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HEADLINE

Group Limited

growing together...

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Headline Group Limited and Controlled Entities

CHAIRMAN'S REPORT

On behalf of the Board, I am pleased to present this year's Financial Report.

The Headline Group ("HLD") Board has announced an after tax loss of \$1.56 million for the 2008/09 year. In doing so, HLD marks the end of the restructuring process that was embarked upon at Skansen in Q1 of this year that was necessary to achieve the objectives of the Board; i.e., a return to profitability and readiness for a merger transaction.

Skansen – which prior to the recently announced investment into Kids Central and Mothercare Australia was HLD's only operating subsidiary – has come out of the restructuring process ready to be being merged into the Kids Central/Mothercare Company and has generated positive EBIT contributions in both July and August 2009.

While the net operating loss is greater than that anticipated earlier in the year, it was affected mainly by specific exogenous factors:

- Unrealized foreign exchange losses of \$0.27 million resulting from coverage taken at \$0.68 USD/AUD when the USD dropped to levels as low as \$0.61
- A write down of \$0.20 million on the remaining property in Lisarow, NSW which reflects the softness in the commercial property market
- Restructuring costs of \$0.36 million in redundancy and stock write downs in the product categories that have been exited

In addition to the impact of the restructuring costs, weaker than expected sales and margin performance in core brands over the second half of the year did contribute to a Skansen trading loss of \$0.27 million. As mentioned above, this trend in negative profitability has been reversed with positive EBIT being reported by Skansen in both the July and August months of this new financial year. As described above, the objective of the restructuring was to ready the company for a merger by removing the costs associated with a complex product offer, focus all resources on the core income generating Beanie Kids brand, and consequently return the Skansen business to profitability on a monthly basis. These objectives have been achieved. External to the trading loss there was a further investment of \$0.20 million in online business development costs associated with upgrading the BK website. The BK online content has become an integral part of the product being purchased by Beanie Kid collectors and the Board view our top rating website as a valuable asset that will result in downstream returns as we focus on becoming a dominant player in the children's market segment.

At the HLD level it should be noted that due diligence costs were incurred in May and June 2009 as part of securing the Mothercare and Kids Central growth opportunity.

- **Trading**

As previously reported, the Skansen's core Beanie Kids collectable business remains relatively strong despite the global financial crisis affecting consumers' sentiments and confidence. While some sales declines were experienced in Beanie Kid related categories and margin suffered due to AUD crash, the renewed focus on in-store marketing and merchandising support at our 700+ distribution points has been the main driver of the return to profitability of the core brands in July and August of this year.

To augment the in-store marketing activity, reference was made above to the ongoing commitment being made to develop the BK online property. With over 150,000 unique monthly visitors, the BK website is ranked number 2 in the Australian children's lifestyle category for time spent on site and for page impressions received per visit. The statistics indicate the extent to which the online content and forum has become an essential part of the BK collectable program, as well as the extent to which an online entertainment asset is being built.

- **New business**

On 24th August 2009, HLD announced the exciting transaction with **Kids Central** and **Mothercare Australia** that positions Headline with real opportunity for significant growth in both revenue and earnings. Looking forward, HLD is expecting Skansen's positive trend in earnings to continue, with the impact of the Mothercare launch expected to be felt towards the end of the second half of this financial year.

- **Dividends**

Although Headline is holding cash reserves, the Company is unable to pay dividends until it returns to profitability. Headline currently has franking credits of \$3 million enabling the payment of fully franked dividends of \$7 million. The total income tax losses available to the Group are worth \$14.0 million which are subject to 'continuity of ownership' testing.

Headline Group Limited and Controlled Entities

CHAIRMAN'S REPORT

Summary

The future looks exciting, with a healthy Skansen combining with Kids Central and Mothercare, providing an enviable platform for Headline Group to grow. Cash and equivalents available for investments was maintained at the \$10 million level with reductions in working capital from the product categories exited contributing to restructuring costs. The Board's focus now moves to the successful merger of the businesses and the accelerated launch of Mothercare Australia, a business venture that we look forward to presenting to you shortly.

The Board would like to take this opportunity to thank employees for their hard work and commitment, and our shareholders for their continuing support.

Regards,



Gordon Elkington
Executive Chairman
30 September 2009

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Headline Group Limited and Controlled Entities

DIRECTORS' REPORT

Your directors submit their report on the consolidated entity ('the Group') consisting of Headline Group Limited and the entities it controlled at the end of, or during, the year ended 30 June 2009.

DIRECTORS

The names of the directors of Headline Group Limited ('the Company') in office during the year and until the date of this report unless otherwise stated are:

Gordon Elkington (Executive Chairman)

Gordon Elkington was appointed to the Board on 31 October 2004. Gordon has over 30 years experience in the retail and manufacturing sectors. From 1999 to 2003 Gordon was the Managing Director of Sabco Limited. From 1994 to 1999 he was the Managing Director of Willow Sales Management. He was previously a director of Davis Plastics, prior to its acquisition by the Willow Group.

Directorship of public listed companies for the past three years: Nil

Brent Dennison (Managing Director)

Brent Dennison was appointed to the Board on 21 July 2008. Brent has recently returned to Australia after working in the European private equity industry for the last 6 years. Immediately prior to returning, Brent executed and managed a successful buy-and-build investment in Italy in conjunction with the Dutch fund, Favonius Ventures. Before working with Favonius, Brent was a director with Citigroup in NY evaluating small to medium sized financial services investment opportunities of strategic interest to the bank. Prior to Citigroup, Brent led two entrepreneurial ventures, a UK-based software business that was sold to a German ERP player, and the launch of Turkey's first management consulting practise in the mid-1990s. Before embarking on his entrepreneurial pursuits, Brent was a strategy consultant with the Boston Consulting Group in Melbourne and New York.

Directorship of public listed companies for the past three years: Nil

George Choo (Executive Director & Chief Financial Officer)

George Choo was appointed to the Board on 10 June 2008. George has 30 years commercial experience in both management and financial accounting. He has held numerous senior positions both in Australia and overseas prior to joining Headline Group as the Chief Financial Officer. George is also a member of the audit committee and an additional Company Secretary of Headline Group.

George holds qualifications in Business Studies majoring in Accounting and Graduate-Diploma in Electronic Data Processing (EDP).

Directorship of public listed companies for the past three years: Nil

FORMER DIRECTORS

John Fox (Chairman)

John Fox was appointed to the Board on 16 April 2007 and as Chairman on 18 June 2007. He resigned as Chairman and Director on 21 July 2008 and the Board wish to thank him for his valuable contribution to the Group over the last two years.

Roger Montgomery (Non-executive)

Roger Montgomery was appointed to the Board on 21 July 2008. He resigned as a Director on 20 May 2009 and the Board wish to thank him for his valuable contribution to the Group over the last one year.

COMPANY SECRETARY

Ian Gordon

Ian Gordon was appointed Company Secretary on 9 October 2007. Ian has been a Fellow of The Institute of Chartered Accountants in Australia since 1977, and has practised as a Chartered Accountant in Sydney since 1974 as a partner in McBurney & Partners. He has had previous experience acting as Company Secretary for Neverfail Springwater Limited from its initial ASX listing until taken over by Coca-Cola Amatil Limited, and is responsible in his accounting practice for corporate secretarial services for a diverse range of unlisted companies.

George Choo

George Choo, Executive Director & Chief Financial Officer, was appointed as an additional Company Secretary on 22 August 2008.

Headline Group Limited and Controlled Entities

DIRECTORS' REPORT

Interests in the shares and options of the Company and related bodies corporate

As at the date of this report, the interests of the directors in the shares and options of the Company were:

	Ordinary shares fully paid	Options over ordinary shares
G Elkington	7,809,846	-
Brent Dennison	13,959,154	-
G Choo	82,567	-

CORPORATE STRUCTURE

Headline Group Limited (ACN 060 199 082) is a company limited by shares that is incorporated and domiciled in Australia. Headline Group Limited has prepared a consolidated financial report incorporating the entities that it controlled during the financial year. All subsidiaries are 100% owned and domiciled in Australia except where indicated.

Headline Group Limited

Skansen Pty Limited

A.C.N. 000 950 649 Pty Limited (Formerly Reko Pty Limited)

DoDo Holdings Pty Limited

BK World Pty Limited

Skansen Giftware (UK) Limited (domiciled in the United Kingdom)

De-registered during the year:

Mastertech Pty Limited

RPA Plastics Pty Limited (Formerly HomeLeisure Housewares Pty Limited)

XTen Innovations Pty Limited

Headline Group Limited and Controlled Entities

DIRECTORS' REPORT

REGISTERED OFFICE

Level 10
68 Pitt Street
Sydney NSW 2000

NATURE OF OPERATION AND PRINCIPAL ACTIVITIES

The principal activities during the year within the Group were the import and distribution of giftware products.

EMPLOYEES

The Group employed 28 employees as at 30 June 2009 (2008: 42).

DIVIDENDS

No dividends have been declared or paid during the financial year.

REVIEW OF OPERATIONS

For the year ended 30 June 2009, the Group achieved a net loss before tax of \$1.88 million and a net loss after tax of \$1.56 million. This is not comparable to the 30 June 2008 net loss before tax of \$1.06 million because for the period ended 30 June 2008, it was a 6-month period.

The result is in line with our expectations after we have decided to exit product categories which require complex and costly infrastructure requirements and those underperforming product categories. The major factors impacting the result included:

- Consumers are winding back sharply in response to higher unemployment, financial turmoil and a softening housing sector.
- Website development expenses of \$210,000.
- Skansen's restructuring costs including redundancies of \$360,000.
- One off write down in the carrying value of the remaining property at Lisarow, NSW, of \$198,000.
- Unrealized losses on outstanding forward cover contracts of \$272,000.

Headline Group Limited and Controlled Entities

DIRECTORS' REPORT

SHAREHOLDER RETURNS

The figures in the table are not all sourced from audited accounts as they reflect a combination of audited and internal management information. Accordingly the figures should only be used as a guide to trends to business performance.

	6-Month Year				
	2009	2008	2007	2006	2005
Revenues from ordinary activities (\$'000)	11,588	5,966	21,569	57,329	72,383
Return on sales (EBITDA)/Revenue	(14.5)%	(17.4)%	(8.7)%	8.6%	9.7%
NTA (cents per share)	11.7	13.0	13.9	17.4	11.0
Basic EPS (cents per share)	(1.3)	(0.9)	(2.3)	3.0	2.7
Dividends paid during the year (cents per share)	-	-	1.5	2.0	2.25
Closing share price (cents per share)	12.0	15.5	15.0	23.0	19.5
Shares on issue ('000)	119,690	119,690	120,046	122,113	121,111

COMPANY PERFORMANCE

The above table shows the performance of the Group over the last five periods.

REVIEW OF FINANCIAL CONDITION

Capital Structure

No new shares were issued in 2009. No shares were issued under the Dividend Reinvestment Plan following the suspension of the plan on 28 March 2006. The plan remains suspended until further notice.

Cash from Operations

Net cash flows from operations for the year ended 30 June 2009 was (\$0.69) million as compared to (\$0.51) million in the 6 months to 30 June 2008. This year's cash flows included proceeds from previous year's sale of business and assets.

Liquidity and Funding

The Group has no bank facility and is debt free (excluding leases and credit cards) as at 30 June 2009.

Cash on hand as at 30 June 2009 was \$9.6 million (2008 \$7.2 million).

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There are no significant changes in the state of affairs of the Group during the financial year.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

In the opinion of the Directors, it would prejudice the interests of the Group to include additional information, except as reported in this Directors report and the annual report, which related to likely developments in the operations of the consolidated entity and the expected results of those operations in financial periods subsequent to 30 June 2009.

Headline Group Limited and Controlled Entities

DIRECTORS' REPORT

EVENTS SUBSEQUENT TO REPORTING DATE

Effective on 20 August 2009 the Company entered into a business combination whereby it acquired 67% of the issued capital in Skansen KCG Pty Limited ("Skansen KCG"). Skansen KCG is a newly formed company set up to acquire the Beanie Kids business of the Company and the Kids Central/Early Learning Centre business which is a leading retailer in the Parent's and children's fashion and toys retail segment.

