

## **Candle defies market trend with 28% profit increase**

### **Ready to capitalise on market opportunities**

#### **Key Points:**

<b>Net Profit After Tax</b>	<b>+ 28% to \$1.71 million</b>
<b>Earnings per share</b>	<b>+ 21% to 4.6 cents</b>
<b>Interim Dividend</b>	<b>3 cents per share fully franked</b>

Leading recruitment services provider Candle Australia Limited has defied the industry trend to post a 28 per cent increase in first half profit, positioning the company for growth both organically and via acquisition.

The Directors reported an after tax profit of \$1.71 million for the six months ended 31 December 2002, on a revenue base of just over \$80 million. Notably this continues Candle's half on half profit growth. This has been achieved "organically" with no contribution from new acquisitions.

At earnings per share of 4.6 cents, this result delivered a 21% increase over previous corresponding period (PCP).

Operating cash flows for the six months were \$6.43 million, a significant increase over the PCP of \$1.93 million. "The increase was due to improved operating performance and working capital management". As a result of this positive cash flow, the Board plans to review the Group's capital management policy.

The Directors declared a fully-franked dividend of 3 cents per share, which is 50% increase on previous corresponding period. In addition to the previous half's dividend, represents an annual pre-tax yield of over 11% at the current share price.

The Board confirmed continuation of the Dividend Reinvestment Plan (DRP) at a discount of 2.5 percent to market. Shareholders may choose to take shares at the discount in lieu of the cash dividend.

Managing Director, Mr Robert Collins said he was delighted with the result, which effectively confirmed the company's underlying value and strength by sustaining profit growth through the most challenging market conditions ever experienced.

"You cannot control the wind but you can set the sails" he said. "We've done the hard work and made the tough decisions early. With careful management and continued focus on key drivers of business value, we continue to perform well, producing profits and positive shareholder returns. We expect this trend to continue in the period ahead," he said.

To support this statement, Mr Collins said that during the first half, all segments of the business performed and that all the key business indicators are trending in the right direction, demonstrating the impact of the structured cost reduction programs and the company's focus on new business.

"All efficiency and productivity measures applied to the company's performance are at record high levels, front of house sales / delivery teams are performing to expectation, as are our back office support teams and systems."

"We are ready to capitalise on the continued upturn in the market. This year has already started well and we have a number of new business opportunities in the pipeline" he said.

Over the six months, the company reduced its Net Debt by \$5.4M to \$1.7M, representing a net debt to equity ratio at the 31 December 2002 of 4%.

Mr Collins said that Candle was actively looking for acquisition opportunities.

"Candle has all the right fundamentals in place – low debt levels, a strong balance sheet, excellent cash-flows, a proven business model and underlying support structure. We are certainly in growth mode at present," he said.

Looking at the period ahead, Mr Collins said that while there remains a lot of uncertainty, there were clear signs of a pick-up in the jobs market and that Candle was well-positioned to handle the increased demand across all segments.

Chairman, Mr Geoff Moles, said "Once again we have demonstrated Candle's leadership in its market areas. As a diversified Australian owned company, Candle's track record of profit results over 19 years, combined with its strong balance sheet augurs well for the future. Although there are many uncertainties in the sector and the current economical and political climate remains, we believe the future for Candle is very positive indeed."

### **Additional Information on Operations**

All segments of Candle's business performed well during the first half, with the company's Information and Communications Technology (ICT) businesses in Australia and New Zealand turning in solid results.

The continued positive turnaround in the company's New Zealand business, Candle NZ, was a most pleasing aspect of the company's operations. While the result was assisted by a positive exchange rate, the underlying result was excellent and represented an increasing contribution from that market.

Revenues were down for the half, but this was not surprising given, among other things, the significantly lower rates paid to ICT contract staff and the consequent lower billings to clients.

Specialist banking and finance business, Freeman Adams continued to increase market share and make a significant contribution.

Alliance Recruitment was also a solid contributor, with national expansion plans now well underway.

However, a key issue for the company is market share and Candle believes it has maintained, if not grown, market share in all facets of the business.

In addition, all of the key productivity and financial indicators of the health of business are trending in the right direction.

For the reporting period, contracting placements were up on the previous six months and this trend has continued into the current financial year.

The continuing lower demand for permanent placements was offset by growth in contractor and other opportunities. This assisted Candle in improving gross margin percentages over the June 2002 half year.

Operating expenses for the 6 months to 31 December, 2002 were well down on the previous reporting period, reflecting the success of the strong moves within the company to drive down operating expenses to more manageable levels.

### **About Candle**

Candle is a specialist provider of recruitment services in Banking, Finance, Information and Communications Technology (ICT), Office Support to the Government and Business Support sectors, both in Australia and New Zealand. It operates through three divisions, namely Freeman Adams for Banking and Finance staff, Alliance for office support and accounting staff and Candle for ICT staff. The company carries Master Vendor and Preferred Supplier status with a long and growing list of major clients.

### **Key Points:**

<b>Net Profit After Tax</b>	<b>+ 28% to \$1.71 million</b>
<b>Earnings per share</b>	<b>+ 21% to 4.6 cents</b>
<b>Interim Dividend</b>	<b>3 cents per share fully franked</b>
<b>EBIT</b>	<b>+16.2% to \$2.66 million</b>
<b>EBITDA</b>	<b>+10% to \$3.62 million</b>
<b>Operating cash flow</b>	<b>\$6.43 million - up from \$1.93million</b>
<b>Revenues</b>	<b>\$80.06 million – down 15%</b>
<b>Net debt to equity ratio</b>	<b>4% - down from 26%</b>

### **For further information:**

Robert Collins, Managing Director Tel: 02 9250 8100  
Mark Langan, Chief Financial Officer Tel: 02 9250 8131

### **Notes:**

1. For a copy of Appendix 4B Half Yearly Report, please call 02 9250 8100
2. Further details of the DRP may be obtained from the company or by visiting the Candle Website

**Website:** [www.candle.com.au](http://www.candle.com.au)

## Appendix 4B

### Half yearly/preliminary final report

Introduced 30/6/2002.

