



CARDNO LIMITED
ABN 70 108 112 303
AND ITS CONTROLLED ENTITIES

PRO FORMA
FINANCIAL STATEMENTS
FOR THE FULL YEAR
ENDED 30 JUNE 2004

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Note: Cardno Limited was formed on 19 March 2004 to acquire the Cardno Group of companies which have operated for a number of years. The Statutory Accounts for 2004 do not include the full 12 month period and so we have prepared annual figures on a pro forma basis as if the Cardno Group were part of Cardno Limited for the full year.

The accounts have not been audited.

Pro Forma Statement of Financial Performance

Cardno Limited and its Controlled Entities for the full year ended 30 June 2004

	Notes	Consolidated	
		2004 \$'000	2003 \$'000
Revenues from Ordinary Activities	1	64,869	45,113
Cost of Services & Employee Costs		42,689	30,266
Administration Expenses		547	412
Borrowing costs expense	2	418	277
Bad debt expense	2	553	448
Depreciation and amortisation expenses	2	1,865	1,325
Distribution expense		183	92
Marketing expense		298	350
Occupancy expense		3,113	2,179
Computer related expense		699	256
Insurance expense		1,342	236
Non recoverable travel expense		678	488
Communication expense		591	379
Other expenses from ordinary activities		5,418	3,822
		58,394	40,530
Profit from ordinary activities before related income tax expense		6,475	4,583
Income tax expense	3	1,987	1,080
Profit from ordinary activities after related income tax expense		4,488	3,503
Net exchange differences on translation of financial report of foreign controlled entities		(24)	-
Total changes in equity other than those resulting from transactions with owners as owners attributable to members of Cardno Limited	18	4,464	3,503
Basic earnings per share (cents per share)	21	14.44	N/A
Diluted earnings per share (cents per share)	21	14.44	N/A

The Statement of Financial Performance should be read in conjunction with Notes 1 to 21 which form part of the Financial Statements.

Pro Forma Statement of Financial Position

Cardno Limited and its Controlled Entities for the full year ended 30 June 2004

	Notes	Consolidated	
		2004 \$'000	2003 \$'000
CURRENT ASSETS			
Cash assets	5	12,165	4,432
Receivables	6	9,944	6,674
Inventories	7	5,425	5,664
Tax Asset – Income Tax Refund		–	781
Other	8	263	197
TOTAL CURRENT ASSETS		27,797	17,748
NON-CURRENT ASSETS			
Property, plant and equipment	9	4,992	4,588
Deferred tax assets		2,566	1,417
Intangible assets	10	7,657	3,182
TOTAL NON-CURRENT ASSETS		15,215	9,187
TOTAL ASSETS		43,012	26,935
CURRENT LIABILITIES			
Payables	11	7,407	4,779
Interest-bearing liabilities	12	1,159	1,007
Current tax liabilities		966	476
Provisions	13	4,262	5,674
Other	14	3,154	581
TOTAL CURRENT LIABILITIES		16,948	12,517
NON-CURRENT LIABILITIES			
Interest-bearing liabilities	15	2,747	2,702
Deferred tax liabilities		1,814	1,698
Provisions	16	2,104	1,880
TOTAL NON-CURRENT LIABILITIES		6,665	6,280
TOTAL LIABILITIES		23,613	18,797
NET ASSETS		19,399	8,138
EQUITY			
Parent entity interest			
Contributed equity	17	17,647	7,138
Retained profits	18	1,752	–
Reserves		–	1,000
TOTAL EQUITY		19,399	8,138

The Statement of Financial Position should be read in conjunction with Notes 1 to 21 which form part of the Financial Statements.

Pro Forma Statement of Cash Flows

Cardno Limited and its Controlled Entities for the full year ended 30 June 2004

	Notes	Consolidated	
		2004 \$'000	2003 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		254	112
Interest paid		(108)	(75)
Dividends received		2	-
Sales / Fees		64,550	47,611
Sundry income received		237	-
Cash paid to suppliers and employees		(52,080)	(42,539)
Income tax refunded / (paid)		(3,078)	(1,073)
NET CASH PROVIDED BY OPERATING ACTIVITIES	19(a)	9,777	4,036
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for intangibles		(1,307)	-
Payments for investments		-	(3)
Proceeds from sale of property, plant & equipment		307	63
Payments for property, plant & equipment		(634)	(312)
Payment for Security Deposits		-	3
NET CASH USED IN INVESTING ACTIVITIES		(1,634)	(249)
CASH FLOWS FROM FINANCING ACTIVITIES			
Share issue transaction costs		(374)	-
Proceeds from issue of shares		5,111	-
Proceeds from borrowings		-	(46)
Finance lease payments		(1,359)	(928)
Dividends paid		(3,905)	(2,377)
NET CASH PROVIDED BY FINANCING ACTIVITIES		(527)	(3,351)
NET INCREASE/(DECREASE) IN CASH HELD		7,616	436
CASH AT THE BEGINNING OF THE YEAR		4,549	4,113
CASH AT THE END OF THE YEAR	5	12,165	4,549

The Statement of Cash Flows should be read in conjunction with Notes 1 to 21 which form part of the Financial Statements.

