



**CARDNO LIMITED**

**ANNUAL GENERAL MEETING**

**28 October 2005**

**Managing Director's Presentation**

## Introduction

**Cardno: One of Australia's leading infrastructure services companies**

### **An Upward Journey**

- Operating track record extending back over 60 years
- Strong historical revenue and earnings growth
- Three acquisitions completed in 2005FY
- Two more recent acquisitions have added 170 staff and 4 new offices including UK and Africa
- 1300 employees in 26 offices in Australia and overseas
- Increasing diversity of earnings across a number of business sectors, clients, and geographical locations
- Strong results for June 2005 Financial Year – beat the 2004 Prospectus forecast
- Net profit before tax increased by 62% from \$6.5 million in 2004 to \$10.4 million in 2005
- Shares listed @ \$1.00 in 2004 now trading @ around \$3.70
- Future outlook continues to be positive

## KEY CAPABILITIES:



## Core Business

*Cardno delivers a diverse range of professional services in the development of physical and social infrastructure*

### **Physical Infrastructure:**

- Building and Property
- Coastal, Ocean and Marine
- Environment and Water Quality
- Urban Development
- Management Services
- Transport
- Water and Wastewater

### **Social Infrastructure:**

- Law and Justice
- Health
- Governance
- Education
- Rural Development
- Natural Resource Management
- Institutional Strengthening

## Divisions and Business Units

- Fundamental elements of our structure
- Market and Client focused – rather than operational focus
- Division Manager and Business Unit Manager responsibility for all aspects of business
- Structure assists with mergers by giving new partners the opportunity to maintain their structure
- Structure gives us a competitive advantage, compared with project focused organisations

## Focus on People

- Cardno offers a dynamic, exciting workplace
- Focus on retention of staff
- Focus on carefully integrating our merger partners
- Involvement of staff in ownership
- Incentivising high performers
- Planning career development
- Planning succession

## Loyal Staff

Over 1300 employees currently work for Cardno. Their services are delivered through 7 Divisions and 48 Business Units, located in 26 offices. A hallmark of Cardno is the long serving and loyal company staff.

Staff loyalty is clearly demonstrated by the numbers of long serving staff as illustrated below:

No. of Employees	Years of Service to Company
2	Over 40
12	30 - 40
24	20 - 30
64	10 - 20
83	5 -10

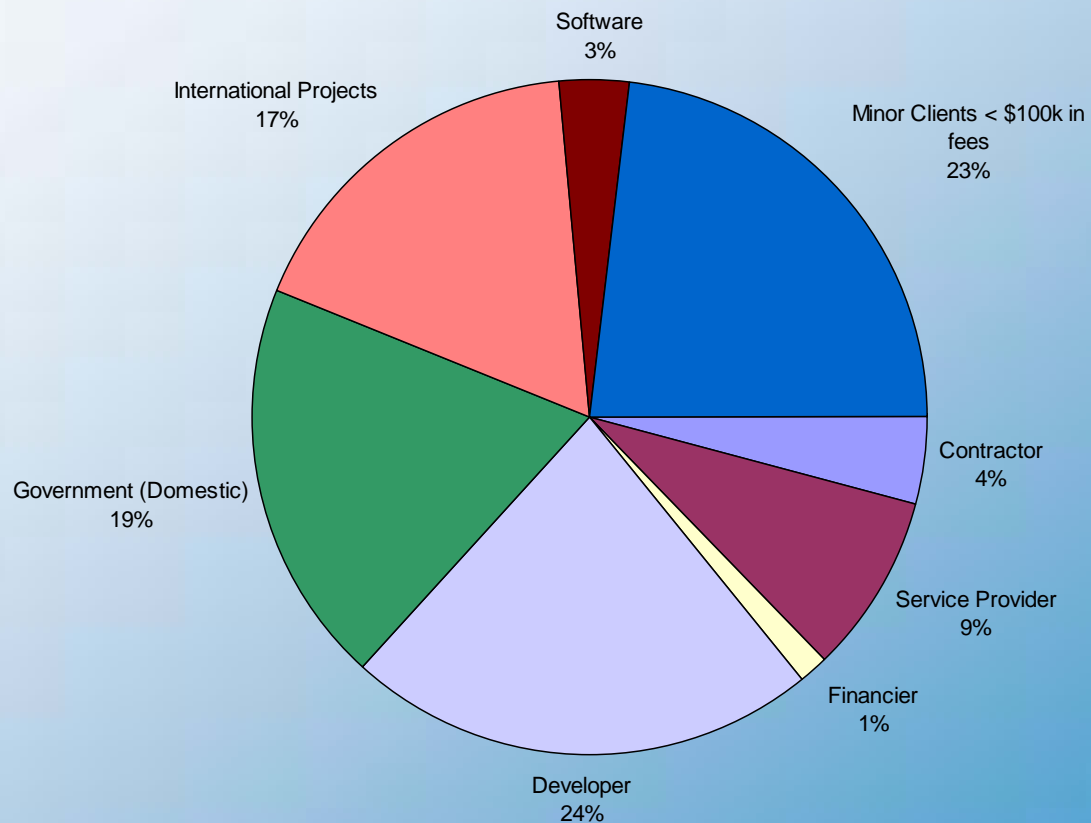
## **Clients – diversity in market sector and geographic coverage**