Name of entity

Candle Australia Limited

ABN or equivalent  
company reference

43 002 724 334

Half  
yearly  
(tick)



Prelimin  
ary  
final  
(tick)



Half year/financial year ended  
(‘current period’)

31 December 2002

#### For announcement to the market

*Extracts from this report for announcement to the market (see note 1).*

\$A'000

Revenues from ordinary activities (item 1.1)	<del>up/down</del>	15 %	t	80,060
Profit (loss) from ordinary activities after tax attributable to members (item 1.22)	<del>up/down</del>	28 %	t	1,710
Profit (loss) from extraordinary items after tax attributable to members (item 2.5(d))	gain (loss) of			-
Net profit (loss) for the period attributable to members (item 1.11)	<del>up/down</del>	28 %	t	1,710
<b>Dividends (distributions)</b>		Amount per security	Franked amount per security	
Final dividend (Preliminary final report only - item 15.4)		3.0¢	3.0¢	
Interim dividend (Half yearly report only - item 15.6)				
Previous corresponding period (Preliminary final report - item 15.5; half yearly report - item 15.7)		2.0¢	2.0¢	
†Record date for determining entitlements to the dividend, (in the case of a trust, distribution) (see item 15.2)		<div style="border: 1px solid black; padding: 5px; display: inline-block;">14 March 2003</div>		
Brief explanation of any of the figures reported above (see Note 1) and short details of any bonus or cash issue or other item(s) of importance not previously released to the market:				

**If this is a half yearly report it is to be read in conjunction with the most recent annual financial report.**

+ See chapter 19 for defined terms.

**Condensed consolidated statement of financial performance**

	Current period - \$A'000	Previous corresponding period - \$A'000
1. Revenues from ordinary activities 1 (see items 1.23 -1.25)	80,060	94,070
1. Expenses from ordinary activities 2 (see items 1.26 & 1.27)	(77,323)	(91,740)
1. Borrowing costs 3	(263)	(428)
1. Share of net profits (losses) of 4 associates and joint venture entities (see item 16.7)	-	-
<b>1. Profit (loss) from ordinary 5 activities before tax</b>	<b>2,474</b>	<b>1,902</b>
1. Income tax on ordinary activities 6 (see note 4)	764	566
<b>1. Profit (loss) from ordinary 7 activities after tax</b>	<b>1,710</b>	<b>1,336</b>
1. Profit (loss) from extraordinary 8 items after tax (see item 2.5)	-	-
<b>1. Net profit (loss) 9</b>	<b>1,710</b>	<b>1,336</b>
1.10 Net profit (loss) attributable to outside +equity interests	-	-
<b>1.11 Net profit (loss) for the period attributable to members</b>	<b>1,710</b>	<b>1,336</b>
<b>Non-owner transaction changes in equity</b>		
1.12 Increase (decrease) in 1.13 revaluation reserves	-	-
1.14 Net exchange differences recognised in equity	570	87
Other revenue, expense and 1.15 initial adjustments recognised directly in equity (attach details)	-	-
Initial adjustments from UIG transitional provisions	-	-
1.1 Total transactions and 6 adjustments recognised directly in equity (items 1.12 to 1.15)	570	87
<b>1.1 Total changes in equity not 7 resulting from transactions with owners as owners</b>	<b>2,280</b>	<b>1,423</b>

<b>Earnings per security (EPS)</b>	Current period	Previous corresponding period
1.18 Basic EPS	4.6	3.8
1.19 Diluted EPS	4.4	3.8

+ See chapter 19 for defined terms.

Notes to the condensed consolidated statement of financial performance

**Profit (loss) from ordinary activities attributable to members**

	Current period - \$A'000	Previous corresponding period - \$A'000
1.20 Profit (loss) from ordinary activities after tax (item 1.7)	1,710	1,336
1.21 Less (plus) outside +equity interests	-	-
<b>1.22 Profit (loss) from ordinary activities after tax, attributable to members</b>	<b>1,710</b>	<b>1,336</b>

**Revenue and expenses from ordinary activities**

(see note 15)

	Current period - \$A'000	Previous corresponding period - \$A'000
1.23 Revenue from sales or services	79,921	94,027
1.24 Interest revenue	78	43
1.25 Other relevant revenue	61	-
1.26 Details of relevant expenses	76,781	91,532
1.27 Depreciation and amortisation excluding amortisation of intangibles (see item 2.3)	542	636
<b>Capitalised outlays</b>		
1.28 Interest costs capitalised in asset values	-	-
1.29 Outlays capitalised in intangibles (unless arising from an +acquisition of a business)	39	437

**Consolidated retained profits**

	Current period - \$A'000	Previous corresponding period - \$A'000
1.30 Retained profits (accumulated losses) at the beginning of the financial period	6,368	5,475
1.31 Net profit (loss) attributable to members (item 1.11)	1,710	1,336
1.32 Net transfers from (to) reserves (details if material)	-	-
1.33 Net effect of changes in accounting policies	-	-

+ See chapter 19 for defined terms.

1.34 Dividends and other equity distributions paid or payable	(1,121)	(751)
1.35 Retained profits (accumulated losses) at end of financial period	6,957	6,060

**Intangible and extraordinary items**

<i>Consolidated - current period</i>				
	Before tax \$A'000  (a)	Related tax \$A'000  (b)	Related outside +equity interests \$A'000  (c)	Amount (after tax) attributable to members \$A'000  (d)
2.1 Amortisation of goodwill	241	-	-	241
2.2 Amortisation of other intangibles	179	54	-	125
<b>2.3 Total amortisation of intangibles</b>	<b>420</b>	<b>54</b>	<b>-</b>	<b>366</b>
2.4 Extraordinary items (details)	-	-	-	-
<b>2.5 Total extraordinary items</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Comparison of half year profits**

*(Preliminary final report only)*

	Current year - \$A'000	Previous year - \$A'000
3.1 Consolidated profit (loss) from ordinary activities after tax attributable to members reported for the 1st half year (item 1.22 in the half yearly report)	-	-
3.2 Consolidated profit (loss) from ordinary activities after tax attributable to members for the 2nd half year	-	-

+ See chapter 19 for defined terms.

