



**Cardno Limited**

ABN 70 108 112 303

**and its controlled entities**

Interim Financial Report  
for the half-year ended 31 December 2007



## Table of Contents

---

### Cardno Limited and its Controlled Entities for the half-year ended 31 December 2007

Directors' Report .....	3
Auditor's Independence Declaration .....	5
Consolidated Income Statement.....	6
Consolidated Balance Sheet .....	7
Consolidated Statement of Changes in Equity.....	8
Consolidated Cash Flow Statement .....	9
Notes to the Consolidated Financial Statements .....	10
Directors' Declaration .....	16
Independent Review Report.....	17

# Directors' Report

---

## Cardno Limited and its Controlled Entities for the half-year ended 31 December 2007

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 2007 and report thereon.

### Directors

The directors of the Company in office during or since the end of the half-year ended 31 December 2007 are set out below:

John Massey (Chairman - Non-executive)  
Graham Tamblyn (Deputy Chairman - Executive)  
Andrew Buckley (Managing Director - Executive)  
Peter Cosgrove (Non-executive)  
Jeffrey Forbes (Executive and Company Secretary)  
Trevor Johnson (Executive)  
Ian Johnston (Non-executive)  
James Verco (Executive) (resigned 25 October 2007)

### Company Secretary

Jeffrey Forbes (Company Secretary)  
Mark Buggy (Assistant Company Secretary)

### Review of Results and Operations

Cardno Limited achieved a profit after tax of \$11.92m for the half-year ended 31 December 2007, an increase of 43.8% over the December 2006 half-year profit of \$8.29m.

Revenue for the December 2007 half-year was \$195.75m which is 76.2% higher than the December 2006 figure of \$111.08m.

Three main factors contributed to the significant growth in revenues and profits:

1. Business conditions for the Cardno group have generally remained strong which has driven continuing organic growth in existing businesses.
2. The half-year ended 31 December 2007 includes six months of results for seven of the eight acquisitions completed during the financial year ended 30 June 2007 for the first time.
3. Cardno acquired Buckland Engineers Australia Pty Ltd, effective 1 July which added to group revenue and profit.

During the half-year the Company successfully raised \$65m through the placement of ordinary shares and a share purchase plan, which has placed the Company in a strong position to pursue acquisition opportunities.

The outlook for Cardno continues to be strong with good prospects for expanding the business through both organic growth and acquisitions in Australia and internationally.

### Dividends

A fully franked interim dividend of 13 cents per share has been declared, which is a 30% increase over the 10 cent dividend for the corresponding period last year.

## Directors' Report

---

### Cardno Limited and its Controlled Entities for the half-year ended 31 December 2007

#### Auditor's Independence Declaration


The 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 2007.

#### Rounding of Amounts

The consolidated entity is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Signed in accordance with a resolution of directors.

On behalf of the Directors

A handwritten signature in black ink, appearing to read 'John Massey', with a horizontal line drawn through the middle of the signature.

JOHN C MASSEY  
Chairman

Brisbane  
19 February 2008

**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 2007 there have been:

- (i) no contraventions of the auditor independence requirements of 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.

Signed at Brisbane 19 February 2008.



WHK Horwath



R O COLE  
Principal

## Consolidated Income Statement

### Cardno Limited and its Controlled Entities for the half-year ended 31 December 2007

	Note	Consolidated	
		31-Dec-07 \$'000	31-Dec-06 \$'000
Revenue	2	195,754	111,077
Raw materials, sub-contractor costs and consumables used	3	71,367	46,841
Employee benefits expense	3	91,383	42,115
Depreciation and amortisation expenses	3	3,775	2,212
Financing costs	3	2,443	1,600
Other expenses		9,614	6,855
		<b>178,582</b>	<b>99,623</b>
Profit/(loss) before income tax		17,172	11,454
Income tax expense		5,257	3,168
<b>Net profit/(loss) for the period</b>		<b>11,915</b>	<b>8,286</b>
Basic earnings per share (cents per share)		20.01	17.86
Diluted earnings per share (cents per share)		19.59	16.15

