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Candle Australia Limited
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Candle Australia Limited appointed you CEO three months ago. What are your initial impressions of the business, and where do you intend to focus your efforts over the next 12 months?

CEO Diana Eilert

The original core Candle recruitment business is impressive; it has high margins, strong intellectual property; and an award winning track record in client and candidate service. Our people have a positive 'can-do' attitude, and the history is one of consistent growth. It meets all the criteria for success. However, there is scope for improvement.

The overall strength of the recruitment industry provides significant opportunities to capitalise on the high demand for skills. Additionally there are some segments and businesses that provide above market returns. So we intend to focus our efforts on growing in high growth high margin businesses.

With regard to organic growth, this is dependent on our head-count of sales people. A key immediate focus for us is to capitalise on the current industry opportunity facing us and increase the number of experienced account managers in a cost effective manner.

We have started that process and are increasing our recruitment staff numbers, particularly in our core Candle and Alliance businesses, and this should provide us with stronger growth in the second half of FY08 and benefits into FY09 and beyond.

We will also be addressing any specific areas of underperformance in our businesses.

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Can you outline how the Candle group is performing in the first half of the FY08 financial year?

CEO Diana Eilert

Overall the group performance has been impacted by the significant underperformance of Lloyd Morgan Australia for the first four months of this financial year. Whilst we have had growth in the core Candle operations, and positive contributions from our other acquisitions, we anticipate that the result in the first half of FY08 will be slightly below last year, before one-off costs.

The result for FY08 will include some one-off costs associated with our recent restructuring of the business, and the change of CEO and CFO. These costs are around \$1.1 million dollars before tax. We expect to deliver cost savings of an on-going annual \$800,000, and this should benefit the second half of FY08.

As I said earlier, we have already taken initiatives to boost performance. We are recruiting for both Candle and Alliance, as well as Lloyd Morgan Australia, and expect an increased workforce, targeting high growth segments of the market, to provide benefits into FY09.

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In November 2005 Candle acquired the Lloyd Morgan Australia executive recruitment and HR consulting services and it was described as one of Australia's fastest growing companies. What has caused it to underperform?

CEO Diana Eilert

Lloyd Morgan Australia underperformed because there has been a substantial loss of staff over the past 12 months, particularly toward the end of 07 financial year. The effect is flowing into the current financial year.

A key focus for us now is on improving the performance of this business. The staff losses have stabilised over the past couple of months. We've put in new management and are actively recruiting new staff which is our core competence. We are confident that the situation can be addressed quickly. New executives take around 4 months to become productive and we anticipate seeing signs of improvement in the second half of FY08.

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This year Candle bought E.L. Consult Asia, now called Lloyd Morgan Asia, JAV IT and Reality Check. How are these businesses contributing to the Group?

CEO Diana Eilert

Lloyd Morgan Asia and JAV IT are performing in line with expectations with the integration progressing. Lloyd Morgan Asia has provided a small positive contribution to the group since 30 June 2007.

The JAV IT contracting and servicing operations business is a strategic, complementary fit to our core recruitment operations. We believe that its pool of IT talent has the potential to develop value add services for us. It has IT contractors who provide project management, data centre support and PC commissioning services,

Reality Check is effectively a “start up” and performing well.

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Candle has a history of actively pursuing acquisitions. What is your acquisition policy?

CEO Diana Eilert

Overall our recent acquisitions have provided us with top line growth, and whilst this has filtered into the bottom line, margin contribution has not been as strong as our overall business. New acquisitions will only be in our target sectors, with margins in excess of our target margins. Of course, we will continue to actively pursue acquisitions that fit our criteria.

We are currently looking at a few potential, acquisitions, which would enhance margins and provide us with growth if they proceed.

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The current capital management policy excludes the use of debt. What is your gearing policy? Will you retain the acquisition model of paying vendors a combination of up-front cash and scrip subject to earn out criteria?

CEO Diana Eilert

The business has always used some debt as working capital. Currently that's around \$12 million dollars and we'll continue to maintain low levels of debt in the business. Generally, the businesses we acquire have low levels of fixed assets and therefore I believe it is not appropriate to have high levels of debt in the group. I see the group maintaining a low level of gearing going forward.

I have announced a new CFO, David Marshall, who will be joining us in December. The topic of capital management will be something that we will review with the Board once David has commenced.

In terms of acquisitions, I see us as bringing even more financial discipline to our well established acquisition process. We will keep our funding options open, and

we will aim to ensure any future acquisitions are earnings accretive and value enhancing to our shareholders

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You will be asking the Annual General Meeting on 29 November to approve a name change from Candle Australia Limited to Clarius Group Limited. Why is the name being changed and why have you chosen Clarius?

CEO Diana Eilert

We decided to change the name of the Candle group as we are now a business with a number of specialty brands, with Candle as one of our brands. Using “Candle” brand with both meanings was causing some confusion.

The name Clarius means clearer, with clarity: something we think is important for the future.

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You’ve indicated that H1 FY08 earnings are likely to be moderately lower. Last year your full year dividend of 19.0 cent per share was covered 1.3 times. Can you comment on the dividend prospects for FY08?

CEO Diana Eilert

Our dividend policy is to pay between 70 and 80 percent of net profit after tax as fully franked dividends. I expect this to continue.

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Thank you Diana.

For further information about Candle Australia, visit www.candle.com.au or call Diana Eilert on +61 2 9250 8100 or Chris Newlan on +61 2 9692 8811

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