<b>Condensed consolidated statement of financial position</b>	At end of current period \$A' 000	As shown in last annual report \$A' 000	As in last half yearly report \$A' 000
<b>Current assets</b>			
4.1 Cash	5,326	2,950	1,471
4.2 Receivables	19,885	25,848	25,007
4.3 Investments	-	-	-
4.4 Inventories	-	-	-
4.5 Tax assets	368	384	732
4.6 Other (provide details if material)	425	456	565
<b>4.7 Total current assets</b>	<b>26,004</b>	<b>29,638</b>	<b>27,775</b>
<b>Non-current assets</b>			
4.8 Receivables	-	-	-
4.9 Investments (equity accounted)	-	-	-
4.10 Other investments	-	-	-
4.11 Inventories	-	-	-
4.12 Exploration and evaluation expenditure capitalised (see para .71 of AASE 1022)	-	-	-
4.13 Development properties (+mining entities)	-	-	-
4.14 Other property, plant and equipment (net)	2,712	2,970	3,513
4.15 Intangibles (net)	30,674	30,682	30,753
4.16 Tax assets	-	-	-
4.17 Other (provide details if material)	-	-	-
<b>4.18 Total non-current assets</b>	<b>33,386</b>	<b>33,652</b>	<b>34,266</b>
<b>4.19 Total assets</b>	<b>59,390</b>	<b>63,290</b>	<b>62,041</b>
<b>Current liabilities</b>			
4.20 Payables	9,244	11,280	9,520
4.21 Interest bearing liabilities	7,000	10,000	11,627
4.22 Tax liabilities	(38)	111	137
4.23 Provisions exc. tax liabilities	100	169	488
4.24 Other (provide details if material)	1,782	1,786	1,402
<b>4.25 Total current liabilities</b>	<b>18,088</b>	<b>23,346</b>	<b>23,174</b>
<b>Non-current liabilities</b>			
4.26 Payables	-	31	-

+ See chapter 19 for defined terms.

4.27	Interest bearing liabilities	-	-	-
4.28	Tax liabilities	-	-	-
4.29	Provisions exc. tax liabilities	169	194	196
4.30	Other (provide details if material)	-	-	-
4.31	<b>Total non-current liabilities</b>	<b>169</b>	<b>225</b>	<b>196</b>

Condensed consolidated statement of financial position continued

4.32	<b>Total liabilities</b>	<b>18,257</b>	<b>23,571</b>	<b>23,370</b>
4.33	<b>Net assets</b>	<b>41,133</b>	<b>39,719</b>	<b>38,671</b>

<b>Equity</b>				
4.34	Capital/contributed equity	33,608	33,353	33,255
4.35	Reserves	568	(2)	(644)
4.36	Retained profits (accumulated losses)	6,957	6,368	6,060
4.37	<b>Equity attributable to members of the parent entity</b>	<b>41,133</b>	<b>39,719</b>	<b>38,671</b>
4.38	Outside +equity interests in controlled entities	-	-	-
4.39	<b>Total equity</b>	<b>41,133</b>	<b>39,719</b>	<b>38,671</b>
4.40	Preference capital included as part of 4.37	-	-	-

## Notes to the condensed consolidated statement of financial position

### Exploration and evaluation expenditure capitalised

(To be completed only by entities with mining interests if amounts are material. Include all expenditure incurred.)

	Current period \$A'000	Previous corresponding period - \$A'000
5. Opening balance	-	-
1		
5. Expenditure incurred during current period	-	-
2		
5. Expenditure written off during current period	-	-
3		
5. Acquisitions, disposals, revaluation increments, etc.	-	-
4		
5. Expenditure transferred to Development Properties	-	-
5		

+ See chapter 19 for defined terms.

5. Closing balance as shown in the consolidated balance sheet (item 4.12)	-	-
---------------------------------------------------------------------------	---	---

**Development properties**

*(To be completed only by entities with mining interests if amounts are material)*

	Current period \$A'000	Previous corresponding period - \$A'000
6. Opening balance	-	-
1		
6. Expenditure incurred during current period	-	-
2		
6. Expenditure transferred from exploration and evaluation	-	-
3		
6. Expenditure written off during current period	-	-
4		
6. Acquisitions, disposals, revaluation increments, etc.	-	-
5		
6. Expenditure transferred to mine properties	-	-
6		
6. Closing balance as shown in the consolidated balance sheet (item 4.13)	-	-
7		

**Condensed consolidated statement of cash flows**

	Current period \$A'000	Previous corresponding period - \$A'000
<b>Cash flows related to operating activities</b>		
7.1 Receipts from customers	93,750	108,831
7.2 Payments to suppliers and employees	(82,199)	(101,703)
7.3 Dividends received from associates	-	-
7.4 Other dividends received	-	-
7.5 Interest and other items of similar nature received	81	43
7.6 Interest and other costs of finance paid	(264)	(426)
7.7 Income taxes paid	(933)	(517)
7.8 Other (provide details if material)	(4,008)	(4,299)

+ See chapter 19 for defined terms.

<b>7.9</b>	<b>Net operating cash flows</b>	<b>6,427</b>	<b>1,929</b>
	<b>Cash flows related to investing activities</b>		
7.10	Payment for purchases of property, plant and equipment	(267)	(377)
7.11	Proceeds from sale of property, plant and equipment	1	1
7.12	Payment for purchases of equity investments	-	(2,125)
7.13	Proceeds from sale of equity investments	-	-
7.14	Loans to other entities	-	-
7.15	Loans repaid by other entities	-	-
7.16	Other (provide details if material)	(39)	(437)
<b>7.17</b>	<b>Net investing cash flows</b>	<b>(305)</b>	<b>(2,938)</b>
	<b>Cash flows related to financing activities</b>		
7.18	Proceeds from issues of +securities (shares, options, etc.)	-	3
7.19	Proceeds from borrowings	-	13,750
7.20	Repayment of borrowings	(3,000)	(7,191)
7.21	Dividends paid	(850)	(503)
7.22	Other (provide details if material)	-	-
<b>7.23</b>	<b>Net financing cash flows</b>	<b>(3,850)</b>	<b>6,059</b>
<b>7.24</b>	<b>Net increase (decrease) in cash held</b>	<b>2,272</b>	<b>5,050</b>
7.25	Cash at beginning of period (see Reconciliation of cash)	2,950	(4,224)
7.26	Exchange rate adjustments to item 7.25.	104	18
<b>7.27</b>	<b>Cash at end of period</b> (see Reconciliation of cash)	<b>5,326</b>	<b>844</b>

### Non-cash financing and investing activities

Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows are as follows. (If an amount is quantified, show comparative amount.)

