



**Cardno Limited**

ABN 70 108 112 303

**and its controlled entities**

**Interim Financial Report  
for the half-year ended 31 December 2009**



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# Directors' Report

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## Cardno Limited and its Controlled Entities for the half-year ended 31 December 2009

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 2009 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 2009 are set out below:

John Massey (Chairman - Non-executive)

Graham Tamblyn (Deputy Chairman - Executive)

Andrew Buckley (Managing Director - Executive)

Anthony Barnes (Non-executive)

Peter Cosgrove (Non-executive)

Jeffrey Forbes (Executive and Company Secretary)

Trevor Johnson (Executive)

Ian Johnston (Non-executive)

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

### Company Secretary

Jeffrey Forbes (Company Secretary)

Michael Pearson (Company Secretary) (appointed 24 September 2009)

### Review of Results and Operations

Cardno Limited achieved a profit after tax of \$16.05 million for the half-year ended 31 December 2009, a decrease of 12.1% over the December 2008 half-year profit of \$18.26 million.

Revenue for the December 2009 half-year was \$228.62 million which is 13.9% lower than the December 2008 figure of \$265.56 million. Basic earnings per share were 18.97 cents per share.

The company's balance sheet is strong with low gearing, low net debt and operating cash flow for the half year of \$17.02 million.

Performance has been affected by slower business conditions in some sectors and geographic markets, project delays and the stronger Australian dollar. There are positive signs of improving market conditions in the second half of the current financial year, although it remains difficult to forecast the future outlook. Cardno's portfolio of diverse businesses operating across a range of geographic regions continues to provide risk mitigation against the prevailing economic conditions and softening in some market areas.

While Cardno's growth paused during the half year to December 2009, Cardno intends to continue its strategy of considering strategic merger opportunities within Australia and Internationally. Cardno's low debt and available cash reserves position it to continue this strategy.

### Dividends

A fully franked interim dividend of 14 cents per share has been declared which is in line with the 14 cent dividend for the corresponding period last year and the final dividend for 2009.

# Directors' Report

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## Cardno Limited and its Controlled Entities for the half-year ended 31 December 2009

### Subsequent Event

On 11 February 2010 Cardno Limited announced its acquisition of ITC Group, an Australian based building services consulting engineering firm with offices in five Australian States and Territories and around 100 staff. The effective date for the transaction was 1 January 2010. Cardno will pay \$18.4 million for ITC on an enterprise value basis plus a working capital adjustment of around \$2 million. ITC is expected to contribute fee revenue of approximately \$20 million to Cardno in the first 12 months.

### Lead Auditor's Independence Declaration

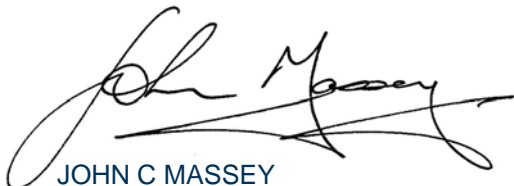
The lead auditor's independence declaration under Section 307C of the Corporations Act is set out on page 5 and forms part of the directors' report for the half-year ended 31 December 2009.

### 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

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

JOHN C MASSEY  
Chairman

Brisbane  
16 February 2010



**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, during the half-year ended 31 December 2009 there have been:

- (i) no contraventions of the auditor independence requirements 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

KPMG

ROBERT S JONES  
Partner

Brisbane  
16 February 2010

# Consolidated Interim Statement of Financial Performance

Cardno Limited and its Controlled Entities for the half-year ended 31 December 2009

	Note	Consolidated	
		31-Dec-09 \$'000	31-Dec-08 \$'000
<b>Revenue</b>	2	<b>228,621</b>	<b>265,557</b>
Consumables and materials used	3	(66,254)	(98,301)
Sub-consultant and contractor costs	3	(26,808)	(10,751)
Employee benefits expense	3	(100,723)	(115,631)
Depreciation and amortisation expenses	3	(4,283)	(5,276)
Finance costs	3	(1,572)	(3,959)
Other expenses		(9,798)	(7,818)
<b>Profit before income tax</b>		<b>19,183</b>	<b>23,821</b>
Income tax expense	4	(3,132)	(5,565)
<b>Profit for the period</b>		<b>16,051</b>	<b>18,256</b>
<b>Profit attributable to:</b>			
Owners of the Company		16,051	18,256
		<b>16,051</b>	<b>18,256</b>
Basic earnings per share (cents per share)	9	18.97	24.17
Diluted earnings per share (cents per share)	9	18.86	24.16

The interim statement of financial performance is to be read in conjunction with the notes to the consolidated financial statements set out on pages 11 to 19.

