



APPENDIX 4D HALF YEAR REPORT

CANDLE AUSTRALIA LIMITED
ABN 43 002 724 334

HALF YEAR ENDED 31 DECEMBER 2006

Lodged with the ASX under Listing Rule 4.2A

HIGHLIGHTS

Earnings Before Interest and Tax - up 20% to \$9.3 million

Net Profit After Tax - up 19% to \$6.4 million

Revenue - up 9% to \$144.7 million

Earnings Per Share up 10% to 12.5 cents

Operating Cash Flow - positive \$6.3 million

Interim Dividend - 9.0 cents per share fully franked

(compared to previous corresponding period ending December 2005)

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COMMENTARY ON RESULTS FOR HALF YEAR ENDED 31 DECEMBER 2006

Financial performance

Candle Australia Limited is pleased to announce another record result for the half year ended 31 December 2006, with earnings before interest and tax (EBIT) up 20% and net profit after tax up 19% growth to \$6.43 million.

The 19% profit increase was achieved on a 9% increase in revenues to \$144.7 million. Both profit and revenues are record half year results for the Candle group.

When tax-effected one off costs associated with Project Refresh (the business systems improvement program) are added back the adjusted net profit after tax is \$6.56 million.

The Board has declared a fully franked interim dividend of 9.0 cents per share which represents an increase of 12.5% compared to last year.

Operating cash flow was \$6.3 million. At 31 December 2006, the company had a cash balance of \$4.7 million.

Basic Earnings Per Share (EPS) increased by 1.1 cents, or 10% on the previous corresponding period, to 12.5 cents per share.

Earnings before interest and tax (EBIT) was \$9.3 million, an increase of 20% compared to the previous corresponding period.

At 31 December 2006, the company had no borrowings.

Management comments on record result

Robert Collins, managing director Candle Australia said: "Candle Australia continues to deliver record results for shareholders with profits continuing to increase at a greater percentage than revenues. During the past six months we have remained focused not only on delivering great value to our clients but also on generating internal gains. Our operating efficiency is at benchmark levels.

"Our approach has been to grow the existing business organically whilst streamlining our back office structure. We have enhanced our business systems, continued the integration of acquisitions on to a common business platform and expanded our front of house selling capability. The investments we are making in new technology, business process improvement and innovative offerings for new markets will enable us to continue to grow profitably.

"Looking ahead, we feel skills shortages will continue to drive demand for recruitment services. Given our proven model, we are very well placed to service this demand and therefore business opportunities will remain apparent for the foreseeable future. While always cautious about and prepared for market demand shifts, the general view is that the current positive demand cycle, especially in the information and communications technology space, has some way to go.

"Our strategy will be to continue to expand our business organically with new branch operations and extra front of house staff, complemented by considered acquisitions.

"As previously advised, we are actively looking for new business opportunities both here and in the region. We expect that these investigative efforts will see positive results in the second half of the year."

Positive organic growth and performance across all brands

These latest financial results reflect strong organic growth, particularly for the information and communications technology (ICT) business. Demand for permanent staff is strong, and Candle Australia has a proven model for delivery in this regard. Income from permanent placements expanded during the period and the mix of business from contractors and temporaries on assignment versus permanent placement services remained around 56% and 44% respectively. Candle Australia expects that there will be ongoing demand for permanent staff over the next six months and that this mix may remain for the balance of the year.

Specialist brand strategy

During this period, Candle Australia merged its specialist banking and finance business Freeman Adams with its specialist accounting business Parker Bridge. These two businesses will fall under one management structure to further streamline systems and processes whilst retaining the speciality that makes them unique. Candle Australia will establish this merged entity into a major national provider in the banking, finance and accounting recruitment sector. A new brand name will be launched in April.

"Streamlining our brands ensures stronger market positioning and improved service offerings. We will continue to provide specialist recruitment services and will actively look at additional niche areas of specialty through considered acquisitions," says Collins.

Project Refresh

During the six months, Candle Australia launched Project Refresh, a program designed to improve back office processes and efficiency by creating an enhanced platform for further growth. During this period, one off expenses relating to the Project were around \$126,000 after tax. In addition, development of software and new service offerings resulted in the capitalisation of around \$112,000 in costs. By the end of the full year, Candle Australia expects to spend approximately \$600,000 on Project Refresh initiatives. This investment is expected to have a two year payback.

Continued growth expected

“Our outlook for the business is positive. We will continue to follow sound business fundamentals that will improve the performance of the existing business while at the same time expand into new markets via organic growth and acquisition,” says Collins.