N/A
-----

### Reconciliation of cash

Reconciliation of cash at the end of the period (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

Current period \$A'000	Previous corresponding period - \$A'000

+ See chapter 19 for defined terms.

8. Cash on hand and at bank 1	5,326	1,471
8. Deposits at call 2	-	-
8. Bank overdraft 3	-	(627)
8. Other (provide details) 4	-	-
<b>8. Total cash at end of period</b> 5 <i>(item 7.27)</i>	<b>5,326</b>	<b>844</b>

**Other notes to the condensed financial statements**

<b>Ratio s</b>	Current period	Previous corresponding Period
<b>Profit before tax / revenue</b> 9. Consolidated profit (loss) from 1 ordinary activities before tax <i>(item 1.5)</i> as a percentage of revenue <i>(item 1.1)</i>	3.1%	2.0%
9. <b>Profit after tax / +equity interests</b> 2 Consolidated net profit (loss) from ordinary activities after tax attributable to members <i>(item 1.11)</i> as a percentage of equity (similarly attributable) at the end of the period <i>(item 4.37)</i>	4.2%	3.5%

+ See chapter 19 for defined terms.

**Earnings per security (EPS)**

10. Details of basic and diluted EPS reported separately in accordance with paragraph 9 and 18 of AASB 1027: *Earnings Per Share* are as follows.

Calculation of the following in accordance with AASB 1027: <i>Earnings per Share</i>	2002	2001
(a) Basic EPS	4.6	3.8
(b) Diluted EPS (if materially different from (a))	4.4	3.8
(c) Weighted average number of ordinary shares outstanding during the period used in the calculation of the:-	37,199,019	35,576,245
Basic EPS	40,182,072	37,430,595
Diluted EPS	1,710,000	1,336,000
(d) The operating profit used in the calculation of basic and diluted EPS		

**NTA backing**  
(see note 7)

	Current period	Previous corresponding period
11.1 Net tangible asset backing per +ordinary security	28¢	21¢

**Discontinuing Operations**

(Entities must report a description of any significant activities or events relating to discontinuing operations in accordance with paragraph 7.5 (g) of AASB 1029: *Interim Financial Reporting*, or, the details of discontinuing operations they have disclosed in their accounts in accordance with AASB 1042: *Discontinuing Operations* (see note 17).)

12.1 Discontinuing Operations

--	--

+ See chapter 19 for defined terms.

--

**Control gained over entities having material effect**

13.1 Name of entity (or group of entities)	N/A
13.2 Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) since the date in the current period on which control was +acquired	\$
13.3 Date from which such profit has been calculated	
13.4 Profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) for the whole of the previous corresponding period	\$

**Loss of control of entities having material effect**

14.1 Name of entity (or group of entities)	N/A
14.2 Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) for the current period to the date of loss of control	\$
14.3 Date to which the profit (loss) in item 14.2 has been calculated	
14.4 Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) while controlled during the whole of the previous corresponding period	\$
14.5 Contribution to consolidated profit (loss) from ordinary activities and extraordinary items from sale of interest leading to loss of control	\$

**Dividends (in the case of a trust, distributions)**

15.1 Date the dividend (distribution) is payable	21 March 2003
--------------------------------------------------	---------------

+ See chapter 19 for defined terms.

15.2 +Record date to determine entitlements to the dividend (distribution) (ie, on the basis of proper instruments of transfer received by 5.00 pm if +securities are not +CHES approved, or security holding balances established by 5.00 pm or such later time permitted by SCH Business Rules if +securities are +CHES approved)

14 March 2003
---------------

15.3 If it is a final dividend, has it been declared?  
(Preliminary final report only)

--

**Amount per security**

		Amount per security	Franked amount per security at % tax (see note 4)	Amount per security of foreign source dividend
15.4	(Preliminary final report only) <b>Final dividend:</b> Current year			
15.5	Previous year			
15.6	(Half yearly and preliminary final reports) <b>Interim dividend:</b> Current year	3.0¢	3.0¢	0¢
15.7	Previous year	2.0¢	2.0¢	0¢

**Total dividend (distribution) per security (interim plus final)**

(Preliminary final report only)

	Current year	Previous year
15.8 +Ordinary securities		
15.9 Preference +securities		

**Half yearly report - interim dividend (distribution) on all securities or  
Preliminary final report - final dividend (distribution) on all securities**

	Current period \$A'000	Previous corresponding period - \$A'000
15.10 +Ordinary securities (each class separately)	1,121	750
15.11 Preference +securities (each class separately)	-	-
15.12 Other equity instruments (each class separately)	-	-

+ See chapter 19 for defined terms.

15.13 Total

	1,121	750
--	-------	-----

The +dividend or distribution plans shown below are in operation.

Dividend Reinvestment Plan

The last date(s) for receipt of election notices for the +dividend or distribution plans

14 March 2003

Any other disclosures in relation to dividends (distributions). *(For half yearly reports, provide details in accordance with paragraph 7.5(d) of AASB 1029 Interim Financial Reporting)*

A Discount of 2.5% will apply to shares issued under the Dividend Reinvestment Plan.

**Details of aggregate share of profits (losses) of associates and joint venture entities**

Group's share of associates' and joint venture entities':	Current period \$A'000	Previous corresponding period - \$A'000
16.1 Profit (loss) from ordinary activities before tax	-	-
16.2 Income tax on ordinary activities	-	-
16.3 Profit (loss) from ordinary activities after tax	-	-
16.4 Extraordinary items net of tax	-	-
16.5 Net profit (loss)	-	-
16.6 Adjustments	-	-
16.7 Share of net profit (loss) of associates and joint venture entities	-	-

+ See chapter 19 for defined terms.

**Material interests in entities which are not controlled entities**

The economic entity has an interest (that is material to it) in the following entities. (If the interest was acquired or disposed of during either the current or previous corresponding period, indicate date of acquisition ("from dd/mm/yy") or disposal ("to dd/mm/yy").)

