



Cardno
Engineering the Future

CARDNO LIMITED

Issue of Convertible Notes

Funding Acquisition of ACIL Australia

Managing Director's Presentation



Highlights

The purchase of ACIL is the continuation of Cardno's acquisition growth strategy

- Cardno will acquire ACIL Australia for \$35m representing 5 times ACIL's 2005FY forecast EBITA
- Funds raised through issue of 13.2m Convertible Notes at \$2.50 each via a 4 for 11 Renounceable Rights Issue and issue of Cardno shares to certain vendors
- Acquisition is EPS positive
- Provides growth potential
- ACIL provides earnings diversification less dependent upon economic cycles
- Increased international exposure, with significant cross selling opportunities
- Attractive security – 9% pa interest rate (payable each June / December), 3 year term, convertible on a 1 for 1 basis at \$2.50
- Offer to be underwritten by ABN AMRO Morgans Corporate Limited

Introduction to Cardno

Continued growth in earnings through diversification of operations

- Operating track record extending back over 60 years.
- Strong historical revenue and earnings growth expected to continue.
- Four mergers completed in calendar year 2004.
- Two mergers in October 2004 added 100 staff and 5 new offices.
- Currently over 650 employees in 22 offices both in Australia and overseas.
- Diversity of earnings across a number of business sectors, clients, and geographical locations.
- Exceeded prospectus forecast for June 2004 Financial Year
- Net profit after tax increased by 71% from \$2.7 million in December 2003 to \$4.6 million in December 2004 half year.
- Upgraded prospectus forecast for 2005 financial year by nearly 40% to \$7 million NPAT.

Engineering Consulting Industry

A fragmented industry

- Industry size in Australia about \$6 billion in professional fees.
- Fragmented market with more than 5,600 firms in Australia.
- Market share of largest competitor is less than 7% of the market.
- Cardno's share of the domestic market is currently less than 1.5%.
- Growth of industry fees has been strong and will remain stable.
- Strong opportunities for continued growth via increasing market share and acquisition.

Note: Information and figures from the "Consulting Engineering Services in Australia" report by IBISWorld in January 2005.

Core Business

Cardno has developed a diverse range of engineering expertise

- Civil engineering
- Structural engineering
- Urban waterway design
- Bridge and hydraulic structure design
- Railway engineering
- Transportation engineering
- Asset management
- Environmental engineering
- Water and wastewater engineering
- Marine engineering
- Project management
- Sporting facilities
- Airport engineering
- Coastal engineering
- Urban Planning
- XP Software

Clients

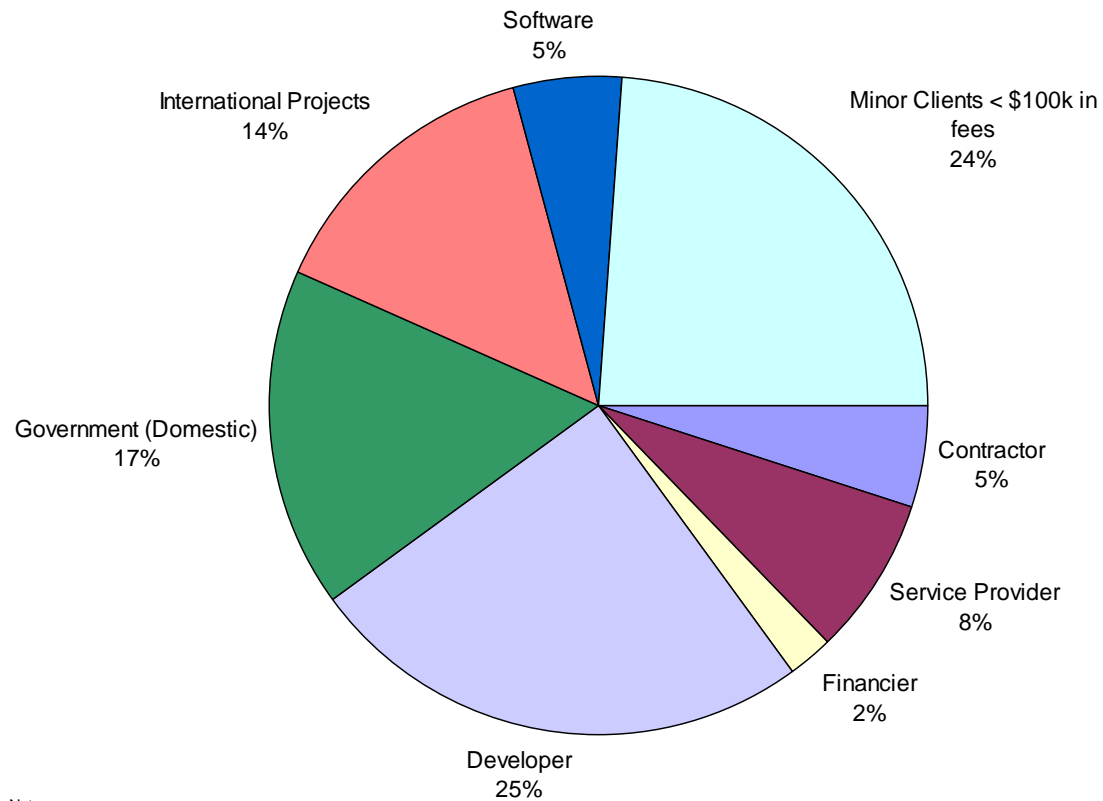
Cardno's revenue sourced from a diverse range of clients

