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Cardno Limited

ABN 70 108 112 303

and its controlled entities

Financial Report
for the year ended 30 June 2005

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Directors' Report

Cardno Limited and its Controlled Entities for the year ended 30 June 2005

The Directors' present their report together with the financial statements of Cardno Limited and the entities it controlled at 30 June 2005.

Directors

The following persons were Directors of Cardno Limited for the period 1 July 2004 to 23 August 2005 unless specified:

John Massey (Chairman)(Non-executive)
Graham Tamblyn (Deputy Chairman - Executive)
Andrew Buckley (Managing Director)
Ronald Fisher (Executive and Company Secretary)
Trevor Johnson (Executive)
Ian Johnston (Non-executive) (appointed 1 November 2004)
Richard Kell (Executive)
Douglas McMillan (Executive) (resigned 1 November 2004)
Stephen Moss (Executive) (appointed 2 August 2005)
James Verco (Executive)
Edwin Vowles (Executive) (resigned 1 November 2004)

Details of the qualifications, experience, directorships of other public entities and responsibilities of the Directors are set out in the Annual Report.

Company Secretary

Ronald Fisher was appointed to the position of Company Secretary on 24 February 2004 when Cardno Limited was incorporated. Mr Fisher has been a Company Secretary within the Cardno Group since 1983.

Principal Activities

The principal activity of the consolidated entity during the financial year was operating as a provider of professional services in the engineering and management fields. The acquisition of ACIL Australia Pty Ltd on 1 May 2005 expanded the range of professional services provided to the international market. Apart from this change, there were no other changes to the principal activities of the Cardno group during the financial year under review.

Review of Results and Operations

Cardno achieved a net profit after tax of \$7.45 million for the financial year ended June 2005 which is a 67% increase on the net profit after tax of \$4.46 million recorded in the 2004 Pro Forma financial statements.

Revenue was \$101.5 million which is 56% more than the Pro Forma revenue of \$64.9 million for the previous year. Basic earnings per share increased by 44% over the same period, from 14.4 cents to 20.7 cents in the current financial year.

The Board has declared a final dividend of 8.0 cents per share, increasing the full year dividend to 14.0 cents from 10.5 cents per share in 2003/04.

The results significantly exceed forecasts contained in Cardno's 2004 IPO Prospectus, with revenue 43% higher than expected and net profit after tax 50% above forecast.

The significant improvement in financial performance over the previous year reflects continuing strong market conditions for consulting engineering in the Australian market as well as the contribution from two acquisitions completed in October 2004. Cardno BSD in Western Australia, and Cardno Lawson

Directors' Report

Cardno Limited and its Controlled Entities for the year ended 30 June 2005

Treloar in Brisbane, Sydney and Melbourne added \$12.6 million to Cardno revenue in the 2005 financial year. These acquisitions allowed Cardno to achieve its strategic aims of establishing a successful presence in the growing Western Australia market and strengthening Cardno's recognised capability in water resource engineering.

Cardno's international consulting engineering operations operated in an improving market and performed strongly. This work is largely in the management of development assistance projects in developing countries.

In June 2005, Cardno entered into a contract to purchase ACIL Australia Pty Ltd, a professional services firm also working in development assistance. While this acquisition has had only a minor impact on the 2005 financial year performance, ACIL is expected to add around \$40 million to 2006 financial year fee revenues and this will make Cardno a significant Australian supplier of professional services to the international development assistance market.

Cardno's North American operations, predominantly XP Software, also performed better than expected in both revenue and profit.

Cardno's outlook remains positive with Australian markets remaining stable while there is an increased focus and expenditure directed at international development assistance markets.

Dividends

Dividends paid or declared by the Company to members since the end of the previous financial year were:

Type	Cents per share	Total amount \$'000	Franked/ unfranked	Date of payment
<i>Declared and paid during the year</i>				
- Final 2004 ordinary	4.5	1,625	Franked	15 November 2004
- Interim 2005 ordinary	6.0	2,177	Franked	8 April 2005
<i>Declared after end of year</i>				
- Final 2005 ordinary	8.0	3,147	Franked	6 October 2005
<u>Note</u>				
<i>Dealt with in the financial report as:</i>				
- Dividends	24	3,802		
- Noted as a subsequent event	29	<u>3,147</u>		
		6,949		

All the franked dividends paid or declared by the Company since the end of the previous financial year were fully franked at 30%.

Events Subsequent to the Reporting Date

- On 1 July 2005 the purchase of 100% of the issued shares in ACIL Australia Pty Ltd was settled. The effective date of acquisition was 1 May 2005.
- A contract to sell the property at Belconnen, ACT was signed on 5 July 2005 and settled on 15 July 2005. The Directors have revalued the property at balance date to the sale price.
- The Company settled the acquisition of 100% of the issued shares in EOP Holdings Pty Ltd on 12 August 2005. The effective date of acquisition was 4 July 2005.
- On 23 August 2005, the Directors of Cardno Limited declared a final dividend on the ordinary shares of the 2005 financial year. The total amount of the dividend is \$3,146,685 which represents a dividend of 8 cents per share is fully franked and will be paid on 6 October 2005. The dividend has not been provided for in the 30 June 2005 financial statements.

Directors' Report

Cardno Limited and its Controlled Entities for the year ended 30 June 2005

Likely Developments

The consolidated entity will continue to pursue its policy of increasing profitability, market share of its major business sectors and growth through acquisition during the next financial year.

Further information about likely developments in the operations of the consolidated entity and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the consolidated entity.

Significant Changes in the State of Affairs

Other than detailed elsewhere, there have been no significant changes in the state of affairs since 30 June 2004.

Directors' Interests

As at the date of this report, the interests of the directors in the shares and convertible notes of Cardno Limited were:

	Cardno Limited Ordinary shares	Shares held in escrow	Cardno Limited Convertible Notes
J C Massey	20,000	-	9,973
G G Tambllyn	1,512,000	1,512,000	56,000
A D Buckley	1,845,810	1,845,810	400,000
R J Fisher	1,260,342	1,260,342	148,001
T C Johnson	1,527,990	1,527,990	400,000
I J Johnston	60,000	-	77,219
R A Kell	619,458	619,458	100,000
S J Moss	431,878	431,348	147,893
J G A Verco	1,094,402	1,065,402	210,545

Share Options

Options granted to Directors' and Officers of the Company

During the financial year, the Company granted options for no consideration over unissued ordinary shares in Cardno Limited to the following Directors and to the following most highly remunerated Officers of the Company as part of their remuneration:

	Number of options granted
<i>Directors</i>	
A D Buckley	30,000
R J Fisher	15,000
T C Johnson	15,000
<i>Executives</i>	
R J K Collins-Woolcock	10,000
P W Gardiner	20,000
G R Thompson	3,000

All options were granted during the financial year and represent total holdings at 30 June 2005. No options have been granted since the end of the financial year and up to the date of this report.

Unissued shares under option

At the date of this report unissued ordinary shares of the Company under option are:

Exercise Date	Expiry date	Exercise price	Number of options
5 November 2006	12 November 2006	\$2.46	333,000

These options do not entitle the holder to participate in any share issue of the Company. Further details regarding the Options can be found at Note 27.

Directors' Report

Cardno Limited and its Controlled Entities for the year ended 30 June 2005

Indemnification and Insurance of Officers

The Company has agreements with each of the Directors of the Company in office at the date of this report indemnifying them against liabilities to any person other than the Company or a related body corporate that may arise from their acting as Directors of the Company. Notwithstanding that they may have ceased to hold office, other than where such liabilities arise out of conduct involving a wilful breach of duty by the officers, the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company.

The Directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the Directors' and Officers' liability, as such disclosure is prohibited under the terms of the contract.

Directors' Meetings

Attendance at Board meetings and Board Committee meetings for the year ended 30 June 2005 is set out below:

No. of Meetings Held	Board of Directors		Audit Committee		Remuneration Committee		Risk Committee		Succession Planning Committee	
	A	B	A	B	A	B	A	B	A	B
A D Buckley	14	14	♦	♦	♦	♦	♦	♦	3	3
R J Fisher	14	14	♦	♦	♦	♦	3	3	♦	♦
T C Johnson	13	14	6	6	♦	♦	♦	♦	3	3
I J Johnston	10	10	4	4	2	2	♦	♦	♦	♦
R A Kell	11	14	♦	♦	4	4	2	3	♦	♦
J C Massey	13	14	6	6	6	6	♦	♦	♦	♦
D R McMillan	4	4	♦	♦	♦	♦	2	3	♦	♦
G G Tamblyn	13	14	♦	♦	6	6	♦	♦	♦	♦
J G A Verco	14	14	♦	♦	♦	♦	6	6	3	3
E R Vowles	1	4	♦	♦	♦	♦	♦	♦	♦	♦

♦ not a member of this committee

A = number of meetings attended.

B = number of meetings held during the time the director held office during the year or was a committee member.

Non-Audit Services

During the year William Buck, the Company's auditor, has performed certain other services in addition to their statutory audit duties as set out in Note 31.

The Board has considered the non-audit services provided during the year by the auditor and in accordance with written advice provided by resolution of the Audit Committee, is satisfied that the provision of those non-audit services during the year by the auditor are compatible with, and did not compromise, the auditor independence requirements to the Corporations Act 2001 for the following reasons:

- All non-audit services were subject to the corporate governance procedures adopted by the Company and have been considered in advance by the Audit Committee to ensure they do not impact the integrity and objectivity of the auditor.
- The non-audit services provided do not undermine the general principles relating to auditor independence as set out in Professional Statement F1 *Professional independence*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Auditor Independence Declaration

A copy of the auditors' independence declaration as required under Section 307C of the Corporations Act is set out on page 10 and forms part of the directors' report.

Directors' Report

Cardno Limited and its Controlled Entities for the year ended 30 June 2005

Remuneration Report

Remuneration levels for Directors, the Company Secretary, Senior Managers of the Company, and relevant Senior Executives of the consolidated entity ("the Directors and Senior Executives") are competitively set to attract and retain appropriately qualified and experienced Directors and Senior Executives. The Remuneration Committee, which advises and reports to the Board, is responsible for remuneration policies and packages applicable to the Directors and Senior Executives. The Remuneration Committee seeks out information on the appropriateness of remuneration packages given trends in comparable companies both locally and internationally and the objectives of the Company's remuneration strategy.

The remuneration structures explained below are designed to attract and retain suitably qualified candidates, reward the achievement of strategic objectives and achieve the broader outcome of creating value for shareholders. The remuneration structures take into account:

- the capability and experience of the Directors and Senior Executives
- the Directors' and Senior Executives' ability to control the performance of areas of the Company's business
- the Company's performance including:
 - earnings
 - overall returns to shareholders
- the amount of incentives within each Directors' and Senior Executives' remuneration.

The Company's remuneration framework is aligned to shareholders' interests as it has growth in shareholder wealth as a core component of its design and serves to attract and retain high calibre executives. Since Cardno Limited was established in March 2004 the Company has exceeded the growth and profit targets set by the Board and this successful performance has been reflected in the remuneration of Executives.

The Executive Director and Senior Executive Remuneration Policy is set out below:

Cardno Limited seeks to set fair and market competitive remuneration for its Senior Executives to ensure high performance and long-term commitment while taking into consideration the best interests of shareholders. Senior Executives' remuneration consists of a fixed salary, Performance Equity Plan participation, discretionary cash bonuses and other benefits including superannuation and salary sacrificing. In determining the salary of Senior Executives, an assessment of performance is completed and a review of the market is conducted. The Company takes into account the responsibilities of the individual's position, the level of skill and experience as well as the Company's legal and industrial obligations, labour market conditions and the size and complexity of the Company's business.

If the employment of a Senior Executive is terminated, the Senior Executive is entitled to receive from the employer pay in lieu of notice and compensation for employee entitlements such as annual leave and long service leave up to the termination date and by reference to the Executive's remuneration.

Where the Executive Directors participate in the Performance Equity Plan (Note 27) the details are submitted to shareholders for approval.

Employment agreements have been entered into with each Executive Director and Senior Executive. The agreements contain remunerative, performance and confidentiality obligations on the part of both the employer and employee. The Executives covenant that during the term of employment and for 6 months after termination they will not solicit any existing client or employee of the Company.

The Remuneration Committee assesses the performance of Executive Directors and Senior Executives against a number of criteria and KPI's which are aligned with the performance objectives of the Company. Remuneration for the Executives is then set within market ranges determined by the Remuneration Committee for the role that the Executive fills. Remuneration for Executives who

Directors' Report

Cardno Limited and its Controlled Entities for the year ended 30 June 2005

achieve high performance against the criteria is adjusted towards the upper end of the range. Salary packages are further enhanced through application of the Performance Equity Plan and discretionary cash bonuses for strong performance.