# Consolidated Interim Statement of Comprehensive Income

Cardno Limited and its Controlled Entities for the half-year ended 31 December 2009

	Consolidated	
	31-Dec-09 \$'000	31-Dec-08 \$'000
<b>Profit for the period</b>	<b>16,051</b>	<b>18,256</b>
<b>Other comprehensive income</b>		
Exchange differences on translation of foreign operations	(7,034)	8,979
<b>Other comprehensive income for the period, net of tax</b>	<b>(7,034)</b>	<b>8,979</b>
<b>Total comprehensive income for the period</b>	<b>9,017</b>	<b>27,235</b>
<b>Total comprehensive income attributable to:</b>		
Owners of the Company	9,017	27,235
	<b>9,017</b>	<b>27,235</b>

The interim statement of comprehensive income is to be read in conjunction with the notes to the consolidated financial statements set out on pages 11 to 19.

# Consolidated Interim Statement of Financial Position

Cardno Limited and its Controlled Entities as at 31 December 2009

	Note	Consolidated	
		31-Dec-09 \$'000	30-Jun-09 \$'000
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		64,027	65,808
Trade and other receivables		87,185	92,072
Inventories		50,444	56,419
Other current assets		6,170	4,794
<b>TOTAL CURRENT ASSETS</b>		<b>207,826</b>	<b>219,093</b>
<b>NON-CURRENT ASSETS</b>			
Trade and other receivables		1,723	1,650
Other financial assets		739	553
Property, plant and equipment		23,511	27,014
Deferred tax assets		5,718	2,110
Intangible assets		210,817	222,091
Other non-current assets		151	213
<b>TOTAL NON-CURRENT ASSETS</b>		<b>242,659</b>	<b>253,631</b>
<b>TOTAL ASSETS</b>		<b>450,485</b>	<b>472,724</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		45,951	58,779
Interest-bearing loans and borrowings	6	9,452	8,976
Current tax liabilities		5,801	4,115
Employee benefits		10,591	13,206
Other current liabilities		37,806	38,033
<b>TOTAL CURRENT LIABILITIES</b>		<b>109,601</b>	<b>123,109</b>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing loans and borrowings	7	67,774	76,076
Deferred tax liabilities		371	1,058
Employee benefits		6,001	5,629
Other non-current liabilities		799	931
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>74,945</b>	<b>83,694</b>
<b>TOTAL LIABILITIES</b>		<b>184,546</b>	<b>206,803</b>
<b>NET ASSETS</b>		<b>265,939</b>	<b>265,921</b>
<b>EQUITY</b>			
Share capital	8	230,259	227,457
Reserves		(11,327)	(4,293)
Retained earnings		47,007	42,757
<b>TOTAL EQUITY</b>		<b>265,939</b>	<b>265,921</b>

The interim statement of financial position is to be read in conjunction with the notes to the consolidated financial statements set out on pages 11 to 19.

# Consolidated Interim Statement of Changes in Equity

Cardno Limited and its Controlled Entities for the half-year ended 31 December 2009

