

ANNUAL REPORT 2007

Strength to Strength

COMPANY INFORMATION

CANDLE AUSTRALIA LIMITED
ABN 43 002 724 334

Head Office:
Level 14, 1 York Street
Sydney NSW 2000

T: 02 9250 8100 F: 02 9247 7930
W: www.candle.com.au
E: feedback@candle.com.au

STOCK EXCHANGE LISTING
Australian Stock Exchange

SHARE REGISTRY
Registries Limited
ABN 14 003 209 836
Level 2, 28 Margaret Street
Sydney NSW 2000

T: 02 9290 9600
F: 02 9279 0664
Correspondence
Registries Limited
PO Box R67
Royal Exchange
Sydney NSW 1223

MANAGING DIRECTOR
Diana Eilert

CHIEF FINANCIAL OFFICER
Mark Langan

COMPANY SECRETARY
Nicholas Geddes

AUDITOR
WHK Horwath

Candle Australia Limited

ANNUAL REPORT 2007

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The Annual General Meeting of Candle Australia Limited will be held at 3 p.m. on Thursday, 29 November 2007 in Room 2, Level 3, The Establishment, 252 George Street, Sydney.

A separate Notice of Meeting and Proxy Form are included with this report.

Candle Australia is a company limited by shares, incorporated and domiciled in Australia.

The Year in Review

Record Results

The 2006-2007 financial year was Candle Australia's 24th consecutive year of profit, and a record for the group.

Candle Australia announced a record result of \$13.6 million net profit after tax on revenues of \$298 million.

The total fully franked final dividend of year ended 30 June 2007 was a record 19.0 cents per share.

Basic Earnings per Share (EPS) increased by 1.8 cents to 26 cents per share, up 7% on the previous year.

Accolades

Candle Australia was named 'Recruitment Firm of the Year' for the second year running at the prestigious Fairfax Employment Marketing Awards.

Mergers & Acquisitions

Alliance Recruitment, Freeman Adams and Parker Bridge were merged to form the new Alliance, specialising in Accounting, Business Support and Financial Services.

Candle Australia expanded into Asia with the acquisition of E.L Consult in China, Hong Kong, Malaysia and Singapore. It now operates as Lloyd Morgan, Candle Australia's executive search and selection brand.

Recent Highlights

In July 2007 Candle Australia acquired IT services business, the JAV IT Group, to enhance its strategy of diversification around the core.

In August 2007 Diana Eilert was appointed Managing Director of Candle Australia to take the group into its next phase of growth.

The Candle Group

The Candle Brands

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

Established 23 years ago, and listed on the Australian Stock Exchange in 1997, Candle Australia has a reputation within the industry for high-quality delivery and ethical business practices, and remains one of the largest and longest standing recruitment suppliers in the region.

Candle Australia employs over 500 staff through a network of more than 30 offices located in Sydney, Melbourne, Brisbane, Perth, Adelaide and Canberra in Australia; Auckland and Wellington in New Zealand; Hong Kong, Beijing, Shanghai, Shenzhen in China; Kuala Lumpur in Malaysia; and Singapore.

Candle Australia operates through four quality recruitment brands covering a number of industry specialisations:



Specialisation: Accounting, Business Support, Financial Services
Service Offering: Permanent and Contract
Main Industries: All Industry Sectors
Locations: Sydney, Melbourne, Brisbane, Adelaide



Specialisation: Information and Communication Technology (ICT)
Service Offering: Permanent and Contract
Main Industries: Telecommunications, ICT Services, Banking, Finance, Media Resources, Retail, State and Federal Government Departments
Locations: Australia: Sydney, Melbourne, Brisbane, Canberra, Perth, Adelaide
New Zealand: Auckland, Wellington

LLOYD MORGAN

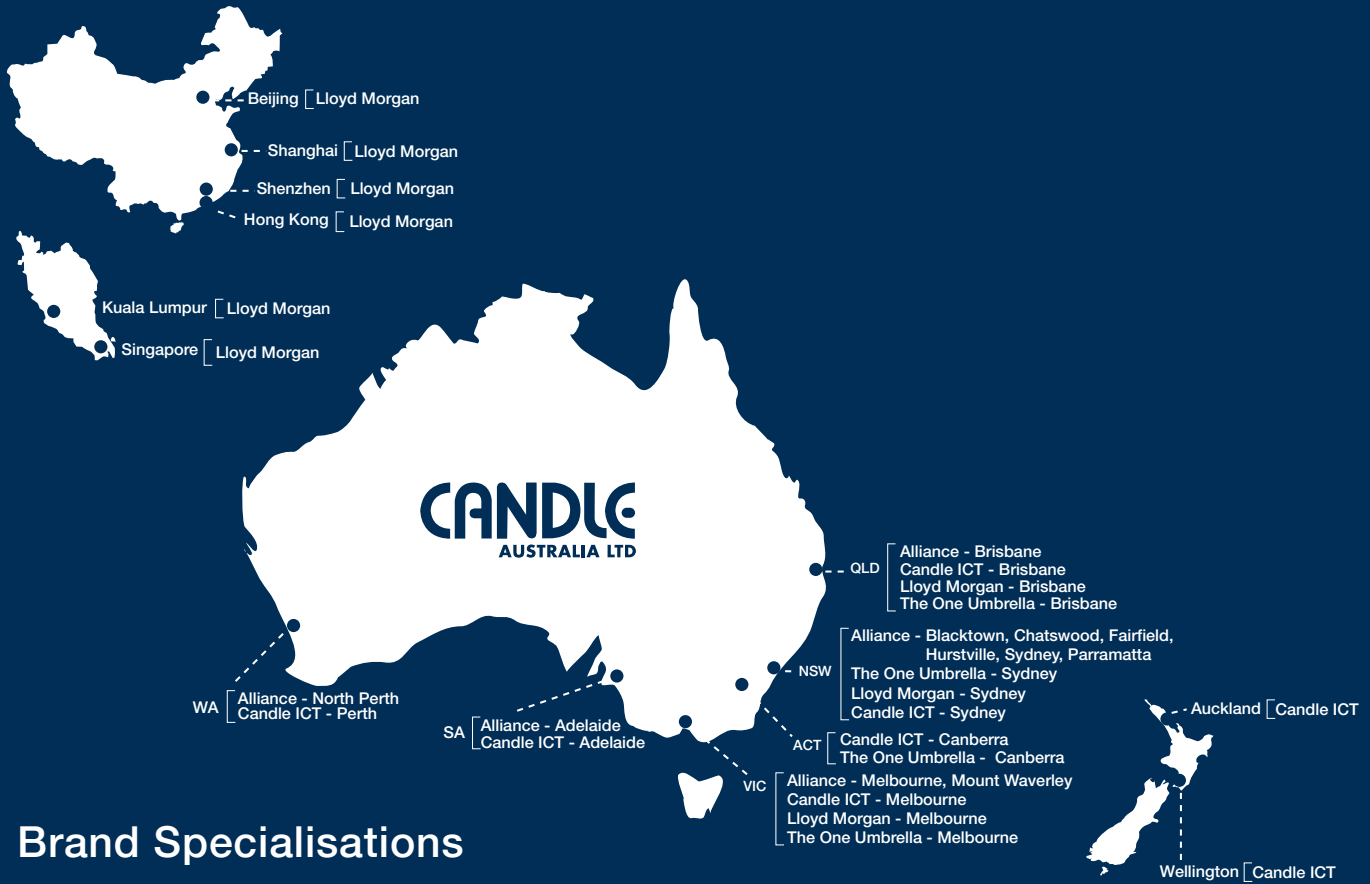
Specialisation: Executive Search and Selection; HR Consulting
Service Offering: Permanent, Contract and Temporary
Main Industries: Accounting, Finance, Sales, Marketing, Human Resources, Engineering, Supply Chain, Information and Communications Technology
Locations: Australia: Melbourne, Sydney, Brisbane
Asia: China, Hong Kong, Malaysia, Singapore



Specialisation: Library, Knowledge and Records Management
Service Offering: Permanent, Contract and Temporary
Main Industries: Finance, Legal, Engineering, Education, State and Federal Libraries, Government Departments
Locations: Canberra, Sydney, Melbourne, Brisbane

The Candle Network

Candle Australia is represented throughout the Asia Pacific region by a network of over 30 offices.



Brand Specialisations

The Candle group brands specialise in the following areas:

alliance accounting	alliance business support	alliance financial services	CANDLE ICT TALENT SPECIALISTS	LLOYD MORGAN	the one umbrella
Accounting <ul style="list-style-type: none"> Financial Controllers Finance Managers Financial Accountants Tax Accountants Management Accountants Accounts Payable Accounts Receivable Credit Payroll 	Business Support <ul style="list-style-type: none"> Administration Personal / Executive Assistant Reception Data Entry Telesales C.S.R. Market Research Human Resources Sales Marketing 	Financial Services <ul style="list-style-type: none"> Financial Planning Accounting Product Control Insurance Custody Corporate Banking Stockbroking Commercial Lending Superannuation Investment Banking Operations Funds Management Treasury 	Information Communication & Technology <ul style="list-style-type: none"> Graduates Helpdesk PC Support Systems Administrators Network Engineers Analyst Programmers Technical Writers Business Analysts Systems Testers Project Managers Architects IT Managers 	Executive Search & Selection <ul style="list-style-type: none"> Sales Executive Marketing Executives Business Development Executives General Manager Commercial Business Manager Chief Financial Officer Chief Information Officer Chief Executive Officer 	Library, Records & Knowledge Management <ul style="list-style-type: none"> Librarians Archivists Records Management Knowledge Management Information Management Project Management Researchers Web/Intranet

Managing Director
and Chairman's Report



Year in Review

When a company can deliver on its promises it is reassuring, but to do so on a consistent basis is outstanding. The financial year ending 30 June 2007 was yet another outstanding year for Candle Australia Limited, with record revenues, record profits, record earnings per share and record ordinary dividends.

All of this was achieved in a year of 'consolidation' under a series of initiatives tagged 'Project Refresh', a two year programme which focused on business process, systems' efficiency and the bringing together of a disparate series of back office systems onto a single scalable platform to cater for future growth.

Once again it was a year where the underlying strength of the business model was demonstrated which, despite what could be called an 'internal focus', produced outstanding record results for shareholders.

More importantly, with the demand for services at a near high and Candle's strong financial position continuing, the outlook for the group remains bright.

The Results

The group announced a net profit after tax of \$13.6 million which represented an increase of 16% on the previous year. This is Candle's 24th year of profit and a record for the group.

The 16% profit increase was achieved on revenues of \$298 million, a 10% increase on the previous year. The percentage growth of profit ahead of revenues has been the theme for the last number of years and is expected to continue as demand for our services grows.

The profit growth, combined with considered capital management, enabled the group to post record earnings per share (EPS), with the basic EPS growing 1.8 cents per share to 26 cents. Diluted EPS, taking into account employee share options, grew 7% to 24 cents per share, up 1.6 cents on the previous year.

Consistent with the stated objectives of the group since listing on the ASX, the group maintained a dividend payout ratio of between 70-80% of earnings, and was able to reward shareholders with a final dividend of 10 cents per share. This resulted in a record fully franked ordinary dividend of 19 cents per share for the full year.

Operating cash flow for the group almost doubled to \$14.4 million. While the group made payments to vendors for acquisitions made in previous years, the cash flow, combined with good capital management, resulted in the group having zero long-term debt at balance date.

In addition to posting record results, many other outcomes were achieved in 2007.

Group Approach

The group aims to continue the trend of above average total shareholder returns. To do this, the group has worked on three key areas.

Firstly, we aim to ensure that our core business of recruitment services remains strong. Candle Australia Limited expects that, for the foreseeable future, most of its income will be derived from the provision of white collar contract and temporary personnel, and permanent recruitment services to the corporate and Government marketplace in the region. Candle has been able to demonstrate growth of profits faster than revenues, while at the same time growing its operating margin and efficiency.

Our business model tracks and responds to a range of key indicators, including mix of business, mix of clients, staff retention strategies, and business process improvement, and has delivered great returns over the medium term. For example, the compound annual growth rate (CAGR) in net profit after tax over the last five years has been 36%, and the CAGR for earnings per share has been 26%. These results can only be achieved if the business model is tuned for success.

Our second area of focus has been on extending the core business in both the geographic and 'line of business' dimensions. Geographically, Candle expanded its business to Asia with the addition of a number of offices in the Asian region.

Under its 'line of business' expansion approach, Candle is on the constant lookout for additional recruitment lines, such as medical, pharmaceutical and engineering. Past achievements and the current balance sheet suggest that, as a significant provider of services in the market, Candle will be one of the key contributors to market consolidation.

The third area of our growth has been founded on diversification around the core. Such diversification into 'nearby' areas for service provision is key for protecting the group in the case of slowing demand.

For some time, Candle has been a provider of payroll services to clients, deriving additional revenue from an aligned service to the provision of temporary and contract personnel. In addition, Candle has provided contractor management services, such as salary packaging, PAYG tax and superannuation payment management, and insurance to contractors, in return for which it receives fees.

Brand Consolidation

A key to our success was the continuation of brand consolidations. During the year, the businesses of Freeman Adams, the banking and finance division, Parker Bridge, the accounting division, and Alliance, the office support division, were brought together under one banner, Alliance.

This was a major undertaking for the group as three core objectives were set, namely to retain clients, staff and profits.

Not only were the three objectives achieved, but the new Alliance now has 10 offices and represents in excess of \$64 million in revenues in its own right. By any test, Alliance which started out as a single branch office in 2001, is now one of the largest recruitment entities in the market today.

Entry to the Asian Market

Late in the financial year, the group completed the acquisition of E.L Consult.

With offices in Hong Kong, Singapore, Kuala Lumpur, Beijing, Shenzhen and Shanghai, and employing over 70 staff, the company had a proven business model and a profitable track record.

It was also a very strategic move for the group as not only did it open up a new set of clients, it also gave Candle access to a 'new economy' where the opportunity for the provision of recruitment services is emerging.

Consistent with past brand consolidations and the plan to grow the core recruitment brands, the business of E. L Consult was rebranded to Lloyd Morgan, the senior appointments brand of Candle.

Brand Performance

Each of the four main business brands made a positive contribution to the overall result.



Leading among them was the core Information Communications and Technology (ICT) brand, Candle ICT.