The acquisition involves:

- 1) Skansen Pty Limited ("Skansen") the wholly owned subsidiary of the Company and operator of the Beanie Kids business selling the Beanie Kids assets and business for a total consideration of \$4.5 million, which is to be satisfied by issue of 4.5 million shares in Skansen KCG Pty Limited to Skansen.
- 2) Get to Know Pty Limited, The Kids Department Store Pty Limited, Early Learning Centre (Australia) Pty Ltd, Early Learning Centre (Systems) Pty Limited, Michael Lewis, Bump Media Pty Limited and Early Learning Centre Limited (New Zealand) (collectively known as the "KDS Group" or "Vendors"), the vendors of the Kids Central /Early Learning Centre business selling the Kids Central/Early Learning Centre assets and business for a total consideration of \$4.15million, which is to be satisfied by the issue of 1.65 million shares at \$1 each in Skansen KCG and the issue of \$2.5 million in redeemable convertible notes. Each convertible note is convertible at the option of the note holder into one share in Skansen KCG and carries an interest rate of Westpac variable home loan rate plus 3%. The notes will be secured by way of fixed and floating charge over all the assets of the Company.
- 3) Headline Group Limited to subscribe for \$4.0 million in redeemable convertible notes in Skansen KCG. The Convertible notes will carry a coupon rate of Westpac variable home loan rate plus 3% and are convertible into one share in Skansen KCG at the option of Headline Group Ltd. Any interest outstanding on the Convertible note may be converted into 50% equity and the balance satisfied in cash. The notes will be secured by way of fixed and floating charge over the assets of the Company and rank ahead of the convertible notes issued to KDS Group above.
- 4) Both Headline Group Limited and the KDS Group receive an option to invest a further \$3 million and \$1 million respectively on the same terms as the original convertible notes.

Completion of the transaction is subject to certain completion conditions. The ultimate fair value of net identifiable assets acquired and resulting goodwill /intangible assets by Skansen KCG are not able to be determined at the date of this statement as completion adjustments are yet to be finalised.

Apart from the matter above, no other matters or circumstances have arisen since the end of year which significantly affected the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in the financial year subsequent to 30 June 2009.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Group complies with all environmental regulations.

SHARE OPTIONS AND SHAREHOLDINGS

During the year, no options were granted to executives and employees.

As at the date of this report, there were no unissued ordinary shares under options. Refer to note 23 of the financial statements for further details of expired options during the year.

Refer to note 25 for shareholdings and option holdings of directors and key management personnel.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During or since the financial year, the Group has paid premiums in respect of a contract insuring all of the directors and certain officers of Headline Group Limited against costs incurred in defending proceedings for conduct involving:

- (a) a wilful breach of duty; or
- (b) a contravention of sections 182 or 183 of the Corporations Act 2001, as permitted by section 199B of the Corporations Act 2001.

The Group is bound by a confidentiality clause in its insurance policy not to disclose the insurance contract premiums.

Headline Group Limited and Controlled Entities

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED)

This report outlines the remuneration arrangements in place for directors and executives of the Company and the Group.

A) PRINCIPLES USED TO DETERMINE THE NATURE AND AMOUNT OF REMUNERATION

Remuneration Philosophy

The performance of the Group depends upon the quality of its directors and executives. To prosper, the Group must attract, motivate and retain highly skilled directors and executives.

To this end, the Group embodies the following principles in its remuneration framework:

- Provide competitive rewards to attract high calibre executives;
- Establish appropriate performance hurdles in relation to variable executive remuneration; and
- A portion of executive remuneration "at risk" dependent upon meeting pre-determined performance benchmarks.

Responsibility

The Board is responsible for determining and reviewing compensation arrangements for the directors, the managing director and the executive team. The Board assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team.

To assist in achieving these objectives, the Board links the nature and amount of executive directors' and officers' emoluments to the Company's financial performance.

Remuneration Structure

In accordance with best practice corporate governance, the structure of non-executive director and senior management remuneration is separate and distinct.

Non-Executive Director Remuneration

Objective

The Board seeks to set aggregate remuneration at a level which provides the Group with the ability to attract and retain directors of a high calibre, whilst incurring a cost which is acceptable to shareholders.

Structure

The constitution of the Company and the ASX Listing Rules specify that the aggregate of non-executive directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the directors as agreed. The latest determination was at the Annual General Meeting held on 29 July 2002 when shareholders approved an aggregate remuneration of \$250,000 per year.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually. The Board considers, when needed, advice from external consultants as well as fees paid to non-executive directors of comparable companies when undertaking the annual review process. This review process does not necessarily mean a fee increase is sought from the next annual general meeting. Each director receives a fee for being a director of the Company. No additional fee is paid for sitting on a board committee. However a director may, at the request from the Board, undertake additional consulting work, which will be invoiced in addition to normal director's fees. Non-executive directors do not receive performance related remuneration.

Senior Management And Executive Director Remuneration

Objective

The Group aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Group and so as to:

- Reward executives for the Group, business unit and individual performance against targets set by reference to appropriate benchmarks;
- Align the interests of executives with those of shareholders;
- Link reward with the strategic goals and performance of the Company; and
- Ensure total remuneration is competitive by market standards.

Structure

Remuneration consists of the two key elements:

- Fixed remuneration; and
- Variable remuneration

The proportion of fixed and variable remuneration is established for each senior manager by the Board.

Headline Group Limited and Controlled Entities

DIRECTORS' REPORT

REMUNERATION REPORT (Continued)

Fixed Remuneration

Objective

The level of fixed remuneration is set so as to provide a base level of remuneration which is appropriate to the position and is competitive in the market.

Fixed remuneration is reviewed annually by the Board and the process of a review of business unit and individual performance, relevant competitive remuneration in the market.

Structure

Senior managers are given the opportunity to receive their fixed remuneration in a variety of forms including cash, car allowance and fringe benefits such as a motor vehicle. It is intended that the manner of payment chosen will be optimal for the recipient without undue cost for the Company.

Variable Remuneration

Objective

The objective of the variable remuneration is to link the achievements of the Group's operational targets with the remuneration received by the executives charged with meeting those targets. The main target is the achievement of the business unit's profit budget. The total potential variable remuneration available is set so as to provide sufficient incentive to the senior managers to achieve the operational targets and such that the cost to the Group is reasonable in the circumstances.

Details of the nature and amount of each element of the emolument of each director of the Group and each of the key management personnel of the Group and the consolidated entity are as follows:

B) DETAILS OF REMUNERATION

Details of directors and key management personnel

(i) Directors

G Elkington	Executive Chairman (Managing Director till 2 March 2009)
B Dennison	Managing Director (Executive Director till 2 March 2009)
G Choo	Executive Director / Chief Financial Officer
J Fox	Chairman (resigned July 2008)
R Montgomery	Non-Executive (resigned May 2009)

(ii) Key management personnel

I Gordon	Company Secretary
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- The terms "director" and "officer" have been treated as mutually exclusive for the purposes of this disclosure. The elements of emoluments have been determined on the basis of the cost to the Group and the consolidated entity; and
- Key management personnel are those directly accountable and responsible for the operational management and strategic direction of the Group. In the directors' view, other senior personnel do not fall into the definition above.

Details of the remuneration of the Directors, the key management personnel of the Group (as defined in AASB 124 Related Party Disclosure) and specified executives are set out in the following table.

Headline Group Limited and Controlled Entities

DIRECTORS' REPORT

		Short term			Post	Non	Total
		Salary & fees	Cash bonus	Car Allowance	Employment	Monetary	
Directors		\$	\$	\$	\$	\$	\$
G Elkington	2009	314,994	-	35,000	-	35,699	385,693
	2008	157,497	100,000	17,500	-	15,750	290,747
B Dennison	2009	195,676	-	-	-	7,500	203,176
	2008	-	-	-	-	-	-
G Choo	2009	120,000	-	-	-	10,800	150,800
	2008	58,333	-	-	-	5,250	68,583
R Montgomery (resigned May 2009)	2009	44,630	-	-	-	-	44,630
	2008	-	-	-	-	-	-
J Fox (resigned July 2008)	2009	6,667	-	-	-	600	7,267
	2008	40,002	-	-	-	3,600	43,602
D Schwartz (resigned May 2008)	2009	-	-	-	-	-	-
	2008	15,000	-	-	-	1,257	16,257
D Edwards (resigned May 2008)	2009	-	-	-	-	-	-
	2008	18,750	-	-	-	1,688	20,438
Sub-totals - Directors	2009	681,967	-	35,000	-	54,599	791,566
	2008	289,582	100,000	17,500	-	27,545	439,627
Other key management personnel							
I Gordon *	2009	681,967	-	35,000	-	54,599	791,566
	2008	289,582	100,000	17,500	-	27,545	439,627

* Mr. I Gordon, Company Secretary, is a partner of McBurney & Partners, who provides company secretarial services to Headline Group Limited. The agreement between Headline Group Limited and McBurney & Partners is based on normal commercial terms. In 2009, a total of \$58,127 (2008: \$39,414) was received by McBurney.

∞ No share based payments were made during the year and the previous reporting period.

∞ Percentage of remuneration related to performance and share options during the year is Nil.

∞ The cash bonus paid to G Elkington related to the sale of the Housewares & Entertainment businesses in previous years. It was not based on any preset performance criteria.

Headline Group Limited and Controlled Entities

DIRECTORS' REPORT

REMUNERATION REPORT (continued)

C) EMPLOYMENT CONTRACTS

Mr Gordon Elkington, Executive Chairman

- Duration of contract is three (3) years commencing 1 May 2008.
- Base salary excluding superannuation is \$350,000 per annum and it is to be reviewed by the Board on an annual basis.
- The contract may be terminated by either party by providing 90 days notice. Mr Elkington is entitled to compensation for the unexpired months and the compensation shall be no greater than \$525,000.

Mr Brent Dennison, Managing Director

- Duration of contract is three (3) years commencing 1 March 2009.
- Base salary excluding superannuation is \$250,000 per annum and it is to be reviewed by the Board on an annual basis.
- The contract may be terminated by either party by providing 90 days notice. Mr Dennison is entitled to compensation for the unexpired months and the compensation shall be no greater than \$250,000.

Mr George Choo, Executive Director & Chief Financial Officer

- Duration of contract is three (3) years commencing 1 October 2008.
- Base salary excluding superannuation is \$120,000 per annum and it is to be reviewed by the Board on an annual basis.
- The contract may be terminated by either party by providing 90 days notice. Mr Choo is entitled to compensation for the unexpired months and the compensation shall be no greater than \$60,000.

D) OPTIONS GRANTED AS PART OF REMUNERATION

There were no options granted for the year ended 30 June 2009 (2008: nil).

E) ADDITIONAL INFORMATION

Remuneration for key management personnel is linked to the Group's performance. Personnel may be rewarded by way of year end bonuses or/and increases in remuneration. Details of the Group's performance during the last five years are tabled below.

	6-Month Year				
	2009	2008	2007	2006	2005
Revenues from ordinary activities (\$'000)	11,588	5,966	21,569	57,329	72,383
NTA (cents per share)	11.7	13.0	13.9	17.4	11.0
Basic EPS (cents per share)	(1.3)	(0.9)	(2.3)	3.0	2.7
Dividends paid during the year (cents per share)	-	-	1.5	2.0	2.25
Closing share price (cents per share)	12.0	15.5	15.0	23.0	19.5
Shares on issue ('000)	119,690	119,690	120,046	122,113	121,111

DIRECTORS' MEETINGS

During the year, 10 directors' meetings and 2 audit committee meetings were held. The number of meetings at which directors were in attendance is as follows:

	Meeting of Directors		Audit Committee	
	No. held while in office	Meetings attended	No. held while in office	Meetings attended
J Fox	1	1	-	-
G Elkington	10	10	-	-
B Dennison	9	9	2	2
R Montgomery	8	6	-	-
G Choo	10	10	2	2

As at the date of this report, the Company has an Audit Committee. The members of the Audit Committee are Mr G Elkington (Chairman – appointed on 18 June 2008) and Mr G Choo.

Headline Group Limited and Controlled Entities

DIRECTORS' REPORT

ROUNDING

The amounts contained in this report and in the financial report have been rounded to the nearest \$1,000 (where rounding is applicable) under the option available to the Company under ASIC Class Order 98/0100. The Company is an entity to which the Class Order applies.

AUDITOR INDEPENDENCE

The lead auditor's independence declaration for the year ended 30 June 2009 has been received and can be found on page 18 of this report.

NON-AUDIT SERVICES

Non-audit services were provided by the entity's auditor PKF. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised. PKF received or are due to receive the following amounts for the provision of non-audit services.

- other assurance services provided \$5,106

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of Headline Group Limited support and have adhered to the principles of corporate governance. The Company's corporate governance statement is detailed in the financial report.

Signed in accordance with a resolution of the directors.



Gordon Elkington
Executive Chairman

30 September 2009
Sydney

Headline Group Limited and Controlled Entities

CORPORATE GOVERNANCE STATEMENT

The Board of Directors ('the Board') of Headline Group Limited ('the Company') is responsible for the corporate governance practices of the consolidated entity. Headline Group and its controlled entities are referred to in these policies as 'the Group'. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable.