	Note	Share Capital Ordinary	Retained Earnings	Foreign Translation Reserve	Total
		\$'000	\$'000	\$'000	\$'000
<b>BALANCE AT 1 JULY 2008</b>		<b>192,063</b>	<b>30,038</b>	<b>(4,035)</b>	<b>218,066</b>
Profit for the period		-	18,256	-	18,256
Exchange differences on translation of foreign operations		-	-	8,979	8,979
<b>Total comprehensive income for the period</b>		<b>-</b>	<b>18,256</b>	<b>8,979</b>	<b>27,235</b>
<b>Transactions with owners in their capacity as owners:</b>					
Shares issued		13,871	-	-	13,871
Notes converted to shares		2,653	-	-	2,653
Dividends paid or provided	5	-	(10,535)	-	(10,535)
		<b>16,524</b>	<b>(10,535)</b>	<b>-</b>	<b>5,989</b>
<b>BALANCE AT 31 DECEMBER 2008</b>		<b>208,587</b>	<b>37,759</b>	<b>4,944</b>	<b>251,290</b>
<b>BALANCE AT 1 JULY 2009</b>		<b>227,457</b>	<b>42,757</b>	<b>(4,293)</b>	<b>265,921</b>
Profit for the period		-	16,051	-	16,051
Exchange differences on translation of foreign operations		-	-	(7,034)	(7,034)
<b>Total comprehensive income for the period</b>		<b>-</b>	<b>16,051</b>	<b>(7,034)</b>	<b>9,017</b>
<b>Transactions with owners in their capacity as owners:</b>					
Shares issued		2,802	-	-	2,802
Dividends paid or provided	5	-	(11,801)	-	(11,801)
		<b>2,802</b>	<b>(11,801)</b>	<b>-</b>	<b>(8,999)</b>
<b>BALANCE AT 31 DECEMBER 2009</b>		<b>230,259</b>	<b>47,007</b>	<b>(11,327)</b>	<b>265,939</b>

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 11 to 19.

# Consolidated Interim Statement of Cash Flows

Cardno Limited and its Controlled Entities for the half-year ended 31 December 2009

	Consolidated	
	31-Dec-09 \$'000	31-Dec-08 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash receipts from customers	245,297	282,251
Interest received	699	2,378
Finance costs paid	(1,408)	(3,959)
Cash paid to suppliers and employees	(221,826)	(255,175)
Income tax paid	(5,741)	(8,829)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>17,021</b>	<b>16,666</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of subsidiaries, net of cash acquired	-	(42,023)
Payment of direct costs of acquisition	-	(608)
Proceeds from sale of property, plant & equipment	237	575
Payments for property, plant & equipment	(1,081)	(7,619)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(844)</b>	<b>(49,675)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of shares	1,645	12,436
Share issue transaction costs	(25)	-
Proceeds from borrowings	3,436	28,671
Repayment of borrowings	(9,312)	(7,746)
Finance lease payments	(1,202)	(1,280)
Dividends paid	(10,871)	(9,411)
<b>NET CASH (USED IN)/PROVIDED BY FINANCING ACTIVITIES</b>	<b>(16,329)</b>	<b>22,670</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS HELD</b>	<b>(152)</b>	<b>(10,339)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF HALF YEAR</b>	<b>65,808</b>	<b>52,624</b>
Effect of exchange rate fluctuations on cash held	(1,629)	-
<b>CASH AND CASH EQUIVALENTS AT END OF HALF YEAR</b>	<b>64,027</b>	<b>42,285</b>

# Notes to the Consolidated Interim Financial Statements

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## Cardno Limited and its Controlled Entities for the half-year ended 31 December 2009

### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Cardno Limited (the "Company") is a company domiciled in Australia. The condensed interim financial report of the Company for the six months ended 31 December 2009 comprises the Company and its subsidiaries (together referred to as the "Group").

The condensed consolidated interim financial report was authorised for issue by the directors on 16 February 2010.

#### (a) Statement of compliance

This financial report for the interim half-year reporting period ended 31 December 2009 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This condensed 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 2009 and any public announcements made by Cardno Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

#### (b) Significant accounting policies

The financial report is presented in Australian dollars. The accounting policies applied by the consolidated entity in this consolidated financial report are the same as those applied by the consolidated entity in its annual consolidated financial report as at and for the year ended 30 June 2009, except as set out below.

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

#### Operating segments

The Group has applied AASB 8 *Operating Segments* from 1 July 2009. AASB 8 requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes to the chief operating decision-maker. The chief operating decision-maker has been identified as the managing director, chief financial officer and chief operations officer collectively. Previously operating segments were determined and presented in accordance with AASB 114 *Segment Reporting*.