Name of entity	Percentage of ownership interest held at end of period or date of disposal		Contribution to net profit (loss) (item 1.9)	
	Current period	Previous corresponding period	Current period \$A'000	Previous corresponding period - \$A'000
<b>17.1 Equity accounted associates and joint venture entities</b>				
	-	-	-	-
<b>17.2 Total</b>	-	-	-	-
<b>17.3 Other material interests</b>	-	-	-	-
<b>17.4 Total</b>	-	-	-	-

+ See chapter 19 for defined terms.

**Issued and quoted securities at end of current period**

*(Description must include rate of interest and any redemption or conversion rights together with prices and dates)*

Category of +securities	Total number	Number quoted	Issue price per security (see note 14) (cents)	Amount paid up per security (see note 14) (cents)
18.1 Preference +securities <i>(description)</i>				
18.2 Changes during current period (a) Increases through issues (b) Decreases through returns of capital, buybacks, redemptions				
18.3 +Ordinary securities	37,332,507	37,332,507		
18.4 Changes during current period (a) Increases through issues (b) Decreases through returns of capital, buybacks	297,291	297,921		
18.5 +Convertible debt securities <i>(description and conversion factor)</i>				
18.6 Changes during current period (a) Increases through issues (b) Decreases through securities matured, converted				
18.7 Options <i>(description and conversion factor)</i>			Exercise price	Expiry date (if any)

+ See chapter 19 for defined terms.

	20,000		\$2.60	12-03-03
	80,000		\$3.50	04-11-03
	50,000		\$3.45	07-03-04
	30,000		\$3.15	01-07-04
	160,000		\$2.84	25-07-04
	80,000		\$1.96	05-12-04
	20,000		\$1.32	30-05-05
	1,000,000		\$1.05	02-04-07
	447,000		\$0.95	09-11-05
	51,000		\$1.05	27-02-06
	48,000		\$1.07	30-04-06
18.8 Issued during current period	510,000		\$0.82	01-07-06
	400,000		\$0.85	01-07-08
	80,000		\$0.86	30-10-06
	10,000		\$0.79	27-11-06
18.9 Exercised during current period				
18.10 Expired during current period	45,000		\$1.61	21-09-02
	6,000		\$1.67	30-10-02
	37,000		\$2.16	16-12-02
<b>18.11 Debentures</b> (description)				
18.12 Changes during current period				
(a) Increases through issues				
(b) Decreases through securities matured, converted				
<b>18.13 Unsecured notes</b> (description)				
18.14 Changes during current period				
(a) Increases through issues				
(b) Decreases through securities matured, converted				

### Segment reporting

(Information on the business and geographical segments of the entity must be reported for the current period in accordance with AASB 1005: *Segment Reporting* and for half year reports, AASB 1029: *Interim Financial Reporting*. Because entities employ different structures a pro forma cannot be provided. Segment information in the layout employed in the entity's +accounts should be reported separately and attached to this report.)

(see Appendix 1 Segment Reporting)

### Comments by directors

(Comments on the following matters are required by ASX or, in relation to the half yearly report, by AASB 1029: *Interim Financial Reporting*. The comments do not take the place of the directors' report and statement (as required by the Corporations Act) and may be incorporated into the directors' report and statement. For both half yearly and preliminary final reports, if there are no comments in a section, state NIL. If there is insufficient space to comment, attach notes to this report.)

+ See chapter 19 for defined terms.

**Basis of financial report preparation**

19.1 *If this report is a half yearly report, it is a general purpose financial report prepared in accordance with the listing rules and AASB 1029: Interim Financial Reporting. It should be read in conjunction with the last annual report and any announcements to the market made by the entity during the period. The financial statements in this report are "condensed financial statements" as defined in AASB 1029: Interim Financial Reporting. This report does not include all the notes of the type normally included in an annual financial report. [Delete if preliminary final report.]*

19.2 Material factors affecting the revenues and expenses of the economic entity for the current period. In a half yearly report, provide explanatory comments about any seasonal or irregular factors affecting operations.

19.3 A description of each event since the end of the current period which has had a material effect and which is not already reported elsewhere in this Appendix or in attachments, with financial effect quantified (if possible).

19.4 Franking credits available and prospects for paying fully or partly franked dividends for at least the next year.

The balance of the franking account of the parent company as at 31 December 2002 is \$10,373,658  
The balance of the franking account of the parent company adjusted for franking credits and debits, arising from the payment of income tax and proposed dividends is \$9,717,678.  
Subsidiaries franking accounts not included in the above amount to \$3,786,547

19.5 Unless disclosed below, the accounting policies, estimation methods and measurement bases used in this report are the same as those used in the last annual report. Any changes in accounting policies, estimation methods and measurement bases since the last annual report are disclosed as follows. (Disclose changes and differences in the half yearly report in accordance with AASB 1029: Interim Financial Reporting. Disclose changes in accounting policies in the preliminary final report in accordance with AASB 1001: Accounting Policies-Disclosure).

---

+ See chapter 19 for defined terms.

19.6 Revisions in estimates of amounts reported in previous interim periods. For half yearly reports the nature and amount of revisions in estimates of amounts reported in previous +annual reports if those revisions have a material effect in this half year.

19.7 Changes in contingent liabilities or assets. For half yearly reports, changes in contingent liabilities and contingent assets since the last + annual report.

### Additional disclosure for trusts

20.1 Number of units held by the management company or responsible entity or their related parties.

20.2 A statement of the fees and commissions payable to the management company or responsible entity.

Identify:

- initial service charges
- management fees
- other fees

### Annual meeting

*(Preliminary final report only)*

The annual meeting will be held as follows:

Place

Date

Time

Approximate date the annual report will be available


### Compliance statement

---

+ See chapter 19 for defined terms.

1 This report has been prepared in accordance with AASB Standards, other AASB authoritative pronouncements and Urgent Issues Group Consensus Views or other standards acceptable to ASX (see note 12).