Both the Australian and New Zealand operations of Candle ICT exceeded internal goals, showing good growth driven by both increased market demand and increased operating efficiency.

The demand for skilled ICT staff is high and many in the media and related ICT services expect this demand to continue for many years to come.

Candle ICT continued its drive for improved customer service and client expansion, and delivered on this goal by adding many new clients to its already impressive client list.

Key markets served by Candle ICT include telecommunications, banking and finance, insurance, Government (both federal and state), service providers and large integrators. All of these markets are looking towards investments in information technology to improve service, profits, or both.

Candle ICT is well placed to be a significant beneficiary of increased demand in the years to come.



Alliance Recruitment went through a major change during the year with the merging of Freeman Adams (banking and finance), Parker Bridge (accounting) and Alliance (office support) under one new brand, Alliance.

The rebrand and launch occurred at a time when demand was high, so close management of the process was essential if the core goals of no loss of customers, staff or profits were to be achieved. Not only did management achieve these goals, the resultant new Alliance is now even bigger and stronger than ever.

Now with offices in 10 locations across Australia, Alliance is one of the largest suppliers of its range of services in the country.



The One Umbrella, the specialist library, knowledge and records management business, had another exceptional year as part of the Candle group. Acquired in October 2004, and established over 23 years ago, The One Umbrella has offices in Canberra, Brisbane, Sydney and Melbourne.

Its focus on specialisation in a niche market has resulted in it being the market leader and has consistently outperformed internal targets. In recent times, much of the focus has been on maintaining its base on temporary placement while growing the opportunity for permanent placements.

This approach has led to increased contribution from The One Umbrella over the past two years, a trend that is expected to continue.

The key focus of the business is to be the agency of choice in this very specialised area, while at the same time looking for geographic expansion into new locations for business.



In December 2005, the group acquired Lloyd Morgan, the specialist middle management search and selection business. Based in Melbourne and Brisbane, the opportunities for expansion of the brand were significant.

During the year, a Sydney operation was established and while modest, it made a positive contribution to the overall result in its first year.

The Brisbane operation continued its trend of record results. However, the same could not be said for the Melbourne operation. While positive, the results from this operation were down on internal expectations.

The business has undergone an upgrade of its marketing and positioning with a brand revitalisation, and has expanded into Asia through the rebranding of E.L Consult in that region.

Overall, Lloyd Morgan made a very positive contribution in 2007 and Management expects that the 2008 results and beyond will be even better.

Management and Succession

An essential ingredient for the ongoing success of the group has been its people. Not only did Candle retain key personnel, it effected a structural change in the operations of the business which strengthened Management's focus.

Key to the strengthening of the management structure was the formation of the shared services function, under which 'Project Refresh' falls, and the establishment of joint Chief Operating Officer roles. Implemented in the second half of the year, this organisation structure gave strength to the management team's ability to execute the business plans and provided for ongoing succession within key roles of the group.

Late in the year, the Board advised shareholders that Robert Collins, Managing Director for the previous six years, had stated his intention to resign from the role post balance date. Robert has led the group to consistent record results and the Board wishes to thank him for his efforts and outstanding achievements

Performance through our People

The Board also wishes to recognise the efforts of all of our employees. Without their contribution and dedication to great service, the Candle group could not have achieved these results during the year. We have always been proud of our people and never more so than in a year of consolidation and internal focus.

Post Balance Date Events

In July 2007, the Board appointed Diana Eilert as Chief Executive Officer, working with Robert in a considered and structured handover. Diana was appointed Managing Director on Robert's resignation in August 2007.

Diana brings to Candle a clear understanding of the provision of services, which has been gained over many years in the banking, insurance and related industries. Supported by a stable and focused management team, Diana will continue to focus on strategic initiatives that lead to sustainable and improving shareholder returns.

Also in July, the group announced two acquisitions; one of a pre-employment screening company – Reality Check Pty Ltd, and the other of an information technology services business – JAV IT Group.

Outlook

Reports predict that the conditions for business will remain strong for some time to come. We have formed a similar view.

With a sound macro-economic expectation and near record employment in our domestic market, the conditions for further expansion are apparent.

The Candle group has a proven business model and strong and stable management, supported by a clear vision for the future.

The demand for professional staff in each of the specialist areas of ICT, banking, finance, accounting and records management is expected to continue, and Candle and its four core brands are well placed to be the service provider of choice.

Additionally, the strategy of expansion into new areas of recruitment, as well as nearby areas of service where margins may be higher but risks are managed, is sound and practical.

Management expects continued organic growth accelerated by additional good acquisitions, and therefore expects the 2008 financial year to be another year of growth for the group.

Profile Diana Eilert

Diana Eilert was appointed as CEO on 30 July, and Managing Director with Candle Australia Limited on 28 August 2007



Prior to joining Candle, Diana was a Group Executive with Suncorp, responsible for People, Technology, Marketing, and Joint Ventures for the entire Suncorp Group. She joined Suncorp in 2003 and ran Suncorp's General Insurance business until mid-2006.

Diana worked in financial services for over 20 years, commencing her career with NRMA and AAMI, before joining Citibank in 1986 where she spent over 10 years in retail banking. She held a number of general management positions, including Head of Citibank Direct.

She has held senior roles in management consulting, as a Principal with AT Kearney and a Partner with IBM.

Diana holds a Bachelor of Science in Pure Maths (Syd) and a Master of Commerce in Finance and Marketing (UNSW).

Corporate Governance Statement



This statement sets out the material governance principles and processes of the Candle Australia Limited group. The Board of Directors ('the Board') of Candle Australia Limited ('the group') supports the ASX Principles of Good Corporate Governance and Good Practice Recommendations released by the ASX Corporate Governance Council. The Directors have resolved to consider and apply these Recommendations unless it is determined that, in the circumstances of the group, there is a sound reason in the interests of shareholders not to do so.

The role of the Board is to represent the shareholders and to promote and protect the interests of the group. Through its governance of the group the Board guides and monitors the business and affairs of the group on behalf of the shareholders. The responsibilities and accountabilities of the Board have been framed in a Board Charter which reflects its governance principles. During the year the Board met 13 times. Meetings are held at 11 regular intervals throughout the year supplemented by additional meetings as required in the conduct of the Board's responsibilities.

Structure of the Board

The Board comprises five Directors. The Board considers this number appropriate in the present circumstances of the group. The Board Charter requires that there be a majority of Directors who are independent and non-executive. Three of the five Directors in office are independent and non-executive.

Directors in Office at the Date of this Statement

Name	Position	Date of Appointment
Mr Geoffrey J. Moles	Chairman	1 March 1984
Mr Lawrence J. Gibbs	Non-Executive Director	29 August 2001
Mr Robert J. Collins	Managing Director	29 August 2001
Mr Peter D. Bunting	Non-Executive Director	6 July 2004
Ms Penelope Morris	Non-Executive Director	23 August 2005

On 28 August 2007, Ms Diana Eilert was appointed a Director succeeding Mr Robert Collins as Managing Director. Mr Collins resigned as a Director on 28 August 2007.

Biographical details showing the relevant skills, experience and expertise held by each Director are included in the Directors' Report on pages 18-19.

The Board considers the appointment or retirement of Directors annually under succession plan principles having regard to the size of the group and to the appropriate skills and experience of Directors. Skills and experience regarded as important include experience as Chief Executive; recruitment and broader service industry experience; experience in financial markets, including acquisitions; financial experience; and broad experience in governance and risk management, including ASX-listed companies.

The Chairman carries out a formal review of performance with each Director, which also involves an opportunity for the Chairman and each Director to provide feedback relevant to the ongoing value of the Board as a whole. The Chairman reports to the Board on the outcomes of this review.

Independence

The Board has established a policy on Directors' independence. An 'independent Non-Executive Director' is independent of Management, free of any significant business or other relationships that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgement, and otherwise meets the criteria for independence set out in the Best Practice Recommendations published by the ASX Corporate Governance Council.

Directors are considered to be independent if they meet the following criteria:

- they are not a substantial (5% or greater) shareholder of the group or an officer of a substantial shareholder of the group;
- they have not been employed in an executive capacity in the last three years by the group or a subsidiary of the group;
- they have not been employed as a Principal of a material professional advisor to the group during the past three years;
- they are not a material supplier or customer of the Parent Entity, or any subsidiary of the group;
- they have no material contractual relationship with the group (other than as a Director); and
- they are free from any interest, business or personal, which could, or could reasonably, be perceived to materially interfere with the Director's ability to act in the best interests of the group.

In determining whether or not a material relationship exists with a third party such as a supplier, professional advisor or customer, the Board considers that relationship to be material if it meets the following criteria:

- the customer accounts for more than 5% of the group's consolidated gross revenue per annum;
- the group accounts for more than 5% of the supplier's consolidated revenue;
- the total value of any contract or relationship between the group and the Director (other than as a Director of the group) exceeds \$200,000.

In accordance with the policy on Directors' independence, Mr Geoffrey Moles, Chairman of Candle Australia Limited, is considered not to be independent. The Board has addressed the issue of independence of the Chairman. It is the Board's view that it is presently in the best interests of shareholders that Mr Geoffrey Moles be Chairman on the basis of his depth of experience (since 1984) in the development of the group's business, his knowledge of the group, and his industry knowledge.

Mr Lawrence Gibbs is associated with BG Capital Corporation Limited, an investment banking firm which is retained to provide professional services to the group. The services are in the normal course of business for the group. The service fees are not material in amount for BG Capital Corporation Limited. Having regard to the nature, scope and value of the services the Board has concluded that Mr Gibbs retains independence of character and judgement.

Each Director has the right to seek independent professional advice at the group's expense. The Board's prior consent to obtaining such advice is required. The Director concerned does not participate in the Board's consideration of its consent.

The Chairman

The Chairman's responsibilities are expressly identified in the Board's Charter. The Chairman, Mr Geoffrey Moles, is responsible for ensuring that the Board receives timely, clear and relevant information to facilitate the efficient organisation and conduct of the Board's duties in regard to strategic direction, in regard to governance and in regard to monitoring the performance of management. He is also responsible for ensuring that procedures to assess the performance of the Board and Directors are operating; facilitating Board discussion and the effective contribution of all Directors; and overseeing representations to and communications with the shareholders.

Board Committees

The Board has two formally constituted committees, the Board Audit, Risk and Compliance Committee, and the Board Remuneration and Nominations Committee.

The Board Audit, Risk and Compliance Committee operates under a charter approved by the Board. Its objectives are to assist the Board in safeguarding integrity in financial reporting; making timely and balanced disclosure to shareholders, and potential shareholders in accordance with the principles of continuous disclosure; and recognising and managing risk. It comprises a minimum of three Directors all of whom are, and are to be, independent Non-Executive Directors.

The members of the Committee during the year were:

- Mr Peter D. Bunting (Chairman)
- Mr Lawrence J. Gibbs
- Ms Penelope Morris

Qualifications of Committee members are set out on pages 18-19 of the Directors' Report.

The Committee, which is accountable to the Board, is required by its Charter to meet at least four times per year and has done so. Details of the number of meetings of the Committee held during the year, and the attendees at those meetings, are set out on page 26 of the Directors' Report.

The responsibilities of the Board Audit, Risk and Compliance Committee are delegated by the Board and include:

- monitoring the integrity of statutory reporting and reviewing, with recommendations, the policies and disclosures inherent in the half-year and full-year accounts;
- reviewing and approving financial policies and procedures so as to ensure the effectiveness of financial management and reporting; the completeness of compliance obligations; and adherence with continuous disclosure requirements;
- monitoring and appropriately advising the Board in relation to related party transactions;
- monitoring and assessing the group's internal control frameworks and risk management strategies and processes, including recommending insurance strategy;

- overseeing the scope, cost and performance of external audit; and directing the strategies and scope of internal audit;
- recommending the appointment of external auditors and monitoring the independence of external auditors.

The Board Remuneration and Nominations Committee operates under a Charter approved by the Board. The Committee's objective is to assist the Board in the consideration of personnel and remuneration issues within the group. The Committee comprises a minimum of three Directors, a majority of whom are, and are to be, Non-Executive Directors:

The members of the Committee during the year were:

- Mr Geoffrey J. Moles (Chairman)
- Mr Peter D. Bunting
- Mr Lawrence J. Gibbs

The Committee, which is accountable to the Board, is required by its Charter to meet at least twice per year and has done so. Details of the number of meetings of the Committee held during the year, and the attendees at those meetings, are set out on page 26 of the Directors' Report.

The responsibilities of the Board Remuneration and Nominations Committee are delegated by the Board and include:

- recommending the structure and constituency of the Board such that it has the effective composition, size and commitment to properly discharge its responsibilities and duties;
- ensuring appropriate Board succession planning, including identification, induction and training of new Directors as required;
- performance assessment in relation to the Board and individual Directors;
- assisting the Chairman in relation to the efficacy of Board processes;
- recommending Chairman and Non-Executive Director remuneration;
- recommending remuneration framework and levels for the Managing Director and other senior management;
- assisting the Chairman in relation to performance goals for, and assessment of, the Managing Director and senior management;
- policies and procedures regarding the senior management team for recruitment, retention, remuneration, training and succession planning;
- policies on superannuation arrangements for the group.

For details on the amount of remuneration, and all monetary and non-monetary components for each of the highest paid Executives who were not Directors during the year, and for all Directors, refer to pages 21-25 of the Directors' Report. In relation to the payment of bonuses, options, and other incentive payments, discretion is exercised by the Board having regard to the overall performance of the group and the performance of the individual during the period.

There is no scheme to provide retirement benefits to Non-Executive Directors, other than statutory superannuation.

External Auditors

The group's policy is to appoint external auditors who are independent and who demonstrate that independence.

An analysis of fees paid to the external auditors, including a breakdown of fees for non-audit services, is provided in the Directors' Report and in notes to the Financial Statements. It is the policy of the external auditors to provide an annual declaration of their independence to the Board and to explain the basis upon which non-audit services do not impair their independence.

The external auditor will attend the Annual General Meeting and will be available to answer shareholder questions about the conduct of the audit and preparation, and the content of the Audit Report.