The remuneration policy in regard to Non-Executive Directors is set out below:

The Non-Executive Directors of Cardno Limited are entitled to a fee that is determined by the Remuneration Committee on commencement of the role and on an annual basis thereafter. The fee may include superannuation contributions. Additional fees may be payable for participation on board committees. Non-Executive Directors do not participate in equity plans of the Company and do not receive retirement benefits other than statutory entitlements.

The following tables show the 2005 year remuneration of the Specified Directors and Executives:

(i) Remuneration of Specified Directors

2005	Primary		Post-Employment Superannuation Benefits	Equity Compensation Value of Options Issued	Total	Proportion of Remuneration Performance Related	Value of Options as a Proportion of Remuneration
	Salary & Fees	Cash Bonus					
<i>Non-executives</i>							
J C Massey	57,290	-	-	-	57,290	0%	0%
I J Johnston	25,000	-	-	-	25,000	0%	0%
<i>Executives</i>							
G G Tamblyn	192,868	-	13,398	-	206,266	0%	0%
A D Buckley	289,172	18,450	21,286	6,156	335,064	7.3%	1.8%
R J Fisher	191,500	9,225	35,303	3,078	239,106	5.1%	1.3%
T C Johnson	185,103	9,225	20,901	3,078	218,307	5.6%	1.4%
R A Kell	113,093	-	26,252	-	139,345	0%	0%
D R McMillan ^	41,601	-	13,174	-	54,775	0%	0%
J G A Verco	141,223	-	41,000	-	182,223	0%	0%
E R Vowles ^	57,651	-	4,619	-	62,270	0%	0%
Total	1,294,501	36,900	175,933	12,312	1,519,646		

^ only includes amounts paid whilst a Director.

2004*	Primary		Post-Employment Superannuation Benefits	Equity Compensation Value of Options Issued	Total	Proportion of Remuneration Performance Related	Value of Options as a Proportion of Remuneration
	Salary & Fees	Cash Bonus					
<i>Non-executive</i>							
J C Massey	9,174	-	826	-	10,000	0%	0%
<i>Executives</i>							
G G Tamblyn	60,419	-	4,171	-	64,590	0%	0%
A D Buckley	83,776	20,000	5,203	-	108,979	18.4%	0%
R J Fisher	64,874	20,000	4,290	-	89,164	22.4%	0%
T C Johnson	67,100	10,000	7,043	-	84,143	11.9%	0%
R A Kell	40,826	-	14,198	-	55,024	0%	0%
D R McMillan	40,937	-	12,937	-	53,874	0%	0%
J G A Verco	43,637	-	13,165	-	56,802	0%	0%
E R Vowles	56,302	-	5,166	-	61,468	0%	0%
Total	467,045	50,000	66,999	-	584,044		

* 2004 figures are from 19 March 2004 to 30 June 2004

Directors' Report

Cardno Limited and its Controlled Entities for the year ended 30 June 2005

(ii) Remuneration of Specified Executives

2005	Primary		Post-Employment Superannuation Benefits	Equity Compensation Value of Options Issued	Total	Proportion of Remuneration Performance Related	Value of Options as a Proportion of Remuneration
	Salary & Fees	Cash Bonus					
<i>Specified Executives</i>							
R J K Collins-Woolcock	170,320	6,150	16,059	3,052	195,581	4.2%	1.0%
P W Gardiner	179,307	12,300	13,003	5,104	209,714	7.8%	2.0%
J C King	169,697	-	13,830	1,000	184,527	0%	0%
G R Thompson	158,697	1,845	11,394	1,616	173,552	1.4%	0.4%
R A Young	165,734	-	34,266	1,000	201,000	0%	0%
Total	843,755	20,295	88,552	11,772	964,374		

2004*	Primary		Post-Employment Superannuation Benefits	Equity Compensation Value of Options Issued	Total	Proportion of Remuneration Performance Related	Value of Options as a Proportion of Remuneration
	Salary & Fees	Cash Bonus					
<i>Specified Executives</i>							
R J K Collins-Woolcock	41,105	-	3,791	-	44,896	0%	0%
P W Gardiner	48,745	-	3,617	-	52,362	0%	0%
C G Thiering	36,990	-	17,880	-	54,870	0%	0%
G R Thompson	43,385	-	13,732	-	57,117	0%	0%
R A Young	68,916	-	6,164	-	75,080	0%	0%
Total	239,141	-	45,184	-	284,325		

* 2004 figures are from 19 March 2004 to 30 June 2004

Rounding of Amounts

The Company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the Directors' report and financial statements. 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



JOHN C MASSEY
Chairman

Brisbane
23 August 2005

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 audit of Cardno Limited and its controlled entities for the year ended 30 June 2005 there have been:

- (i) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Signed at Brisbane 23 August 2005.



WILLIAM BUCK
Chartered Accountants



M C McDONALD
Partner

Statement of Financial Performance

Cardno Limited and its Controlled Entities for the year ended 30 June 2005*

	Note	Consolidated		Cardno Limited	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Revenues from ordinary activities	2	101,531	20,986	6,151	2,591
Cost of services and employee costs	3	68,116	14,467	80	-
Administration expenses		550	260	-	-
Borrowing costs expenses	3	398	164	-	-
Depreciation and amortisation expenses	3	3,028	604	-	-
Distribution expenses		287	60	-	-
Marketing expenses		482	100	-	-
Occupancy expenses		4,216	885	-	-
Computer related expenses		752	233	-	-
Insurance expenses		2,162	257	-	-
Non-recoverable travel expenses		1,115	244	-	-
Written down value of assets disposed		1,427	107	-	-
Other expenses from ordinary activities		8,564	1,818	141	1
		91,097	19,199	221	1
Profit from ordinary activities before related income tax expenses		10,434	1,787	5,930	2,590
Income tax expenses	4	2,984	35	(205)	3
Profit from ordinary activities after related income tax expenses	24	7,450	1,752	6,135	2,587
Increase in asset revaluation reserve arising on revaluation of property, plant and equipment	23	68	-	-	-
Total changes in equity other than those resulting from transactions with owners as owners attributable to members of Cardno Limited		7,518	1,752	6,135	2,587
Basic earnings per share (cents per share)	30	20.71	5.36		
Diluted earnings per share (cents per share)	30	20.58	5.36		

The Statement of Financial Performance should be read in conjunction with notes 1 to 37 which form part of the Financial Statements.

* The 2004 comparatives relate to the period 19 March 2004 to 30 June 2004. Refer Note 1 (u) for details.

Statement of Financial Position

Cardno Limited and its Controlled Entities as at 30 June 2005*

	Note	Consolidated		Cardno Limited	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
CURRENT ASSETS					
Cash assets	6	42,558	12,165	36,765	8,183
Receivables	7	15,765	9,944	11,354	2,704
Inventories	8	19,243	5,425	-	-
Other	9	3,115	263	248	-
TOTAL CURRENT ASSETS		80,681	27,797	48,367	10,887
NON-CURRENT ASSETS					
Receivables	10	821	-	-	-
Other financial assets	11	-	-	41,488	13,520
Property, plant and equipment	12	7,305	4,992	-	-
Deferred tax assets		3,370	2,566	3,031	2,440
Intangible assets	13	40,136	7,657	-	-
Other	14	496	-	496	-
TOTAL NON-CURRENT ASSETS		52,128	15,215	45,015	15,960
TOTAL ASSETS		132,809	43,012	93,382	26,847
CURRENT LIABILITIES					
Payables	15	40,091	7,407	26,192	4,022
Interest-bearing liabilities	16	2,317	1,159	-	-
Current tax liabilities		119	966	387	829
Provisions	17	3,874	4,262	-	-
Other	18	6,390	3,154	-	-
TOTAL CURRENT LIABILITIES		52,791	16,948	26,579	4,851
NON-CURRENT LIABILITIES					
Payables	19	7,045	-	7,045	-
Interest-bearing liabilities	20	40,720	2,747	33,444	-
Deferred tax liabilities		5,034	1,814	2,324	1,762
Provisions	21	2,681	2,104	-	-
TOTAL NON-CURRENT LIABILITIES		55,480	6,665	42,813	1,762
TOTAL LIABILITIES		108,271	23,613	69,392	6,613
NET ASSETS		24,538	19,399	23,990	20,234
EQUITY					
Contributed equity	22	19,070	17,647	19,070	17,647
Reserves	23	68	-	-	-
Retained profits	24	5,400	1,752	4,920	2,587
TOTAL EQUITY		24,538	19,399	23,990	20,234

The Statement of Financial Position should be read in conjunction with notes 1 to 37 which form part of the Financial Statements.

* The 2004 comparatives relate to the period 19 March 2004 to 30 June 2004. Refer Note 1 (u) for details.

Statement of Cash Flows

Cardno Limited and its Controlled Entities for the year ended 30 June 2005*

	Note	Consolidated		Cardno Limited	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Interest received		426	114	234	36
Interest paid		(586)	(48)	-	-
Dividends received		51	2	-	-
Sales / Fees		104,983	22,590	-	-
Sundry income received		607	-	-	-
Cash paid to suppliers and employees		(90,588)	(17,835)	(73)	(1)
Income tax paid		(3,221)	(1,584)	(3,175)	-
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	25(a)	11,672	3,239	(3,014)	35
CASH FLOWS FROM INVESTING ACTIVITIES					
Net cash acquired / paid on acquisition of businesses	25(e)	(3,007)	6,089	1,646	-
Payments to controlled entities		-	-	(2,378)	-
Payments for investments		-	20	-	-
Proceeds from sale of property, plant & equipment		1,487	229	-	-
Payments for property, plant & equipment		(2,793)	(362)	-	-
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		(4,313)	5,976	(732)	-
CASH FLOWS FROM FINANCING ACTIVITIES					
Share issue transaction costs		-	(374)	-	-
Proceeds from issue of shares		1,423	4,500	-	4,500
Proceeds from borrowings		-	40	-	-
- Convertible notes		33,444	-	33,444	-
Proceeds from Cardno Holdings Pty Ltd		-	-	2,686	3,648
Finance lease payments		(2,010)	(376)	-	-
Repayment of borrowings		(1,615)	-	-	-
Repayment of Loan Notes – ACIL Australia Pty Ltd		(2,555)	-	-	-
Dividends paid		(5,653)	(840)	(3,802)	-
NET CASH PROVIDED BY FINANCING ACTIVITIES		23,034	2,950	32,328	8,148
NET INCREASE IN CASH HELD		30,393	12,165	28,582	8,183
CASH AT THE BEGINNING OF THE YEAR		12,165	-	8,183	-
CASH AT THE END OF THE YEAR	6	42,558	12,165	36,765	8,183

The Statement of Cash Flows should be read in conjunction with notes 1 to 37 which form part of the Financial Statements.

* The 2004 comparatives relate to the period 19 March 2004 to 30 June 2004. Refer Note 1 (u) for details.

Notes to the Financial Statements

Cardno Limited and its Controlled Entities for the year ended 30 June 2005

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies which have been adopted in the preparation of the financial statements are:

Basis of Preparation

The financial statements are a general purpose financial report which has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial statements cover the consolidated entity of Cardno Limited and controlled entities and Cardno Limited as an individual parent entity. Cardno Limited is a listed public company, incorporated and domiciled in Australia.

The financial statements have been prepared in accordance with the historical cost convention and, except where stated, do not take into account changing money values or current valuation of non-current assets.

These accounting policies have been consistently applied by each entity in the consolidated entity. Unless otherwise stated, the accounting policies adopted are consistent with those of the previous year.

(a) Principles of Consolidation

Controlled entities

The results of the controlled entities are included in the consolidated financial statements from the date control commences until the date control ceases.

Transactions eliminated on consolidation

Unrealised gains and losses and inter-entity balances resulting from transactions with or between controlled entities are eliminated in full on consolidation.

Unrealised gains resulting from transactions with associates and joint ventures, including those relating to contributions of non-monetary assets on establishment, are eliminated to the extent of the consolidated entity's interest. Unrealised gains relating to associates and joint venture entities are eliminated against the carrying amount of the investment. Unrealised losses are eliminated in the same way as unrealised gains, unless they evidence a recoverable amount impairment.

(b) Revenue Recognition

Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax (GST) payable to the taxation authority.

Sale of goods

Revenue from the sale of goods is recognised (net of rebates, discounts and other allowances) when control of the goods passes to the customer.

