



CARDNO LIMITED
(and its controlled entities)
ABN 70 108 112 303

STATUTORY ACCOUNTS
FOR THE PERIOD
1 JULY 2004 TO 31 DECEMBER 2004

Table of Contents

Cardno Limited and its Controlled Entities for the period 1 July 2004 to 31 December 2004

Directors' Report	2
Auditor's Independence Declaration.....	4
Statement of Financial Performance	5
Statement of Financial Position.....	6
Statement of Cash Flows.....	7
Notes to the Financial Statements.....	8
Directors' Declaration	13
Independent Audit Report	14

Directors' Report

Cardno Limited and its Controlled Entities for the period 1 July 2004 to 31 December 2004

The Directors present their report together with the consolidated financial report of Cardno Limited and its controlled entities for the half year ended 31 December 2004 and report thereon.

Directors

The directors of the Company in office during or since the end of the half year ended 31 December 2004 are set out below:

John Massey (Chairman)(Non-executive)

Graham Tamblyn (Deputy Chairman)

Andrew Buckley

Ronald Fisher

Ian Johnston (appointed 1 November 2004) (Non-executive)

Trevor Johnson

Richard Kell

Douglas McMillan (resigned 1 November 2004)

James Verco

Edwin Vowles (resigned 1 November 2004)

Review of Results and Operations

For the half year ended 31 December 2004, Cardno Limited achieved a profit after tax of \$4.629m.

The company commenced operations on 19 March 2004 when it acquired Cardno Holdings Pty Ltd. As a result, the 31 December 2004 statutory half year accounts are the first full half year recorded by the company and no comparative half year statutory figures are available.

In order to provide a comparison with the previous year's figures, unaudited pro forma financial statements have been produced which compare the half year results against the figures for Cardno Holdings Pty Ltd and its controlled entities for the half year ended 31 December 2003.

Revenue for the December 2004 half year was \$44.443m which was 69.9% greater than the pro forma December 2003 figure of \$26.152m. The profit after tax of \$4.629m was 71.3% greater than the pro forma December 2003 figure of \$2.702m.

There are two main issues contributing to the significant growth in revenues and profits recorded for this half year compared with the pro forma December 2003 half year figures. They are:-

1. Business conditions for the Cardno group have remained solid in this half year and this has driven continuing organic growth in existing businesses.
2. During the half year the group completed two acquisitions both with an effective date of 1 July 2004. These acquisitions were:-
 - Cardno BSD formed by adding BSD Consultants in Western Australia.
 - Cardno Lawson Treloar formed by adding Lawson and Treloar in Brisbane, Sydney and Melbourne.

Directors' Report

Cardno Limited and its Controlled Entities for the period 1 July 2004 to 31 December 2004

These two businesses will contribute around \$12m in full year revenue to the group and additional profits. It is also noted that previous mergers have also added to revenues and profits since the December 2003 half year.

Cardno has a seasonality of earnings in that the Group earns a higher proportion of its revenue and profit in the first half of the financial year.

The outlook for Cardno remains positive with good prospects for expanding the business through both organic growth and acquisitions.

Dividend

Shareholders registered on 25 March 2005 will be paid a fully franked interim dividend of 6 cents per share on 8 April 2005. This level of dividend is expected to be maintained for the final dividend.

Rounding of amounts

The company is of a kind referred to in Class Order 98/0100 (as amended), issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars.

Auditor's Independence Declaration

The lead auditor's independence declaration under Section 307C of the Corporations Act is set out on page 4 and forms part of the directors' report for the half year ended 31 December 2004.

Signed in accordance with a resolution of directors.