- Major listed ASX companies
- Australian Federal, State and Local Governments
- Professional service firms including accountants, lawyers, architects and other consulting engineers
- Private schools, clubs, sporting bodies, charities and other private organisations
- Property developers and construction companies
- XP Software information technology products are licensed to more than 4,000 engineers, city and regional authorities, federal government agencies and universities throughout the world.
- Governments and government agencies of countries throughout Asia, the Pacific and North America
- International aid organisations including AusAID, United Nations, World Bank, Asian Development Bank, European Union and Kuwait Fund

Cardno Revenue

Estimated Source of Fee Revenue

As a proportion of total fee revenue 2004FY - Cardno Limited



Note:

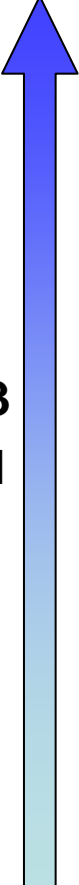
"Minor clients" represent fees earned from all clients that generated less than \$100,000 in fees during 2004FY.

"Software" represents the revenue generated by XP Software related income during 2004FY.

Remaining segments represent fees earned from major clients, i.e. a client that generated \$100,000 or more in fees during 2004FY.

Merger/Acquisition History

Track record of successful mergers and acquisitions



October 2004	Cardno Lawson Treloar – adding Lawson & Treloar
October 2004	Cardno BSD – adding BSD Consultants
March 2004	Cardno Alexander Browne – adding Alexander Browne Cambridge
January 2004	Cardno Young – adding Young Consulting Engineers
November 2003	Cardno Taylors – adding Taylors Engineers
November 2001	Cardno CCS – adding Colefax Clayton Smith
July 2001	Cardno Willing – adding Willing & Partners (and XP Software)
April 2001	Cardno BLH – adding Boubli Lepagier Hastings
July 1999	Cardno MBK– merging Cardno & Davies and McMillan Britton & Kell
1945	Cardno & Davies commenced operations in Queensland

Introduction to ACIL Australia

- Professional services firm specialising in the project management of large development aid contracts
- ACIL is owned 44% by the Executive Team, 56% by private equity interests
- 38 years experience managing over 500 projects in 63 countries
- Clients include:
 - Australian Agency for International Development (AusAID)
 - Asian Development Bank
 - World Bank
 - UK Department for International Development
 - Danish International Development Agency
 - German Development Bank
- Largest commercial supplier to AusAID
- 65 staff employed in Melbourne
- 450 contract staff in a network of international offices
- Variable staff business model with large long term government contracts

International Development Industry

- Overseas Development Assistance (ODA) estimated at US\$18.36 billion in 2003 (OECD)
- Aid is being aligned to foreign policy – poverty, security and health in developing countries becoming more mainstream
- Many governments are untying aid and opening their markets for foreign companies – some barriers to entry remain
- Scale, ability to deal with complexity and global reach becoming more important therefore company consolidation is beginning in a largely fragmented market
- Tsunami disaster - a new \$3.5 billion programme in Aceh alone
- 2005 Australian Federal budget increased ODA budget by \$358m to \$2.491 billion for 05/06, and
- Additional expenditure on ODA of \$2.054 billion over five years on from 2004 – 09 is budgeted.

