HEADLINE Group Limited

A.C.N. 060 199 082

APPENDIX 4E

PRELIMINARY FINAL STATEMENTS

For The Year Ended 30 June 2010

Headline Group Ltd
Appendix 4E

For the year ended 30 June 2010

RESULTS FOR ANNOUNCEMENT TO THE MARKET

	June 10 12 Months $ 000	% Change	June 09 12 Months $ 000
Revenues from sales of goods	**31,081**	168%	11,588
Loss from operating activities before tax attributable to members	**(4,119)**	(118)%	(1,888)
Net loss after tax for the period attributable to members	**(3,185)**	(102)%	(1,573)
Basic loss per share (cents) attributable to members	**(2.66)**	n/a	(1.31)
Diluted loss per share (cents) attributable to members	**(2.66)**	n/a	(1.31)
Weighted average no. of shares	**119,690,390**		119,690,390
Net tangible asset backing per ordinary share (cents)	**4.5**	(62)%	11.7

DIVIDENDS

Dividends (distributions)	Amount per Security	Franked amount per security
Final dividend	Nil	Nil
Previous corresponding period	Nil	Nil

Details of entities over which control has been gained or lost during the period

On 1st October 2009, Headline acquired 73% of Skansen KCG Pty Ltd.

Contribution to the reporting entity's loss from ordinary activities during the year before non-controlling interest $3.2 million

FINANCIAL INFORMATION
See financial statements as attached.

* Please note, that due to the truncated previous reporting period and as a result of the significant change in the shape and structure of Skansen over the course of the year, previous years' trading comparisons are difficult and not necessarily applicable.

COMMENTARY

OVERVIEW

- Following a year of investment in establishing the platform for the roll out of Mothercare and ELC across Australia, HLD is reporting an after tax loss of $3.2m post accounting for minority interests.
- Growth was achieved via the Kids Central acquisition from $12m turnover in 08/09 to $31.3m in 09/10, with forecast revenue to exceed $60m in 2010/11.
- 2009 Operating EBITDA loss result of ($1.55m) for Skansen KCG in line with forecast.
- Mothercare now successfully launched in Australia with assumptions re competitive advantage validated.
- Mothercare UK to become a substantial investor in HLD (subject to shareholder approval) which improves significantly HLD's cash position.
- Giftware business harvested strengthening further HLD's statement of financial position.
- Headline to take up 100% of Skansen KCG in the near term.
- Combination of organic store roll outs and acquisitions to deliver national footprint – finalising first acquisition in WA a key step forward.

Dear Shareholder,

2009/10 marked a new era for The Headline Group ("HLD"). Following the investment in Mothercare and ELC Australia via the acquisition of a controlling interest in the Kids Central Group last October, HLD entered a period of substantial investment to return the company to a strong growth trajectory. While the previous 2008/09 year represented the final year of restructuring, 2009/10 has been a period of investment where the company has returned to growth and has put in place the pillars to achieve significant returns in the coming three to four years.

The HLD board is announcing an HLD after tax loss of $3.18m. The loss is characterized by the following:

- Revenue for the group increased to $31.1m, up from $12.1m – underlining HLD's return to scale.
- The operating loss for the Skansen KCG business – the remaining HLD operating subsidiary of which it owns 73% - was in line with projections in HLD's May Trading Update.
- Transaction costs, including stamp duty of $0.68m.
- Restructuring costs of $0.24m due to redundancy and stock write downs as the Beanie Kids and the Kids Central businesses were integrated.
- Depreciation and Amortisation of $0.95m.

Overall, the 2009/10 loss is a function of HLD positioning the company to take advantage of the growth opportunity that is associated with rolling out the Mothercare and ELC parenting retail businesses to a national footprint.

To support the roll out, the board has invested in:

- Marketing and brand positioning
- Establishing Mothercare's online presence
- Training across a broader base of customer service advisors such that new stores have strong customer service propositions immediately when opened, inculcating the Mothercare Service DNA
- Increased resources at head office, including retail design and store fit out project management such that the knowledge and expertise of Mothercare store openings remains in-house

- Administration for the required management systems to be put in place
- Cost efficient sourcing ex China of fixtures & fittings for new store rollouts
- New, dedicated Mothercare Distribution Centre set up and operational in NSW

We would also note that the retail environment in which the Mothercare roll out and ELC and Kids Central businesses are operating remains challenging. Across the board, major Australian retailers are reporting softness in demand and increased consumer price sensitivity. As the macroeconomic environment improves, this will provide additional impetus to the growth of the new HLD retail businesses.