- Private sector clients including listed ASX companies
- Australian Federal, State and Local Governments
- International aid organisations including AusAID, United Nations, World Bank, Asian Development Bank, European Union, Kuwait Fund, DFID, USAid, African Development Bank.
- Professional firms including accountants, lawyers, architects and other consulting engineers
- Private schools, hospitals, clubs, sporting bodies, charities and other private organisations
- Property developers and construction companies
- Governments and government agencies of countries throughout Asia, the Pacific and North America

In addition the XP Software range of information technology products is licensed to more than 4,000 engineers, city and regional authorities, federal government agencies and universities throughout the world.

## Source of Fee Revenue

As a proportion of total fees earned for 2004/05



**Note:**

"International Projects" represents fees earned from off-shore projects (including AusAID) for the 2005FY and includes fees earned from ACIL from 1 May 2005.

"Minor clients" represent fees earned from all clients that generated less than \$100,000 in fees during 2005FY.

"Software" represents the revenue generated by XP Software related income during 2005FY.

Remaining segments represent fees earned from major clients, i.e. a client that generated \$100,000 or more in fees during 2005FY.

## Review of Operations/Markets – 2005FY

- **Australian Public Sector Infrastructure**
  - Local and State Government infrastructure spending has been strong
  - Victoria and NSW have both been quite strong
  - Queensland and W.A. spending has been increasing
  - Overall there is an increasing focus on infrastructure spending country wide
- **Australian Private Sector Development**
  - Queensland conditions were good but less active than previous years
  - W.A. conditions were strong with growth related to the resources boom
  - Victorian market has been stable with the land development sector conditions better than high density development
  - NSW market has been quieter but still reasonable levels of activity
  - Commercial and Industrial was quite active in most regions.
- **Contractors & Service Providers**
  - Their contractors rely on the infrastructure market which has been active as noted above
  - Other service provider clients have been active in commercial and institutional buildings and development
- **International Development Assistance**
  - The development aid project market has been quieter
  - World events like the Tsunami have focused developed countries on the sector but actual expenditure has been slow to eventuate
  - Most governments (including Australia) have been increasing funding

## June 2005 Results - Highlights

- Year-on-year total revenue increased by 56% from \$64.9 million in 2004 to \$101.5 million in 2005
- Net profit before tax increased by 62% from \$6.5 million in 2004 to \$10.4 million in 2005
- Net profit after tax increased by 67% from \$4.5 million in 2004 to \$7.5 million in 2005 and beat Prospectus forecast of \$5.0 million
- Earnings per share increased to 20.7 cents and dividends to 14.0 cents fully franked
- Three mergers completed during the financial year with annualised gross revenues of around \$75 million.
- \$33 million raised in an issue of convertible notes to fund ACIL acquisition.
- Strong performance of Cardno shares on ASX increasing from \$1.00 at listing in May 2004 to around \$3.70.

