hire purchase liabilities	33	40
Bank loans*	353	1,093
	3,641	2,982
7 LOANS AND BORROWINGS (NON-CURRENT)		
Lease liabilities	458	1,580
Bank loans*	129,126	192,870
Long term notes*	212,600	198,658
	342,184	393,108

* As at 31 December 2015, Cardno has bank loans and long term notes totalling A\$342.1 million (June 2015: A\$392.6 million). Funding available to Cardno from undrawn facilities is A\$330.3 million as at 31 December 2015 (June 2015: A\$258.9 million). Cardno completed the disposal of Cardno ATC on 13 November 2015 (refer note 12) with a portion of the net proceeds (A\$75.5 million) used to repay borrowings on 30 December 2015.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Cardno Limited and its Controlled Entities for the half-year ended 31 December 2015

	31-Dec-15	30-Jun-15
	\$'000	\$'000
8. SHORT TERM PROVISIONS		
Employee benefits	25,729	33,549
Legal provision	3,218	3,410
	28,947	36,959
Movements in legal provision:		
Balance at 1 July	3,410	4,157
Provision made during the half-year	653	1,243
Provision used during the half-year	(951)	(959)
Provision reversed during the half-year	-	(1,484)
Effect of foreign exchange	106	453
Balance 31 December	3,218	3,410

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

	Half-year ended		Year ended	
	31-Dec-15		30-Jun-15	
	No. of	\$'000	No. of	\$'000
	shares		shares	
9. ISSUED CAPITAL OF CARDNO LIMITED				
Balance at the beginning of the period	165,633,532	641,661	162,627,638	623,875
Shares issued during the period:				
> Dividend reinvestment scheme	1,471,163	3,843	1,667,137	7,397
> Shares issued (net of transaction costs)	80,512,178	82,260	1,088,757	6,115
> Employee share based payments	-	1,414	-	2,946
> Own shares issued (i)	-	-	250,000	1,328
Balance at the end of the period	247,616,873	729,178	165,633,532	641,661

(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. During the half-year ended 31 December 2015 there were no shares delivered on exercise of Performance Options (half-year to 31 December 2014: 245,831) and therefore no shares were sold from shares held in trust by the Cardno Limited Performance Equity Plan Trust and recognised in the Group's reserve for own 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 proceeds 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 2015

	31-Dec-15	31-Dec-14
10. EARNINGS PER SHARE		
(a) Basic earnings per share	\$'000	\$'000
Profit/(loss) attributable to ordinary shareholders	(53,568)	31,503
Profit attributable to ordinary shareholders - continuing operations	5,549	32,300
Weighted average number of ordinary shares	No.	No.
Issued ordinary shares at 1 July	165,633,532	162,627,638
Effect of shares issued	9,925,604	1,075,817
Weighted average number of ordinary shares at 30 June	175,559,136	163,703,455
	Cents	Cents
Basic earnings/(loss) per share (cents per share)	(30.51)	19.24
Basic earnings per share (cents per share) - continuing operations	3.16	19.73
(b) Diluted earnings per share	\$'000	\$'000
Profit/(loss) attributable to ordinary shareholders (diluted)	(53,568)	31,503
Profit attributable to ordinary shareholders (diluted) - continuing operations	5,549	32,300
Weighted average number of ordinary shares (diluted)	No.	No.
Weighted average number of ordinary shares at 31 December	175,559,136	163,703,455
Effect of Performance Options and Performance Rights on issue	4,549,577	4,990,188
Weighted average number of ordinary shares (diluted) at 31 December	180,108,713	168,693,643
	Cents	Cents
Diluted earnings/(loss) per share (cents per share)	(30.51)	18.67
Diluted earnings per share (cents per share) - continuing operations	3.08	19.15

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.

11. 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 insurance or has not already been provided for in the financial statements of the Group, or which is likely to have a material effect on the financial performance of the Group.

12. DISCONTINUED OPERATIONS

In November 2015 the Group sold its subsidiary Cardno ATC which was part of the Americas segment. Management committed to a plan to sell this subsidiary in September 2015, following a strategic review of the Group's operations resulting in the divestiture of non-core parts of the business. Cardno ATC was classified as held-for-sale during the half-year and as such was written down to its fair value less costs to sell prior to its disposal. Cardno ATC was not previously classified as held-for-sale or as a discontinued operation. The comparative consolidated statement of financial performance has been restated to show the discontinued operation separately from continuing operations.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Cardno Limited and its Controlled Entities for the half-year ended 31 December 2015

	31-Dec-15 \$'000	31-Dec-14 \$'000
12. DISCONTINUED OPERATIONS continued		
(a) Results of discontinued operation		
Revenue	92,481	104,053
Expenses	(98,609)	(104,890)
Results of operating activities	(6,128)	(837)
Income tax	2,036	40
Results from operating activities, net of tax	(4,092)	(797)
Impairment loss on write down to fair value	(60,229)	-
Reclassification of foreign currency differences and reserves	5,204	-
Profit/(loss) for the period	(59,117)	(797)
Basic earnings (loss) per share	(33.67)	(0.49)
Diluted earnings (loss) per share	(33.67)	(0.49)

The loss from the discontinued operation of \$59,117 (2014: \$797) is attributable entirely to the owners of the Company. The profit from continuing operations of \$5,549 (2014: \$32,300) is attributable entirely to the owners of the Company.