- **Trading**

  The 2009/10 year post the acquisition of Kids Central was about consolidating the existing operations, committing capital to put in place the foundations for accelerated growth and launching the Mothercare brand in Australian. Importantly, the performance of the stores has validated the critical assumptions regarding Mothercare's margin advantage and product category breadth that underpinned the initial HLD investment strategy. As per the May trading announcement, we have incurred in 2009/10 expansion expenses and capital expenditure that were in early estimates expected to be incurred in the following year (this, the 2010/11 financial year). This was the key contributing factor to the trading loss reported for 2009/10.

  Q1 of this new financial year is seeing us continue the roll out of Mothercare and Early Centre. With the Garden City Mothercare already open in Queensland, we will unveil during September two additional large format Mothercare stores at Highpoint and Knox in Victoria. A new ELC location is also being opened in Wellington in New Zealand to leverage the strength of the ELC brand in that market.

  We have also begun the process in Q1 of transforming a number of the legacy Kids Central locations by inserting the Mothercare brand into store. While it is very early to report the results from this initiative, the gross margin impact has been positive as expected. We expect the sales results from the Mothercare inserts to continue to improve as the merchandise mix is refined, and we undertake greater communication to inform the loyal customer base that Mothercare is now available in the Kids Central locations.

  Revenue in 2010/11 will reach $60m, continuing on the growth exhibited in 09/10.

  We did experience margin pressure in the first month of this financial year as a result of the massive department store toy sales that occurred. We endeavoured to maintain market share to protect a position in the market long term, and while we achieved this objective we did so at the expense of Gross Margin in July. During August, the gross margin has recovered to budgeted levels. Overall, year-to-date the Mothercare categories are generating margins consistent with forecasts, and we expect the ELC business to be in a position to recuperate its 2010/11 gross profit targets during the all-important Q2 Christmas period for the toy business.

  With respect to the HLD balance sheet, the cash initially invested to fund the initial Mothercare roll out and establish the necessary platform for profitable growth has now been replenished with the Mothercare plc $12.2m investment that was announced in July 2010. Hence, the HLD statement of financial position is as strong now as it was at the outset of the Kids Central/Mothercare Australia investment strategy last September.

- **New business/acquisitions**

  As referred to above, the company has taken on significant investment ($12.2m) from Mothercare plc to accelerate the roll out of Mothercare and Early Learning Centre locations across Australia. As part of this acceleration, HLD is finalising the acquisition of Baby On A Budget ("BoaB") in Western Australia. This acquisition brings to the business significant management experience in the parenting retail sector, $11m in revenue and $0.75m in EBIT. We anticipate closing the transaction in the first quarter of this financial year.

  The Australian parenting retail sector remains fragmented, and we anticipate it to experience further consolidation in the near term. With Mothercare plc's financial and human resources support, HLD will look to further participate by way of acquisition in this inevitable market consolidation.

Our July 2010 announcement also foreshadowed the acquisition of the remaining minority stake in Skansen KCG. The completion of this transaction is imminent, and will provide HLD with the complete equity upside associated with the Mothercare and ELC roll out.

- **Divestment**

  As per our announcement today, the Beanie Kids and gift wholesaling business has been divested as part of the process of focusing HLD on its Mothercare, ELC and Kids Central retail operations,. Effective September 1st, ZooSkyMedia will take over the operations of the Beanie Kids brand, online presence and the associated Skansen giftware lines. While this will have an estimated \$0.5M impact on the projected EBITDA for the business in 2010/11, it provides additional cash for what is the equivalent of 4 new large format Mothercare stores.

- **Dividends**

  Headline is preserving its cash reserves for the funding requirements of the ongoing development of the business. The Company anticipates paying dividends in the near future when it returns to profitability.

  Headline currently has franking credits of \$3 million enabling the payment of fully franked dividends of \$7 million. Available tax losses are approximately \$14 million.

- **Audit**

  The financial report for the year ended 30 June 2010 is in the process of being audited.