The Board supports the core principles developed by the Australian Securities Exchange ("ASX") Corporate Governance Council ("the Council") as a basis for enhancing the credibility and transparency of our capital markets. The structures, policies and procedures already in place at the Company have been developed and implemented by the Board and management over many years to ensure the Company has historically operated on those principles.

The Board believes that the Company's Corporate Governance policies should be tailored to account for the size and structure of the Company, risks associated with the Company's operations and the Company's inherent strengths and weaknesses. The ASX concurs with this view and allows companies to explain deviations from the ASX Corporate Governance Council's recommendations.

Areas where the Company has deviated from the Council's recommendations are discussed below, but the Board believes the areas of non-conformance do not impact on the Group's ability to operate with the highest standards of Corporate Governance.

Principle 1: Lay solid foundations for management and oversight

Recommendation 1.1 : Establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.

The Board is responsible to shareholders for the Group's overall corporate governance practices, and is responsible for the direction and oversight of the Group's businesses on behalf of the shareholders.

The Board's responsibilities include:

- reviewing and determining the Group's strategic direction and operational policies;
- establishing goals for management and monitoring the achievement of these goals;
- reviewing and approving the Group's Business Plan;
- appointing and remunerating the Managing Director;
- approving all significant business transactions including acquisitions, divestments and property developments;
- monitoring business risk exposures and risk management systems;
- approving and monitoring financial and other external reporting;
- approving changes to the Group's capital structure;
- reporting to shareholders; and
- promoting ethical conduct.

The Board delegates responsibility for the formulation of strategy and administration of day-to-day business to the Managing Director and Chief Financial Officer who comprise the Company's senior management group.

The senior management group is responsible for:

- ensuring business development and other activities are conducted in accordance with the Group's overall business strategy;
- managing the Group's property developments, businesses and other investments to maximise returns to shareholders;
- informing the Board on a regular basis of the status of all projects and the performance of all Group's assets;
- managing relationships with investors and analysts;
- approving capital expenditure and business transactions within predetermined limits set by the Board;
- planning in accordance with the financial control guidelines which govern the allocation and management of financial resources throughout the Group;
- ensuring that appropriate financial reporting is provided to the Board on a monthly, six monthly and annual basis; and
- establishing and monitoring the Group's risk management framework to ensure that policies, guidelines and controls are effective in reducing the Group's operational and financial exposures to an acceptable level.

Recommendation 1.2 Disclose the process for evaluating the performance of senior executives.

Senior management's performance is assessed regularly against both qualitative and quantitative factors at board meetings.

There have been no departures from Principle 1 during the year ended 30 June 2009

Headline Group Limited and Controlled Entities

CORPORATE GOVERNANCE STATEMENT

Principle 2: Structure the board to add value

The Board comprises the Executive Chairman, Managing Director and one Executive Director. The size and composition of the Board is formulated to provide an appropriate range of experience, skills, knowledge and perspective to enable it to appoint, guide and supervise a high standard of management for the Group's business. The names, skills, experience and expertise of each Director of the Company are set out in the Annual Report and on the Company's website.

Recommendation 2.1 : A majority of the Board should be independent Directors

Directors of Headline Group are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with – or could reasonably be perceived to materially interfere with – the exercise of their independent judgement. In the context of director independence, “materiality” is considered from both the Company and individual director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal to or less than 5% of the appropriate base amount. The Board considers an item to be material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 10% of the appropriate base amount. Qualitative factors considered include whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors that point to the ability of the director in question to shape the direction of the Company's loyalty.

In accordance with this definition of independence, none of the current directors are independent directors by virtue of their substantial shareholdings in Headline Group as detailed in the Annual Report or by their management role. . The Board does not comprise a majority of independent directors and consequently its composition does not comply with Recommendation 2.1 of the ASX Corporate Governance Guidelines. This departure arises from the size and nature of operations of the Group.

However, the Board has adopted the following measures to ensure that independent judgment is achieved and maintained in respect of its decision-making processes:

- Directors are entitled to seek independent professional advice at the Company's expense, subject to the approval of the Board;
- Directors having a conflict of interest in relation to a particular item of business must absent themselves from the board meeting before commencement of discussion on the topic; and
- Non-executive directors confer on a needs basis without management in attendance.

Each director brings a range of complementary skills and experience to the Group as indicated in the Annual Report.

Recommendation 2.2 : The Chairperson should be an independent Director

The Company's Chairman is Mr Gordon Elkington. Whilst not independent and an executive, the Board considers that it is appropriate for him to be Chairman due to the size and nature of the Group, given his skills, experience and knowledge of the Group. This is a departure from Recommendation 2.2.

Recommendation 2.3: The roles of Chairperson and Chief Executive Officer should not be exercised by the same individual.

The Chairman is Mr Gordon Elkington and the Chief Executive Officer is Mr Brent Dennison, therefore as required under best practice, there is a separation of these two roles.

Recommendation 2.4: The Board should establish a Nomination Committee.

Due to the size and structure of the Company's Board, a Nominations Committee has not been established as required under ASX Recommendation 2.4. All directors may make recommendations to the Board regarding the membership of the Board, including proposed new appointments. However, all directors must agree unanimously on any new director appointments. In addition, the Company's Constitution provides that at each annual general meeting, one third of directors shall retire (and be eligible for re-election).

The Board believes that these alternative procedures are more than adequate to preserve the integrity of the Board.

Recommendation 2.5: Disclose the process for evaluating the performance of the Board, its committees and individual directors.

Due to the size and nature of the Group, the Board believes that external formal evaluation is not necessary as performance is continually being evaluated on an ongoing basis. This is therefore a departure from Recommendation 2.5.

Headline Group Limited and Controlled Entities

CORPORATE GOVERNANCE STATEMENT

Principle 3: Promote ethical and responsible decision making

Recommendation 3.1: Companies should establish a code of conduct and disclose the code

The Board encourages the highest standards of ethical conduct by all directors and employees of the Group. The Board has adopted a Code of Conduct & Ethics that sets out the principles and standards with which all Group's officers and employees are expected to comply in the performance of their respective functions. Officers and employees are expected to:

- comply with the law;
- act honestly and with integrity;
- reduce the opportunity for situations to arise which result in divided loyalties or conflicts of interest;
- use the Group's assets responsibly and in the best interests of the Company's shareholders; and
- be responsible and accountable for their actions.

Senior management immediately investigates possible failures to comply with the principles of ethical and responsible conduct, employing the use of third party expertise where necessary. The appropriate level of disciplinary action is applied where departures from these principles are confirmed.

This Code is regularly reviewed and updated as necessary to ensure it remains consistent with the Board's objectives.

Recommendation 3.2: Establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.

Dealing in Company Shares

Officers, management and employees are actively encouraged to own shares in the Company. The Board's policy is that trading in the Company's shares and/or options over such shares by directors and staff should only occur in circumstances where the market is fully informed of the Group's activities. The Board considers at each month's board meeting whether trading in the Company's shares is appropriate in the coming month taking into account the circumstances which exist. The policy requires that Directors discuss any intention to trade in the Company's shares and/or options over such shares with the Chairman in circumstances where there exists a board decision that shares and/or options over such shares ought not to be traded. Senior management and employees require the approval of the Executive Chairman prior to trading. The Board recognises that it is the individual responsibility of each Director and employee to ensure that they comply with the spirit and letter of the insider trading laws, and that notification to the Board, the Chairman or the Managing Director of an intention to trade in no way implies their approval of any transaction.

Principle 4: Safeguard integrity in financial reporting

Recommendation 4.1: The Board should establish an Audit Committee.

The Company's Managing Director and Chief Financial Officer report in writing to the Board that the consolidated financial statements of the Group for each half and full financial year present a true and fair view, in all material respects, of the Group's financial condition and operational results and are in accordance with relevant accounting standards. The Audit Committee operates throughout the year with the primary objective to assist the Board of Directors in fulfilling the Board's responsibilities relating to the accounting, reporting and financial risk management practices of the Group. In fulfilling this objective, the Audit Committee meets at least two times each year.

The main duties and responsibilities of the Audit Committee include:

- review and consideration of statutory compliance matters;
- review of the annual and half-yearly financial reports;
- recommend to the Board nominations for appointment as external auditors;
- review the scope of the audit, the level of audit fees and the performance of the external auditors;
- liaison with external auditors, review of audit planning and consideration of audit results; and
- evaluation of the adequacy and effectiveness of the Group's administrative, operating and accounting policies and internal controls through active communication with operating management and the external auditors.

Recommendation 4.2: Structure the Audit Committee so that it consists only of non-executive directors, consists of a majority of independent directors and is chaired by an independent chair, who is not chair of the board and has at least three members.

Recommendation 4.3 : The Audit Committee should have a formal charter.

Headline Group Limited and Controlled Entities

CORPORATE GOVERNANCE STATEMENT

Principle 4: Safeguard integrity in financial reporting (continued)

The members of the Audit Committee during the year were Mr G Elkington (Chairman) and Mr G Choo. Both members of the committee are not independent and hold executive positions and hence this represents a departure from Recommendation 4.2.

The Audit Committee also does not have a formal charter in accordance with Recommendation 4.3.

The departures from Recommendations 4.2 and 4.3 arise on account of the size and nature of the Group and the present structure of the Board. The Board is aware of the Corporate Governance Principles and Recommendations (2nd Edition), and will continue to work towards full adoption of the recommendations in line with growth and development of the Group in the years ahead.

Principle 5: Make timely and balanced disclosure

Recommendation 5.1: Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for the compliance and disclosure of those policies or a summary of those policies.

Documented procedures are in place to identify matters that are likely to have a material effect on the price of the Company's securities and to ensure those matters are notified to the ASX in accordance with the Company's Listing Rule disclosure requirements. The Managing Director and Chief Financial Officer are responsible for monitoring the Company's activities in light of its continuous disclosure policy and where necessary discussing disclosure obligations with the Board.

The Company Secretary is responsible for all communications with the ASX. All communications with external stakeholders in respect of sensitive company information is subject to the relevant safeguarding and confidentiality procedures. These communications are undertaken in light of continuous disclosure requirements of the ASX and the broad principles of ensuring the market is fully informed of price sensitive information.

Principle 6: Respect the rights of shareholders

Recommendation 6.1 : Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy. Use company websites to complement the official release of material information to the market.

The Board encourages communication with shareholders and other stakeholders in an open, regular and timely manner so that the market has sufficient information to make informed investment decisions on the operations and results of the Group.

Mechanisms employed include:

- regular shareholder communications such as Half-Yearly Reports, and the Full Financial Report;
- financial results presentations at the Company's Annual General Meeting ("AGM");
- shareholder access to communications through the use of information technology such as the Company's website; and
- utilising Computershare, the Company's share registry service provider.

The Board encourages full participation of shareholders at the AGM to ensure a high level of accountability and understanding of the Group's strategy and goals. The Company encourages the Group's external auditor to attend the AGM.

Principle 7: Recognise and manage risk

Recommendation 7.1: The Board or appropriate Board Committee should establish policies on risk oversight and management of material business risk and disclose a summary of those policies.

The Board is responsible for oversight of the Group's risk management and control framework (the Group does not have a separate Risk Management Committee). The Audit Committee assists the Board in fulfilling its responsibilities in this regard by reviewing the financial and reporting aspects of the Group's risk management and control framework. The Group has implemented a policy framework designed to ensure that the Group's risks are identified and that controls are adequate, in place and functioning effectively.

This framework will incorporate the maintenance of comprehensive policies, procedures and guidelines that encompass the Group's activities. It addresses areas such as contract negotiation, project management, occupational health and safety, environmental management, trade practices, IT disaster recovery and business continuity planning.

Headline Group Limited and Controlled Entities

CORPORATE GOVERNANCE STATEMENT

Principle 7: Recognise and manage risk (continued)

Recommendation 7.2: The Board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.

Responsibility for control and risk management is delegated to the appropriate level of management within the Group with the Managing Director and Chief Financial Officer having ultimate responsibility to the Board for the Group's risk management and internal control activities. Arrangements put in place by the Board to monitor risk management and internal controls include:

- regular monthly reporting to the Board in respect of operations and the financial position of the Group;
- reports by the Chairman of the Audit Committee and circulation to the Board of the minutes of each meeting held by the Audit Committee;
- presentations made to the Board throughout the year by appropriate members of the Group's management team (and/or independent advisers, where necessary) on the nature of particular risks and details of the measures which are either in place or can be adopted to manage or mitigate the risk; and
- any Director may request that operational and project audits be undertaken by management.