Comparative segment information has been re-presented in conformity with the transitional requirements of AASB 8. Since the change in accounting policy only impacts presentation and disclosure aspects, there is no impact on earnings per share.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision makers to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

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

#### Business combinations

The Group has applied revised AASB 3 *Business Combinations* from 1 July 2009. AASB 3 (revised) continues to apply the acquisition method to business combinations, but with some significant changes.

All payments to purchase a business are now recorded at fair value at the acquisition date, with contingent payments classified as debt and subsequently remeasured through the income statement. Under the Group's previous policy, contingent payments were only recognised when the payments were probable and could be measured reliably and were accounted for as an adjustment to the cost of acquisition.

Acquisition-related costs are expensed as incurred. Previously, they were recognised as part of the cost of acquisition and therefore included in goodwill.

# Notes to the Consolidated Interim Financial Statements

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## Cardno Limited and its Controlled Entities for the half-year ended 31 December 2009

### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

#### **Business combinations continued**

AASB 3 (revised) has been applied prospectively from 1 July 2009 and accordingly there is no change to comparative information included in the interim financial report.

#### **Presentation of financial statements**

The Group has applied revised AASB 101 *Presentation of Financial Statements* from 1 July 2009. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. This presentation has been applied in these consolidated interim financial statements as of and for the half-year ended 31 December 2009.

Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

#### **Estimates**

The preparation of interim financial statements 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 condensed 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 2009.

# Notes to the Consolidated Interim Financial Statements

## Cardno Limited and its Controlled Entities for the half-year ended 31 December 2009

	Consolidated	
	31-Dec-09	31-Dec-08
	\$'000	\$'000
<b>2. REVENUE</b>		
Fees from services and sale of goods	170,944	194,628
Fee from recoverable expenses	54,800	67,481
Interest received	774	2,378
Royalties	58	52
Other	2,045	1,018
<b>Total Revenue</b>	<b>228,621</b>	<b>265,557</b>
<b>3. EXPENSES AND LOSSES</b>		
Consumables and materials used	66,254	98,301
Sub-consultant and contractor costs	26,808	10,751
Employee benefits expense	100,723	115,631
Depreciation		
Motor vehicles	335	371
Plant & equipment	2,920	3,381
<b>Total Depreciation</b>	<b>3,255</b>	<b>3,752</b>
Amortisation of non-current assets		
Works contracts	111	250
Software intangibles	116	157
Motor vehicles under finance lease	649	499
Plant & equipment under finance lease	152	618
<b>Total Amortisation</b>	<b>1,028</b>	<b>1,524</b>
<b>Total Depreciation &amp; Amortisation</b>	<b>4,283</b>	<b>5,276</b>
Impairment of bad and doubtful debts	1,115	1,182
Finance costs		
Interest expense	1,435	3,905
Amortisation of borrowing costs	137	54
<b>Total Finance costs</b>	<b>1,572</b>	<b>3,959</b>

## 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 in respect of continuing operations for the six months ended 31 December 2009 was 16.3% (six months ended 31 December 2008 23.4%). This change in effective tax rate was caused mainly by the following factors:

- Finalisation of the 2008 R&D claim resulting in a tax benefit of \$714,000.
- Write back of tax over provision related to prior years.

# Notes to the Consolidated Interim Financial Statements

## Cardno Limited and its Controlled Entities for the half-year ended 31 December 2009

### 5. DIVIDENDS PAID OR PROVIDED FOR ON ORDINARY SHARES

(a) During the reporting period, the Company paid dividends as follows:

	Cents per share	Total Amount \$'000	Franked / Unfranked	Date of payment
30 June 2009 – Final Dividend	14.0	11,801	Franked	13 October 2009
For comparison:				
30 June 2008 – Final Dividend	14.0	10,535	Franked	10 October 2008

(b) Subsequent to reporting date

Since 31 December 2009 the Directors have declared the following dividend:

	Cents per share	Total Amount \$'000	Franked / Unfranked	Expected Date of payment
2010 Interim Dividend	14.0	11,896	Franked	26 March 2010
For comparison:				
2009 Interim Dividend	14.0	10,898	Franked	27 March 2009

The financial effect of the 2010 interim dividend has not been brought to account in the consolidated entity's financial statements for the half-year ended 31 December 2009 and will be recognised in subsequent financial reports.