<u>Summary</u>

The HLD board is extremely buoyant about the current position of the company. We are excited about the team and resources that the 2009/10 investment has put in place, and the recent Mothercare plc acquisition of 25% of the business has secured the roll out funding requirements for the company. Contrary to the 2008/09 loss announcement which related to further restructuring, the 2009/10 loss was about investing to establish the necessary platform for HLD to capitalize upon the profitable growth inherent in the Mothercare and Early Learning Centre roll out in Australia and New Zealand. Shareholders have been rewarded with significant capital appreciation over the past 12 months, and the board is looking forward to delivering the forecast returns over the next 3 to 4 years. We certainly recognize the challenges of a successful execution of the accelerated growth strategy, but believe we have put the necessary pillars in place over the past 10 months to ensure the company is the best possible position to achieve its medium term growth and profitability objectives.

Regards,

Gordon Elkington
Executive Chairman
31 August 2010

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2010

	Notes	CONSOLIDATED	
		2010	2009
		$'000	$'000
Continuing operations			
Revenue		**31,338**	12,105
Total revenue	2	**31,338**	12,105
Cost of sales		**(15,051)**	(6,794)
Gross profit		**16,287**	5,311
Other income	3	**659**	411
Administration expenses		**(13,334)**	(6,129)
Distribution expenses		**(90)**	(81)
Marketing expenses		**(805)**	(649)
Occupancy expenses		**(5,557)**	(352)
Depreciation	4	**(951)**	(199)
Finance costs	4	**(328)**	(2)
Operating expenses		**(21,065)**	(7,412)
Impairment of assets classified as held for sale		**-**	(198)
Loss from continuing operations before income tax expense		**(4,119)**	(1,888)
Income tax benefit		**65**	315
Loss from continuing operations after income tax benefit		**(4,054)**	(1,573)
Other comprehensive income, net of tax			
Exchange differences on translation of foreign operations		**2**	10
Total comprehensive loss for the year		**(4,052)**	(1,563)
Loss is attributable to:			
Members of Headline Group Limited		**(3,185)**	(1,573)
Non-controlling interest		**(869)**	-
		(4,054)	(1,573)
Total comprehensive Loss is attributable to:			
Members of Headline Group Limited		**(3,184)**	(1,563)
Non-controlling interest		**(868)**	-
		(4,052)	(1,563)

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2010

	Notes	CONSOLIDATED	
		2010	2009
		$'000	$'000
Earnings/(loss) per share for profit attributable to members of Headline Group Limited			
Basic earnings/(loss) per share (cents per share)	10	**(2.66)**	(1.31)
Diluted earnings/(loss) per share (cents per share)	10	**(2.66)**	(1.31)

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

HEADLINE GROUP LIMITED & CONTROLLED ENTITIES

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2010

	Notes	CONSOLIDATED 2010 $'000	2009 $'000
CURRENT ASSETS			
Cash and cash equivalents		**4,805**	9,631
Trade and other receivables		**1,201**	2,606
Inventories		**7,884**	1,020
Derivative financial instruments		**186**	-
Other assets		**207**	45
		14,283	13,302
Assets classified as held for sale	5	**56**	1,805
TOTAL CURRENT ASSETS		**14,339**	15,107
NON-CURRENT ASSETS			
Property, plant and equipment	6	**6,029**	521
Intangibles	7	**6,546**	-
Deferred tax asset		**379**	251
TOTAL NON-CURRENT ASSETS		**12,954**	772
TOTAL ASSETS		**27,293**	15,879
CURRENT LIABILITIES			
Trade and other payables		**8,629**	1,149
Trade finance		**3,144**	-
Provisions		**641**	214
Borrowings – Finance lease		**-**	11
Derivative financial instruments		**-**	272
		12,414	1,646
Liabilities directly associated with the assets classified as held for sale	5	**3**	84
TOTAL CURRENT LIABILITIES		**12,417**	1,730
NON-CURRENT LIABILITIES			
Provisions		**646**	83
Borrowings	8	**2,354**	16
TOTAL NON-CURRENT LIABILITIES		**3,000**	99
TOTAL LIABILITIES		**15,417**	1,829
NET ASSETS		**11,876**	14,050
EQUITY			
Issued capital	9	**31,001**	31,001
Reserves		**118**	(111)
Accumulated losses		**(20,024)**	(16,840)
Equity attributable to the members of Headline Group Limited		**11,095**	14,050
Non-controlling interest		**781**	-
TOTAL EQUITY		**11,876**	14,050

The accompanying notes form an integral part of this Statement of Financial Position.