“Our core ICT business is performing at record levels in a market that has a long way to run. Other businesses are helping us to diversify and expand into new areas at higher margins. We are financially strong with a solid customer base and an expanding marketing opportunity. Typically, the second half is stronger than the first and it’s our view there will be year on year profit growth,” Collins adds.

Dividend Reinvestment Plan (DRP)

The DRP shall apply to the fully franked interim dividend of 9.0 cents per share. No discount shall apply. The last date for the receipt of election notices is 9 March 2007. Details of the Plan including the application form are available at www.candle.com.au or by request to the company.

About Candle Australia Limited

Candle Australia Limited (ASX: CND) is a recruitment company providing specialist technical, executive and office support personnel in the areas of information and communications technology, banking, finance, insurance, commercial accounting, library, records management, sales and marketing.

Established twenty three years ago and listed on the Australian Stock Exchange in January 1997, Candle Australia has a reputation for high quality delivery and

ethical business practices within the industry, and remains one of the largest and longest standing recruitment suppliers in Australasia.

Candle Australia operates through five divisions consisting of a number of quality recruitment brands: the information and communications technology division represented by Candle ICT; the banking, finance and accounting division represented by Freeman Adams and Parker Bridge Australia; the business support division represented by Alliance Recruitment; the library and records management division represented by The One Umbrella; and the executive division represented by Lloyd Morgan.

Candle Australia employs around 400 staff through a network of 31 offices located in Sydney, Melbourne, Brisbane, Perth, Adelaide and Canberra in Australia, and Auckland and Wellington in New Zealand.

For further information

Robert Collins, Managing Director – Tel: 02 9250 8100

Mark Langan, Chief Financial Officer – Tel: 02 9250 8131

Hedgie Gundry, Corporate Communications Manager – Tel: 02 9250 8194

RESULTS FOR ANNOUNCEMENT TO THE MARKET

This announcement is to be read in conjunction with the attached financial report.

Half year ended 31 December 2006

Previous corresponding period is half year ended 31 December 2005. All comparisons are based on Australian International Financial Reporting Standards (AIFRS).

				\$'000
Revenue from ordinary activities	Up	9%	To	144,671
Profit / (loss) from ordinary activities after tax attributable to members	Up	19%	To	6,425
Net profit / (loss) for the period attributable to members	Up	19%	To	6,425

				Cents
Earnings per security				
Basic EPS (cents per share)	Up	10%	To	12.5
Diluted EPS (cents per share)	Up	11%	To	11.7

Operating cash flow	\$6.3 million
Net tangible assets per security	41 cents per share

Dividends	Amount per security	Franked amount per security
Interim dividend	\$0.09	100%

Record date for determining entitlement to final dividend	9 March 2007
Ex-dividend date	5 March 2007
Payment date of interim dividend	16 March 2007

For a copy of the Half Year Report, visit our website www.candle.com.au



**CANDLE AUSTRALIA LIMITED
AND CONTROLLED ENTITIES
ABN 43 002 724 334**

**INTERIM REPORT FOR THE
HALF-YEAR ENDED 31 DECEMBER 2006**

**CANDLE AUSTRALIA LIMITED
AND CONTROLLED ENTITIES
ACN. 002 724 334**

DIRECTORS' REPORT

Your directors present their report on Candle Australia Limited (the "Company") and its controlled entities for the half year ended 31 December 2006.

Directors

The names of directors in office at any time during or since the end of the half-year are:

Geoffrey J Moles

Robert J Collins

Lawrence J Gibbs

Peter D Bunting

Penelope Morris

Review of Operations

Profit from ordinary activities after tax was up by 19% to \$6.425 million compared to the previous corresponding half year. The profit result was achieved on 9% higher revenues of \$144.7 million.

Rounding of Accounts

The parent entity has applied the relief available to it in ASIC Class Order 98/100, and, accordingly, amounts in the financial statements and the director's report have been rounded to the nearest thousand dollars.

Signed in accordance with a resolution of the Board of Directors

.....
Geoffrey J Moles – Executive Chairman

.....
Robert J Collins – Managing Director

Dated at Sydney this 27th day of February 2007.