Identify other standards used

2 This report, and the 'accounts upon which the report is based (if separate), use the same accounting policies.

3 This report does give a true and fair view of the matters disclosed (see note 2).

4 This report is based on 'accounts to which one of the following applies.

(Tick one)

<input type="checkbox"/>	The 'accounts have been audited.	<input checked="" type="checkbox"/>	The 'accounts have been subject to review.
--------------------------	----------------------------------	-------------------------------------	--------------------------------------------

<input type="checkbox"/>	The 'accounts are in the process of being audited or subject to review.	<input type="checkbox"/>	The 'accounts have not yet been audited or reviewed.
--------------------------	-------------------------------------------------------------------------	--------------------------	------------------------------------------------------

5 If the audit report or review by the auditor is not attached, details of any qualifications are attached/will follow immediately they are available\* (delete one). (Half yearly report only - the audit report or review by the auditor must be attached to this report if this report is to satisfy the requirements of the Corporations Act.)

6 The entity has a formally constituted audit committee.

Sign here: ORIGINAL SIGNED  
Managing Director

Date: 26/02/03

Print name: Robert J. Collins

## Notes

1. **For announcement to the market** The percentage changes referred to in this section are the percentage changes calculated by comparing the current period's figures with those for the previous corresponding period. Do not show percentage changes if the change is from profit to loss or loss to profit, but

---

+ See chapter 19 for defined terms.

still show whether the change was up or down. If changes in accounting policies or procedures have had a material effect on reported figures, do not show either directional or percentage changes in profits. Explain the reason for the omissions in the note at the end of the announcement section. Entities are encouraged to attach notes or fuller explanations of any significant changes to any of the items in page 1. The area at the end of the announcement section can be used to provide a cross reference to any such attachment.

2. **True and fair view** If this report does not give a true and fair view of a matter (for example, because compliance with an Accounting Standard is required) the entity must attach a note providing additional information and explanations to give a true and fair view.

3. **Condensed consolidated statement of financial performance**

Item 1.1 The definition of "revenue" and an explanation of "ordinary activities" are set out in AASB 1004: *Revenue*, and AASB 1018: *Statement of Financial Performance*.

Item 1.6 This item refers to the total tax attributable to the amount shown in item 1.5. Tax includes income tax and capital gains tax (if any) but excludes taxes treated as expenses from ordinary activities (eg, fringe benefits tax).

4. **Income tax** If the amount provided for income tax in this report differs (or would differ but for compensatory items) by more than 15% from the amount of income tax *prima facie* payable on the profit before tax, the entity must explain in a note the major items responsible for the difference and their amounts. The rate of tax applicable to the franking amount per dividend should be inserted in the heading for the column "Franked amount per security at % tax" for items 15.4 to 15.7.

5. **Condensed consolidated statement of financial position**

**Format** The format of the consolidated statement of financial position should be followed as closely as possible. However, additional items may be added if greater clarity of exposition will be achieved, provided the disclosure still meets the requirements of AASB 1029: *Interim Financial Reporting*, and AASB 1040: *Statement of Financial Position*. Also, banking institutions, trusts and financial institutions may substitute a clear liquidity ranking for the Current/Non-Current classification.

**Basis of revaluation** If there has been a material revaluation of non-current assets (including investments) since the last annual report, the entity must describe the basis of revaluation adopted. The description must meet the requirements of AASB 1010: *Accounting for the Revaluation of Non-Current Assets*. If the entity has adopted a procedure of regular revaluation, the basis for which has been disclosed and has not changed, no additional disclosure is required.

6. **Condensed consolidated statement of cash flows** For definitions of "cash" and other terms used in this report see AASB 1026: *Statement of Cash Flows*. Entities should follow the form as

---

+ See chapter 19 for defined terms.

closely as possible, but variations are permitted if the directors (in the case of a trust, the management company) believe that this presentation is inappropriate. However, the presentation adopted must meet the requirements of AASB 1026.  
+Mining exploration entities may use the form of cash flow statement in Appendix 5B.

7. **Net tangible asset backing** Net tangible assets are determined by deducting from total tangible assets all claims on those assets ranking ahead of the +ordinary securities (ie, all liabilities, preference shares, outside +equity interests etc). +Mining entities are not required to state a net tangible asset backing per +ordinary security.
8. **Gain and loss of control over entities** The gain or loss must be disclosed if it has a material effect on the +accounts. Details must include the contribution for each gain or loss that increased or decreased the entity's consolidated profit (loss) from ordinary activities and extraordinary items after tax by more than 5% compared to the previous corresponding period.
9. **Rounding of figures** This report anticipates that the information required is given to the nearest \$1,000. If an entity reports exact figures, the \$A'000 headings must be amended. If an entity qualifies under ASIC Class Order 98/0100 dated 10 July 1998, it may report to the nearest million dollars, or to the nearest \$100,000, and the \$A'000 headings must be amended.
10. **Comparative figures** Comparative figures are to be presented in accordance with AASB 1018 or AASB 1029 *Interim Financial Reporting* as appropriate and are the unadjusted figures from the latest annual or half year report as appropriate. However, if an adjustment has been made in accordance with an accounting standard or other reason or if there is a lack of comparability, a note explaining the position should be attached. For the statement of financial performance, AASB 1029 *Interim Financial Reporting* requires information on a year to date basis in addition to the current interim period. Normally an Appendix 4B to which AASB 1029 *Interim Financial Reporting* applies would be for the half year and consequently the information in the current period is also the year to date. If an Appendix 4B Half yearly version is produced for an additional interim period (eg because of a change of reporting period), the entity must provide the year to date information and comparatives required by AASB 1029 *Interim Financial Reporting*. This should be in the form of a multi-column version of the consolidated statement of financial performance as an attachment to the additional Appendix 4B.
11. **Additional information** An entity may disclose additional information about any matter, and must do so if the information is material to an understanding of the reports. The information may be an expansion of the material contained in this report, or contained in a note attached to the report. The requirement under the listing rules for an entity to complete this report does not prevent the entity issuing reports more frequently. Additional material lodged with the +ASIC under the Corporations Act must also be given to ASX. For example, a

---

+ See chapter 19 for defined terms.

director's report and declaration, if lodged with the ASIC, must be given to ASX.