Notes to the Pro Forma Financial Statements

Cardno Limited and its Controlled Entities for the full year ended 30 June 2004

	Consolidated	
	2004 \$'000	2003 \$'000
1. REVENUE FROM ORDINARY ACTIVITIES		
Revenue from operating activities		
Fees from services and sale of goods	58,055	38,459
Fees from recoverable expenses	6,239	6,135
Total revenues from operating activities	64,294	44,594
Revenue from non-operating activities		
Interest received	314	112
Other revenue	261	407
Revenue from ordinary activities	64,869	45,113
2. EXPENSES AND LOSSES/(GAINS)		
Cost of sales – project costs	42,689	30,266
Depreciation		
Motor Vehicles	148	82
Plant & equipment	355	220
Total Depreciation	503	302
Amortisation of non-current assets		
Goodwill	231	183
Motor Vehicles under lease	304	161
Plant & Equipment under lease	827	679
Total Amortisation	1,362	1,023
Total Depreciation & Amortisation	1,865	1,325
Bad and Doubtful Debts	553	448
Borrowing Costs		
Interest and finance charges paid	418	277
Rental expense relating to operating leases		
Minimum lease payments	3,246	1,622
3. INCOME TAX		
The prima facie income tax attributable on the operating profit (loss) as follows –		
Operating profit (loss)	6,475	4,583
Prima facie income tax attributable @ 30% (PNG 48%)	1,942	1,375

Notes to the Pro Forma Financial Statements

Cardno Limited and its Controlled Entities for the full year ended 30 June 2004

	Consolidated	
	2004 \$'000	2003 \$'000
3. INCOME TAX CONT'D		
Tax effect of permanent differences:		
Capital losses	(10)	-
Exempt income	(211)	(429)
Rebateable dividends	(1)	(62)
Amortisation of goodwill	60	113
Non-allowable deductions	289	132
Adjustment for branch offices tax rate	(50)	(12)
Other	-	(2)
Income tax adjusted for permanent differences	2,019	1,115
Net deferred tax liabilities of tax consolidated group		
Exchange gains / losses on foreign accounts	(32)	(35)
Income tax attributable to operating profit (loss)	1,987	1,080

Tax consolidation

Effective 1 July 2003, for the purposes of income taxation, Cardno Limited and its 100% owned subsidiaries formed a tax consolidated group. Members of the group have entered into a tax sharing arrangement in order to allocate income tax expense to the wholly-owned subsidiaries on a pro-rata basis. In addition, the agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. At the balance date, the possibility of default is remote. The head entity of the tax consolidated group is Cardno Limited.

	Consolidated	
	2004 \$'000	2003 \$'000
4. DIVIDENDS PAID OR PROVIDED FOR ON ORDINARY SHARES		
(a) Dividends provided for during the year		
(i) Current year interim unfranked dividend (paid to prelisting shareholders on 5 July 2004)	6 cents	N/A
(b) Dividends proposed and not recognised as a liability		
100% franked dividend	4.5 cents	N/A
(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%	662	-
- franking credits that will arise from the payment of income tax payable as at the end of the financial year	664	-
	1,326	-

Notes to the Pro Forma Financial Statements

Cardno Limited and its Controlled Entities for the full year ended 30 June 2004

	Consolidated	
	2004 \$'000	2003 \$'000
5. CASH ASSETS		
Cash at bank and on hand	4,890	1,615
Bank short term deposits	7,275	2,817
	12,165	4,432
6. RECEIVABLES (CURRENT)		
Trade debtors	10,293	6,762
Provision for doubtful debts	(565)	(344)
	9,728	6,418
Sundry debtors	186	226
Amounts other than trade debts receivable from other related parties:		
– associated companies	30	30
	9,944	6,674
7. INVENTORIES (CURRENT)		
Work-in-progress – at cost	5,425	5,664
8. OTHER CURRENT ASSETS		
Prepayments	263	80
Trust Fund	–	110
Security Deposits	–	7
	263	197
9. PROPERTY, PLANT & EQUIPMENT		
Laboratory equipment, instruments & amenities – at cost	25	19
Less accumulated depreciation	(8)	(5)
	17	14
Equipment & motor vehicles – at cost	211	170
Less accumulated depreciation	(65)	(46)
	146	124
Office furniture & equipment – at cost	1,783	1,190
Less accumulated depreciation	(936)	(691)
	847	499
Office furniture & equipment under lease	4,462	3,884
Less accumulated amortisation	(2,993)	(2,076)
	1,469	1,808
Motor vehicles – under hire purchase	429	539
Less accumulated amortisation	(239)	(342)
	190	197