# Consolidated Balance Sheet

Cardno Limited and its Controlled Entities as at 31 December 2007

	Note	Consolidated	
		31-Dec-07 \$'000	30-Jun-07 \$'000
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		64,956	17,376
Trade and other receivables		73,599	66,145
Inventories		41,244	43,617
Other current assets		12,096	6,717
<b>TOTAL CURRENT ASSETS</b>		<b>191,895</b>	<b>133,855</b>
<b>NON-CURRENT ASSETS</b>			
Other financial assets		28	28
Property, plant and equipment		18,783	19,342
Deferred tax assets		9,734	9,736
Intangible assets		107,191	103,534
Other non-current assets		745	218
<b>TOTAL NON-CURRENT ASSETS</b>		<b>136,481</b>	<b>132,858</b>
<b>TOTAL ASSETS</b>		<b>328,376</b>	<b>266,713</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		37,514	38,455
Interest-bearing loans and borrowings	5	43,277	46,810
Current tax liabilities		5,315	5,522
Short term provisions		10,881	11,555
Other current liabilities		27,488	22,586
<b>TOTAL CURRENT LIABILITIES</b>		<b>124,475</b>	<b>124,928</b>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing loans and borrowings	6	3,217	14,329
Deferred tax liabilities		9,416	10,631
Long term provisions		4,974	5,213
Other non-current liabilities		1,040	362
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>18,647</b>	<b>30,535</b>
<b>TOTAL LIABILITIES</b>		<b>143,122</b>	<b>155,463</b>
<b>NET ASSETS</b>		<b>185,254</b>	<b>111,250</b>
<b>EQUITY</b>			
Issued capital	7	161,327	92,245
Reserves		347	70
Retained earnings		23,580	18,935
<b>TOTAL EQUITY</b>		<b>185,254</b>	<b>111,250</b>

The balance sheet is to be read in conjunction with the notes to the consolidated financial statements set out on pages 10 to 15.

## Consolidated Statement of Changes in Equity

### Cardno Limited and its Controlled Entities for the half-year ending 31 December 2007

	Note	Issued Capital	Retained	Reserves	Total
		Ordinary	Earnings	Forex	
		\$'000	\$'000	\$'000	\$'000
<b>BALANCE AT 1 JULY 2006</b>		35,942	10,370	(58)	46,254
Shares issued		4,999	-	-	4,999
Notes converted to shares		11,099	-	-	11,099
Profit for the period		-	8,286	-	8,286
Dividends paid or provided	4	-	(4,632)	-	(4,632)
Restatement of functional currency		-	-	(182)	(182)
<b>BALANCE AT 31 DECEMBER 2006</b>		<b>52,040</b>	<b>14,024</b>	<b>(240)</b>	<b>65,824</b>
<b>BALANCE AT 1 JULY 2007</b>		92,245	18,935	70	111,250
Shares issued		67,504	-	-	67,504
Notes converted to shares		1,578	-	-	1,578
Profit for the period		-	11,915	-	11,915
Dividends paid or provided	4	-	(7,270)	-	(7,270)
Restatement of functional currency		-	-	277	277
<b>BALANCE AT 31 DECEMBER 2007</b>		<b>161,327</b>	<b>23,580</b>	<b>347</b>	<b>185,254</b>

# Consolidated Cash Flow Statement

Cardno Limited and its Controlled Entities for the half-year ended 31 December 2007

	Consolidated	
	31-Dec-07 \$'000	31-Dec-06 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash receipts from customers	204,202	116,248
Dividends received	-	30
Interest received	510	155
Finance costs paid	(2,443)	(1,352)
Cash paid to suppliers and employees	(184,961)	(108,943)
Income tax paid	(5,263)	(3,449)
<b>NET CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES</b>	<b>12,045</b>	<b>2,689</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of subsidiaries, net of cash acquired	(4,159)	(11,511)
Payment of direct costs of acquisition	(191)	(292)
Additions to intangibles	-	(2)
Proceeds from sale of property, plant & equipment	84	135
Payments for property, plant & equipment	(2,989)	(1,329)
<b>NET CASH PROVIDED BY /(USED IN) INVESTING ACTIVITIES</b>	<b>(7,255)</b>	<b>(12,999)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of shares	66,879	4,239
Payments of vendor liability	(3,880)	(1,146)
Proceeds from/(Repayment of) borrowings	(11,846)	6,014
Dividends paid	(6,805)	(4,632)
<b>NET CASH PROVIDED BY/(USED IN) FINANCING ACTIVITIES</b>	<b>44,348</b>	<b>4,475</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS HELD</b>	<b>49,138</b>	<b>(5,835)</b>
<b>CASH AND CASH EQUIVALENTS AT 1 JULY</b>	<b>15,474</b>	<b>15,679</b>
<b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER</b>	<b>64,612</b>	<b>9,844</b>

The cash flow statement is to be read in conjunction with the notes to the consolidated financial statements set out on pages 10 to 15.

# Notes to the Consolidated Financial Statements

---

## Cardno Limited and its Controlled Entities for the half-year ended 31 December 2007

### 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 six months ended 31 December 2007 comprises the Company and its subsidiaries (together referred to as the "consolidated entity").

The consolidated interim financial report was authorised for issue by the directors on 19 February 2008.

#### (a) Statement of compliance

This general purpose financial report for the interim half-year reporting period ended 31 December 2007 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting Urgent Issues Group Interpretation* adapted by the Australian Accounting Standards Board (AASB), the *Corporations Act 2001*, and the authoritative pronouncements of the Australian Accounting Standards Board.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2007 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 consolidated financial report as at and for the year ended 30 June 2007.