Recommendation 7.3: The Board should disclose whether it has received assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Prior to signing the Group's annual financial statements, the Company's Managing Director and Chief Financial Officer report in writing to the Board that:

- the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- the Company's risk management and internal compliance and control framework is operating efficiently and effectively in all material respects.

Principle 8: Remunerate fairly and responsible

Recommendation 8.1: The Board should establish a remuneration committee.

Recommendation 8.2: Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.

The Group's policies relating to Directors' and Senior Executives' remunerations are set out in the Group's annual report.

Due to the size and nature of the Group, the Board has considered that establishing a formal remuneration committee will not achieve enhanced efficiency. As a result, the functions ordinarily undertaken by a remuneration committee are undertaken by the Board. The Group's policies relating to Directors' and Senior Executives' remuneration are set out in the Directors' report under the heading "Remuneration Report".

The Group does not have any scheme for retirement benefits, other than superannuation.

At the time of appointment, each Director and Senior Executive signs a formal employment contract outlining their duties, rights, responsibilities and any entitlements on termination. These duties and responsibilities are reviewed annually by the Board and when necessary is revised in consultation with the employee.

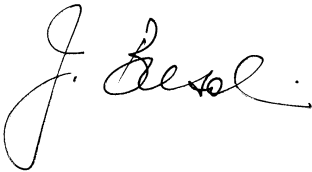
It is the Group's objective to provide maximum stakeholder benefit from the retention of high quality Board members and Senior Executives by remunerating Directors and key executives fairly and appropriately with reference to relevant employment market conditions. To assist in achieving this objective, the nature and amount of executive directors' and officers' emoluments are linked to the Group's financial and operational performance.

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of Headline Group Limited for the year ended 30 June 2009, 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 Headline Group Limited and the entities it controlled during the year.

**PKF**

John Bresolin
Partner

30 September 2009
Sydney

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HEADLINE GROUP LIMITED & CONTROLLED ENTITIES
INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2009

	Notes	CONSOLIDATED		PARENT ENTITY	
		12 Months 30 June 2009 \$'000	6 Months 30 June 2008 \$'000	12 Months 30 June 2009 \$'000	6 Months 30 June 2008 \$'000
Continuing operations					
Revenue		12,105	6,275	467	1,318
Total revenue	4	12,105	6,275	467	1,318
Cost of sales		(6,794)	(3,043)	-	-
Gross profit		5,311	3,232	467	1,318
Other income	5	411	-	246	-
Administration expenses		(6,119)	(3,765)	(1,322)	(1,334)
Distribution expenses		(81)	(32)	-	-
Marketing expenses		(649)	(188)	(4)	-
Occupancy expenses		(352)	(244)	(1)	(79)
Depreciation	6	(199)	(22)	(17)	(6)
Finance costs	6	(2)	-	(2)	-
Operating expenses		(7,402)	(4,251)	(1,346)	(1,419)
Debt forgiveness		-	(40)	(17)	(40)
Impairment of assets classified as held for sale		(198)	-	-	-
Impairment of investments in subsidiary companies.		-	-	-	(2,058)
Profit/(loss) from continuing operations before income tax expense		(1,878)	(1,059)	(650)	(2,199)
Income tax (expense) / benefit	7	315	(43)	(28)	36
Loss from continuing operations after income tax expense		(1,563)	(1,102)	(678)	(2,163)
Net Loss attributable to members of Headline Group Limited		(1,563)	(1,102)	(678)	(2,163)
Earnings/(loss) per share for profit from continuing operations :					
Basic loss per share (cents per share)	24	(1.31)	(0.92)		
Diluted loss per share (cents per share)	24	(1.31)	(0.92)		
Earnings/(loss) per share for profit attributable to members of Headline Group Limited					
Basic loss per share (cents per share)	24	(1.31)	(0.92)		
Diluted loss per share (cents per share)	24	(1.31)	(0.92)		
Dividends per share	9	-	-		

The accompanying notes form an integral part of this Income Statement.

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HEADLINE GROUP LIMITED & CONTROLLED ENTITIES
BALANCE SHEET
AS AT 30 JUNE 2009

	Notes	CONSOLIDATED		PARENT ENTITY	
		30 June 2009	30 June 2008	30 June 2009	30 June 2008
		\$'000	\$'000	\$'000	\$'000
CURRENT ASSETS					
Cash and cash equivalents	10	9,631	7,137	9,501	6,758
Trade and other receivables	11	2,606	3,592	1,704	5,102
Inventories	12	1,020	1,604	-	-
Current tax asset		-	109	-	109
Other assets	13	45	97	1	-
		13,302	12,539	11,206	11,969
Assets classified as held for sale	8	1,805	4,653	-	-
TOTAL CURRENT ASSETS		15,107	17,192	11,206	11,969
NON-CURRENT ASSETS					
Investments in controlled entities	14	-	-	3,900	3,900
Property, plant and equipment	15	521	583	36	21
Deferred tax asset	7	251	178	35	63
TOTAL NON-CURRENT ASSETS		772	761	3,971	3,984
TOTAL ASSETS		15,879	17,953	15,177	15,953
CURRENT LIABILITIES					
Trade and other payables	16	1,149	1,104	730	339
Provisions	17	214	782	62	578
Borrowings – Finance lease		11	-	11	-
Derivative financial instruments	18	272	-	-	-
		1,646	1,886	803	917
Liabilities directly associated with the assets classified as held for sale	8	84	365	-	-
TOTAL CURRENT LIABILITIES		1,730	2,251	803	917
NON-CURRENT LIABILITIES					
Provisions	17	83	99	-	-
Borrowings – Finance lease		16	-	16	-
TOTAL NON-CURRENT LIABILITIES		99	99	16	-
TOTAL LIABILITIES		1,829	2,350	819	917
NET ASSETS		14,050	15,603	14,358	15,036
EQUITY					
Issued capital	19	31,001	31,001	31,001	31,001
Reserves		(111)	13	-	134
Accumulated losses	21	(16,840)	(15,411)	(16,643)	(16,099)
TOTAL EQUITY		14,050	15,603	14,358	15,036

The accompanying notes form an integral part of this Balance Sheet.

HEADLINE GROUP LIMITED & CONTROLLED ENTITIES
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2009

	Notes	CONSOLIDATED		PARENT ENTITY	
		12 Months 30 June 2009	6 Months 30 June 2008	12 Months 30 June 2009	6 Months 30 June 2008
		\$'000	\$'000	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		13,543	7,486	129	4,162
Payments to suppliers and employees		(14,340)	(7,964)	(1,019)	(1,535)
Income tax paid / refunded		-	(33)	-	-
Income tax refund		108	-	110	(27)
NET CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES	10	(689)	(511)	(780)	2,600
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of property, plant and equipment		(159)	(278)	(4)	691
Proceeds from sale of property, plant & equipment		8	-	8	-
Net proceeds from sale of Lisarow Property (a)		2,803	-	-	-
Interest received		517	309	467	305
Investment in subsidiary		-	-	-	(3,900)
Receipt of deferred Central Station settlement (b)		508	412	508	-
Loan to Kids Central Group		(500)	-	(500)	-
Intercompany borrowings (provided) / repaid		-	-	3,054	(20)
NET CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES		3,177	443	3,533	(2,924)
CASH FLOWS FROM FINANCING ACTIVITIES					
Hire purchase payment		(10)	-	(10)	-
Share buyback		-	(49)	-	(49)
NET CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES		(10)	(49)	(10)	(49)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		2,478	(117)	2,743	(373)
Cash and cash equivalents at beginning of year		7,154	7,271	6,758	7,131
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	10	9,632	7,154	9,501	6,758

(a) Net of disposal costs

(b) Net of royalty claim settlement

The accompanying notes form an integral part of the Cash Flow Statement.

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HEADLINE GROUP LIMITED & CONTROLLED ENTITIES
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2009

CONSOLIDATED	Attributable to equity holders of the consolidated entity				
	Issued capital	Share option reserve	Foreign currency reserve	Accumulated losses	Total
	\$'000	\$'000	\$' 000	\$'000	\$'000
As at 1 January 2008	31,050	134	(150)	(14,309)	16,725
Currency translation differences	-	-	29	-	29
Net income (expense) recognised directly in equity	-	-	29	-	29
Net loss for the 6 month period	-	-	-	(1,102)	(1,102)
Total recognised income and expenses for the 6 month period	-	-	-	(1,102)	(1,102)
Share buyback	(49)	-	-	-	(49)
As at 30 June 2008	31,001	134	(121)	(15,411)	15,603
Currency translation differences	-	-	10	-	10
Net income (expense) recognised directly in equity	-	-	10	-	10
Net loss for the year	-	-	-	(1,563)	(1,563)
Total recognised income and expenses for the year	-	-	-	(1,563)	(1,563)
Transfer of lapsed options	-	(134)	-	134	-
As at 30 June 2009	31,001	-	(111)	(16,840)	14,050

The accompanying notes form an integral part of the Statement of Changes in Equity

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HEADLINE GROUP LIMITED & CONTROLLED ENTITIES
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2009

PARENT	Attributable to equity holders of the parent entity				
	Issued capital	Share option reserve	Foreign currency reserve	Accumulated losses	Total
	\$'000	\$'000	\$' 000	\$'000	\$'000
As at 1 January 2008	31,050	134	-	(13,936)	17,248
Net loss for the 6 month period	-	-	-	(2,163)	(2,163)
Total recognised income and expenses for the 6 month period	-	-	-	(2,163)	(2,163)
Share buyback	(49)	-	-	-	(49)
As at 30 June 2008	31,001	134	-	(16,099)	15,036
Net loss for the year	-	-	-	(678)	(678)
Total recognised income and expenses for the year	-	-	-	(678)	(678)
Transfer of lapsed options	-	(134)	-	134	-
As at 30 June 2009	31,001	-	-	(16,643)	14,358

The accompanying notes form an integral part of the Statement of Changes in Equity

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HEADLINE GROUP LIMITED & CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

1. CORPORATE INFORMATION

The financial report of Headline Group Limited for the year ended 30 June 2009 was authorised for issue in accordance with a resolution of the directors on 30 September 2009.

Headline Group Limited is a company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange.

The registered office of the Company is Level 10, 68 Pitt Street, Sydney, NSW 2000 and the principal place of business is at Lot 3, Ground Floor, 23-29 South Street, Rydalmere, NSW 2116.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards including Australian Accounting Interpretations.

The financial report has been prepared on a historical cost basis, except for derivative financial instruments that have been measured at fair value.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated under the option available to the Company under ASIC Class Order 98/0100. The Company is an entity to which the class order applies.

(b) Reporting period and prior year comparatives

The financial report has been prepared for the year ended 30 June 2009. The previous reporting period was for a period of six months ended 30 June 2008 pursuant to an ASIC approval received by the Group on 22 February 2008 enabling the Group to change its balance date and hence the comparatives are not comparable.

(c) Statement of compliance

The financial report of Headline Group Limited and its subsidiaries, and Headline Group Limited as an individual parent company, complies with all Australian equivalents to International Financial Reporting Standards (AIFRS) in their entirety. Compliance with AIFRS ensures compliance with International Financial Reporting Standards (IFRS).

(d) New accounting Standards and Interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2009 but have not been applied in preparing this financial report:

- AASB 3 Business Combinations changes the application of acquisition accounting for business combinations and the accounting for non-controlling (minority) interests. Key changes include: the immediate expensing of all transaction costs; measurement of contingent consideration at acquisition date with subsequent changes through the income statement; measurement of non-controlling (minority) interests at full fair value or the proportionate share of the underlying net assets. The revised standard which becomes mandatory for the Group's 30 June 2010 financial statements, will be applied prospectively and therefore there will be no impact on prior periods in the Group's 2010 consolidated financial report. The Group has not yet determined the potential effect of the accounting standard on the Group's 2010 results.
- AASB 8 Operating Segments replaces the presentation requirements of segment reporting in AASB 114 Segment Reporting. AASB 8 is applicable for annual reporting periods beginning on or after 1 January 2009 and is not expected to have an impact on the financial results of the company of the group as the standard is only concerned with disclosures.
- Revised AASB 101 Presentation of Financial Statements introduces as a financial statement (formerly "primary" statement) the "statement of comprehensive income". The revised standards does not change the recognition, measurement or disclosure of transactions and events that are required by other AASBs. The revised AASB 101 will become mandatory for the Group's 30 June 2010 financial statements. It is expected to have a significant impact on the presentation of the financial statements.