Statement by Managing Director and Chief Financial Officer

The Managing Director and the Chief Financial Officer have stated, in writing, to the Board that the group's financial statements for the year ended 30 June 2007 present a true and fair view in all material respects of the group's financial position and its operations for the year, and that they are in accordance in all material respects with all relevant accounting standards. The Managing Director and the Chief Financial Officer have further stated to the Board in writing that the group's records have been properly maintained under law; that the financial statements are underpinned by sound systems of risk management and internal controls which are operating effectively in all material respects; and that there are no post 30 June 2007 events which would materially impact the effectiveness of those systems.

Ethical Standards

The Board has adopted a Code of Conduct applicable to all Directors and to all employees. The Code directs standards of behaviour and of interpersonal dealings. Within the letter and spirit of the Code, the Directors and all employees are expected to act lawfully, in a professional manner, and with the utmost integrity and objectivity in their dealings with clients, contractors, candidates and competitors, the community and each other, striving at all times to enhance the reputation and performance of the group.

The group has implemented a 'tip-off' or whistleblower policy empowering employees to report instances of workplace misconduct. The procedures are protective of the interests and concerns of employees who are genuinely exposed to such instances.

Occupational Health and Safety

The group recognises the importance of occupational health and safety issues and is committed to the highest level of performance. The Risk Committee, constituted by senior management and monitored by the Board Audit, Risk and Compliance Committee, facilitates the systematic identification of issues relevant to all workers under the group's responsibility, and ensures effective management of them.

Transactions in Shares of the Group

Directors and employees of the group are not permitted to undertake any transactions in relation to shares in the group in the period between the end of the financial half or full year until the release of the financial information relating to that period. Directors and employees of the group are further prohibited from undertaking transactions involving the group's shares at any time whilst in possession of information which is not in the public domain and which could reasonably lead to a change in the share price of the group.

Shareholders

The Board aims to ensure that shareholders are informed of all major developments affecting the group's state of affairs.

Information is communicated to shareholders through the following channels:

- the Annual Report is distributed to all shareholders and includes relevant information about the operations of the group during the year, changes in the state of affairs of the group and details of future developments, in addition to other disclosures required by the Corporations Act 2001;
- announcements are made to the Australian Stock Exchange in respect of annual and half-yearly results, and on other occasions when the group becomes aware of information that might materially affect the price of its shares; and
- the use of the website www.candle.com.au to publish releases by the group.

Directors' Report



Directors



Geoffrey J. Moles

Executive Chairman

Geoffrey Moles has over 35 years' commercial experience in information technology (IT) and recruitment at senior management levels. In 1984, he established Candle Computer Services Pty Ltd which became Candle Australia Limited when listed on the ASX in 1997. Prior to Candle, Geoff worked in the IT industry with Burroughs Limited and Datec Pty Limited (now DMR), one of Australia's leading systems integration companies.

He is Chairman of the Board Remuneration and Nominations Committee.



Robert J. Collins

Managing Director

Robert Collins was Managing Director of Candle Australia Limited at the date of this report. He was, until 30 June 2005, on the Board of Commissioners at the Health Insurance Commission which administers Government programmes, including Medicare and the PBS System. Previously, he was CEO of FreeOnLine Holdings Limited, prior to which he was also CEO of Icon Recruitment Pty Limited and Ajilon Australia Pty Limited, companies owned by the worldwide Adecco Group. He was Managing Director of Information Builders Pty Limited, the local subsidiary of the worldwide Information Builders Inc.

Robert is a Fellow of the Australian Institute of Management and Australian Institute of Company Directors and was founding President of the Information Technology Contracting and Recruiting Association. He holds a Bachelor of Science from Monash University.

Robert resigned as Managing Director on 28 August 2007.

Lawrence J. Gibbs

Non-Executive Director

Lawrence Gibbs is currently Managing Director of BG Capital Corporation Limited, an independent investment banking firm. Lawrence was previously Executive Director and Head of Investment Banking at Burdett Buckeridge & Young Limited, a well known Australian stockbroking and investment banking firm. He has 32 years' experience in the financial services industry, including senior executive positions in funds management, corporate advisory, investment banking and stockbroking. Lawrence is a Director of private investment companies and holds a Bachelor of Economics.

He is also a member of the Board Audit, Risk and Compliance Committee, and the Board Remuneration and Nominations Committee.



Peter D. Bunting

Non-Executive Director

Peter Bunting, LLB FCA, worked for 30 years in the accounting profession with 16 years as a Partner at Deloitte. From 2000 to 2005 he was Chairman of the Health Insurance Commission, a major Federal Government agency, delivering health programmes, including Medicare and the PBS. He is a Director of several unlisted companies.

Peter is Chairman of the Board Audit, Risk and Compliance Committee, and is a member of the Board Remuneration and Nominations Committee.



Penelope Morris

Non-Executive Director

Penny Morris, AM, has been a professional company director since 1994 serving on a diverse range of public company and Government enterprise boards. She is currently a Director of Aristocrat Leisure Limited, Mirvac Limited, the NSW Institute of Teachers and the Bowel Cancer & Digestive Research Institute Australia. Prior to this period, Penny held senior executive positions with Lend Lease in Sydney, and the Commonwealth Government in Canberra. Penny has a Bachelor of Architecture (Hons), a Master of Environmental Science, and Diplomas of Company Directorship and International Company Directorship.

Penny is also a member of the Board Audit, Risk and Compliance Committee.



Your Directors present their report on Candle Australia Limited (the 'Parent Entity') and its controlled entities (the 'group') for the financial year ended 30 June 2007.

Directors

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

Geoffrey J. Moles	Executive Chairman
Robert J. Collins	Managing Director
Lawrence J. Gibbs	Non-Executive Director
Peter D. Bunting	Non-Executive Director
Penelope Morris	Non-Executive Director

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

Principal Activities

The principal activities of the group during the financial year were the delivery of recruitment services through four specialist brands providing technical, executive and office support personnel within Australia, New Zealand and Asia.

There were no significant changes in the nature of the group's principal activities during the financial year.

Operating Results

The consolidated profit of the group, after providing for income tax for the financial year, amounted to \$13,551,000 (2006: \$11,707,000).

Dividends Paid or Recommended

Dividends paid to members during the financial year were as follows:

	2007 \$000	2006 \$000
A fully franked final dividend of 9.0 cents per share, and a fully franked special dividend of 2.0 cents per share, were paid on 15 September 2006.	5,608	3,730
A fully franked interim dividend of 9.0 cents per share was paid on 16 March 2007.	4,753	3,942

On 28 August 2007 the Directors resolved to declare a fully franked final dividend of 10.0 cents per share, to be paid on 14 September 2007, amounting to \$5,344,000.

Review of Operations

Profit from ordinary activities after tax was \$13,551,000, up 16% on 10% higher revenues compared to the previous year. In addition to the positive contribution from the current year acquisitions, there has been significant growth within the existing businesses. Further information is included in the Managing Director and Chairman's Report in the Annual Report.

Financial Position

The net assets of the group have increased by \$12,884,000 from 30 June 2006. This increase has been the result of the following:

- continuation of the company's acquisition strategy with the acquisition of the Asian operations of E.L Consult; and
- strong profit growth from the business and from recent acquisitions.

Overall the group is in a sound position with undrawn financing facilities and the potential to raise further capital as and when required. The Directors believe the group is in a financial position to continue to grow both organically and through acquisition.

Significant Changes in State of Affairs

There were no significant changes in the state of affairs of the group during the financial year, other than the acquisition of the business referred to above.

Future Developments

The likely developments in the operations of the group, and the expected results of those operations in financial years subsequent to the year ended 30 June 2007, are included in greater detail in the Managing Director and Chairman's Report in the Annual Report.

These developments, together with the current strategy of continuous productivity improvement, are expected to assist in the achievement of the group's long-term goals.

After Balance Date Events

On 12 July 2007 Candle Australia Limited entered into an agreement to acquire the IT services business and assets of the JAV IT Group. A deposit of \$4 million was paid on 15 August 2007. The total purchase price, subject to future performance, will be approximately \$8 million.

On 17 July 2007 Candle Australia Limited entered into an agreement to acquire all of the issued shares in Reality Check Pty Limited. The total purchase price, subject to future performance, will be approximately \$1 million.

On 28 August 2007 the Company resolved to pay a fully franked final dividend of 10.0 cents per share on 14 September 2007.

On 30 July 2007 Diana Eilert was appointed Chief Executive Officer to replace Robert Collins who stood down on 28 August.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the group, the results of those operations, or the state of affairs of the group in subsequent financial years.

Environmental Issues

The group's operations are regulated by the relevant Commonwealth and State legislation. The nature of the Parent Entity's business does not give rise to any significant environmental issues.

Directors' Interests in Shares and Options

At the date of this report, the particulars of shares and options in which each Director has a relevant interest either directly or indirectly are:

- Geoffrey J. Moles
1,796,825 ordinary shares
- Robert J. Collins
1,393,500 ordinary shares and options to acquire a further 1,800,000 ordinary shares.
- Lawrence J. Gibbs
45,275 ordinary shares
- Peter D. Bunting
7,500 ordinary shares

Company Secretary

Nicholas Geddes, FCA FCIS, was appointed Company Secretary on 18 November 1996. Mr Geddes is the Principal of Australian Company Secretaries, a company secretarial practice that he formed in 1993. Nicholas is a member of the National Council of Chartered Secretaries Australia and Chairman of the NSW branch of that Institute. His previous experience as a Chartered Accountant and Company Secretary includes investment banking, and development and venture capital in Europe, Africa, the Middle East and Asia. Nicholas is a Fellow of the Institute of Company Secretaries in Australia and a Fellow of the Institute of Chartered Accountants in England and Wales.

Remuneration Report

The remuneration report is set out under the following headings:

- (a) Non-Executive Director Remuneration
- (b) Principles used to Determine the Nature and Amount of Executive Remuneration
- (c) Details of Remuneration
- (d) Employment Contracts
- (e) Share-Based Payments

The information provided under these headings includes remuneration disclosures that are required under Accounting Standard AASB 124 Related Party Disclosures. These disclosures have been transferred from the financial report and have been audited.

(a) Non-Executive Director Remuneration

The Board policy is to remunerate Non-Executive Directors at market rates for comparable companies for time, commitment and responsibilities. The Remuneration and Nominations Committee determines payments to the Non-Executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to Non-Executive Directors is subject to approval by shareholders at the Annual General Meeting. Fees for Non-Executive Directors are not linked to the performance of the group. Non-Executive Directors do not receive options.

(b) Principles used to Determine the Nature and Amount of Executive Remuneration

Executive Remuneration Policy

The Executive Remuneration Policy, setting the terms and conditions for the Managing Director and other Senior Executives (excluding the Executive Chairman), was developed by the Board Remuneration and Nominations Committee and approved by the Board after seeking professional advice from independent external consultants. All Executives receive a base salary (which is based on factors such as length of service and experience), superannuation, fringe benefits, options and performance incentives. The Remuneration and Nominations Committee reviews Executive remuneration annually by reference to the group's performance, Executive performance and comparable information from industry sectors and other listed companies in similar industries.

The Executive Remuneration Policy has been designed to align Executive and shareholder interests and objectives. The Board believes the Executive Remuneration Policy to be appropriate and effective in attracting and retaining skilled Executives to run and manage the business.

The performance of Executives is measured against criteria agreed annually with each Executive, and the criteria are based predominantly on the forecast growth of the group's profits and shareholder value. All bonuses and incentives must be linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to approving incentives, bonuses and options, and can recommend changes to the committee's recommendations. Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract skilled Executives and reward them for performance that results in long-term growth in shareholder wealth.

Executives are also entitled to participate in the employee share option arrangements.

The Non-Executive Directors and Executives are entitled to a superannuation guarantee contribution required by the Government and do not receive any other retirement benefits.

All remuneration paid to Executives is valued at cost to the Parent Entity and expensed. Options are valued using the American call option pricing methodology.

Performance-Based Remuneration

As part of the Managing Director and Senior Executives' remuneration package there is a performance-based component, related to key performance indicators (KPIs).

The intention of this programme is to facilitate congruence of goals between Executives and those of the business and shareholders. The KPIs are set annually, with a degree of consultation with Executives to ensure their commitment.

The measures are specifically tailored to the areas in which each Executive is involved and over which they have control.

The KPIs target areas the Board believes hold greater potential for the group's expansion and profitability, covering financial and non-financial, as well as short-term and long-term goals. The level set for each KPI is based on budgeted figures for the group, and respective industry standards.

Performance in relation to the KPIs is assessed annually, with bonuses being awarded depending on the number and deemed difficulty of the KPIs achieved. Following the assessment, the KPIs are reviewed by the Remuneration and Nominations Committee in light of the desired and actual outcomes, and their efficiency is assessed in relation to the group's goals and shareholder wealth before the KPIs are set for the following year.

In determining whether or not a KPI has been achieved, the Parent Entity bases the assessment on audited figures. However, where the KPI involves comparison of the group, or a division within the group to the market, independent reports are obtained from organisations such as Standard & Poors.

Options Issued as Part of Remuneration

Options are issued to the Managing Director and Senior Executives as part of their remuneration. The issue of options is not based on performance criteria alone, as they are also issued to encourage staff retention within the group. The key goal is to increase congruence of goals between Executives, staff, Directors and shareholders.

(c) Details of Remuneration for Directors and Key Management Personnel

Directors' Remuneration

Parent Entity		Short-Term Employee Benefits			Post-Employment Benefits	Share-Based Payments	
		Salary	Directors' Fees	Bonus	Super-annuation	Total Remuneration paid	Annualised Value
		\$	\$	\$	\$	\$	\$
Geoffrey J. Moles	2007	128,214	-	-	9,219	137,433	-
	2006	209,305	-	-	12,139	221,444	-
Robert J. Collins	2007	490,984	-	235,699	15,858	742,541	28,757
	2006	466,985	-	185,000	12,139	664,124	79,054
Lawrence J. Gibbs	2007	-	49,403	-	4,446	53,849	-
	2006	-	45,871	-	4,129	50,000	-
Peter D. Bunting	2007	-	58,040	-	5,223	63,263	-
	2006	-	47,194	-	4,247	51,441	-
Penelope Morris	2007	-	51,349	-	-	51,349	-
	2006	-	40,546	-	-	40,546	-

Remuneration of Key Management Personnel

Group		Short-Term Employee Benefits		Post-Employment Benefits	Total Remuneration Paid	Share-Based Payments
		Salary	Bonus	Super-annuation		Annualised Value
		\$	\$	\$		\$
Mark A. Langan	2007	194,479	27,500	14,148	236,127	19,632
	2006	187,738	25,000	12,139	224,877	12,148
Kym L. Quick	2007	216,999	50,000	11,821	278,820	45,799
	2006	199,998	40,000	12,139	252,137	7,537
Jane A. Bianchini	2007	207,861	219,998	14,995	442,854	37,498
	2006	27,714	-	2,494	30,208	-
Paul A. Barbaro	2007	204,064	150,000	13,138	367,202	37,498
	2006	-	-	-	-	-

Jane A. Bianchini was appointed on 15 May 2006.
Paul A. Barbaro was appointed on 29 August 2006.