Notes to the Pro Forma Financial Statements

Cardno Limited and its Controlled Entities for the full year ended 30 June 2004

	Consolidated	
	2004 \$'000	2003 \$'000
9. PROPERTY, PLANT & EQUIPMENT CONT'D		
Equipment & motor vehicles – under lease	1,635	1,037
Less accumulated amortisation	(675)	(530)
	960	507
Property – at cost	1,430	1,504
Less accumulated depreciation	(67)	(65)
	1,363	1,439
	4,992	4,588
(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	14	10
Additions	5	6
Depreciation expense	(2)	(2)
Carrying amount at the end of the year	17	14
<i>Equipment & Motor Vehicles – at cost</i>		
Carrying amount at the beginning of the year	124	38
Additions	76	99
Disposals	(13)	–
Depreciation expense	(41)	(13)
Carrying amount at the end of the year	146	124
<i>Office Furniture & Equipment – at cost</i>		
Carrying amount at the beginning of the year	499	554
Additions	741	179
Disposals	(35)	(19)
Depreciation expense	(354)	(206)
Other adjustments	(4)	(9)
Carrying amount at the end of the year	847	499
<i>Office Furniture & Equipment – under lease</i>		
Carrying amount at the beginning of the year	1,808	1,664
Additions	488	825
Amortisation expense	(827)	(679)
Other	–	(2)
Carrying amount at the end of the year	1,469	1,808

Notes to the Pro Forma Financial Statements

Cardno Limited and its Controlled Entities for the full year ended 30 June 2004

	Consolidated	
	2004 \$'000	2003 \$'000
9. PROPERTY, PLANT & EQUIPMENT CONT'D		
(a) Movements in Carrying Amounts cont'd		
<i>Motor Vehicles – under hire purchase</i>		
Carrying amount at the beginning of the year	197	267
Additions	173	-
Disposals	(74)	-
Depreciation expense	(106)	(70)
Carrying amount at the end of the year	190	197
<i>Equipment & Motor Vehicle – under lease</i>		
Carrying amount at the beginning of the year	507	382
Additions	860	313
Disposals	(107)	(17)
Amortisation expense	(304)	(161)
Other adjustments	4	(10)
Carrying amount at the end of the year	960	507
<i>Property – at cost</i>		
Carrying amount at the beginning of the year	1,439	1,427
Additions	1	28
Other adjustments	(77)	(16)
Carrying amount at the end of the year	1,363	1,439
Total Property, Plant & Equipment		
Carrying amount at the beginning of the year	4,588	4,342
Additions	2,344	1,450
Disposals	(229)	(36)
Depreciation & Amortisation expense	(1,634)	(1,131)
Other adjustments	(77)	(37)
Carrying amount at the end of the year	4,992	4,588

(b) Valuations

The fair values of freehold land and buildings on freehold land have been determined by reference to director valuations, based upon independent valuations previously obtained. Such valuations are performed on an open market basis, being the amounts for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction at the valuation date.

Notes to the Pro Forma Financial Statements

Cardno Limited and its Controlled Entities for the full year ended 30 June 2004

	Consolidated	
	2004 \$'000	2003 \$'000
10. INTANGIBLES		
Goodwill	6,323	1,506
Accumulated amortisation	(678)	(327)
	5,645	1,179
Patents and licenses – deemed cost	2,012	2,003
	7,657	3,182
11. PAYABLES (CURRENT)		
Trade creditors & accruals	7,407	4,779
Trade creditors and accruals are non-interest bearing and are normally settled within 45 days		
12. INTEREST-BEARING LIABILITIES (CURRENT)		
Lease liability	1,078	905
Hire Purchase	81	102
	1,159	1,007
13. PROVISIONS (CURRENT)		
Dividends payable	1,851	3,905
Employee benefits	2,402	1,769
Training benefits	9	–
	4,262	5,674
14. OTHER		
Unearned revenue	3,154	581
15. INTEREST-BEARING LIABILITIES (NON-CURRENT)		
Lease liability	1,596	1,605
Hire Purchase liability	151	97
Fully Drawn Advance	1,000	1,000
	2,747	2,702
16. PROVISIONS (NON-CURRENT)		
Employee entitlements	2,104	1,880
17. CONTRIBUTED EQUITY		
Share Capital		
35,344,992 Ordinary shares, fully paid	17,647	7,138
Movements during the year		
Shares issued		
– 4,500,000 for cash pursuant to a prospectus	4,500	
– Transaction costs arising from issue for cash pursuant to prospectus	(374)	
– 30,844,992 to former Cardno Holdings Pty Ltd shareholders	13,521	
	<u>17,647</u>	