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

## Notes to the Consolidated Financial Statements

### Cardno Limited and its Controlled Entities for the half-year ended 31 December 2007

	Consolidated	
	31-Dec-07 \$'000	31-Dec-06 \$'000
<b>2. REVENUE</b>		
<b>Revenue from operating activities</b>		
Fees from services and sale of goods	156,063	91,343
Fees from recoverable expenses	38,841	19,306
<b>Total revenue from operating activities</b>	<b>194,904</b>	<b>110,649</b>
<b>Revenue from non-operating activities</b>		
Interest received	510	155
Other	340	273
<b>Total revenue from non-operating activities</b>	<b>850</b>	<b>428</b>
<b>Total Revenue</b>	<b>195,754</b>	<b>111,077</b>
<b>3. EXPENSES AND LOSSES/(GAINS)</b>		
Raw materials, sub-contractor costs and consumables used	71,367	46,841
Employee benefits expense	91,383	42,115
Depreciation		
Motor vehicles	290	122
Plant & equipment	2,035	812
<b>Total Depreciation</b>	<b>2,325</b>	<b>934</b>
Amortisation of non-current assets		
Works contracts	110	80
Motor vehicles under lease	338	258
Plant & equipment under lease	1,002	940
<b>Total Amortisation</b>	<b>1,450</b>	<b>1,278</b>
<b>Total Depreciation &amp; Amortisation</b>	<b>3,775</b>	<b>2,212</b>
Bad and doubtful debts	252	326
Financing costs		
Interest charges	2,086	1,288
Finance charges	179	188
Borrowing costs	178	124
<b>Total financing costs</b>	<b>2,443</b>	<b>1,600</b>
<b>4. DIVIDENDS PAID OR PROVIDED FOR ON ORDINARY SHARES</b>		
(a) Dividends proposed and not recognised as a liability		
100% franked dividend at 30% (2006: 30%)	8,936	5,272

## Notes to the Consolidated Financial Statements

### Cardno Limited and its Controlled Entities for the half-year ended 31 December 2007

#### 4. DIVIDENDS PAID OR PROVIDED FOR ON ORDINARY SHARES CONTINUED

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

	Cents per share	Total Amount \$'000	Franked / Unfranked	Date of payment
30 June 2007 – Final Dividend	12.5	7,270	Franked	5 October 2007
For comparison:				
31 December 2006 – 2006 Interim Dividend	10	4,632	Franked	6 October 2006

(c) Subsequent to reporting date

Since 31 December 2007 the Directors have declared the following dividend:

	Cents per share	Total Amount \$'000	Franked / Unfranked	Expected Date of payment
2008 Interim Dividend	13	8,936	Franked	28 March 2008

The financial effect of this dividend has not been brought to account in the consolidated entity's financial statements for the half-year ended 31 December 2007 and will be recognised in subsequent financial reports.

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

Lease liabilities  
Hire purchase liabilities  
Convertible notes  
Bank loans  
Bank overdraft

Consolidated	
31-Dec-07	30-Jun-07
\$'000	\$'000
2,326	2,711
99	191
4,035	-
36,473	42,006
344	1,902
43,277	46,810

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

Lease liabilities  
Hire purchase liabilities  
Convertible notes  
Bank loans

Consolidated	
31-Dec-07	30-Jun-07
\$'000	\$'000
2,485	3,358
12	76
-	5,613
720	5,282
3,217	14,329

## Notes to the Consolidated Financial Statements

### Cardno Limited and its Controlled Entities for the half-year ended 31 December 2007

	31-Dec-07 No. of shares	30-Jun-07 No. of shares	31-Dec-07 \$'000	30-Jun-07 \$'000
<b>7. ISSUED CAPITAL OF CARDNO LIMITED</b>				
<b>Balance at the beginning of the period</b>	57,318,821	41,835,776	92,245	35,942
Shares issued during the period:				
- Dividend reinvestment scheme	58,889	52,812	465	309
- Shares issued for cash	9,539,380	5,282,345	65,190	30,100
- Employee Tax Exempt Share Acquisition Plan	-	143,955	-	685
- Employee Performance Equity Plan	-	-	160	211
- Options Exercised	480,000	291,000	1,689	716
- Conversion of Convertible Notes	631,182	9,712,933	1,578	24,282
<b>Balance at the end of the year</b>	<b>68,028,272</b>	<b>57,318,821</b>	<b>161,327</b>	<b>92,245</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.

### 8. 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 professional indemnity 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.

### 9. BUSINESS COMBINATIONS

During the half-year the group acquired the net assets of Buckland Engineers Australia Pty Ltd with an effective acquisition date of 1 July 2007.