HEADLINE GROUP LIMITED & CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) New accounting Standards and Interpretations not yet adopted (continued)

- Revised AASB 123 Borrowing Costs removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The group has not adopted the standard early and will have no effect on the amounts recognised in the financial statements.
- Revised AASB 127 Consolidated and Separate Financial Statements changes the accounting for investments in subsidiaries. Key changes include: the remeasurement to fair value of any previous / retained investment when control is obtained / lost, with any resulting gain or loss being recognised in profit or loss; and the treatment of increases in ownership interest after control is obtained as transactions with equity holders. The group has not adopted the standard early and will have no effect on the amounts recognised in the financial statements.
- AASB 2008-1 Amendments to Australian Accounting Standard – Share-based Payment Vesting Conditions and Cancellations changes the measurement of share-based payments that contain non-vesting conditions. AASB 2008-1 becomes mandatory for the Group's June 2010 financial statements. The Group has not yet determined the potential effect of the amending standard on the Group's financial report.
- AASB 2008-2 Amendments to Australian Accounting Standards: Puttable Financial Instruments and Obligations arising on Liquidation. AASB 2008-2 introduces an exception to the definition of financial liability to classify as equity instruments certain puttable financial instruments and certain instruments that impose on an entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation of the entity. Adoption of AASB 2008-2 will result in certain puttable financial instruments covered by the standard being reclassified from financial liabilities to equity. This amendment of AASB 132 also necessitates consequential amendments to AASB 7, AASB 101, AASB 139 and Interpretation 2. There is unlikely to be a material change in the financial statements on adoption of these amendments
- AASB 2008-5 Amendment to Australian Accounting Standards arising from the Annual Improvements Process and 2005-6 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process affect various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments, which become mandatory for the Group's 30 June 2010 financial statements, are not expected to have any impact on the financial statements.
- AASB 2008-7 Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
 - (a) amends AASB 1 to allow first-time adopters, in their separate financial statements, to use a deemed cost option for determining the cost of an investment in a subsidiary, jointly controlled entity or associate. The deemed cost of such an investment can be either its:
 - (i) fair value (determined in accordance with AASB 139 Financial Instruments: Recognition and Measurement) at the entity's date of transition to Australian-equivalents-to-IFRSs; or
 - (ii) previous GAAP carrying amount at that date.
 - (b) A first-time adopter may choose either deemed cost option to measure its investment in each subsidiary, jointly controlled entity or associate that it elects to measure using a deemed cost;
 - (c) removes from AASB 118 the requirement to deduct dividends declared out of pre-acquisition profits from the cost of an investment in a subsidiary, jointly controlled entity or associate. Therefore, all dividends from a subsidiary, jointly controlled entity or associate are recognised by the investor as income;

HEADLINE GROUP LIMITED & CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) New accounting Standards and Interpretations not yet adopted (continued)

- (d) amends AASB 127 to require, in particular circumstances, a new parent entity established in a group reorganisation to measure the cost of its investment at the carrying amount of the share of the equity items shown in the separate financial statements of the original parent at the date of the reorganisation. The relevant circumstances include that the reorganisation involves:
- (i) the new parent obtaining control of the original parent through an exchange of equity instruments;
 - (ii) no change to the group's assets and liabilities; and
 - (iii) no change to the owners' absolute and relative interests in the net assets; and
- (e) amends AASB 136 to include recognising a dividend from a subsidiary, jointly controlled entity or associate, together with other evidence, as an indication that the investment in the subsidiary, jointly controlled entity or associate may be impaired.

The interpretation which becomes mandatory for the Group's 30 June 2010 financial report, is not expected to have a material impact on the financial report of the Group.

Main features of newly issued or amended Australian Interpretations

Interpretation 17 Distributions of Non-cash Assets to Owners.

This Interpretation provides guidance on how an entity should measure distributions of assets other than cash when it pays dividends to its owners, except for common control transactions.

This Interpretation clarifies that:

- (a) a dividend payable should be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity;
- (b) an entity should measure the dividend payable at the fair value of the net assets to be distributed; and
- (c) an entity should recognise the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss.

The Interpretation also requires an entity to provide additional disclosures if the net assets being held for distribution to owners meet the definition of a discontinued operation. The interpretation which becomes mandatory for the Group's 30 June 2010 financial report, is not expected to have a material impact on the financial report.

Interpretation 18 Transfers of Assets from Customers . The Interpretation addresses the following issues:

- (a) Is the definition of an asset met?
- (b) If the definition of an asset is met, how should the transferred item of property, plant and equipment be measured on initial recognition?
- (c) If the item of property, plant and equipment is measured at fair value on initial recognition, how should the resulting credit be accounted for?
- (d) How should the entity account for a transfer of cash from its customer?

The interpretation which becomes mandatory for the Group's 30 June 2010 financial report, is not expected to have a material impact on the financial report

(e) Basis of consolidation

The consolidated financial statements comprise the financial statements of Headline Group Limited and its subsidiaries referred to collectively throughout these financial statements as the "Group".

The financial statements of all but one of the Group's subsidiaries are prepared for the same reporting period as the parent company using consistent accounting policies.

In preparing the consolidated financial statements, all inter-company balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

HEADLINE GROUP LIMITED & CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Basis of consolidation (continued)

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which Headline Group Limited has control.

The acquisition of subsidiaries is accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of the business combination to the fair value of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition.

Investments in subsidiaries held by Headline Group are accounted for at costs in a separate financial statement of the parent entity.

(f) Business combinations

The purchase method of accounting is used to account for all business combinations 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 combination.

The excess of the cost of the business combination over the net fair value of the Group's share of identifiable net assets acquired is recognised as goodwill.

(g) Segment reporting

A business segment is distinguishable component of the entity that is engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographic segment is a distinguishable component of the entity that is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different than those of segments operating in other economic environments.

(h) Foreign currency translation

Both the functional and presentation currency of Headline Group Limited and its Australian subsidiaries is Australian Dollars (\$).

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All exchange differences in the consolidated financial report are taken to the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currency of the overseas subsidiary Skansen Giftware (UK) Limited is Pounds Sterling (GBP).

As at the reporting date the assets and liabilities of the overseas subsidiary is translated into the presentation currency of Headline Group Limited at the rate of exchange ruling at the balance sheet date and the income statement is translated at the weighted average exchange rates for the period.

The exchange differences arising on the retranslation are taken directly to a separate component of equity, being the foreign currency reserve.

HEADLINE GROUP LIMITED & CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with maturity of 4 months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included within interest-bearing loans and borrowings in current liabilities on the balance sheet.

(j) Trade and other receivables

Trade receivables are recognised at fair value and subsequently at amortised cost using the effective interest rate method. Trade receivables, which generally have 30-90 day terms.

An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

(k) Inventories

Inventories are valued at the lower of cost or net realisable value.

Costs incurred in bringing each product to its present location and condition is accounted for as follows:

Finished goods and work-in-progress – cost of direct materials, freight and import charges.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(l) Derivative financial instruments

The Group uses derivative financial instruments such as forward currency contracts to hedge its risks associated with foreign currency fluctuations. Such derivative financial instruments are stated at fair value.

Forward currency contracts are entered into where agreements are made to buy or sell specified amounts of foreign currencies in the future at a predetermined exchange rate. The objective is to match the contract with anticipated future cash flows from sales and purchases in foreign currencies, to protect against the possibility of loss from future exchange fluctuations. The forward currency contracts are usually for no longer than 6 months.

The Company does not apply hedge accounting as it does not meet the very strict requirements of the standard. The fair value of forward currency contracts are recognised through the income statement when the underlying transaction is recognised in income. Net receipts and payments are recognised through the income statement. Any gains or losses arising from changes in fair value are taken directly to the income statement.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

(m) Non-current assets and disposal groups held for sale and discontinued operations

Non-current assets and disposal groups are classified as held for sale and measured at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction. For an asset or disposal group to be classified as held for sale, it must be available for immediate sale in its present condition and its sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

HEADLINE GROUP LIMITED & CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Non-current assets and disposal groups held for sale and discontinued operations (continued)

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the income statement.

(n) Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses.

Land and buildings are measured at fair value, based on periodic but at least triennial valuations by external independent valuers, less accumulated depreciation on buildings and less any impairment losses recognised after the date of valuation.

Depreciation is calculated on a straight-line basis on all property, plant and equipment, other than freehold land.

Major depreciation periods are:

	2009	2008
• Plant and equipment	5 to 15 years	5 to 15 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

The carrying values of fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of fixed assets is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the period the item is derecognised.

(o) Recoverable amount of assets

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(p) Leases

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit or loss.

HEADLINE GROUP LIMITED & CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Leases (continued)

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as the lease income.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

(q) Trade and other payables

Trade payables and other payables represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

(r) Provisions and employee leave benefits

Provisions are recognised when the Group has a current obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Provision is made for long service leave and annual leave estimated to be payable to employees on the basis of statutory and contractual entitlements.

(s) Share-based payment transactions

In 2003 the Group provided benefits to employees of the Group in the form of share-based payment transactions, whereby employees were granted rights over shares ('equity-settled transactions') as part of their salary and incentive scheme.

The Employee Share Option Plan is currently the only plan in place and no further options have been granted since 2003. The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by management using the Black-Scholes model.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Headline Group Limited ('market conditions').

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the grant date fair value of the award (ii) the number of awards that, in the opinion of the directors of the Group, will ultimately vest and (iii) the extent to which the vesting period has expired. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

HEADLINE GROUP LIMITED & CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Share-based payment transactions (continued)

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

(t) Issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options, or for the acquisition of a business, are included in the cost of the acquisition as part of the purchase consideration.

(u) Revenue

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards are considered passed to the buyer at the time the goods have been despatched to the customer.

Interest

Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

Dividends

Revenue is recognised when the Group's right to receive payments is established.

Royalties

Revenue is recognised when the Company receives the royalty statement from the licensee.

(v) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- except where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

HEADLINE GROUP LIMITED & CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Income tax (continued)

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised; and
- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

Headline Group Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, Headline Group Limited and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The Group has applied the group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, Headline Group 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 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.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly –owned tax consolidated entities.

(w) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

HEADLINE GROUP LIMITED & CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Other taxes (continued)

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(x) Earnings per share

Basic earnings per share is calculated as net profit attributable to members, adjusted to exclude costs of servicing equity (other than dividends) divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members, adjusted for:

- costs of servicing equity (other than dividends);
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average numbers of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In applying the Group's accounting policies management continually evaluates judgements, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Group. All judgements, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the judgements, estimates and assumptions. Significant judgements, estimates and assumptions made by management in the preparation of these financial statements are outlined below:

i) SIGNIFICANT ACCOUNTING JUDGEMENTS

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise these temporary differences.

HEADLINE GROUP LIMITED & CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

	Notes	CONSOLIDATED		PARENT ENTITY	
		12 Months	6 Months	12 Months	6 Months
		30 June 2009	30 June 2008	30 June 2009	30 June 2008
		\$'000	\$'000	\$'000	\$'000
4. REVENUE					
Revenue from sales of goods		11,588	5,966	-	-
Interest received – external parties		517	309	467	305
Inter-company dividends received		-	-	-	1,013
Total revenues from ordinary activities		12,105	6,275	467	1,318
5. OTHER INCOME					
Profit on sale of property (Lisarow)		103	-	-	-
Write back of provision for royalty claims		255	-	246	-
Sundry Income		53	-	-	-
		411	-	246	-
6. EXPENSES AND LOSSES/(GAINS)					
(a) Expenses – continuing operations					
Depreciation of non-current assets		199	22	17	6
Bad and doubtful debts					
Trade debtors - other persons		110	120	-	100
Finance costs expensed					
Interest expense - HP		2	-	2	-
Total finance costs expensed		2	-	2	-
Employee benefits expense					
Wages and salaries		3,514	1,915	792	344
Workers compensation costs		91	16	-	-
Superannuation costs		240	129	56	35
		3,845	2,060	848	379
Forward foreign exchange contracts Loss/(Gain)		272	-	-	-
Rental – operating leases		264	205	-	72
(b) Significant Expenses					
Fair value adjustment on foreign exchange forward contracts outstanding		272	-	-	-
Restructuring expenses #		360	-	-	-
Impairment of assets held for sale		198	-	-	-
Provision for royalties claims	17	-	522	-	522
Impairment of investments in subsidiary companies		-	-	-	2,058

Included in 'Restructuring expenses' is inventory write down of \$115,000 (2008: \$Nil)

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HEADLINE GROUP LIMITED & CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

CONSOLIDATED		PARENT ENTITY	
12 Months 30 June 2009 \$'000	6 Months 30 June 2008 \$'000	12 Months 30 June 2009 \$'000	6 Months 30 June 2008 \$'000

7. INCOME TAX

Major components of income tax expense/(benefit) for 30 June 2008 and 30 June 2009 :

Income Statement

Current income tax

Current income tax charge	-	33	-	27
Relating to origination and reversal of temporary differences	(315)	10	28	(63)

Income tax expense/(benefit) reported in the income statement

(315)	43	28	(36)
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Numerical reconciliation between aggregate tax expense recognised in the income statement and tax expense calculated per the statutory income tax rate.