Notes to the Pro Forma Financial Statements

Cardno Limited and its Controlled Entities for the full year ended 30 June 2004

	Consolidated	
	2004 \$'000	2003 \$'000
18. RESERVES AND RETAINED PROFITS		
Retained profits		
Balance at the beginning of year	-	-
Net profit attributable to members of Cardno Limited	4,464	3,503
Total available for appropriation	4,464	3,503
Dividends provided for or paid	(1,851)	(3,503)
Pre acquisition profit capitalised	(861)	-
Balance at end of year	1,752	-
Revaluation Increment/Decrements, Trademarks & Patents	-	1,000
19. 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	4,488	3,503
Adjust for non-cash items		
Amortisation of goodwill	200	183
Depreciation	430	292
Amortisation	1,204	838
Gain on sale of property, plant and equipment	(77)	11
Foreign exchange loss	(24)	183
Finance charges	253	202
Other	-	(395)
Adjust for changes in assets and liabilities (increase)/decrease in:		
Inventories	238	(1,088)
Future income tax benefit	(1,148)	(40)
Trade debtors	(2,916)	(594)
Other debtors	(133)	87
Prepayments	(183)	101
Investment	-	34
Income Tax Refund	-	(759)
Increase / (decrease) in:		
Trade creditors	3,402	642
Lease liability	(116)	-
Income tax payable	383	223
Employee provisions	866	323
Provision for doubtful debts	222	65
Unearned revenue	2,573	(127)
Deferred tax payable	115	352
	9,777	4,036

Notes to the Pro Forma Financial Statements

Cardno Limited and its Controlled Entities for the full year ended 30 June 2004

19. NOTES TO THE STATEMENT OF CASH FLOWS CONT'D

(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 economic entity acquired property, plant and equipment with an aggregate fair value of \$1,521,812 by means of finance leases. These acquisitions are not reflected in the Statement of Cash Flows.

(d) Standby Facilities

Entities in the economic entity have access to a secured bank overdraft facility of \$2,000,000 (2003: \$500,000). At 30 June 2004 the amount of facilities used was \$nil (2003: \$1,518).

(e) Acquisition of Entities

During the financial year the consolidated entity purchased 100% of Geoffrey K Welsh Pty Ltd trading as Taylors Engineering, Young Consulting Engineers Pty Ltd, RA Young Services Pty Ltd as trustee for the RA Young Services Unit Trust and Alexander Browne Cambridge & Partners Pty Ltd. Details of the acquisitions are as follows:

Purchase consideration

Allotment of shares

Cash consideration

Assets and Liabilities held at acquisition date:

Cash

Receivables

Intangibles

Property, plant and equipment

Inventories

Creditors and borrowings

Provisions

Goodwill on acquisition

Consideration

	Consolidated	
	2004 \$'000	2003 \$'000
	2,840	-
	1,533	-
	1,307	-
	2,840	-
	(303)	-
	2,747	-
	-	-
	909	-
	356	-
	(2,352)	-
	(1,008)	-
	349	-
	2,491	-
	2,840	-

Notes to the Pro Forma Financial Statements

Cardno Limited and its Controlled Entities for the full year ended 30 June 2004

	Consolidated	
	2004 \$'000	2003 \$'000
20. COMMITMENTS FOR EXPENDITURE		
Finance Leases		
Commitments in relation to finance leases are payable as follows:		
Within one year	1,275	1,078
Later than one year but not later than 5 years	1,615	1,598
Later than 5 years	188	254
Minimum lease payments	3,078	2,930
Less: Future finance charges	(404)	(420)
Recognised as a liability	2,674	2,510
Representing lease liabilities:		
Current (note 12)	1,078	905
Non-current (note 15)	1,596	1,605
	2,674	2,510
Operating Leases		
Within one year	2,150	1,826
Later than one year but not later than 5 years	5,249	4,215
Later than 5 years	1,937	2,301
Commitments not recognised in the financial statements	9,336	8,342

	Consolidated 2004
21. EARNINGS PER SHARE	
Earnings used in calculating basic and diluted earnings per share	4,464,427
Number of shares	
Weighted average number of ordinary shares used in calculating basic earnings per share	30,910,713
Weighted average number of ordinary shares used in calculating diluted earnings per share	30,910,713