### 6. INTEREST BEARING LOANS AND BORROWINGS (CURRENT)

Lease liabilities  
Hire purchase liabilities  
Bank loans

Consolidated	
31-Dec-09	30-Jun-09
\$'000	\$'000
1,473	1,928
368	418
7,611	6,630
<b>9,452</b>	<b>8,976</b>

### 7. INTEREST BEARING LOANS AND BORROWINGS (NON-CURRENT)

Lease liabilities  
Hire purchase liabilities  
Bank loans

Consolidated	
31-Dec-09	30-Jun-09
\$'000	\$'000
2,881	3,482
244	340
64,649	72,254
<b>67,774</b>	<b>76,076</b>

# Notes to the Consolidated Interim Financial Statements

## Cardno Limited and its Controlled Entities for the half-year ended 31 December 2009

	6 months ended 31-Dec-09		Year ended 30-Jun-09	
	No. of shares	\$'000	No. of shares	\$'000
<b>8. ISSUED CAPITAL OF CARDNO LIMITED</b>				
<b>Balance at the beginning of the period</b>	84,272,249	227,457	73,509,653	192,063
Shares issued during the period:				
- Dividend reinvestment scheme	211,486	930	558,162	2,036
- Shares issued for cash, net of transaction costs	485,303	1,620	8,658,018	28,612
- Employee Tax Exempt Share Acquisition Plan	-	-	485,287	1,541
- Employee Performance Equity Plan	-	252	-	552
- Conversion of Convertible Notes	-	-	1,061,129	2,653
<b>Balance at the end of the period</b>	<b>84,969,038</b>	<b>230,259</b>	<b>84,272,249</b>	<b>227,457</b>

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.

	Consolidated	
	31-Dec-09	31-Dec-08
<b>9. EARNINGS PER SHARE</b>		
(a) Basic earnings per share		
<b>Profit attributable to ordinary shareholders</b>	<b>\$ 16,050,516</b>	<b>\$ 18,256,299</b>
<b>Weighted average number of ordinary shares</b>	<b>No.</b>	<b>No.</b>
Issued ordinary shares at 1 July	84,272,249	73,509,653
Effect of shares issued for cash consideration	342,514	991,786
Effect of shares issued from conversion of convertible notes	-	1,043,828
<b>Weighted average number of ordinary shares at 31 December</b>	<b>84,614,763</b>	<b>75,545,267</b>
<b>Basic earnings per share (cents per share)</b>	<b>18.97</b>	<b>24.17</b>
(b) Diluted earnings per share		
<b>Profit attributable to ordinary shareholders (diluted)</b>	<b>\$ 16,050,516</b>	<b>\$ 18,256,299</b>
Profit attributable to ordinary shareholders	16,050,516	18,256,299
After-tax effect of interest on convertible notes	-	-
<b>Profit attributable to ordinary shareholders (diluted)</b>	<b>16,050,516</b>	<b>18,256,299</b>
<b>Weighted average number of ordinary shares (diluted)</b>	<b>No.</b>	<b>No.</b>
Weighted average number of ordinary shares at 31 December	84,614,763	75,545,267
Effect of convertible notes	-	17,973
Effect of share options on issue	493,451	-
<b>Weighted average number of ordinary shares (diluted) at 31 December</b>	<b>85,108,214</b>	<b>75,563,240</b>
<b>Diluted earnings per share (cents per share)</b>	<b>18.86</b>	<b>24.16</b>
<b>10. CONTINGENT LIABILITIES</b>		

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 accounts of the consolidated entity, or which is likely to have a material effect on the financial performance of the consolidated entity.

# Notes to the Consolidated Interim Financial Statements

## Cardno Limited and its Controlled Entities for the half-year ended 31 December 2009

### 11. BUSINESS COMBINATIONS

#### Six months ended 31 December 2009

No business combinations were entered into during the half-year ended 31 December 2009.