Consulting revenue

Revenue is recognised when the service is provided. For long term contracts, revenue and expenses are recognised in accordance with the percentage of completion method. Where a loss is expected to arise from a contract, the loss is recognised immediately as an expense. The percentage of completion is determined by costs to date versus total project costs.

Interest revenue

Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset.

Sale of non-current assets

The gross proceeds of non-current asset sales are recognised as revenue at the date control of the asset passes to the buyer, usually when an unconditional contract of sale is signed.

Dividends

Dividend revenue is recognised net of any franking credits.

Revenue from distributions from controlled entities is recognised by the parent entity when they are declared by the controlled entities.

Revenue from dividends from associates and other investments is recognised when dividends are received.

Notes to the Financial Statements

Cardno Limited and its Controlled Entities for the year ended 30 June 2005

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONT'D

(c) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows from operating activities are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(d) Foreign Currency

Transactions

Foreign currency transactions are translated to Australian currency at the rates of exchange ruling at the dates of the transactions. Amounts receivable and payable in foreign currencies at reporting date are translated at the rates of exchange ruling on that date.

Exchange differences relating to amounts payable and receivable in foreign currencies are brought to account as exchange gains or losses in the statement of financial performance in the financial year in which the exchange rates change, except where:

- hedging specific anticipated transactions or net investments in self-sustaining operations.
- relating to amounts payable or receivable in foreign currency forming part of a net investment in a self-sustaining foreign operation. In this case, the exchange difference, together with any related income tax expense/revenue, is transferred to the foreign currency translation reserve on consolidation.
- relating to acquisition of qualifying assets.

Translation of controlled foreign operations

The assets and liabilities of foreign operations, including controlled entities, that are self-sustaining are translated at the rates of exchange ruling at reporting date. Equity items are translated at historical rates. The statement of financial performance is translated at a weighted average rate for the year. Exchange differences arising on translation are taken directly to the foreign currency translation reserve until the disposal, or partial disposal, of the operations.

The assets and liabilities of foreign operations, that are integrated are translated using the temporal method. Monetary assets and liabilities are translated into Australian currency at rates of exchange current at reporting date, while non-monetary items and revenue and expense items are translated at exchange rates current when the transactions occurred. Exchange differences arising on translation are brought to account in the statement of financial performance.

Exchange rates used

The following exchange rates are the main exchange rates used in translating foreign currency transactions, balances and financial statements (expressed in Australian dollars).

	Average 2005	As at 30 June 2005	Average 2004	As at 30 June 2004
US Dollar	0.7467	0.7542	0.7327	0.6916
Canadian Dollar	0.9392	0.9163	0.9878	0.9357
PNG Kina	2.2526	2.2584	2.2802	2.1838

(e) Borrowing Costs

Borrowing costs include interest, amortisation of discounts or premiums relating to borrowings, amortisation of ancillary costs incurred in connection with arrangement of borrowings, finance charges in respect of finance leases and foreign exchange differences net of the effect of hedges of borrowings.

Interest payments in respect of financial instruments classified as liabilities are included in borrowing costs.

Borrowing costs are expensed as incurred except where borrowing costs are matched specifically to material long term borrowings.

Notes to the Financial Statements

Cardno Limited and its Controlled Entities for the year ended 30 June 2005

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONT'D

(f) Taxation

The consolidated entity adopts the income statement liability method of tax effect accounting.

Income tax expense is calculated on operating profit adjusted for permanent differences between taxable and accounting income. The tax effect of timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, is carried forward in the statement of financial position as a future income tax benefit or a provision for deferred income tax.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt, or if relating to tax losses when realisation is virtually certain.

Capital gains tax, if applicable, is provided for in establishing period income tax expense when an asset is sold.

Tax consolidation

Cardno Limited is the head entity in the tax-consolidated group comprising all the Australian wholly-owned subsidiaries set out in Note 35. The implementation date for the tax-consolidated group is 1 July 2003. The head entity recognises all of the current and deferred tax assets and liabilities of the tax-consolidated group (after elimination of intra-group transactions).

The tax-consolidated group has entered into a tax funding agreement that requires wholly-owned subsidiaries to make contributions to the head entity for:

- deferred tax balances recognised by the head entity on implementation date, including the impact of any relevant reset tax cost bases; and
- current tax assets and liabilities and deferred tax balances arising from external transactions occurring after the implementation of tax consolidation.

Under the tax funding agreement, the contributions are calculated on a "stand-alone basis" so that the contributions are equivalent to the tax balances generated by external transactions entered into by wholly-owned subsidiaries. The contributions are payable as set out in the agreement and reflect the timing of the head entity's obligations to make payments for tax liabilities to the relevant tax authorities. The assets and liabilities arising under the tax funding agreement are recognised as intercompany assets and liabilities with a consequential adjustment to income tax expense/revenue.

(g) Earnings Per Share

Basic earnings per share ("EPS") is calculated by dividing the net profit attributable to members of the parent entity for the reporting period, by the weighted average number of ordinary shares of the Company.

Diluted EPS is calculated by dividing the basic EPS earnings, adjusted by the after tax effect of financing costs associated with dilutive potential ordinary shares and the effect on revenues and expenses of conversion to ordinary shares associated with dilutive potential ordinary shares by the weighted average number of ordinary shares and diluted potential ordinary shares.

(h) Acquisition of Assets

All assets acquired, including property, plant and equipment and intangibles other than goodwill, are initially recorded at their cost of acquisition at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition.

(i) Inventories

Work in progress represents the cost of unbilled labour and expenses. If a loss is anticipated on completion, the work in progress is reduced to the level of recoverability.

(j) Investments

Controlled entities

Investments in controlled entities are carried in the Company's financial statements at the lower of cost and recoverable amount.

Other entities

Investments in other unlisted entities are carried at the lower of cost and recoverable amount.

(k) Leased Assets

Leases under which the consolidated entity assumes substantially all the risks and benefits of ownership are classified as finance leases. Other leases are classified as operating leases.

Notes to the Financial Statements

Cardno Limited and its Controlled Entities for the year ended 30 June 2005

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONT'D

Finance leases

A lease asset and a lease liability equal to the present value of the minimum lease payments are recorded at the inception of the lease.

Lease liabilities are reduced by repayments of principal. The interest components of the lease payments are expensed. Contingent rentals are expensed as incurred.

Operating leases

Payments made under operating leases are expensed on a straight line basis over the term of the lease, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property.

Lease incentives are recognised as liabilities. Lease rental payments are allocated between rental expense and reduction of the liability, on a straight line basis over the period of the incentive.

(l) Goodwill

Goodwill represents the excess of the purchase consideration plus incidental costs over the fair value of the identifiable net assets acquired.

(m) Recoverable Amount of Non-Current Assets Valued on Cost Basis

The carrying amounts of non-current assets valued on the cost basis, are reviewed to determine whether they are in excess of their recoverable amount at reporting date. If the carrying amount of a non-current asset exceeds its recoverable amount, the asset is written down to the lower amount. The write-down is expensed in the reporting period in which it occurs. In determining recoverable amount of non-current assets expected cash flows have not been discounted to their present values.

(n) Revaluations of Non-Current Assets

Classes of non-current assets measured at fair value are revalued with sufficient regularity to ensure the carrying amount of each asset in the class does not differ materially from fair value at reporting date. Independent valuations are obtained at least every three years. Revaluation increments, on a class of assets basis, are recognised in the asset revaluation reserve except that amounts reversing a decrement previously recognised as an expense are recognised as revenues. Revaluation decrements are only offset against revaluation increments relating to the same class of asset and any excess is recognised as an expense.

Potential capital gains tax is only taken into account if the asset is held for sale.

(o) Depreciation and Amortisation

Useful lives

All non-current assets including intangibles have limited useful lives and are depreciated/amortised using the straight line method or on a diminishing value basis over their estimated useful lives, taking into account estimated residual values, with the exception of freehold land.

Assets are depreciated or amortised from the date of acquisition.

Depreciation and amortisation rates and methods are reviewed annually for appropriateness. When changes are made, adjustments are reflected prospectively in current and future periods only. Depreciation and amortisation are expensed, except to the extent that they are included in the carrying amount of another asset as an allocation of production overheads. A combination of straight line and diminishing value methods are used.

The depreciation/amortisation rates or useful lives used for each class of asset are as follows:

<i>Property, plant and equipment</i>	2005	2004
Buildings	2.5%	2.5%
Laboratory equipment, instruments & amenities	13 – 24%	13 – 24%
Equipment and motor vehicles	15 – 24%	15 – 24%
Leasehold improvements	20 – 25%	NA
Office furniture and equipment	9 – 33 %	9 – 33 %
<i>Intangibles</i>		
Goodwill	20 years	20 years

Notes to the Financial Statements

Cardno Limited and its Controlled Entities for the year ended 30 June 2005

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONT'D

(p) Payables

Liabilities are recognised for amounts to be paid in the future for goods or services received. Trade accounts payable are normally settled within 60 days.

(q) Interest Bearing Liabilities

Bank loans are recognised at their principal amount, subject to set-off arrangements. Interest expense is accrued at the contracted rate.

(r) Employee Benefits

Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries and annual leave expected to be settled within 12 months of the reporting date are recognised in the provision of employee benefits in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

Long service leave

The liability for long service leave expected to be settled within 12 months of the reporting date is recognised in the provision of employee benefits and is measured in accordance with wages and salaries above. The liability for long service leave expected to be settled more than 12 months from the reporting date is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using interest rates on national government guaranteed securities with terms to maturity that match, as closely as possible, the estimated future cash outflows.

(s) Provisions

A provision is recognised when there is a legal, equitable or constructive obligation as a result of a past event and it is probable that a future sacrifice of economic benefits will be required to settle the obligation, the timing or amount of which is uncertain.

(t) Dividends

A provision for dividends payable is recognised in the reporting period in which the dividends are declared, for the entire undistributed amount, regardless of the extent to which they will be paid in cash.

(u) Comparatives

The company was incorporated on 24 February 2004 and commenced trading on 19 March 2004 and accordingly the 2004 comparatives are for the period 19 March 2004 to 30 June 2004.

	Consolidated		Cardno Limited	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
2. REVENUE FROM ORDINARY ACTIVITIES				
Revenue from operating activities				
Fees from services and sale of goods	85,923	18,177	-	-
Fees from recoverable expenses	13,184	2,466	-	-
Total revenues from operating activities	99,107	20,643	-	-
Revenue from non-operating activities				
Dividends received – wholly owned controlled entities	-	-	5,890	2,548
Dividends received – other	51	-	-	-
Interest received – other	426	114	261	43
Proceeds on sale of property, plant and equipment	1,487	229	-	-
Other	460	-	-	-
Total revenue from non-operating activities	2,424	343	6,151	2,591
Revenue from ordinary activities	101,531	20,986	6,151	2,591

Notes to the Financial Statements

Cardno Limited and its Controlled Entities for the year ended 30 June 2005

	Consolidated		Cardno Limited	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
3. EXPENSES AND LOSSES/(GAINS)				
Cost of services and employee costs	68,116	14,467	80	-
Depreciation				
Motor vehicles	214	42	-	-
Plant & equipment	461	158	-	-
Total Depreciation	675	200	-	-
Amortisation of non-current assets				
Goodwill	813	86	-	-
Motor vehicles under lease	427	85	-	-
Plant & equipment under lease	1,113	233	-	-
Total Amortisation	2,353	404	-	-
Total Depreciation & Amortisation	3,028	604	-	-
Bad and doubtful debts	(54)	(404)	-	-
Borrowing costs				
Interest charges	88	63	-	-
Finance charges	310	101	-	-
Rental expense relating to operating leases				
Minimum lease payments	4,029	918	-	-
Foreign exchange gains / (losses)	45	(111)	-	-
4. INCOME TAX				
The prima facie income tax attributable on the operating profit / (loss) as follows -				
Operating profit / (loss)	10,434	1,787	5,930	2,590
Prima facie income tax attributable @ 30%	3,130	536	1,779	777
Tax effect of permanent differences:				
Capital gain / loss	3	(10)	-	-
Exempt income	(226)	(166)	(1,767)	(764)
Rebateable dividends	-	(1)	-	-
Amortisation of goodwill	244	26	-	-
Non-allowable deductions	(146)	(307)	(217)	(32)
Adjustment for branch offices tax rate	(81)	(18)	-	-
Other	(21)	-	-	-
Income tax adjusted for permanent differences	2,903	60	(205)	(19)