The relative proportions of the remuneration that are linked to performance and those that are fixed are as follows:

Relative Proportions of Remuneration

Directors		Fixed Remuneration	At Risk – STI	At Risk – LTI
Geoffrey J. Moles	2007	100%	-	-
	2006	100%	-	-
Robert J. Collins	2007	65%	31%	4%
	2006	64%	25%	11%
Lawrence J. Gibbs	2007	100%	-	-
	2006	100%	-	-
Peter D. Bunting	2007	100%	-	-
	2006	100%	-	-
Penelope Morris	2007	100%	-	-
	2006	100%	-	-
Key Management Personnel				
Mark A. Langan	2007	81%	11%	8%
	2006	84%	11%	5%
Kym L. Quick	2007	71%	15%	14%
	2006	82%	15%	3%
Jane A. Bianchini	2007	46%	46%	8%
	2006	100%	-	-
Paul A. Barbaro	2007	54%	37%	9%
	2006	-	-	-

The basis of the performance-based bonus is described in note (b) above. As the overall performance of the group exceeded the targets and KPIs within the financial year, 100% of the available bonus was achieved (2006: 100%).

(d) Employment Contracts

Remuneration and other terms of employment for the Managing Director and other key management personnel are formalised in contracts of employment. Each of these agreements provide for the remuneration terms, including the provision of performance-related cash bonuses and other benefits.

There are no specified lengths of service included within the contract. The Managing Director's contract may be terminated by either party with six months' notice. All other contracts with key management personnel may be terminated by either party with between two weeks' and two months' notice.

(e) Share-Based Payments

Non-cash benefits include the annualised value of the options granted over unissued ordinary shares during the financial year valued using the American call option pricing model. Options vest over four financial years and only on the satisfaction of a performance hurdle.

Option Holdings

Directors	Balance 01/07/2006	Granted	Exercised	Other Change	Balance 30/06/2007	Vested 30/06/2007
Geoffrey J. Moles	-	-	-	-	-	-
Robert J. Collins	2,400,00	-	600,000	-	1,800,000	600,000
Lawrence J. Gibbs	-	-	-	-	-	-
Peter D. Bunting	-	-	-	-	-	-
Penelope Morris	-	-	-	-	-	-
Key Management Personnel						
Mark A. Langan	530,000	100,000	286,666	-	343,334	10,000
Kym L. Quick	271,000	500,000	-	-	771,000	127,666
Jane A. Bianchini	-	500,000	-	-	500,000	-
Paul A. Barbaro	-	500,000	-	-	500,000	-
Total	3,201,000	1,600,000	886,666	-	3,914,334	737,666

Options over unissued ordinary shares that were granted by the Parent Entity to key management personnel as part of their remuneration during the financial year pursuant to the rules of the Share Option Plan are as follows:

- 100,000 options, at an exercise price of \$3.30 expiring on 28 September 2010, were granted to Mark A. Langan. The total value at the grant date was \$22,333 and the options will vest over four years. Fair value of the options at grant date was 38 cents each.
- 500,000 options, at an exercise price of \$3.30 expiring on 28 September 2010, were granted to Kym L. Quick. The total value at grant date was \$111,666 and the options will vest over four years. Fair value of the options at grant date

was 38 cents each.

- 500,000 options, at an exercise price of \$3.30 expiring on 28 September 2010, were granted to Jane A. Bianchini. The total value at grant date was \$111,666 and the options will vest over four years. Fair value of the options at grant date was 38 cents each.
- 200,000 options, at an exercise price of \$3.30 expiring on 28 September 2010 and 300,000 options at an exercise price of \$3.30 expiring on 24 April 2011, were granted to Paul A. Barbaro. The total value at grant date was \$111,666 and the options will vest over four years. Fair value of the options at grant date was 38 cents and 44 cents respectively.

Shareholdings

Directors	Balance 01/07/2006	Received as Remuneration	Options Exercised	Other Change	Balance 30/06/2007
Geoffrey J. Moles	2,757,212	-	-	(960,387)	1,796,825
Robert J. Collins	793,500	-	600,000	-	1,393,500
Lawrence J. Gibbs	42,681	-	-	2,594	45,275
Peter D. Bunting	7,500	-	-	-	7,500
Penelope Morris	-	-	-	-	-
Key Management Personnel					
Mark A. Langan	-	-	286,666	(286,666)	-
Kym L. Quick	-	-	-	-	-
Jane A. Bianchini	2,500	-	-	153	2,653
Paul A. Barbaro	-	-	-	-	-
Total	3,603,393	-	886,666	(1,244,306)	3,245,753

Shares Issued on Exercise of Options during the Year

	No. of Shares Issued	Amount Paid per Share	Amount Unpaid per Share
Directors		\$	\$
Robert J. Collins	600,000	1.00	-
Key Management Personnel			
Mark A. Langan	200,000	0.76	-
	20,000	1.61	-
	66,666	2.08	-
Kym L. Quick	-	-	-
Jane A. Bianchini	-	-	-
Paul A. Barbaro	-	-	-

Meetings of Directors

During the financial year thirteen meetings of Directors were held. Attendances were:

Directors	Number of Meetings Held while a Director	Number of Meetings Attended
Geoffrey J. Moles	13	13
Robert J. Collins	13	13
Lawrence J. Gibbs	13	13
Peter D. Bunting	13	13
Penelope Morris	13	13

Board Audit, Risk and Compliance Committee Meetings

During the financial year five Committee meetings were held. Attendances were:

Directors	Number of Meetings Held while a Director	Number of Meetings Attended
Lawrence J. Gibbs	5	5
Peter D. Bunting	5	5
Penelope Morris	5	5

Board Remuneration and Nominations Committee Meetings

During the financial year three Committee meetings were held. Attendances were:

Directors	Number of Meetings Held while a Director	Number of Meetings Attended
Geoffrey J. Moles	3	3
Lawrence J. Gibbs	3	3
Peter D. Bunting	3	3

Indemnifying Officers and Auditors

The Parent Entity has not, during or since the end of the financial year, in respect of any person who is or has been an officer or auditor of the Parent Entity or a related body corporate:

- indemnified or made any relevant agreement for indemnifying against a liability incurred as an officer, including costs and expenses in successfully defending legal proceedings; or
- paid or agreed to pay a premium in respect of a contract insuring against a liability incurred as an officer for the costs of expenses to defend legal proceedings;

with the exception of the following:

- during the year the Parent Entity paid a premium to insure the Directors listed in this report against liabilities for the costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of Directors of the Parent Entity. The terms of the policy prohibit disclosure of the premium paid; and
- the Parent Entity has entered into deeds of indemnity, insurance and access with each of the Directors and the Company Secretary. These were approved by shareholders at the 2001 Annual General Meeting. The indemnity will only indemnify a Director to the extent permitted by the law and the Parent Entity's constitution.

Directors' Benefits

No Director has received or become entitled to receive, during or since the end of the financial year, a benefit arising from a contract made by the Parent Entity, a controlled entity or a related body corporate with a Director, a firm of which a Director is a member, or an entity in which a Director has a substantial financial interest other than as disclosed in note 7 of the financial statements.

This statement excludes a benefit included in the aggregate amount of emoluments received, or due and receivable by Directors and shown in the Company's financial statements, or the fixed salary of a full-time employee of the Parent Entity, controlled entity or a related body corporate.

Proceedings on Behalf of the Parent Entity

No person has applied for leave of Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Parent Entity, or to intervene in any proceeding to which the Parent Entity is a party for the purpose of taking responsibility on behalf of the Parent Entity for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Parent Entity with leave of the Court under section 237 of the Corporations Act 2001.

Non-Audit Services

The Board of Directors, in accordance with the advice from the Board Audit, Risk and Compliance Committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- the nature and scope of all non-audit services are reviewed and approved by the Board Audit, Risk and Compliance Committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided does not compromise the general principles relating to auditor independence as set out in the Institute of Chartered Accountants in Australia and CPA Australia's Professional Statement F1: Professional Independence.

The following fees for non-audit services were paid to the external auditors during the year ended 30 June 2007:

Taxation services	\$11,814
Business services	\$5,227
Total	\$17,041

Auditor's Independence

The lead Auditor's Independence Declaration for the year ended 30 June 2007 has been received and can be found below.

Rounding of Amounts

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 Directors' 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 28th day of August 2007.

Auditor's Independence Declaration

As lead auditor for the audit of Candle Australia Limited and controlled entities for the year ended 30 June 2007, 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 relation to the audit.

This declaration is in respect of Candle Australia Limited and the entities it controlled during the period.

WHK Horwath

B Hatchman

Dated at Sydney this 28th day of August 2007.

Financial Statements



Income Statement for Year Ended 30 June 2007

	Note	Group		Parent Entity	
		2007 \$000	2006 \$000	2007 \$000	2006 \$000
Revenues from continuing operations	3	297,906	270,328	251,848	221,018
On hired labour costs		(225,055)	(207,348)	(197,962)	(178,866)
Employee benefits expense		(38,379)	(33,357)	(25,725)	(21,854)
Depreciation and amortisation expense	4	(1,648)	(1,766)	(1,022)	(1,152)
Operating rental expense		(2,543)	(2,162)	(1,424)	(1,332)
Borrowing costs expense	4	(426)	(95)	(402)	(101)
Other expenses		(10,232)	(8,520)	(9,380)	(5,983)
Profit before income tax		19,623	17,080	15,933	11,730
Income tax expense	5, 30	(6,072)	(5,373)	(4,778)	(3,868)
Profit for the year attributable to the members of Candle Australia Limited		13,551	11,707	11,155	7,862
Basic earnings per share (cents per share)	9, 30	26.0	24.2		
Diluted earnings per share (cents per share)	9, 30	24.0	22.4		

The above Income Statement should be read in conjunction with the accompanying notes.

Balance Sheet as at 30 June 2007

	Note	Group		Parent Entity	
		2007 \$000	2006 \$000	2007 \$000	2006 \$000
Current Assets					
Cash assets and cash equivalents	11	2,948	4,087	782	1,713
Trade and other receivables	12	50,753	49,085	50,198	41,564
Deferred tax assets	13	2,376	2,231	1,860	1,608
Total Current Assets		56,077	55,403	52,840	44,885
Non-Current Assets					
Trade and other receivables	12	-	-	5,190	4,758
Property, plant and equipment	14	2,723	3,249	1,679	1,967
Other financial assets	15	-	-	25,234	30,762
Intangible assets	17	62,477	56,711	23,618	23,523
Total Non-Current Assets		65,200	59,960	55,721	61,010
Total Assets		121,277	115,363	108,561	105,895
Current Liabilities					
Trade and other payables	18	29,409	38,809	25,522	34,909
Bank overdraft	10	2,847	-	2,847	-
Current tax liabilities	19	1,448	1,797	749	1,778
Provisions	20	2,002	1,953	1,079	796
Total Current Liabilities		35,706	42,559	30,197	37,483
Non-Current Liabilities					
Trade and other payables	18	24	22	-	-
Deferred tax liabilities	19	10	-	-	-
Provisions	20	956	1,085	713	704
Total Non-Current Liabilities		990	1,107	713	704
Total Liabilities		36,696	43,666	30,910	38,187
Net Assets		84,581	71,697	77,651	67,708
Equity					
Contributed equity	21	62,921	54,072	62,921	54,072
Reserves	22, 30	1,000	155	664	364
Retained profits	23, 30	20,660	17,470	14,066	13,272
Total Equity		84,581	71,697	77,651	67,708

The above Balance Sheet should be read in conjunction with the accompanying notes.

Statement of Changes in Equity for Year Ended 30 June 2007

	Note	Group		Parent Entity	
		2007 \$000	2006 \$000	2007 \$000	2006 \$000
Total equity at beginning of financial year		71,697	59,520	67,708	58,669
Exchange difference on translation of foreign operations	22	545	(707)	-	-
Net income recognised directly in equity		545	(707)	-	-
Profit for the year		13,551	11,707	11,155	7,862
Total recognised income and expense for the year		14,096	11,000	11,155	7,862
Dividends paid or provided for	6	(10,361)	(7,672)	(10,361)	(7,672)
Shares issued during year	21	8,849	8,631	8,849	8,631
Share-based payments	22	300	218	300	218
Total equity at end of financial year		84,581	71,697	77,651	67,708
Effect of amendment in previous year:					
Profit as reported in the 2006 financial report		13,551	11,809	11,155	7,964
Amendment	30	-	(102)	-	(102)
Restated profit		13,551	11,707	11,155	7,862

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Cash Flow Statements for Year Ended 30 June 2007

	Note	Group		Parent Entity	
		2007 \$000	2006 \$000	2007 \$000	2006 \$000
Cash Flow – Operating Activities					
Receipts from customers		327,163	316,802	277,245	260,009
Payments to suppliers and employees		(286,201)	(287,406)	(243,572)	(244,813)
Interest received		80	262	33	573
Interest and other borrowing costs paid		(426)	(95)	(402)	(101)
Income tax paid		(6,554)	(5,444)	(6,062)	(3,868)
GST paid		(19,678)	(17,520)	(16,670)	(8,233)
Net cash provided by operating activities	10	14,384	6,599	10,572	3,567
Cash Flow – Investing Activities					
Payment for purchase of business	29	(11,255)	(6,825)	(8,152)	(7,082)
Purchase of plant and equipment		(603)	(1,091)	(451)	(943)
Proceeds from disposal of non-current assets		27	-	27	-
Payments for software development and intangible assets		(458)	(193)	(380)	(185)
Net cash (used in) / provided by investing activities		(12,289)	(8,109)	(8,956)	(8,210)
Cash Flow – Financing Activities					
Loan to vendor of business		-	(400)	-	(457)
Loan from related party		-	690	1,005	2,550
Repayment of loan from vendor of business		-	(495)	-	-
Repayment of loan to vendor of business		205	-	-	-
Dividends paid to shareholders		(8,288)	(5,880)	(8,288)	(3,031)
Proceeds from the issue of shares		1,889	4,492	1,889	1,642
Net cash (used in) / provided by financing activities		(6,194)	(1,593)	(5,394)	704
Net increase / (decrease) in cash held		(4,099)	(3,103)	(3,778)	(3,939)
Cash at beginning of financial year		4,087	7,395	1,713	5,652
Effect of exchange rates on cash holdings in foreign currencies		113	(205)	-	-
Cash at end of financial year	11	101	4,087	(2,065)	1,713

The above Cash Flow Statements should be read in conjunction with the accompanying notes.