On behalf of the Directors



JOHN C MASSEY

Chairman

Brisbane
22 February 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 half year ended 31 December 2004 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 on 22 February 2005

William Buck

WILLIAM BUCK
Chartered Accountants

M C McDonald

M C McDONALD
Partner

Statutory Financial Statements

Statement of Financial Performance

Cardno Limited and its Controlled Entities for the period 1 July 2004 to 31 December 2004*

	Notes	Consolidated 31/12/04 \$'000
Revenues from Ordinary Activities		44,443
Cost of Services & Employee Costs		27,598
Administration Expenses		300
Borrowing costs expense		212
Consultancy expense		408
Depreciation and amortisation expenses		1,328
Distribution expense		126
Marketing expense		182
Occupancy expense		2,118
Printing and office supplies		507
Bad debts		207
Computer related expenses		344
Insurance expenses		920
Non recoverable travel expenses		546
Communication expenses		367
Other expenses from ordinary activities		2,694
		37,857
Profit from ordinary activities before related income tax expense		6,586
Income tax expense		1,957
Profit from ordinary activities after related income tax expense		4,629
Net exchange differences on translation of financial report of foreign controlled entities		22
Total changes in equity other than those resulting from transactions with owners as owners attributable to members of Cardno Limited		4,651
Basic earnings per share (cents per share)	4	12.98
Diluted earnings per share (cents per share)	4	12.94

*As this is the first time that half year consolidated financial statements have been prepared, in accordance with AASB 1029: Interim Financial Reporting, comparatives have not been presented, except on the Statement of Financial Position.

The Statement of Financial Performance should be read in conjunction with notes 1 to 7 which form part of the Financial Statements.

Statutory Financial Statements

Statement of Financial Position

Cardno Limited and its Controlled Entities as at 31 December 2004*

	Notes	Consolidated 31/12/04 \$'000	Consolidated 30/06/04 \$'000
CURRENT ASSETS			
Cash assets		8,524	12,165
Receivables		12,871	9,944
Inventories		6,785	5,425
Other		555	263
TOTAL CURRENT ASSETS		28,735	27,797
NON-CURRENT ASSETS			
Property, plant and equipment		5,948	4,992
Deferred tax assets		2,557	2,566
Intangible assets		12,457	7,657
TOTAL NON-CURRENT ASSETS		20,962	15,215
TOTAL ASSETS		49,697	43,012
CURRENT LIABILITIES			
Payables		8,239	7,407
Interest-bearing liabilities		1,854	1,159
Current tax liabilities		1,407	966
Provisions		2,851	4,262
Other		4,475	3,154
TOTAL CURRENT LIABILITIES		18,826	16,948
NON-CURRENT LIABILITIES			
Interest-bearing liabilities		2,612	2,747
Deferred tax liabilities		1,943	1,814
Provisions		2,468	2,104
TOTAL NON-CURRENT LIABILITIES		7,023	6,665
TOTAL LIABILITIES		25,849	23,613
NET ASSETS		23,848	19,399
EQUITY			
Parent entity interest			
Contributed equity	3	19,070	17,647
Retained profits		4,778	1,752
TOTAL EQUITY		23,848	19,399

*As this is the first time that half year consolidated financial statements have been prepared, in accordance with AASB 1029: Interim Financial Reporting, comparatives have not been presented, except on the Statement of Financial Position.

The Statement of Financial Position should be read in conjunction with notes 1 to 7 which form part of the Financial Statements.

Statutory Financial Statements

Statement of Cash Flows

Cardno Limited and its Controlled Entities for the period 1 July 2004 to 31 December 2004*

	Consolidated 31/12/04 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES	
Interest received	221
Interest paid	(38)
Dividends received	51
Sales / Fees	45,135
Sundry income received	481
Cash paid to suppliers and employees	(38,995)
Income tax refunded / (paid)	(1,379)
NET CASH PROVIDED BY OPERATING ACTIVITIES	5,476
CASH FLOWS FROM INVESTING ACTIVITIES	
Payments for intangibles	(5,085)
Proceeds from sale of property, plant & equipment	86
Payments for property, plant & equipment	(625)
NET CASH USED IN INVESTING ACTIVITIES	(5,624)
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from issue of shares	1,423
Proceeds from borrowings	(650)
Finance lease payments	(791)
Dividends paid	(3,475)
NET CASH PROVIDED BY FINANCING ACTIVITIES	(3,493)
NET INCREASE/(DECREASE) IN CASH HELD	(3,641)
CASH AT THE BEGINNING OF THE PERIOD	12,165
CASH AT THE END OF THE PERIOD	8,524

*As this is the first time that half year consolidated financial statements have been prepared, in accordance with AASB 1029: Interim Financial Reporting, comparatives have not been presented, except on the Statement of Financial Position.