Notes to the Financial Statements

Cardno Limited and its Controlled Entities for the year ended 30 June 2005

	Consolidated		Cardno Limited	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
4. INCOME TAX CONT'D				
Net deferred tax liabilities of tax consolidated group				
Entities assumed on implementation of tax consolidation	-	-	-	22
Exchange gains / (losses) on foreign accounts	-	(25)	-	-
	2,903	35	(205)	3
Income tax under / (over) provided in prior years	81	-	-	-
Income tax attributable to operating profit (loss)	2,984	35	(205)	3
5. DIVIDENDS PAID OR PROVIDED FOR ON ORDINARY SHARES				
(a) Dividends proposed and not recognised as a liability				
100% franked dividend at 30%			3,147	1,625
(b) Dividends paid during the year				
100% franked dividend at 30%			3,802	-
(c) Franking credit balance				
The amount of franking credits available for the subsequent financial year are:				
- franking account balance as at the end of the financial year at 30%			2,400	662
- franking credits that will arise from the payment of income tax payable as at the end of the financial year			(121)	664
			2,279	1,326
6. CASH ASSETS				
Cash at bank and on hand	42,547	4,890	36,765	2,160
Bank short term deposits	11	7,275	-	6,023
	42,558	12,165	36,765	8,183
Cash at bank and on hand are at call with a weighted average variable interest rate of 3.4% (2004:1.25%)				
The bank short term deposits are at call or have a 30 day maturity pay interest at a weighted average fixed interest rate of 5.95% (2004: 30 day maturity – 4.63%)				

Notes to the Financial Statements

Cardno Limited and its Controlled Entities for the year ended 30 June 2005

	Consolidated		Cardno Limited	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
7. RECEIVABLES (CURRENT)				
Trade debtors (i)	15,698	10,293	-	-
Provision for doubtful debts	(608)	(565)	-	-
	15,090	9,728	-	-
Sundry debtors (ii)	675	216	29	7
Dividends receivable – wholly owned controlled entities	-	-	5,890	2,548
Notional tax asset	-	-	3,057	149
ACIL Australia Pty Ltd (iii)	-	-	2,378	-
	15,765	9,944	11,354	2,704
Terms and conditions relating to the above financial instruments				
(i) Trade debtors are non-interest bearing and generally on 14 day terms.				
(ii) Sundry debtors and other receivables are non-interest bearing and have repayment terms between 30 and 90 days.				
(iii) Details of the terms and conditions of related party receivables are set out in Note 33.				
8. INVENTORIES (CURRENT)				
Work in progress – at cost	19,243	5,425	-	-
9. OTHER ASSETS (CURRENT)				
Prepayments	683	263	-	-
Borrowing costs	248	-	248	-
Project advances	2,037	-	-	-
Security deposits	147	-	-	-
	3,115	263	248	-
10. RECEIVABLES (NON-CURRENT)				
Forward exchange contract	821	-	-	-
The forward exchange contract matures on 28 September 2007. The base currency is Australian dollars.				
11. OTHER FINANCIAL ASSETS (NON-CURRENT)				
Controlled entities				
– Cardno Holdings Pty Ltd	-	-	13,520	13,520
– ACIL Australia Pty Ltd	-	-	27,968	-
	-	-	41,488	13,520
12. PROPERTY, PLANT & EQUIPMENT				
Laboratory equipment, instruments & amenities – at cost	96	25	-	-
Less accumulated depreciation	(22)	(8)	-	-
	74	17	-	-

Notes to the Financial Statements

Cardno Limited and its Controlled Entities for the year ended 30 June 2005

	Consolidated		Cardno Limited	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
12. PROPERTY, PLANT & EQUIPMENT CONT'D				
Equipment & motor vehicles – at cost	232	211	-	-
Less accumulated depreciation	(108)	(65)	-	-
	124	146	-	-
Office furniture & equipment – at cost	3,207	1,783	-	-
Less accumulated depreciation	(1,590)	(936)	-	-
	1,617	847	-	-
Leasehold improvements – at cost	174	-	-	-
Less accumulated depreciation	(127)	-	-	-
	47	-	-	-
Office furniture & equipment under lease	6,547	4,462	-	-
Less accumulated amortisation	(3,974)	(2,993)	-	-
	2,573	1,469	-	-
Motor vehicles – under hire purchase	450	429	-	-
Less accumulated depreciation	(313)	(239)	-	-
	137	190	-	-
Equipment & motor vehicles – under lease	1,834	1,635	-	-
Less accumulated amortisation	(731)	(675)	-	-
	1,103	960	-	-
Leasehold improvements – under lease	1,404	-	-	-
Less accumulated amortisation	(253)	-	-	-
	1,151	-	-	-
Property – at fair value (2004: at cost)	479	1,430	-	-
Less accumulated depreciation	-	(67)	-	-
	479	1,363	-	-
Total Property, Plant and Equipment	7,305	4,992	-	-
(a) Movements in carrying amounts				
Movements in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year.				
<i>Laboratory equipment, instruments & amenities – at cost</i>				
Carrying amount at the beginning of the year	17	-	-	-
Additions	27	-	-	-
Additions through merger acquisitions of entities	44	-	-	-
Depreciation expense	(14)	-	-	-
Carrying amount at the end of the year	74	-	-	-

Notes to the Financial Statements

Cardno Limited and its Controlled Entities for the year ended 30 June 2005

	Consolidated		Cardno Limited	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
12. PROPERTY, PLANT & EQUIPMENT CONT'D				
<i>Equipment & motor vehicles – at cost</i>				
Carrying amount at the beginning of the year	146		-	
Additions	128		-	
Additions through merger acquisitions of entities	6		-	
Disposals	(95)			
Depreciation expense	(61)		-	
Carrying amount at the end of the year	124		-	
<i>Office furniture & equipment – at cost</i>				
Carrying amount at the beginning of the year	847		-	
Additions	936		-	
Additions through merger acquisitions of entities	494		297	
Disposals	(215)		(297)	
Depreciation expense	(445)		-	
Carrying amount at the end of the year	1,617		-	
<i>Leasehold improvements – at cost</i>				
Additions	-		-	
Additions through merger acquisitions of entities	49		-	
Depreciation expense	(2)		-	
Carrying amount at end of the year	47		-	
<i>Office furniture & equipment – under lease</i>				
Carrying amount at the beginning of the year	1,469		-	
Additions	2,406		-	
Additions through merger acquisitions of entities	102		102	
Disposals	(43)		(102)	
Amortisation expense	(980)		-	
Other adjustments	(381)		-	
Carrying amount at the end of the year	2,573		-	
<i>Motor vehicles – under hire purchase</i>				
Carrying amount at the beginning of the year	190		-	
Additions	34		-	
Additions through merger acquisitions of entities	126		-	
Disposals	(61)		-	
Depreciation expense	(152)		-	
Carrying amount at the end of the year	137		-	
<i>Equipment & motor vehicle – under lease</i>				
Carrying amount at the beginning of the year	960		-	
Additions	637		-	
Disposals	(61)		-	
Amortisation expense	(427)		-	
Other adjustments	(6)		-	
Carrying amount at the end of the year	1,103		-	

Notes to the Financial Statements

Cardno Limited and its Controlled Entities for the year ended 30 June 2005

	Consolidated		Cardno Limited	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
12. PROPERTY, PLANT & EQUIPMENT CONT'D				
Leasehold improvements – under lease				
Additions	763		-	
Additions through merger acquisitions of entities	139		49	
Amortisation expense	(133)		(49)	
Other adjustments	382		-	
Carrying amount at the end of the year	1,151		-	
<i>Property – at fair value</i>				
Carrying amount at the beginning of the year	1,363		-	
Disposals	(950)		-	
Revaluation	68		-	
Other adjustments	(2)		-	
Carrying amount at the end of the year	479		-	
Total Property, Plant & Equipment				
Carrying amount at the beginning of the year	4,992		-	
Additions	4,931		-	
Additions through acquisitions of entities	960		448	
Disposals	(1,425)		(448)	
Depreciation & amortisation expense	(2,214)		-	
Other adjustments	(7)		-	
Revaluations	68		-	
Carrying amount at the end of the year	7,305		-	
13. INTANGIBLES				
Goodwill	39,308	6,323	-	-
Accumulated amortisation	(1,256)	(678)	-	-
	38,052	5,645	-	-
Patents and licenses	2,084	2,012	-	-
	40,136	7,657	-	-
14. OTHER ASSETS (NON-CURRENT)				
Borrowing costs	496	-	496	-
15. PAYABLES (CURRENT)				
Trade creditors & accruals (i)	13,705	7,407	362	-
Non-trade payable	993	-	-	-
Vendor liability (ii)	19,527	-	19,527	-
Loan – Cardno Holdings Pty Ltd (iii)	-	-	6,303	4,022
ACIL Australia Pty Ltd – loan notes (iv)	3,317	-	-	-
Sundry payable	2,549	-	-	-
	40,091	7,407	26,192	4,022
(i) Trade creditors and accruals are non-interest bearing and are normally settled within 45 days.				
(ii) As the settlement date of ACIL Australia Pty Ltd was 1 July 2005, a vendor liability has been raised as at 30 June 2005 to cover the debt that was extinguished by the payment of cash on 1 July.				
(iii) Details of the terms and conditions of related party receivables are set out in Note 33.				

Notes to the Financial Statements

Cardno Limited and its Controlled Entities for the year ended 30 June 2005

	Consolidated		Cardno Limited	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
15. PAYABLES (CURRENT) CONT'D				
(iv) ACIL Australia Pty Ltd loan notes were issued at a price of \$0.40 and attracted an interest rate of 15%. The loan notes were repaid on 1 July 2005 as part of the settlement.				
16. INTEREST-BEARING LIABILITIES (CURRENT)				
Lease liability	1,622	1,078	-	-
Hire purchase	95	81	-	-
Commercial bill (refer Note 20 (iv) for details)	600	-	-	-
	2,317	1,159	-	-
17. PROVISIONS (CURRENT)				
Dividends payable	-	1,851	-	-
Employee benefits	3,849	2,402	-	-
Training benefits	25	9	-	-
	3,874	4,262	-	-
18. OTHER				
Unearned revenue	6,390	3,154	-	-
19. PAYABLES (NON-CURRENT)				
Vendor liability	7,045	-	7,045	-
As the settlement date of ACIL Australia Pty Ltd was 1 July 2005, a non-current vendor liability has been raised as at 30 June 2005 to cover the debt that was extinguished by the issue of scrip on 1 July 2005.				
20. INTEREST-BEARING LIABILITIES (NON-CURRENT)				
Lease liability (i)	3,451	1,596	-	-
Hire purchase liability	84	151	-	-
Fully drawn advance(v)	-	1,000	-	-
Convertible notes (ii)	33,444	-	33,444	-
Forward exchange contract (iii)	541	-	-	-
Commercial bill (iv)	3,200	-	-	-
	40,720	2,747	33,444	-
(i) The group has a \$2,500,000 corporate lease facility with a weighted average interest rate of 7.82%. As at 30 June 2005, \$955,771 was unused.				
(ii) Convertible notes On 28 June 2005 following receipt of application monies the board of directors resolved to allot 13,377,502 convertible notes at a price of \$2.50 per note. Holding statements relating to the issue were despatched on 1 July 2005. The notes attract interest at 9% per annum and have a term of 3 years. Interest is payable half yearly with the first payment due on 31 December 2005.				