A reconciliation between tax expense and the product of accounting loss before income tax multiplied by the Group's applicable income tax rate as follows:

Accounting loss before tax from continuing operations

(1,878)	(1,059)	(650)	(2,199)
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Total accounting loss before income tax

(1,878)	(1,059)	(650)	(2,199)
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At the Group's statutory income tax rate of 30% (2008: 30%)

(563)	(318)	(195)	(660)
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Non deductible expenses / (non assessable) items

(206)	178	(171)	482
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Other

-	3	-	-
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Tax losses not brought to account

636	147	394	115
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Adjustment to prior year tax accounts

(182)	33	-	27
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Aggregate income tax expense/(benefit)

(315)	43	28	(36)
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HEADLINE GROUP LIMITED & CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

	BALANCE SHEET		INCOME STATEMENT	
	12 Months 30 June 2009	6 Months 30 June 2008	12 Months 30 June 2009	6 Months 30 June 2008
	\$'000	\$'000	\$'000	\$'000
7. INCOME TAX (continued)				
Deferred income tax				
Deferred income tax at 30 June 2009 relates to the following				
<i>CONSOLIDATED</i>				
<i>Deferred tax liabilities</i>				
Fair value adjustment to land and buildings classified as held for sale (Note 8)	(79)	(321)	(242)	-
Gross deferred tax liabilities	<u>(79)</u>	<u>(321)</u>		
<i>Deferred tax assets</i>				
Leave entitlements	86	106	20	2
Other employee related	11	28	17	(18)
Provision for doubtful debts	30	30	-	(30)
Stock obsolescence and other accruals	42	14	(28)	79
Unrealised exchange loss	82	-	(82)	-
Gross deferred tax assets	<u>251</u>	<u>178</u>		
<i>Made up as follows:</i>				
Continuing operations	<u>251</u>	<u>178</u>		
	<u>251</u>	<u>178</u>		
Deferred tax expense/(benefit)			<u>(315)</u>	<u>33</u>
<i>Aggregate deferred income tax expense is attributable to:</i>				
Continuing operations			<u>(315)</u>	<u>33</u>
			<u>(315)</u>	<u>33</u>
<i>PARENT</i>				
<i>Deferred tax assets</i>				
Leave entitlements	18	17	1	(92)
Other employee related	-	30	(30)	(7)
Accruals and other	17	16	1	(55)
Gross deferred tax assets	<u>35</u>	<u>63</u>		
Transfer of deferred tax asset to subsidiary				<u>187</u>
Deferred tax income/(expense)			<u>(28)</u>	<u>33</u>

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7. INCOME TAX (continued)

Tax losses

Headline Group Limited management are yet to determine whether the losses will be available as they are subject to passing either the continuity of ownership or same business test criteria as outlined in the Income Tax Assessment Act.

The Australian tax consolidated group has approximately \$14 million of tax losses (\$4.2 million tax effected).

TAX CONSOLIDATION

Headline Group Limited and its 100% owned subsidiaries are a tax consolidated group. Members of the group have entered into a tax sharing arrangement in order to allocate income tax expense to the wholly owned subsidiaries on the basis as if they were individual tax entities.

8. ASSETS AND LIABILITIES HELD FOR SALE

a) Details of operations disposed

One property at Lisarow (Gosford, NSW) was sold in 2008. The remaining property is included in the 'Assets classified as Held for Sale' and is expected to be sold in the next 12 months. An impairment charge of \$198,000 was recognised during the year to align the carrying value of the asset with its fair value less cost to sell.

The major classes of assets and liabilities as at :

	30 June 2009	30 June 2008
	\$'000	\$'000
Assets		
Land & Buildings	1,775	4,622
Other assets	29	14
Cash and cash equivalents	1	17
Assets classified as held for sale	<u>1,805</u>	<u>4,653</u>
Liabilities		
Trade and other payables	5	44
Deferred tax liabilities	79	321
Liabilities directly associated with assets classified as held for resale	<u>84</u>	<u>365</u>

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	CONSOLIDATED		PARENT ENTITY	
	12 Months 30 June 2009	6 Months 30 June 2008	12 Months 30 June 2009	6 Months 30 June 2008
	\$'000	\$'000	\$'000	\$'000
9. DIVIDENDS PAID				
Dividends paid during the year	-	-	-	-
	-	-	-	-
Franking credit balance				
The amount of franking credits available for the subsequent financial year are :				
Franking account balance as at the end of the financial year at 30% (2008: 30%)			2,996	2,996
Franking debits that will arise from the refund of income tax payable as at the end of the financial year			-	-
			<u>2,996</u>	<u>2,996</u>
	30 June 2009	30 June 2008	30 June 2009	30 June 2008
	\$'000	\$'000	\$'000	\$'000
10. CASH AND CASH EQUIVALENTS				
Cash at bank and in hand	1,031	1,137	901	758
Deposits at call	8,600	6,000	8,600	6,000
	<u>9,631</u>	<u>7,137</u>	<u>9,501</u>	<u>6,758</u>
Cash at bank and in hand earns interest at floating rates based on daily deposit rates and fixed interest				
The fair value of cash and cash equivalents is \$9,631,000 (2008: \$7,137,000)				
Reconciliation of cash to cash flow statement				
For the purposes of the cash flow statement, cash and cash equivalents comprise the following at 30 June 2009				
Cash at bank and in hand	9,631	7,137	9,501	6,758
	<u>9,631</u>	<u>7,137</u>	<u>9,501</u>	<u>6,758</u>
Cash at bank and in hand attributable to discontinued operations (note 8)	1	17	-	-
	<u>9,632</u>	<u>7,154</u>	<u>9,501</u>	<u>6,758</u>

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	CONSOLIDATED		PARENT ENTITY	
	12 Months 30 June 2009	6 Months 30 June 2008	12 Months 30 June 2009	6 Months 30 June 2008
	\$'000	\$'000	\$'000	\$'000
10. CASH AND CASH EQUIVALENTS (continued)				
Reconciliation of the net loss after tax to the net cash flows from operations				
Net loss after tax	(1,563)	(1,102)	(678)	(2,163)
Depreciation of non-current assets	199	22	17	6
Gain on sale of properties	(103)	-	-	-
Impairment change on assets held for sale	198	-	-	-
Impairment of inter-company investment	-	-	-	2,058
Doubtful debts	-	100	-	-
Transfer interest received to investing cash flows	(517)	(309)	(467)	(305)
Inter-company dividends	-	-	-	(1,013)
Fair value adjustment on foreign exchange contracts outstanding	272	-	-	-
Other non-cash items	10	29	-	-
Changes in assets and liabilities				
(Increase)/decrease in trade receivables	863	1,520	129	4,262
(Increase)/decrease in inventory	584	(768)	-	836
(Increase)/decrease in tax asset	109	-	109	-
(Increase)/decrease in deferred tax asset	(73)	10	28	(63)
(Increase)/decrease in prepayments / sundry debtors	(115)	57	(61)	159
(Decrease)/increase in trade and other payables	6	(574)	391	(1,378)
(Decrease)/increase in provisions	(317)	504	(248)	201
(Decrease)/increase in deferred tax liability	(242)	-	-	-
Net cash flow from operating activities	(689)	(511)	(780)	2,600

The consolidated entity and the parent entity have bank bills/letter of credit facility.

Financing facilities available

At reporting date, the following financing facilities had been negotiated and were available:

Total facilities

Bank overdraft	-	900	-	900
Trade finance	-	200	-	200
Standby bank bills	-	2,300	-	2,300

Non-cash financing and investing activities

During the year the consolidated entity and the parent entity did not acquire any plant and equipment by way of finance leases except for a motor vehicle under hire purchase facility.

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	Notes	CONSOLIDATED		PARENT ENTITY	
		30 June 2009	30 June 2008	30 June 2009	30 June 2008
		\$'000	\$'000	\$'000	\$'000
11. TRADE AND OTHER RECEIVABLES (CURRENT)					
Trade receivables		2,054	2,955	-	229
Provision for impairment of trade receivables	(a)	(100)	(138)	-	(100)
		1,954	2,817	-	129
Loans	(b)	500	775	500	775
Sundry Debtors		152	-	60	-
Loan to controlled entities (wholly owned)		-	-	1,144	4,198
		2,606	3,592	1,704	5,102

(a) Allowance for impairment loss for continuing operations

Trade receivables are non-interest bearing and are generally on 30 day terms except for some who are on 60-90 day terms. A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. An impairment loss of \$110,000 (2008: \$120,000) has been recognised by the Group and \$ Nil (2008: \$100,000) by the Company in the current year. During the year the trade debtors amounting to \$110,000 were considered fully impaired and written directly to the Income Statement. The amount has been included in the administration expenses item.

Movements in the provision for impairment loss were as follows:

	Consolidated		Parent	
	12 Months 30 June 2009	6 Months 30 June 2008	12 Months 30 June 2009	6 Months 30 June 2008
	\$'000	\$'000	\$'000	\$'000
Opening balance	138	18	100	18
Amounts charged/(written back) during the year	110	120	-	100
Utilised during the year	(148)	-	(100)	(18)
Closing balance	100	138	-	100

As at 30 June 2009, the ageing analysis of trade receivables is as follows:

		Total	0-30	31-60	31-60	61-90	61-90	+91	+91
			days	days	days	days	days	days	days
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2009	Consolidated	2,054	1,109	50	337	49	222	187	100
	Parent	-	-	-	-	-	-	-	-
2008	Consolidated	2,955	614	35	673	37	669	789	138
	Parent	229	-	-	-	-	-	129	100

* Past due not impaired ('PDNI')
 Considered impaired ('CI')

Receivables past due but not considered impaired are: Consolidated \$746,000 (2008: \$2,131,000); Parent \$ Nil (2008: \$129,000). The Company has been in direct contact with the relevant debtor and is satisfied that payment will be received in full.

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

11. TRADE AND OTHER RECEIVABLES (continued)

(b) Loans

The loan for 2009 represents loan given to the vendors of the Kids Central business (refer to note 31). The Loan is repayable on demand and carries an interest rate equal to Westpac's standard variable home loan rate per annum. The outstanding amounts under the loan is expected to be recovered in the following year on acquisition of the Kids Central business.

The loan for 2008 of \$775,000 represents the deferred consideration receivable towards the Central Station settlement and was received during the year.

Other balances within trade and other receivables do not contain impaired assets and are not past due. It is expected that these other balances will be received when due.

	CONSOLIDATED		PARENT ENTITY	
	30 June 2009	30 June 2008	30 June 2009	30 June 2008
	\$'000	\$'000	\$'000	\$'000
12. INVENTORIES (CURRENT)				
Finished goods	1,020	1,604	-	-
	1,020	1,604	-	-
13. OTHER ASSETS (CURRENT)				
Prepayments	45	83	1	-
Other	-	14	-	-
	45	97	1	-
14. INVESTMENTS IN CONTROLLED ENTITIES (NON-CURRENT)				
Investments comprise:				
Shares in controlled entities – unlisted at cost	-	-	9,901	14,993
Less provision for impairment	-	-	(6,001)	(11,093)
	-	-	3,900	3,900

(a) Investment in controlled entities

	Country of incorporation	Percentage of equity interest held by the consolidated entity		INVESTMENT	
		30 June 2009	30 June 2008	30 June 2009	30 June 2008
		%	%	\$'000	\$'000
Skansen Pty Limited	Australia	100	100	3,900	3,900
BK Online Pty Limited	Australia	100	-	-	-
RPA Plastics Pty Limited #	Australia	n/a	100	-	655
Mastertech Pty Limited #	Australia	n/a	100	-	3,840
A.C.N. 000 950 649 Pty Limited	Australia	100	100	6,047	6,047
XTen Innovations Pty Limited #	Australia	n/a	100	-	597
Dodo Holdings Pty Limited	Australia	100	100	-	-
Skansen Giftware (UK)	UK	100	100	-	-
				9,947	15,039
Less					
Consolidation elimination				(46)	(46)
Provision for impairment				(6,001)	(11,093)
# Theses controlled entities were deregistered during the year				3,900	3,900

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	CONSOLIDATED		PARENT ENTITY	
	30 June 2009	30 June 2008	30 June 2009	30 June 2008
	\$'000	\$'000	\$'000	\$'000
15. PROPERTY, PLANT AND EQUIPMENT (NON-CURRENT)				
Plant and equipment				
At cost	1,617	1,508	61	35
Accumulated depreciation	(1,096)	(925)	(25)	(14)
Total written down value	521	583	36	21

Assets

Included in "Assets classified as held for sale" (Refer Note 8(a)) are Freehold Land and Buildings.