.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2010

CONSOLIDATED

	Issued capital $'000	Share option reserve $'000	Con. note option reserve $'000	Foreign currency reserve $' 000	Equity reserve	Accum. losses $'000	Total $'000	Non-control Interest $'000	Total equity $'000
As at 1 July 2008	31,001	134	-	(121)	-	(15,401)	15,613	-	15,613
Other comprehensive loss for the year	-	-	-	-	-	(1,573)	(1,573)	-	(1,573)
Foreign currency translation differences	-	-	-	10	-	-	10	-	10
Total comprehensive income for the year	-	-	-	-	-	(1,573)	(1,563)	-	(1,563)
Transactions with owners in their capacity as owners									
Share based payments	-	(134)	-	-	-	134	-	-	-
As at 30 June 2009	31,001	-	-	(111)	-	(16,840)	14,050	-	14,050
As at 1 July 2009	**31,001**	**-**	**-**	**(111)**	**-**	**(16,840)**	**14,050**	**-**	**14,050**
Other comprehensive loss for the year	-	-	-	-	**-**	**(3,185)**	**(3,185)**	**(869)**	**(4,054)**
Foreign currency translation differences	-	-	-	**2**	**-**	**-**	**2**	**-**	**2**
Total comprehensive income for the year	**-**	**-**	**-**	**2**	**-**	**(3,185)**	**(3,183)**	**(869)**	**(4,052)**
Transactions with owners in their capacity as owners									
Reversal of contingent consideration	**-**	**-**	**-**	**-**	**123**	**-**	**123**	**-**	**123**
Non-controlling interest on Kids Central acquisition	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,649**	**1,649**
Issue of convertible notes – equity component, net of deferred tax	**-**	**-**	**104**	**-**	**-**	**-**	**104**	**-**	**104**
As at 30 June 2010	**31,001**	**-**	**104**	**(109)**	**123**	**(20,025)**	**11,094**	**780**	**11,874**

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

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2010

	Notes	CONSOLIDATED	
		2010	2009
		$'000	$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		**34,827**	13,543
Payments to suppliers and employees		**(38,541)**	(14,340)
Interest received		**257**	-
Other revenue		**176**	-
Interest and other finance costs paid		**(454)**	-
Income tax refund		**155**	108
NET CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES		**(3,580)**	(689)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for purchase of business		**438**	-
Purchases of property, plant and equipment		**(2,485)**	(159)
Proceeds from sale of property, plant & equipment		**-**	8
Payment for intangibles - license & development costs		**(393)**	-
Net proceeds from sale of Lisarow Property		**1,811**	2,803
Interest received		**-**	517
Receipt of deferred Central Station settlement		**-**	508
Loan to Kids Central Group		**-**	(500)
Payments for security deposits		**(98)**	-
NET CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES		**(727)**	3,177
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings - trade finance		**774**	-
Repayment of borrowings - convertible notes		**(1,121)**	
Repayment of leases		**(26)**	(10)
Movement in reserves		**(146)**	-
NET CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES		**(519)**	(10)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(4,826)**	2,478
Cash and cash equivalents at beginning of year		**9,632**	7,154
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**4,806**	9,632

(a) Net of disposal costs
(b) Net of royalty claim settlement

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

1. SIGNIFICANT ACCOUNTING POLICIES

This Preliminary Final Report has been prepared in accordance with the recognition and measurement requirements of the Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the Australian Securities Exchange Listing rules as they relate to Appendix 4E. The Preliminary Final Report does not include all the notes of the type normally included in an Annual Financial Report. Accordingly, this report is to be read in conjunction with the consolidated entity's financial report for the year ended 30 June 2009 and interim financial report for the half-year ended 31 December 2009 and any other public announcements made by the Company during the year in accordance with the continuous disclosure requirements of the Corporations Act 2001 and Australian Securities Exchange Listing Rules.

The accounting policies adopted are consistent with those of the previous financial year and the half-year ended 31 December 2009.