ACIL - Key Projects

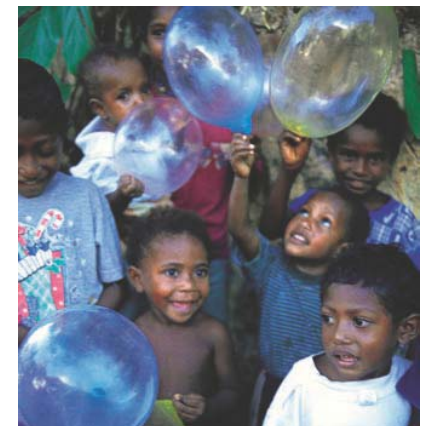
Law and Justice Sector Program

ACIL designed and is implementing this AusAID program that promotes the rule of law in Papua New Guinea (PNG) through improved service delivery by all agencies in the law and justice sector. The program also promotes partnerships between formal and traditional justice systems and integrates other national development priorities such as gender equality, human rights and HIV/AIDS prevention.



PNG National HIV/AIDS Support Project

ACIL is supporting the Government of Papua New Guinea to minimize the impact of HIV/AIDS through a major AusAID funded project which has introduced a multi-sector, multi-level, multi-program approach involving the public and private sectors and civil society.



ACIL - Key Projects

Employment Oriented Skills Development Project

ACIL is partnering on this Asian Development Bank-funded skills development program in Papua New Guinea (PNG), improving income earning opportunities for over 40,000 men, women and youth through vocational training.



Asia Regional Cooperation for the Prevention of People Trafficking Project

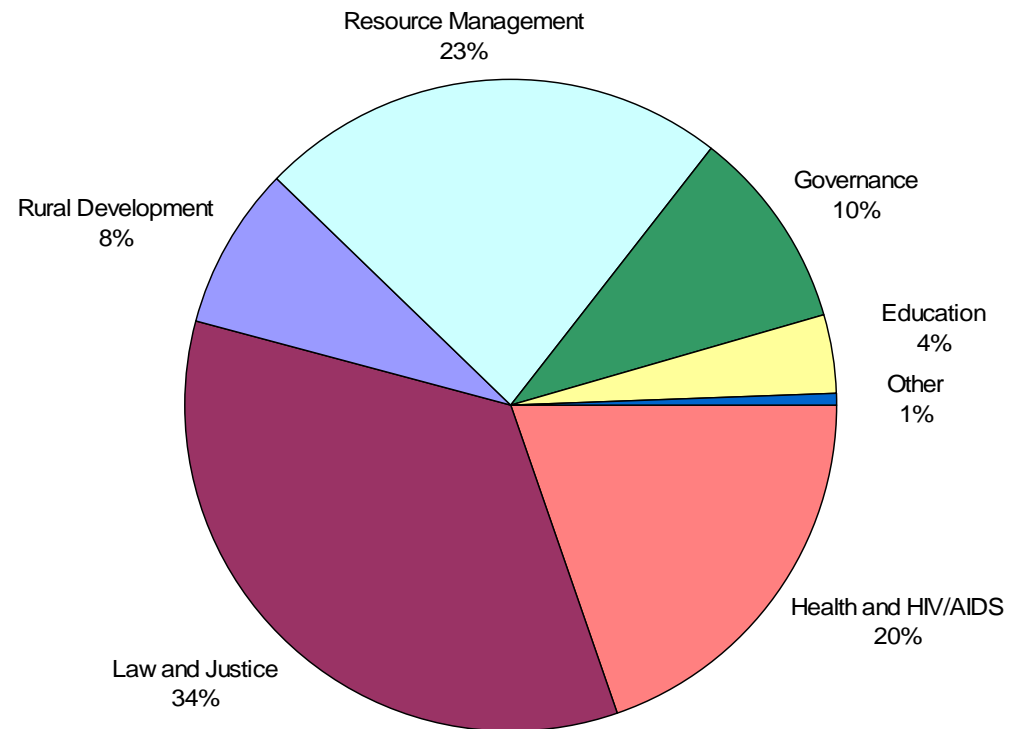
ACIL is providing expertise on prevention of people trafficking measures and helping to establish specialist anti-trafficking units within national law enforcement agencies in each participating country; Cambodia, Laos, Myanmar and Thailand.