Auditor's independence declaration

As auditor for the review of Candle Australia Limited and controlled entities for the half year ended 31 December 2006, I declare that, to the best of my knowledge and belief, there have been:

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

WHK GREENWOODS

BRUCE HATCHMAN
Principal

Dated this 27th day of February 2007

**CANDLE AUSTRALIA LIMITED
AND CONTROLLED ENTITIES
ACN. 002 724 334**

**CONSOLIDATED INCOME STATEMENT
FOR THE HALF YEAR ENDED 31 DECEMBER 2006**

	Economic Entity	
	Dec 2006	Dec 2005
	\$000	\$000
Revenues from continuing activities	144,671	132,266
On hired labour costs	(109,239)	(102,583)
Employee benefits expense	(18,983)	(15,561)
Depreciation and amortisation expense	(841)	(831)
Operating rental expense	(1,170)	(1,042)
Borrowing costs expense	(112)	(17)
Other expenses	(5,112)	(4,342)
Profit before income tax expense	9,214	7,890
Income tax expense	(2,789)	(2,488)
Profit for the half-year attributable to members of Candle Australia	6,425	5,402
	Cents	Cents
Basic earnings per share (cents per share)	12.5	11.4
Diluted earnings per share (cents per share)	11.7	10.5

The above consolidated income statement should be read in conjunction with the accompanying notes.

**CANDLE AUSTRALIA LIMITED
AND CONTROLLED ENTITIES
ACN. 002 724 334**

**CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2006**

	Economic Entity	
	Dec 2006	Jun 2006
	\$000	\$000
CURRENT ASSETS		
Cash assets	4,729	4,087
Receivables	45,261	49,085
Deferred tax assets	2,423	2,231
TOTAL CURRENT ASSETS	<u>52,413</u>	<u>55,403</u>
NON-CURRENT ASSETS		
Property, plant and equipment	3,140	3,249
Intangible assets	56,342	56,711
TOTAL NON-CURRENT ASSETS	<u>59,482</u>	<u>59,960</u>
TOTAL ASSETS	<u>111,895</u>	<u>115,363</u>
CURRENT LIABILITIES		
Payables	29,891	38,809
Current tax liabilities	1,288	1,797
Provisions	1,987	1,953
TOTAL CURRENT LIABILITIES	<u>33,166</u>	<u>42,559</u>
NON-CURRENT LIABILITIES		
Payables	24	22
Provisions	1,067	1,085
TOTAL NON-CURRENT LIABILITIES	<u>1,091</u>	<u>1,107</u>
TOTAL LIABILITIES	<u>34,257</u>	<u>43,666</u>
NET ASSETS	<u>77,638</u>	<u>71,697</u>
EQUITY		
Contributed equity	58,565	54,072
Reserves	538	(93)
Retained profits	18,535	17,718
TOTAL EQUITY	<u>77,638</u>	<u>71,697</u>

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

**CANDLE AUSTRALIA LIMITED
AND CONTROLLED ENTITIES
ACN. 002 724 334**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2006**

	Economic Entity	
	Dec 2006 \$000	Dec 2005 \$000
TOTAL EQUITY AT THE BEGINNING OF THE HALF-YEAR	71,697	59,520
Exchange difference on translation of foreign operations	508	189
NET INCOME RECOGNISED DIRECTLY IN EQUITY		
PROFIT FOR THE YEAR	6,425	5,402
TOTAL RECOGNISED INCOME AND EXPENSE FOR THE YEAR	78,630	65,111
Dividends paid or provided for	(5,608)	(3,730)
Shares issued during the year	4,493	6,564
Employee share option expense	123	-
TOTAL EQUITY AT THE END OF THE HALF-YEAR	77,638	67,945

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

**CANDLE AUSTRALIA LIMITED
AND CONTROLLED ENTITIES
ACN. 002 724 334**

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE HALF YEAR ENDED 31 DECEMBER 2006**

	Economic Entity	
	Dec 2006 \$000	Dec 2005 \$000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	181,850	154,186
Payments to suppliers and employees	(172,161)	(146,936)
Interest received	50	154
Interest and other borrowing costs paid	(112)	(16)
Income tax paid	(3,366)	(2,589)
Net cash provided by operating activities	<u>6,261</u>	<u>4,799</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment for purchase of business	(2,900)	(4,501)
Purchase of property, plant and equipment	(269)	(429)
Purchase of Intangible assets	(133)	-
Proceeds from disposal of non current assets	-	4
Net cash used in investing activities	<u>(3,302)</u>	<u>(4,926)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid to shareholders	(4,333)	(2,909)
Repayment of loans to vendors of acquired entity	205	-
Proceeds from issue of shares	1,658	4,298
Net cash provided by financing activities	<u>(2,470)</u>	<u>1,389</u>
NET INCREASE/ (DECREASE) IN CASH	489	1,262
Cash at the beginning of the half year	4,087	7,395
Effect of exchange rates on cash holdings in foreign currencies	153	44
CASH AT END OF THE HALF-YEAR	<u>4,729</u>	<u>8,701</u>