## June 2005 Results - Comparison

	Consolidated for the 30 June Years		
	2003 proforma \$'000	2004 proforma \$'000	2005 \$'000
Total Revenue	45,113	64,869	101,531
Less Recoverables & Other	(6,654)	(6,814)	(15,608)
Fee Revenue	38,459	58,055	85,923
Earnings before interest expense, tax and amortisation (EBITA)	5,034	6,841	11,335
Amortisation of goodwill	183	231	813
Earnings before interest expense and tax (EBIT)	4,851	6,610	10,522
Interest expense	268	159	88
Net profit before tax	4,583	6,451	10,434
Income tax expense	1,080	1,987	2,984
Net profit after tax	3,503	4,464	7,450
Earnings per Share – basic	N/A	14.44	20.71
Earnings per Share - diluted	N/A	14.44	20.58
Dividend per Share	N/A	10.5	14.0
<b>Financial Ratios</b>			
Current Ratio (note 1)	1.42	1.64	1.53
Gearing Ratio (note 2)	0.25	0.12	0.66
Debt to Equity Ratio (note 3)	2.31	1.22	4.41

Note 1: The Current Ratio is Current Assets ÷ Current Liabilities

Note 2: The Gearing Ratio is Long Term Liabilities ÷ (Shareholders Equity + Long Term Liabilities) – reflects \$33.4m convertible notes issue

Note 3: The Debt to Equity Ratio is Total Liabilities ÷ Shareholders Equity - reflects \$33.4m convertible notes issue

## Balance Sheet

	As at 30 June 2004 \$'000	As at 30 June 2005 \$'000
TOTAL CURRENT ASSETS	27,797	80,681 <sup>1</sup>
TOTAL NON-CURRENT ASSETS	15,215	52,128
<b>TOTAL ASSETS</b>	<b>43,012</b>	<b>132,809</b>
TOTAL CURRENT LIABILITIES	16,948	52,791 <sup>1</sup>
TOTAL NON-CURRENT LIABILITIES	6,665	55,480 <sup>2</sup>
<b>TOTAL LIABILITIES</b>	<b>23,613</b>	<b>108,271</b>
<b>NET ASSETS</b>	<b>19,399</b>	<b>24,538</b>
<b>TOTAL EQUITY</b>	<b>19,399</b>	<b>24,538</b>

Note 1: Includes cash for settlement of ACIL acquisition

Note 2: Includes \$33.4m convertible notes issue

## Shareholder Outlook

- Share price growth
  - \$1.00 listing price to around \$3.70 in October 2005
- Earnings per share growth
  - 20.7 cents per share up from 14.4 cents per share in 2004
- Dividends paid
  - 6.0 cents franked dividend paid on 8 April 2005
  - 8.0 cents franked dividend payable 6 October 2005
- Dividend Policy – 70% to 85% payout ratio

## Recent Mergers

### Cardno Agrisystems U.K.

- No. of people 140 (including project contractors)
- Turnover 2004 calendar \$12m
- Key skills
  - Development Assistance
  - Post-Conflict
  - Agriculture
- Future Opportunities
  - Cross sell ACIL skills and Cardno engineering skills into U.K. funded development assistance market