Reconciliations of the carrying amount of fixed assets at the beginning and end of the current financial year.

Plant and equipment

Carrying amount at beginning	583	306	21	306
Additions	159	643	40	-
Disposals	(22)	(344)	(8)	(279)
Depreciation expense	(199)	(22)	(17)	(6)
	521	583	36	21

16. TRADE AND OTHER PAYABLES (CURRENT)

Trade Payables	962	854	-	-
Other Payables	187	250	206	339
Loan from controlled entities (wholly owned)	-	-	524	-
	1,149	1,104	730	339

Australian dollar equivalent of amounts payable in foreign currencies not effectively hedged:

US Dollars	293	221	-	-
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HEADLINE GROUP LIMITED & CONTROLLED ENTITIES
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Notes	CONSOLIDATED		PARENT ENTITY	
	30 June 2009	30 June 2008	30 June 2009	30 June 2008
	\$'000	\$'000	\$'000	\$'000
17. PROVISIONS				
Current employee benefits	214	260	62	56
Disputed royalties claims (a)	-	522	-	522
	214	782	62	578
Non-current employee benefits	83	99	-	-
	83	99	-	-

(a) On 19 August 2008, Headline received a claim from the Australian Mechanical Copyright Owners Society Limited for an amount of \$522,000. The claim was due to AMCOS's audit conducted on Destra Limited who purchased our Entertainment Division on 30 September 2006.

Responsibly, a provision was recognised for this amount in the June 2008 results.

In October 2008, the claim was settled at \$267,333. This resulted in a write back of \$254,667 from the provision account.

(b) Movement in provision

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

	2009	2008
	\$'000	\$'000
Consolidated - Disputed royalties claims		
Carrying amount at the start of the year	522	-
Amount provided during the year	-	522
Amount paid	(267)	-
Amount written back to Income Statement	(255)	-
Carrying amount at the end of year	-	522

	CONSOLIDATED		PARENT ENTITY	
	12 Months 30 June 2009	6 Months 30 June 2008	12 Months 30 June 2009	6 Months 30 June 2008
	\$'000	\$'000	\$'000	\$'000
18. DERIVATIVE FINANCIAL INSTRUMENTS (CURRENT)				
Forward foreign exchange contracts Loss/(Gain)	272	-	-	-
	272	-	-	-

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	Notes	CONSOLIDATED		PARENT ENTITY	
		30 June 2009	30 June 2008	30 June 2009	30 June 2008
		\$'000	\$'000	\$'000	\$'000
19. ISSUED CAPITAL					
(a) ISSUED AND FULLY PAID					
- 119,690,390 ordinary shares fully paid (2008: 119,690,390)		31,001	31,001	31,001	31,001
(b) MOVEMENT IN SHARES ON ISSUE					
		12 Months 30 June 2009		6 Months 30 June 2008	
		Number of shares	\$'000	Number of shares	\$'000
Beginning of the financial year		119,690,390	31,001	120,045,847	31,050
Share buy-back	(i)	-	-	(355,457)	(49)
End of the financial year		119,690,390	31,001	119,690,390	31,001

(i) Share buyback plan announced 13 April 2007 (Appendix 3C).

(c) NATURE AND PURPOSE OF RESERVES

Share options

The share option reserve is used to record the value of equity benefits provided to vendors of business as part of the sale. Refer to note 23 for further details.

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

(d) TERMS AND CONDITIONS OF CONTRIBUTED EQUITY

Ordinary Shares

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

There is no limited amount of Authorised Capital.

(e) SHARE OPTIONS

During the year, 750,000 options lapsed (note 23).

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NOTES TO THE FINANCIAL STATEMENTS

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20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise receivables, payables, bank loans and overdrafts, cash and short-term deposits and forward foreign exchange contracts (derivative financial instruments). These activities expose the Group to a variety of financial risks: market risk (including currency risk, interest rate risk), credit risk and liquidity risk.

The Directors manage the different types of risks to which it is exposed by considering risk and monitoring levels of exposure to interest rate and foreign exchange risk and by being aware of market forecasts for interest rate and foreign exchange. Ageing analyses and monitoring of specific credit allowances are undertaken to manage credit risk, liquidity risk is monitored through general business budgets and forecasts.

The Group and the Parent entity hold the following financial instruments:

Consolidated Entity

	Fixed interest rate		Floating interest rate		Non interest bearing		Total	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Financial assets								
Cash and cash equivalents	8,600	6,000	1,032	1,014	-	140	9,632	7,154
Trade debtors	-	-	-	-	2,113	2,817	2,113	2,817
Loans	-	775	500	-	-	-	500	775
<i>Financial Assets</i>	8,600	6,775	1,532	1,014	2,113	2,957	12,245	10,746
Financial liabilities								
Borrowings	27	-	-	-	-	-	27	-
Derivative financial instruments	-	-	-	-	272	-	272	-
Trade and other payables	-	-	-	-	1,149	1,104	1,149	1,104
<i>Financial Liabilities</i>	27	-	-	-	1,421	1,104	1,448	1,104
Net Exposure	8,573	6,775	1,532	1,014	692	1,853	10,797	9,642

Parent entity

	Fixed interest rate		Floating interest rate		Non interest bearing		Total	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Financial assets								
Cash and cash equivalents	8,600	6,000	901	758	-	-	9,501	6,758
Trade and other receivables	-	-	-	-	60	129	60	129
Loans	-	775	500	-	-	-	500	775
<i>Financial assets</i>	8,600	6,775	1,401	758	60	129	10,061	7,662
Financial liabilities								
Borrowings	27	-	-	-	-	-	27	-
Trade and other payables	-	-	-	-	206	339	206	339
<i>Financial liabilities</i>	27	-	-	-	206	339	233	339
Net Exposure	8,573	6,775	1,401	758	(146)	(210)	9,828	7,323

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NOTES TO THE FINANCIAL STATEMENTS

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20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Risk Exposures and Responses

Interest rate risk

The Group's exposure to market interest rates relates primarily to the Group's short term deposits held.

Sensitivity analysis

The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance sheet date.

Management considers the below movements in interest rates to have a material impact on the Group's interest rate exposure.

At as 30 June 2009, if interest rates had moved, as illustrated in the table below, with all other variables held constant, loss and equity would have been affected as follows:

	Consolidated entity		Parent entity	
	12 Months 30 June 2009	6 Months 30 June 2008	12 Months 30 June 2009	6 Months 30 June 2008
	\$'000	\$'000	\$'000	\$'000
If interest rates were 1% higher	77	36	75	34
If interest rates were 1% lower	(77)	(36)	(75)	(34)

Foreign currency risk

The Group has transactional currency exposures. Such exposure arises from purchases by Skansen Pty Ltd in currencies other than the unit's measurement currency.

The Group's exposure to foreign currency risk as at 30 June 2009 is as follows:

	12 Months 30 June 2009	6 Months 30 June 2008
	\$'000	\$'000
Forward exchange contracts (by foreign currency) - USD	1,045	218
Trade Payables – USD	293	221
	1,338	439

Group Sensitivity

Based on the financial instruments held as at 30 June 2009, had the Australian Dollar weakened or strengthened by 10% against the US Dollar with all other variables held constant, the Group's post-tax loss and equity for the year would have been higher or lower by \$154,000 and \$140,000 respectively.

Foreign currency contracts as at 30 June 2008 had short maturity periods and hence no sensitivity analysis has been provided as the exposure was insignificant.

Management considers the above movements in foreign currency rates to have a material impact on the Group's foreign currency risk exposure.

Credit Risk

Credit risk arises from the Group's cash and cash equivalents, deposits with banks as well as credit exposure to wholesale and independent retail customers.

The Group trades only with recognised, creditworthy third parties.

It is the Group policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis. The Group's exposure to bad debts is not significant.

The Group's exposure to credit risk is detailed in the applicable note.

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20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

The Group's objective is to maintain sufficient available funding to meet its operational commitments and acquisitions that may arise. The need for available funds is monitored through the preparation and maintenance of future rolling cash flow forecast.

The Group's financial liabilities as at balance date comprise of trade payables and foreign currency forward contracts; and under the agreed terms, they are payable within 3 months of balance date.

Fair values

All assets and liabilities recognised in the balance sheet, whether they are carried at cost or at fair value, are recognised at amounts that represents a reasonable approximation of fair values unless otherwise stated in the applicable notes.

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	Notes	CONSOLIDATED		PARENT ENTITY	
		12 Months 30 June 2009 \$'000	6 Months 30 June 2008 \$'000	12 Months 30 June 2009 \$'000	6 Months 30 June 2008 \$'000
21. ACCUMULATED LOSSES					
Balance at the beginning of the financial year		(15,411)	(14,309)	(16,099)	(13,936)
Loss for the year / period		(1,563)	(1,102)	(678)	(2,163)
Share based options cancelled and other adjustments		134	-	134	-
Total available for appropriation		(16,840)	(15,411)	(16,643)	(16,099)
Dividends paid	9	-	-	-	-
Balance at end of the financial year		(16,840)	(15,411)	(16,643)	(16,099)
22. COMMITMENTS AND CONTINGENCIES					
(a) Lease expenditure commitments					
Operating Leases					
- not later than one year		296	225	296	225
- later than one year and not later than five years		466	762	466	762
- aggregate lease expenditure contracted for at balance date		762	987	762	987
(b) Lease expenditure commitments					
Financial Leases					
- not later than one year		11	-	11	-
- later than one year and not later than five years		16	-	16	-
- aggregate lease expenditure contracted for at balance date		27	-	27	-
(c) Remuneration commitments					
Commitments for the payment of salaries and other remuneration under long term employment contracts in existence at the reporting date but not recognised as liabilities payable:					
- not later than one year		835	835	835	835
- later than one year and not later than five years		-	-	-	-
		835	835	835	835

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23. SHARE OPTIONS

No options were granted during the reporting year

	12 Months	6 Months
	30 June 2009	30 June 2008
	Exercise price	Exercise price
	62 cents	62 cents
Balance of options issued at beginning of year	750,000	750,000
Lapsed	(750,000)	-
Balance of options issued at end of year	-	750,000
Options exercisable at beginning of year	750,000	750,000
Lapsed	(750,000)	-
Options exercisable at end of year	-	750,000

Details of options

Options exercisable at 62 cents

- Granted 11 November 2003
- No dividend or voting rights
- Vesting 50%; 30 June 2004; 25% 30 June 2005; and 25% 30 June 2006
- Expiry date 11 November 2008
- Under the Black Scholes model the fair value of the options was valued at 18 cents
- Dividend yield 4%
- Expected volatility 50.0%
- Risk-free rate 5.0%
- Expected life 5 years
- Option exercise price 62 cents
- Share price at date of grant 54 cents

There have been no conversions before the expiry date.

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	12 Months 30 June 2009	6 Months 30 June 2008	12 Months 30 June 2009	6 Months 30 June 2008
	000's	000's	EPS	EPS
24. EARNINGS PER SHARE				
Basic earnings per share				
(a) Net loss from continuing operations	(1,563)	(\$1,102)	(1.31c)	(0.92c)
(b) Net loss attributable to members of Headline Group Limited	(1,563)	(\$1,102)	(1.31c)	(0.92c)
(c) Weighted average number of ordinary shares (in thousands) on issue used in the calculation of basic earnings per share	119,690	119,929		
Diluted earnings per share				
(d) Net loss from continuing operations	(1,563)	(\$1,102)	(1.31c)	(0.92c)
(e) Net loss attributable to members of Headline Group Limited	(1,563)	(\$1,102)	(1.31c)	(0.92c)
(f) Weighted average number of ordinary shares (in thousands) on issue used in the calculation of diluted earnings per share	119,690	119,929		

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HEADLINE GROUP LIMITED & CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

25. KEY MANAGEMENT PERSONNEL

Details of directors and key management personnel

(i) Directors

G Elkington	Executive Chairman
B Dennison	Managing Director
G Choo	Executive Director / Chief Financial Officer
J Fox	Chairman (resigned in July 2008)
R Montgomery	Non-Executive Director (resigned in May 2009)

(ii) Key management personnel

I Gordon	Company Secretary
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Key management compensation

Detailed remuneration disclosures are provided in Sections A – E of the Remuneration Report on pages 8 – 11.

