

# HEADLINE

*Group Limited*

Registered Office: C/- McBurney & Partners, Level 10, 68 Pitt Street, Sydney, NSW 2000  
Telephone: (02) 9230 0808; Facsimile: (02) 9230 0807

15 May, 2008

For immediate release to the market

## Chairman's Address – Annual General Meeting

Please find attached for release to the market the Chairman's Address to be given to shareholders at the Company's Annual General Meeting at 11.00 a.m. today.

**Headline Group Limited**



Ian Gordon  
Company Secretary

May 15, 2008

For immediate release to the market

### **Chairman's AGM Address**

On behalf of the Directors of the Headline Group Limited ("HLD") I wish to report to Shareholders the status of the company and outline the strategy going forward which is designed to drive growth, deliver higher shareholder value, and strengthen the company for a positive and profitable future.

After a time consuming and complex period of corporate housekeeping and consolidation, which involved the sale of 5 businesses and the closure of 8 legal entities, HLD now has a solid foundation and is perfectly positioned to take advantage of an array of opportunities.

### **Status**

In the year ended 31 December 2007 HLD reported a net loss after tax of \$2.78 million largely due to write offs, adjustments and closure costs and losses. As a consequence of the loss Directors were unable to consider a dividend payment. Other matters that require comment are;

- **Change of financial year**

Our financial year end will change from 31 December to 30 June, effective 30 June 2008 accordingly our first reporting will be for a 6 month period.

- **Cost Reduction**

As part of the corporate housekeeping and consolidation process the company trimmed \$.9mil from overheads making it a much leaner and efficient operation.

- **Property**

The sale contract on the largest Lisarow property is now unconditional and work has commenced on rectifying the non-compliance issues. Every effort is being made to sell the other Lisarow property and it is just a matter of time.

- **Receipts**

We remain confident that payment of outstanding proceeds from the business sale to Destra will be received as scheduled.

- **Franking Credits**

The available franking credits are in the order of \$3.0mil providing the ability to pay fully franked dividends of \$7.0mil

○ **Dividends**

As mentioned elsewhere your directors were unable to declare a dividend payment for the year however we do expect to be in a position to be able to pay a dividend in financial year 2008/09.

○ **Personnel**

We have streamlined our corporate area by replacing 3 financial personnel with a new CFO and in the Giftware business our plans are underpinned by securing the services of two very experienced and successful people in the role of Licensing and Market Development. I am also pleased to confirm that we have secured the services of our Managing Director, Gordon Elkington for a further three year period.

○ **Market Activity**

- **Trading** - HLD shares have maintained their value despite the recent sharp decline in the ASX All Ordinaries index trading in the range of 13 to 16 cents.
- **Buy Back** - Since January 2007 the company has undertaken a number of on-market Share Buy-Backs which resulted in 2,422,957 shares being acquired at a total cost of \$437,947 which has reduced the total shares on issue to 119,690,390.
- **Register** - As Shareholders would have noticed there has been a significant shift in the register with Clime (CIW and CAM), in its most recent notice to the ASX reporting that it now holds 18.23% of Headline.

## Going Forward

Some would say that to look forward with objectivity you have to understand history to gauge new opportunity. The following comparisons have enabled us to understand where we are today and provide a perspective of what the future could be.

- Interest bearing liabilities – 2004 = \$16.4mil, 2007 = \$nil, better by \$16.4mil.
- Net tangible assets – 2004 = \$10.6mil, 2007 = \$13.9, better by \$3.3mil.
- Cash on hand - 2004 = \$2.0mil, 2007 = \$7.0mil, better by \$5.0mil.

### ***So where are we going?***

Contrary to some, “Aggressively forward, but with proper risk management and a balanced plan to drive profitable growth focused on delivering better shareholder value and vastly improved earnings”.

The starting point is that HLD debt-free, has \$7.3mil cash at bank and forecasts further cash receipts of \$6.1mil from property realisation (Lisarow) and proceeds from business sale receivables (Destra) resulting in total available funds of \$13.0mil plus. In addition HLD's wholly owned subsidiary forecasts earnings in excess of \$2.0mil in financial year 2008/09.

### **The Strategy**

Expressed simply is "to acquire businesses in significant growth sectors that meet defined investment parameters as to risk, opportunity and return whilst driving the profitability of the Giftware business through the extension of products and distribution".

The time is right for investment in new opportunities outside Giftware with prevailing economic factors suggesting that prospective investments will be far more favourably priced, than perhaps, they were in 2007.

### **Skansen**

The easiest thing to do is to deal with what you know and not look "outside the box" – we are not guilty of that, but there is a significant opportunity to grow Giftware and establish the company as the dominant player in its market segment. We have exciting plans in development and acquisition opportunities which are being negotiated. The potential exists to take Giftware and complementary categories to a turnover in the range of \$30 to \$40mil generating earnings of \$4mil plus.

### **New Opportunities**

The "outside the box" opportunities have proven more problematic, having identified and investigated more than 15 in the last 9 months. Whilst opportunities have been identified and pursued, as of this date, nothing has yet been completed.

We are however in advanced discussions with two prospective investments and expect to have an outcome within the next 60 days.

In order to take advantage of the forecast increase in opportunities and, in any event, to increase the number of and accelerate the velocity of opportunities to be evaluated we are near to appointing a dedicated M&A resource that has the competence, experience, energy and commitment to achieve Headline's objectives.

### **Conclusion**

In closing we are confident that with continued shareholder's support your Directors will deliver on the long awaited expectations.

John K Fox  
Chairman