1. Statement of Significant Accounting Policies

The financial report is a general purpose financial report that has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS), Urgent Issues Consolidated Entity Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board, and the Corporations Act 2001.

The financial report is compliant with the International Financial Reporting Standards (IFRS) in their entirety.

The financial report covers the group comprising Candle Australia Limited and its controlled entities, and Candle Australia Limited as a Parent Entity. Candle Australia Limited is a listed public company, incorporated and domiciled in Australia.

The following is a summary of the material accounting policies adopted by the group in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Basis of Preparation

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, and financial assets and financial liabilities for which the fair value basis of accounting has been applied.

(a) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Candle Australia Limited as at 30 June 2007 and the results of all subsidiaries for year ended 30 June 2007. Candle Australia Limited and its subsidiaries together are referred to in this financial report as the group.

Subsidiaries are all those entities (including special purpose entities) over which the group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the group. Minority interest in the results and equity of subsidiaries are shown separately in the consolidated income statement and balance sheet respectively. Investments in subsidiaries are accounted for at cost in the individual financial statements of Candle Australia Limited.

Intercompany transactions, balances and unrealised gains on transactions between the group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

(b) Revenue Recognition

Contracting revenue is brought to account when the services are provided. Services provided but not yet billed are taken up as accrued revenue. Permanent recruitment revenue is brought to account on the following basis:

- (i) Executive positions – on signing of the contract of employment by each party
- (ii) Administration positions – on start date of the employee

Where the group provides only payroll services to clients, only the fee derived is accounted for in revenue.

(c) Income Tax

The charge for current income tax expense is based on profit for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account, or which may be realised in the future, is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by law.

Tax Consolidation Legislation

Candle Australia Limited and its wholly owned Australian subsidiaries have formed an income tax consolidated group under the Tax Consolidation Regime.

The head entity, Candle Australia Limited, and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand-alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Candle Australia Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from the controlled entities in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the group. Details about the tax funding agreement are disclosed in note 5.

(d) Employee Benefits

Provision is made for the group's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within one year, together with entitlements arising from wages and salaries and annual leave which will be settled after one year, have been measured as the amounts expected to be paid when the liability is settled, plus related on-costs. Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Contributions are made by the group to employee superannuation funds and are charged as expenses when incurred.

Share-Based Payments

Share options granted before 7 November 2002 and/or vested before 1 January 2005:

No expense is recognised in respect of these options.

Share options granted after 7 November 2002 and vested after 1 January 2005:

The fair value of options granted is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is independently determined using the American option call pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield, and the risk-free interest rate for the term of the option.

At each balance sheet date, the group revises its estimate of the number of options that are expected to become exercisable. The employee benefits expense recognised each period takes into account the most recent estimate. The impact of the revision to original estimates, if any, is recognised in the income statement with a corresponding adjustment to equity.

(e) Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset but not the legal ownership are transferred to the group, are classified as finance leases. Finance leases are capitalised, recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values. Leased assets are amortised over their estimated useful lives. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

(f) Intangible Assets

(i) Candidate Databases

Candidate databases represent the group's candidate databases that were acquired. These assets are recorded at their respective cost of acquisition, which were supported by independent valuations performed immediately prior to the respective acquisitions.

The candidate databases represent accumulated private and proprietary information regarding the technical resource base of the various businesses. They are amortised on a straight line basis over a period of two years from the date of acquisition.

The only candidate databases recorded in the balance sheet are those that were purchased. Therefore, the candidate databases for the ICT division in New South Wales and Australian Capital Territory, which were not purchased, have not been recorded.

The candidate databases are constantly updated as an integral part of the business and are the major basis for the generation of revenue and profit. All costs incurred in maintaining, upgrading and improving the candidate databases are expensed as incurred.

(ii) Goodwill

Goodwill is recorded initially at the amount by which the purchase price for a business exceeds the fair value attributed to its net assets at the date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill acquired in business combinations is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and carried at cost less accumulated impairment losses.

(iii) Software Development Costs

Software development costs are capitalised where future benefits are expected to contribute to future period financial benefit through revenue generation and/or cost reduction. Otherwise such costs are expensed in the period in which they are incurred. Capitalised software development costs include external direct cost of materials and services, direct payroll and payroll-related costs of every employee's time spent on the project. These costs are amortised on the basis of the expected useful life of the software. Unamortised costs are reviewed at each balance date to determine the amount (if any) that is no longer recoverable. Any amount so identified is written off.

(g) Business Combinations

The purchase method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued, or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the fair value of the instruments is their published market price at the date of exchange. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired, and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the net assets acquired is recorded as goodwill.

(h) Property, Plant and Equipment

Plant and equipment is brought to account at cost less, where applicable, any accumulated depreciation or amortisation. The carrying amount of property, plant and equipment is reviewed annually to ensure it is not in excess of the recoverable amount from these assets.

The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets' employment and subsequent disposal. The expected net cash flows have not been discounted to their present values in determining recoverable amounts.

The depreciable amount of all fixed assets, including capitalised leased assets, is depreciated over their useful lives to the group commencing from the time the asset is held ready for use. Leasehold improvements are amortised over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements. The cost method of accounting is used for all acquisitions of assets regardless of whether shares or other assets are acquired. Cost is determined as the fair value of the consideration at the date of acquisition plus costs incidental to the acquisition.

The gain or loss on disposal of all fixed assets is determined as the difference between the carrying amount of the asset at the time of disposal and the proceeds of disposal, and is included in operating profit before income tax of the group in the year of disposal.

The depreciation rates and methods used for each class of depreciable assets are:

Class of Asset	Rate	Method
Plant & Equipment	9% - 37.5%	Diminishing value
Leasehold Improvements	20% - 50%	Straight line

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

(i) Foreign Currency Transactions and Balances

(i) Functional and Presentation Currency

Items included in the financial statements of each of the entities that make up the group are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is Candle Australia Limited's functional and presentation currency.

(ii) Transactions and Balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement.

(iii) Candle Australia Limited Group Companies

The results and financial position of all the entities making up the group (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (b) income and expenses for each income statement are translated at average exchange rates unless this is not a reasonable approximation of the accumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions; and
- (c) all resulting exchange differences are recognised as a separate component of equity.

Goodwill and fair value adjustments arising from the acquisition of a foreign entity are treated as assets and liabilities of a foreign entity and translated at the closing rate.

(j) Cash

For the purpose of the statement of cash flows, cash includes:

- (i) cash on hand and at call deposits with banks or financial institutions, net of bank overdrafts;
- (ii) investments in money market instruments with less than 14 days to maturity; and
- (iii) bank overdrafts that are shown within borrowings in current liabilities on the balance sheet.

(k) Rounding of Accounts

The Parent Entity has applied the relief available under ASIC Class Order 98/100 and, accordingly, amounts in the Financial Report and Directors' Report have been rounded to the nearest thousand dollars.

(l) Trade Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will become insolvent, and default or delinquency in payments outside the trading terms are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. The amount of the provision is recognised in the income statement in other expenses.

(m) Financial Instruments

- (i) Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in the current assets, except for those with maturities greater than 12 months after balance sheet date which are classified as non-current assets. Loans and receivables are included in receivables in the balance sheet.
- (ii) Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the group's management has the positive intention and ability to hold to maturity.

Loans and receivables and held-to-maturity investments, where applicable, are carried at amortised cost using the effective interest method.

(n) Provisions

Provisions are recognised when the group has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability.

(o) Dividends

A provision is recognised for dividends when they have been declared, determined or publicly recommended by the Directors on or before the end of the year, but not distributed at balance date.

(p) Financial Liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

(q) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST. The GST components of cash flows arising from investing or financing activities, which are recoverable from or payable to the taxation authority, are presented as operating cash flows.

(r) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(s) Earnings Per Share

- (i) Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Parent Entity, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the year, adjusted for bonus elements in ordinary shares issued during the year.
- (ii) Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the dilutive effect of outstanding employee options. The adjustment takes account of the weighted average income tax effect of interest and other associated financing costs.

(t) Critical Accounting Estimates and Judgements

Estimates and judgements incorporated in the financial statements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(i) Estimated Impairment of Goodwill

The group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy in note 1(f). The recoverable amounts of cash generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions. Refer to note 17 for details of these assumptions and the potential impact of changes in these assumptions.

(ii) Income Taxes

The group is subject to income taxes in Australia and in jurisdictions where it has foreign operations. Significant judgement is required in determining the group provision for income taxes. The group recognises liabilities for anticipated tax based on estimates of whether any additional taxes are due.

(u) Financial Risk Management

The group's activities expose it to a variety of financial risks:

(i) Credit Risk

The group has no significant concentration of credit risk. The group has policies in place to ensure that sales are made to customers with an appropriate credit history.

(ii) Liquidity Risk

Due to the dynamic nature of the underlying business, the group aims to maintain flexibility in funding by ensuring sufficient cash and committed credit lines are available.

(iii) Cash Flow and Fair Value Interest Rate Risk

As the group has no significant interest-bearing assets or liabilities, the income and operating cash flows are not materially exposed to changes in interest rates. The group regularly reviews its financial position to ensure that there are no potential exposures.

(v) Segment Reporting

A business segment is identified for a group of assets and operations engaged in providing services that are subject to risks and returns that are different to those of other business segments. A geographical segment is identified when services are provided within a particular economic environment subject to risks and returns that are different from those of segments operating in other economic environments.

(w) New Accounting Standards and Interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2007 reporting periods. The group and Parent Entity's assessment of the impact of these new standards and interpretations is set out below:

- (i) AASB 7 Financial Instruments: Disclosures and AASB 2005-10 Amendments to Australian Accounting Standards [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 & AASB 1038]
AASB 7 and AASB 2005-10 are applicable to annual reporting periods beginning on or after 1 January 2007. The group has not adopted the standards early. Application of the standards will not affect any of the amounts recognised in the financial statements, but may impact the type of information disclosed.
- (ii) AASB-I 10 Interim Financial Reporting and Impairment
AASB-I 10 is applicable to reporting periods commencing on or after 1 November 2006. The group has not incurred an impairment loss covered by this standard. Hence application of the interpretation will have no impact on the group's or the Parent Entity's financial statements.
- (iii) AASB 8 Operating Segments. AASB 8 replaces the presentation requirements of segment reporting periods beginning on or after 1 January 2009 and is not expected to have an impact on the financial results of the Parent Entity and the group as the standard is only concerned with disclosures.

2. Segment Reporting

a) Segments

Geographic Segments	Australia		New Zealand		Asia		Group	
	2007	2006	2007	2006	2007	2006	2007	2006
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Revenue								
External sales	279,575	257,245	15,128	12,775	2,412	-	297,116	270,020
Other revenue	471	270	314	38	6	-	790	308
Total segment revenue	280,046	257,515	15,442	12,813	2,418	-	297,906	270,328
Results								
Segment result before tax and intercompany charges	17,952	16,055	1,324	1,025	347	-	19,623	17,080
Intercompany charges	485	510	(485)	(510)	-	-	-	-
Segment result before taxation	18,437	16,565	839	515	347	-	19,623	17,080
Income tax expenses							(6,072)	(5,373)
Net profit for the year							13,551	11,707
Segment assets	100,147	103,443	8,134	6,974	7,668	-	121,277	110,417
Segment liabilities	31,401	37,605	1,491	1,115	3,804	-	36,696	38,720
Intercompany balances	5,238	4,945	(5,053)	(4,945)	(3,596)	-	-	-
Net assets							84,581	71,697
Acquisitions of non-current segment assets	709	1,230	19	85	2	-	730	1,315
Depreciation and amortisation	1,564	1,690	57	76	27	-	1,648	1,766

b) Segment accounting policies. Segment information is prepared in accordance with the accounting policies of the entity as disclosed in note 1 and accounting standard AASB 114: Segment Reporting. During the year, there were no changes in segment accounting policies that had a material effect on the segment information, other than the inclusion of the geographic segment, Asia, as a result of the acquisition of the Asian operations of E.L Consult.

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

(d) The pricing of inter-segment transactions is the same as prices charged on transactions with parties outside the group. Such transactions are eliminated on consolidation.

3. Revenue

	Note	Group		Parent Entity	
		2007 \$000	2006 \$000	2007 \$000	2006 \$000
From Continuing Operations					
Sales revenue		297,405	270,020	245,251	220,399
Interest received	3(a)	80	262	394	573
Unrealised gain on loan to controlled entity		-	-	495	-
		297,485	270,282	246,140	220,972
Other Revenue					
Software royalties		394	46	394	46
Sale of fixed assets		27		27	-
Dividend from wholly owned subsidiary		-	-	5,287	-
		421	46	5,708	46
Total revenue		297,906	270,328	251,848	221,018
3(a) Interest Revenue from:					
Wholly owned subsidiaries		-	-	361	389
Other persons		80	262	33	184
Total interest revenue		80	262	394	573

4. Expenses

	Note	Group		Parent Entity	
		2007 \$000	2006 \$000	2007 \$000	2006 \$000
Profit before income tax includes the following specific expenses:					
Finance Costs					
Other persons		426	95	402	90
Wholly owned subsidiaries		-	-	-	11
Total borrowing costs & expenses		426	95	402	101
Depreciation of Non-Current Assets					
Plant and equipment		888	789	593	471
Amortisation of Non-Current Assets					
Leasehold improvements		242	215	144	139
Capitalised computer software		260	294	246	294
Candidate databases		258	468	39	248
Total amortisation		760	977	430	681
Total depreciation and amortisation expense		1,648	1,766	1,022	1,152
Bad and doubtful debts - trade debtors		(8)	10	(8)	10
Loss on sale of plant and equipment		-	78	-	24

5. Income Tax Expense

	Note	Group		Parent Entity	
		2007 \$000	2006 \$000	2007 \$000	2006 \$000
Current tax		6,207	6,083	5,030	4,091
Deferred tax		(135)	(710)	(252)	(223)
		6,072	5,373	4,778	3,868
Deferred income tax expense included in income tax expense comprises:					
Decrease / (Increase) in deferred tax assets	13	(145)	(658)	(252)	(171)
(Decrease) / Increase in deferred tax liabilities	19	10	(52)	-	(52)
		(135)	(710)	(252)	(223)
The prima facie tax on profit before income tax is reconciled to the income tax as follows:					
Prima facie tax payable on profit before income tax at 30%					
Group		5,887	5,155	-	-
Parent entity		-	-	4,780	3,550
		5,887	5,155	4,780	3,550
Add tax effect of:					
Non-deductible amortisation		11	75	11	75
Other non-allowable items		183	121	135	75
Tax rate adjustment on wholly-owned foreign subsidiaries		(10)	15	-	-
Less tax effect of:					
Non-taxable unrealised exchange loss / (gain) on loan to subsidiaries		-	-	(148)	158
Sundry items		1	7	-	10
Total income tax expense		6,072	5,373	4,778	3,868

Tax Consolidation Legislation

Candle Australia Limited and its wholly owned Australian controlled entities have implemented the tax consolidation legislation. The accounting policy in relation to this legislation is set out in note 1(c).