Notes to the Financial Statements

Cardno Limited and its Controlled Entities for the year ended 30 June 2005

	Consolidated		Cardno Limited	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
20. INTEREST-BEARING LIABILITIES (NON-CURRENT) CONT'D				
(iii) Forward exchange contract				
The forward contract matures on 28 September 2007 and has a contract rate of 0.4996 US/AUD. The face value of the contract is USD \$410,000 and was taken out to secure the margin on a specific project.				
(iv) Commercial bill				
ACIL Australia Pty Ltd has a commercial bill facility of \$4,200,000. As at 30 June 2005, \$400,000 is unused. The weighted average interest rate was 5.85%. The bill principal is to be reduced yearly by \$600,000.				
These facilities are secured by:				
- first ranking Registered Mortgage Debenture over the company's present and future assets and undertakings including goodwill.				
(v) Overdraft				
- Cardno Limited has an arranged overdraft limit of \$2,000,000 which is secured by a registered mortgage debenture over the assets and undertakings of the Company and by a Cross Deed of Covenant from all companies in the consolidated entity except ACIL Australia Pty Ltd.				
- ACIL Australia Pty Ltd has a separate overdraft limit of \$2,000,000. These facilities are secured by first ranking Registered Mortgage Debenture over the company's present and future assets and undertaking including goodwill.				
Subordination Agreement between the Bank, the Borrower and the Vendor Financiers as Junior Creditors whereby the Junior Creditors' loans (Vendor Loans) to the Borrowers are subordinated to the repayment of the Bank's Facilities.				
21. PROVISIONS (NON-CURRENT)				
Employee entitlements	2,681	2,104	-	-

Notes to the Financial Statements

Cardno Limited and its Controlled Entities for the year ended 30 June 2005

	Consolidated		Cardno Limited	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
22. CONTRIBUTED EQUITY				
Share capital				
Ordinary shares, fully paid	19,070	17,647	19,070	17,647
	No of Shares		Amount	
	2005	2004	2005 \$'000	2004 \$'000
Movements during the year				
Balance at beginning of the year	35,344,992	-	17,647	-
Shares issued during the year				
- Settlement of Cardno Lawson Treloar	504,424	-	943	-
- Settlement of Cardno BSD	260,870	-	480	-
- Employee Tax Exempt Share Acquisition Plan	180,670	-	-	-
- Cash pursuant to a Prospectus	-	4,500,000	-	4,500
- Transaction costs arising from issue for cash pursuant to Prospectus	-	-	-	(374)
- Issue to former Cardno Holdings Pty Ltd shareholders	-	30,844,992	-	13,521
	36,290,956	35,344,992	19,070	17,647

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		Cardno Limited	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
23. RESERVES				
Asset revaluation				
Movements in reserve during the year				
Balance at beginning of the financial year	-	-	-	-
Revaluation increment to fair value (property)	68	-	-	-
Balance at end of financial year	68	-	-	-
24. RETAINED PROFITS				
Balance at the beginning of year	1,752	-	2,587	-
Net profit attributable to members of Cardno Limited	7,450	1,752	6,135	2,587
Dividends recognised during the year	(3,802)	-	(3,802)	-
Balance at end of financial year	5,400	1,752	4,920	2,587
25. NOTES TO THE STATEMENT OF CASH FLOWS				
(a) Reconciliation of Net Cash from Operating Activities to Operating Profit after Income Tax				
Operating profit/(loss) after income tax	7,450	1,752	6,135	2,587
Adjust for non-cash items				
Amortisation of goodwill	813	86	-	-
Depreciation	675	199	-	-
Amortisation	1540	318	-	-
Finance charges	285	100	-	-
Dividend received via loan account	-	-	(2,548)	-
Gain on sale of property, plant & equipment	(60)	-	-	-

Notes to the Financial Statements

Cardno Limited and its Controlled Entities for the year ended 30 June 2005

	Consolidated		Cardno Limited	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
25. NOTES TO THE STATEMENT OF CASH FLOWS CONT'D				
(a) Reconciliation of Net Cash from Operating Activities to Operating Profit after Income Tax cont'd				
Adjust for changes in assets and liabilities (increase) / decrease in:				
Inventories	(2,229)	595	-	-
Future income tax benefit	(385)	(724)	(3,499)	(2,440)
Trade debtors	651	2,502	-	-
Other debtors	37	271	(3,583)	(2,704)
Prepayments	269	138	-	-
Project advances	1,515	-	-	-
Increase / (decrease) in:				
Trade creditors	1,537	145	362	-
Lease liability	25	(110)	-	-
Income tax payable	(466)	(695)	(442)	829
Employee provisions	1,452	252	-	-
Provision for doubtful debts	(32)	(741)	-	-
Unearned revenue	(2,020)	(557)	-	-
Deferred tax payable	615	(292)	561	1,763
	11,672	3,239	(3,014)	35
(b) Reconciliation of cash				
For the purposes of the statement of cash flows, cash includes cash on hand and bank deposits at call net of bank overdrafts.				
(c) Non-cash financing and investing activities				
During the financial year, the consolidated entity acquired property, plant and equipment with an aggregate fair value of \$3,806,070 (2004: \$210,246) by means of finance leases. These acquisitions are not reflected in the Statement of Cash Flows.				
(d) Stand-by facilities				
Entities in the consolidated entity have access to a secured bank overdraft facility of \$2,000,000 (2004: \$2,000,000). ACIL Australia also have access to a \$2,000,000 bank overdraft facility. As at 30 June 2005, \$4,000,000 is unused by the group (2004: \$2,000,000).				
(e) Acquisition of entity				
The Cardno group has acquired the following entities:-				
2004				
- Cardno Limited acquired 100% of Cardno Holdings Pty Ltd (19 March 2004)				
2005				
- Cardno Holdings Pty Ltd acquired 100% of BSD Consultants Pty Ltd (effective date 1 July 2004)				

Notes to the Financial Statements

Cardno Limited and its Controlled Entities for the year ended 30 June 2005

	Consolidated		Cardno Limited	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
25. NOTES TO THE STATEMENT OF CASH FLOWS CONT'D				
(e) Acquisition of entity cont'd				
- Cardno Holdings Pty Ltd acquired 100% of Lawson and Treloar Pty Ltd (effective date 1 July 2004)				
- Cardno Limited acquired 100% of ACIL Australia Pty Ltd (effective date 1 May 2005, settlement date 1 July 2005)				
Details of the acquisitions are as follows:				
Purchase consideration	32,288	13,520	26,578	-
Allotment of shares	-	13,520	-	-
Cash consideration	5,709	-	-	-
Vendor liability	26,579	-	26,578	-
Consideration	32,288	13,520	26,578	-
Assets and liabilities held at acquisition date:				
Cash	2,702	6,089	1,646	-
Receivables	18,159	14,180	14,759	-
Property, plant and equipment	960	5,202	448	-
Inventories	8,688	6,020	8,688	-
Creditors and borrowings	(26,839)	(18,737)	(25,084)	-
Provisions	(3,203)	(6,956)	(669)	-
	467	5,798	(212)	-
Goodwill on acquisition	31,821	7,722	26,790	-
Consideration	32,288	13,520	26,578	-
Net cash outflow on acquisition				
Cash balance acquired	2,702	6,089	1,646	-
Cash consideration	(5,709)	-	-	-
	(3,007)	6,089	1,646	-
26. COMMITMENTS FOR EXPENDITURE				
Finance leases				
Commitments in relation to finance leases are payable as follows:				
- Within one year	1,942	1,275	-	-
- Later than one year but not later than 5 years	3,682	1,615	-	-
- Later than 5 years	135	188	-	-
- Minimum lease payments	5,759	3,078	-	-
Less: Future finance charges	(686)	(404)	-	-
Recognised as a liability	5,073	2,674	-	-
Finance leases are taken out over motor vehicle, leasehold improvements and plant and equipment and are taken out for an average period of 3 – 4 years.				

Notes to the Financial Statements

Cardno Limited and its Controlled Entities for the year ended 30 June 2005

	Consolidated		Cardno Limited	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
26. COMMITMENTS FOR EXPENDITURE CONT'D				
Representing lease liabilities:				
Current (note 16)	1,622	1,078	-	-
Non-current (note 20)	3,451	1,596	-	-
	5,073	2,674	-	-
Operating Leases				
- Within one year	2,994	2,150	-	-
- Later than one year but not later than 5 years	7,922	5,249	-	-
- Later than 5 years	996	1,937	-	-
Commitments not recognised in the financial statements	11,912	9,336	-	-
Operating leases are taken out over office premises, motor vehicle and plant and equipment and are taken out for an average period of 5 – 7 years.				
27. EMPLOYEE BENEFITS				
The aggregate employee benefit liability is comprised of:				
Accrued wages, salaries and on-costs (included in payables)	4,132	2,527	-	-
Provisions (current) (note 17)	3,874	2,411	-	-
Provisions (non-current) (note 21)	2,681	2,104	-	-
	10,687	7,042	-	-
Number of employees				
Number of employees at 30 June 2005	1,187	510	-	-

Performance Equity Plan

The Company has a Performance Equity Plan approved at the annual general meeting on 1 November 2004.

The Plan has been developed to reward strong performance by individuals within the Cardno Group of Companies measured against KPI's such as profitability, growth, business development and staff management. The level of participation is determined by the Managing Director and Remuneration Committee. The plan operates by granting an option to employees to purchase a prescribed number of shares in two years from the date of issue, together with a cash incentive.

Each option is convertible to one ordinary share. The exercise price of the options, determined in accordance with the rules of the plan, is based on the weighted average price of the Company's shares traded during the five days preceding the date of granting the option.

All options expire on the earlier of their expiry date or termination of the employee's employment. Options do not vest until two years after granting and thereafter exercise of the option.

There are no voting or dividend rights attached to the options. There are no voting rights attached to the unissued ordinary shares. Voting rights will be attached to the unissued ordinary shares when the options have been exercised.

No options were exercised during the financial year.

Grant Date	Exercise Date	Expiry Date	Exercise Price \$	Number of Options at Beginning of Year	Options Granted	Options Lapsed	Number of Options as at 30 June 2005
5 November 2004	5 November 2006	12 November 2006	2.46	0	338,000	5,000	333,000

Notes to the Financial Statements

Cardno Limited and its Controlled Entities for the year ended 30 June 2005

27. EMPLOYEE BENEFITS CONT'D

Employee Tax Exempt Share Acquisition Plan

The Employee Tax Exempt Share Acquisition Plan ("ETESAP") was approved at the annual general meeting on 1 November 2004.

The ETESAP has been developed to provide employees with the opportunity to acquire shares in the company in a tax effective manner. The ETESAP is available to all eligible employees to acquire ordinary shares in the Company for no consideration as a bonus component of their remuneration. Employees with greater than one year of full-time equivalent service are entitled to \$1,000 of free shares and employees with greater than six months full-time equivalent service are entitled to \$500 of free shares a year. Shares issued under ETESAP rank equally with other fully paid ordinary shares.

To be eligible, employees must have been employed by any entity in the consolidated entity continuously for six months. Shares are issued in the name of the participating employee are held in escrow with ASX Perpetual Registrars. They vest to the employee at the earlier of three years from the date of issue or the date employment ceases. The ETESAP has no conditions that could result in a recipient forfeiting ownership of shares.

There are no voting or dividend rights attaching to the shares until they are fully vested. Once shares vest with the employee they are distributed from the ETESAP as fully paid ordinary shares. No consideration is received from the employees.

The ETESAP complies with current Australian Tax Legislation, enabling employees to have up to \$1,000 of free shares, in respect of an employee share scheme, excluded from their assessable income.

In November 2004, 183,715 shares were granted with at fair value of \$2.50. These shares were issued for no consideration. At balance date, 19,894 of these shares had vested with employees who had terminated employment with the Company. The balance of shares held under this Plan at 30 June 2005 totalled 163,821. Fair value of shares issued during the reporting period is estimated to be the market price paid of shares of the Company on the Australian Stock Exchange as at close of trading on the date of issue.

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

29. SUBSEQUENT EVENTS

On 1 July 2005 the purchase of 100% of the issued shares in ACIL Australia Pty Ltd was settled. The effective date of acquisition was 1 May 2005.

A contract to sell the property at Belconnen, ACT was signed on 5 July 2005 and settled on 15 July 2005. The Directors have revalued the property at balance date to the sale price.

The Company settled the acquisition of 100% of the issued shares in EOP Holdings Pty Ltd on 12 August 2005. The effective date of acquisition was 4 July 2005.

On 23 August 2005, the Directors of Cardno Limited declared a final dividend on the ordinary shares of the 2005 financial year. The total amount of the dividend is \$3,146,685 which represents a dividend of 8 cents per share is fully franked and will be paid on 6 October 2005. The dividend has not been provided for in the 30 June 2005 financial statements.

Notes to the Financial Statements

Cardno Limited and its Controlled Entities for the year ended 30 June 2005

	Consolidated	
	2005 \$'000	2004 \$'000
30. EARNINGS PER SHARE		
Earnings used in calculating basic and diluted earnings per share	7,450	1,752
	Number of shares	Number of shares
Weighted average number of ordinary shares used in calculating basic earnings per share	35,977,429	32,679,937
Weighted average number of ordinary shares used in calculating diluted earnings per share	36,194,564	32,679,937
(a) The options and convertible notes 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.		
(b) Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:		
Weighted average number of ordinary shares used in the calculation of basic EPS.	35,977,429	
Shares deemed to be issued for no consideration in respect of:		
Employee options	217,135	
Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted EPS.	36,194,564	
(c) Subsequent to reporting date, 2,552,617 shares were issued as partial purchase consideration for the acquisition of ACIL Australia Pty Ltd and a further 489,995 shares were issued for the partial purchase consideration for the acquisition of EOP Holdings Pty Ltd. These shares have not been included in the above calculations as at 30 June 2005.		
(d) 13,377,502 convertible notes are not included in the above calculations as at 30 June 2005.		