	Notes	CONSOLIDATED	
		30 June 2010	30 June 2009
		$'000	$'000
2. REVENUE			
Revenue from sales of goods		**31,081**	11,588
Interest received – external parties		**257**	517
Total revenues from continuing activities		**31,338**	12,105
3. OTHER INCOME			
Profit on sale of property (Lisarow)		**25**	103
Write back of provision for royalty claims		**-**	255
Sundry income		**171**	53
Rental income		**5**	-
Net gain on derivative financial instruments		**458**	
		659	411
4. EXPENSES AND LOSSES/(GAINS)			
(a) Loss before income tax includes the following specific expenses:			
Bad and doubtful debts			
Trade debtors - other persons		**18**	110
Finance costs expensed			
Interest expense - HP		**1**	2
Interest expense – Minority interest		**180**	-
Interest expense - Bank		**147**	4
		328	6
Employee benefits expense			
Wages and salaries		**8,572**	3,514
Workers compensation costs		**111**	91
Superannuation costs		**617**	240
		9,300	3,845
Net loss on derivative financial instruments		**-**	(272)
Rental – operating leases		**4,897**	264

4. EXPENSES AND LOSSES/(GAINS) - continued

(b) Significant Expenses

Restructuring expenses	**244**	360
Impairment of assets held for sale	**-**	198
Transaction expenses related to acquisition	**526**	-

5. ASSETS AND LIABILITIES HELD FOR SALE

a) Details of operations disposed

The remaining property in Lisarow was sold and was settled in full in early May 2010 for a profit of $25,000. It was included in the 'Assets classified as Held for Sale' in June 2009 with an impairment charge of $198,000 recognised 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 2010 $'000	30 June 2009 $'000
Assets		
Land & Buildings	**-**	1,775
Other assets	**55**	29
Cash and cash equivalents	**1**	1
Assets classified as held for sale	**56**	1,805
Liabilities		
Trade and other payables	**3**	5
Deferred tax liabilities	**-**	79
Liabilities directly associated with assets classified as held for resale	**3**	84

	Notes	CONSOLIDATED 30 June 2010 $'000	30 June 2009 $'000
6. PROPERTY, PLANT AND EQUIPMENT (NON-CURRENT)			
Plant and equipment			
At cost		**7,953**	1,617
Accumulated depreciation		**(1,924)**	(1,096)
Total written down value		**6,029**	521
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		**521**	583
Additions		**2,671**	159
Acquisitions through business combinations		**3,865**	-
Disposals		**(77)**	(22)
Depreciation expense	6	**(951)**	(199)
		6,029	521
7. NON-CURRENT ASSETS - INTANGIBLES			
Patents and trademarks – at cost		**5**	-
Less: Impairment		**-**	-
		5	-
Goodwill on acquisition – at cost		**3,607**	-
Less: Impairment		**-**	-
		3,607	-
Licence and development rights		**3,050**	-
Less: Accumulated amortisation		**(116)**	-
		2,934	-
Total Intangibles		**6,546**	-
8. BORROWINGS/FINANCIAL LIABILITIES			
Convertible Notes		**2,354**	-
9 ISSUED CAPITAL			
(a) ISSUED AND FULLY PAID			
- 119,690,390 ordinary shares fully paid 2009: 119,690,390)		**31,001**	31,001

(b) MOVEMENT IN SHARES ON ISSUE

	30 June 2010		30 June 2009	
	Number of shares	**$'000**	Number of shares	$'000
Beginning of the financial year	**119,690,390**	**31,001**	119,690,390	31,001
End of the financial year	**119,690,390**	**31,001**	119,690,390	31,001

	30 June 2010	30 June 2009	**30 June 2010**	30 June 2009
	000's	000's	**EPS (Cents)**	EPS (Cents)
10. EARNINGS PER SHARE				
Basic earnings per share				
(a) Net loss attributable to members of Headline Group Limited	**(3,184)**	(1,563)	**(2.66)**	(1.31c)
(b) Weighted average number of ordinary shares (in thousands) on issue used in the calculation of basic earnings per share	**119,690**	119,690		
Diluted earnings per share				
(d) Net loss attributable to members of Headline Group Limited	**(3,184)**	(1,563)	**(2.66)**	(1.31c)
(e) Weighted average number of ordinary shares (in thousands) on issue used in the calculation of diluted earnings per share	**119,690**	119,690		