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

**CANDLE AUSTRALIA LIMITED
AND CONTROLLED ENTITIES
ACN. 002 724 334**

**Notes to the financial statements
31 December 2006**

1 – BASIS OF PREPARATION

This general purpose financial report for the interim half-year reporting period ended 31 December 2006 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2006 and any public announcements made by Candle Australia Limited during the interim reporting period in accordance with continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

2 – SEGMENT REPORTING

(a) Segment Financial Information

Geographic Segments	Australia		New Zealand		Economic Entity	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000	2006 \$000	2005 \$000
REVENUE						
External sales	137,151	125,839	7,320	6,264	144,471	132,103
Other income	186	137	14	22	200	159
Total revenue	137,337	125,976	7,334	6,286	144,671	132,262
RESULT						
Segment Result before tax and intercompany charges	8,623	7,436	591	455	9,214	7,891
Profit before tax	8,862	7,703	352	188	9,214	7,891

(b) Segment accounting policies are stated in accordance with *AASB 114: Segment Reporting* and for half year reports, *AASB 134: Interim Financial Reporting*. During the half year, there were no changes in segment accounting policies that had a material effect on the segment information.

(c) The economic entity derived income from the provision of contract and temporary personnel to and recruitment services for business and Government in Australia and New Zealand.

(d) The pricing of inter segment transactions is the same as prices charged on transactions with parties outside the economic entity.

**CANDLE AUSTRALIA LIMITED
AND CONTROLLED ENTITIES
ACN. 002 724 334**

3 - CONTINGENT LIABILITIES

Other than the potential purchase consideration in relation to the acquisition of Choice IT Pty Ltd and Lloyd Morgan International Pty Ltd, details of which are set out in note 29 to the Annual Financial Report for the year ended 30 June 2006 there are no contingent liabilities that need to be disclosed in the financial statements.

4 - DIVIDENDS

	31 Dec 2006 \$000	31 Dec 2005 \$000
Ordinary shares		
Dividends provided for or paid during the half-year	5,608	3,730

5- EQUITY SECURITIES ISSUED

	31 Dec 2006 Shares	31 Dec 2005 Shares	31 Dec 2006 \$000	31 Dec 2005 \$000
Issues of ordinary shares during the half-year				
Exercise of options issued under the Candle Australia Limited Employee Option Plan	1,326,447	1,320,700	1,658	1,418
Dividend Re-investment Plan	369,281	336,213	1,243	850
Issue of shares in relation to the acquisitions	518,121	693,453	1,592	1,445
Underwritten Dividend Re-investment Plan	-	1,138,171	-	2,880
Less transaction costs	-	-	-	(29)
	2,213,849	3,488,537	4,493	6,564

6 - EVENTS SUBSEQUENT TO REPORTING DATE

On 27 February 2007 the Directors resolved to declare a fully franked dividend of 9.0 cents per share to be paid on 16 March 2007.

**CANDLE AUSTRALIA LIMITED
AND CONTROLLED ENTITIES
ACN. 002 724 334**

DIRECTORS' DECLARATION

The directors of the company declare that:

1. the financial statements and notes, as set out on pages 3 to 8 are in accordance with the *Corporations Act 2001*, including:
 - (a) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (b) give a true and fair view of the consolidated entity's financial position as at 31 December 2006 and its performance as represented by the results of its operations, changes in equity and its cash flows, for the half-year ended on that date; and
2. there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

.....
Geoffrey J Moles – Executive Chairman

.....
Robert J Collins – Managing Director

Dated at Sydney this 27th day of February 2007

**INDEPENDENT REVIEW REPORT
TO THE MEMBERS OF CANDLE AUSTRALIA LIMITED**

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Candle Australia Limited, which comprises the balance sheet as at 31 December 2006, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of an Interim Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the company's financial position as at 31 December 2006 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Candle Australia Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

**INDEPENDENT REVIEW REPORT
TO THE MEMBERS OF CANDLE AUSTRALIA LIMITED**

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Candle Australia Limited is not in accordance with the Corporations Act 2001 including:

- (a) giving a true and fair view of the company's financial position as at 31 December 2006 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

WHK GREENWOODS

BRUCE HATCHMAN

Dated this 27th day of February 2007