12. **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if one exists) must be complied with.
13. **Corporations Act financial statements** This report may be able to be used by an entity required to comply with the Corporations Act as part of its half-year financial statements if prepared in accordance with Australian Accounting Standards.
14. **Issued and quoted securities** The issue price and amount paid up is not required in items 18.1 and 18.3 for fully paid securities.
15. **Details of expenses** AASB 1018 requires disclosure of expenses from ordinary activities according to either their nature or function. For foreign entities, there are similar requirements in other accounting standards accepted by ASX. AASB ED 105 clarifies that the disclosures required by AASB 1018 must be either *all* according to nature or *all* according to function. Entities must disclose details of expenses using the layout (by nature or function) employed in their accounts.

The information in lines 1.23 to 1.27 may be provided in an attachment to Appendix 4B.

**Relevant Items** AASB 1018 requires the separate disclosure of specific revenues and expenses which are not extraordinary but which are of a size, nature or incidence that disclosure is relevant in explaining the financial performance of the reporting entity. The term "relevance" is defined in AASB 1018. There is an equivalent requirement in AASB 1029: *Interim Financial Reporting*. For foreign entities, there are similar requirements in other accounting standards accepted by ASX.

16. **Dollars** If reporting is not in A\$, all references to \$A must be changed to the reporting currency. If reporting is not in thousands of dollars, all references to "000" must be changed to the reporting value.

17. **Discontinuing operations**

Half yearly report

All entities must provide the information required in paragraph 12 for half years beginning on or after 1 July 2001.

Preliminary final report

Entities must either provide a description of any significant activities or events relating to discontinuing operations equivalent to that required by paragraph 7.5 (g) of AASB 1029: *Interim Financial Reporting*, or, the details of discontinuing operations they are required to disclose in their accounts in accordance with AASB 1042 *Discontinuing Operations*.

---

+ See chapter 19 for defined terms.

In any case the information may be provided as an attachment to this Appendix 4B.

18. **Format**

This form is a Word document but an entity can re-format the document into Excel or similar applications for submission to the Companies Announcements Office in ASX.

## Annexure: Segment Information

(a) Segments

Geographic Segments	Australia		New Zealand		Eliminations		Economic Entity	
	2002 \$000	2001 \$000	2002 \$000	2001 \$000	2002 \$000	2001 \$000	2002 \$000	2001 \$000
REVENUE								
External sales	72,472	85,737	7,589	8,333	-	-	80,061	94,070
Other segments	242	190	-	-	(242)	(190)	-	-
Total segment revenue	<u>72,714</u>	<u>85,927</u>	<u>7,589</u>	<u>8,333</u>	<u>(242)</u>	<u>(190)</u>	<u>80,061</u>	<u>94,070</u>
RESULT								
Segment Result before tax	2,172	1,936	394	195	(93)	(230)	2,473	1,901
Segment Result net of tax	<u>1,462</u>	<u>1,158</u>	<u>341</u>	<u>362</u>	<u>(93)</u>	<u>(184)</u>	<u>1,710</u>	<u>1,336</u>
ASSETS								
Segment assets	56,479	58,450	9,536	7,721	(10,964)	(8,367)	55,051	57,803
Unallocated assets							4,339	4,238
Total assets							<u>59,390</u>	<u>62,041</u>
Acquisitions of Non Current Segment Assets	<u>308</u>	<u>572</u>	<u>1</u>	<u>279</u>			<u>309</u>	<u>851</u>

+ See chapter 19 for defined terms.

**CANDLE AUSTRALIA LIMITED  
AND CONTROLLED ENTITIES  
A.C.N. 002 724 334**

**FINANCIAL REPORT  
FOR THE HALF YEAR ENDED 31 DECEMBER 2002**

**DIRECTORS' REPORT**

Your directors present their report on Candle Australia Limited (the "Company") and its controlled entities for the half year ended 31 December 2002.

**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  
Ian K Crow  
Derek McKillop  
Lawrence J Gibbs

Directors have been in office since the start of the half-year to the date of this report unless otherwise stated.

**Review of Operations**

Profit from ordinary activities after tax was up by 28% compared to the previous corresponding half year despite subdued trading conditions. Gross revenues fell as a result of lower contractor rates and subsequent reduced demand for labour and changing business mix. In the period ahead, the Company will continue to focus on efficiency measures resulting in continued profit.

**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 - Chairman

.....  
Robert J Collins – Managing Director

Dated at Sydney this 26th day of February 2003.

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

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE  
FOR THE HALF YEAR ENDED 31 DECEMBER 2002**

	<b>Economic Entity</b>	
	<b>Dec 2002</b>	<b>Dec 2001</b>
	<b>\$000</b>	<b>\$000</b>
Revenues from ordinary activities	80,060	94,070
On hired labour costs	(65,408)	(75,657)
Employee benefits expense	(7,927)	(9,898)
Depreciation and amortisation expense	(962)	(995)
Operating rental expense	(663)	(796)
Borrowing costs expense	(263)	(428)
Other expenses from ordinary activities	<u>(2,363)</u>	<u>(4,394)</u>
Profit from ordinary activities before income tax expense	2,474	1,902
Income tax expense relating to ordinary activities	<u>(764)</u>	<u>(566)</u>
Profit from ordinary activities after related income tax expense	1,710	1,336
Net exchange difference on translation of financial report of self sustaining foreign operations	<u>570</u>	<u>87</u>
Total changes in equity other than those resulting from transactions with owners as owners	<u>2,280</u>	<u>1,423</u>
Basic earnings per share (cents per share)	4.6	3.8
Diluted earnings per share (cents per share)	4.4	3.8

The accompanying notes form part of these financial statements.