11. SEGMENT INFORMATION

Year ended 30 June 2010

Operating Segments

	Retail	Giftware	Total
REVENUE	**$'000**	**$'000**	**$'000**
Sales to external customers	23,534	7,817	31,081
Other income			659
			31,740
Interest revenue			257
Total segment revenue			31,997
RESULT			
Segment contribution/(loss)	(3,113)	(352)	(3,465)
Unallocated revenue and expenses			(652)
Net loss from continuing operations before tax			(4,117)
Income tax (expense)/benefit			65
Net loss for the year			(4,052)
Assets			
Segment assets	20,264	2,668	22,932
Unallocated assets			4,361
Total assets			27,293

Year ended 30 June 2009

Operating Segments

	Retail	Giftware	Total
REVENUE	**$'000**	**$'000**	**$'000**
Sales to external customers	-	11,588	11,588
Other income			411
			11,999
Interest revenue			517
Total segment revenue			12,516
RESULT			
Segment contribution/(loss)	-	(1,112)	(1,112)
Unallocated revenue and expenses			(766)
Net loss from continuing operations before tax			(1,878)
Income tax (expense)/benefit			315
Net loss for the year			(1,563)
Assets			
Segment assets	-	3,925	3,925
Unallocated assets			11,954
Total assets			15,879

Geographical Information
Headline Group Limited and its subsidiaries operate predominantly in one geographical area, being Australia, except Skansen Giftware (UK) Limited and Skansen KCG New Zealand which operate in the United Kingdom and New Zealand respectively. These entities do not meet the requirements of a separate reportable segment.

12. EVENTS SUBSEQUENT TO REPORTING DATE

On 30 July 2010, the Company announced that Mothercare Plc which is listed on the London Stock Exchange investment into the Company was completed following the finalisation of due diligence and documentation being signed.

The investment involves, subject to shareholders' approval at a General Meeting to be held on 30 September 2010,

1) Mothercare Plc ('Mothercare') has agreed to invest $12.2 million of fresh capital to acquire 25% of the Company. Mothercare's investment is made in the form of a convertible note which was drawn down on 30 July 2010.
2) The convertible note will convert to equity. In the event that shareholder approval is not received, the note will be interest bearing and repayable on 31 December 2010.
3) The Company will issue 43,620,000 ordinary shares (representing 25% plus 1 share of the share capital on a fully diluted basis at a conversion price of $0.28 per share).
4) The Company will issue an Option over Headline ordinary shares to Mothercare Finance Limited (MFL). On exercise of the Option, MFL will be entitled to 6,000,000 ordinary shares making the total number of shares to which MFL may become entitled 49,620,000 equivalent to a voting power of approx. 27.5%, assuming that point 3 has taken place.
5) Mothercare's protections under its franchise agreement will be enhanced by the surrender by the Company of its trade marks to Mothercare which will be relicensed to the Company. In addition, Mothercare will nominate one representative to join the Company's Board and certain limited corporate decisions by the Company will require Mothercare approval.
6) The parties will also enter into a development agreement and store conversion plan for Australia and a development agreement for the Mothercare and ELC brands in New Zealand. The increased funding enables us to rapidly roll out to a national footprint both the Mothercare and Early Learning Centre brands. We are looking forward to working closely with Mothercarec to achieve our accelerated expansion plans. As we have mentioned before, Mothercare Plc is the leading global retailer of parenting and children's products with 1,167 stores in 53 countries worldwide, operating under the Mothercare and Early Learning Centre brands.
7) The Company also proposes to acquire 100% ownership of Skansen KCG (now 73%). The Company has proposed to purchase the remaining 27% of shares from minority shareholders in exchange for the repayment of the outstanding convertible note of $2.5 million and the issue of 7,500,000 shares. This acquisition will enable the Company to distribute its franking balance should profits be generated. Additionally, Mr Mike Lewis (responsible for building the Early Learning Centre and Kids Central retail business in Australia) will join the Company's Board.

On 1 June 2010, Headline entered into Heads of Agreement to acquire "Baby On A Budget" (BOAB) in Western Australia for $2 million for 100% of the company, with the purchase price split 50% equity (the Company will issue 3,333,333 shares at $0.30 per share) and 50% cash. In addition, the Company will assume $1.1 million of bank debt currently in BOAB.

Headline is expecting to finalise this acquisition as soon as possible.

On 31 August 2010, the directors of Headline announced the sale of Skansen KCG's giftware business to ZooSkyMedia Pty Ltd for an agreed sale price of $2.5 million with $2 million being received up front and the remaining $0.5 million being payable based on the business achieving budget revenue targets.

Back of Statement