On adoption of the tax consolidation legislation, the entities in the tax consolidated group entered into a tax sharing agreement which, in the opinion of the Directors, limits the joint and several liability of the wholly owned entities in the case of a default by the head entity, Candle Australia Limited.

The entities have also entered into a tax compensation deed

and a deed of tax sharing under which the wholly owned entities fully compensate Candle Australia Limited for any current tax payable assumed, and are compensated by Candle Australia Limited for any current tax receivable that is transferred to Candle Australia Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon the receipt of the funding advice from the head entity which is issued as soon as practicable after the end of each financial year.

6. Dividends

	Note	Group		Parent Entity	
		2007 \$000	2006 \$000	2007 \$000	2006 \$000
2006 final fully franked dividend at 9.0 cents per share and a special fully franked dividend of 2.0 cents per share (2005 final: 6.0)		5,608	3,730	5,608	3,730
2007 interim fully franked dividend at 9.0 cents per share (2006 interim: 8.0)		4,753	3,942	4,753	3,942
		10,361	7,672	10,361	7,672
The balance of the franking account at period end is adjusted for franking credits arising from payment of income tax payable and excludes payment of proposed dividends		13,465	13,530	9,708	10,807

7. Director and Key Management Personnel Disclosures

The names of the Parent Entity Directors who have held office during the financial year are:

Geoffrey J. Moles	Executive Chairman
Robert J. Collins	Managing Director
Lawrence J. Gibbs	Non-Executive Director
Peter D. Bunting	Non-Executive Director
Penelope Morris	Non-Executive Director

The names of the persons who had authority and responsibility for planning, directing and controlling the activities of the group, directly or indirectly, who held office during the financial year are:

Jane A. Bianchini	Joint Chief Operating Officer
Paul A. Barbaro	Joint Chief Operating Officer
Mark A. Langan	Chief Financial Officer
Kym L. Quick	Group Business Operations Manager

The Parent Entity has taken advantage of the relief provided by the Corporations Amendment Regulations 2006 (No. 4) and has transferred the detailed remuneration disclosures to the Directors' Report. The relevant information can be found in the Remuneration Report on pages 21-25.

Option Holdings

The number of options over ordinary shares in the Parent Entity held during the financial year by each Director of Candle Australia Limited and by other key management personnel of the group, including their personally related parties, are set out below.

	Balance 1/7/2006	Granted	Exercised	Other Change	Balance 30/6/2007	Vested 30/6/2007
Directors						
Geoffrey J. Moles	-	-	-	-	-	-
Robert J. Collins	2,400,000	-	600,000	-	1,800,000	600,000
Ian K. Crow	-	-	-	-	-	-
Lawrence J. Gibbs	-	-	-	-	-	-
Peter D. Bunting	-	-	-	-	-	-
Penelope Morris	-	-	-	-	-	-
Key Management Personnel						
Jane A. Bianchini	-	500,000	-	-	500,000	-
Mark A. Langan	530,000	100,000	286,666	-	343,334	10,000
Kym L. Quick	271,000	500,000	-	-	771,000	127,666
Paul A. Barbaro	-	500,000	-	-	500,000	-
Total	3,201,000	1,600,000	886,666	-	3,914,334	737,666

Prior Year

	Balance 1/7/2005	Granted	Exercised	Other Change	Balance 30/6/2006	Vested 30/6/2006
Directors						
Geoffrey J. Moles	-	-	-	-	-	-
Robert J. Collins	1,333,334	1,800,000	733,334	-	2,400,000	-
Ian K. Crow	-	-	-	-	-	-
Lawrence J. Gibbs	-	-	-	-	-	-
Peter D. Bunting	-	-	-	-	-	-
Penelope Morris	-	-	-	-	-	-
Key Management Personnel						
Trevor A. Taylor	763,334	350,000	163,334	(950,000)	-	-
Mark A. Langan	299,000	300,000	69,000	-	530,000	220,000
Kym L. Quick	131,000	200,000	100,000	-	271,000	110,667
Jane A. Bianchini	-	-	-	-	-	-
Total	2,526,668	2,650,000	1,065,668	(950,000)	3,201,000	330,667

Further information regarding the option plan is set out in note 26.

Share Holdings

The number of shares in the Parent Entity held during the financial year by each Director of Candle Australia Limited and other key management personnel of the group, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

	Balance 1/7/2006	Received as Remuneration	Options Exercised	Other Change	Balance 30/6/2007
Directors					
Geoffrey J. Moles	2,757,212	-	-	(960,387)	1,796,825
Robert J. Collins	793,500	-	600,000	-	1,393,500
Lawrence J. Gibbs	42,681	-	-	2,594	45,275
Peter D. Bunting	7,500	-	-	-	7,500
Penelope Morris	-	-	-	-	-
Key Management Personnel					
Jane A. Bianchini	2,500	-	-	153	2,653
Mark A. Langan	-	-	286,666	(286,666)	-
Kym L. Quick	-	-	-	-	-
Paul A. Barbaro	-	-	-	-	-
Total	3,603,393	-	886,666	(1,244,306)	3,245,753

Prior Year

	Balance 1/7/2005	Received as Remuneration	Options Exercised	Other Change	Balance 30/6/2006
Directors					
Geoffrey J. Moles	3,255,575	-	-	(498,363)	2,757,212
Robert J. Collins	1,860,167	-	733,333	(1,800,000)	793,500
Lawrence J. Gibbs	40,273	-	-	2,408	42,681
Peter D. Bunting	7,500	-	-	-	7,500
Penelope Morris	-	-	-	-	-
Key Management Personnel					
Trevor A. Taylor	93,333	-	163,334	(256,667)	-
Mark A. Langan	65,973	-	69,000	(134,973)	-
Kym L. Quick	-	-	60,000	(60,000)	-
Jane A. Bianchini	-	-	-	2,500	2,500
Total	5,322,821	-	1,025,667	(2,745,095)	3,603,393

Other Transactions with Directors

During the financial year corporate advisory services were provided by B G Capital Corporation Limited, a company associated with Lawrence Gibbs, to the amount of \$60,000 (2006: \$60,000) on normal commercial terms.

8. Remuneration of Auditors

During the year, the following fees were paid or were payable for services provided by the auditor of the Parent Entity, its related practices and non-related audit firms:

	Note	Group		Parent Entity	
		2007 \$	2006 \$	2007 \$	2006 \$
Remuneration of the auditor of the parent entity for:					
Auditing or reviewing the financial report		158,196	126,937	115,412	96,000
Taxation services		11,814	14,485	10,000	14,485
Business services		5,227	598	1,454	598
		175,237	142,020	126,866	111,083
Remuneration of other auditors of subsidiaries for:					
Auditing or reviewing the financial report of subsidiaries		24,410	15,721	-	-

9. Earnings per Share

	Group	
	2007 cents	2006 cents
Basic earnings per share	26.0	24.2
Diluted earnings per share	24.0	22.4
(a) Reconciliation of earnings used in calculating earnings per share		
	\$000	\$000
Net profit after tax used in calculating basic earnings per share	13,551	11,707
Adjustments for calculation of diluted earnings per share		
Interest earned on conversion of options	695	500
Net profit used in calculating diluted earnings per share	14,246	12,207

(b) Weighted average number of shares used as the denominator

	Number '000	Number '000
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic EPS	52,193	48,360
Adjustment for calculation of diluted earnings per share:		
Weighted average number of options	7,078	6,164
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	59,271	54,524

c) Classification of securities

Options granted to employees under the Employee Share Option Plan are considered to be potential ordinary securities and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. The options have not been included in the determination of basic earnings per share. Details relating to the options are set out in note 26.

10. Cash Flow Information

	Group		Parent Entity	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
(a) Reconciliation of profit after tax to net cash flow from operating activities				
Profit for the year	13,551	11,707	11,155	7,862
Non-cash flows in operating profit:				
Depreciation and amortisation	1,648	1,766	1,023	1,152
Non-cash employee benefits expense – share-based payments	300	218	300	218
Charges to provisions	(119)	1,197	255	53
(Gain) / Loss on disposal of plant and equipment	(27)	78	(27)	24
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:				
(Increase) / Decrease in trade debtors and accrued income	(1,660)	(13,175)	(1,799)	(8,487)
(Increase) / Decrease in prepayments and accrued income	(171)	155	(115)	155
Increase / (Decrease) in trade creditors and accruals	1,345	5,292	1,063	2,970
Movement in income taxes payable	(349)	71	(1,031)	(740)
Movement in deferred taxes	(134)	(710)	(252)	(222)
Unrealised foreign exchange movements on loan	-	-	-	582
Net cash provided by operating activities	14,384	6,599	10,572	3,567

(b) Non-cash financing and investing activities

Share issue – during the year the Parent Entity issued shares as set out in note 21.

	Group		Parent Entity	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
(c) Credit standby arrangements with banks				
Bank bill credit facility	15,000	12,600	15,000	12,600
Amount utilised	-	-	-	-
Unused credit facility	15,000	12,600	15,000	12,600

The major facilities are summarised as follows:

	Group		Parent Entity	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
(d) Overdraft facilities				
Overdraft facility	10,907	5,822	10,000	5,000
Amount utilised	(2,847)	-	(2,847)	-
Unused overdraft facility	8,060	5,822	7,153	5,000

Bank Overdrafts

The current interest rate on the overdraft facility is 8.2%. Bank overdraft facilities are arranged with both Australian (\$10,000,000) and New Zealand (\$907,000) banks with the general terms and conditions being set out and agreed to on a regular basis. Interest rates are variable and subject to adjustment. Finance will be provided under all facilities provided the Parent Entity and the group have not breached any borrowing requirements, and the required financial ratios are met.

11. Cash and Cash Equivalents

	Group		Parent Entity	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Cash at bank and on hand	2,248	3,140	782	1,713
Deposits at call	700	947	-	-
	2,948	4,087	782	1,713

The deposits are bearing interest rates of 6.25% (2006: 5.45%). These deposits are at call.

Reconciliation of Cash

The above figures are reconciled to cash at the end of the financial year as shown in the Cash Flow Statements as follows:

	Group		Parent Entity	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Balances as above	2,948	4,087	782	1,713
Bank overdrafts (note 10)	(2,847)	-	(2,847)	-
	101	4,087	(2,065)	1,713

12. Trade and other Receivables

	Group		Parent Entity	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Current				
Trade receivables	32,501	37,696	26,401	31,223
Allowance for doubtful debts	(224)	(221)	(137)	(153)
	32,277	37,475	26,264	31,070
Accrued income	17,675	11,064	15,900	9,398
Amounts receivable from:				
- wholly-owned subsidiaries	-	-	7,625	905
- related parties	42	205	-	-
Prepayments	427	256	294	179
Other debtors	332	85	115	12
	50,753	49,085	50,198	41,564
Non-Current				
Amounts receivable from:				
- controlled entity *	-	-	5,190	4,758

* The parent company has agreed not to call upon this loan to the detriment of the Parent Entity or its creditors for at least one year.

(a) Fair values

The fair value approximates to the carrying value of the non-current receivables.

(b) Interest rate risk

The trade and other receivables are non-interest bearing.

(c) Credit risk

Refer to the disclosure in note 1(l)

13. Deferred Tax Assets

	Group		Parent Entity	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
The balance comprises temporary differences attributable to:				
Doubtful debts	63	68	41	46
Employee benefits	412	418	334	302
Provision for make good on leased premises	57	41	20	20
Lease incentive	185	252	40	65
Accruals	1,659	1,452	1,424	1,175
	2,376	2,231	1,860	1,608
Movements				
Balance at beginning of year	2,231	1,573	1,608	1,437
Credited / (charged) to the income statement	145	658	252	171
Balance at end of year	2,376	2,231	1,860	1,608

14. Property, Plant and Equipment

	Group		Parent Entity	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Plant and equipment, at cost	7,676	6,827	5,093	4,963
Accumulated depreciation	(5,837)	(4,542)	(3,799)	(3,375)
	1,839	2,285	1,294	1,588
Leasehold improvements, at cost	3,512	3,147	2,400	2,134
Accumulated amortisation	(2,628)	(2,183)	(2,015)	(1,755)
	884	964	385	379
Total property, plant and equipment	2,723	3,249	1,679	1,967

Movements in Carrying Amounts	Plant and Equipment \$000	Leasehold Improvements \$000	Total \$000
Group			
Balance at beginning of year	2,285	964	3,249
Additions	442	162	604
Disposals	-	-	-
Depreciation expense	(888)	(242)	(1,130)
Carrying amount at end of year	1,839	884	2,723
Parent Entity			
Balance at beginning of year	1,588	379	1,967
Additions	299	151	450
Disposals	-	-	-
Depreciation expense	(593)	(145)	(738)
Carrying amount at end of year	1,294	385	1,679

15. Other Financial Assets

	Group		Parent Entity	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Investments comprise:				
Shares in:				
- controlled entities at cost	-	-	25,234	30,762
	-	-	25,234	30,762

16. Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1 (a):

	Country of Incorporation	Class of Shares	Equity Holding*	
			2007 %	2006 %
Freeman Adams Pty Limited	Australia	Ordinary	100	100
Candle IT & T Recruitment Pty Limited	Australia	Ordinary	100	100
Alliance Recruitment Pty Limited	Australia	Ordinary	100	100
Workskills Professionals Pty Limited	Australia	Ordinary	100	100
Premier Personnel Pty Limited	Australia	Ordinary	100	100
Vitruvian Solutions Pty Limited	Australia	Ordinary	100	100
The One Umbrella Pty Ltd	Australia	Ordinary	100	100
Candle Holdings Limited	New Zealand	Ordinary	100	100
Candle New Zealand Limited	New Zealand	Ordinary	100	100
Doughty Contractors Limited	New Zealand	Ordinary	100	100
Candle IT & T Recruitment Limited	New Zealand	Ordinary	100	100
Choice IT Pty Limited	Australia	Ordinary	100	100
Lloyd Morgan Sydney Pty Limited	Australia	Ordinary	100	100
Lloyd Morgan International Pty Limited	Australia	Ordinary	100	100
Lloyd Morgan (Brisbane) Pty Limited	Australia	Ordinary	100	100
Lloyd Morgan Limited	Hong Kong	Ordinary	100	-
Lloyd Morgan Hong Kong Limited	Hong Kong	Ordinary	100	-
Lloyd Morgan Singapore Pte Limited	Singapore	Ordinary	100	-
Lloyd Morgan Malaysia Sdn Bhd	Malaysia	Ordinary	100	-
Executive Leasing China Limited	China	Ordinary	89	-

* The proportion of ownership interest is equal to the proportion of voting power held.