The Statement of Cash Flows should be read in conjunction with notes 1 to 7 which form part of the Financial Statements.

Notes to the Financial Statements

Cardno Limited and its Controlled Entities for the period 1 July 2004 to 31 December 2004

1. STATEMENT OF ACCOUNTING POLICIES

Basis of preparation

The half year consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standard AASB 1029:Interim Financial Reporting, Urgent Issues Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board.

The half year financial report should be read in conjunction with the annual financial report for the year ended 30 June 2004 and any public announcements made by Cardno Limited and its controlled entities during the half year.

The accounting policies have been consistently applied by the entities in the economic entity and are consistent with those applied in the 30 June 2004 annual report.

The half year report does not include full disclosures of the type normally included in an annual financial report.

As this is the first time that half year consolidated financial statements have been prepared, in accordance with AASB 1029: Interim Financial Reporting, comparatives have not been presented, except on the Statement of Financial Position.

2. DIVIDENDS

During the reporting period, the Consolidated Group paid dividends as follows:

	Cents per share	Total Amount \$	Franked / Unfranked	Date of Payment
2004 Prelisting interim dividend	6	1,850,699.52	Unfranked	5 July 2004
2004 Final dividend	4.5	1,624,962.99	Franked	15 November 2004

The franked dividend paid on 15 November 2004 was franked at the tax rate of 30%

Subsequent to reporting date

Since 31 December 2004, the directors have declared the following dividend:

2005 Interim dividend	6	2,177,457.36	Franked	8 April 2005
-----------------------	---	--------------	---------	--------------

The financial effect of this dividend has not been brought to account in the consolidated entity financial statements for the half year ended 31 December 2004 and will be recognised in subsequent financial reports.

Notes to the Financial Statements

Cardno Limited and its Controlled Entities for the period 1 July 2004 to 31 December 2004

	Cardno Limited 31/12/04 \$'000	
3. CONTRIBUTED EQUITY		
Share Capital		
36,290,956 Ordinary shares, fully paid		19,070
	No. of shares	
Movements during the period		
Beginning of the financial year	35,344,992	17,647
Issued during the period		
- Employee Tax Exempt Share Acquisition Plan	180,670	-
- Shares issued for cash to shareholders of acquired entities	765,294	1,423
	36,290,956	19,070
4. EARNINGS PER SHARE		
Earnings used in calculating basic and diluted earnings per share		4,629
Number of shares		
Weighted average number of ordinary shares used in calculating basic earnings per share	35,669,014	
Weighted average number of ordinary shares used in calculating diluted earnings per share	35,773,721	

Options

338,000 options to purchase ordinary shares were granted on 5 November 2004 to employees at an exercise price of \$2.46. The exercise date of the options is 5 November 2006. These options have been included in the determination of diluted earnings per share.

Notes to the Financial Statements

Cardno Limited and its Controlled Entities for the period 1 July 2004 to 31 December 2004

5. SEGMENT INFORMATION

	Economic Entity	Less Asia Pacific	Less Other	Total Australia	Total Overseas	TOTAL	Eliminations	Grouped
Revenue								
External Sales	43,608	3,579	1,220	38,809	4,799	43,608	-	43,608
Inter-segment Revenue	331	99	-	232	99	331	(331)	-
Other Income	835	9	-	826	9	835	-	835
Total Segment Revenue	44,774	3,687	1,220	39,867	4,907	44,774	(331)	44,443
Result								
Segment Result	6,586	258	161	6,167	419	6,586	-	6,586
Profit from Ordinary Activities before income tax expense	6,586	258	161	6,167	419	6,586	-	6,586
Income Tax Expense	1,957	100	49	1,808	149	1,957	-	1,957
Profit from Ordinary Activities after Income Tax Expense	4,629	158	112	4,359	270	4,629	-	4,629
Assets								
Segment Assets	49,697	2,067	374	47,256	2,441	49,697	-	49,697
Liabilities								
Segment Liabilities	25,849	1,852	680	23,317	2,532	25,849	-	25,849
Other								
Acquisitions of non-current segment assets	5,591	204	11	5,376	215	5,591	-	5,591
Depreciation and amortisation of segment assets	1,328	31	11	1,286	42	1,328	-	1,328

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

6. CONTROLLED ENTITIES

Acquisition of controlled entities

Cardno Holdings Pty Ltd, a 100% owned and controlled entity of Cardno Limited acquired BSD Consultants Pty Ltd and its subsidiary Winwest Holdings Pty Ltd on 20 October 2004 and Lawson & Treloar Pty Ltd and its subsidiary Hydrotech Research Pty Limited on 25 October 2004.