	31-Dec-15 \$'000	31-Dec-14 \$'000
(b) Cash flows from (used in) discontinued operation		
Net cash from (used in) operating activities	(14,589)	(12,057)
Net cash from (used in) financing activities	13,204	7,877
Net cash flow for the period	(1,385)	(4,180)
		31-Dec-15 \$'000
(c) Effect of disposal on the financial position of the group		
Property, plant and equipment		6,803
Inventories		38,963
Intangibles		67,977
Trade and other receivables		49,311
Bank overdraft		(1,016)
Deferred tax liabilities		(5,628)
Trade and other payables		(16,790)
Net assets and liabilities		139,620
Consideration received, satisfied in cash		79,389
Bank overdraft disposed of		1,016
Net cash inflow		80,405

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Cardno Limited and its Controlled Entities for the half-year ended 31 December 2015

13. OPERATING SEGMENTS

Half-Year Ended 31 December 2015	Professional Services Asia Pacific	Professional Services Americas*	Total
	\$'000	\$'000	\$'000
Segment revenue			
Fees from services and sale of goods	174,477	317,199	491,676
Fees from recoverable expenses	65,071	144,069	209,140
Inter-segment revenue	-	(12,722)	(12,722)
Revenue from external customers	239,548	448,546	688,094
Other revenue	92	990	1,082
Total segment revenue	239,640	449,536	689,176
Other income	2,983	960	3,943
Segment result			
Reportable segment result before tax, net financing and corporate costs	18,558	(60,390)	(41,832)
Other			
Depreciation and amortisation	5,017	6,820	11,837
Impairment losses	-	60,229	60,229

Half-Year Ended 31 December 2014**	Professional Services Asia Pacific	Professional Services Americas	Total
	\$'000	\$'000	\$'000
Segment revenue			
Fees from services and sale of goods	180,710	321,705	502,415
Fees from recoverable expenses	65,734	117,697	183,431
Inter-segment revenue	(1,300)	-	(1,300)
Revenue from external customers	245,144	439,402	684,546
Other revenue	125	1,133	1,258
Total segment revenue	245,269	440,535	685,804
Other income	1,100	-	1,100
Segment result			
Reportable segment result before tax, net financing and corporate costs	19,636	28,941	48,577
Other			
Depreciation and amortisation	5,025	5,602	10,627

* Includes discontinued operations - refer note 12

** The Group changed the composition of its reportable segments during the June 2015 year end and has restated its comparative information accordingly.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Cardno Limited and its Controlled Entities for the half-year ended 31 December 2015

13. OPERATING SEGMENTS continued

Cardno has two 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 reportable segments:

- > Professional Services Asia Pacific – provides consulting engineering, planning, surveying, landscape architecture, environmental services, electrical engineering, geotechnical services as well as managing aid projects on behalf of unilateral and multilateral government agencies and private clients in that region.
- > Professional Services Americas – provides consulting engineering, planning, surveying, landscape architecture, environmental services and software sales globally. It also manages aid projects on behalf of unilateral and multilateral government agencies and private clients in that region.

Reconciliation of reportable segment revenues and profit or loss:

	Consolidated	
	31-Dec-15 \$'000	31-Dec-14 \$'000
Total revenue for reportable segments	689,176	685,804
Interest received	285	314
Elimination of discontinued operation	(92,480)	(104,051)
Consolidated revenue	596,981	582,067
Reportable segment result before tax, net financing and corporate costs	(41,832)	48,577
Elimination of discontinued operation	66,696	510
Interest received	285	314
Other income	-	6,120
Depreciation and amortisation	(2,933)	(2,516)
Finance costs	(6,239)	(5,397)
Corporate costs	(6,902)	(2,471)
Profit before income tax from continuing operations	9,075	45,137
Income tax expense	(3,526)	(12,837)
Profit for the half-year from continuing operations	5,549	32,300

DIRECTORS' DECLARATION

Cardno Limited and its Controlled Entities for the half-year ended 31 December 2015

The Directors of the Company declare that:

1. The financial statements and notes, as set out on pages 7 to 19, are in accordance with the *Corporations Act 2001* and:
 - (a) comply with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*; and
 - (b) give a true and fair view of the financial position of the Group as at 31 December 2015 and of its performance for the period ended on that date;
2. In the Directors' opinion there are reasonable grounds to believe that Cardno Limited will be able to pay its debts as and when they come due and payable.

Dated at Brisbane on the 22nd day of February 2016.

Signed in accordance with a resolution of the Directors.



MICHAEL ALSCHER

Chairman

INDEPENDENT AUDITOR'S REVIEW REPORT



Independent auditor's review report to the members of Cardno Limited

We have reviewed the accompanying interim financial report of Cardno Limited (the Company), which comprises the consolidated interim statement of financial position as at 31 December 2015, consolidated interim statement of financial performance and 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 of the Group comprising the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility 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

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 2015 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 the Company, 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.

Independence

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

INDEPENDENT AUDITOR'S REVIEW REPORT continued



Conclusion

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:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

KPMG

KPMG

A handwritten signature in black ink, appearing to read 'Simon Crane'.

Simon Crane
Partner

Brisbane
22 February 2016

CORPORATE DIRECTORY



BOARD OF DIRECTORS

Chairman

Michael Alscher

Chief Executive Officer and Managing Director

Richard Wankmuller

Directors

Neville Buch

Jeffrey Forbes

Steven Sherman

Alternate Director

Nathaniel Thomson

Chief Financial Officer

Troy Donovan (Acting)

Company Secretary

Michael Pearson

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Westpac Banking Corporation

Standard Chartered Bank

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