#### Year ended 30 June 2009

- (a) On 1 July 2008 the Group acquired the issued capital of The Ecology Lab Pty Ltd and Spectrum Survey & Mapping Pty Ltd.

The acquired businesses contributed revenues of \$4,869,294 and net profit after tax of \$905,379 to the Group for the half-year ended 31 December 2008.

The Ecology Lab is a Sydney based consultant specialising in marine and freshwater ecology while Spectrum Survey & Mapping is a specialist survey firm based in Perth and Kalgoorlie.

#### Details of acquisitions\*

	<b>\$'000</b>
<b>Purchase Consideration</b>	
Cash	7,400
Direct costs relating to the acquisitions	122
Total purchase consideration	<u>7,522</u>
Fair value of net identifiable assets acquired	2,987
Goodwill	<u>4,535</u>

The assets and liabilities arising from the acquisitions are as follows:

	<b>Acquirees' carrying amount \$'000</b>	<b>Fair Value \$'000</b>
Cash	1,527	1,527
Receivables	1,995	1,995
Inventories	17	17
Deferred tax assets	233	233
Property, plant and equipment	1,581	1,581
Creditors & borrowings	(1,288)	(1,288)
Provisions	(1,078)	(1,078)
Net identifiable assets acquired	<u>2,987</u>	<u>2,987</u>
Outflow of cash to acquire subsidiaries, net of cash acquired		
Cash consideration		7,400
Less: Balances acquired		
Cash		<u>1,527</u>
<b>Outflow of cash</b>		<b>5,873</b>

\* Information presented is as disclosed in the 30 June 2009 financial statements.

- (b) On 15 September 2008 the Group also acquired the issued share capital of TBE Group Inc., a US based infrastructure services firm with offices across 19 US states as well as China, the UK and Canada. The acquired business contributed revenues of \$25,653,267 and net profit after tax of \$2,162,145 to the Group for the period 15 September 2008 – 31 December 2008.

# Notes to the Consolidated Interim Financial Statements

## Cardno Limited and its Controlled Entities for the half-year ended 31 December 2009

### 11. BUSINESS COMBINATIONS CONTINUED

#### Details of acquisition\*

	<b>\$'000</b>
<b>Purchase Consideration</b>	
Cash	36,573
Vendor liability – earnout agreement	9,027
Direct costs relating to the acquisitions	589
Total purchase consideration	<u>46,189</u>
Fair value of net identifiable assets acquired	3,488
Goodwill	<u>42,701</u>

The assets and liabilities arising from the acquisition are as follows:

	<b>Acquirees' carrying amount</b>	<b>Fair Value</b>
	<b>\$'000</b>	<b>\$'000</b>
Cash	423	423
Receivables	13,222	13,222
Inventories	3,778	3,778
Property, plant and equipment	1,643	1,643
Intangibles	-	1,039
Provisions	(7,184)	(7,184)
Creditors & borrowings	(9,433)	(9,433)
Net identifiable assets acquired	<u>2,449</u>	<u>3,488</u>
Outflow of cash to acquire subsidiary, net of cash acquired		
Cash consideration		36,573
Less: Balances acquired		423
Cash		<u>36,150</u>
<b>Outflow of cash</b>		<b>36,150</b>

\* Information presented is as disclosed in the 30 June 2009 financial statements.

### 12. OPERATING SEGMENTS

The Group has three reportable segments managed separately by location and service provided. Internal management reports, on the performance of these reportable segments, are reviewed monthly by the managing director, chief financial officer and group operations manager. The following summary describes the operations in each of the Group's reportable segments:

- Professional Services Australia and New Zealand – provides consulting engineering and geotechnical services in that region.
- Professional Services North America and Software – provides consulting engineering in North America and software sales globally.
- International Development Assistance – manages aid projects on behalf of unilateral and multilateral government agencies and private clients.