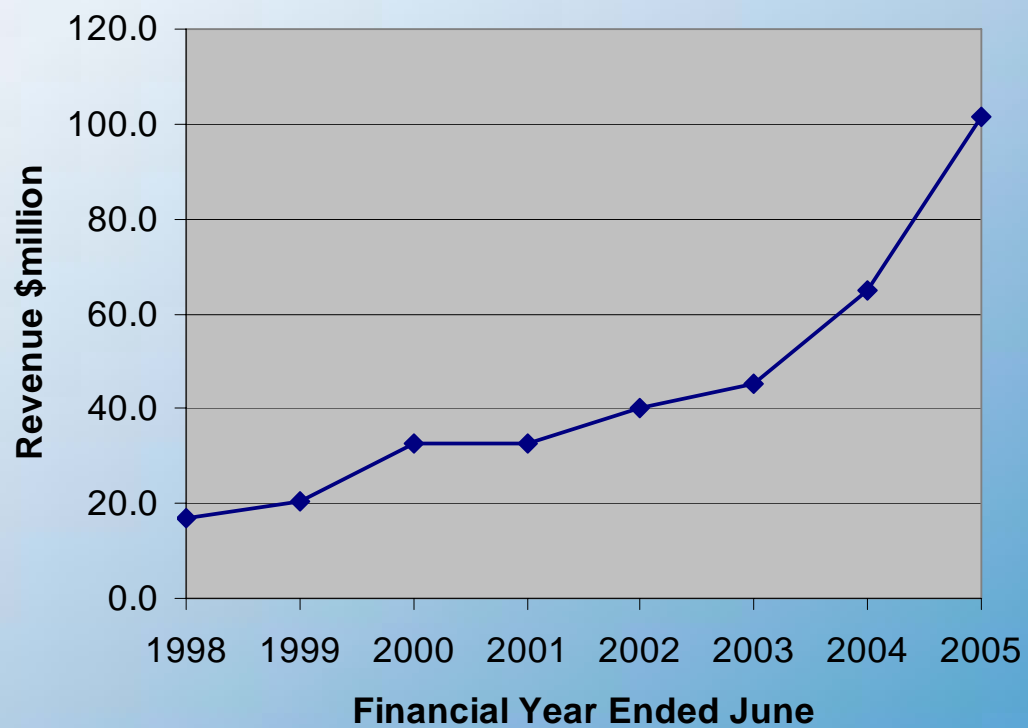
### Cardno Eppell Olsen

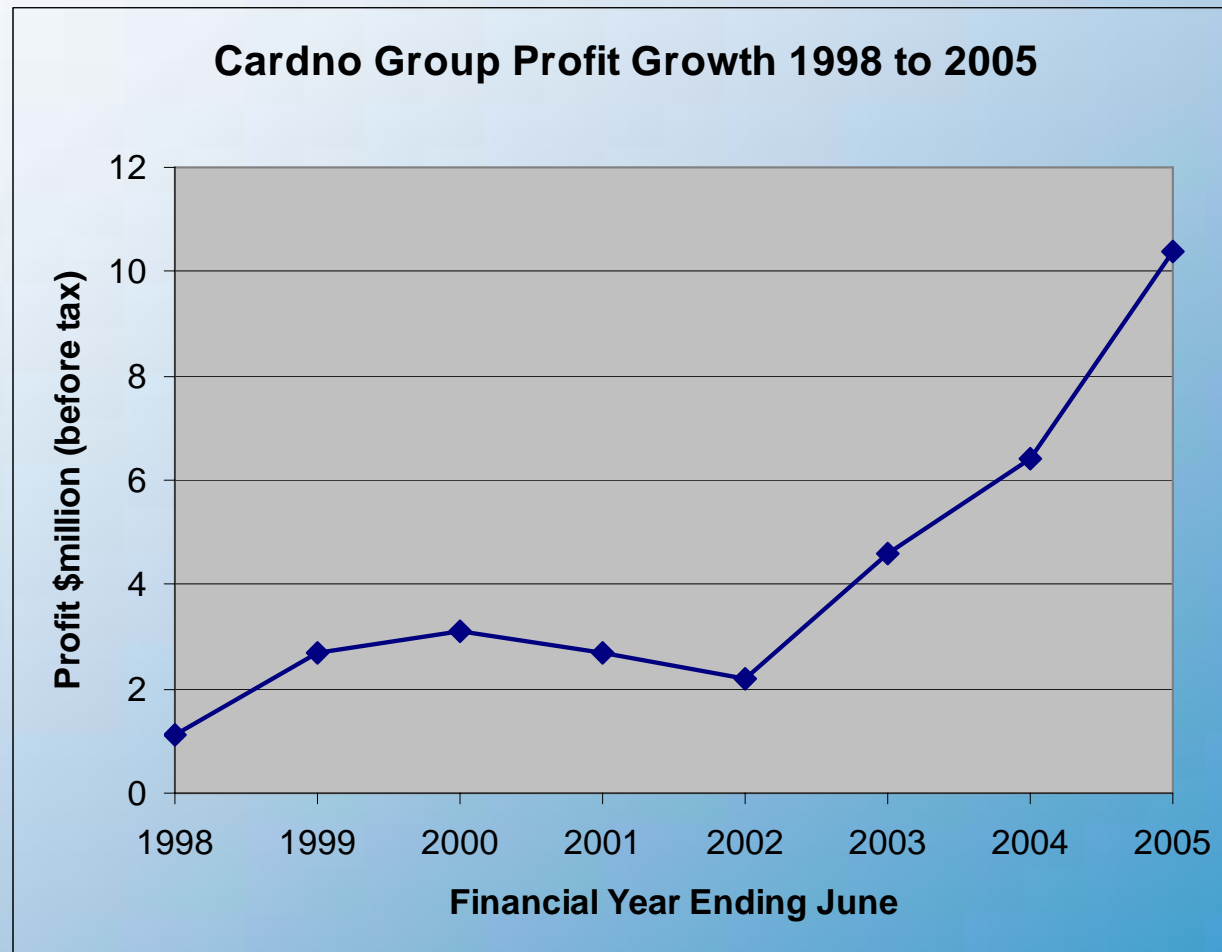
- No. of people 30
- Turnover 2005FY \$3.6m
- Key skills
  - Traffic and Transport Planning
- Future Opportunities
  - Cross sell Traffic & Transport skills to other offices
  - Cross sell Cardno skills to follow Cardno Eppell Olsen lead on projects