Notes to the Financial Statements

Cardno Limited and its Controlled Entities for the year ended 30 June 2005

	Consolidated		Cardno Limited	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
31. AUDITORS REMUNERATION				
Amounts received or due and receivable by parent entity auditors (William Buck)				
- an audit or review of the financial report of the entity and any other entity in the consolidated entity	66	34	6	5
- other assurance services	9	11	9	11
	75	45	15	16
Amounts received or due and receivable by other auditors (Ernst & Young)				
- an audit or review of the financial report of the entity and any other entity in the consolidated entity	15	-	-	-
- taxation services	25	-	-	-
- other assurance services	-	-	65	-
	40	-	65	-

32. DIRECTOR AND EXECUTIVE DISCLOSURES

(a) Details of Specified Directors and Specified Executives

(i) Specified Directors

J C Massey	Non-Executive Chairman
G G Tambllyn	Deputy Chairman – Executive
A D Buckley	Managing Director
R J Fisher	Executive Director, Chief Financial Officer & Company Secretary
T C Johnson	Executive Director
I J Johnston	Non-Executive Director
R A Kell	Executive Director
D R McMillan	Executive Director (Resigned as a Director 1 November 2004)
J G A Verco	Executive Director
E R Vowles	Executive Director (Resigned as a Director 1 November 2004)

(ii) Specified Executives

R J K Collins-Woolcock	Division Manager - New South Wales
S V Coote	Group Operations Manager
P W Gardiner	Division Manager – Queensland and Northern Territory
J C King	Division Manager – Western Australia
M J Renshaw	Division Manager – Products & New Markets
C G Thiering	Division Manager – International Branches
G R Thompson	Division Manager – XP Software
E R Vowles	Division Manager – International Major Projects (Since 1 November 2004)
R A Young	Division Manager – Cardno Young

(b) Remuneration of Specified Directors and Specified Executives

Remuneration levels for Directors, the Company Secretary, Senior Managers of the Company, and relevant Senior Executives of the consolidated entity (“the Directors and Senior Executives”) are competitively set to attract and retain appropriately qualified and experienced Directors and Senior Executives. The Remuneration Committee, which advises and reports to the Board, is responsible for remuneration policies and packages applicable to the Directors and Senior Executives. The Remuneration Committee seeks out information on the appropriateness of remuneration packages given trends in comparable companies both locally and internationally and the objectives of the Company’s remuneration strategy.

The remuneration structures explained below are designed to attract and retain suitably qualified candidates, reward the achievement of strategic objectives and achieve the broader outcome of creating value for shareholders. The remuneration structures take into account:

Notes to the Financial Statements

Cardno Limited and its Controlled Entities for the year ended 30 June 2005

32. DIRECTOR AND EXECUTIVE DISCLOSURES CONT'D

- the capability and experience of the Directors and Senior Executives
- the Directors' and Senior Executives' ability to control the performance of areas of the Company's business
- the Company's performance including:
 - earnings
 - overall returns to shareholders
- the amount of incentives within each Directors' and Senior Executives' remuneration.

The Company's remuneration framework is aligned to shareholders' interests as it has growth in shareholder wealth as a core component of its design and serves to attract and retain high calibre executives. Since Cardno Limited was established in March 2004 the Company has exceeded the growth and profit targets set by the Board and this successful performance has been reflected in the remuneration of Executives.

The Executive Director and Senior Executive Remuneration Policy is set out below:

Cardno Limited seeks to set fair and market competitive remuneration for its Senior Executives to ensure high performance and long-term commitment while taking into consideration the best interests of shareholders. Senior Executives' remuneration consists of a fixed salary, Performance Equity Plan participation, discretionary cash bonuses and other benefits including superannuation and salary sacrificing. In determining the salary of Senior Executives, an assessment of performance is completed and a review of the market is conducted. The Company takes into account the responsibilities of the individual's position, the level of skill and experience as well as the Company's legal and industrial obligations, labour market conditions and the size and complexity of the Company's business.

If the employment of a Senior Executive is terminated, the Senior Executive is entitled to receive from the employer pay in lieu of notice and compensation for employee entitlements such as annual leave and long service leave up to the termination date and by reference to the Executive's remuneration.

Where the Executive Directors participate in the Performance Equity Plan (Note 27) the details are submitted to shareholders for approval.

Employment agreements have been entered into with each Executive Director and Senior Executive. The agreements contain remunerative, performance and confidentiality obligations on the part of both the employer and employee. The Executives covenant that during the term of employment and for 6 months after termination they will not solicit any existing client or employee of the Company.

The Remuneration Committee assesses the performance of Executive Directors and Senior Executives against a number of criteria and KPI's which are aligned with the performance objectives of the Company. Remuneration for the Executives is then set within market ranges determined by the Remuneration Committee for the role that the Executive fills. Remuneration for Executives who achieve high performance against the criteria is adjusted towards the upper end of the range. Salary packages are further enhanced through application of the Performance Equity Plan and discretionary cash bonuses for strong performance.

The remuneration policy in regard to Non-Executive Directors is set out below:

The Non-Executive Directors of Cardno Limited are entitled to a fee that is determined by the remuneration committee on commencement of the role and on an annual basis thereafter. The fee may include superannuation contributions. Additional fees may be payable for participation on board committees. Non-Executive Directors do not participate in equity plans of the Company and do not receive retirement benefits other than statutory entitlements.

The following remuneration figures are for the year ended 30 June 2005.

Notes to the Financial Statements

Cardno Limited and its Controlled Entities for the year ended 30 June 2005

32. DIRECTOR AND EXECUTIVE DISCLOSURES CONT'D

(i) Remuneration of Specified Directors

2005	Primary		Post Employment Superannuation Benefits	Equity Compensation Value of Options & Shares Issued	Total
	Salary & Fees	Cash Bonus			
Non-Executives					
J C Massey	57,290	-	-	-	57,290
I J Johnston	25,000	-	-	-	25,000
Executives					
G G Tamblyn	192,868	-	13,398	-	206,266
A D Buckley	289,172	18,450	21,286	6,156	335,064
R J Fisher	191,500	9,225	35,303	3,078	239,106
T C Johnson	185,103	9,225	20,901	3,078	218,307
R A Kell	113,093	-	26,252	-	139,345
D R McMillan ^	41,601	-	13,174	-	54,775
J G A Verco	141,223	-	41,000	-	182,223
E R Vowles ^	57,651	-	4,619	-	62,270
Total	1,294,501	36,900	175,933	12,312	1,519,646

^ only includes amounts paid whilst a Director.

S J Moss became a Director on 2 August 2005 and as such is not included above.

2004*	Primary		Post Employment Superannuation Benefits	Equity Compensation Value of Options & Shares Issued	Total
	Salary & Fees	Cash Bonus			
Non-Executives					
J C Massey	9,174	-	826	-	10,000
Executives					
G G Tamblyn	60,419	-	4,171	-	64,590
A D Buckley	83,776	20,000	5,203	-	108,979
R J Fisher	64,874	20,000	4,290	-	89,164
T C Johnson	67,100	10,000	7,043	-	84,143
R A Kell	40,826	-	14,198	-	55,024
D R McMillan	40,937	-	12,937	-	53,874
J G A Verco	43,637	-	13,165	-	56,802
E R Vowles	56,302	-	5,166	-	61,468
Total	467,045	50,000	66,999	-	584,044

* 2004 figures are from 19 March 2004 to 30 June 2004

Notes to the Financial Statements

Cardno Limited and its Controlled Entities for the year ended 30 June 2005

32. DIRECTOR AND EXECUTIVE DISCLOSURES CONT'D

(ii) Remuneration of Specified Executives

2005	Primary		Post Employment Superannuation Benefits	Equity Compensation Value of Options & Shares Issued	Total
	Salary & Fees	Cash Bonus			
<i>Specified Executives</i>					
R J K Collins- Woolcock	170,320	6,150	16,059	3,052	195,581
S V Coote	80,488	-	7,038	5,104	92,630
P W Gardiner	179,307	12,300	13,003	5,104	209,714
J C King	169,697	-	13,830	1,000	184,527
M J Renshaw	141,516	6,150	10,734	3,052	161,452
C G Thiering	113,427	-	54,828	-	168,255
G R Thompson	158,697	1,845	11,394	1,616	173,552
E R Vowles ^	115,302	-	9,237	-	124,539
R A Young	165,734	-	34,266	1,000	201,000
Total	1,294,488	26,445	170,389	19,928	1,511,250

^ only includes amounts paid whilst not a director of Cardno Limited.

2004*	Primary		Post Employment Superannuation Benefits	Equity Compensation Value of Options & Shares Issued	Total
	Salary & Fees	Cash Bonus			
<i>Specified Executives</i>					
R J K Collins- Woolcock	41,105	-	3,791	-	44,896
P W Gardiner	48,745	-	3,617	-	52,362
C G Thiering	36,990	-	17,880	-	54,870
G R Thompson	43,385	-	13,732	-	57,117
R A Young	68,916	-	6,164	-	75,080
Total	239,141	-	45,184	-	284,325

*2004 figures are from 19 March 2004 to 30 June 2004

Equity Holdings and Transactions

The movement during the year ended 30 June 2005 in the number of ordinary shares of Cardno Limited held directly, indirectly or beneficially, by each Specified Director and Specified Executive, including their personally-related entities is as follows:

Shares	Held at 1 July 2004	Purchased / Granted	Held at 30 June 2005
<i>Specified Directors</i>			
J C Massey	20,000	-	20,000
G G Tamblin	1,512,000	-	1,512,000
A D Buckley	1,845,810	-	1,845,810
R J Fisher	1,260,342	-	1,260,342
T C Johnson	1,527,990	-	1,527,990
I J Johnston	20,000	40,000	60,000
R A Kell	619,458	-	619,458
S J Moss	-	431,878	431,878
J G A Verco	1,075,402	19,000	1,094,402
<i>Specified Executives</i>			
R J K Collins-Woolcock	564,586	406	564,992
S V Coote	414,780	-	414,780
P W Gardiner	573,652	406	574,058
J C King	-	75,368	75,368
M J Renshaw	48,000	11,406	59,406
G R Thompson	674,872	406	675,278
R A Young	1,650,312	406	1,650,718

Notes to the Financial Statements

Cardno Limited and its Controlled Entities for the year ended 30 June 2005

32. DIRECTOR AND EXECUTIVE DISCLOSURES CONT'D

Share Options

Options granted to Directors' and Executives of the Company

During the financial year, under the Performance Equity Plan (Note 27), the company granted options for no consideration over unissued ordinary shares in Cardno Limited to the following Specified Directors and to the five most highly remunerated Specified Executives of the Company as part of their remuneration. The table demonstrates the total held at 30 June 2005.

The movement during the year ended 30 June 2005 in the number of options over ordinary shares in Cardno Limited held, directly, indirectly or beneficially, by each Specified Director and Specified Executive, including their personally-related entities, is as follows:

	Held at 1 July 2004	Granted as remuneration	Exercised	Held at 30 June 2005
<i>Specified Directors</i>				
A D Buckley	-	30,000	-	30,000
R J Fisher	-	15,000	-	15,000
T C Johnson	-	15,000	-	15,000
<i>Specified Executives</i>				
R J K Collins-Woolcock	-	10,000	-	10,000
P W Gardiner	-	20,000	-	20,000
M J Renshaw	-	10,000	-	10,000
S V Coote	-	20,000	-	20,000
G Thompson	-	3,000	-	3,000

Options cannot be exercised until 5 November 2006 and have no performance criteria attached. No options have been granted since the end of the financial year to the date of this report.

The following factors and assumptions were used in determining the fair value of options on grant date:

Grant Date	Expiry Date	Fair Value per Option	Exercise Price	Price of Shares on Grant Date	Estimated Volatility	Risk free interest rate	Dividend Yield
5 November 2004	12 November 2006	\$0.51	\$2.46	\$2.50	35%	5.93%	4%

The fair value of the options is calculated at the date of grant using a Black-Scholes model. In valuing the options market conditions have been taken into account in both the current and prior periods.

Transactions with the Company or its controlled entities

A number of Specified Directors and Specified Executives, or their personally-related entities, hold positions in other entities that results in them having control or significant influence over the financial or operating policies of these entities.

The terms and conditions of the transactions with Specified Directors and Specified Executives and their personally-related entities were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on an arm's length basis.