7. IMPACT OF ADOPTING AASB EQUIVALENTS TO IASB 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 IFRS will be for the half year ending 30 December 2005, and its first annual financial report prepared under IFRS will be for the year ending 30 June 2006. The standards were issued in final form by the AASB in July 2004.

The Cardno group has established a project team to monitor and plan the transition to IFRS. The project team is managing the transition in 3 phases:

Phase 1 - Assessment and Planning Phase

Scoping and impact analysis was completed during 2004.

Notes to the Financial Statements

Cardno Limited and its Controlled Entities for the period 1 July 2004 to 31 December 2004

Phase 2 - Design Phase

Aims to formulate the changes required to existing accounting policies, procedures, systems and processes in order to transition to IFRS. This phase is currently being completed.

Phase 3 - Implementation Phase

Implementation of identified changes to account and business procedures, processes, systems and operational training for staff. This phase will be completed before 30 June 2005.

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

While no decision has yet been made as to the policy alternatives to be applied or the extent to which it will affect the Cardno group, the directors have identified the following as being the key accounting policy differences expected to arise on transitioning to IFRS. The list does not represent an exhaustive list of the differences that will arise, and further analysis may change the Cardno group's assessment of the effect of various differences. At this stage the company has not been able to reliably quantify the impacts on the financial report.

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 each year and this may result in a future write down in this asset.

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. Under the new policy it is likely that impairment of assets will be recognised sooner and that the amount of write-downs will be greater.

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 was subsequently revalued at \$2 million. Cardno Limited effectively acquired this asset for \$2 million on 19 March 2004. This standard requires the value of the source code to be assessed each year and this may result in a future write up or down in this asset.

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 impact will be the recognition of a deferred tax liability in relation to the asset revaluation reserve. 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 period 1 July 2004 to 31 December 2004

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 IFRS, 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.

Business Combinations

The Cardno group has a long history of business acquisitions. Under IFRS, 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.

Directors' Declaration

Cardno Limited and its Controlled Entities
For the year ended 31 December 2004

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

- (a) the Financial Statements and Notes set out on pages 5 to 12.
- i. comply with Accounting Standards and other mandatory professional reporting requirements.
 - ii. Give a true and fair view of the consolidated entities' financial position as at 31 December 2004 and its performance, as represented by the results of their operations and their cash flows, for the period from 1 July 2004 to 31 December 2004; and
- (b) In the directors' opinion:
- i. 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
 - ii. The Financial Statements and Notes are in accordance with the Corporations Act 2001.

Signed in accordance with a resolution of the directors

At Brisbane on 22 February 2005

On behalf of the Board



JOHN CLARENCE MASSEY
Chairman

Independent Audit Report

To the Members of Cardno Limited,

Scope

We have audited the financial report of Cardno Limited for the financial half year ended 31 December 2004 as set out on pages 5 to 13. The financial report includes the consolidated financial statements of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year. The company's directors are responsible for the financial report. We have conducted an independent audit of the financial report in order to express an opinion on it so as to enable the company to lodge the financial report with the Australian Securities & Investments Commission.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standard AASB 1029 "Interim Financial Reporting" and other mandatory professional reporting requirements and statutory requirements, so as to present a view which is consistent with our understanding of the consolidated entity's financial position, and performance as represented by the results of its operations and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

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 consolidated entity's financial position as at 31 December 2004 and of its performance for the half year ended 31 December 2004; and
 - (ii) complying with Accounting Standard AASB 1029 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.

Signed at Brisbane on 22 February 2005



WILLIAM BUCK
Chartered Accountants



M C McDONALD
Partner