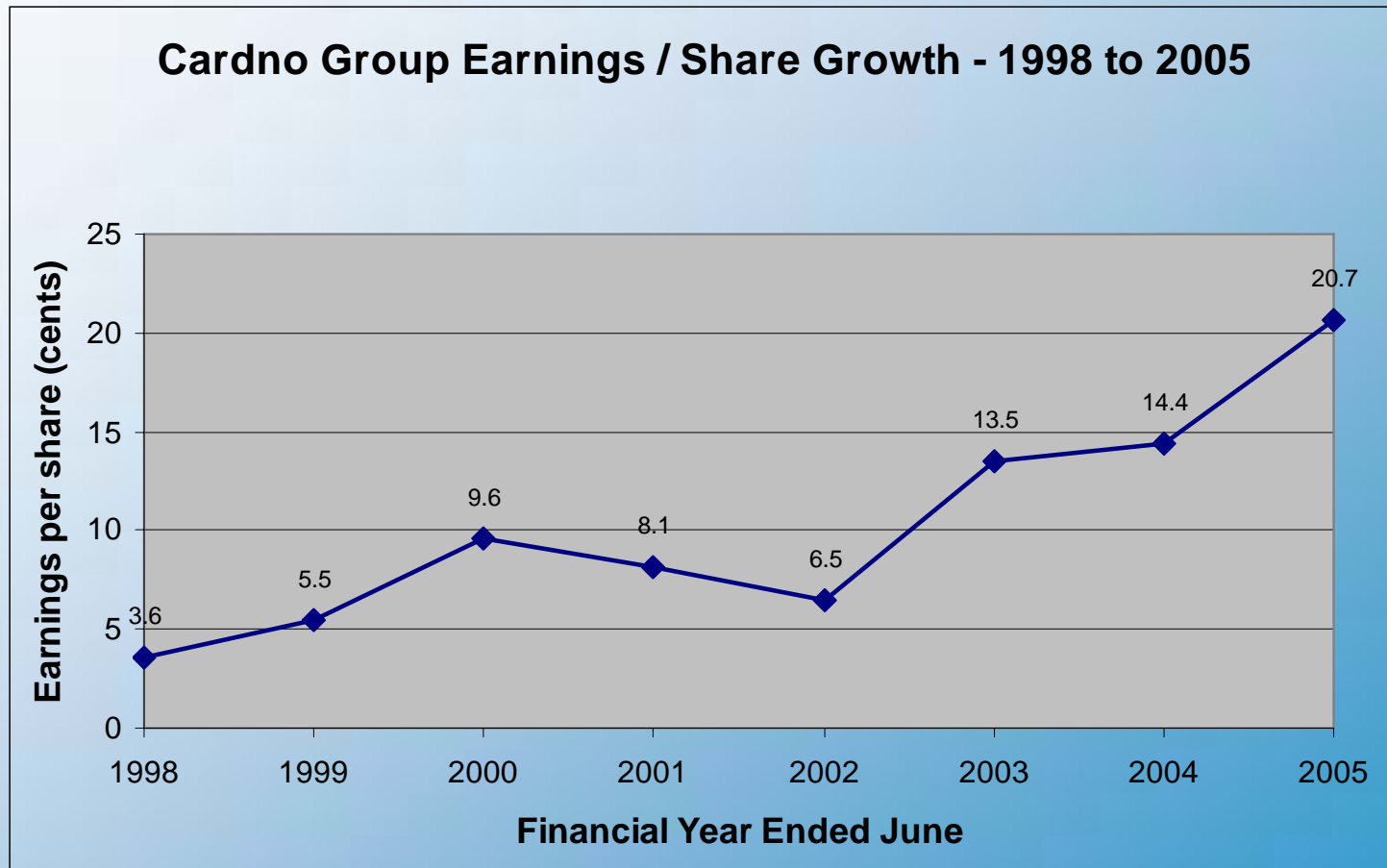
## Overview for 2006

- Conditions remain strong in Queensland and Western Australia
- NSW and Victoria flatter but infrastructure improving
- International development assistance market is strengthening
- Development assistance expenditure increasing (Australia to double budget by 2010)