The aggregate amounts recognised during the year relating to Specified Directors, Specified Executives and their personally-related entities were as follows:

- (i) Mr A D Buckley is a Director of CBD Professional Services Pty Ltd. The aggregate amount Cardno billed for services performed by Mr Buckley was \$15,896 (2004: \$8,584). Cardno also used Carter Newell Lawyers (associated with CBD Professional Services Pty Ltd) for legal advice throughout the year and the aggregate amount of fees expensed was \$14,957 (2004: \$2,620).
- (ii) Mr J G A Verco is a Director of Foxfall Pty Ltd. The aggregate amount Cardno billed for services was \$5,810 (2004: 10,170).
- (iii) ABN AMRO Morgans Limited and ABN AMRO Morgans Corporate Limited received fees in relation to the Convertible Notes issue. Mr I J Johnston is a director of both of these companies.

Notes to the Financial Statements

Cardno Limited and its Controlled Entities for the year ended 30 June 2005

32. DIRECTOR AND EXECUTIVE DISCLOSURES CONT'D

- (iv) Mr S V Coote is a Director of VSC Growth Pty Ltd which provided employment related services to Cardno. An aggregate amount of \$120,648 was expensed during the financial year (2004: \$33,618).
- (v) Mr R A Young is a Director of R A Young Consulting Pty Ltd which owned a building that was rented for part of the year by Cardno Young Pty Ltd. The amount expensed as rent and outgoings was \$136,906 (2004: \$37,338).

33. RELATED PARTY DISCLOSURES

Ultimate Parent

Cardno Limited is the ultimate Australian parent company.

Interests held in controlled entities are set out in Note 35 to the financial statements.

Transactions with Other Related Parties

	Consolidated		Cardno Limited	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
(a) Amounts receivable from other related parties Aggregate amounts receivable from: Current Controlled entities	-	-	8,268	2,548
(b) Amounts related to other related parties Aggregate amounts payable to: Current Controlled entities	-	-	6,303	4,022

The amounts payable and receivable have arisen as a result of the following:

- Loans advanced to Controlled Entities
- Provision of accounting, administrative and financial assistance (management fees)
- Loans for purchase of assets and working capital

The loans between Cardno Limited and the following companies are at call and interest free:

- Cardno Holdings Pty Ltd
- ACIL Australia Pty Ltd

34. SEGMENT INFORMATION

The group operates principally as a provider of professional services in the engineering and management fields.

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

Geographical Segments

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

Notes to the Financial Statements

Cardno Limited and its Controlled Entities for the year ended 30 June 2005

34. SEGMENT INFORMATION CONT'D

2005	Economic Entity \$'000	Less North America \$'000	Less Asia Pacific \$'000	Total Australia \$'000	Total Overseas \$'000	TOTAL \$'000	Eliminations \$'000	Grouped \$'000
Revenue								
External Sales	99,107	2,633	5,289	91,185	7,922	99,107	-	99,107
Inter-segment Revenue	397	-	-	397	-	397	(397)	-
Other Income	2,424	165	1	2,258	166	2,424	-	2,424
Total Segment Revenue	101,928	2,798	5,290	93,840	8,088	101,928	(397)	101,531
Result								
Segment Result	10,831	449	1,141	9,241	1,590	10,831	(397)	10,434
Profit from Ordinary Activities before income tax expense	10,831	449	1,141	9,241	1,590	10,831	(397)	10,434
Income Tax Expense	2,984	49	130	2,805	179	2,984	-	2,984
Profit from Ordinary Activities after Income Tax Expense	7,847	400	1,011	6,436	1,411	7,847	(397)	7,450
Assets								
Segment Assets	133,483	409	2,063	131,011	2,472	133,483	(674)	132,809
Liabilities								
Segment Liabilities	109,112	291	1,224	107,597	1,515	109,112	(841)	108,271
Other								
Acquisitions of non-current segment assets	40,949	22	118	40,809	140	40,949	-	40,949
Depreciation and amortisation of segment assets	3,028	30	82	2,916	112	3,028	-	3,028

2004	Economic Entity \$'000	Less North America \$'000	Less Asia Pacific \$'000	Total Australia \$'000	Total Overseas \$'000	TOTAL \$'000	Eliminations \$'000	Grouped \$'000
Revenue								
External Sales	20,643	789	3,600	16,254	4,389	20,643	-	20,643
Inter-segment Revenue	291	-	-	291	-	291	(291)	-
Other Income	343	-	-	343	-	343	-	343
Total Segment Revenue	21,277	789	3,600	16,888	4,389	21,277	(291)	20,986
Result								
Segment Result	1,988	80	385	1,523	465	1,988	(201)	1,787
Profit from Ordinary Activities before income tax expense	1,988	80	385	1,523	465	1,988	(201)	1,787
Income Tax Expense	35	-	-	35	-	35	-	35
Profit from Ordinary Activities after Income Tax Expense	1,953	80	385	1,488	465	1,953	(201)	1,752
Assets								
Segment Assets	43,233	332	2,285	40,616	2,617	43,233	(221)	43,012
Liabilities								
Segment Liabilities	24,206	672	1,867	21,667	2,539	24,206	(593)	23,613
Other								
Acquisitions of non-current segment assets	5,701	47	210	5,444	257	5,701	-	5,701
Depreciation and amortisation of segment assets	604	10	12	582	22	604	-	604

Notes to the Financial Statements

Cardno Limited and its Controlled Entities for the year ended 30 June 2005

34. SEGMENT INFORMATION CONT'D

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

35. CONTROLLED ENTITIES

Name	Country of Incorporation	Class of Share	Equity Holding
Cardno Holdings Pty Ltd	Australia	Ordinary	100%
Cardno (Qld) Pty Ltd	Australia	Ordinary	100%
Cardno Staff Pty Ltd	Australia	Ordinary	100%
Cardno Staff No. 2 Pty Ltd	Australia	Ordinary	100%
Cardno Operations Pty Ltd	Australia	Ordinary	100%
Cardno Investments Pty Ltd	Australia	Ordinary	100%
Cardno International Pty Ltd	Australia	Ordinary	100%
Advanced Water & Wastewater Technologies Pty Ltd	Australia	Ordinary	100%
Cardno BSD Pty Ltd ***	Australia	Ordinary	100%
Cardno CCS Pty Ltd	Australia	Ordinary	100%
Cardno Lawson Treloar Pty Ltd ****	Australia	Ordinary	100%
Cardno MBK PNG Ltd	Papua New Guinea	Ordinary	100%
Cardno (NSW) Pty Ltd and Subsidiaries*	Australia	Ordinary	100%
Cardno BLH Pty Limited	Australia	Ordinary	100%
Cardno Willing Pty Ltd and Subsidiaries **	Australia	Ordinary	100%
XP Services Pty Ltd	Australia	Ordinary	100%
Cardno Alexander Browne Pty Ltd	Australia	Ordinary	100%
Cardno Taylors Pty Ltd	Australia	Ordinary	100%
Cardno Young Pty Ltd	Australia	Ordinary	100%
R A Young Services Pty Ltd	Australia	Ordinary	100%
R A Young Services Unit Trust	Australia	Ordinary	100%
ACIL Australia Pty Ltd	Australia	Ordinary	100%

* Includes Cardno MBK Philippines & PT HMA International

** Includes Cardno Willing NSW Pty Ltd, Cardno Willing NT Pty Ltd, Cardno Willing PNG Ltd, XP Software Pty Ltd and XP Software Inc.

*** Includes Winwest Holdings Pty Ltd

**** Includes Hydrotech Research Pty Ltd

Note: Cardno Consolidated Pty Ltd was deregistered on 15 April 2005, CDG Pty Ltd was deregistered on 15 April 2005 and Geotechnics Queensland Pty Ltd was deregistered on 6 May 2005. R A Young Services Pty Ltd was deregistered on 31 July 2005.

36. IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Cardno group will be required to prepare financial statements that comply with the Australian equivalent to International Financial Reporting Standards for annual reporting periods beginning on or after 1 January 2005. Accordingly, the Cardno group's first half year report prepared under AIFRS will be for the half year ending 31 December 2005, and its first annual financial report prepared under AIFRS will be for the year ending 30 June 2006. The standards were issued in final form by the AASB in July 2004.

The current financial statements have been prepared in accordance with existing generally accepted accounting principles in Australia, including current Australian Accounting Standards (Australian GAAP). Early adoption of AIFRS is not permitted. Adjustments resulting from the transition to AIFRS will be made, retrospectively, against the opening retained earnings as at 1 July 2004.

The impact of transition to AIFRS, including the transitional adjustments disclosed are based on AIFRS standards that management expect to be in place when preparing the first complete AIFRS financial report. Only a complete set of financial statements and notes together with comparative balances can provide a true and fair presentation of the Company's and consolidated entity's financial position, results of operations and cash flows in accordance with AIFRS. This note provides only a summary therefore, further disclosure and explanations will be required in the first complete AIFRS report for a true and fair view to be presented under AIFRS.

There is a significant amount of judgement involved in the preparation of the reconciliations from current Australian GAAP to AIFRS and final reconciliations may vary from that provided in this Note.

The rules for first time adoption of AIFRS are set out in AASB 1 *First Time Adoption of Australian Equivalents to International Financial Reporting Standards*. In general, AIFRS accounting policies must be applied retrospectively

Notes to the Financial Statements

Cardno Limited and its Controlled Entities for the year ended 30 June 2005

36. IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS CONT'D

to determine the opening AIFRS balance sheet as at transition date, being 1 July 2004. The standard allows a number of exceptions to this general principle to assist in the transition to reporting under AIFRS.

The Directors have identified the following as being the key accounting policy differences expected to arise on transition to AIFRS. The list does not represent an exhaustive list of the differences that will arise.

(a) Intangible Assets

Goodwill

Goodwill will no longer be able to be amortised but instead will be subject to annual impairment testing. This will result in a change in the group's current accounting policy which amortises goodwill over its useful life but not exceeding 20 years. Under the new policy, amortisation will no longer be charged, but goodwill will be written down to the extent it is impaired. The standard requires the value of the goodwill to be assessed at least annually and this may result in a future write down in this asset.

On transition to AIFRS the entity has the option to restate some or all past business combinations. The entity does not intend to restate any business combination and associated goodwill acquired pre 1 July 2004.

The effect for the year ended 30 June 2005 is to increase goodwill by \$813,035.

Impairment of Assets

The recoverable amount of an asset is to be determined as the higher of net selling price and value in use. This will result in a change in the group's current accounting policy which determines the recoverable amount of an asset on the basis of discounted cash flows.

Intangible Assets

Intangible assets can only be revalued subsequent to acquisition where there is an active market or other circumstances apply to the asset. Cardno Holdings Pty Ltd acquired software source code for \$1 million which was subsequently revalued at \$2 million. Cardno Limited effectively acquired this asset for \$2 million on 19 March 2004.

The effect of the difference in the tax base of this asset to its book value at 1 July 2004 is to increase deferred tax liability by \$300,000 and decrease retained earnings by \$300,000.

Other

AASB 3 prescribes a more definitive approach to identifying and recognising intangible assets in a business combination, such as work contracts of the vendor entity entered into prior to the purchasing entity taking control. The purchaser is not entitled to recognise these profits in the income statement, but will value the work contracts and amortise the profits as earned.

The effect for the year ended 30 June 2005 is to decrease intangible assets and decrease profit from ordinary activities before tax by \$281,042.

(b) Income Taxes

The company will be required to use a balance sheet liability method which focuses on the tax effects of transactions and other events that affect amounts recognised in either the Statement of Financial Position or a tax-based Balance Sheet. The most significant impacts will be the recognition of a deferred tax liability in relation to the asset revaluation reserve and the recognition of intangible assets on acquisition. Previously, the capital gains tax effects of asset revaluations were not recognised. It is not expected that there will be any further material impact as a result of adoption of this standard.

Notes to the Financial Statements

Cardno Limited and its Controlled Entities for the year ended 30 June 2005

36. IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS CONT'D

(c) Equity Based Compensation

The Cardno group currently does not recognise as an expense the cost of shares given to employees under the Employee Tax Exempt Share Acquisition Plan or expense options granted to employees under the Performance Equity Plan. On adoption of AIFRS, the Cardno Group will recognise an expense for all share-based remuneration. In terms of options, the expense will be recognised over the relevant vesting period.

The effect at 1 July 2004 is to increase contributed equity by \$111,000, increased deferred tax liability by \$89,000, and decrease retained earnings by \$22,000. The effect for the year ended 30 June 2005 is to increase contributed equity by \$499,930, decrease profit from ordinary activities before income tax by \$499,930, decrease deferred tax asset by \$22,000 and decrease retained earnings by \$22,000.