The acquired businesses contributed revenues of \$3,377,366 and net profit of \$186,627 to the consolidated entity for the half-year.

At the date of acquisition, the acquired entity was involved in providing professional services for physical infrastructure.

#### Details of acquisition

	\$'000
<b>Purchase Consideration</b>	
Cash	4,800
Direct costs relating to the acquisitions	76
Total purchase consideration	4,876
Fair value of net identifiable assets acquired	836
Goodwill	4,040

# Notes to the Consolidated Financial Statements

## Cardno Limited and its Controlled Entities for the half-year ended 31 December 2007

### 9. BUSINESS COMBINATIONS CONTINUED

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

	Acquirees' carrying amount \$'000	Fair Value \$'000
Cash	641	641
Receivables	713	713
Property, plant and equipment	289	289
Creditors & borrowings	(361)	(361)
Provisions	(446)	(446)
Net identifiable assets acquired	<u>836</u>	<u>836</u>
Outflow of cash to acquire subsidiary, net of cash acquired		
Cash consideration		4,800
Less: Balances acquired		
Cash		<u>641</u>
Outflow of cash		<u>4,159</u>

### 10. SEGMENT INFORMATION

The group operates predominantly as a provider of professional services in physical and social infrastructure.

Inter-segment pricing is determined on an arm's length basis.

#### Geographical Segments

In presenting information on the basis of primary segments, segment revenue and results are based on the geographical location of the assets. The consolidated entity's geographical segments reported are Australia and New Zealand, Europe and Africa, North America and Asia Pacific.

#### Geographical Segments continued

Half-Year Ended 31 December 2007	Australia & NZ \$'000	Asia Pacific \$'000	Europe & Africa \$'000	North America \$'000	TOTAL \$'000	Eliminations \$'000	Grouped \$'000
Total Revenue	123,779	8,795	14,693	49,715	196,982	(1,228)	195,754
Total Result	12,462	2,089	(244)	2,865	17,172	-	17,172
Income tax (expense)/benefit							(5,257)
<b>Net profit for the period</b>							<u>11,915</u>

Half-Year Ended 31 December 2006	Australia & NZ \$'000	Asia Pacific \$'000	Europe & Africa \$'000	North America \$'000	TOTAL \$'000	Eliminations \$'000	Grouped \$'000
Total Revenue	96,488	7,003	6,274	1,452	111,217	(140)	111,077
Total Result	9,751	1,560	(41)	184	11,454	-	11,454
Income tax (expense)/benefit							(3,168)
<b>Net profit for the period</b>							<u>8,286</u>

The group provides engineering related software products which has not been reported separately as it represents less than 10% of sales to external customers.

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

---

### **Cardno Limited and its Controlled Entities for the half-year ended 31 December 2007**

#### **11. SUBSEQUENT EVENTS**

On 7 January 2008, 511,726 ordinary shares were issued as a result of convertible note conversions. A further 216,736 ordinary shares were issued on 29 January 2008 pursuant to the Australian Resident Employee Tax Exempt Share Acquisition Plan and the Non-Australian Resident Employee Share Acquisition Plan.

An interim dividend of 13 cents per share fully franked was declared on 19 February 2008.

## Directors' Declaration

---

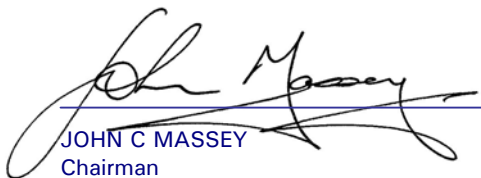
### Cardno Limited and its Controlled Entities For the half-year ended 31 December 2007

The directors of the company declare that:

1. the financial statements and notes, as set out on pages 6 to 15, are in accordance with the Corporations Act 2001 and:
  - (a) comply with Accounting Standards, the Corporations Regulations 2001 and the mandatory professional reporting requirements; and
  - (b) give a true and fair view of the financial position as at 31 December 2007 and of the performance for the year 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 payables.

Dated at Brisbane on the 19th day of February 2008.

Signed in accordance with a resolution of the directors.



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 and controlled entities (the consolidated entity) which comprises the consolidated balance sheet as at 31 December 2007, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the half-year ended on that date, a statement on the accounting policies, other selected explanatory notes and the directors' declaration. The consolidated entity comprises both Cardno Limited and the entities it controlled during that year.

### **Directors' Responsibility for the Half-Year Financial Report**

The directors of the company are responsible for the preparation and fair presentation of the consolidated half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control 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 consolidated 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 2007 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 the 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*.

*Total Financial Solutions*

### **Member Horwath International**

**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 company's financial position as at 30 June 2007 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*.

Signed at Brisbane, 19 February 2008.



WHK Horwath



R Q COLE  
Principal