17. Intangible Assets

	Group		Parent Entity	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Candidate databases	1,876	2,623	1,039	1,039
Accumulated amortisation	(1,874)	(2,363)	(1,037)	(998)
	2	260	2	41
Capitalised software development costs	2,276	2,115	2,191	2,065
Accumulated amortisation	(2,039)	(1,821)	(2,025)	(1,779)
	237	294	166	286
Goodwill at cost	61,984	56,157	23,196	23,196
Other intangibles	254	-	254	-
Total intangible assets	62,477	56,711	23,618	23,523

(a) Movements in carrying amounts	Candidate Databases	Capitalised Software Costs	Goodwill	Other Intangibles	Total
Group					
Balance at beginning of year	260	294	56,157	-	56,711
Additions	-	203	6,670	254	7,127
Amortisation expense	(258)	(260)	-	-	(518)
Exchange differences	-	-	432	-	432
Adjustment to contingent purchase price	-	-	(1,275)	-	(1,275)
Carrying amount at end of year	2	237	61,984	254	62,477
Parent Entity					
Balance at beginning of year	41	286	23,196	-	23,523
Additions	-	126	-	254	380
Amortisation expense	(39)	(246)	-	-	(285)
Carrying amount at end of year	2	166	23,196	254	23,618

Other intangibles represent product development costs and will be amortised over 3 years on implementation of the project.

Intangible assets, other than goodwill, have finite useful lives. The current amortisation charges in respect of intangible assets are included under depreciation and amortisation expense per the income statement.

Impairment tests

Goodwill is allocated to the group's cash-generating units which are based on the group's individual brands.

	2007 \$000	2006 \$000
Candle ICT	12,092	12,092
Candle New Zealand	4,642	4,210
Freeman Adams	4,011	4,011
Alliance Recruitment	14,205	14,205
The One Umbrella	3,423	3,423
Parker Bridge	5,287	5,268
Choice IT	1,394	1,140
Lloyd Morgan International	9,544	10,819
Lloyd Morgan Brisbane	1,938	989
Lloyd Morgan Limited	5,448	-
Total	61,984	56,157

Impairment tests are carried out to ensure that assets are carried at amounts that are not in excess of their recoverable amount. Recoverable amount is assessed on the basis of value in use. Value in use is calculated using the present value of the future cash flow expected to be derived from each cash generating unit. The discounted cash flow (DCF) projections are based on current performance and financial forecasts extrapolated over a ten-year period. Current estimated terminal values are in the range of 2.5 – 4.5 times. The cash flow is discounted in the range of 11% – 15%. Management derives its forecasts and input variables to the DCF model based on past performance and its expectations for the future.

18. Trade and other Payables

	Group		Parent Entity	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Current				
Trade creditors	26,465	25,657	22,322	21,350
Amounts payable to:				
- controlled entities	-	-	3,076	449
- vendors of acquired businesses	2,944	13,152	124	13,110
	29,409	38,809	25,522	34,909
Non-Current				
Trade creditors	24	22	-	-

(a) Interest rate exposure

All trade and other payables are non-interest bearing.

(b) Fair value

The fair value approximates to the carrying value of the non-current payables.

(c) Financial guarantees

The following unsecured guarantees exist within the group:

- (i) The Parent Entity has guaranteed the bank overdraft of Lloyd Morgan Hong Kong
- (ii) The Australian subsidiaries have guaranteed the bank overdraft of the Parent Entity

There are no deficiencies of assets existing in any of these companies.

No liability was recognised by the Parent Entity or the group in relation to these guarantees as the fair value of the guarantees is immaterial.

19. Tax Liabilities

	Group		Parent Entity	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
Current				
Income tax	1,448	1,797	749	1,778
Non-Current				
Deferred Tax Liabilities	10	-	-	-
The balance comprises temporary differences attributable to:				
- Depreciation	10	-	-	-
Movements				
Balance at beginning of year	-	52	-	52
Charged / (credited) to the income statement	10	(52)	-	(52)
Balance at end of year	10	-	-	-

20. Provisions

	Group		Parent Entity	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Current				
Dividend cheques not presented	89	51	89	51
Employee benefits	1,227	1,040	803	530
Lease incentive	686	862	187	215
	2,002	1,953	1,079	796
Non-Current				
Employee benefits	538	569	487	478
Make-good on leased premises	418	516	226	226
	956	1,085	713	704
	2,958	3,038	1,792	1,500

Dividend

This provision recognises dividends that were paid by cheque but not presented.

Employee Benefits

This provision represents annual leave and long service leave entitlements.

Lease Incentive

This provision represents the liability associated with rent-free periods given under current operating contracts. Management has calculated this amount based on the current rental contracts.

Make-Good

This amount represents the cost which will be paid on completion of current tenancy under the applicable rental contracts. The amount has been calculated based on an estimate of the costs to fulfil the requirements of each individual rental contract.

Movements in Provisions

Movements in each class of provision during the financial year, other than employee benefits, are set out below:

Group	Dividends	Lease Incentive	Make-Good	Total
	\$000	\$000	\$000	\$000
Carrying amount at start of year	51	862	516	1,429
Additional provision recognised	38	-	-	38
Amounts utilised	-	(176)	(98)	(274)
Carrying amount at end of year	89	686	418	1,193

Parent Entity	Dividends	Lease Incentive	Make-Good	Total
	\$000	\$000	\$000	\$000
Carrying amount at start of year	51	215	226	492
Additional provision recognised	38	-	-	38
Amounts utilised	-	(28)	-	(28)
Carrying amount at end of year	89	187	226	502

21. Contributed Equity

	Group		Parent Entity	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
53,392,527 (2006: 49,773,938) fully paid ordinary shares	62,921	54,072	62,921	54,072
Ordinary shares at beginning of year	54,072	45,441	54,072	45,441
Shares issued during the year:				
Purchase consideration for acquisitions	4,925	2,345	4,925	2,345
Dividend Reinvestment Plan	2,035	1,792	2,035	1,792
Exercise of employee options	1,889	1,643	1,889	1,643
Underwriting of the Dividend Reinvestment Plan	-	2,880	-	2,880
Less transaction costs	-	(29)	-	(29)
At end of year	62,921	54,072	62,921	54,072

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Parent Entity in proportion to the number of, and amounts paid, on the shares held. At the shareholders' meetings each fully paid ordinary share is entitled to one vote.

Ordinary Shares	Group		Parent Entity	
	2007 No.	2006 No.	2007 No.	2006 No.
At beginning of year	49,773,938	45,389,002	49,773,938	45,389,002
Shares issued during year:				
Exercise of employee options	1,457,445	1,519,032	1,457,445	1,519,032
Dividend Reinvestment Plan	609,441	657,711	609,441	657,711
Purchase consideration for acquisitions	1,551,703	1,070,022	1,551,703	1,070,022
Underwritten Dividend Reinvestment Plan	-	1,138,171	-	1,138,171
At end of year	53,392,527	49,773,938	53,392,527	49,773,938

Share Options

Further information relating to the Parent Entity share option plan is set out in note 26. Details of options granted to Directors and Executive Officers are set out in the Directors' Report. At 30 June 2007 there were 7,130,929 (2006: 6,599,041) options outstanding.

22. Reserves

	Note	Group		Parent Entity	
		2007 \$000	2006 \$000	2007 \$000	2006 \$000
Share-based payments	22(a)	664	364	664	364
Foreign currency translation	22(a)	336	(209)	-	-
Total		1,000	155	664	364

Movements

Share-based payments					
At beginning of year		364	146	364	146
Option expense	30	300	218	300	218
At end of year		664	364	664	364

Foreign Currency Translation Reserve

At beginning of year		(209)	498	-	-
Adjustment arising from the translation of foreign-controlled entities' financial statements		545	(707)	-	-
At end of year		336	(209)	-	-

Nature and Purpose of Reserves

(i) Share-Based Payments

The share-based payments reserve is used to recognise the fair value of options issued but not exercised.

(ii) Foreign Currency Translation Reserve

The foreign currency translation reserve records exchange differences arising on translation of foreign-controlled entities. The reserve is recognised in the profit and loss when the net investment is disposed.

23. Retained Profits

	Note	Group		Parent Entity	
		2007 \$000	2006 \$000	2007 \$000	2006 \$000
Retained profits at beginning of financial year		17,470	13,435	13,272	13,082
Net profit for the year	30	13,551	11,707	11,155	7,862
Dividends paid	6	(10,361)	(7,672)	(10,361)	(7,672)
Retained profits at end of financial year		20,660	17,470	14,066	13,272

24. Capital Commitments and Leasing

	Group		Parent Entity	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Commitments for minimum lease payments in relation to non-cancellable operating leases payable are as follows:				
Within one year	3,055	2,192	1,447	1,007
Later than one year, but not later than five years	4,378	3,863	1,321	1,444
Later than five years	-	56	-	-
	7,433	6,111	2,769	2,451

Operating lease commitments refer to property leases for the 26 sites (2006: 21 sites) operating across Australia, New Zealand and Asia. In general, leases are negotiated with fixed increases for the first three years and undergo a market review thereafter.

25. Contingent Liabilities

There are no material contingent liabilities that need to be disclosed in the financial statements.

26. Share-Based Payments

Set out below are summaries of options granted under the share-based payment plan.

Group and Parent Entity 2007

Commitments for minimum lease payments in relation to non-cancellable operating leases payable are as follows:

Grant Date	Date of Expiry	Exercise Price	Balance at Start of Year	Granted during Year	Exercised during Year	Forfeited/ Lapsed during Year	Balance at End of Year
				No.	No.	No.	No.
30 Oct 02	30 Oct 06	\$0.86	10,000	-	10,000	-	-
26 Feb 03	26 Feb 07	\$0.76	200,000	-	200,000	-	-
1 Jul 03	1 Jul 09	\$1.00	600,000	-	600,000	-	-
24 Jul 03	24 Jul 07	\$1.06	160,006	-	136,670	-	23,336
30 Jun 04	30 Jun 08	\$1.61	480,368	-	164,965	54,000	261,403
29 Nov 04	29 Nov 08	\$2.05	256,667	-	53,332	60,000	143,335
1 Jul 05	1 Jul 09	\$2.08	1,532,000	-	292,478	198,667	1,040,855
1 Jul 05	1 Jul 11	\$2.08	1,800,000	-	-	-	1,800,000
23 Dec 05	23 Dec 09	\$2.45	100,000	-	-	-	100,000
17 Mar 06	17 Mar 10	\$2.97	1,460,000	-	-	810,000	650,000
28 Sep 07	28 Sep 10	\$3.30	-	2,745,000	-	133,000	2,612,000
24 Apr 07	24 Apr 11	\$3.30	-	300,000	-	-	300,000
28 Jun 07	28 Jun 11	\$3.26	-	200,000	-	-	200,000
Total			6,599,041	3,245,000	1,457,445	1,255,667	7,130,929
Weighted average exercise price			\$2.08	\$3.30	\$1.30	\$2.41	\$2.75

Group and Parent Entity 2006

Grant Date	Date of Expiry	Exercise Price	Balance at Start of Year	Granted during Year	Exercised during Year	Forfeited/ Lapsed during Year	Balance at End of Year
				No.	No.	No.	No.
9 Nov 01	9 Nov 05	\$0.95	67,000	-	67,000	-	-
30 Apr 02	30 Apr 06	\$1.07	16,000	-	16,000	-	-
1 Jul 02	1 Jul 06	\$0.82	146,736	-	146,736	-	-
1 Jul 02	1 Jul 08	\$0.85	133,334	-	133,334	-	-
30 Oct 02	30 Oct 06	\$0.86	63,334	-	53,334	-	10,000
26 Feb 03	26 Feb 07	\$0.76	235,000	-	35,000	-	200,000
1 Jul 03	1 Jul 09	\$1.00	1,200,000	-	600,000	-	600,000
24 Jul 03	24 Jul 07	\$1.06	323,337	-	149,997	13,334	160,006
1 Dec 03	2 Dec 07	\$1.29	300,000	-	100,000	200,000	-
30 Jun 04	30 Jun 08	\$1.61	745,000	-	179,298	85,334	480,368
29 Nov 04	29 Nov 08	\$2.05	660,000	-	38,333	365,000	256,667
1 Jul 05	1 Jul 09	\$2.08	-	1,987,000	-	455,000	1,532,000
1 Jul 05	1 Jul 11	\$2.08	-	1,800,000	-	-	1,800,000
23 Dec 05	23 Dec 09	\$2.45	-	100,000	-	-	100,000
17 Mar 05	17 Mar 10	\$2.97	-	1,460,000	-	-	1,460,000
Total			3,889,741	5,347,000	1,519,032	1,118,668	6,599,041
Weighted average exercise price			\$1.29	\$2.33	\$1.08	\$1.88	\$2.08

The weighted average share price at the date of exercise during the year ended 30 June 2007 was \$3.39 (2006: \$2.55)

The weighted average remaining contractual life of share options outstanding at year end was 2.8 years (2006: 3.5 years).