ACIL Revenue

Estimated Source of Fee Revenue

As a proportion of total fee revenue 2004FY - ACIL Australia



Note:
Segments represent the primary purpose of fees earned during 2004FY.

ACIL Executive Management Team



Stephen Moss
CEO and
Managing
Director



Peter Bergin
Chief
Financial
Officer



Jill Byrne
Executive
Manager,
Development



Peter Falvey
Executive
Manager,
Field
Operations
(part time)



Michael Hill
Executive
Manager,
Corporate
Strategy and
New Markets



Bruce Coyne
Manager,
Field
Operations -
Asia

Cardno's ACIL Acquisition Strategy

The acquisition of ACIL fits Cardno's successful acquisition and merger strategy

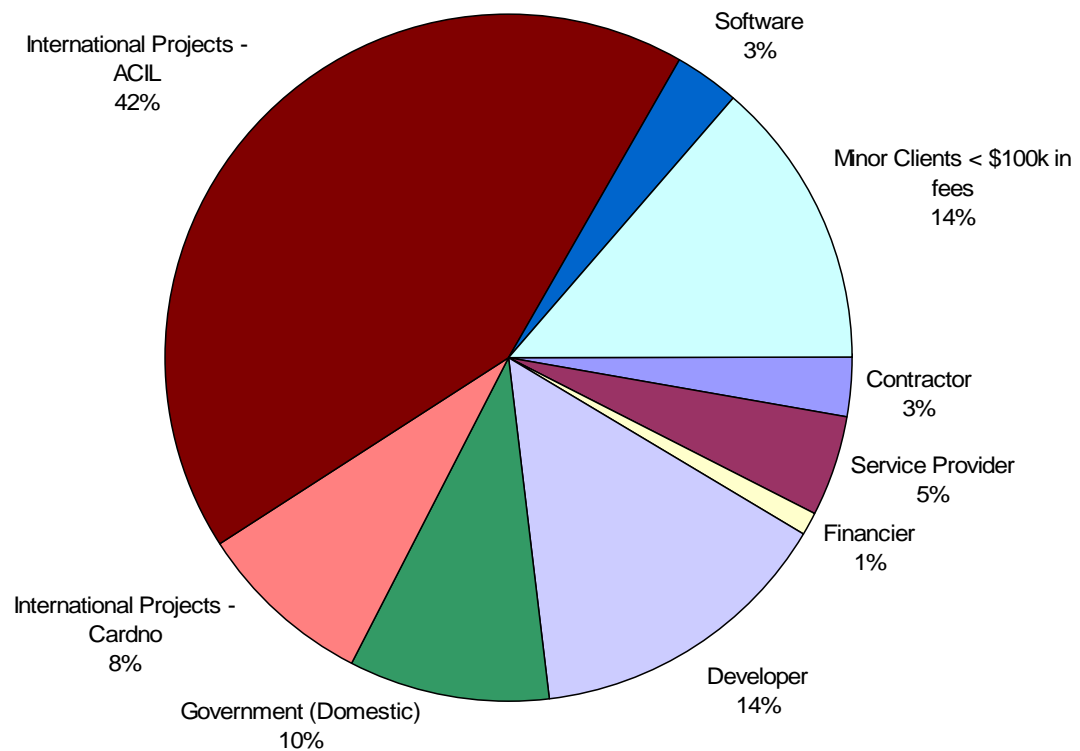
- ACIL is a non-overlapping but complementary business and Cardno aims to achieve added value through cross selling opportunities.
- Acquiring ACIL will increase the percentage of Cardno's revenue from international business
- Acquisition will therefore further diversify revenue streams away from Australian domestic economic cycles.
- Cardno is focused on developing this increased international revenue stream from the relatively low risk aid and development sector, where ACIL is strong.
- Cardno's strategy is to increase its proportion of revenue from non-engineering fields such as governance, health, education, natural resource management and law and justice sectors.