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

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2002**

	<b>Economic Entity</b>	
	<b>Dec 2002</b>	<b>Jun 2002</b>
	<b>\$000</b>	<b>\$000</b>
<b>CURRENT ASSETS</b>		
Cash assets	5,326	2,950
Receivables	19,885	25,848
Deferred tax assets	368	384
Other	425	456
<b>TOTAL CURRENT ASSETS</b>	<b>26,004</b>	<b>29,638</b>
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	2,712	2,970
Intangible assets	30,674	30,682
<b>TOTAL NON-CURRENT ASSETS</b>	<b>33,386</b>	<b>33,652</b>
<b>TOTAL ASSETS</b>	<b>59,390</b>	<b>63,290</b>
<b>CURRENT LIABILITIES</b>		
Payables	9,244	11,280
Interest bearing liabilities	7,000	10,000
Current tax liabilities	(38)	169
Deferred tax liabilities	100	111
Provisions	1,782	1,786
<b>TOTAL CURRENT LIABILITIES</b>	<b>18,088</b>	<b>23,346</b>
<b>NON-CURRENT LIABILITIES</b>		
Payables	-	31
Provisions	169	194
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>169</b>	<b>225</b>
<b>TOTAL LIABILITIES</b>	<b>18,257</b>	<b>23,571</b>
<b>NET ASSETS</b>	<b>41,133</b>	<b>39,719</b>
<b>EQUITY</b>		
Contributed equity	33,608	33,353
Reserves	568	(2)
Retained profits	6,957	6,368
<b>TOTAL EQUITY</b>	<b>41,133</b>	<b>39,719</b>

The accompanying notes form part of these financial statements.

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

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE HALF YEAR ENDED 31 DECEMBER 2002**

	Economic Entity	
	Dec 2002	Dec 2001
	\$000	\$000
<b>Cash Flows From Operating Activities</b>		
Receipts from customers	93,750	108,831
Payments to suppliers and employees	(82,199)	(101,703)
Interest received	81	43
Interest and other borrowing costs paid	(264)	(426)
Income tax paid	(933)	(661)
Income tax refunded	-	144
GST paid	(4,008)	(4,299)
Net cash provided by operating activities	<u>6,427</u>	<u>1,929</u>
<b>Cash Flows From Investing Activities</b>		
Payment for purchase of business	-	(2,125)
Purchase of property, plant and equipment	(267)	(377)
Proceeds from disposal of non current assets	1	1
Payments for software development	(39)	(437)
Net cash used in investing activities	<u>(305)</u>	<u>(2,938)</u>
<b>Cash Flows From Financing Activities</b>		
Proceeds from borrowings	-	13,750
Repayment of borrowings	(3,000)	(7,191)
Dividends paid to shareholders	(850)	(503)
Proceeds from issue of shares	-	3
Net cash provided by financing activities	<u>(3,850)</u>	<u>6,059</u>
Net increase/decrease in cash held	2,272	5,050
Cash at the beginning of the half year	2,950	(4,224)
Effect of exchange rates on cash holdings in foreign currencies	104	18
Cash at the end of the half year	<u>5,326</u>	<u>844</u>

The accompanying notes form part of these financial statements.

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2002**

**1. BASIS OF PREPARATION**

The half-year condensed consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of Corporations Act 2001, Accounting Standard AASB 1029: Interim Financial Reporting and other mandatory professional reporting requirements.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2002 and any public announcements made by the Company during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

The accounting policies have been consistently applied by the entities in the economic entity and are consistent with those applied in the 30 June 2002 annual report.

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

**2 – SEGMENT REPORTING**

(a) Segment Financial Information

Geographic Segments	Australia		New Zealand		Eliminations		Economic Entity	
	2002 \$000	2001 \$000	2002 \$000	2001 \$000	2002 \$000	2001 \$000	2002 \$000	2001 \$000
<b>REVENUE</b>								
External sales	72,472	85,737	7,589	8,333	-	-	80,061	94,070
Other segments	<u>242</u>	<u>190</u>	<u>-</u>	<u>-</u>	<u>(242)</u>	<u>(190)</u>	<u>-</u>	<u>-</u>
Total segment revenue	<u>72,714</u>	<u>85,927</u>	<u>7,589</u>	<u>8,333</u>	<u>(242)</u>	<u>(190)</u>	<u>80,061</u>	<u>94,070</u>
<b>RESULT</b>								
Segment Result before tax	2,172	1,936	394	195	(93)	(230)	2,473	1,901
Segment Result net of tax	<u>1,462</u>	<u>1,158</u>	<u>341</u>	<u>362</u>	<u>(93)</u>	<u>(184)</u>	<u>1,710</u>	<u>1,336</u>
<b>ASSETS</b>								
Segment assets	56,479	58,450	9,536	7,721	(10,964)	(8,367)	55,051	57,803
Unallocated assets							4,339	4,238
Total assets							<u>59,390</u>	<u>62,041</u>
Acquisitions of Non Current Segment Assets	<u>308</u>	<u>572</u>	<u>1</u>	<u>279</u>			<u>309</u>	<u>851</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2002**

**2 – SEGMENT REPORTING (cont)**

---

(b) Segment Accounting Policies

Segment accounting policies are stated in accordance with *AASB 1005: Segment Reporting* and for half year reports, *AASB 1029: 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 personnel and recruitment of permanent personnel to the Information technology and telecommunications sector and the Accounting, banking and finance sector.

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

**DIRECTORS' DECLARATION**

The directors of the company declare that:

1. the financial statements and notes, as set out on pages 3 to 7:
  - (a) comply with Accounting Standard AASB1029: Interim Financial Reporting and the Corporations Regulations; and
  - (b) give a true and fair view of the consolidated entity's financial position as at 31 December 2002 and its performance for the half-year ended on that date.
2. 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.

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

.....  
Geoffrey J Moles - Chairman

.....  
Robert J Collins - Director

Dated at Sydney this 26th day of February 2003.

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

**Scope**

We have reviewed the financial report of Candle Australia Limited and controlled entities for the half-year ended 31 December 2002 as set out on pages 3 to 7.

The financial report includes the consolidated financial statements of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year. The company's directors are responsible for the financial report. We have conducted an independent review of this financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not 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 Company's and the consolidated entity's financial position, and performance as represented by the results of their operations and their cash flows, and in order for the company to lodge the financial report with the Australian Stock Exchange Limited.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. A review is limited primarily to inquiries of company personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly we do not express an audit opinion.

**Statement**

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 and controlled entities is not 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 2002 and of their performance for the half-year ended on that date; and
  - (i) complying with Accounting Standard AASB1029: Interim Financial Reporting and the Corporations Regulations; and
- (b) other mandatory professional reporting requirements.

.....  
Williams Hatchman & Kean  
Chartered Accountants

.....  
B Hatchman  
Partner

Dated at Sydney this 26th day of February 2003.