### Cardno Group Revenue Growth 1998 to 2005

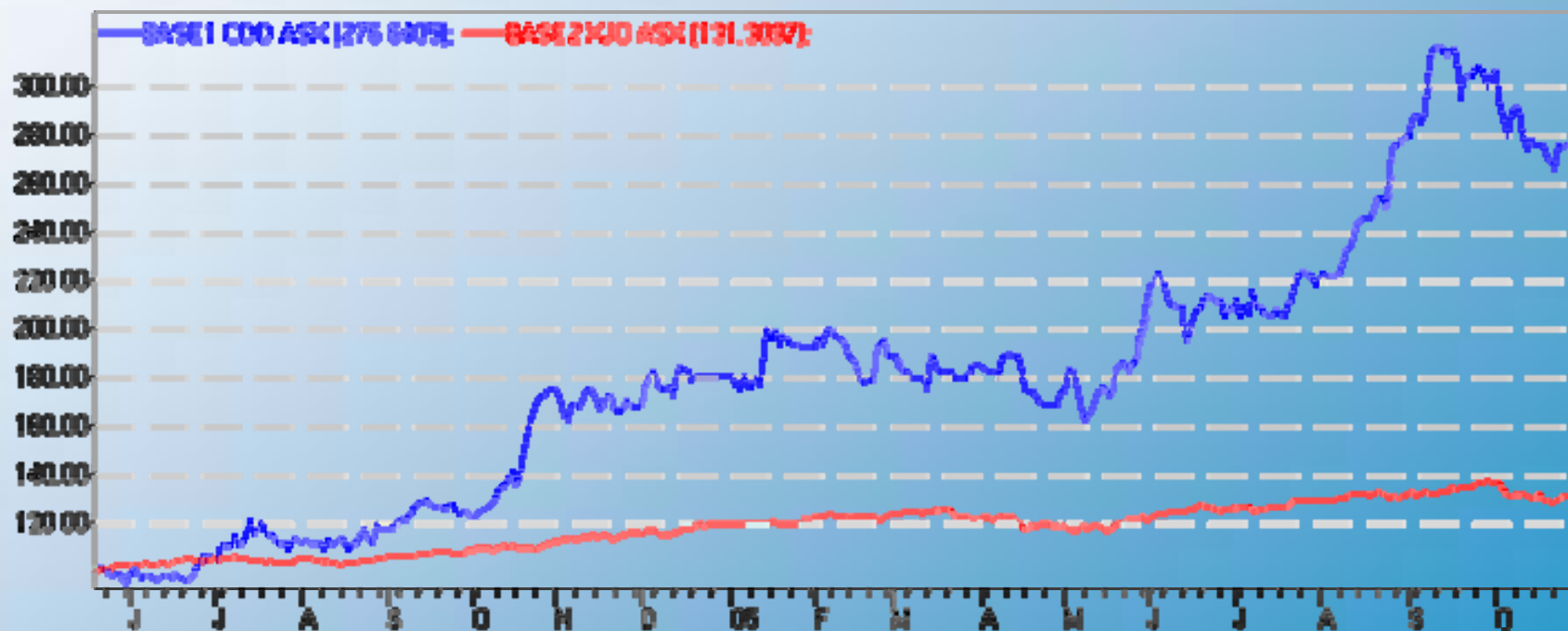






Note: Pre-listing earnings per share are an estimate only

## Cardno v S&P / ASX 200 from 20 May 2004 – 27 October 2005



## Key Highlights

- **2005 FY**
  - June 2005 results significantly beat IPO Prospectus forecast
  - 56% increase in revenue and 67% increase in profit (after tax)
  - Three mergers completed including \$35m ACIL acquisition
  
- **2006 FY**
  - Outlook remains positive
  - Two more mergers completed – Eppell Olsen and Agrisystems
  - Developing international coverage

## Summary Highlights

- A leading Australian professional services company operating over 60 years
- Skilled in planning, design and delivery of Physical and Social Infrastructure
- Strong growth profile coupled with an attractive dividend yield
- Diversity of earnings across a number of business sectors and geographic locations
- Experienced Management team
- Continually striving for growth and performance improvement