Combined Cardno and ACIL Revenue

ACIL provides further revenue diversification

Estimated Source of Fee Revenue

As a proportion of total fee revenue 2004FY - Cardno & ACIL



Pro forma 2005 Financial Performance

\$'000s	Forecast Financial Performance for Year Ending 30 June 2005					
	Cardno	ACIL	Pro forma Adjustments	Pro forma for combined group	IFRS Adjustments	Pro forma IFRS group
Sales Revenue	75,257	37,490		112,747		112,747
Other Revenue	1,003	69		1,072		1,072
Revenue from recoverable expenses	5,589	44,143		49,732		49,732
Total Revenue	81,849	81,702		163,551		163,551
Operating Expenses	70,918	74,597		145,515	1,159	146,674
EBITA	10,931	7,105		18,036	(1,159)	16,877
Amortisation	561	706	720	1,987	(1,655)	332
EBIT	10,370	6,399	(720)	16,049	496	16,545
Net Interest Expense	366	956	2,353	3,675		3,675
Net Profit Before Tax	10,004	5,443	(3,073)	12,374	496	12,870
Tax Credit/(Expense)	(3,001)	(1,844)	706	(4,139)	348	(3,791)
Net Profit after Tax	7,003	3,599	(2,367)	8,235	844	9,079
Basic EPS (cents)	19.3			21.2		23.4
Diluted EPS (cents)	19.1			19.7		21.3

ACIL Financial Performance

ACIL	Statement of Financial Performance		
	Actual consolidated		Forecast
	2003FY \$'000	2004FY \$'000	2005FY \$'000
Total revenue	54,278	70,980	81,702
Operating expenses	47,573	63,958	74,597
Earnings before interest expense, tax and amortisation (EBITA)	6,705	7,022	7,105
Amortisation of goodwill	706	706	706
Earnings before interest expense and tax (EBIT)	5,999	6,316	6,399
Interest expense	1,129	901	956
Net profit before tax	4,870	5,415	5,443
Income tax expense	1,551	1,836	1,844
Net profit after tax	3,319	3,579	3,599

Pro forma Statement of Financial Position

	Pro forma Statement of Financial Position – 31 December 2004			
\$'000s	Cardno Audited	ACIL Reviewed	Pro forma Adjustments	Pro forma Unaudited
Total Current Assets	28,735	26,776	4,177	59,688
Total Non-Current Assets	20,962	13,145	15,264	49,371
TOTAL ASSETS	49,697	39,921	19,441	109,059
Total Current Liabilities	18,826	14,421	-	33,247
Total Non-Current Liabilities	7,023	10,777	27,119	44,919
TOTAL LIABILITIES	25,849	25,198	27,119	78,166
NET ASSETS	23,848	14,723	(7,678)	30,893
TOTAL EQUITY	23,848	14,723	(7,678)	30,893

Key Terms of the Convertible Note

Trustee	The Public Trustee of Queensland
Securities offered	Approximately 13,196,711 Convertible Notes
Term	3 years from the Issue Date unless previously redeemed or converted into Shares
Interest Rate	9% per annum on the Issue Price
Interest Payments	Interest is payable half-yearly in arrears. The first payment date is 31 December 2005.
Conversion	<p>Noteholders may elect to convert their Convertible Notes on any Interest Payment Date or on the Maturity Date. On conversion, Cardno has the right for each Convertible Note:</p> <ul style="list-style-type: none">• to issue one Share; or• to pay a cash equivalent being the greater of the issue price or market price
Redemption	Any Convertible Notes not converted by the Maturity Date must be redeemed by the Company at the Issue Price on the Maturity Date.

Indicative Timetable

Announcement of Convertible Note Renounceable Rights Issue and lodgement of Prospectus	Friday 27 May '05
Notice sent to Qualifying Shareholders	Monday 30 May '05
Shares Quoted ex Rights and Rights trading commences	Tuesday 31 May '05
Record Date	Monday 6 June '05
Despatch of Prospectus	Wednesday 8 June '05
Last day of Rights trading	Thursday 16 June '05
Rights Issue closes	Thursday 23 June '05
Allotment and Despatch Date	Friday 1 July '05
Convertible Note expected to trade on ASX	Monday 4 July '05

• Timetable is indicative only and subject to change

Highlights of Issue

- Cardno will acquire ACIL Australia for \$35m
- ACIL provides earnings diversification less dependent upon Australian economic cycles
- Increased international exposure, with significant cross selling opportunities
- Acquisition is EPS positive
- Provides earnings growth
- Opportunity to invest in a high quality growth business via an attractive security that offers investors:
 - 9% pa interest rate payable half yearly;
 - 3 year term; and
 - convertible into shares on a 1 for 1 basis at \$2.50
- Cardno Directors are taking up 47% of their rights
- Offer to be underwritten by ABN AMRO Morgans Corporate Limited