Share Option Plan

A share option plan has been in place since the Company listed on the Australian Stock Exchange in 1997. The plan includes a performance hurdle for the exercise of options granted, whereby the Candle Australia Limited share price must outperform the relevant ASX Index on which the shares of Candle Australia Limited are listed.

The options hold no voting or dividend rights and are not transferable.

Fair Value of Options Granted

The assessment of fair value of options is made at each grant date during the year. The range of fair values for options granted during the year was from \$0.38 to \$0.47 (2006: \$0.20 to \$0.26). The fair value at grant date is determined using the American option call pricing model, which is applied independently and which takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield, and the risk-free interest rate for the term of the option. The expected price volatility is based on the historic volatility adjusted for any expected changes to future volatility due to publicly available information.

27. Related Party Disclosures

a) Parent Entity

The ultimate Parent Entity and ultimate controlling party within the group is Candle Australia Limited.

b) Subsidiaries

Interests in subsidiaries are set out in note 16.

c) Directors and Key Management Personnel

Disclosures relating to Directors and key management personnel are set out in note 7.

	Group		Parent Entity	
	2007 \$	2006 \$	2007 \$	2006 \$
d) Transactions with Related Parties				
Sales of services				
Recruitment services to related parties	-	-	295,940	20,098
Purchases				
Recruitment services received from subsidiaries	-	-	245,405	209,153
Tax consolidation legislation				
Current tax payable assumed from wholly owned tax-consolidated entities	-	-	595,668	787,171
Dividend revenue				
Subsidiaries	-	-	-	-
e) Loans				
Loans to subsidiaries	-	-	12,815,325	5,970,787
Loans to vendors of acquired business (secured)	-	204,605	-	-
Loans from subsidiaries	-	-	3,076,181	754,864

No provision for doubtful debts has been raised in relation to any outstanding balances, and no expense has been recognised in respect of bad or doubtful debts due from related parties.

f) Terms and Conditions

All transactions were made on normal commercial terms and conditions, except that there are no fixed terms for the repayment of loans between parties.

28. Events Subsequent to the Reporting Date

On 12 July 2007 Candle Australia Limited entered into an agreement to acquire the IT services business and assets of the JAV IT Group. A deposit of \$4 million was paid on 15 August 2007. The total purchase price, subject to future performance, will be approximately \$8 million.

On 17 July 2007 Candle Australia Limited entered into an agreement to acquire all of the issued shares in Reality Check Pty Limited. The total purchase price, subject to future performance, will be approximately \$1million.

On 28 August 2007 the Parent Entity resolved to pay a fully franked final dividend of 10.0 cents per share on 14 September 2007.

On 30 July 2007 Diana Eilert was appointed Chief Executive Officer to replace Robert Collins who will stand down on 28 August.

29. Acquisition of Subsidiaries

On 30 April 2007 Lloyd Morgan Limited (a subsidiary company) gained effective control of the following recruitment businesses:

Entity Name	Nature of Acquisition
Lloyd Morgan Hong Kong Limited*	100% issued share capital
Executive Leasing Hong Kong Limited	Business assets
Executive Leasing Malaysia Sdn BHD	Business assets
Executive Leasing Singapore PTE Limited	Business assets

* Formerly known as Executive Leasing China Limited

Details of the purchase consideration, fair value of assets and liabilities acquired, and goodwill are as follows:

Purchase Consideration	\$000
Cash paid	2,352
Direct costs associated with the acquisition	265
Issue of 210,562 ordinary shares at market price	684
Balance of purchase price payable	2,291
	5,592

In the event that certain pre-determined targets are achieved by the subsidiary, contingent consideration becomes payable. At the date of this financial report, it is probable that some of these payments will be made, and hence have been brought to account as a component of goodwill. If it becomes probable that any element of the remaining consideration will be payable, it will be brought to account when the amount can be reliably measured.

Assets and Liabilities Acquired at Acquisition Date:	\$000
Property, plant and equipment	144
Total net assets acquired	144
<hr/>	
Goodwill on consolidation	5,448

The assets and liabilities arising from the acquisition are recognised at fair value which equals their carrying value at acquisition date. Goodwill is attributable to the future maintainable earnings of the acquired business.

Profit relating to the Asian operations, totalling \$347,000, is included in the group income statement for the year ended 30 June 2006.

30. Amendment of Prior Year Share-Based Payments Expense

Revised compliance with AASB 2 requires the basis of the share option expense calculation for the prior year to be amended to recognise grant date. This amendment has the following effects on the financial statements for the prior year period, and is reflected as such in these financial statements:

Income statement for year ended 30 June 2006:	\$000
Employee benefits expense	102
Profit for the year	(102)

Balance sheet as at 30 June 2006:	\$000
Share-based payments reserve	248
Retained profits	(248)

There are no cash flow implications from this amendment.

Basic and diluted earnings per share for the prior year have also been restated. The amount of the amendment for both basic and diluted earnings per share was a reduction of 0.2 cents per share (restated EPS 24.2 cents per share; restated diluted EPS 22.4 cents per share).

Directors' Declaration

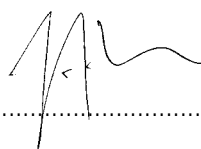
The Directors of the Candle Australia Limited declare that:

1. The financial statements and notes, as set out on pages 30 to 63, are in accordance with the Corporations Act 2001, and:
 - (a) comply with Accounting Standards, and the Corporations Regulations 2001, and other mandatory professional reporting requirements; and
 - (b) give a true and fair view of the financial position as at 30 June 2007 and performance for the year ended on that date of the Parent Entity and the group;
2. The Managing Director and Chief Financial Officer have each declared that:
 - (a) the financial records of the group for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
 - (b) the financial statements and notes for the financial year comply with Accounting Standards; and
 - (c) the financial statements and notes for the financial year give a true and fair view.
3. In the Directors' opinion there are reasonable grounds to believe that the Parent Entity will be able to pay its debts as and when they become due and payable; and

4. The audited remuneration disclosures set out on pages 21-25 of the Directors' Report comply with the Accounting Standards AASB 124 Related Party Disclosures and the Corporations Regulations 2001.

The Directors have been given the declarations by the Managing Director and Chief Financial Officer as required by section 295A of the Corporations Act 2001.

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 28th day of August 2007

Independent Audit Report

Report on the Financial Report

We have audited the financial report of Candle Australia Limited (the 'Parent Entity') and Candle Australia Limited and Controlled Entities (the 'group'), which comprises the Balance Sheet as at 30 June 2007, the Income Statement, Statement of Changes in Equity and Cashflow Statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes, and the Directors' Declaration for the group comprising the Parent Entity and the entities it controlled at the year's end or from time to time during the financial year.

We have also audited remuneration disclosures contained in the Directors' Report. As permitted by the Corporations Regulations 2001, the Parent Entity has disclosed information about the remuneration of Directors and Executives ('remuneration disclosures'), required by Accounting Standard AASB 124 Related Party Disclosures, under the heading 'Remuneration Report' on pages 21-25 of the Directors' Report and not in the Financial Report.

Directors' Responsibility for the Financial Report

The Directors of the Parent Entity are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the 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. In Note 1, the Directors also state, in accordance with Accounting Standard AASB 101: Presentation of the Financial Statements, that compliance with the Australian equivalent to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with IFRS.

The Directors are also responsible for the remuneration disclosure contained in the Directors' Report.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements, and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement. Our responsibility is also to express an opinion on the remuneration disclosures contained in the Directors' Report based on our audit.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report.

The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide the basis for our audit opinion.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report. Our audit did not involve an analysis of the prudence of business decisions made by Directors or management. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Independence

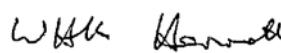
In conducting our audit we have complied with the independence requirements of the Corporations Act 2001.

Auditor's Opinion

In our opinion:

- (a) the financial report of Candle Australia Limited, and Candle Australia Limited and Controlled Entities, is in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Parent Entity's and group's financial position as at 30 June 2007 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

In our opinion the remuneration disclosures that are contained on pages 21 to 25 of the Directors' Report comply with Accounting Standards AASB 124.



WHK Horwath



B Hatchman

Dated at Sydney this 28th day of August 2007

Additional Information



The following information is required by the Australian Stock Exchange Limited.

1. Shareholding

(a) There is only one class of equity securities, being ordinary shares.

(b) Distribution of Shareholders Number

Category	Number of Holders
1 – 1,000	888
1,001 – 5,000	2,419
5,001 – 10,000	891
10,001 – 100,000	513
100,001 and over	41
Total	4,752

(c) The number of shareholdings held in less than marketable parcels is 129.

(d) The names of the substantial shareholders listed in the holding Company's register as at 9 October 2007 are:

Shareholder	Number of Ordinary Shares
Perpetual Trustees Australia Limited	6,531,448
Commonwealth Bank of Australia	3,899,771

(e) The voting rights in respect of the ordinary shares are established by the Constitution, which reads as follows:

Clause 5.12: 'one vote for every fully paid share'

(f) 20 largest shareholders as at 9 October 2007

Shareholder's Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
RBC Dexia Investor Services Australia Nominees Pty Limited	5,933,052	10.6
J P Morgan Nominees Australia Limited	2,584,627	4.6
Citicorp Nominees Pty Ltd	2,519,063	4.4
National Nominees Limited	2,488,000	4.4
HSBC Custody Nominees (Australia) Limited	2,083,054	3.7
Citicorp Nominees Pty Limited	1,479,427	2.6
Perman Investments Pty Ltd	1,442,137	2.6
Mr Robert Collins	1,342,500	2.4
Citicorp Nominees Pty Limited	1,226,053	2.2
Springhope Holdings Pty Limited	1,090,935	1.9
ANZ Nominees Limited	1,082,109	1.9
Bond Street Custodians Limited	846,300	1.5
Mr Ian Wallace Edwards & Mrs Josephine Edwards	718,927	1.3
Gracelite Pty Ltd	546,874	1.0
JDV Limited	431,382	0.8
Engoordina Pty Ltd	428,262	0.8
Cogent Nominees Pty Limited	427,380	0.8
Equity Trustees Limited	335,374	0.6
Mr Barry Forster & Pamela Foster	319,522	0.6
Ewart Pty Ltd	315,000	0.6
	27,639,978	49.3

(g) There is currently no On-Market Buy-Back

2. Company Secretary

The name of the Company Secretary is Mr Nicholas J. V. Geddes.

3. Registered Office

The address of the registered office is:

Level 5, 255 George Street, Sydney NSW 2000. Tel: (02) 9252 1933

Postal Address: GPO Box 4231, Sydney NSW 2001

4. Share Registry

The register of shares is held at the following address:

Registries Limited, Level 2, 28 Margaret Street, Sydney NSW 2000. Tel: (02) 9290 9600. Fax: (02) 9279 0664

5. Stock Exchange

The Company is listed on the Australian Stock Exchange under the code CND.

Corporate Directory



Board of Directors

Geoffrey J. Moles - Executive Chairman
Robert J. Collins - Managing Director
Lawrence J. Gibbs – Non-Executive Director
Peter D. Bunting – Non-Executive Director
Penelope Morris – Non-Executive Director

Company Secretary and Registered Office

Nicholas J. V. Geddes
Australian Company Secretaries Pty Limited
Level 5
255 George Street
Sydney NSW 2000

Share Registry

Registries Limited
Level 2
28 Margaret Street
Sydney NSW 2000

Auditors

WHK Horwath
Level 15
309 Kent Street
Sydney NSW 2000

Solicitors

RBHM Commercial Lawyers
5/53 Berry Street
North Sydney NSW 2060

Bankers

Westpac Banking Corporation
275 George Street
Sydney NSW 2000

Principal Places of Business

Candle Australia Head Office

Sydney
1 York Street
Sydney NSW 2000

Candle ICT

Sydney
1 York Street
Sydney NSW 2000

Melbourne
333 Collins Street
Melbourne VIC 3000

Brisbane
52 McDougall Street
Milton QLD 4065

Canberra
65 Canberra Avenue
Griffith ACT 2603

Perth
191 St Georges Terrace
Perth WA 6000

Adelaide
74 Pirie Street
Adelaide SA 5000

Candle New Zealand

Auckland
1 Queen Street,
Auckland

Wellington
3-11 Hunter Street,
Wellington

Alliance Recruitment

Adelaide
74 Pirie Street
Adelaide SA 5000

Brisbane
359 Queen Street
Brisbane QLD 4000

Melbourne
50 Queen Street
Melbourne VIC 3000

Mount Waverley
1 Ricketts Road
Mount Waverley VIC 3149

Perth
1 Scarborough Beach Road
North Perth WA 6006

Sydney
55 Clarence St
Sydney NSW 2000

815 Pacific Highway
Chatswood NSW 2067

45-47 Smart Street
Fairfield NSW 1860

20-22 Macquarie Street
Parramatta NSW 2150

33 MacMahon Street
Hurstville NSW 2220

The One Umbrella

Sydney
162 Goulburn Street
Surry Hills NSW 2010

Brisbane
149 Wickham Terrace
Spring Hill QLD 4000

Canberra
65 Canberra Avenue
Griffith ACT 2603

Melbourne
50 Queen Street
Melbourne VIC 3000

Lloyd Morgan

Melbourne
333 Collins Street
Melbourne VIC 3000

Sydney
1 York Street
Sydney NSW 2000

Brisbane
500 Queen Street
Brisbane QLD 4000

Hong Kong
2403 World Trade Centre
280 Gloucester Road
Causeway Bay
Hong Kong

Singapore
10 Hoe Chiang Road
14-02 Keppel Towers
Singapore 089315

China
2W Guomen Building
No 1 Zuoqiazhuang
Chayang District
Beijing PRC 100028

501, 555 Nanjing West Road
Shanghai PRC 200041

1507 Office Tower, Shun Hing Square
Di Wang Commercial Centre
5002 Shen Nan Dong Road
Shenzhen PRC 518008

Malaysia
16-3 Jalan Sri Hartamas 8 (8/70A)
Taman Sri Hartamas
50480 Kuala Lumpur