(d) Business Combinations

The Cardno group has a long history of business acquisitions. Under AIFRS, amortisation of goodwill will be abolished and replaced with a rigorous impairment test. The standard also prescribes that where the price paid is lower than the aggregate fair values of the assets and liabilities acquired, the excess is to be recognised as a gain. Currently this is recognised by reducing the fair value of the non-monetary assets acquired. Certain intangible assets which are currently included in goodwill will need to be separately recognised.

(e) Foreign Entities

An entity measures its assets, liabilities, revenue and expenses in its functional currency, which is the currency that best reflects the economic substance of the underlying events and circumstances relevant to the entity.

An assessment of the subsidiaries has been performed and the functional currency of the majority of the subsidiaries has been deemed to be Australian dollars with the following exceptions:

- The functional currency of Cardno MBK PNG Ltd is Kina
- The functional currency of Cardno Willing PNG Ltd is Kina
- The functional currency of XP Software Inc is United States dollars

Cardno MBK PNG Ltd, Cardno Willing PNG Ltd and XP Software Inc were accounted for as "integrated" foreign operations under existing Australian standards. AASB 121 requires that the financial position of the entity shall be translated into a different presentation currency using the following method:

- (i) Assets and liabilities of each balance sheet shall be translated at the closing rate at the date of that balance sheet;
- (ii) Income and expense for each income statement (i.e. including comparatives) shall be translated at exchanges rates at the date of the transactions; and
- (iii) All resulting exchange differences shall be recognised as a separate component of equity.

The effect at 1 July 2004 is to increase property, plant and equipment by \$7,000, decrease payables by \$89,000 and increase foreign currency translation reserve by \$96,000.

(f) Operating Leases

Lease expenses are required to be recognised on a straight-line basis over the lease term. In the event that there is a determinable escalation of lease payments, the lease expense recognised will be amortised from the commencement of the lease, such that the expense is not escalated annually, but recognised on a straight line basis.

The effect for the year ended 30 June 2005 is to increase creditor accruals by \$55,836, increase deferred tax asset by \$16,750 and decrease current year profit by \$39,086.

Notes to the Financial Statements

Cardno Limited and its Controlled Entities for the year ended 30 June 2005

36. IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS CONT'D

(g) Current Year Profit

The following schedule highlights the expected adjustments to the current year profit on adoption of AIFRS.

Note	Consolidated		Cardno Limited		
	Increase/(decrease) to current year profit \$'000	Increase/(decrease) in income tax expense \$'000	Increase/(decrease) to current year profit \$'000	Increase/(decrease) in income tax expense \$'000	
(a)	Amortisation of work contract Intangibles acquired on acquisitions	281	84	-	-
(a)	Write back of goodwill amortisation	(813)	-	-	-
		(532)	84	-	-
(c)	Issue of tax exempt employee shares	444	-	444	-
(c)	Employee share options	56	-	56	-
		500	-	500	-
(f)	Fixed escalation operating leases	55	17	-	-
	Total expected adjustments	23	101	500	-

Notes to the Financial Statements

Cardno Limited and its Controlled Entities for the year ended 30 June 2005

36. IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS CONT'D

RECONCILIATION STATEMENT

	Note	AGAAP \$000's	CONSOLIDATED 30-Jun-05 Transaction Impact \$000's	AIFRS \$000's	AGAAP \$000's	CARDNO LIMITED 30-Jun-05 Transaction Impact \$000's	AIFRS \$000's
Revenue from Ordinary Activities		101,531	-	101,531	6,151		6,151
Cost of services & employee costs	(c)	68,116	500	68,616	80	500	580
Administration expenses		550	-	550	-	-	-
Borrowing costs expenses		398	-	398	-	-	-
Depreciation and amortisation expenses	(a)	3,028	(532)	2,496	-	-	-
Distribution expenses		287	-	287	-	-	-
Marketing expenses		482	-	482	-	-	-
Occupancy expenses	(f)	4,216	55	4,271	-	-	-
Computer related expenses		752	-	752	-	-	-
Insurance expenses		2,162	-	2,162	-	-	-
Non recoverable travel expenses		1,115	-	1,115	-	-	-
Written down value of assets disposed		1,427	-	1,427	-	-	-
Other expenses from ordinary activities		8,564	-	8,564	141	-	141
		91,097	23	91,120	221	500	721
Profit from ordinary activities before related income tax expense		10,434	(23)	10,411	5,930	(500)	5,430
Income tax expense	(b, f)	2,984	(101)	2,883	(205)	-	(205)
Profit from ordinary activities after related income tax expense		7,450	78	7,528	6,135	(500)	5,635
Retained profit at beginning of financial year		1,752	(322)	1,430	2,587	(22)	2,565
Dividends recognised during the year		(3,802)	-	(3,802)	(3,802)	-	(3,802)
Tax Effect of Equity Transactions		-	(493)	(493)	-	(21)	(21)
Retained Profits at end of financial year		5,400	(737)	4,663	4,920	(543)	4,377

Notes to the Financial Statements

Cardno Limited and its Controlled Entities for the year ended 30 June 2005

36. IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS CONT'D

STATEMENT OF FINANCIAL POSITION

	Note	CONSOLIDATED			CARDNO LIMITED			CONSOLIDATED			CARDNO LIMITED		
		AGAAP \$000's	01-Jul-04 Transaction Impact \$000's	AIFRS \$000's	AGAAP \$000's	01-Jul-04 Transaction Impact \$000's	AIFRS \$000's	AGAAP \$000's	30-Jun-05 Transaction Impact \$000's	AIFRS \$000's	A-GAAP \$000's	30-Jun-05 Transaction Impact \$000's	AIFRS \$000's
CURRENT ASSETS													
Cash		12,165	-	12,165	8,183	-	8,183	42,558	-	42,558	36,765	-	36,765
Receivables		9,944	-	9,944	2,704	-	2,704	15,765	-	15,765	11,354	-	11,354
Inventories		5,425	-	5,425	-	-	-	19,243	-	19,243	-	-	-
Other		263	-	263	-	-	-	3,115	-	3,115	248	-	248
		27,797	-	27,797	10,887	-	10,887	80,681	-	80,681	48,367	-	48,367
NON CURRENT ASSETS													
Receivables		-	-	-	-	-	-	821	-	821	-	-	-
Property, plant and equipment	(e)	4,992	7	4,999	-	-	-	7,305	-	7,305	-	-	-
Other financial assets		-	-	-	13,520	-	13,520	-	-	-	41,488	-	41,488
Deferred tax assets	(c)	2,566	89	2,655	2,440	89	2,529	3,370	84	3,454	3,031	67	3,098
Intangible assets	(a)	7,657	-	7,657	-	-	-	40,136	532	40,668	-	-	-
Other		-	-	-	-	-	-	496	-	496	496	-	496
		15,215	96	15,311	15,960	89	16,049	52,128	616	52,744	45,015	67	45,082
TOTAL ASSETS		43,012	96	43,108	26,847	89	26,936	132,809	616	133,425	93,382	67	93,449
CURRENT LIABILITIES													
Payables	(e,f)	7,407	(89)	7,318	-	-	-	40,091	55	40,146	26,192	-	26,192
Interest bearing liabilities		1,159	-	1,159	4,022	-	4,022	2,317	-	2,317	-	-	-
Current tax liabilities		966	-	966	829	-	829	119	-	119	387	-	387
Provisions		4,262	-	4,262	-	-	-	3,874	-	3,874	-	-	-
Other		3,154	-	3,154	-	-	-	6,390	-	6,390	-	-	-
		16,948	(89)	16,859	4,851	-	4,851	52,791	55	52,846	26,579	-	26,579

Notes to the Financial Statements

Cardno Limited and its Controlled Entities for the year ended 30 June 2005

36. IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS CONT'D

STATEMENT OF FINANCIAL POSITION CONT'D

	Note	CONSOLIDATED			CARDNO LIMITED			CONSOLIDATED			CARDNO LIMITED		
		AGAAP \$000's	01-Jul-04 Transaction Impact \$000's	AIFRS \$000's	AGAAP \$000's	01-Jul-04 Transaction Impact \$000's	AIFRS \$000's	AGAAP \$000's	30-Jun-05 Transaction Impact \$000's	AIFRS \$000's	A-GAAP \$000's	30-Jun-05 Transaction Impact \$000's	AIFRS \$000's
NON CURRENT LIABILITIES													
Payables		-	-	-	-	-	-	7,045	-	7,045	7,045	-	7,045
Interest bearing liabilities		2,747	-	2,747	-	-	-	40,720	-	40,720	33,444	-	33,444
Deferred tax liabilities	(a)	1,814	300	2,114	1,762	-	1,762	5,034	688	5,722	2,324	-	2,324
Provisions		2,104	-	2,104	-	-	-	2,681	-	2,681	-	-	-
		6,665	300	6,965	1,762	-	1,762	55,480	688	56,168	42,813	-	42,813
TOTAL LIABILITIES		23,613	211	23,824	6,613	-	6,613	108,271	743	109,014	69,392	-	69,392
NET ASSETS													
		19,399	(115)	19,284	20,234	89	20,323	24,538	(127)	24,411	23,990	67	24,057
EQUITY													
Contributed equity	(c)	17,647	111	17,758	17,647	111	17,758	19,070	610	19,680	19,070	610	19,680
Reserves		-	-	-	-	-	-	68	-	68	-	-	-
Retained profits		1,752	(322)	1,430	2,587	(22)	2,565	5,400	(737)	4,663	4,920	(543)	4,377
Foreign Currency Translation Reserve		-	96	96	-	-	-	-	-	-	-	-	-
		19,399	(115)	19,284	20,234	89	20,323	24,538	(127)	24,411	23,990	67	24,057

Notes to the Financial Statements

Cardno Limited and its Controlled Entities for the year ended 30 June 2005

37. FINANCIAL INSTRUMENTS DISCLOSURE

Net Fair Values

The carrying amount of financial assets and liabilities recorded in the financial statements are stated at net fair values unless otherwise stated. The net fair values of assets is the amount that could be received on disposal less any costs of disposal. The net fair value of liabilities is the amount that could be paid to extinguish the debt plus any costs of extinguishment.

Credit Risk Exposure

The maximum credit risk exposure of financial assets, is represented by the carrying amount of assets recognised in the statement of financial position net of any provisions for losses. The consolidated entity had no significant concentrations of credit risk with any single counterparty or group of counterparties.

Interest Rate Risk

The consolidated entity manages its exposure to interest rate fluctuations through a formal set of policies and procedures approved by the board. The consolidated entity does not engage in any significant transactions which are speculative in nature.

Directors' Declaration

Cardno Limited and its Controlled Entities For the year ended 30 June 2005

In accordance with a resolution of the directors of Cardno Limited, we state that:

- (a) in the directors' opinion the Financial Statements and Notes set out on pages 11 to 47.
 - i. are in accordance with the Corporations Act 2001;
 - ii. comply with Accounting Standards and other mandatory professional reporting requirements;
 - iii. give a true and fair view of the company's and consolidated entities' financial position as at 30 June 2005 and its performance, as represented by the results of their operations and their cash flows, for the year ended 30 June 2005; and

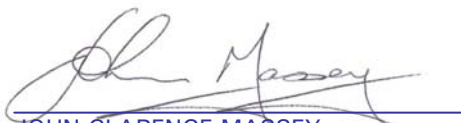
- (b) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

- (c) the directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the managing director and chief financial officer for the financial year ended 30 June 2005.

Signed in accordance with a resolution of the directors

At Brisbane on 23 August 2005

On behalf of the Board



JOHN CLARENCE MASSEY
Chairman

To the Members of Cardno Limited

Matters Relating to the Electronic Presentation of the Audited Financial Report

This audit report relates to the financial report of Cardno Limited for the period ended 30 June 2005 included on the Cardno Limited web site. The company's directors are responsible for the integrity of the Cardno Limited web site. We have not been engaged to report on the integrity of the Cardno Limited web site. The audit report refers only to the statements named below. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for both Cardno Limited (the company) and the consolidated entity for the year ended 30 June 2005. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit of the financial report in order to express an opinion to the members of the company.

Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether, in all material respects, the financial report is presented fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, so as to present a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Audit Opinion

In our opinion, the financial report of Cardno Limited is in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2005 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.

Signed at Brisbane, 23 August 2005.

William Buck

WILLIAM BUCK
Chartered Accountants

M C McDonald

M C McDONALD
Partner