# Notes to the Consolidated Interim Financial Statements

## Cardno Limited and its Controlled Entities for the half-year ended 31 December 2009

### 12. OPERATING SEGMENTS CONTINUED

Half-Year Ended 31 December 2009	Professional Services Australia & NZ \$'000	Professional Services North America and Software \$'000	International Development Assistance \$'000	Total \$'000
<b>Segment revenue</b>				
Fees from services and sale of goods	100,530	31,026	39,679	171,235
Fees from recoverable expenses	4,897	17,090	32,813	54,800
Inter-segment revenue	-	-	(291)	(291)
<b>Revenue from external customers</b>	<b>105,427</b>	<b>48,116</b>	<b>72,201</b>	<b>225,744</b>
<b>Other income</b>	<b>581</b>	<b>99</b>	<b>1,423</b>	<b>2,103</b>
<b>Segment result</b>				
Reportable segment result before net financing costs	15,917	2,223	2,140	20,280

Half-Year Ended 31 December 2008	Professional Services Australia & NZ \$'000	Professional Services North America and Software \$'000	International Development Assistance \$'000	Total \$'000
<b>Segment revenue</b>				
Fees from services and sale of goods	127,161	30,877	36,590	194,628
Fees from recoverable expenses	9,752	13,778	43,951	67,481
Inter-segment revenue	-	-	-	-
<b>Revenue from external customers</b>	<b>136,913</b>	<b>44,655</b>	<b>80,541</b>	<b>262,109</b>
<b>Other income</b>	<b>475</b>	<b>292</b>	<b>303</b>	<b>1,070</b>
<b>Segment result</b>				
Reportable segment result before net financing costs	15,036	2,722	4,206	21,964

### Reconciliation of reportable segment profit or loss

	Consolidated	
	31-Dec-09	31-Dec-08
<b>Reportable segment result before net financing costs</b>	<b>20,280</b>	<b>21,964</b>
Interest Revenue	774	2,378
Finance costs	(1,572)	(3,959)
Other corporate (costs)/gains	(299)	3,438
<b>Profit before tax</b>	<b>19,183</b>	<b>23,821</b>
Income tax expense	(3,132)	(5,565)
<b>Profit after tax</b>	<b>16,051</b>	<b>18,256</b>

## **Notes to the Consolidated Interim Financial Statements**

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### **Cardno Limited and its Controlled Entities for the half-year ended 31 December 2009**

#### **13. SUBSEQUENT EVENTS**

On 11 February 2010 Cardno Limited announced its acquisition of ITC Group, an Australian based building services consulting engineering firm with offices in five Australian States and Territories and around 100 staff. The effective date for the transaction was 1 January 2010. Cardno will pay \$18.4m for ITC on an enterprise value basis plus a working capital adjustment of around \$2 million. ITC is expected to contribute fee revenue of approximately \$20 million to Cardno in the first 12 months.

An interim dividend of 14 cents per share fully franked was declared on 16 February 2010.

## Directors' Declaration

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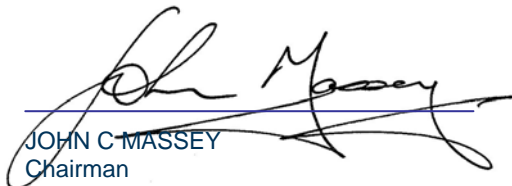
### Cardno Limited and its Controlled Entities For the half-year ended 31 December 2009

The directors of the company declare that:

1. the financial statements and notes, as set out on pages 6 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 as at 31 December 2009 and of the performance for the period ended on that date of the consolidated entity;
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 16th day of February 2010.

Signed in accordance with a resolution of the directors.

  
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JOHN C. MASSEY  
Chairman



## INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF CARDNO LIMITED

### Report on the half-year financial report

We have reviewed the accompanying half-year financial report of Cardno Limited which comprises the consolidated statement of financial position as at 31 December 2009, the consolidated statement of financial performance, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a statement of accounting policies and other explanatory notes 1 to 13 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 half-year financial report*

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *Auditor's responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements *ASRE 2410 Review of an Interim 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 financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and its performance for the half-year ended on that date; and complying with 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 a half-year 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*.



## Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year 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 2009 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

KPMG

ROBERT S JONES  
Partner

Brisbane  
16 February 2010