	CONSOLIDATED		PARENT	
	12 Months 30 June 2009	6 Months 30 June 2008	12 Months 30 June 2009	6 Months 30 June 2008
	\$	\$	\$	\$
Short-term employee benefits	716,967	407,082	716,967	407,082
Post-employment benefits	54,599	27,545	54,599	27,545
Non-monetary benefits	20,000	5,000	20,000	5,000
	791,566	439,627	791,566	439,627

Shareholdings in Headline Group Ltd of directors and key management personnel

	<i>Balance as at 1 July 2008</i>	<i>Granted as remuneration</i>	<i>Options exercised</i>	<i>Net change other</i>	<i>Balance at 30 June 2009</i>
Directors					
G Elkington	6,170,000	-	-	1,639,846	7,809,846
B Dennison	-	-	-	13,959,154	13,959,154
G Choo	100,000	-	-	(17,433)	82,567
J Fox (resigned in July 2008)	213,188	-	-	-	N/A

HEADLINE GROUP LIMITED & CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

	CONSOLIDATED		PARENT ENTITY	
	12 Months 30 June 2009	6 Months 30 June 2008	12 Months 30 June 2009	6 Months 30 June 2008
	\$	\$	\$	\$
26. AUDITORS' REMUNERATION				
Amounts received or due and receivable by the auditors of Headline Group Limited for:				
– an audit or review of the financial report of the entity and any other entity in the consolidated entity	94,359	45,000	94,359	45,000
– other assurance services in relation to the entity and any other entity in the consolidated entity	5,106	4,000	5,106	4,000
	99,465	49,000	99,465	49,000

27. RELATED PARTY DISCLOSURES

(a) The directors of Headline Group Limited during the financial year were:

- G Elkington
- B Dennison (appointed in July 2008)
- G Choo
- J Fox (resigned in July 2008)
- R Montgomery (appointed in July 2008 & resigned in May 2009)

(b) Interests in subsidiaries are shown in Note 14.

(c) Headline Group Limited is the ultimate parent entity.

(d) The following related party transactions occurred during the financial year. All were on normal commercial terms and conditions unless stated otherwise:

(i) *Transactions with related parties in wholly-owned group*

1. Loans made by Headline Group Limited to controlled entities (wholly-owned) repayable on demand \$1,144,000 (2008: \$4,198,000); and
2. Loans made to Headline Group Limited by controlled entities (wholly-owned) repayable on demand \$524,000 (2008: \$Nil).

(ii) *Transactions with director-related entities.*

There were no transactions with director-related entities up to 30 June 2009.

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HEADLINE GROUP LIMITED & CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

28. SEGMENT INFORMATION

Primary segment

Year ended 30 June 2009

Business Segments

	Giftware	Property	Others	Total
	\$'000	\$'000	\$'000	\$'000
REVENUE				
Sales to external customers	11,588	-	-	11,588
Other income		160	-	160
	11,588	160	-	11,748
Unallocated revenue	-	-	-	768
Total segment revenue	-	-	-	12,516
RESULT				
Segment result	(1,112)	(70)	-	(1,182)
Unallocated revenue less unallocated expenses	-	-	-	(696)
Consolidated entity result	-	-	-	(1,878)
Income tax (expense)/benefit	-	-	-	315
Net profit/(loss) for the year	-	-	-	(1,563)
Assets				
Segment assets	3,925	1,805	-	5,730
Unallocated assets	-	-	-	10,149
Total assets	-	-	-	15,879
Liabilities				
Segment liabilities	1,174	84	-	1,258
Unallocated liabilities	-	-	-	571
Total liabilities	-	-	-	1,829
Other segment information				
Capital expenditure	91	-	50	141
Depreciation	160	22	17	199
Fair value adjustment on foreign exchange forward contracts outstanding	272	-	-	272
Impairment of assets held for sale	-	198	-	198
Restructuring expenses	360	-	-	360

HEADLINE GROUP LIMITED & CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

28. SEGMENT INFORMATION (continued)

6 Months 30 June 2008

Business Segments

	Giftware	Property	Others	Total
	\$'000	\$'000	\$'000	\$'000
REVENUE				
Sales to external customers	5,966	-	-	5,966
Unallocated revenue	-	-	-	309
Total segment revenue	5,966	-	-	6,275
RESULT				
Segment result	194	(38)	-	156
Unallocated revenue less unallocated expenses	-	-	-	(1,215)
Consolidated entity result	-	-	-	(1,059)
Income tax (expense)/benefit	-	-	-	(43)
Net profit/(loss) for the year	-	-	-	(1,102)
Assets and liabilities				
Segment assets	5,324	4,653	-	9,977
Unallocated assets	-	-	-	7,976
Total assets	-	-	-	17,953
Segment liabilities	1,069	365	-	1,434
Unallocated liabilities	-	-	-	916
Total liabilities	-	-	-	2,350
Other segment information				
Capital expenditure	363	-	-	363
Depreciation	64	22	6	92

Secondary Segment

Headline Group Limited and its subsidiaries operate predominantly in one geographical area, being Australia, except Skansen Giftware (UK) Limited which operates in the United Kingdom. The entity does not meet the requirements of a separate reportable segment.

29. CAPITAL MANAGEMENT STRATEGY

Headline Group and its subsidiaries objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns to shareholders, benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. There are no externally imposed capital requirements.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt. Consistently with others in the industry, Headline Group monitors capital on the basis of the gearing ratio.

During the year, the Group's strategy has been to not carrying any debt in its balance sheet which was unchanged from last year.

30. EVENTS SUBSEQUENT TO REPORTING DATE

Effective on 20 August 2009 the Company entered into a business combination whereby it acquired 67% of the issued capital in Skansen KCG Pty Limited ("Skansen KCG"). Skansen KCG is a newly formed company set up to acquire the Beanie Kids business of the Company and the Kids Central/Early Learning Centre business which is a leading retailer in the Parent's and children's fashion and toys retail segment.

HEADLINE GROUP LIMITED & CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

30. EVENTS SUBSEQUENT TO REPORTING DATE (continued)

The acquisition involves:

- 1) Skansen Pty Limited (“Skansen”) the wholly owned subsidiary of the Company and operator of the Beanie Kids business selling the Beanie Kids assets and business for a total consideration of \$4.5 million, which is to be satisfied by issue of 4.5 million shares in Skansen KCG Pty Limited to Skansen.
- 2) Get to Know Pty Limited, The Kids Department Store Pty Limited, Early Learning Centre (Australia) Pty Ltd, Early Learning Centre (Systems) Pty Limited, Michael Lewis, Bump Media Pty Limited and Early Learning Centre Limited (New Zealand) (collectively known as the “KDS Group” or “Vendors”), the vendors of the Kids Central /Early Learning Centre business selling the Kids Central/Early Learning Centre assets and business for a total consideration of \$4.15million, which is to be satisfied by the issue of 1.65 million shares at \$1 each in Skansen KCG and the issue of \$2.5 million in redeemable convertible notes. Each convertible note is convertible at the option of the note holder into one share in Skansen KCG and carries an interest rate of Westpac variable home loan rate plus 3%. The notes will be secured by way of fixed and floating charge over all the assets of the Company.
- 3) Headline Group Limited to subscribe for \$4.0 million in redeemable convertible notes in Skansen KCG. The Convertible notes will carry a coupon rate of Westpac variable home loan rate plus 3% and are convertible into one share in Skansen KCG at the option of Headline Group Ltd. Any interest outstanding on the Convertible note may be converted into 50% equity and the balance satisfied in cash. The notes will be secured by way of fixed and floating charge over the assets of the Company and rank ahead of the convertible notes issued to KDS Group above.
- 4) Both Headline Group Limited and the KDS Group receive an option to invest a further \$3 million and \$1 million respectively on the same terms as the original convertible notes.

Completion of the transaction is subject to certain completion conditions. The ultimate fair value of net identifiable assets acquired and resulting goodwill /intangible assets by Skansen KCG are not able to be determined at the date of this statement as completion adjustments are yet to be finalised.

Apart from the matter above, no other matters or circumstances have arisen since the end of year which significantly affected the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in the financial year subsequent to 30 June 2009.

Headline Group Limited and Controlled Entities **DIRECTORS' DECLARATION**

The directors of Headline Group Limited declare that:

- (a) in the directors' opinion the financial statements and notes on pages 19 to 55, and the remuneration disclosures that are contained in the Remuneration report in the Directors' report, set out on pages 8 to 11, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's and the consolidated entity's financial position as at 30 June 2009 and of their performance, for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2 (c); and
- (c) (d) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations by the chief executive officer and chief financial officer for the financial year ended 30 June 2009, required by Section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of the directors.



Gordon Elkington
Executive Chairman

30 September 2009

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INDEPENDENT AUDITOR'S REPORT

To the members of Headline Group Limited

Report on the Financial Report

We have audited the accompanying financial report of Headline Group Limited, which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration for both Headline Group Limited ('the Company') and of the consolidated entity. The consolidated entity comprises the Company and the entities it controlled at the year end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company 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 controls 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 2 (c), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with Australian Equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

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.

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 a basis for our audit opinion.

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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 Headline Group Limited is in accordance with the *Corporations Act 2001*, including:
 - i) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2009 and of its 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*.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2(c).

Report on the Remuneration Report

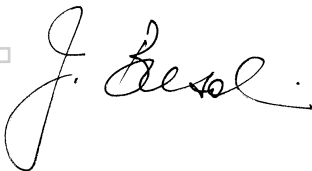
We have audited the Remuneration Report included in pages 8 to 11 of the directors' report for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Headline Group Limited for the year ended 30 June 2009, complies with section 300A of the *Corporations Acts 2001*.



PKF



John Bresolin
Partner

30 September 2009
Sydney

HEADLINE GROUP LIMITED & CONTROLLED ENTITIES

SHAREHOLDER INFORMATION

FOR THE YEAR ENDED 30 JUNE 2009

Additional information required by the Australian Stock Exchange Limited not shown elsewhere in this report is as follows:

The information is current as at 22 July 2009

1. Substantial shareholders

Shareholder	Shares	%
ANZ Nominees Limited	16,681,650	13.9
B Dennison	13,959,154	11.7
Clime Investment Management Ltd	11,536,692	9.6
Black Mountain Corp. P/L / G Palumbo and M Williams	8,155,000	6.8
Cobarm P/L / G & J Elkington	7,809,846	6.5
D Edwards	6,000,000	5.0

2. Securities subject to voluntary escrow:

Nil

1. Statement of shareholdings

Shareholder	<i>20 largest shareholders ordinary shares No. of shares</i>
ANZ Nominees Limited	16,681,650
B Dennison	13,959,154
Clime Investment Management Ltd	11,536,692
D Edwards	6,000,000
Cobarm Pty Limited	5,136,792
G Palumbo	3,950,000
M Williams	3,950,000
Equipment Company of Australia P/L	3,890,508
UBS Wealth Management Australia Nominees P/L	2,553,077
Contemplator Pty Ltd	2,500,000
KP & NR Investments P/L	2,051,428
Wavet Fund No 2 P/L	2,000,000
D & M Schwartz	1,950,843
Oasys Australia P/L	1,538,461
G & J Elkington	1,349,202
RBC Dexia Investor Services Australia Nominees P/L	1,290,143
JW & M Laurie	1,201,050
G Elkington	900,000
I Schwartz	822,278
The Sports Café (Australia) P/L	800,000
R Smyth	800,000
	84,861,278

Proportion held by 20 largest holders 70.9%

Number of shareholders holding less than a marketable parcel

<i>Shareholder spread ordinary shares</i>	No. of holders
1 - 1,000	42
1,001 - 5,000	171
5,001 - 10,000	129
10,001 - 100,000	380
100,001 - Over	98
	820

4. Voting rights

Ordinary shares - carry one vote per share without restriction.

HEADLINE GROUP LIMITED & CONTROLLED ENTITIES **DIRECTORY**

DIRECTORS

Gordon Elkington
Executive Chairman

Brent Dennison
Managing Director

George Choo
Executive Director / Chief Financial Officer

Ian Gordon
Company Secretary

HEAD OFFICE

Headline Group Limited (ACN 060 199 082)

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Telephone 02 9230 0808
Facsimile 02 9230 0807

SHARE REGISTRY

Computershare Investor Services Pty Limited

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SYDNEY NSW 2000

Telephone 02 8234 5000
Facsimile 02 8234 5050
www.computershare.com

AUDITORS

PKF
Chartered Accountants & Business Advisors
Level 10
1 Margaret Street
SYDNEY NSW 2000

HEADLINE GROUP COMPANIES

Skansen Giftware (ACN 128 276 175)

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